

ISChartered AccountantJournal

JUNE 2018



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SOARING HIGHER

ISCA AGM 2017/2018
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Industrial Revolution 4.0, Prepared To Work Smart

Dear members,

THANK YOU FOR YOUR SUPPORT AT OUR RECENT ISCA AGM.

Your strong turnout signals the interest that members have in keeping up with the Institute's developments, and the value you see in your ISCA membership. We will continue to bring value to our members as we work towards our 2020 vision. For members who could not join us for the AGM, this issue's cover story brings you the highlights, and also introduces the seven new ISCA Council members and one new co-opted member.

The composition of the Council reflects the diversity and vibrancy of the Institute's membership. Comprising leaders from the corporate sector, public sector, public accounting profession and academia, the Council members bring with them unique insights, wide-ranging experiences and extensive industry networks to support ISCA in reaching greater heights. Their breadth and depth of expertise is crucial in a rapidly-changing business landscape that is being dubbed "Industrial Revolution 4.0" or IR 4.0 for short.

IR 4.0 is characterised by disruptive technologies that are making obsolete existing business models and challenging previously tried-and-tested ways of doing things. Broadly, IR 4.0 touches on every aspect of work, learning and life, and includes everything from the Internet of Things to cloud computing, digitalisation and artificial intelligence (AI). Technology is also fundamentally transforming financial services, which has given rise to the term "fintech" – the integration of finance and technology – an area that is likely to have the greatest impact on our profession and industry.

As we now operate in an environment where software can glean intelligence from huge amounts of data, such as detecting trends and providing the corresponding solutions, and traditional computing machines and algorithms can be programmed to carry out specific tasks, thus freeing people to assume higher-value tasks, the notion of a "smart" workplace is already a reality.

ISCA, as the national accountancy body, has evolved over time to meet our members' needs and to champion the interests of the profession. For some time now, we have been working towards future-proofing our members by establishing more avenues to connect them to opportunities worldwide, and also expanding and deepening their skill sets so they can step into emerging areas of high demand.

Today's rapidly-evolving and technology-driven era requires accounting professionals to have multiple skill sets, and the Institute has availed to our members up-to-date resources spanning topics such as enterprise risk management, business analytics, cybersecurity and forensic accounting, as well as soft skills such as communications and negotiations, to name a few. We have also been developing specialisation pathways to enable our members to enter high-growth areas. In 2017, we had announced the launch of the ISCA FFA qualification and in the first quarter of this year, ISCA, in collaboration with the Singapore University of Social Sciences, launched the Business Analytics certification programme which is designed to equip professional accountants with skills in data analytics.

Given the prevalence of technology, ISCA CEO Lee Fook Chiew, in his article "Technological Disruption In Accountancy", shows how the Institute has implemented many programmes to support our members' growth in this respect. To keep members updated on the latest trends and developments are resources including the "Insights" weekly newsletter and other topical publications, as well as this member journal. There are also many initiatives planned throughout the year, to cater to the various needs of our diverse membership. Of note is the Institute's signature Singapore Accountancy and Audit Convention, which now comprises a series of four conferences tailored to the distinct needs of our member segments. Read about the impact of technology on the profession and how the Institute helps members leverage technology to add value to their respective organisations.

Not convinced that IR 4.0 is the new reality? The article, "Artificial Intelligence Is Here To Stay" – with its compelling empirical evidence gathered by different organisations to show how technology has boosted productivity in both developing and developed economies – may be the impetus to get you onboard and strapped in for the technological transformation.

The Institute's members are making an impact across different industries professionally – and challenging the stereotypical image that others have of an accountant. In the "Member Profile" column, meet a member who likes to plug into dance music as she works the figures as a financial planning and analysis manager. In the "Fun Accountants" column are three members whose hobbies not only help them to destress, for two of them, these hobbies play a role in the workplace. Find out how, and have a good read!

Kon Yin Tong

FCA (Singapore)
president@isca.org.sg



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AI can be the game changer in business performance and efficiency



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Email: isca@isca.org.sg **Website:** www.isca.org.sg

PUBLISHING & DESIGN CONSULTANT



MCI (P) 162/03/2018
 PPS 709/09/2012 (022807)
 ISSN 2010-1864

ADVERTISING

Multiline Corporation Pte Ltd
 Trevor Teh
Hp: 9829-6905
Email: trevor@multi9.com.sg

PRINTING COMPANY

Times Printers Private Limited

The views expressed in *IS Chartered Accountant* journal do not necessarily represent those of the Institute of Singapore Chartered Accountants (ISCA). No responsibility is accepted by the Institute or its staff for the accuracy of any statement, opinion or advice contained in the text or advertisements, and readers are advised to rely on their own judgement or enquiries, and to consult their own advisors in making any decisions which would affect their interests. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of ISCA. *IS Chartered Accountant* journal welcomes contributions and letters. These may be edited for clarity or length. Articles, letters and requests to reproduce articles appearing in *IS Chartered Accountant* journal should be sent to Editor, IS Chartered Accountant, Institute of Singapore Chartered Accountants, 60 Cecil Street, ISCA House, Singapore 049709 or email: editor@isca.org.sg.

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In-Demand Finance And Accountancy Skill Sets For 2018

THE SINGAPOREAN WORKFORCE'S

shift towards digitisation is driving a hiring competition for professionals with niche skills and expertise. Finance and accounting professionals who can adapt quickly and increase efficiencies for their organisation will find themselves in high demand.

Topping the most in-demand list are managers within the financial planning and analysis function as businesses focus on initiatives aimed at supporting growth. Specifically, qualified Financial Planning and Analysis Managers with well-developed technical and communication skills are able to negotiate an above-average starting salary, according to the "2018 Robert Half Salary Guide".

"Highly-skilled financial professionals will naturally gravitate towards more attractive remuneration packages, particularly in a candidate-short market," says Matthieu Imbert-Bouchard, Managing Director, Robert Half Singapore. Also, they are "aware of their value in the employment market". According to the Guide, a Financial Planning and Analysis Manager can expect a remuneration from \$90,000 (25th percentile) to \$160,000 (95th percentile), depending on the candidate's skill set and experience level, as well as the complexity of the role.

Following the position of Financial Planning and Analysis Manager, the next two in-demand positions are Finance Manager and Tax Manager.

Finance Managers are in high demand in 2018, particularly those with well-developed communication



skills and business acumen. They are perfectly placed to offer expert insight and financial advice to help their organisations make the most informed decisions.

Demand has increased for Tax Managers as companies look to increase their efficiencies in fiscal matters and manage their tax statements and returns for their businesses and clients. This demand is placing highly-skilled tax professionals in a favourable position to negotiate a higher starting salary.

The Guide offers a comprehensive overview of the current salary ranges, industry trends and specific job trends for finance and accounting, financial services and technology professionals. The annual study was conducted in December 2017, surveying 75 CFOs with the finance and accounting sector in Singapore. The full report is available at the Robert Half website.

Salary range for in-demand positions

| Positions | Salary range (percentiles) | | | |
|---|----------------------------|------------------|------------------|------------------|
| | 25 th | 50 th | 75 th | 95 th |
| Financial Planning and Analysis Manager | \$90,000 | \$115,000 | \$140,000 | \$160,000 |
| Finance Manager | \$90,000 | \$110,000 | \$135,000 | \$150,000 |
| Tax Manager | \$100,000 | \$130,000 | \$160,000 | \$175,000 |

Source: 2018 Robert Half Salary Guide

What's Hot, What's Not



There is unlikely to be significant salary increases in 2018 as inflation rates remain relatively flat in Singapore, according to the "2018 Robert Walters Salary Survey - Greater China and Southeast Asia". However, professionals with in-demand skills such as digital marketing and cybersecurity can expect to see increments in their annual salary reviews, especially among those with knowledge of the local market.

The Survey indicates a higher demand for people with a mix of business and audit experience - including people who left the audit function to take on an internal role in business areas such as compliance. The contract market is also expected to expand as candidates become more open to contracting opportunities to expand their corporate experience.

Companies in the consumer and healthcare industries are likely to seek sales and marketing professionals who are in tune with digital trends and possess strong analytical skills. Additionally, employers will be on the lookout for high-potential local talent with international backgrounds.

The full report is available at the Robert Walters website.





