

ISCA Chartered Accountant

May 2017



INDUSTRY PERSPECTIVES

The Future Of Professional Learning And Entrepreneurship

**CAMBODIAN
ACCOUNTING
LEGAL AND
INSTITUTIONAL
FRAMEWORK**

Updates From Cambodia

**AMENDMENTS
TO EP 200,
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**NAVIGATING
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**ISCA's Strategic Priorities
Towards 2020**

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SATURDAY, 27 MAY 2017
6.30AM - 10.30AM
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PRESIDENT'S MESSAGE

STEPPING UP, STEPPING OUT, TOWARDS VISION 2020

Dear members,

We are living in an age of rapid technological change. As pointed out in the report by the Committee on the Future Economy (CFE), entire industries can be taken over by new technologies, even as new opportunities are created. No industry or profession can afford to remain complacent in the face of these disruptive technologies. How can the accounting profession be ready for an increasingly volatile, uncertain, complex and ambiguous world? To help answer this, ISCA and ICAEW again collaborated on the "Our Future Together" series to encourage thought leadership on the future of the accountancy profession.

At the event called "Our Future Together: Future of Professional Learning and Entrepreneurship", ISCA and ICAEW launched the "Industry Perspectives: Future of Professional Learning and Entrepreneurship" report. Drawing insights from a plethora of stakeholders, the report aims to shape the discussion on how education, training and professional learning should be redefined to develop future-ready accountants.

Panelists at the event urged the next generation of accountants to step out of their comfort zones – to stay hungry and curious, even as they continually step up to upgrade their skills and learn to "connect the dots" in complex spaces. The path towards becoming future-ready accountants lies in lifelong learning, acquiring multidisciplinary skill sets and knowledge, and developing an enterprising mindset. As the national accountancy body, ISCA is supporting our members' growth and development, to ensure they are well-

equipped for tomorrow.

Another way we are making our members future-ready is by enhancing the stature of the Institute and our members globally. By stepping up the Institute's international visibility and the *CA (Singapore)* designation, we open doors for our members to explore international career opportunities. This is in line with our vision to be a globally recognised body, and supports the CFE's internationalisation strategy. In the current business landscape where organisations are increasingly internationalised, having credentials that are recognised in Singapore and other financial and business centres will put *CA (Singapore)* members in good stead to achieve their career aspirations, wherever they may be.

On April 4, ISCA signed Reciprocal Membership Agreements (RMAs) with the Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS), two of the most renowned accountancy bodies worldwide. With these RMAs, eligible ISCA members can apply to attain ICAEW's *Associate Chartered Accountant* designation and ICAS' *Chartered Accountant* designation – without having to fulfil additional professional or educational requirements. Similarly, ICAEW and ICAS members can apply for ISCA membership. Clearly, the *CA (Singapore)* designation is becoming a recognised and reputable mark of professional excellence.

ISCA also signed Memorandums of

Understanding (MoUs) with ICAEW and ICAS, setting out a framework for future collaboration on members' activities including access to each other's events and continuous professional education courses.

The news of the RMAs and MoUs was shared at the ISCA New Members Ceremony held on the same day. It was timely news for those present, many of whom were just starting out on their accountancy journey. The event celebrated the efforts and achievements of our new *CA (Singapore)* members, and honoured the contributions of our senior as well as longstanding members.

In recent years, ISCA has been conscientiously bringing the accountancy profession's interests to the fore and has delivered a string of initiatives aimed at adding value to members through the different stages of their career. To drive the Institute's vision, ISCA drew its first strategy map in 2012 which laid out the key priority areas for the Institute. After several iterations, we now have a comprehensive strategy map built on seven key strategic priorities.

The strategic priorities keep the Institute focused on our 2020 vision to be a globally recognised accountancy body, bringing value to our members, the profession, and the wider community. In this issue, we feature two of the strategic priorities and what they mean for members and the profession. Other strategic priorities will be shared in the upcoming months.

I've touched on only a few salient points here. The details, along with other useful resources, are found within these pages. Do take time to read them. Enjoy!

Gerard Ee

FCA (Singapore)
president@isca.org.sg



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Family Businesses Choose Profitability over Preserving Legacy



Continued profitability is more important than preserving their business legacy, according to 93% of business founders in a recent survey by KPMG and CPA Australia.

Titled “Two sides of a coin: Differing perspectives in Singapore’s family businesses”, the survey on family businesses in Singapore also found that 98% of business owners struggle with succession as it is a complex and sensitive issue, requiring more time to develop long-term workable solutions.

In fact, most family businesses in Singapore falter at first transition, with only 13% surviving to the third generation. “Informal governance structures that may have worked well for the founders of the business may not meet the needs and interests of a new generation. With limited external influence, there could be questions about whether family businesses are allowing for rigour in their governance and if they are overlooking the added

value of non-family members,” explains Chiu Wu Hong, Head of Enterprise at KPMG in Singapore.

Among the respondents, 46% cited professionalising the business as a pressing issue, compared to 41% who indicated that retaining family control was of utmost importance.

Almost all founders interviewed recognise that succession planning needs to be addressed with a professional or interpersonal approach. Among successors, many believe that a formal learning process would have given them a holistic understanding of the business faster, which in turn would have enabled them to make a difference to the company’s performance much sooner. They are also more open than founders to let outsiders (or non-family members) run the business, prioritising business sustainability over family control. Over half the respondents (56%) cited the challenge of attracting and retaining talent as the most important issue.

OF CONTROL AND CONFLICT

Defining ownership and managing conflict are also among the top-of-mind issues for family businesses. Regulated ownership issues were one example of what many second- or third-generation family businesses struggle with, such as the trading of shares both inside and outside the family, and how best to implement shareholder agreements.

Often, the owner-founders of large family businesses preferred to pay low dividends and reinvest profits for expansion, rather than dilute ownership by issuing new stock or assuming debt. Despite safeguards to avoid controversy while maintaining business profitability and family control, family members can and will face conflict. Some 60% of founders interviewed said they prefer to make difficult decisions themselves. Only 37% let their successors manage the conflict but remained available for mediation at all times. Among survey respondents, 72% resolved conflict through the intervention of the CEO or chairman.

In the digital arena, all founders interviewed were committed to keeping up with technological advancements, noting that this is an imperative. Yet, almost all respondents were keen to err on the side of caution when it came to investing in technology; 75% see the disruptive power of technology but nine out of 10 business owners interviewed did not outline a specific technology strategy.

Whether a family business thrives over time is more often about leadership than about family succession. “The best successor is the best leader – whether a family member or a professional,” concluded Mr Chiu.

Happy Workers Add to Company Bottom Line

“**H**appy” may not be among the more commonly-used words in Singapore’s competitive workplace, but it should be an “integral part of businesses’ vocabulary”, according to Matthieu Imbert-Bouchard, Managing Director of Robert Half Singapore. He was commenting on a recent Robert Half report, “It’s time we all work happy: The secrets of the happiest companies and employees”, which reveals the drivers behind employee happiness and how businesses can nurture a positive work culture.

Happy employees tend to be “more engaged and motivated”, and are “more productive and innovative”. “Happy employees also generally stay

longer with the business, which prevents companies from the extra costs of recruiting and onboarding new staff. Investing in employee happiness is therefore a good business decision,” he explains.

The report reveals six key factors that contribute to workplace happiness, namely:

- 1) **Right fit for the job and company** When companies hire people who fit well with their workplace culture, they acclimatise with greater ease and begin making substantive contributions quickly.
- 2) **A sense of empowerment** Empowering staff to make decisions on their own, or with

minimal direction from superiors, improves employee happiness.

- 3) **Feeling appreciated** Establishing a positive working environment where employees feel appreciated for the work they do will make employees happier.
- 4) **Interesting and meaningful work** Gaining a sense of meaningful progress and achievement and being proud of the organisation are crucial elements for employee happiness.
- 5) **A sense of fairness** Being treated with fairness and respect - whether it’s about remuneration, decision-making or workplace behaviour - is one of the key drivers of workplace happiness.
- 6) **Positive workplace relationships** Maintaining healthy, supportive workplace relationships is an important source of happiness for employees.

While Singaporean employers may think that salary contributes the most towards their staff’s happiness levels, the report shows that there are multiple factors adding to workplace happiness that go beyond financial rewards. As such, “Singaporean businesses should take a proactive approach towards ensuring workplace happiness by not only promoting staff empowerment and a positive company culture, but also by creating a culture of staff appreciation and fairness and respect for the entire workforce.

“Also finding candidates who are the right fit for the role and the company is a key ingredient for employee happiness,” adds Mr Imbert-Bouchard. These non-monetary ingredients of workplace happiness, when combined, can have a tangible impact on a company’s productivity and profitability.



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ISCA CALENDAR OF EVENTS 2017

MAY

Tuesday	ISCA Economic Updates <i>A New Dawn</i>
09	
Tuesday	Digital Disruptors <i>Movers and Shakers within the Finance and Accountancy Ecosystem</i>
16	
Wednesday	ISCA Breakfast Talk <i>Next Generation Finance – Integrated Business Planning</i>
17	
Monday	ISCA Quality Assurance Seminar – for SMPs <i>REVving up for Tomorrow: be Relevant, be Efficient, Move up the Value chain</i>
22	
Saturday	ISCA Run <i>Gather. Bond. Run. Registration extended till 19 May!</i> www.iscarun.sg
27	

UPCOMING

June	ISCA Breakfast Talk <i>2nd Wednesday of Every Month</i>
14	
June	ISCA Ethics Seminar <i>Do the Right Things - Get In Tune with the Latest Ethics Standards</i>
28	
July	ISCA Breakfast Talk <i>2nd Wednesday of Every Month</i>
12	

SAVE THE DATE

September	Regional White-Collar Crime Investigation Conference <i>Forensic Accounting and Financial Investigation. Organised by ISCA.</i>
28	
October	Singapore Accountancy and Audit Convention <i>Gearing Up for the Accountancy Futurescape. Jointly organised by ACRA, ISCA and SAC.</i> www.saac2017.sg
03	

Dates and events are subjected to change without prior notice.
 For more details, visit www.isca.org.sg

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► ISCA President Gerard Ee and ICAEW President Dr Hilary Lindsay signed the RMA and MoU between the two accountancy bodies



A Significant Milestone

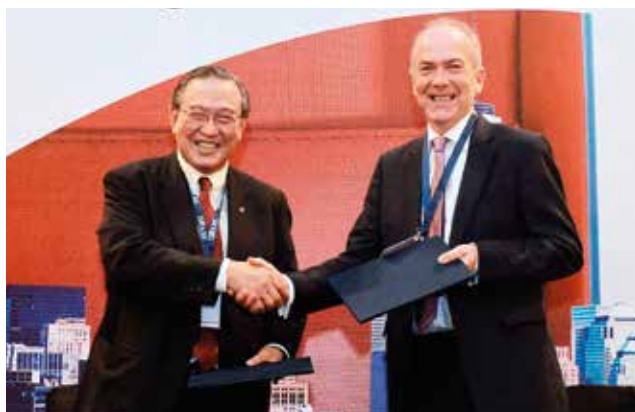
ISCA celebrated a significant milestone with the signing of the Reciprocal Membership Agreements (RMAs) and Memorandums of Understanding (MoUs) with Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS), two of the most prestigious Chartered Accountancy bodies in the world. The RMAs and MoUs were signed by Gerard Ee, President of ISCA and Dr Hilary Lindsay, President of ICAEW, and Professor Mark Allison, Executive Director of Education, ICAS, separately on April 4, at the "Our Future Together: Future of Professional Learning and Entrepreneurship" event organised by ISCA and ICAEW. The event was officiated by Indranee Rajah, Senior Minister of State for Law and Finance.

Under the RMAs, ISCA members can pursue the ICAEW *Associate Chartered Accountant (ACA)* designation and ICAS *Chartered Accountant (CA)* designation without having to fulfil additional professional or educational requirements. To be eligible, the

ISCA member must be a *Chartered Accountant of Singapore*, or *CA (Singapore)*, and has completed the Singapore CA Qualification. This is testament that *CA (Singapore)* members who have completed the Singapore CA Qualification are recognised to be on par with members of ICAEW and ICAS. Similarly, an ICAEW or ICAS *Chartered Accountant* can apply for full membership with ISCA, and attain the *CA (Singapore)* designation – a recognised mark of excellence in business and a prerequisite to practise as a public accountant in Singapore.

A stringent and rigorous assessment process was undertaken by each institute separately to review the qualifying requirements in education, examination, practical experience, professional standards and regulations to reach the reciprocity agreements.

With the MoUs, ISCA will explore further collaboration with ICAEW and ICAS on member services and professional development for their members around the world. This includes granting members mutual access to each institute's events and continuous professional education (CPE) courses.



◀ ISCA President Gerard Ee and ICAS Executive Director of Education Professor Mark Allison signed the RMA and the MoU between the two accountancy bodies

WHAT THE SIGNATORIES SAID ...

“We’re delighted to be able to partner with ISCA to open up new opportunities for both ICAEW and ISCA members through a reciprocal membership and future collaboration on members’ activities. This marks a momentous milestone for us in Singapore and ASEAN as we share our knowledge, insight and technical expertise to help propel growth in the accounting profession.”

DR HILARY LINDSAY, President, ICAEW

“Providing reciprocal membership of ISCA for ICAS CAs creates opportunities for our members to work in one of the world’s most vibrant cities. It also cements ICAS’ position as a truly global institute and helps strengthen ties with our colleagues in Singapore. Both ICAS and ISCA recognise the importance of mutual recognition of qualifications in this dynamic global business environment.”

PROFESSOR MARK ALLISON, Executive Director of Education, ICAS

“The RMAs and MoUs with ICAEW and ICAS represent a significant step forward towards our vision to be a globally recognised professional accountancy body, and supports Singapore’s vision to be a global accountancy hub. In the current business landscape where organisations are increasingly internationalised, having credentials that are recognised in Singapore and other key financial and business centres will put Singapore Chartered Accountants in good stead to achieve their career aspirations, wherever they are.”

GERARD EE, President, ISCA



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IN TUNE

ISCA NEWS



▲ ISCA President Gerard Ee (3rd from left) with panellists (from left) Chew Mok Lee, Assistant Chief Executive, SPRING Singapore; Melvin Tan, Vice Chair, SME Committee, Singapore Business Federation; Chung-Sim Siew Moon, Head of Tax, Ernst & Young Solutions LLP; Dr Chua Hak Bin, Senior Economist, Maybank Kim Eng Research, and Prof Sum Yee Loong, SIATP board member and Professor of Accounting (Practice), SMU

2017 Budget Update and its Tax Implications Seminar

Singapore Budget 2017 was delivered by Finance Minister Heng Swee Keat on February 20. There was something new (new IP incentive), something sweet (income tax rebates) and something bitter (increase in water prices). And there were some who felt Singapore Budget 2017 could have offered more to help businesses, especially SMEs, manage costs.

Regardless of the cornucopia of sentiments that follow each budget announcement, Budget 2017, titled "Moving Forward Together", was very clear in its message on the importance of achieving greater success through partnerships. This is even more critical in times of uncertainty. The message of collaborations reinforced Budget 2016's theme of partnering for the future.

Capturing various insights to gain greater depth of perspectives to leapfrog an increasingly competitive business environment were close to 700 members and guests at the ISCA Budget Seminar.

Kicking off the morning's programme was ISCA President Gerard Ee. In his opening address, he illustrated how ISCA has been supporting the national initiatives to build capabilities for current and future jobs. As the national accountancy body, ISCA is preparing the profession for the future economy and has undertaken a bold refresh of its training programmes, to ensure members are equipped for the challenges and opportunities ahead.

Prof Sum Yee Loong, a board member of the Singapore Institute

▼ Maybank Kim Eng Research's Dr Chua presented an analysis on the Budget and discussed the economic outlook



▲ SMU's Prof Sum offered insights on the tax implications of Budget 2017

of Accredited Tax Professionals and Professor of Accounting (Practice) at Singapore Management University, highlighted the salient points of Budget 2017 and explained the implications through various illustrations. In his usual engaging and tongue-in-cheek comments, Prof Sum offered insights drawn from Budget 2017 and also provided useful comparisons of Singapore's position vis-à-vis key regional and international economies.

Complementing Prof Sum's presentation was a well-analysed walk-through of the world economic outlook by Dr Chua Hak Bin, Senior Economist, Maybank Kim Eng Research.

The half-day seminar climaxed with a panel discussion moderated by Chung-Sim Siew Moon, Head of Tax, Ernst & Young Solutions LLP. Other than Prof Sum and Dr Chua, panellists included Melvin Tan, Vice Chair of the SME Committee, Singapore Business Federation, and Chew Mok Lee, Assistant Chief Executive, SPRING Singapore. The panellists addressed participants' queries on a myriad of issues spanning IP investments to the traits of the employee of tomorrow.



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IN TUNE

ISCA NEWS



Going Full Steam Ahead on Singapore and India Post-Budget Matters



▲ SIATP board member Yee Fook Hong (left) was one of the various participants who actively engaged Mr Rohan in a technical discussion about India's current tax regime

Following the Budget announcements in Singapore and India, tax professionals and business executives were provided with greater clarity on tax issues and the business implications through various events by the Singapore Institute of Accredited Tax Professionals (SIATP).

Besides the privileged access to a wide range of budget seminars, SIATP members also had the opportunity to expand their network with their human

resources counterparts during a post-Budget dialogue jointly organised by SIATP and the Singapore Human Resources Institute. The customised session was facilitated by tax partners from Ernst and Young Solutions LLP.

Separately, Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner at Deloitte Singapore, shed light on the myriad of tax issues in India. Recent rulings of tax cases were also explained, helping participants better understand the perspectives of the Indian tax authority.

Email enquiry@siatp.org.sg to be a step ahead in tax matters.

▲ Helming the panel discussion at the SHRI-SIATP post-Budget Dialogue were Accredited Tax Advisors (from left) Chung-Sim Siew Moon, Wu Soo Mee and Chia Seng Chye

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IN TUNE

ISCA NEWS

ISCA BREAKFAST TALK

Transformation to the Cloud: A Risk-driven Approach

In the past, businesses spent billions of dollars investing in and upgrading their IT hardware and software. With continuous technological advancements, cloud computing enables on-demand network access to a shared pool of configurable computing resources such as storage, applications and

servers. This has benefited many companies looking for ways to increase their productivity and efficiency while still cutting costs.

At the April ISCA Breakfast Talk, Gerry Chng, Advisory Partner and ASEAN Cybersecurity Leader, EY, provided an introduction to cloud computing, and the key concepts

and characteristics that make it appealing. Mr Chng addressed the need for organisations to understand the importance of a holistic and strategic approach before a successful planning and implementation of cloud solution can be made possible. Additionally, it is crucial to take into consideration the company's current IT operating model, and adopt a positive transformation mentality before the full benefits of cloud computing can be achieved.



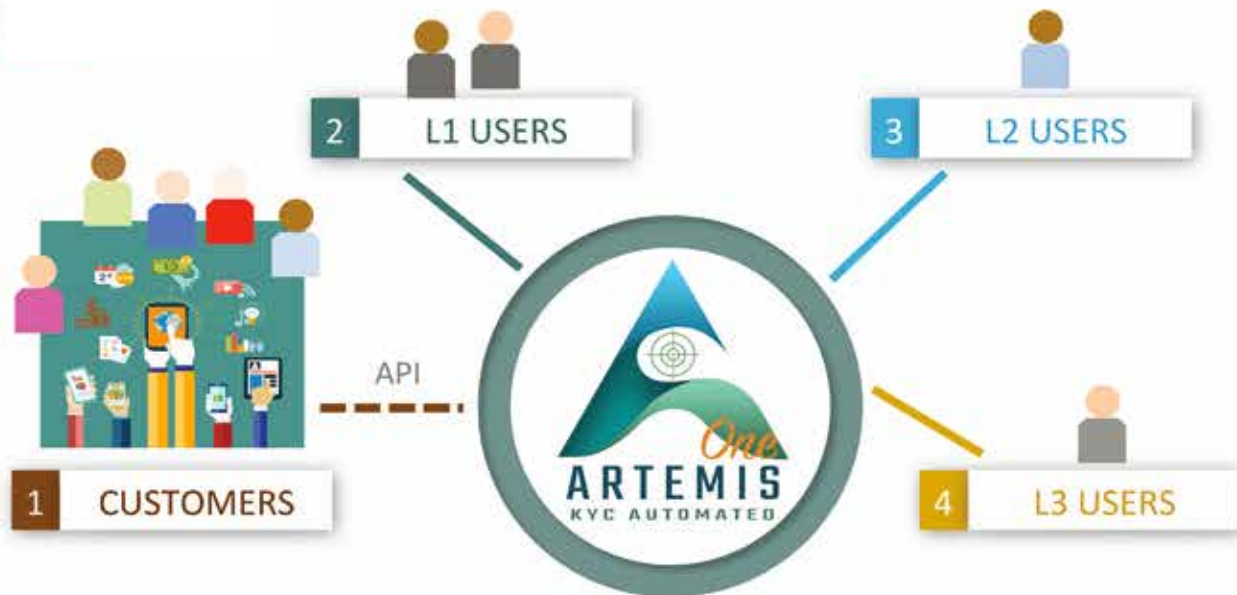
▲ Gerry Chng, Advisory Partner and ASEAN Cybersecurity Leader, EY, touched on the differences among three cloud computing models - private, public and hybrid cloud





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IN TUNE

ISCA NEWS

ISCA New Members Ceremony: A Night of Celebration

With around 400 people in attendance, the New Members Ceremony on April 4 was the biggest edition of the event to date. New members remained the focus of the night, but the excitement was further elevated by the announcement of collaborations with two globally-recognised accountancy bodies and the presentation of awards to top accounting students/candidates.

In his opening address, ISCA President Gerard Ee shared the news of Reciprocal Membership Agreements (RMAs) and Memorandums of Understanding

(MOUs) that were signed with both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS) earlier that day.

The RMAs would further enhance the international standing of ISCA and professional recognition of our members, enabling them to go beyond Singapore to pursue international career opportunities. With the MOUs, a framework for future collaborations was set, providing members with access to a list of enriching events and activities - not just those organised by ISCA but also selected programmes organised by ICAEW and/or ICAS.

This was definitely good news for those present, many of whom are just starting out on their journey as Chartered Accountants (CAs). Joined by distinguished guests and industry leaders, including Guest-of-Honour,

▼ (Anti-clockwise from left) Guest-of-Honour, ISCA Advisor Teo Ser Luck, Minister of State for Manpower; ISCA President Gerard Ee; ISCA CEO Lee Fook Chiew; ICAS Executive Director of Education, Professor Mark Allison, and ICAEW President Dr Hilary Lindsay



▲ (From left) ISCA Vice President Kon Yin Tong exchanging name cards with Life Member Kurian Varughese



▲ Members and scholarship recipients finding out more about membership and qualification programmes





▲ Two newly-conferred Life Members, (from left) Dr Chew Kia Ngee and Navaratnam Velupillai



▲ Members and guests anticipating the start of the evening's programme



▲ Representatives from ISCA Cares, a charity set up by the Institute, shared about the charity and its objectives, and how it provides support to student beneficiaries



▲ ISCA staff providing information about the Institute's member initiatives, such as CPE courses



◀▲ New members connecting with like-minded peers



▲ Life Members networking



ISCA Advisor Teo Ser Luck, Minister of State for Manpower, the event was a celebration of the efforts and achievements of our newly-conferred members in attaining the prestigious *CA (Singapore)* designation.

The contributions of senior members were also honoured. *Fellow CA (Singapore)* certificates were presented to *CA (Singapore)* members of more than 10 years' standing, holding leadership positions

with a proven career track record. Longstanding members who are at least 70 years of age and with 30 years of membership were recognised as Life Members of ISCA; they will continue to enjoy all the benefits of an ISCA membership for life, on a complimentary basis.

During the Life Members Appreciation ceremony, a video featuring Life Members was screened. Five senior members shared their

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▲ As part of the New Members Ceremony programme, ISCA Vice President Kon Yin Tong was invited to share his experiences with the newly-minted CA (Singapore) members



thoughts and words of wisdom on the requisite qualities of a CA, and encouraged the younger members to keep learning so that they can be future-ready, and to be adaptable to embrace challenges.

Mr Teo congratulated the newly-conferred members for joining the league of professional CAs at ISCA. He shared his insights on workplace practices and underscored the importance of preparing for the future. Besides just specialising as an accountant, Mr Teo urged young members to widen their skill sets and consider how they can add value to their work. An edited excerpt of his speech appears in the later part of this article.

At every New Members Ceremony, an experienced industry leader would share his/her experiences with the newly-minted CA (Singapore) members. This time, ISCA Vice President Kon Yin Tong, Managing Partner of Foo Kon Tan LLP, took to the stage. An established leader of the profession and recipient of the Outstanding Practitioner Award at last year's Singapore Accountancy Awards, Mr Kon provided insights on the disruptions, particularly disruptive technology, that are prevalent in today's increasingly complex business environment.

Mr Kon highlighted that accountants should be resilient to counter disruptions and prepare themselves for them. Citing the fact that more than 50% of the Fortune 500 companies registered at the turn of the millennium are no longer in existence today, he spoke about two ways that accountants could be resilient - by being multi-skilled, and collaborating with others to expand their horizons. Mr Kon added that with increased competition from global talents, going overseas can also enhance an accountant's skill sets and employability.

In addition to the membership presentation and appreciation ceremonies, top accountancy students were also presented awards that night - in recognition of their outstanding accomplishments and as a form of



▲ Meeting friends and making new ones



▶ New CA (Singapore) Chng Kang Hai (right) learns more about the *IS Chartered Accountant* journal app from an ISCA staff



◀ Mr Kon with Life Member Ong Tiong Wee (right)



▲ (From left) Mr Kon with ISCA Scholarship recipients: Lee Terence, Michael Theodore Wongsosaputro and Goh En Zhe Luke, SMU; Toh Wen Jun, Chua Yun Xin Joanne, Ng Ee Zhen, Yeo Jing Wen, NUS, and Lim Jian An Glenn, Chong Yonson, Chia Ying Wen, NTU; absent: Tan Yi Zhong, NTU, and Brian Tan Wei Peng, SMU



▲ (From left) Mr Kon with top-performing ISCA Professional Examination candidates: Chan Yuk Ee (Taxation), Lin Jing Xiang (Management Information), Lim Kah Min (Financial Reporting and Disclosure), Chay Wai Ee (Corporate and Business Strategy); absent: He Yongqing (Business and Finance), Tan Pei Liang (Financial Management), Lau Kok Kiong (Business and Company Law and Top Professional Examination Candidate of Year 2016)



◀▲ Members taking the ISCA Oath



support as they embark on their journey as accounting professionals.

The ISCA Scholarship was awarded to 12 accountancy undergraduates from Nanyang Technological University, National University of Singapore and Singapore Management University who have demonstrated academic excellence, leadership qualities and community involvement.

Seven candidates taking the ISCA Professional Examination (PE) and four Singapore CA Qualification candidates were also acknowledged for their outstanding achievements. These PE candidates were top scorers in their respective modules while the Singapore CA Qualification candidates demonstrated



▲ (From left) Mr Kon with Outstanding Singapore CA Qualification candidates: Phua Yanqi (Business Value, Governance and Risk, July 2016), Tan Yan Bing (Taxation, January 2016), Soh Chengyi and Lim Bao Long (Business Value, Governance and Risk, January 2016)

outstanding performance by scoring at least a Distinction in the technical modules in the January and July 2016 intake examinations.

We would like to thank all who made time to join us at the New Members Ceremony in April 2017. We look forward to supporting you throughout your journey as an accounting professional.

View photos and videos from the ceremony at the ISCA Facebook page at <http://fb.com/ISCA.Official/photos>.

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EDITED EXCERPT OF SPEECH BY GUEST-OF-HONOUR, ISCA ADVISOR TEO SER LUCK, MINISTER OF STATE FOR MANPOWER, AT THE ISCA NEW MEMBERS CEREMONY

I am very happy to share the joy of this significant event with all of you, who will join the league of professional Chartered Accountants at ISCA today. This is something close to my heart as I am also an accountancy graduate.

My speech today will centre on jobs. The Singapore economy is expected to grow between 1% and 3% this year. In light of the challenging manpower situation, with declining birth rates and fewer foreign workers to take on jobs where there is a shortage of local workers, companies need to reinvent themselves. Many are going to face productivity challenges. The labour report shows an increase in resident unemployment and redundancies in Singapore. For professionals, managers, executives and technicians (PMETs), which encompass all of you, the unemployment rate is around 3.1%. This 3.1% is not a small number, but the question is, will this number grow?