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C-Suites Can Collaborate More In Tackling Human Capital Challenges: Deloitte

AMID CONCERNS ABOUT AUTOMATION, the need for new skills, an aging workforce and tightening labour markets, the make-or-break issue facing companies this year is the need for a realignment among the C-suite to focus on the evolving role of business, according to Deloitte's 2018 Global Human Capital Trends report, "The Rise of the Social Enterprise".

With more than 11,000 HR and business leaders weighing in, of which 199 were from Southeast Asia (SEA), the report overwhelmingly points to the need for a symphonic C-suite – a team-based, cross-disciplinary approach to tackling complex issues – with 85% globally and 89% in SEA calling this trend "important" or "very important". The results show that globally, companies where C-suite executives regularly collaborate are one-third more likely to be growing 10% more than companies whose leadership operates in silos. Despite being necessary to advance the enterprise, 84% in SEA (73% globally) say their executives do not regularly collaborate.

"Many leading organisations in Southeast Asia have unique organisational dynamics due to a mix of large global firms addressing local markets alongside large national and regional companies. In addition, the large nationals are becoming increasingly global. As these organisations increase their scale with a shift in focus to inorganic growth, integration across all lines of business is no longer optional, especially at the C-suite level. In order for integration to take place, diversity among C-suite members is essential. They also need to be hyper-focused on collaboration, to understand one another and work as a team, and to be able to contribute beyond their line function. These qualities will help create a symphonic C-suite which can bring about truly innovative solutions and integrated

... GLOBALLY, COMPANIES WHERE C-SUITE EXECUTIVES REGULARLY COLLABORATE ARE ONE-THIRD MORE LIKELY TO BE GROWING 10% MORE THAN COMPANIES WHOSE LEADERSHIP OPERATES IN SILOS.



organisational strategies to effectively tackle complex challenges from the necessary multiple angles," explains Mark Maclean, Human Capital Consulting Leader, Deloitte Southeast Asia.

An integrated C-suite is also critical for the future economy, where, for example, CIOs and CFOs must collaborate with their business leaders to develop and implement automation solutions, and more flexible people platforms to attract and retain talent and



89%

said “important” or
“very important”
to have a
symphonic C-suite

a team-based,
cross-disciplinary
approach to tackling
complex issues



companies to higher standards than ever before and rewarding companies that demonstrate socially-conscious behaviour with unwavering loyalty.”

Internal and external social forces are also driving attention to the aging global workforce. Extended life expectancies raise questions on how long careers will last and how aging workers will impact economies and public policy. Despite the aging global workforce and the competitive advantages older talent offers, 35% of SEA respondents (49% globally) indicate their companies have done nothing to help older workers find new careers as they age, and another 14% (15% globally) say older workers are viewed as an impediment to rising talent. However, the aging workforce remains an untapped resource of experience and knowledge for social enterprises to use to their advantage.

As constituencies look to how companies treat their own employees, tackling the alternative workforce takes centre stage for socially-conscious organisations. By 2020, 37% of organisations globally expect a growth in contractors, 23% in freelancers, and 13% in gig workers. Despite this anticipated growth, only 17% (16% globally) said they have an established set of policies and practices to manage this variety of worker types. It is critical to successfully implement hybrid workforce strategies because they can have a significant impact on an organisation’s employment brand and external reputation. Other findings and the full report are available at the Deloitte website.

create workplaces that enable the workforce to flourish. “CHROs are a mandatory element of this partnership to provide the talent infrastructure so that the tools, availability, skills and desire can drive organisation performance.”

Good citizenry; changing face of workforce

With more pressure on businesses to be good citizens and engineer solutions to critical social challenges, citizenship must be a core part

of an organisation’s identity and mission. In fact, 81% of SEA survey respondents (77% globally) cited citizenship as “important” or “very important”. “Corporate citizenship is now a CEO-level strategy and critical to a company’s bottom line,” says Josh Bersin, Principal, Deloitte Consulting LLP. “It’s not about check-the-box CSR initiatives but integrating citizenship, fairness, inclusion and purpose as core values across work practices. Customers and employees alike are holding

● isca breakfast talk

Developing Effective Financial Forecasts

THE ISCA BREAKFAST TALK ON MAY 16 saw two directors from Moore Stephens IT Solutions speaking about how finance professionals can leverage on technology to develop more effective financial forecasts in the changing business landscape.

Choo Kwong Chee emphasised that maintaining a centralised database for data collection is pivotal to a more meaningful forecast. He highlighted the importance of using comprehensive integrated models which encourage collaborative forecasting with different business partners within an organisation to set realistic KPIs to drive growth.

Agus Tirtoredjo went on to explain the benefits of performing a rolling forecast as compared to a static budget. Rolling forecasts, which are updated regularly throughout the year to reflect changes in the industry or economy, allow early identification of outliers and



timely correction of errors. He added that investing in a corporate performance management application will aid the organisation in producing more accurate forecasts with shorter preparation times. To better prepare organisations for the effects of multiple future scenarios, Mr Tirtoredjo introduced the use of scenario-based planning. Proper execution of this forecasting technique will result in higher revenue growth, higher operating margins

and more streamlined decision-making.

Rounding off the session, Mr Choo reiterated the four tips to achieve more effective financial forecasts – maintaining centralised databases, using comprehensive integrated models, performing rolling forecasts and engaging in scenario planning. With improved forecasting, organisations can then set out to improve internal processes, enhance decision-making and create profound strategic value.

▲ Agus Tirtoredjo, Director, Moore Stephens IT Solutions, introduced the use of scenario-based planning

● Choo Kwong Chee, Director, Moore Stephens IT Solutions, shared how technology can aid in developing more effective financial forecasts