Sectoral research studies revealed two areas of concern among our PMETs - "mismatch", where your skills do not match with your job, and "missed match", which basically means that you lost your job and are unable to find your next job. While the Ministry of Manpower (MOM) does not have the prescribed medication to target all the areas of concern, we have some programmes to address them, which I will elaborate on later.

All of you are specialists in the field of accounting. While you continue to deepen your skills as an accountant or auditor, we hope



that you can widen your portfolios. This means that you will have more than one specialisation, the first specialisation being a very deep skill while the second could be a soft skill such as critical thinking, data analysis and asking the right questions. Such skills, coupled with your first specialisation, should be applied in areas such as trend analyses that are crucial for business planning. I have spoken to many professionals, not just accountants, and they expect our PMETs to possess such specialisations.

▲ Guest-of-Honour Mr Teo shared his insights on workplace practices and preparing for future challenges

The sectoral research also highlighted that Singaporeans are very proficient and analytical, yet we do not have as many C-suite leaders. Thus, we have to foster potentials and provide them the environment where they can succeed. From my personal experience, in order to reach that level, you need internationalisation

to broaden your skills. At MOM, we have the Leadership Development Initiative to groom Singaporean leaders. Potentials are selected by companies which are willing to send their promising employees for specialised courses, on-the-job training or overseas postings. MOM will defray part of the costs as we want to develop a new generation of business leaders.

Having lived overseas – in countries such as China, Thailand and India – for most of my career before I entered politics, I am a big beneficiary of internationalisation. When I returned home, I had a very different perspective of how Singapore works. Singapore is comfortable and predictable, which explains our success, but it may not prepare us for the challenges of the world. This is why, in order for every PMET to be employable, you need to be able to value-add and broaden your skill sets every single day.

When you wake up in the morning, ask yourself, “How are you going to value-add to your job?” When the work day ends, ask yourself if you have value-added today. In this context, value-adding refers to doing something outside your job specifications. Did you do something different? Did you create? Did you innovate? Did you solve a problem? Did you build on your job scope? Or has it remained the same as before? These questions are important because they set benchmarks for yourself and motivate you to push yourself on a daily basis.

Many companies today expect professionals to be very enterprising – to not only have an accounting mind in terms of understanding numbers and the financial health of companies, but to also contribute to

the business strategy and mission. Therefore, professionals need to be well-equipped to share their thoughts in areas such as marketing, sales and operations. You need to be thinking about working hard, setting benchmarks and value-adding to the company. In this respect, continuous learning is critical and there are many grants available, such as the SkillsFuture Credit, Attach and Train Programme and Professional Conversion Programme.

Germany did several four- to five-year studies on the “Future of Work 4.0” and came to this conclusion – individuals have to deepen their skills. If you cannot deepen them, you have to broaden your horizon in terms of knowledge and understanding with a wide array of skill sets. In Singapore, employers and employees alike need to adapt to this transformation.

MOM has kick-started several programmes such as the Lean Enterprise Development Scheme (LEDS), which is about transforming your organisation to enable adaptation to a new type of work, and Career Support Programme, which is about continuous learning and the employment of PMETs. On top of these, we also implemented the Professional Conversion Programme, where MOM helps to facilitate the process that professionally converts anyone who is interested in any field. This will enable the reallocation of workforce throughout the different sectors, which is especially critical for sunset industries. In the near future, there will be accountants who need to be converted, as well as others who need to be converted to accountants.

I suggested that ISCA should partner MOM to offer this conversion.

People from different professions can undergo ISCA training courses and be part of the Professional Conversion Programme. The programme offers training allowances and helps companies with employees’ salaries. It is a win-win situation for all. MOM manages conversion costs and ensures that there are sufficient placements for people to convert. Once the conversion is complete, ISCA can help with the internationalisation of our profession.

I want to engage with the new members and younger accountants, given the situation in the job market. I really want to help our sector grow, advance and be more internationalised; most importantly, to equip our accountants with knowledge and the breadth of skills so much so that we can become business leaders such as CEOs, CFOs and entrepreneurs.

The most successful companies give a lot of ownership to their young promising talents, or any talent who wishes to embark on projects. Regardless of the sector, it is important to develop the individual. I believe accountants can contribute positively with passion and specialisation.

Early in my career, I had joined a small \$1.3-billion dollar company. Today, it is a \$30-billion company. This company is Nike, a sporting goods company. It believes in its talents – it trains and lets you take ownership, and that made me a better individual. This is precisely the reason why companies must find ways to create opportunities for our accountants and auditors to value-add – to create solutions and innovate processes, so that we will continue to excel in this sector.

Thank you for letting me share my thoughts with you tonight.”

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Navigating the Horizon

ISCA's Strategic Priorities towards 2020



By
LEE FOOK CHIEW

In recent years, ISCA has been conscientiously bringing the accountancy profession's interests to the fore and has delivered a string of initiatives aimed at adding value to members through the different stages of their professional career.

The Institute's 2020 vision is "To be a globally recognised professional accountancy body, bringing value to our members, the profession and the wider community". The vision sets the long-term strategic direction for the Institute and is aligned with the recommendation of the Committee to Develop the Accountancy Sector (CDAS) report for ISCA to be a professional accountancy body with a global membership, outlook and standing, and aligned with Singapore's vision to become a global accountancy hub.

CDAS envisioned Singapore as a leading global accountancy hub and one of the three strategic thrusts called for Singapore to develop a strong infrastructure within the accountancy sector. This included having a strong national

and reputable accountancy body to advance and promote the Singapore accountancy profession. In this regard, it is important to build and enhance the global stature and recognition of ISCA and ISCA membership. Belonging to a globally recognised professional accountancy body will elevate members' standing in the global marketplace as well as provide members with a "passport" that can help them open doors to enjoy greater international career opportunities around the world.

In this regard, the admission of ISCA as the first Associate member into the Chartered Accountants Worldwide family, a global group of leading accountancy institutes of Chartered Accountants, marks an important milestone for ISCA. For ISCA members, this is the start of many more global opportunities.

The recent Reciprocal Membership Agreements with the Institute of Chartered Accountants in England and Wales (ICAEW), and Institute of Chartered Accountants of Scotland (ICAS) also represent a significant endorsement of ISCA's professional and ethical standards. This will further enhance the international standing of the Institute and our members.

To drive the Institute's vision, the Institute drew its first strategy map in 2012 which laid out the key priority areas that the Institute should work on. I would describe it as a "sketch" back then. It has since undergone several iterations and today, we own a comprehensive and sophisticated strategy map built on seven key strategic priorities. The strategy map is reviewed annually and updated to reflect the environment that the Institute operates in. The seven



PHOTO SHUTTERSTOCK



Figure 1 ISCA's Strategic Priorities



strategic priorities are shown in Figure 1.

The strategic priorities keep the Institute focused on our 2020 vision to be a globally recognised accountancy body, bringing value to our members, the profession, and the wider community. Each of these seven strategic priorities was identified after consulting widely across a diverse group of stakeholders including ISCA Council members, the Ministry of Finance, various government agencies, senior ISCA members and accounting firms. This ensured that the strategy map was developed in a robust and rigorous manner.

In this article, I will share on two of the strategic priorities and what it means to members and the profession. I will share more with you on the other five strategic priorities in my upcoming articles in the next few months.

Strategic Priority 1 Inclusive Membership, Quality and Professional Development

As a membership body, members are our top priority and it is of paramount importance that the Institute delivers relevant ISCA membership value propositions to our members. Hence, many of ISCA's initiatives are developed with this in mind.

Inclusive membership

Having undergone rigorous training to become an ISCA member, there are multiple career pathways open to professional accountants and these continue to expand. Members are entering new fields like risk management, forensic accounting, business valuation and so on. The boundaries of the profession are widening and thus, it is important

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that the Institute is inclusive, and welcomes and supports members in various careers. At the same time, we are also mindful that the ability of our members to deliver quality work is dependent not only on themselves but in most instances, also on other team members within their respective work environments. There is therefore a need for the Institute to embrace and support other accounting professionals within the eco system. Doing so will also help broaden and deepen the accountancy talent pipeline and add to the diversity of talent in the profession as these individuals, who are not Chartered Accountants yet, may at some stage be encouraged and motivated to embark on the journey to qualify as Chartered Accountants. In this regard, ISCA has been gradually creating more pathways for individuals to enter the profession since 2015. In 2016, we launched the expanded ISCA Associate membership pathway and new ISCA Affiliate membership pathway.

Quality

A globally recognised professional accountancy body should have a quality membership base to match with. In this regard, the Institute strives to build and maintain a quality membership base which upholds the highest professional and ethical standards.

Many of our ISCA members hold key positions in organisations because of their skills and knowledge; they also possess the hallmark traits of integrity, ethics and professionalism. Such distinguished attributes make ISCA members the best ambassadors for the Institute as they encapsulate what the ISCA membership stands for. To maintain the highest professional and ethical

standards in our membership, ISCA members are expected to keep their professional knowledge and skills up-to-date, and will need to attain at least 120 continuing professional education (CPE) hours per triennium. On our part, the Institute will continue to update our suite of CPE courses to ensure that they stay relevant and up-to-date, to help prepare our members for the future economy. This is discussed further in the section called “professional development” below.

ISCA members are also required to adhere to Ethics Pronouncement (EP) 100: Code of Professional Conduct and Ethics issued by ISCA, which is modelled after the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants (IESBA). Furthermore, ISCA takes any breach of its Code, rules and professional standards seriously and has in place an investigation and disciplinary process to deal with complaints against its members.

Professional development

In line with a more diverse membership, and while requiring members to uphold professional standards, ISCA has been taking concerted steps to enhance the depth and breadth of its CPE courses to ensure that members’ needs are supported. Furthermore, efforts have been taken to improve the quality and relevance of the courses.

Last year, we launched two new certification programmes in SME accounting and advanced business analytics and reporting. This year, we will be working on a certificate in risk management, one of the high-growth practice areas identified by the Committee on the Future Economy Working Group on Legal and

Accounting Services, to help drive demand for Singapore’s legal and accounting services. The key feature in these programmes is the test of competence which attests to the trainees’ understanding and ability to apply the knowledge/skill learnt. Upon passing the test, members will be awarded an ISCA certificate that will provide them with greater professional value and recognition in the market.

ISCA also offers a wide suite of courses beyond accounting, auditing and ethics. For instance, our CPE courses spans risk management, business management, taxation, IT and governance, etc, covering the topics that are necessary for members to excel in today’s volatile,

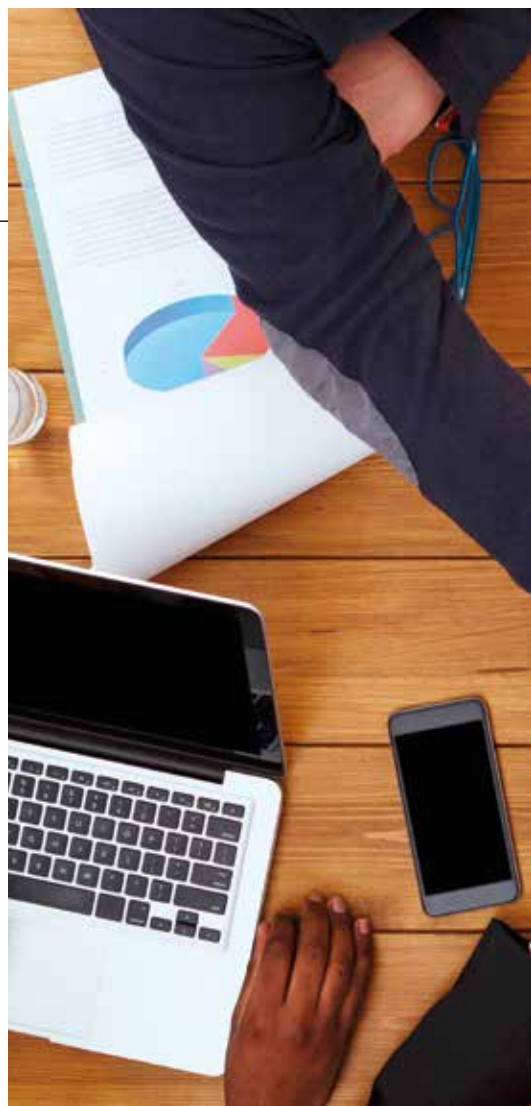


PHOTO SHUTTERSTOCK



uncertain, complex and ambiguous (VUCA) environment.

The Institute is continuously reviewing and refreshing its CPE offerings. To further enhance the Institute's work in this area, a CPE Committee comprising industry leaders, representing the segments that our members are employed in, was recently set up to identify the training needs of different jobs at various levels. The Committee will also identify skill gaps, taking into consideration future jobs and skills, and how to plug these gaps.

The ISCA-ICAEW joint publication, "Industry Perspectives: Future of Professional Learning and Entrepreneurship", which was launched recently, highlighted

that accountants of the future would have to go beyond acquiring technical competencies to develop multidisciplinary skills. This is because business issues are now getting more complex, and many require diverse perspectives and methods to solve. This makes the task of expanding and updating our extensive range of course and training programmes to help prepare our members for the future economy all the more imperative.

Strategic Priority 2 Professional Development Pathways

Given that accountants are increasingly carving out careers in non-traditional areas such as

compliance and internal audit, among others, specialisation pathways will provide members with the chance to explore their areas of interest in greater depth and develop their professional expertise and versatility.

The Institute has already started providing accelerated professional development and specialisation pathways for our members into these high-growth areas. In March 2015, we introduced the ISCA-CIMA Pathway to provide a fast-track opportunity for members to obtain the prestigious *Chartered Global Management Accountant* designation. In August 2016, we announced the accelerated pathway to obtain the coveted *Certified Internal Auditor* designation with the CIA Challenge Exam. This coming September, do keep a lookout for our announcement of a new specialisation pathway - financial forensic accounting - one of the high-growth and exciting areas.

ISCA will continue to roll out more specialisation pathways for members to acquire new skills and internationally-recognised credentials beyond accounting and auditing, as they progress in their careers.

CONCLUSION

I am deeply heartened by the positive encouragement and strong support given by our members and stakeholders during the last six years of the Institute's transformation.

The Institute will continue to strive to be relevant to our members, the profession and the wider community. I look forward to receiving your feedback and continued support as we work towards achieving our 2020 vision. ISCA

Lee Fook Chiew is Chief Executive Officer, ISCA.

INDUSTRY PERSPECTIVES

Future of Professional Learning and Entrepreneurship

By
INSIGHTS & INTELLIGENCE DEPARTMENT, ISCA



or the second time, the Institute of Singapore Chartered Accountants (ISCA) and Institute of Chartered Accountants in

England and Wales (ICAEW) collaborated on the “Our Future Together” series. At the event called “Our Future Together: Future of Professional Learning and Entrepreneurship”, the two professional accountancy bodies also jointly launched a publication, “Industry Perspectives: Future of Professional Learning and Entrepreneurship”.

Both the event and publication advocated lifelong learning and aimed to shape the discussion on how education, training and professional learning should be redefined for the accountancy profession so that accountants can continue to look forward to a bright future in the new economy that is well underway. Indranee Rajah, Senior Minister of State for Law and Finance, graced the event as Guest-of-Honour. Singapore

Management University (SMU) was the knowledge partner and the event was supported by Chartered Accountants Worldwide.

The event was well attended by close to 100 participants including representatives from government agencies; professional accounting firms including the Big Four, mid-tier, small and medium-sized practices (SMPs) and Chartered Accountants Worldwide founding member bodies¹, as well as Chief Financial Officers (CFOs), academia and university students.

This article captures the perspectives of the dialogue session with Ms Indranee, panel discussion, and key highlights from the publication and event.

In his welcome address, ISCA President Gerard Ee shared that it is vital for one to enjoy the learning experience and to view it as self-fulfilling, amid the many demands in life. Learning can come in many forms. One can learn through self-reflection and from peers – for instance, via cross-departmental collaboration. Mentoring can also



▲ ISCA President Mr Ee delivering the welcome address

offer a platform for learning where both the mentor and mentee benefit from the interaction and exchange. Lastly, the organisation in which an individual works can also facilitate learning through job rotation.

¹ A total of 28 members from Chartered Accountants Australia and New Zealand, ICAEW, Institute of Chartered Accountants of Scotland (ICAS) and South African Institute of Chartered Accountants participated in the event



◀ A capacity crowd at the ISCA-ICAEW "Our Future Together: Future of Professional Learning and Entrepreneurship" event

▼ (From left) Lee Fook Chiew, CEO, ISCA; Gerard Ee, President, ISCA; Chaly Mah, Chairman, Singapore Accountancy Commission; Guest-of-Honour Indranee Rajah, Senior Minister of State for Law and Finance; Kevin Kwok, Chairman, Accounting Standards Council, and Kon Yin Tong, Vice President, ISCA



▲ Keynote address by Ms Indranee

DIALOGUE WITH SENIOR MINISTER OF STATE FOR LAW AND FINANCE

In a dialogue session moderated by Yeoh Oon Jin, Executive Chairman, PricewaterhouseCoopers LLP and winner of the Outstanding Practitioner Award at the Singapore Accountancy Awards 2016, Ms Indranee candidly shared her views on how professional accountants should

be adaptable as they embrace the future economy.

Infrastructure identified as high-growth area

Ms Indranee highlighted regional infrastructure development as a high-growth area where accountants can play an important role in project advisory work. Many infrastructure projects in the region are considered not bankable because of concerns on their returns on investment. She was of the view that accountants are best placed to use their expertise to help advise on financial structuring to address such issues. Other high-growth areas which would demand the skill sets of accountants include international debt restructuring, business valuation and risk management.

Internationalisation: Roles of an accountant

Accountants are an important asset to companies that have embarked

on the internationalisation journey or are thinking of doing so. In particular, accountants who can provide financial advice have the ability to "see round the corner", and provide value-added input while understanding the constraints faced by clients, will be highly valued.

Furthermore, it is critical that lawyers, accountants, engineers and bankers "hunt in a pack" when internationalising, to leverage on other industries' networks and contacts. This also helps to build the Singapore brand internationally. In the case of the infrastructure space, teams of individuals from various professions are involved in the structuring of projects. While lawyers prepare legal documentation, accountants specialise in financial structuring and bankers are required to help arrange public- or private-sector funding. Academia could also bring a whole value chain of multidisciplinary courses cutting across the law,

accountancy and business faculties within universities, to provide the necessary multidisciplinary training and networking opportunities for graduates coming into the market.

Secondment: A win-win situation addressing skills gap

In addressing the skills gap among accountants, secondments could be a win-win situation for professional accountancy firms and businesses. Such opportunities enable young accountants to gain exposure to the clients' businesses, which will help in developing a deeper understanding of their environment and how businesses operate. Ms Indranee also highlighted the need for the profession to have knowledge and understanding of the ASEAN market, as it would give them the needed edge when partnering clients who are venturing into ASEAN. As for soft skills, strong communication skills, such as the ability to simplify complex concepts to clients, will be highly prized.

HIGHLIGHTS FROM THE PANEL DISCUSSION

Following the dialogue with Ms Indranee was a lively panel discussion on "Future of Professional Learning and Entrepreneurship in an Age of Disruption". Moderated by Professor Sum Yee Loong, Professor of Accounting (Practice), SMU, the panellists comprised Chaly Mah, Chairman, Singapore Accountancy Commission (SAC); Chng Sok Hui, CFO, DBS Group, Dr Hilary Lindsay, President, ICAEW and Gerard Ee, President, ISCA.

Discussions revolved around the recommendations of the Committee on the Future Economy (CFE) relating to the accountancy profession, key insights from the ISCA-ICAEW joint publication launched at the event and practical tips on developing a future-ready accountancy profession.

Excelling in a VUCA environment

Professor Sum started the panel



▲ Dialogue with Ms Indranee, moderated by Yeoh Oon Jin, Executive Chairman, PricewaterhouseCoopers LLP

discussion by asking the panellists for their thoughts on the commonly-held view that people with excellent grades are also high performers. There was general consensus among the panel that such a view may no longer be valid in today's volatile, uncertain, complex and ambiguous (VUCA) environment. In looking at the CFE's recommendations, the panellists recognised that accountants need to go beyond accounting content knowledge in a VUCA environment to possess soft skills, so that they can better communicate with stakeholders and clients.

The panellists identified key factors that are crucial for accountants to progress in their respective careers. DBS Group's Mrs Chng believed that it is vital for accountants to acquire the ability to solve problems and ask the right questions. She identified soft skills such as resilience, and the aptitude to continuously learn and explore, as being crucial for career advancement.

In order to excel in the current VUCA environment, there is also a need to foster synergies across industries through a cluster approach. Increasingly, accountants are working more closely with other industries like information technology (IT), finance



▲ ICAEW President Dr Hilary presented on "Lifelong Learning - Past, Present and Future"

and legal. This would expand the pie for the accountancy profession.

In line with this concept, ISCA's Mr Ee encouraged the accountancy profession to embrace a wider definition of the word "economy" by looking beyond Singapore's shores – particularly at ASEAN where growth is surging. In venturing into ASEAN, it would be crucial to understand the diverse cultures of the different markets. Such soft knowledge will be key to developing and sustaining relationships with our ASEAN counterparts and gaining their trust.

Leap for accountants: From competent to complete professional

ICAEW's Dr Hilary shared with the audience her framework for professional



learning which was built around three commonly-identified dimensions of learning – cognitive (relating to knowledge, skills and understanding), intrapersonal (how an individual reflects and develops) and interpersonal (how an individual interacts with others and the environment).

Dr Hilary's framework comprised three tiers of a professional – "informed", "competent" and "complete". It showed that as the world moved on, being an "informed



▲ Panellists (from left) Chaly Mah, Chairman, SAC; Chng Sok Hui, CFO, DBS Group; Gerard Ee, President, ISCA; Dr Hilary Lindsay, President, ICAEW, and moderator Professor Sum Yee Loong, Professor of Accounting (Practice), SMU

professional" was not sufficient. In fact, intrapersonal and interpersonal dimensions became increasingly important. The "competent professional" was someone who would undertake learning activities around the top four triangles (Figure 1). Her research found that for professionals who wanted to stay relevant in the future, they would need an extra layer of learning which led to career adaptability. There are five elements which run across this, namely, self-belief, positive attitude, experimenting, exploring and engaging.

The panellists suggested practical tips for accountants to develop

interpersonal and intrapersonal skills, which include encouraging accountants to actively articulate their opinions and thought processes during team meetings.

SAC's Mr Mah emphasised the need for Singaporeans to develop a strong lifelong learning attitude. He was supportive of apprenticeship programmes where students work and study simultaneously. In the long run, he was confident that this model would produce high-quality accountants. For this change to take place, it required a mindset shift by stakeholders such as parents, to give students time to learn, work and identify their passion.

Employers also have a role to play in encouraging personal professional development. As the panel discussed how employees can be more enterprising at work, they agreed that much has to do with the culture of the organisation. Employers should look upon failure as part of the innovation process and allow employees to fail within the boundaries set and encourage them to learn from their mistakes.

Advice to the next generation

In order to stay relevant, panellists emphasised the importance for the next generation of accountants to stay hungry, curious and learn how to "connect the dots" in complex spaces. There is also a need to continually reinvent oneself, take ownership of one's future and be nimble in adapting to the new environment.

Figure 1 A new framework for professional learning



Source: "Lifelong Learning – Past, Present and Future – and ICAEW's Response" by Hilary Lindsay, ICAEW President under "Industry Perspectives: Future of Professional Learning and Entrepreneurship" Report



KEY TAKEAWAYS FROM JOINT PUBLICATION

The joint publication entitled “Industry Perspectives: Future of Professional Learning and Entrepreneurship” drew on interviews from thought leaders in the profession, perspectives from employers, young professionals and educators, as well as students from the local universities and polytechnics.

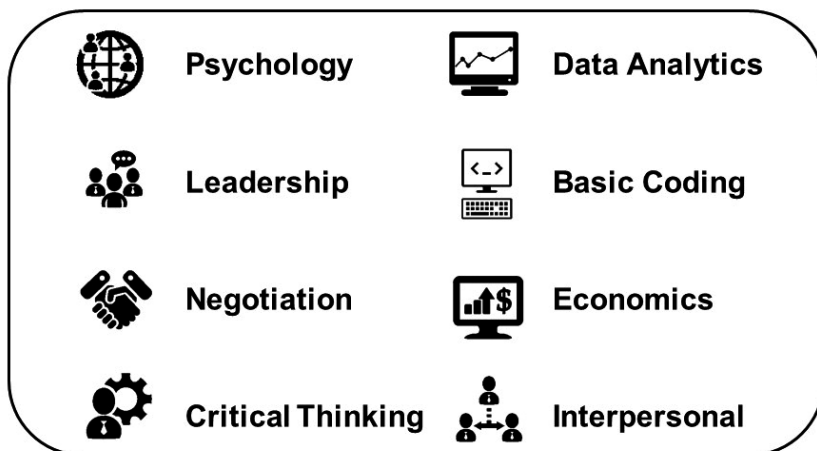
Dr Seow Poh Sun, Associate Professor of Accounting (Education) and Associate Dean (Teaching and Curriculum), School of Accountancy, SMU, presented the roles that the different stakeholders can play in shaping the future of professional learning and entrepreneurship.

▲ Dr Seow Poh Sun, Associate Professor of Accounting (Education) and Associate Dean (Teaching and Curriculum), School of Accountancy, SMU, discussed the roles that stakeholders can play to shape the future of professional learning and entrepreneurship

Multidisciplinary skills as essential for accountants

As highlighted in the publication, accountants of the future would have to go beyond acquiring technical skills to develop multidisciplinary skills (Figure 2), as problems are now more complex and require diverse perspectives and methods to solve. Other skills and knowledge considered important for future accountants include risk management, project management, business writing and persuasion skills.

Figure 2 Multidisciplinary skills



As part of the report, a poll was conducted in January 2017 with accountancy and business students from local universities and polytechnics to gather their thoughts on the skill sets to stay relevant for the future. Of the 1,168 respondents, 53% ranked soft skills such as interpersonal and communication skills as the most important, followed by 24% for content knowledge and 23% for creative thinking.

Personal attributes increasingly important to accountants

On top of having multidisciplinary skills, personal attributes are increasingly growing in importance. In the past, employers placed emphasis on skills and competencies. Today, personal attributes such as intellectual curiosity, resilience, adaptability and good emotional intelligence are fast gaining employers' attention.

Leveraging technology as an enabler

Given that businesses are increasingly using technology, the publication highlighted the importance of accountants possessing a certain level of IT competency to remain relevant to today's business landscape. An important IT skill is a basic understanding of coding. This will help them to ascertain the feasibility of the software that they have in mind, and what can or cannot be done in a programme or application. This is in addition to leveraging technology to raise their productivity.

Skills in the changing business world

The need to enhance current skill sets of accountants was also reinforced by Professor Mark Allison, Executive Director of Education at ICAS, in his presentation on “The Skill Sets of the Future”. In particular, he highlighted how the nature of audit and auditing skills is evolving as the business environment and society's expectations of auditors change.



▲ Professor Mark Allison, Executive Director of Education, ICAS, highlighted the skill sets of the future

Table 1 Key takeaways for various stakeholders

Employers	<ul style="list-style-type: none"> + Offer more flexible work arrangements and provide a platform for sharing best practices and practical real life experiences, for example, through mentorship and apprenticeship. + Nurture a collaborative and innovative culture through job rotation and cross-functional work groups to enable employees to gain a deeper appreciation of the whole business model. + Consider involving student interns to work on assignments; this leads to more meaningful internship experiences for both the employers and students.
Professional accountants and young accountants	<ul style="list-style-type: none"> + Be business savvy and aspire to create value for the business through your financial skills. + Having the right attributes such as intellectual curiosity, resilience, professional scepticism, ethical awareness and good emotional intelligence, for example, empathy, to address challenges in the fast-changing environment is more important than ever. + Challenge yourself by going out of your comfort zone and consider pursuing overseas exposure, such as working in emerging markets like ASEAN, where growth is immense and opportunities are plentiful. This would also help to foster a more enterprising and adventurous spirit.
Educators	<ul style="list-style-type: none"> + Tertiary education has a big role in preparing students for their first jobs. Education should be holistic and broad-based, with emphasis on real-world readiness. + Help to provide opportunities for students to expand their horizons and experience different learning environments through overseas exchange programmes, internships, study missions and even community service projects. + Recognise the importance of embracing technology-enabled learning and increase efforts to integrate technology into the pedagogy of accounting.
Students	<ul style="list-style-type: none"> + Embrace lifelong learning by pursuing the joy of learning, and learning how to continue to learn. + View apprenticeship as a good probation period to build skills and assess if the work in the chosen industry is something you like. + Be daring to break through new frontiers and not be fearful of failure.
Parents	<ul style="list-style-type: none"> + Academic excellence is not the only route to life's success. + Have a positive mindset towards apprenticeship as it is useful in helping the young to gain skills and knowledge to succeed in their chosen industry. + Encourage the young to be willing to adapt and take some risks.