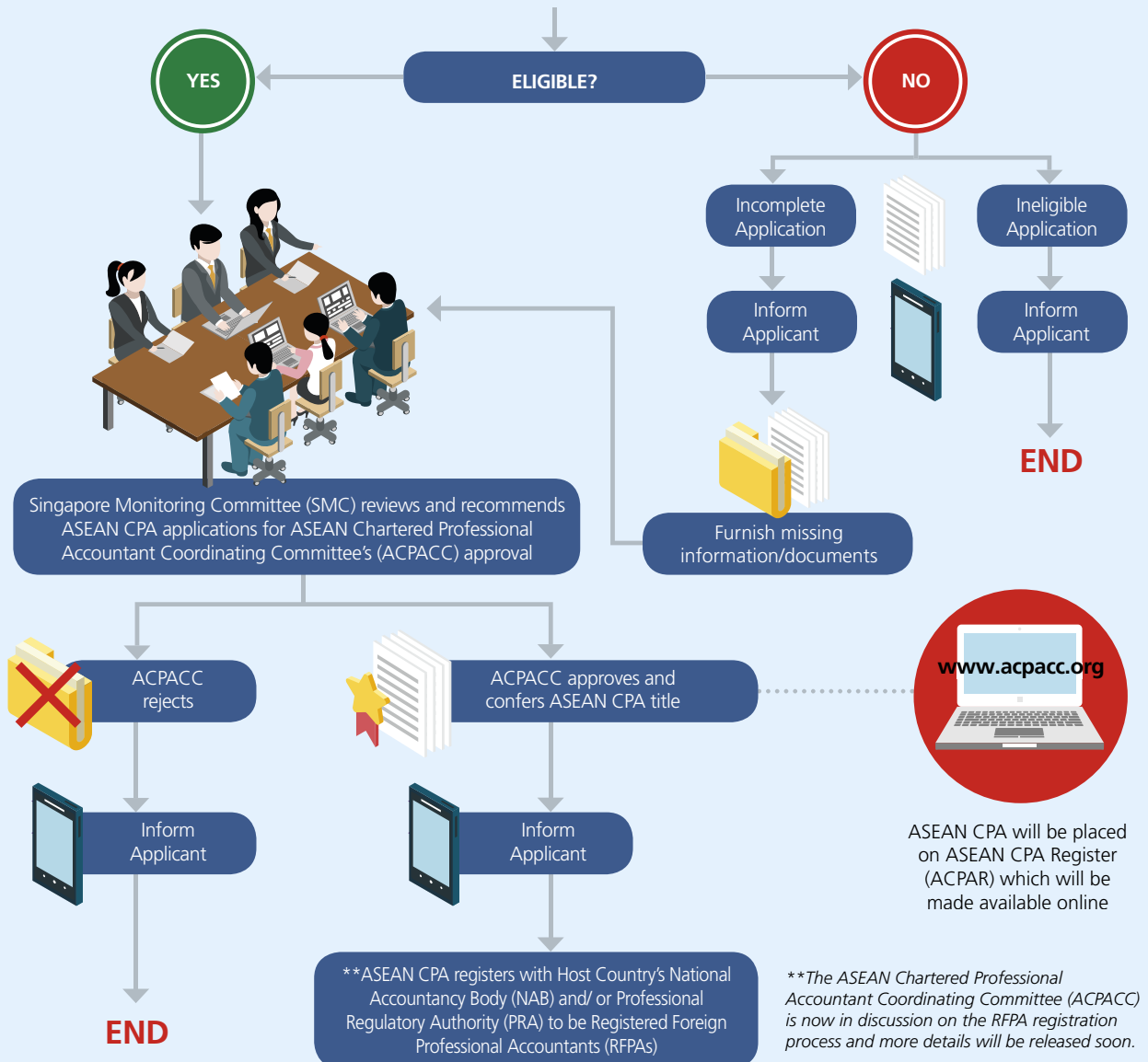


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Grooving To The Beat Of Tax

MUCH HAS BEEN DISCUSSED ABOUT FINANCIAL REPORTING STANDARD (FRS) 115.

The IRAS e-Tax guide also had the tax community talking. Participants at both half-day sessions on FRS 115 got into the beat of the tax implications arising from the changes in revenue recognition.

Questions punctuated the *Tax Excellence Decoded* sessions organised by the Singapore Institute of Accredited Tax Professionals. Chan Yen San and Accredited Tax Advisor (Income Tax) Pauline Koh,



▶ The robust Q&A session led by Pauline Koh (in black) and Chan Yen San engaged participants and clued them in on the tax treatment of FRS 115



◀ Ms Chan (in white) and Ms Koh sharing their accounting and tax insights of FRS 115 with illustrations of possible scenarios businesses may face

both Partners at KPMG in Singapore, generously shared their insights and expertise on this big change, providing participants an all-rounded understanding of the changes from both the accounting and tax perspectives. Ms Koh also elaborated on the transitional tax adjustment in the initial year of assessment.

If you are seeking clarity in tax, email enquiry@siatp.org.sg for more information. Also look out for the technical article on what else went on at these sessions, in next month's journal issue.

Disciplinary Findings

UPON FINDING that Mr Chan Chee Kin, CA (Singapore) had contravened Rule 64.1 read with Rule 65.2, of the Membership and Fees Rules, in that he has been convicted by the State Courts of the Republic of Singapore on 25 September and 2 October 2017 of two charges of intending to insult the modesty of an unknown woman and did intrude upon the privacy of the said woman, which is an offence punishable under Section 509 of the Penal Code (Cap. 224), and he was sentenced to four weeks imprisonment on 2 October 2017.

The Disciplinary Committee ordered:

- 1) That pursuant to Rule 137.1.2 of the Institute (Membership and Fees) Rules, he be suspended for a period of three months with immediate effect from 13 March 2018.
- 2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, he shall pay to the Institute the sum of SG\$199.56 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against him within 28 days of the date of this order.



Membership Privileges

ISCA Members' Privileges Programme (MPP) is a platform where various merchants of different industries offer their respective services and products as a form of privilege to our esteemed members. Membership benefits now extend beyond signing up for CPE courses at members' rates and accessing the Technical Knowledge Centre as ISCA members can ride on and take advantage of the various discounts or deals that are offered throughout the year.

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MARK YOUR CALENDAR

13
JUN

ISCA Breakfast Talk - Unlocking Cash Flow in your Working Capital

50% of sectors studied in the Singapore Working Capital Survey 2017 (by PwC) saw their working capital performance deteriorate year-on-year. As SMEs increasingly struggle with long payment terms, how can you tap on payables financing to free up cash to drive growth? On the other hand, if your business is cash rich, should you consider alternative cash management options such as supplier finance to potentially provide you with a better yield than fixed deposits?

11
JUL

ISCA Breakfast Talk - The Challenges of Modern Financial Reporting

Financial reporting continues to be a major challenge for most finance teams for several significant reasons: widespread adoption of narrative in financial reporting, the need to integrate multiple data sources, the need to collaborate with contributors and stakeholders throughout the reporting process, and a general lack of data, workflow and process control. A detailed survey finding will be shared during the session so you can compare them to your own reporting experiences, before concluding with key recommendations for evolving the reporting process to meet today's business requirements and expectations.



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Dates and events are subjected to change without prior notice.

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BY LEE FOOK CHIEW

Technological Disruption In Accountancy

How ISCA Supports Members In This Area

THE LOOK OF THE FUTURE PROMISES TO BE EXCITING IN THE 21ST CENTURY, with technology revolutionising the way we live, learn and work. I am certain you have felt the impact of technology, be it in your lifestyle – entertainment, transportation, banking, retail, travel – or in the way businesses operate. In the first half of 2018, we saw Singtel and Razer coming together in a tie-up to create the largest e-payment network in Southeast Asia, accelerating Singapore's drive towards a cashless society. Our hawker centres have also started to implement cashless payments despite the traditional culture to use cash when buying food. While digital transformation could bring about new business opportunities, we have also witnessed the onset of Facebook's mishandling of users' personal data that triggered concerns about data privacy issues. No doubt, the way we work, communicate and live will continue to change.

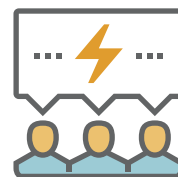
To stay innovative and relevant, Singapore has set its focus around the themes of "resilience" and "innovation" as it assumed the ASEAN Chairman in 2018. Similarly, throughout ASEAN, we have seen the convergence of similar efforts in the region to see greater engagement across ASEAN and beyond. From Batam's tech park – a 100-hectare Nongsa Digital Park with aspirations to be a "digital bridge" between Singapore and Indonesia – to the establishment of partnership between the Monetary Authority of Singapore (MAS) and State Bank of Vietnam (SBV) aimed at encouraging fintech innovation, we can identify a common theme of Singapore positioning itself to gear up in relevance and innovation to remain competitive as a region.



PHOTO SHUTTERSTOCK



I WOULD LIKE TO HIGHLIGHT THAT THE INSTITUTE'S SIGNATURE SINGAPORE ACCOUNTANCY AND AUDIT CONVENTION WILL NOW COMPRISE A SERIES OF FOUR CONFERENCES TARGETING DIFFERENT MEMBER SEGMENTS.



READY FOR THE DIGITAL TRANSFORMATION JOURNEY?

Given the prevalent use of technology in our everyday lives, it has permeated every industry and profession including the accountancy profession. Our profession has been undergoing digital transformation in many aspects. With technological disruption, it is vital for members to consider these questions:

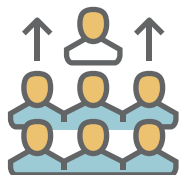
- 1) What are the new technological tools that are available and can disrupt (or is already disrupting) the nature of work in an organisation's Finance function?
- 2) How is the Finance function going to evolve (or is already evolving) in terms of job scope and skill sets?
- 3) Are you ready to embrace technology and embark on a digital transformation journey?

In this article, I will focus on technological disruption as it is one of the key trends affecting business models, jobs and opportunities, and show how ISCA is supporting the needs of our members in this area. I will share more about global and regional developments that our members should be mindful of in my next article.

ISCA HELPS YOU STAY AHEAD OF THE REST

At ISCA, we endeavour to keep our members updated on the latest trends and developments via resources including this **IS Chartered Accountant** Journal, the weekly newsletter entitled "Insights" and other publications. The ISCA Journal, for instance, has been publishing "technical" articles covering areas such as financial reporting, auditing and assurance as well as ethics, and emerging topics such as data & audit analytics, regional/country reports, financial forensics, and the latest technologies and their implications on the profession. The recent article on "Robotic Process Automation in Finance" illustrated how RPA offers immense potential to improve business efficiency,

I STRONGLY ENCOURAGE MEMBERS TO LOOK OUT FOR THE LATEST ISCA ARTICLES AND TOPICAL PUBLICATIONS AS A QUICK WAY TO STAY AHEAD OF THE CURVE, SO AS TO REMAIN RELEVANT IN TODAY'S FAST-PACED WORK ENVIRONMENT.



data security and effectiveness. It is important for one to be tuned in to the latest news and developments and therefore, I strongly encourage members to look out for the latest ISCA articles and topical publications as a quick way to stay ahead of the curve, so as to remain relevant in today's fast-paced work environment.