He also painted a picture of how audit would possibly look like amid the changing environment. In the future, auditors will be faced with evolving regulations and they will shift from analysing historical data to forecasting financial data. With technological advancement, instead of providing confirmation on financial data, auditors will be exercising judgement over it.

In light of these changes, Professor Allison emphasised the need to develop the following key skills in the audit team – business acumen, technology and data interrogation and soft skills. It is no longer sufficient for auditors to be simply equipped with technical capabilities. It is vital that they have both business and global acumen as businesses are increasingly becoming more globalised.

Learning as a lifelong journey

Learning does not cease after one leaves school. It is only by engaging in lifelong learning that professionals can continue to keep their skills relevant in a new future. Change needs to happen within the eco system of the sector. It is important for employers, professional accountants, educators, students and parents to recognise the need to work in collaboration to build a better future for the Singapore accountancy profession (Table 1).

A copy of the publication, “Industry Perspectives: Future of Professional Learning and Entrepreneurship” 2017 and video can be downloaded at <http://isca.org.sg/tkc/our-future-together/publications/publications/2017/april/our-future-together-industry-perspectives-future-of-professional-learning-and-entrepreneurship-report-2017/>. ISCA

As part of ISCA's efforts to engage aspiring accountants, nine local accountancy undergraduates were invited to cover the event as social media reporters. Read about their experiences on the following page.

ASPIRING ACCOUNTANTS TURN SOCIAL MEDIA REPORTERS AT "OUR FUTURE TOGETHER" EVENT

As part of ISCA's efforts to engage aspiring accountants, nine accountancy students from the local universities were invited to attend the "Our Future Together: Future of Professional Learning & Entrepreneurship" event as social media reporters. The students from National University of Singapore (NUS), Nanyang Technological University (NTU), Singapore Management University (SMU), Singapore Institute of Technology (SIT), Singapore University of Social Sciences (SUSS) and SIM Global Education posted highlights of the event on social media, helping to publicise the announcements and event proceedings among the student cohorts.

At the event, ISCA signed two separate Reciprocal Membership Agreements (RMAs) with ICAEW and ICAS, to establish reciprocal membership for ISCA members. ISCA also signed Memorandums of Understanding (MoUs) with ICAEW and ICAS respectively, to explore further collaboration on members' activities and professional development for their members around the world.

In addition to witnessing the signing of the RMAs and MoUs, the accountancy undergraduates gained valuable industry insights from the presentations and panel discussion. They also listened to the keynote speech by Indranee Rajah, Senior Minister of State for Law and Finance, as well as her dialogue on the future economy.

A contest was held with the top prize going to the student social media reporter whose post garnered the highest number of "likes" – Joanne Wang, SIT.

Find out what transpired at the "Our Future Together" event in our cover story on pages 26 to 31. [isca](#)



"It was exciting to witness the signing ceremony of RMA and MoU as it is a momentous milestone for both ISCA and the accounting profession in Singapore. The experience was a fruitful one as key speakers gave inspiring speeches and shared significant insights with regard to the accounting landscape in Singapore. Several speakers highlighted that an important skill set accountants should have is the ability to 'learn, unlearn and relearn' – which happens to be part of the SIT DNA as well!"

**WINNER OF SOCIAL MEDIA CONTEST
JOANNE WANG, SIT**



FROM SIT



FROM NUS



FROM SUSS



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MEMBER PROFILE

DRAWING A BALANCE

**Yip Yew Chong, CA (Singapore),
Director of Asia Shared Services,
Informa Group PLC**

BY
PHYLLIS HONG

Y

ou could say it was an epiphany of a sort for Yip Yew Chong. Most people, on chancing upon an eye-catching mural, would whip out their phones to take a snapshot of

it. When Mr Yip saw those by Penang-based artist Ernest Zacharevic at Victoria Street, he went a step further – there and then, he decided he wanted to paint murals too.

That was in August 2015, when the then 46-year-old was enjoying a hiatus from the working life – he had just resigned from a full-time job after 20 years as an accountant.

“I wanted to try new things. I’ve always enjoyed drawing as a boy, but the interest in mural painting was ignited only after (I chanced on the murals),” says Mr Yip, now the Director of Asia Shared Services at Informa Group PLC. Inspired by Zacharevic’s joyful paintings of children, he swiftly decided on the location of his first mural – the perimeter wall of a house

at Everton Road, which he still passes by daily on his way home.

So determined was he that when no-one answered the door of the house (it had been rented out), Mr Yip went online and looked through property websites. Eventually, he came upon the listing for the house, and through the housing agent, got in contact with the owner. “I told him I had no portfolio, nothing to show, and asked if he would let me paint the wall free-of-charge. I told him that if he wasn’t happy, I would whitewash the wall (back to its original state).”

ART TO SHARE

That mural of an “amah”, a housemaid of days past, at Everton Road (which still exists) is the first of over 20 murals that Mr Yip would go on to paint. His latest piece can be seen on the wall behind Thian Hock Keng Temple at Amoy Street. Commissioned by Singapore Hokkien Huay Kuan for Singapore Hokkien Festival 2017 in April, it depicts immigrants from Fujian, China.

His heritage-themed works invoke nostalgia in older people, while providing a learning opportunity for younger ones. Mr Yip receives requests “every other day”



from individuals, companies and non-profit organisations. There are countless social media posts of people posing with his art, and fans turn up bearing food and drinks to sustain him while he works. His artworks were also developed as a multimedia installation at the National Museum of Singapore for this year’s Singapore Heritage Festival.

Since February last year, Mr Yip has been back at full-time work, so he is only able to paint on weekends. He is adamant about drawing a clear line between his hobby and career. In return, his company has been supportive, and holds him up as a model of work-life balance.

However, Mr Yip has plans to scale down his painting commitments; he has also found a more sustainable way of sharing his expertise and experience. He assumes the role of a

mentor to provide advice at no charge to non-profit organisations, but asks that the actual painting be done by their volunteers. As he puts it, "This arrangement is more manageable and the mural will be (the organisation's) own work of art."

Has he ever thought of becoming a full-time artist? To that, he says, "I have invested over 20 years in (the accounting) field and I shouldn't give up my profession. But after I retire, I know I have this option (painting) to keep myself busy and do something useful for the nation." When that day comes, Mr Yip, who is entirely self-taught, would like to "study art properly" and be recognised as a professional – just as he is now as a Chartered Accountant and ISCA member.

"When you are a qualified professional, customers respect and trust you as the expert. You'd also feel more confident when carrying out your work," he says. That is why he always encourages his team members to go for CPE (Continuing Professional Education) courses.

AN ACCIDENTAL ACCOUNTANT

While Mr Yip showed his artistic inclination at a young age, the same cannot be said of his affinity for numbers. He was a Science student and had originally secured a spot in Nanyang Technological University to study Engineering. During national service, he was persuaded to switch to Accountancy. "My seniors in

the army told me that Finance and Accountancy degrees are very versatile. All companies, regardless of their industry, need accounting services, whereas Engineering, they said, is more niche. It was a compelling argument!"

Mr Yip has always been an accountant in the commercial sector. His first job was as a desk assistant at an international shipping company, and he was promoted to Accountant within two years.

"After my first job, I told myself that the next company I join should also be a multinational company. I would then get to travel, see the world and learn about different accounting cultures across countries," he says. As desired, he went on to work and hold leadership positions in several international companies. He was a Finance Manager at Moneyline Telerate, before joining Thomson Reuters as a Regional Controller. He then worked as Senior Director at Visa Worldwide Pte Ltd, before landing his current job at Informa Group PLC. "The experience has been interesting and eye-opening," he adds.

MAN WITH TWO SIDES

Being an artist has helped him in his work and vice versa. "Accountants often have to distinguish between commercial and compliance decisions. Many issues are not always black or white, and require a judgement call. This is when an artist's open-mindedness and ability to consider different perspectives is useful.

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"Accountants often have to distinguish between commercial and compliance decisions. Many issues are not always black or white, and require a judgement call. This is when an artist's open-mindedness and ability to consider different perspectives is useful."

"It's also not true that accountants just crunch numbers all day. Some days, I don't look at figures. I deal with people a lot, especially because I am in a senior position and need to lead my team and build cultures," says Mr Yip. These communication skills come in handy when he discusses and negotiates mural requests. Being an accountant has also honed his eye for details, a skill put to good use in elaborate and intricate drawings. Besides, his accounting background means the ability to undertake extensive research to ensure that his heritage murals are accurate – like what financial reports are.

Just as Mr Yip switches easily between being an accountant and artist, he strikes a balance between sentiment and pragmatism. His artworks may stem from nostalgia for the good old days, but he is nonchalant about their short lifespan. Without touch-ups, and exposed to the elements, his murals last for about three years on average. There is also the possibility of walls getting painted over. "The murals will not be there forever, and that's okay. Impermanence is precisely the nature of street art." ISCA

Phyllis Hong is a contributing writer.

Career Milestones

February 2016 to present	Director, Asia Shared Services, Informa Group PLC
August 2015	Started mural painting
October 2011 to May 2015	Senior Director, Controller, Visa Worldwide Pte Ltd
October 2008 to October 2011	Regional Controller Asia, Thomson Reuters
August 2007 to October 2008	Regional Controller CEMA (Continental Europe), Thomson Reuters
January 2006 to August 2007	Regional Controller Asia, Thomson Reuters



SINGAPORE

Accountancy's Capital City



BY
NI COLA SMITH

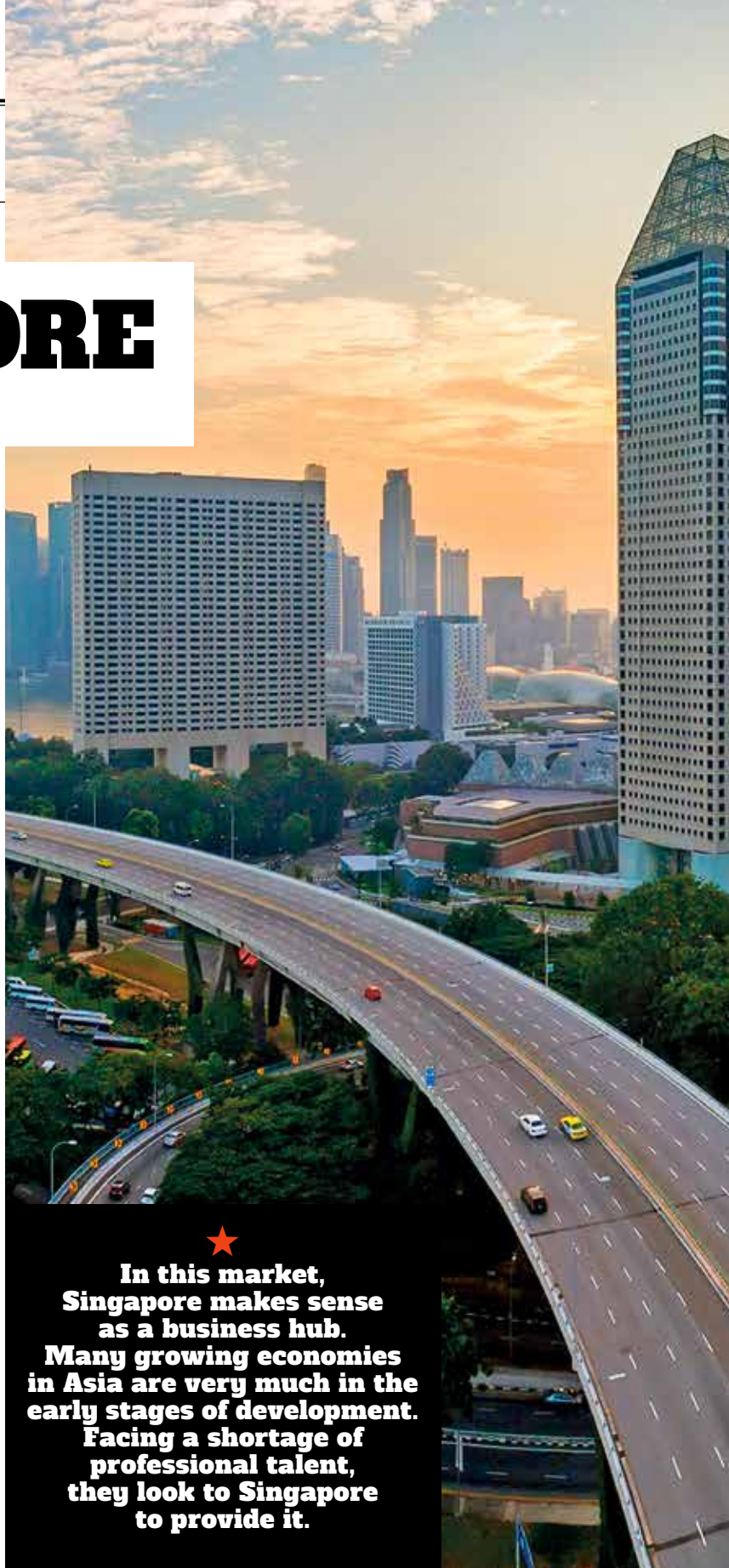


conomic pressures and automation are making thousands of blue-collar workers in Singapore redundant. Could retraining as accountants be the answer?

In 2008, Singapore's government decided to take decisive action to build a more stable economic backbone for the island-nation. Indeed, as a developed economy in the heart of Asia, Singapore has a position that makes it vulnerable to negative global financial trends, but also gives it unique abilities to combat the consequences.

A slump in regional trade and a slowdown in China have hurt many Asian economies – Singapore particularly. For the government, part of the solution is accountancy. The Committee to Develop the Accountancy Sector was set up to transform Singapore into a leading international accountancy hub for the Asia-Pacific region by 2020. Chaired by Bobby Chin, former managing partner at KPMG Singapore, the committee brought together business leaders, accountants, politicians and academics.