Our 32,000-strong membership is making their stride across industries and sectors in Singapore and around the world. To support the needs of our diverse membership, ISCA takes effort to design initiatives, programmes and activities with the needs of the different member segments in mind. These activities are lined up throughout the year so as to make them available to as many members as possible. On this note, I would like to highlight that the Institute's signature Singapore Accountancy and Audit Convention (SAAC) will now comprise a series of four conferences targeting different member segments, and instead of being held in one day, the conferences have been scheduled between March and September.

The ISCA Budget Update Seminar, which took place in March 2018, was the first instalment of the series. It was a sell-out event attended by over 800 members. The ISCA Practitioners Conference on June 1, for public accountants and audit professionals, brought to the fore hot topics and issues in areas such as accounting, auditing, technology and cybersecurity. At the inaugural ISCA Technology Conference, to be held on August 30, members can expect a showcase of the latest innovative

solutions impacting the accounting and finance industry.

Due to the transformative impact of technology on business, ISCA now places significant emphasis on technology across many facets of its work. In the area of thought leadership, we have shared on blockchain, data analytics and cybersecurity risk. These publications and events seek to create awareness among our members of the new technologies, and their impact and implications on businesses and jobs. At the same time, members can consider opportunities in promising growth areas as they prepare for the future economy.

ISCA WIDENS CAREER PATHWAYS FOR MEMBERS

As Singapore progresses towards a skills-based economy, it is imperative that professional accountants are equipped with the right skill sets that are fit for purpose in the new economy. With this in mind, the Institute has been developing learning roadmaps for Professional Accountants in Practice and Professional Accountants in Business. These efforts have culminated in the launch of the "Learning Roadmap – Auditors in Small-and-Medium-sized Practices" in January 2018. At the end of September 2018, the Institute will be launching the learning roadmap for Financial Accountants and Management Accountants. These learning roadmaps lay out the recommended skills at each proficiency level, and the learning opportunities available to acquire



such skills. Such information will be helpful to members in their career planning, and as they work towards their career aspirations.

To ensure that our members continue to remain relevant in today's technology-driven era, ISCA has been developing specialisation pathways to enable our members to future-proof and deepen their skill sets. This year, the Institute collaborated with the Singapore University of Social Sciences (SUSS) to launch the ISCA-SUSS Business Analytics Certification Programme, which will equip professional accountants with relevant data analytics skills. Armed with business analytics skills, members can then mine through the voluminous data available in their organisations to derive useful insights for decision-making purposes. The programme provides members with hands-on experience in business analytics software tools, and this allows them to acquire practical skills that can be readily applied at work. Another

¹ "Long hours common for some professions in Singapore", The Straits Times online, 17 January 2017



specialisation pathway which is in high demand is the ISCA Financial Forensic Accounting Qualification (FFA Qualification) – the first such qualification offered by a professional body in Southeast Asia. The FFA Qualification also places emphasis on new technologies such as digital forensics, which includes data analytics and cyber-response.

With Singapore reported as one of the most hardworking countries in the world, clocking in an average of 45.6 hours¹ every week, ISCA is cognisant that many members find it challenging to balance the demands of their work with the need to continuously develop new capabilities and upskill. To help address this, the Institute has introduced shorter courses, such as the ISCA Professional Risk Management Programme. A four-day programme, it focuses on enterprise and financial risk management, and equips members with the necessary skills to identify and address the different types of risks their organisations typically face in today's volatile environment. ISCA's suite of

e-learning programmes also serves to meet members' learning needs 24/7. For example, the ISCA-BPP Professional Education collaboration has yielded 40 short e-learning modules on IFRS and Tax, which are available for members on the go. New online offerings in 2018 include:

- 1) **BF002i** Overview of Business Valuation for Financial Reporting
- 2) **IA001i** Raising the Value of Internal Auditing with Data Analytics.

CONCLUDING REMARKS

As today's economies have become more technology-driven, the role of accountants has evolved and will continue to do so. To keep up with the ever-changing business models, members need to equip themselves with the relevant knowledge and skills to navigate the future economy.

The Institute will continue to support our members in their professional development to further their career aspirations. **ISCA**

Lee Fook Chiew is CEO, ISCA.



WHAT'S ON

Keep a look-out for ISCA's emails and do check the ISCA website for the latest updates on events and CPE courses:

We welcome your feedback and suggestions on how ISCA can better serve your needs.



CPE Courses: Digital Programmes

- **DGT013** Cryptocurrencies and e-Payments are Shaping the Future – Are Accountants Ready?, 21 July 2018
- **DGT015** Electronic Payments in a Changing World of Innovation, 10 August 2018
- **DGT008** Cyber Forensics and Cybersecurity for Decision Makers, 13 and 14 August 2018



Events

- **Young Professionals Symposium, 6 August 2018**
Gearing up today's millennials to become tomorrow's leaders, the Institute will host our inaugural Young Professionals Symposium to pave the way for millennials in this transformative age. Organised for young professionals by young professionals, the symposium aims to empower them with the knowledge and skills to boost their careers and be future-ready.
- **ISCA Technology Conference, 30 August 2018**
Expect a showcase of the latest innovative solutions impacting the accounting and finance industry.
- **Professional Accountants in Business Conference, 28 September 2018**
Rounding off the SAAC series, this conference will be held in conjunction with the Singapore Accountancy Awards. It aims to provide participants with updates on the latest accounting, ethics and technology topics, and is a platform for accountants from different industries to network and exchange ideas.



IS Chartered Accountant Journal

Articles on technologies and their implications:

- April: 2018: "Robotic Process Automation in Finance"
- April 2018: "The Future of Audit: An AI Perspective"
- May 2018: "Cybersecurity Risk"
- May 2018: "Becoming a Data-Driven Organisation"
- June & August 2018: "Artificial Intelligence is Here to Stay (Parts 1 & 2)"



INSTITUTE OF
SINGAPORE
CHARTERED
ACCOUNTANTS

ANNUAL GENERAL MEETING

21 APRIL 2018



SOARING HIGHER

ISCA Annual General Meeting
2017/2018 Highlights



ISCA HELD ITS ANNUAL GENERAL MEETING (AGM) 2017/2018 ON APRIL 21 at Marina Mandarin Hotel. The strong turnout of

more than 500 ISCA members reflected the keen interest they have in keeping abreast of the Institute's developments, and the value they see in an ISCA membership. Like in previous years, the AGM provided a platform for the ISCA Council and management to meet with members and hear their views.

As an organisation that has evolved over time to remain relevant to the profession's needs, members who

were present received a snapshot of the key milestones that ISCA had achieved during the past year and upcoming new initiatives to prepare members for the future economy.

Following the conclusion of the AGM, Dr Gerard Ee stepped down as ISCA President after four years at the helm, in accordance with the Institute's Constitution. This is in line with ISCA's leadership renewal process to regularly refresh the leadership team, inject new perspectives and involve more members of the profession to spearhead the Institute.

Kon Yin Tong, who had served as Vice President (VP) and Executive Committee

AL MEETING 2017/2018

APRIL 2018



Over 500 members
attended the AGM



NEW ISCA PRESIDENT SAYS...

With disruptive technologies impacting the business landscape, the accountancy profession, like all professions, is being transformed to adapt to the rapid changes. ISCA President Mr Kon believes the Institute thus plays a key role in preparing its members to be future-ready.

"The learning journey for accounting professionals never stops. As the national accountancy body, we will continue to equip our members with the necessary skills and knowledge for the future economy. We will also continue our efforts in raising our global prominence and establishing international connections. To that end, ISCA will continue to collaborate with our key stakeholders, both locally and globally, to empower our members to achieve their professional aspirations."



member of ISCA since 2016, succeeded Dr Ee as ISCA President. Mr Kon, who is Managing Partner of Foo Kon Tan LLP, is joined by newly-elected office bearers Yvonne Chan Mei Chuen, Chief Financial Officer (CFO) and Director (Corporate Development), Maritime and Port Authority of Singapore as VP; Balasubramaniam Janamanchi, Managing Partner/Director, JBS Practice PAC as Treasurer, and Kelvin Tan Wee Peng as Secretary.