Industry experts believe the early groundwork has started to deliver results. The city-state's thriving accountancy sector employs 55,000 people and has been recognised as



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**In this market,
Singapore makes sense
as a business hub.
Many growing economies
in Asia are very much in the
early stages of development.
Facing a shortage of
professional talent,
they look to Singapore
to provide it.**



★
"The partnership with ISCA provides practical finance skills for those starting their accountancy career, as well as those formalising their experience with professional training. It helps to empower and upskill people and expand the pathways for entry into accountancy here."

LAURIE GILLOW,
 International Consultancy Manager, AAT

integral to Singapore's economic blueprint, becoming the focus of a major government initiative to upskill displaced blue-collar workers. Some of the island's biggest industries, including shipbuilding and electronics, face a downturn. Employees are being laid off in both sectors because of the economic slump and increasing automation. The government sees accountancy as a potential route for these people.

"Singapore is encouraging firms to set up their regional headquarters or treasury centres here. That has an impact – increased demand for qualified professionals, including accountants," says Udit Gambhir, managing director of the Singapore branch of Cim Global Business, a corporate service provider. In tandem with this, the government-backed SkillsFuture programme is offering a range of courses in auditing, tax and management to boost the accounting sector. AAT (Association of Accounting Technicians) will make its own contribution to education and training in Singapore later this year, working alongside the Institute of Singapore Chartered Accountants (ISCA).

AAT IN ASIA

The ISCA-AAT qualification is a flexible skills-based programme for accounting technicians, designed to meet the demands of the workplace. Those who qualify will receive the *Accredited Accounting Technician (Singapore)* designation and qualify for ISCA affiliate membership, subject to meeting the practical experience requirements.

"Our role is to develop the profession, chiefly in terms of broadening the talent pool, by providing pathways and access into the profession at different junctures," says Lee Fook Chiew, ISCA CEO. "So, among other things, there is collaboration with AAT in the UK to find a pathway for talent not from the

accounting profession, and hopefully from there, they can upgrade."

Challenges remain, including attracting the blue-collar workers who have faced the brunt of job cuts. But Lee says they will show interest, as the changes to traditional job markets are irreversible. "People in the manufacturing sector may be displaced because of technological disruptions. If they are willing to take it, we will provide the pathway to enter the profession of accountancy." The strong demand for accountants in Singapore is underpinned by several factors, argues Lee. First and foremost, economic growth in Asia remains resilient, especially in countries such as Vietnam and China. "Although it is slower than in





Central business district, Singapore

previous years, it's still approximately 7%," he says.

In this market, Singapore makes sense as a business hub. Many growing economies in Asia are very much in the early stages of development. Facing a shortage of professional talent, they look to Singapore to provide it. Singapore can also offer a broader range of accountancy professionals to meet the growing global demand for more complex roles, such as risk business management, and treasury and cash management, Lee says.

And the government's emphasis on both entry-level and mid-career training to improve technical knowledge and management skills has benefited firms, as well as

displaced workers. "We have used some government funding to increase our productivity," says Helmi Talib, managing partner of Singapore-based Helmi Talib & Co, an accountancy firm with 50 employees.

The government and accounting bodies are looking for avenues to bring more know-how into the profession, he says. "We can see that happening when we recruit people. There are people who aren't necessarily accounting graduates who want to start careers in accounting." This is aligned to AAT's work in Singapore and with SkillsFuture.

"The partnership with ISCA provides practical finance skills for those starting their accountancy career, as well as those formalising their

experience with professional training. It helps to empower and upskill people and expand the pathways for entry into accountancy here," says Laurie Gillow, International Consultancy Manager at AAT. Talib believes there is plenty of room for optimism in Singapore's accounting industry. "The demand for accountants has grown handsomely over the past 10 years. There's a lot of work in the region, where expertise is not widely available, that is funnelled to Singapore." ISCA

Nicola Smith has spent a decade reporting for *The Sunday Times* on both the European Union and South Asia. This article was first published in *Accounting Technician* magazine, March/April 2017 issue. Reprinted with permission.

CAMBODIAN ACCOUNTING LEGAL AND INSTITUTIONAL FRAMEWORK

Updates from Cambodia



BY
SIEM
MONILEAK

In July 2001, the Blueprint called “Vision and Financial Sector Development Plan 2001–2010” was adopted by the Royal Government of Cambodia. The Blueprint envisaged the development of a sound, market-based financial system in 10 years that would enhance resource mobilisation and sustainable economic growth. It addressed all relevant sub-sectors to be developed within the period 2001 to 2010. In that sense, in 10 years from 2001, Cambodia will have, among other development components, legal and accounting systems that promote the rule of law in commercial and financial transactions and support good governance with transparency, accountability, and predictability. The Blueprint also set key guiding principles and elements to achieve its vision. One of the key guiding principles was to develop financial market infrastructure, particularly accounting and auditing system, credit information system, and related regulatory frameworks.

Since 2001, a lot has been achieved but certain areas are still works in progress. Therefore, an updated and revised Financial Sector Development Strategy 2006–2015 (FSDS 2006–2015) was developed; it was approved by the Royal Government of Cambodia in 2007. The overall objective was a coherent, pragmatic and sustainable approach to financial sector development in Cambodia. At the same time, the FSDS 2006–2015 was intended to provide, in addition to guidance, a framework to support coordination and cooperation between government organs in Cambodia, between government and private sector stakeholders and actors, and between development partners seeking to support financial sector development in Cambodia.

The achievements from implementing FSDS 2006–2015, lessons learned from past reforms, experiences from the global financial crisis, and anticipation of rapid financial market development, have encouraged the Royal Government of Cambodia to update its FSDS. In this effort, FSDS 2011–2020 has been adopted since 2011. This FSDS 2011–2020 affirms that financial sector development has to be based on principles of good governance, which is even more important in an increasingly complex and competitive economic and financial environment.



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This Financial Sector Development Strategy 2011–2020 affirms that financial sector development has to be based on principles of good governance, which is even more important in an increasingly complex and competitive economic and financial environment.



Phnom Penh, Cambodia

LEGAL AND INSTITUTIONAL FRAMEWORK FOR ACCOUNTING AND AUDITING

As a result of the reformed efforts, the Law on Corporate Accounts, their Audit, and Accounting Profession was promulgated to implement in 2002. This law allowed the establishment of two regulatory bodies to govern the accounting, auditing and its profession in the country. The two bodies are the (1) National Accounting Council (NAC) and (2) Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA). Law on Corporate Accounts, their Audit,

and Accounting Profession (2002) required all enterprises to prepare financial statements in compliance with Cambodian Accounting Standards (CAS), which are based on the International Accounting Standards issued by the International Accounting Standards Board (IASB).

Due to the lack of comprehensive details in this Law (2002), the Royal Government of Cambodia had requested the Ministry of Economy and Finance to enact a new law to cover as much as possible the areas that were not addressed in the previous law, and to address the importance and necessity

of the principles of good governance in the financial sector in order to cope with the anticipated increasingly complex and competitive economic and financial environment. As a result, the new Law on Accounting and Auditing has been promulgated for use by His Majesty the King since April 2016. This Law (2016) requires all public institutions, business entities and not-for profit organisations to prepare financial statements in compliance with the CAS. It is also required that the financial statements shall be the basis for fulfilling tax obligations in accordance with effective laws and regulations.

FINANCIAL REPORTING FRAMEWORK

Under Law (2002) and the new Law (2016), NAC has its mandate to determine the accounting/financial reporting and auditing standards for entities operating their business and activities in Cambodia.

The NAC has fully adopted IFRS and IFRS for SMEs without modifications since 2009. The standards have been thereby renamed Cambodian International Financial Reporting Standards (CiFRS) and Cambodian International Financial Reporting Standards for Small and Medium Entities (CIFRS for SMEs). The dates for companies to implement CIFRS and CIFRS for SMEs have then been set by an announcement/notification of the Ministry of Economy and Finance dated 28 August 2009. The date for application of CIFRS was set for periods beginning on or after 1 January 2012. However, the mandatory implementation of CIFRS for commercial banks of microfinance institutions has been postponed until periods beginning 1 January 2016; and for the second time, the National Bank of Cambodia has requested that the full implementation of CIFRS be extended to 2019.

Companies whose securities trade in a public market are required to use CIFRS in their consolidated financial statements. CIFRS are required for more than the consolidated financial statements of companies whose securities trade in a public market; for instance, CIFRS are required in separate company financial statements of companies whose securities trade in a public market. IFRS are also required for financial institutions and large entities.

Companies may also use CIFRS or the CIFRS for SMEs, where applicable. Non-publicly accountable domestic companies have a choice of CIFRS and CIFRS for SMEs, but other publicly accountable domestic companies must use CIFRS/CIFRS. All foreign companies whose securities trade in a public market are required to use CIFRS in

their consolidated financial statements while other publicly accountable foreign companies must also use CIFRS. All qualified investment projects (QIP) which are approved by the Council of the Development of Cambodia (CDC) are required to apply CIFRS.

All SMEs are permitted to use the CIFRS for SMEs. However, SMEs that are subject to a statutory audit are required to use CIFRS for SMEs. Non-publicly accountable SMEs being subject to a statutory audit have a choice of either CIFRS for SMEs or CIFRS. For those SMEs which are not required to use CIFRS for SMEs due to not meeting the threshold criteria for a statutory audit, they are required to follow Financial Reporting Template for Small and Medium Enterprises (2006) that enables SMEs to better record and provide comprehensive information required by banks.

ACCOUNTING EDUCATION AND PROFESSIONS

The previous Accounting Law (2002) and the new accounting law (2016) give legal mandate to KICPAA for regulating the accountancy profession. The fundamental objective of the Institute is to act as a professional body to determine and maintain adequate professional standards for its members and to award a license for its members engaged in the public accountancy practice.

Currently, all KICPAA members hold foreign accountancy qualifications. The KICPAA membership recognises foreign professional accountancy qualifications without further examination required. The government supports the effort to expand the membership of KICPAA by pooling qualified accountants from companies, business enterprises, and entities to promote the most effective implementation of international accounting and auditing standards. In response to this, a new draft Sub-decree (so-called "Anukret" in Cambodia) on the Establishment of KICPAA will include various types of memberships. Moreover, at present, KICPAA is working to develop the Cambodian Qualification Program with a target date of June 2017;



the first examination is expected to take place in December 2017.

Accounting education and training in Cambodia lack the focus on skills that are necessary for discharging professional obligations. The overall quality of accounting education and training in the country has not been sufficient to produce skilled professional accountants and auditors. A lack of communication skills, insufficient practical exposure, and the shortage of arrangements for enhancing trainee accountants' broad-based knowledge



Siem Reap, Cambodia

and critical thinking ability have been identified as major contributing factors for the inadequate quality.

1 Current challenges

- ⊕ The lack of a holistic system of monitoring and enforcement to ensure compliance with applicable standards and rules;
- ⊕ Inconsistencies among different laws and regulations regarding financial reporting and audit requirements;
- ⊕ Absence of a robust accounting and auditing standard-setting structure;

- ⊕ Inadequate technical capacities within regulatory bodies, corporate entities as well as audit firms, and
- ⊕ The lack of independent oversight of the audit function, and shortcomings in professional education and training.

2 Required responses to the challenges

- ⊕ Some institutional bodies under the purview of NAC should have been set up to ensure effective enforcement of law, regulations, accounting and auditing standards;



All foreign companies whose securities trade in a public market are required to use the Cambodian International Financial Reporting Standards (CIFRS) in their consolidated financial statements while other publicly accountable foreign companies must also use CIFRS.

- ⊕ The taxation department should promptly issue guidance regarding how additional profits recognised as a consequence of the implementation of CIFRS will be taxed;
- ⊕ The education system in Cambodia needs to provide adequate training in accounting and auditing to the market requirements, and
- ⊕ Capacity-building should be provided to NAC to monitor compliance with accounting and audit laws and regulations, and to provide it with sufficient manpower to properly carry out its functions.

CONCLUSION

While much remains to be done to raise the standard of the accountancy profession, and for Cambodia to achieve its 2020 goals, positive steps have been taken to develop a financial market infrastructure in the country. KICPAA, in particular, has been working with its regional counterparts, including the Institute of Singapore Chartered Accountants, to strengthen its role and build capacity among its members. We believe that with the ongoing government support, commitment of the finance and business community, and guidance from the more experienced accountancy institutes, we will get there. ISCA

Siem Monileak is Acting Executive Director, Kampuchea Institute of Certified Public Accountants and Auditors.

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA ISSUES RAP 7 (REVISED MARCH 2017)

RAP 7 (Revised March 2017) has been updated from RAP 7 (Revised June 2016) for the following:

- 1) Amendments to the "Statement by the Manager" to be consistent with the Illustrative Auditor's Report, and
- 2) Inclusion of the Illustrative Auditor's Report, which is applicable to unit trusts with financial periods ending on or after 15 December 2016.

RAP 7 (Revised March 2017) is effective for unit trusts with financial periods beginning on or after 1 July 2016.

For more information, please visit

<http://isca.org.sg/tkc/fr/current-issues/financial-reporting-headlines/financial-reporting-headlines/2017/march/revised-recommended-accounting-practice-7-revised-march-2017-reporting-framework-for-unit-trusts-rap-7/>

IASB CONSULTS ON PROPOSED IMPROVEMENTS TO IFRS 8

IFRS 8: Operating Segments sets out the disclosure requirements for information about a company's operating segments, products and services, as well as about the geographical areas in which it operates and its major customers.

The proposed amendments follow from a Post-implementation Review (PIR) of IFRS 8 that was carried out to assess whether the Standard works as intended. The PIR confirmed that the Standard generally functions well but identified some areas that could benefit from improvements.

The consultation is open for comments until 31 July 2017.

For more information, please visit

www.ifrs.org/Alerts/ProjectUpdate/Pages/IASB-consults-on-proposed-improvements-to-IFRS-8-Operating-Segments.aspx

AUDITING AND ASSURANCE

ENHANCING AUDIT QUALITY ANCHORS TWO-YEAR IAASB WORK PLAN

IAASB released its Work Plan for 2017–2018 following a public consultation with stakeholders. This Work Plan is guided by three underlying key strategic objectives.

For more information, please visit

www.ifac.org/news-events/2017-02/enhancing-audit-quality-anchors-two-year-iaasb-work-plan



NEW AUDIT QUALITY MILESTONE FOR ASEAN

Four ASEAN audit regulators and Big Four audit firms in the region have collectively agreed on a measurable goal to improve audit quality. This initiative was announced at the ASEAN Audit Regulators Group's 5th annual Audit Inspection Workshop, where the Group also embarked on a long-term collaboration with World Bank to further strengthen audit oversight practices in the region.