The AGM also saw the election of seven new members and one new co-opted member to the ISCA Council. They are Shariq Barmaky, Audit &

Assurance Leader, Singapore and Southeast Asia, Deloitte & Touche LLP; Dennis Chia Choon Hwee, CFO, StarHub Limited; Lai Chin Yee, Finance Director, Qian Hu Corporation Limited; Marcus Lam Hock Choon, Assurance Leader, PwC Singapore; Lelaina Lim Siew Li, Group CFO, Eu Yan Sang International Limited; Henry Tan Song Kok, Managing Director, Nexia TS Public Accounting Corporation; Yong Yim Ming, Group CFO, City Developments Limited, and co-opted member Belinda Teo Hui, Assurance Manager, Ernst & Young LLP.

TAKING THE PROFESSION TO NEW HEIGHTS

ISCA is proactive in empowering accountancy professionals in their journey of lifelong learning, equipping them with a range of future-ready skills to grow with the times and add value to their respective organisations.

That was the message shared by Dr Ee, who addressed members for the last time as ISCA President. For members who could not join us that day, here is an excerpt of his AGM address.





RECAP OF 2017/2018 ACHIEVEMENTS

"ISCA is in the third phase of the Institute's Strategic Roadmap – that is, to intensify our global prominence. In this regard, the Institute has rolled out many initiatives that have contributed towards elevating ISCA's profile on the international landscape.

GREATER CAREER PORTABILITY FOR MEMBERS

In 2017, ISCA signed Reciprocal Membership Agreements, or RMAs for short, with three globally recognised professional chartered accountancy bodies – the Institute of Chartered Accountants in England and Wales (ICAEW), Institute of Chartered Accountants of Scotland (ICAS) and Chartered Accountants Ireland.

With the RMAs, we are providing the opportunity for ISCA members who have completed

▶▶ Members perusing the annual report



the Singapore CA Qualification to become members of ICAEW, ICAS and Chartered Accountants Ireland. Last year, we also became a full member of Chartered Accountants Worldwide, a global body of leading chartered accountancy bodies around the world. Our being conferred full membership status by this prestigious global body is an endorsement by Chartered Accountants Worldwide that ISCA fulfils the highest standards required of a professional accountancy body, bringing us on par with other leading chartered accountancy bodies around the world. Together with the RMAs, this accolade enhances the professional recognition for our members, enabling them to go beyond Singapore's shores and pursue international career opportunities.



▶▶ Members engaging the Council during the AGM



▶▶ Members catching up with one another

Closer to home, as at end of March, there were 232 ISCA members who have been conferred the ASEAN Chartered Professional Accountant or ASEAN CPA title. Those conferred with the ASEAN CPA title can provide non-regulated accountancy services in ASEAN countries, without having to go through extensive re-training and re-qualification procedures. This provides more opportunities for accounting professionals and firms in ASEAN markets, and facilitates trade in services in the region.

As part of an agreement signed between ISCA and the Lao Chamber of Professional Accountants and Auditors in 2016, over 50 Lao government officials will undergo a three-year programme to enhance the capabilities of accounting professionals in Lao PDR. The programme is organised by ISCA in partnership with the Lao Ministry of Finance and supported with a grant by Temasek Foundation International. To kick-start the programme, the Institute organised a five-day leadership workshop for 10 senior Lao government officials in July last year. In addition, the Institute also organised specialist workshops for another 32 Lao government officials to equip them with skills and knowledge that can be applied in their daily course of work. The workshops were facilitated by experienced ISCA members.

ISCA also signed a Memorandum of Understanding with the Myanmar Institute of Certified Public Accountants to co-develop the accountancy profession in Myanmar through capability-building programmes. These programmes





ISCA is proactive in empowering accountancy professionals in their journey of lifelong learning, equipping them with a range of future-ready skills to grow with the times and add value to their respective organisations.



included training on Principles of Accounting, International Financial Reporting Standards (IFRS), IFRS for SMEs, and continuing professional education (CPE) classes on topical issues and trends. ISCA will also conduct training on the ISCA Audit Manual and Micro Accounting Model (MAM).

The Institute developed the MAM to provide micro entities in emerging and developing countries with a framework to transit from cash accounting to accrual accounting, and to prepare reliable financial statements. Standard-setters and national professional accounting bodies can use MAM as a starting point towards eventually adopting international accounting standards.

Last year, ISCA presented on the MAM at the United Nations Conference on Trade and Development's 34th session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, introducing the MAM to an international audience. It was very well-received.

On a recent trip to Myanmar organised by ISCA, practitioners from nine local firms joined the delegation. We are pleasantly surprised to learn that three of them have established links with the small and medium-sized practices (SMPs) in Myanmar. We hope that this development will grow, and similar tie-ups can be made with the SMPs in Laos, Cambodia and Vietnam.

These initiatives have significantly enhanced the value of the ISCA membership and elevated the Institute's visibility on an

international level, providing greater career portability for our members and opening more opportunities for them in high-growth regions.

RIISING WITH THE TIMES

Technology disruption is changing how business is conducted. To remain relevant, Chartered Accountants need to adapt and transform with the times. As the government positions Singapore for the future economy, the Institute has been taking concrete steps to prepare members and the profession to be future-ready.

ISCA has increased the frequency of engagement with members through various platforms such as networking sessions with leaders of accountancy firms, senior members in business and young professionals.

The interaction with members is a valuable channel for ISCA to gather first-hand insights and feedback on the emerging needs of the accountancy profession. This will enable the Institute to develop initiatives that better support the needs of members in respect of the new economy.

To prepare SMPs to be future-ready, ISCA has partnered with Enterprise Singapore to help SMPs adopt technology and internationalise under the Local Enterprise Association Development (LEAD) programme. This includes encouraging SMPs to adopt the ISCA audit software to digitise their audit processes.

In line with Singapore's move towards a skills-based economy, ISCA also launched the ISCA SMP learning roadmap in January 2018. A similar learning roadmap for Professional Accountants in Business will also be developed in future. Designed to enable members to take charge of their career development, the learning roadmaps chart the recommended skills at each level and the learning opportunities available.

In today's technology-driven era, new knowledge and skills in areas such as data analytics, cybersecurity, coding

and blockchain are in demand. ISCA has been rolling out new CPE courses covering these topics.

To further improve the relevance and value of ISCA's CPE programmes, a new CPE Committee was set up in early 2017. The Committee is tasked with providing strategic guidance on the development of CPE programmes and aligning them with the Skills Framework for Accountancy. The Committee is also responsible for identifying emerging training needs and translating them into CPE programmes.

SUPPORTING ISCA'S DIVERSE MEMBERSHIP

We aim to empower our members to realise their potential and achieve their professional aspirations. We recognise that this cannot be a one-size-fits-all solution, as our members hail from diverse backgrounds and have varied needs.

Having given a summary of what the Institute has done to add value to our members, I would like to share with you what is in store for members going forward.

Besides expanding the range of CPE courses, ISCA will also be rolling out initiatives targeted at different member segments in 2018. With technology playing such a key role in business today, the Institute will be holding a Technology Conference on August 30. With the Conference, we aim to introduce innovative technology solutions to accountancy professionals in Singapore and the region.

Professional Accountants in Practice

For Public Accountants, effort will be poured into encouraging the use of technology as an enabler to transform practice firms. On June 1, we will have the Practitioners Conference for audit professionals, which will cover a vast array of topics from the auditor's perspective.





THANK YOU, DR EE

Dr Ee had served as ISCA's President since April 2014. Under his leadership, the Institute heightened its prominence in the global landscape.

"The Institute has achieved much under the guidance of Dr Ee.

Under his leadership, ISCA significantly raised its profile regionally and internationally, elevating its stature as a globally recognised professional accountancy body.

"On behalf of the Institute, I would like to thank Dr Ee for his contributions, and I look forward to working closely with my fellow Council members and the ISCA management team in bringing the Institute to greater heights," says ISCA President Mr Kon.



The ISCA Audit Manual for Standalone Entities, which was updated last year, was well-received by members, especially those in SMPs. To further enhance audit quality and drive consistency among the audit profession when executing group audits, the Institute is developing an ISCA Audit Manual for Group Entities to meet the needs of SMPs.