For more information, please visit

www.acra.gov.sg/components/templates/newsDetails.aspx?id=6c7e94e3-8ce9-4a66-b83e-9721c619d04d

ISCA COMMENTS ON IAASB'S PAPER ON AUP ENGAGEMENTS

The comment letter incorporated views solicited from various stakeholders who generally share similar views as the IAASB AUP Working Group. Suggestions were provided on selected areas of interest.

For more information, please visit

<http://isca.org.sg/media/780585/isca-comment-letter-iaasb-aup-dp-final.pdf>

ETHICS

ACCOUNTANTS OFFER CRUCIAL HELP IN REDUCING GLOBAL CORRUPTION

IFAC's new study, *The Accountancy Profession – Playing a Positive Role in Tackling Corruption*, shows that professional accountants are playing a major, positive role in reducing corruption, along with other key actors in the global economy that support strong governance structures.

For more information, please visit

www.ifac.org/news-events/2017-02/accountants-offer-crucial-help-reducing-global-corruption

REGULATORY

LEGISLATIVE CHANGES FOR COMPANIES AND LLPS

Effective 31 March 2017, all companies and LLPs (unless exempted) are required to set up the Register of Controllers. Companies are also required to maintain a register of nominee directors. Existing companies and LLPs are given a transitional period of 60 days to set up the registers.

For more information, please visit

<https://www.acra.gov.sg/components/templates/newsDetails.aspx?id=888ee207-0fdc-4a64-a409-6d21df12e51b>

Electronic Data Interchange Expedites Order Processing



CHALLENGE

The client is a global beauty products manufacturer that has experienced rapid growth of incoming orders from in-flight services and duty-free travel retail operators in the Asia-Pacific region. As demand grew, it became increasingly challenging for the client to manually record voluminous orders from its customers and send their details to its logistics company for distribution. This highly manual and time-consuming process was prone to human data entry errors and negatively affected supply chain efficiency. To address this problem, the client approached Stone Forest IT (SFIT) for a solution.

SOLUTION

Following an assessment of the client's situation, SFIT implemented the following features:

- An EDI-based tool that streamlines connection between the client's Sage 300 accounting system and the logistics company's system
- Advance Ship Notices (ASN) sent through Sage 300 to notify the logistics company of incoming stock details
- Sage 300 forwards customer order data to the logistics company, which in turn sends back an EDI document to confirm the order's details, such as delivery dates and quantities
- Email notifications sent to the client's operational staff and logistics company whenever an order or ASN is received respectively

RESULTS

After implementation of the solution, the client achieved significant improvements in several areas:

- Improve accuracy of order data recorded by 70%
- Reduce order processing time by 50%

The successful deployment is a result of SFIT's extensive experience in providing customised solutions for Sage 300 to match organisations' business needs.

HIGHLIGHTS

Industry:
Travel Retail

Location:
Singapore

Solution:
Electronic Data Interchange-based tool for Sage 300

Results:

- Improved accuracy of order processing
- Faster order processing time

AMENDMENTS TO EP 200, COMPANIES ACT AND LIMITED LIABILITY PARTNERSHIPS ACT

Improving Transparency of Companies and LLPs



BY
FUA QIU LIN

In 2015, the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG) carried out an assessment of the effectiveness of Singapore's anti-money laundering and countering the financing of terrorism (AML/CFT) regime in accordance with the FATF Recommendations. Pursuant to the assessment, the FATF and APG had issued Singapore's Mutual Evaluation Report in September 2016. The report determined that Singapore has a strong AML/CFT framework in place albeit there are still certain areas where improvements are necessary.

To address these findings in the Mutual Evaluation Report, amendments were made to the

ISCA Ethics Pronouncement (EP) 200: Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore, in March 2017. At the same time, the Companies (Amendment) Bill 2017 and the Limited Liability Partnerships (LLP) (Amendment) Bill 2017 were passed by Parliament on 10 March 2017. The changes to EP 200 are mainly to provide additional clarity to existing requirements and guidelines, while the objective of the changes to the Companies Act and LLP Act¹ is to enhance the transparency of ownership and control of companies and LLPs.

This article highlights some of the key changes to EP 200, the Companies Act and LLP Act.

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There are no changes to the contents of Supplement A (of EP 200). However, previously a good guidance, Supplement A is now mandatory for auditors.

¹ Other legislative changes include amendments to boost Singapore's competitiveness as a business hub by introducing an inward re-domiciliation regime which allows foreign corporate entities to transfer their registration to Singapore and amendments to reduce compliance costs and administrative burden such as simplified requirements for holding annual general meetings and filing of annual returns.



TECHNICAL EXCELLENCE

ENHANCING TRANSPARENCY OF COMPANIES AND LLPs

KEY CHANGES TO EP 200 Supplement A of EP 200 becomes mandatory for auditors

There are no changes to the contents of Supplement A. However, previously a good guidance, Supplement A is now mandatory for auditors. Public accountants would have to take into consideration the specific requirements and guidelines in the Supplement when performing audits of financial statements. For example, if the auditor knows or suspects that money laundering or terrorist financing has occurred, the auditor would have to consider the specific circumstances to determine whether the audit opinion should be modified. If the auditor fails to pursue his suspicions, it may be argued that issuing an unmodified opinion when the circumstances warrant a modified opinion, enables the criminal act to pass off as a legitimate transaction with the consequence that the illegal act can continue. The auditor should also consider the necessity of asking the Suspicious Transaction Reporting Office whether disclosure in the auditor's report through modification of the opinion, could be considered as tipping off.

² Designated high risk services as described under paragraph 1.5 of EP 200 are as follows:

- (a) Buying and selling of real estate;
- (b) Managing of client money, securities or other assets;
- (c) Management of bank, savings or securities accounts;
- (d) Organisation of contributions for the creation, operation or management of companies;
- (e) Creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

³ Persons appointed to act on behalf of the client may be an officer of a company, a partner of a partnership, or a sole proprietor of a sole proprietorship, who enters into the business relationship with the professional firm/professional accountant on behalf of the company/partnership/sole proprietorship. This person is usually the one who signs the engagement letter with the professional firm on behalf of the client.

⁴ The minimum sanction lists are:

- (a) The "Lists of Designated Individuals and Entities" on the Monetary Authority of Singapore website;
- (b) The "Terrorist Alert List" on the ISCA website, and
- (c) Any other similar lists and information required of professional firms for screening purposes stipulated by relevant authorities in Singapore such as the Accounting and Corporate Regulatory Authority.

⁵ <http://isca.org.sg/ethics/ethics-headlines/ethics-headlines/2017/march/ep-200-amendments-effective-1-june-2017/>

⁶ <https://www.acra.gov.sg/components/templates/newsDetails.aspx?id=888ee207-0fdc-4a64-a409-6d21df12e51b>

★
The amendments to EP 200 are effective from 1 June 2017. The amendments to the Companies Act and LLP Act (amendments relating to improving the transparency of companies and LLPs) were effective from 31 March 2017.

Screening requirements

EP 200 now provides clarity on the minimum sanction lists for screening purposes. For accountants performing any of the designated high risk services², the accountant must screen his client, beneficial owners of the client, any natural persons appointed to act on behalf of the client³ and connected parties of the client against the sanction lists⁴.

All natural and legal persons in Singapore are prohibited under the United Nations Regulations promulgated under the United Nations Act, and the Terrorism (Suppression of Financing) Act, from dealing with designated individuals and entities. Performing the necessary screenings enables the accountants to ensure that they are not in breach of the law. Any breach could subject one to a fine up to \$500,000 or to imprisonment for a term up to 10 years or both.

Other changes for accountants providing designated high risk services

- Previously, it was not necessary to identify and verify the identity of the beneficial owners when the client is a government entity. This exemption has been removed.
- Where the client is a trust, amendments have been made

to clarify that the ultimate beneficiaries and every beneficiary that fall within a designated characteristic or class of the trust should be identified and reasonable measures should be taken to verify the identity of these beneficiaries.

- Accountants who act as trustees must disclose their trustee status to identified financial institutions and other designated businesses and professions when entering into a business relationship with them.

KEY CHANGES TO THE COMPANIES ACT AND LLP ACT Register of controllers

One of the key legislative amendments to improve the transparency of companies and LLPs is the requirement for Singapore-incorporated companies, Singapore-registered LLPs and foreign companies registered in Singapore (unless exempted) to maintain beneficial ownership information in the form of a register of registrable controllers. This information is to be made available to public agencies upon request, but not to the public.





In addition, foreign companies registered in Singapore are required to maintain public registers of shareholders. Nominee directors are also required to disclose their nominee status and nominators to their companies, who will need to maintain a non-public register of nominee directors.

Registrable controller: 25% threshold

A registrable controller is an individual or a legal entity that has a "significant interest" in or "significant control" over a company. A controller who has significant interest in a company can be an individual who has interest in more than 25% of the shares of the company or has shares with more than 25% of total voting power in the company. An example of a controller based on significant control is a person who holds more than 25% of the rights to vote on matters that are to be decided upon by a vote of the members of the company. The 25% threshold is consistent

with the threshold approach in the FATF guidance documents, and the threshold used in the United Kingdom's legislation.

Duty of companies

Companies are required to take reasonable steps to identify their controllers and obtain information on the controllers by sending out notices to anyone whom they know or have reasonable grounds to believe to be controllers, and anyone who knows the identity of the controllers or is likely to have that knowledge. Companies can discharge their duties by sending notices to the relevant parties and recording their particulars, as well as sending further notices to anyone who has been revealed as potential controllers.

Effective dates

The amendments to EP 200 are effective from 1 June 2017. The amendments to the Companies Act and LLP Act (amendments relating to improving the transparency of companies and LLPs) were effective

from 31 March 2017. Existing companies are given a transitional period of 60 days to set up the register of controllers. Newly-incorporated companies are required to set up the register within 30 days from the date of incorporation.

IMPORTANT TO UNDERSTAND THE CHANGES

Professional accountants should have a good understanding of the above changes. Further information on changes to EP 200, the Companies Act and LLP Act is available at the ISCA website⁵ and the Accounting and Corporate Regulatory Authority (ACRA) website⁶ respectively. [isca](http://www.isca.org.sg)

ISCA is organising a half-day Ethics Seminar on 28 June 2017. In addition to covering the latest additional obligations on AML/CFT, the speakers will be sharing on the upcoming changes to the Ethics Code (EP 100), developments at the International Ethics Standards Board for Accountants as well as implications of whistleblowing from a legal perspective. To register for the seminar, please visit our CPE website at <https://eservices.isca.org.sg/courseDetail?courseMasterId=a0g28000002bBkzAAE>.

Fua Qiu Lin is Senior Manager, Technical Advisory & Professional Standards, ISCA.

UPHOLDING TECHNICAL EXCELLENCE

Technical Bite-Size



BY
JEZZY CHEW

In Tune & In Sync. That is the theme for ISCA's annual report 2016/17.

To stay in tune with the changing times and be in sync with our members' needs, ISCA is committed to supporting our members in their careers as they progress and rise to the challenges they face along the way. Through our Technical Helpdesk, ISCA's technical team receives and responds to enquiries on financial reporting, audit and assurance and ethics matters. Many of these enquiries require the application of professional judgement and scepticism. At times, there are also enquiries that may warrant further discussions and in-depth deliberation, in particular, those of a complex and controversial nature. Such enquiries are then brought onto the agenda of ISCA FRC Core Sub-Committee¹ for deliberation.

ISCA's Technical Bite-Size is an initiative by ISCA's technical team to

share deliberations by the FRC Core Sub-Committee on accounting issues with diverse market practices, application issues requiring professional judgement, topical accounting issues unique to the Singapore market and many more. Technical Bite-Size serves as a platform for the sharing of technical knowledge and ISCA's views on accounting issues in an understandable and easy-to-read manner with our members (Tech Bites).

In December 2016, the first series of Tech Bites was published on ISCA's Knowledge Centre for Financial Reporting website. As a start, the focus of these Tech Bites was on the impending changes to two major standards, namely, revenue and financial instruments, both of which are effective from 1 January 2018. Below are three Tech Bites on FRS 115: Revenue from Contracts with Customers, FRS 109: Financial Instruments, and one other that arose from an enquiry that we received from our members. Other Tech Bites include the accounting for contract costs and variable consideration under FRS 115 and the differences in the impairment of financial instruments under FRS 109 as compared to the existing financial instruments standards. For the entire suite of Tech Bites, please refer to "Technical Bites" at <http://isca.org.sg/tkc/fr/techbites/>.

¹ ISCA FRC Core Sub-Committee is a sub-committee of ISCA's Financial Reporting Committee (FRC). Members of ISCA FRC Core Sub-Committee are Prof Chua Kim Chiu (Chairman), Ms Chan Yen San, Mr Chen Voon Hoe, Ms Cheng Ai Phing, Mr Reinhard Klemmer, Ms Kok Moi Lre, Ms Ong Suat Ling, Ms Soh Lin Leng, Mr Tan Seng Choon and Mr James Xu.



Technical Bite-Size serves as a platform for the sharing of technical knowledge and ISCA's views on accounting issues in an understandable and easy-to-read manner with our members (Tech Bites).

Question Should land costs be included in the measurement of progress under FRS 115?

FRS 11 paragraph 39 requires the recognition of revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer.

FRS 115 paragraph 41 requires the use of appropriate methods of measuring progress, namely input and output methods. FRS 115 paragraph 42 states that when applying a method for measuring progress, an entity shall include or exclude from the measure of progress any goods or services for which the entity does not transfer control to a customer.

When an entity uses an input method to measure the progress or percentage of completion, FRS 115 paragraph B18 states that input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. FRS 115 paragraph B19 goes on to state that the entity shall exclude from an input method the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer. One example whereby an adjustment is required is when a cost incurred is not proportionate to the entity's progress in satisfying performance obligation.

To meet the objective of depicting the entity's performance, an entity would need to consider the nature of the promised goods or services and the nature of the entity's performance. In the case of a property development, one would usually view the sale of land and the development of the property as a single performance obligation. Therefore, the overall promise to customer is the development of the property and the progress towards complete satisfaction of the performance obligation is reflected by the work done in relation to the development of the property. When using a cost-based input method, the cost of the acquisition of the land is not proportionate to the entity's progress in the development of the property. Accordingly, land cost is excluded from the measure of progress towards complete satisfaction of the performance obligation.