+ Professional Accountants in Business

For members in business, the Institute will be emphasising the importance of business partnering. Members in business are encouraged to be innovative in their work and strive to become strategic business advisors in their organisation.

We will hold the PAIB Conference on September 28. The PAIB Conference is the Institute's flagship event for Professional Accountants in Business (PAIBs), be they in commercial companies or the public sector. As the business landscape becomes more globalised and increasingly complex, the accounting and regulatory requirements will likewise evolve.

Against this backdrop, the Conference aims to update PAIBs on hot topics in accounting, ethics and technology. The event will also be a good platform for professionals from different industries to network and exchange knowledge.

In the evening on September 28, we will hold the Singapore Accountancy Awards, our biennial awards for the accountancy profession. The Awards are a mark of excellence for businesses and individuals while promoting good practices and strengthening the branding of the profession.

Through the Singapore Accountancy Awards, we aim to honour outstanding organisations and individuals who represent the best in the accountancy sector and inspire the profession to achieve greater heights.

ISCA President Dr Gerard Ee highlighting the Institute's key achievements and initiatives; Dr Ee stepped down after the AGM

+ Young Professionals

For young professionals who are 35 years old and below, preparations are underway to hold a symposium aimed at keeping young professionals informed of trends and developments shaping the future economy and the implications to the profession.

To further engage young professionals, the Institute will also be providing platforms for young accountants to strengthen and expand their professional network, learn and share with peers from across industries and broaden their perspectives, and put their minds together to discuss trends and challenges, and expand their knowledge.

OPENING NEW VISTAS

The accountancy profession should also be innovative in its service offerings for businesses beyond accounting and financial reporting. As such, ISCA has been developing specialisation pathways to enable accounting professionals to go into high-growth practice areas.

Financial Forensic Accounting Qualification

At the inaugural ISCA Financial Forensic Conference on 28 September 2017, ISCA launched the ISCA Financial Forensic Accounting Qualification. This is the first financial forensic accounting qualification offered by a professional body in Southeast Asia.

Registration for the programme started last month and the response has been encouraging, with 83 applications so far.

Business Analytics Certification Programme

Big data and data analytics remain the most in-demand skill. This has prompted the Institute to collaborate

with the Singapore University of Social Sciences to jointly launch the Business Analytics Certification Programme in the first quarter of 2018. It aims to equip professional accountants with the relevant data analytics skills. The Information Session will be held on 3 May 2018 and I encourage all members to pick up such new skill sets that are in great demand across all business sectors.

Project Financing

With ASEAN countries looking to develop their infrastructure, this opens a new avenue with high growth potential. Project financing knowledge is in demand in the region. ISCA is exploring with a Big Four firm to develop a specialisation pathway in this area.

Helping Companies in Sustainability Reporting

By now, most of us are aware that the Singapore Exchange has made it mandatory for all listed companies to adopt sustainability reporting (SR) from the financial year ending 31 December 2017 onwards.

To promote thinking and discussion around SR, and to help early-stage SR adopters kick-start their journey, ISCA launched the Sustainability Reporting Implementation Roadmap in September last year.

The roadmap provides practical guidance on the SR implementation process as well as key considerations for the company's first Sustainability Report.

ISCA will also facilitate discussions among CFOs via the Sustainability Reporting Mentorship platform where experienced corporate reporters share their insights and experience with early-stage adopters.

To promote high-quality assurance services on SR, ISCA will also be working together with subject matter experts to develop an SR assurance



framework. This will establish a level playing field for SR assurance services.

Cybersecurity

Cybersecurity risks are becoming increasingly prevalent and can pose immense challenges to organisations. ISCA is developing a guide to create awareness on the role of financial statement auditors in cybersecurity, and to explain how these threats can impact financial reporting and audit procedures.

ISCA Cares

Beyond ISCA members, we are also broadening the accountancy talent pipeline and supporting the community via our charity ISCA Cares, which has attained IPC status. We value education as one of the most important keys to a better life.

With your donations and support, ISCA Cares has reached out to many needy Singapore youths with academic potential to gain access to quality accountancy education.

Last year, which was the second year since the ISCA Cares Education Programme started, there were 29 recipients of the ISCA Cares bursary. This is almost double the number of beneficiaries in 2016. We hope to reach out to more youths in need and encourage you to donate generously towards a worthy cause.

FINANCIALS

Before I conclude my sharing, I would like to give an update about SAA Global

Coming together for a group photo were some of the incoming and outgoing Council members

Education or in short, we call it SAA-GE.

I had mentioned in the last AGM about the plan to divest SAA-GE. We have since completed the sale of our education arm. In the same vein, we have also sold our stake in Elite Building at Aljunied, a six-storey property which once housed SAA-GE and the Institute's corporate premises.

The divestments enable ISCA to better focus our efforts on developing the accountancy profession where we continue to meet members' interests and needs.

With an increasingly complex business environment, ISCA is committed to investing in more resources to prepare members for the future economy. To do this, ISCA needs to remain financially sustainable. Over the past few years, while we have maintained our pace of transformation and development, we have also streamlined our operations.

Nonetheless, while we have optimised staffing at the current level, inflation and the continual need to invest in new capabilities to remain competitive will continue to drive expenditures up over time. It was for this reason that we increased the membership fees last year. However, we expect the membership fee structure to stay at the current level for the next few years.

CONCLUDING REMARKS

In closing, I would like to thank all members for your unwavering support

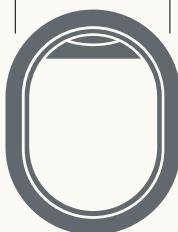
all these years. It has been an honour serving you alongside my fellow Council members, as well as the ISCA management team and staff.

The Institute is a much stronger organisation today, with a well-placed structure. We have made a lot of progress towards achieving our vision to be a globally recognised professional accountancy body.

I am confident that the Institute will soar to even greater heights as it injects new blood into its ranks.

In the interest of achieving greater gender diversity, I am very happy to see several of our lady members coming forth to stand for election to the new Council. I hope more members will come forward to serve in the Council and Committees, or to provide us with feedback and ideas.

With rapid changes in the business environment, there will always be new initiatives to be developed, to help our members remain relevant to the future economy. Many of our members are savvy and in tune with the changing business needs, such as those in technology. If members are willing to come forward to share their knowledge and experience, and contribute to the Institute, ISCA will certainly continue to grow stronger each year."



NEW AND RE-ELECTED COUNCIL MEMBERS

RE-ELECTED COUNCIL MEMBER AND NEW ISCA PRESIDENT



KON YIN TONG,
FCA (Singapore)
Managing Partner,
Foo Kon Tan LLP

Kon Yin Tong is a Fellow Chartered Accountant of Singapore and had served as the Vice President and Executive Committee member of ISCA since 2016. He was also a member of ISCA's Nominations Committee from 2016.

Mr Kon has been in the public accounting profession for more than 25 years and has personally been hands-on in many client engagements, including cross-border assignments. As Managing Partner of Foo Kon Tan LLP, his areas of practice include those in litigation support and dispute resolution, including acting as expert witness and as assessor to the Court.

He has been a Board member of the Singapore Accountancy Commission since 2013. He is also the Deputy Chair of Sport Singapore, President of the ASEAN Federation of Accountants, and Audit Committee Chair of the Energy Market Authority. Previously, he was Audit Committee Chair of the Singapore Totalisator Board and a Board member of the Accounting and Corporate Regulatory Authority from 2006 to 2011.

Mr Kon is a first-class honours graduate from the London School of Economics.

NEW COUNCIL MEMBERS



SHARIQ BARMAKY,
CA (Singapore)
Audit & Assurance Leader,
Singapore and Southeast Asia,
Deloitte & Touche LLP

Shariq Barmaky is a Chartered Accountant of Singapore, serving as Chairman of the ISCA Auditing and Assurance Standards Committee. He has also chaired ISCA's working groups on the recently-issued Enhanced Auditor's Report and FRS 115: Revenue from Contracts with Customers.

Mr Barmaky is currently the Audit & Assurance Leader in Singapore and Southeast Asia for Deloitte & Touche LLP. He has more than 25 years of experience in the audits of multinationals and local companies across various industries, as well as due diligence and public listings of equities and commercial paper.

In addition to being a Chartered Accountant of Singapore, Mr Barmaky is a Fellow Chartered Accountant with the Institute of Chartered Accountants in England and Wales.



DENNIS CHIA CHOON HWE,
FCA (Singapore)
Chief Financial Officer,
StarHub Limited

Dennis Chia is a Fellow Chartered Accountant of Singapore.

As Chief Financial Officer of StarHub Ltd, Mr Chia oversees StarHub's financial health, develops key business strategies together with the core leadership team, ensures business decisions are financially sound, and executes strategies through financial management. He is also responsible for driving acquisition strategies and merger-and-acquisition activities. Prior to joining StarHub, he was Senior Vice President and CFO of STATS ChiPAC (Worldwide), a leading provider of advanced semiconductor packaging and test services.

Mr Chia holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and a Master's degree in Business Administration from University of Hull, United Kingdom. He has participated in several of ISCA's roundtable discussions on numerous industry topics, including blockchain and technological developments.



LAI CHIN YEE,
FCA (Singapore)
Finance Director,
Qian Hu Corporation Limited

Lai Chin Yee is a Fellow Chartered Accountant of Singapore. She was previously a member of the ISCA CFO Committee from 2009 to 2012.

Ms Lai has been the Finance Director of Qian Hu Corporation Ltd since November 2004. She was an auditor with international accounting firms prior to joining Qian Hu as its Group Financial Controller in 2000. She has more than 30 years of experience in areas including auditing, finance & accounting, taxation and treasury. She is also an Independent Director of Ryobi Kiso Holdings Ltd and MicroMechanics (Holdings) Ltd. She was appointed by the Ministry of Finance as a member of the Tax Advisory Committee from 2004 to 2006, and has served as a member of the Council on Corporate Disclosure and Governance from 2006 to 2007.

Ms Lai holds a Bachelor of Accountancy degree from the National University of Singapore. She was named the Chief Financial Officer of the Year (for companies listed on the SGX-ST with less than \$300 million in market capitalisation) at the Singapore Corporate Awards 2009.

Marcus Lam Hock Choon is PwC Singapore's Assurance Leader and has many years of professional experience providing audit and advisory services across different sectors including technology, industrial, consumer and real estate industry. He currently leads the Assurance Practice and has extensive experience focusing mainly on the assurance area for public-listed companies and MNCs. He also has extensive experience in handling initial public offerings and debt offerings of listed entities.

Apart from professional work, Mr Lam is active in the community. He is Board member of DesignSingapore Council (Ministry of Communications and Information); Vice President of Parkinson Disease Society of Singapore; member of the Board of Governors of Singapore Polytechnic; Audit Committee Chairman of Nee Soon Town Council; Audit Committee member of SingHealth Fund Limited, and member of Accounting Standards Council.

Mr Lam holds a first-class honours Accountancy degree from Nanyang Technological University. He is a Chartered Financial Analyst, a practising member of ISCA and also an ASEAN Chartered Professional Accountant.



MARCUS LAM HOCK CHOON,
CA (Singapore)
Assurance Leader,
PwC Singapore

Lelaina Lim Siew Li is a Fellow Chartered Accountant of Singapore. She is currently a member of the ISCA CFO Committee and was formerly a member of the ISCA Investigation & Disciplinary Panel. She has also participated in the ISCA Mentoring Programme for aspiring CFOs from 2015 to 2016.

Ms Lim is currently the Group Chief Financial Officer of Eu Yan Sang International Ltd. She has over 30 years of financial and accounting work in various commercial sectors, with a strong track record reinforced by regional exposure in China and the ASEAN countries. Prior to joining Eu Yan Sang International Ltd, she was the Group Finance Director of Al-Futtaim Retail Asia LLC.

Ms Lim has served as a mentor at the Nanyang Business School from 2013 to 2017. She graduated with a Bachelor of Accountancy degree from the National University of Singapore.



LELAINA LIM SIEW LI,
FCA (Singapore)
Group Chief Financial Officer,
Eu Yan Sang International Limited

Henry Tan Song Kok is a Fellow Chartered Accountant of Singapore. Currently, he is a member of the ISCA Corporate Reporting Committee, and Chairman of the Sustainability Reporting Awareness Working Group. He was formerly a member of the ISCA Investigation & Disciplinary Panel.

As Managing Director of Nexia TS Public Accounting Corporation since May 2005, Mr Tan has been serving clients in the areas of mergers and acquisitions, accounting and taxation advisory in Singapore and the region. He has assisted companies, especially entrepreneurs, since 1993 to grow their business in Asia. He has more than 17 years of experience in the China market.

He was awarded the Platinum Award Midas Touch Asia Enterprise Award in 2013, Distinguished Award SME One Asia Award in 2013 and Nanyang Alumni Achievement Award in 2016.

Mr Tan graduated from the National University of Singapore with first-class honours in Bachelor of Accountancy. In addition to being a Fellow Chartered Accountant of Singapore, he is a Fellow of the Chartered Accountants Australia and New Zealand, Insolvency Practitioners Association of Singapore Ltd, and Singapore Institute of Directors.



HENRY TAN SONG KOK,
FCA (Singapore)
Managing Director,
Nexia TS Public Accounting Corporation

Belinda Teo is a Chartered Accountant of Singapore, serving as the Chairperson of ISCA Young Professionals Advisory Committee.

Ms Teo is currently an Assurance Manager, with close to eight years of experience in providing audit services to organisations with global and regional operations headquartered in Singapore, and companies that are listed in Singapore. She has been involved in international assignments and initial public offering projects. At the Singapore Accountancy Awards 2016, she clinched the Young Accountant in Practice Award for her strong leadership and professional qualities, and sound technical knowledge and experiences.

Ms Teo graduated from the School of Accountancy, Singapore Management University, in 2010 with a second major in Corporate Communications.



BELINDA TEO HUI,
CA (Singapore)
Assurance Manager,
Ernst & Young LLP

Yiong Yim Ming is a Chartered Accountant of Singapore and has been a member of the ISCA Continuing Professional Education Committee since 2017. She was a mentor in the ISCA Mentoring Programme for aspiring CFOs in 2017.

Ms Yiong has been with City Developments Ltd since 2007 as an executive, and was appointed Chief Financial Officer in 2016. She was re-designated as Group Chief Financial Officer in February 2018. As such, she has extensive knowledge of the Group's financial and operation matters both domestically and overseas, covering the Group's operations in property development, investment properties and hotels. Prior to that, she had 12 years of audit experience which included a 10-year stint in KPMG Singapore and a two-year engagement with Ernst & Young Singapore.

Ms Yiong is a member of the Board of Trustees for the Singapore University of Social Sciences. She holds a Bachelor of Accountancy degree from Nanyang Technological University. ISCA



YIONG YIM MING,
CA (Singapore)
Group Chief Financial Officer
City Developments Limited

MEMBER PROFILE

LIFE IN THE EXPRESS LANE

**WHEN ANNIE SEAH
WON THE YOUNG
ACCOUNTANT OF
THE YEAR AWARD**

(Professional Accountants in Business category) in 2014, as part of ISCA's inaugural Singapore Accountancy Awards, she had been outside the public accounting world for only a year. At the time, she was the Operations Finance Manager for Resorts World Sentosa, having joined the company after six years with Ernst & Young in Singapore (EY Singapore).

Today, some four years on, the 34-year-old is well ensconced in the world of business as Financial Planning and Analysis (FPA) Manager at credit card giant American Express,

Annie Seah, CA (Singapore), Manager, Financial Planning and Analysis, American Express

which she joined in 2015. Ms Seah's job involves building financial models for new products and analysing the outcomes of new launches and campaigns. She works closely with members of the product team, who are constantly trying to develop new solutions for cardholders. Unlike a

traditional accounting job, "my role involves working with the product team to improve the product, and how we can add value to card members while striking a balance between risk and returns," she says.

Illustrating her point, Ms Seah explains that some ideas can seem

very creative and sexy, but they might be too costly from an advertising or operational point of view. Even if the idea might work from a margins perspective, it would still require a large volume to justify the cost. Her responsibility is to run the numbers to ensure that the rewards are



“Accounting people tend to be more logical and cool-headed, so we bring that dimension to the discussion.”

commensurate with the risks involved. “Accounting people tend to be more logical and cool-headed, so we bring that dimension to the discussion.”