Publication Date: 30 December 2016
Written by: Jezzy Chew and Lim Ju May,
Financial Reporting Standards and Corporate Reporting

TECHNICAL EXCELLENCE

TECHNICAL BITE-SIZE



In December 2016, the first series of Tech Bites was published on ISCA's Knowledge Centre for Financial Reporting website.

Question Investments in equity instruments classified as available-for-sale under FRS 39 – What are the main differences under FRS 109?

Under FRS 109, there is no available-for-sale (AFS) classification. An investment in equity instruments would be classified under fair value through profit or loss (FVTPL) unless the entity makes an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income (OCI).

The fair value through other comprehensive income (FVOCI) classification under FRS 109 paragraph 4.1.2A may appear similar to the AFS classification but they are different because unlike FRS 39, FRS 109 requires an examination of an entity's business model for managing the financial asset, and the contractual cash flow characteristics of the financial asset before concluding on the classification. An investment in equity instruments would not qualify for FVOCI classification because it would fail the requirement for the instrument's cash flows to be solely payments of principal and interest.

In the event that the entity makes an irrevocable election at initial recognition to present subsequent changes in fair value in OCI in accordance with FRS 109 paragraph 4.1.4, it is important to be aware that upon de-recognition of the equity instrument, cumulative gains or losses previously recognised in OCI are not permitted to be reclassified to profit or loss.

FRS 109 also does not have the exception in FRS 39 that allows subsequent measurement of investments in equity instruments to be at cost when they do not have a quoted price in an active market and whose fair value cannot be reliably measured. Under FRS 109, all equity instruments are to be subsequently measured at fair value.

Lastly, equity investments are not required to be assessed for impairment under FRS 109. This is a notable change from the requirements under FRS 39 whereby a significant or prolonged decline in fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

Publication Date: 30 December 2016

Written by: Lim Ju May, Financial Reporting Standards and Corporate Reporting



Question Does a change from the preparation of a set of consolidated financial statements to a set of separate financial statements constitute a change in accounting policy under FRS 8: Accounting Policies, Changes in Accounting Estimates and Errors?

The requirements in FRS 8 shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. Accounting policies are defined in FRS 8 paragraph 5 as the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Consider the following scenario:

Entity A has one subsidiary and is wholly owned by another entity, B. In prior years, entity A has been preparing consolidated financial statements, notwithstanding that entity A meets the criteria set out in paragraph 4(a) of FRS 110: Consolidated Financial Statements for the exemption on the preparation of consolidated financial statements. Entity A chooses to apply the exemption and prepares separate financial statements for the current financial year. Should entity A consider this as a change in accounting policy under FRS 8?

Separate financial statements and consolidated financial statements are two *distinct* sets of financial statements. Therefore, this is not a change in accounting policy under FRS 8. When an entity chooses to apply the exemption from preparing consolidated financial statements in the current financial year (in place of consolidated financial statements), Entity A effectively ceases to prepare consolidated financial statements and commences the preparation of separate financial statements.

Accordingly, FRS 27: Separate Financial Statements applies when an entity produces separate financial statements. FRS 27 paragraph 9 requires the preparation of separate financial statements in accordance with all applicable FRSS, except for accounting for investments in subsidiaries, joint ventures and associates in paragraph 10. This would mean that the opening balances in the separate financial statements are to be presented as though the entity has been preparing separate financial statements all along. In addition, paragraph 16 requires a parent entity that elects not to prepare consolidated financial statements to include the disclosures as listed in (a) to (c) in their separate financial statements.

Publication Date: 30 December 2016
Written by: Lim Ju May and Jezzy Chew,
Financial Reporting Standards and Corporate Reporting

The two years 2017 and 2018 are critical for the accounting profession in the implementation of major accounting standards and the move to full IFRS convergence. We welcome our members to share your implementation issues of these standards through our Technical Helpdesk. In the meantime, we will continue to publish Tech Bites to share technical views and insights on financial reporting matters. ISCA

Jezzy Chew is Senior Manager, Financial Reporting Standards & Corporate Reporting, ISCA.

INSIGHTS ON SINGAPORE TAX CASES

Understanding the Application of Tax Laws



BY
FELIX WONG

The interpretation and application of the Income Tax Act (ITA) in relation to business transactions are often contentious due to the uniqueness and complexity of different business scenarios. Invariably, the differences in interpretation between taxpayers and the Comptroller of Income Tax (CIT) will lead to tax disputes.

Case laws are formed when tax disputes are decided by the Income Tax Board of Review (ITBR) and the Courts. They set precedents for future disputes, and provide useful clarification on the interpretation of tax laws as well as how they should be applied in specific business situations.

Accredited Tax Practitioner (Income Tax & GST) Allen Tan, Principal, and Ng Chun Ying, Senior Associate,

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Case law sets precedents for future disputes, and provides useful clarification on the interpretation of tax laws as well as how they should be applied in specific business situations.



PHOTO SHUTTERSTOCK



(From left) Accredited Tax Practitioner (Income Tax & GST) Allen Tan, Principal, and Ng Chun Ying, Senior Associate, Baker & McKenzie.Wong & Leow, shared insights on key tax issues enunciated in recent tax cases

Baker & McKenzie.Wong & Leow, discussed recent Singapore tax cases and shared their insights at a recent *Tax Excellence Decoded* (TED) event organised by the Singapore Institute of Accredited Tax Professionals.

1 DISCOVERY OF EXCHANGE OF INFORMATION DOCUMENTS - *AXY V CIT* [2016]

In *AXY*, the National Tax Service of the Republic of Korea (NTS) issued an exchange of information (EOI) request to the CIT for information on banking activities of certain Korean taxpayers in Singapore. Pursuant to the request, the CIT proceeded to issue notices to various banks in Singapore for the requested information. The taxpayers subsequently applied for leave to commence judicial review of the CIT's decision to issue the notices. In the context of this application, the taxpayers applied for discovery against CIT to compel the CIT to disclose certain documents.

In considering the application for discovery, the Court was guided by the principle laid down in *ABU v CIT* [2015] that the Courts are not required to substantively review an EOI request. The application for

discovery was allowed in part, and the Court ordered the disclosure of the NTS' EOI request, the CIT's correspondence with NTS and the notices issued by CIT to the banks, on the basis that they were relevant and necessary to the fair disposal of the case.

Key Observations

In general, like other administrative acts by a public authority, the CIT's exercise of its administrative powers under the EOI regime is susceptible to judicial review by the Courts. This process safeguards taxpayers' interests under an EOI framework that has significantly expanded in recent times.

In *AXY*, the taxpayers came to know about NTS' EOI request. However, the CIT is generally not required to notify the relevant taxpayer that an EOI request has been made. As such, in most cases, the taxpayer may not even know that he/she has been made the subject of an EOI request and therefore, the taxpayer's ability to commence a claim for judicial review is circumscribed.

It should be noted that *AXY* was decided based on the law before the introduction of section 105HA(3) of the ITA in 2014. The said provision restricts the discovery of EOI requests and related documents in judicial

TECHNICAL EXCELLENCE

SINGAPORE TAX CASES

review proceedings. This presents an additional hurdle for taxpayers to mount any legal challenge against EOI requests.

2 DEDUCTIBILITY OF BORROWING EXPENSES - *GBG V CIT* [2016]

The taxpayer was a Singapore-incorporated company in the business of ship and rig repair, building and conversion. It incurred facility fees which were paid to banks for the commitment of funds under various facility agreements and sought to deduct such facility fees.

The facilities could be drawn down for the following purposes:

- i) Capital expenditure and general working capital requirements;
- ii) General corporate funding, and
- iii) Standby funding to finance any shortfall for a yard expansion project.

The taxpayer did not draw down on any of the facilities during their respective availability periods, which ranged from 12 to 35 months.

The issue was whether the facility fees paid by the taxpayer in respect of the facilities, which were not drawn down, were tax deductible.

As no monies were borrowed by the taxpayer on the facilities, the parties agreed that section 14(1)(a) of the ITA would not be applicable. Instead, the taxpayer's position was that the facility fees were incurred wholly and exclusively in the production of the income within the general section 14(1) deduction formula, and were not prohibited from deduction by section 15(1)(c) of the ITA, not being capital in nature.

The ITBR held that there was no necessity for a drawdown of facilities for the facility fees to be considered as borrowing costs, and hence the precedent case of *CIT v IA* concerning the deductibility of facility fees on a loan that was drawn down was relevant.

Applying the principles established in *IA*, the ITBR held that the facilities

were not specifically taken for revenue purposes based on the stated purposes of the facilities. Hence, the facility fees were capital in nature and not tax deductible. In ascertaining the purpose of the facilities, documentation (such as facility letters and directors' resolutions) is key.

Key Observations

The decision in *GBG* follows a series of decisions on the deductibility of borrowing costs in *IA, T Ltd v CIT* [2006], and *BFC v CIT* [2014], which held that the classification of borrowing costs as capital or revenue depends on the nature of the underlying loan, which is in turn determined by the purposes for which the loan was taken. *GBG* extends the sufficient linkage test in *IA* to include sums incurred in connection with a facility even where there was no actual drawdown.

GBG illustrates the importance of having objective contemporaneous documentation, particularly the facility documents, as evidence of the purpose of the loans. In practice, however, taxpayers may find it not commercially viable to restrict the purposes of the loans in the facility documents, even if the loans were eventually drawn down for revenue purposes only.

GBG also illustrates the difficulties and potential complexities for borrowing costs to qualify for deduction under Singapore tax laws. Section 14(1)(a) of the ITA allows the deduction of prescribed borrowing costs in lieu of interest from year of assessment 2008 onwards, but there are still hurdles for taxpayers to rely on this provision.

3 ANTI-AVOIDANCE - *GBF V CIT* [2016]

The taxpayer, a medical practitioner, incorporated a company (G) with his wife to carry on the business of plastic and cosmetic surgery in 1996. Both the taxpayer and his wife were directors and shareholders of G. The taxpayer



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Contemporaneous documentation would reflect the taxpayer's state of mind at the point when the decision was made and would be key in substantiating the intention behind the carrying out of an arrangement.

was the sole medical practitioner at G.

In March 2008, the taxpayer and his wife sold their shares in G to another company (B) pursuant to a share purchase agreement (SPA), and under which B was to pay "physician compensation" of \$815,763 for the taxpayer's services for the period of 1 January 2008 to 30 June 2009. In July 2008, the taxpayer set up two new corporate entities – D and E – where each was wholly owned by the taxpayer



and his wife respectively. A corporate partnership (C) was also formed, with D and E as its partners.

Thereafter, the taxpayer and his wife continued as directors of G, and the taxpayer remained as the sole medical practitioner employed by G. However, under the new arrangement, the “physician compensation” for the taxpayer’s services was paid by B to the corporate partnership; C, D and E also each benefited from the startup tax exemption scheme under section 43(6A) of the ITA.

The ITBR found that following the arrangement, there was no change in the *modus operandi* of G’s practice. The new entities, C, D and E, had no functional role in G’s business. There was also no evidence to substantiate the taxpayer’s assertions that the arrangement was set up for the purposes of managing practice and business risks, and for business

convenience and benefits to grow the practice.

For these reasons, the ITBR concluded that the arrangement was formed solely to receive the physician compensation and manage it in the most tax-efficient manner. The objective purpose and effect of the arrangement was that the taxpayer derived substantial tax savings. The ITBR also held that the taxpayer could not rely on the section 33(3)(b) exception as one of the main subjective purposes of the arrangement was to avoid tax.

Key Observations

As Singapore’s general anti-avoidance rules do not target tax consequences of *bona fide* commercial transactions, it is critical that any arrangements carried out should make business sense, such that any tax savings arising from an arrangement should merely be an

effect (and not one of the *main* affects) of the arrangement.

It is also vital for companies to ensure there is sufficient contemporaneous documentation to support any transactions. Such documents would reflect the taxpayer’s state of mind at the point when the decision was made and would be key in substantiating the intention behind the carrying out of an arrangement.

Keeping abreast of the latest tax decisions may help businesses identify potential tax risks. Keep an open mind when reading a tax case – appreciate the issues, analyse the risks, and act on the problems. *ISCA*

Felix Wong is Head of Tax, SIATP. This article is based on SIATP’s *Tax Excellence Decoded* session facilitated by Accredited Tax Practitioner (Income Tax & GST) Allen Tan, Principal, and Ng Chun Ying, Senior Associate, Baker & McKenzie. Wong & Leow. For more tax insights, please visit www.siatp.org.sg.

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Paul Pignataro
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This interview preparation workbook is suitable for young bankers who want an edge in the recruitment process. Written by a finance expert with firsthand recruitment experience, it helps prepare readers for both content and structure by providing useful revision on important topics as well as a preview of the potential interview questions. Covering financial statements, valuation, mergers and acquisitions, and leveraged buyouts, the book answers common technical questions while refreshing your understanding of the core technical analyses behind key models and investigations.

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James Lam
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Malcolm Frank, Paul Roehrig, Ben Pring
ISBN: 978-1-119-27866-5
S\$41.46 including GST



When systems running on artificial intelligence can drive our cars, diagnose medical patients, and manage our finances more effectively than humans, it raises profound questions on the future of work and how companies compete. Illustrated with real-world cases, data, and insights, the book provides clear strategic guidance and actionable steps to help readers and organisations move ahead in a world where exponentially developing new technologies are changing how value is created.

3

Prizes Up for Grabs

Stand to win the book of your choice! Simply email your answers to the quiz questions to journal@isca.org.sg by 24 May 2017. Please provide your full name, NRIC number, mailing address, contact number and the book you're interested in.

QUIZ

1 In "Singapore: Accountancy's Capital City", the ISCA-AAT qualification is a flexible skills-based programme for accounting technicians, designed to meet the demands of the workplace.

A True
B False

2 In "Cambodian Accounting Legal and Institutional Framework", all foreign companies whose securities trade in a public market are required to use the Cambodian International Financial Reporting Standards (CIFRS) in their consolidated financial statements.

A True
B False

3 In "Insights on Singapore Tax Cases", case law sets precedents for future disputes, and provides useful clarification on the interpretation of tax laws as well as how they should be applied in specific business situations.

A True
B False

CONGRATULATIONS

APRIL QUIZ WINNERS:

Tan Wei Qin
Sxxxx706C

Bay Guan Seng
Sxxxx358J

Shelley Wu Yao Tsui
Sxxxx984G

Answers for April quiz: (1) B, (2) A, (3) A



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