MAKING THE FUTURE HAPPEN

The opportunity to be involved in making the future rather than

analysing the past is one of the key things Ms Seah enjoys about her current job. “As an auditor, you are always looking at historical data. You never feel that you are part of the process but rather, at the end of it. I’m the kind of person who likes to be part of operations, where things are



CAREER MILESTONES +

- 2007**
Graduated from Singapore Management University
Joined EY Singapore
- 2013**
Operations Finance Manager, Resorts World Sentosa
- 2014**
Winner of Young Accountant of the Year Award
(Professional Accountants in Business category),
Singapore Accountancy Awards 2014
- 2015**
Manager, Financial Planning and Analysis, American Express

“The common question, “Has Finance looked through the numbers?”, is testimony to the important role accountants play in ensuring that companies do not get into trouble by being creative with figures.

constantly happening.”

That said, she is grateful for her time at EY Singapore – her first stop after graduating from Singapore Management University in 2007, where she received a Bachelor of Accountancy. “The reason I am able to do my work well is because of the very thorough training I received from my six years in audit.” Apart from developing technical expertise, Ms Seah learnt about the value of communication and the importance of seeing things from a bird’s-eye point of view. “Being in a Big Four firm allowed me that kind of breadth; you get a very holistic view of what business operations look like,” she says. The experience of auditing big companies, attending annual general meetings and speaking to entrepreneurs provided her with a good grounding as well as the confidence to explore other professional opportunities in the corporate world.

In addition to relevant experience, a qualified Chartered Accountant qualification, she feels, is also something that companies value. “It is not about technical competency – which is a given – but about the high level of professionalism and the expectation of ethical behaviour that is associated with being a Chartered Accountant,” she explains. The common question, “Has Finance looked through the numbers?”, is testimony to the important role accountants play in ensuring that

companies do not get into trouble by being creative with figures.

EMBRACING THE NEW

The financial services industry is currently facing significant disruption, thanks to factors such as the Internet, smartphones, big data, the rise of cryptocurrencies and blockchain technology. New competitors are also reshaping the landscape and changing consumer expectations. “These disruptive technologies are changing the way businesses operate, so we have to come up with different ways to meet consumer demand,” she notes.

One particularly vexing challenge for her is that she needs to evaluate new business projects without being able to reference models from the past. “How do you measure these actions?” she asks rhetorically. “Is there a way of evaluating them that makes sense? After all, no one has done it before.” In this regard, Ms Seah feels that her ISCA membership has been helpful. “ISCA has done a lot to introduce courses that update us on the latest developments in the industry – not just accounting-related courses but also on emerging trends such as cryptocurrency and data analytics,” she shares.

Besides staying on top of new developments, she feels that accountants need to keep an open mind and constantly improve to stay relevant. “Right now, we are very big





on data analytics. I'm considering taking a course on it, so I know what is going on."

Ms Seah is also thinking about learning computer programming. "There might be a need for me to learn programming so we can extract data. These are all changes that I would not have foreseen two or three years ago." The prospect of venturing into new areas might be daunting to many accountants, but the FPA Manager believes it is necessary. "You either have to ride along or you will be phased out. You need to embrace changes and pick up skills along the way, so you don't become obsolete," she avers.

Having a good grasp of the basics of accounting is vital, she believes, and her advice to accountants who are just starting out is to get the foundation right. "Your accounting competency has to be solid." But, she emphasises, mastering accounting is not all that matters. Having a curious mind and being interested in different things are also important. "Whichever industry you are in, you'll need to understand the business and its operations so you can better advise where the blind spots are, or what areas to focus on. Accountancy is not a sector that merely reports." Also, good communication is a vital skill. Most people do not understand accounting jargon, so a good accountant must be able to communicate well to serve the business. "The business may not see the importance of the things that we see. It is our job to help them understand the risks of what they are undertaking," she says.

Finally, learn how to relax and have fun. Ms Seah delights in countering stereotypical notions of how accountants behave, dress and work. She takes pride in putting together her outfits and at her desk, she can often be found with her earphones plugged in. "When I work, I like to listen to dance music; it keeps me upbeat," she says. "My work is very 'technical', so I look to beautiful things like fashion and music to help me destress." ISCA



CHUA SOO RUI
CA (Singapore)
Audit Partner,
CA Trust



TANG POH LU
CA (Singapore)
Sports Leader,
Decathlon Singapore

THE FUN ADDS UP

Three ISCA Members Reveal What They Enjoy Outside Work

BY WANDA TAN AND YONG YUNG SHIN



BENJAMIN KHONG

Associate (ISCA)
Internal Audit Senior Associate,
Nexia

WHEN ONE THINKS OF THE ACCOUNTANCY PROFESSION, the word “fun” is usually not the first thing that comes to mind. It is more likely to appear at the bottom of a long list, after commonly-uttered descriptors like “rational”, “level-headed” and “math whiz”, which are all variations of the same theme. The truth, however, is that accountants do

know how to have fun – and they are a heterogeneous lot to boot.

Take the three ISCA members featured in the following pages. One is a working mother who is as passionate about auditing as she is about cooking and pottering in the kitchen. Another is a futsal fanatic who has captained his firm’s futsal team to success at the annual ISCA Games. The third is a modern-day

Renaissance man – he shoots hoops! He loves finances! And he has a strong case of wanderlust! – whose job allows him to fulfil his myriad hobbies. And all three affirm that their diverse interests keep them happy and active, and strengthen their relationships with family and friends.

You probably know the classic Cyndi Lauper song, “Girls Just Wanna Have Fun”. Well, so do accountants.

COOKING FROM THE HEART



Chua Soo Rui, CA (Singapore), Audit Partner, CA Trust

AS A WORKING MOTHER OF TWO YOUNG BOYS, one aged four years and the other six months, Chua Soo Rui, 33, does not often cook at home. But when she does have the time, typically on weekends, she enjoys making *mee hoon kueh* (hand-pulled noodles) from scratch, no less.

"I cook it because my husband loves it. Chefs normally enjoy simple, home-cooked food when they're at home," says Soo Rui, whose husband is a chef specialising in fusion cuisine. "No, chefs do not cook at home," she adds laughingly, explaining that it is because they do not have the same set of tools and ingredients at home.

Asked what her secret ingredient is for a satisfying meal, she replies without hesitation, "Passion; it's really enjoyable when you cook for your family, especially when my elder son tells me, 'Mummy, the porridge is nice!', it makes me very happy." She also enjoys baking cheesecakes every now and then, although she is still working on perfecting her recipe.

JUGGLING A FULL LOAD

The Malaysian-born accountant came to Singapore 16 years ago to study accounting at Temasek Polytechnic. That was when she started to cook for herself. It helped that she had participated in cooking competitions as a Girl Guide during her secondary school days.

+ CAREER MILESTONES

2005
Audit Intern, CA Trust
(formerly known as Tan Teo & Partners)

2006
Audit Assistant, CA Trust

2007
Audit Senior, CA Trust

2009
Audit Supervisor, CA Trust

2010
Audit Manager, CA Trust

2013
Audit Partner, CA Trust

Another competition she used to take part in was singing – a little-known fact about Soo Rui is that she had participated in singing competitions every year when she was in primary school.

While juggling a full load as Audit Partner at CA Trust, this mother-of-two is also undergoing the Chartered Valuer and Appraiser programme at Nanyang Technological University's Nanyang Business School, attending classes on Saturdays. She is quick to credit her mother, who lives with them, for taking on the role of caregiver to her two sons while she and her husband are at work and in her case, also when she attends classes. It is not surprising, therefore, that she is very intentional about how she spends the remaining time of the week. "I made sure that my husband and I are freed up on Sundays to spend time with my mother and our boys," she says.

Independent and driven, she recalls that it was in secondary school that she had set her sights on becoming an accountant. It was the "most practical and marketable" degree, her older relatives had advised.

Now, 12 years since she began her career at CA Trust in 2006, her passion for her work has only grown. "As an auditor, I get to see different sets of accounts, deal with different accountants and management, and am exposed to different business models. I challenge myself to stay abreast of changes in financial reporting standards, auditing standards and prevailing macroeconomic trends so that they gel with the audit findings." CA Trust received the Outstanding Growth Award in 2016, at the Institute's biennial Singapore Accountancy Awards. The win has increased the firm's visibility and reputation among both industry partners and clients.

An ISCA member, Soo Rui regularly attends Continuing Professional Education courses to keep herself

updated on the latest financial reporting and audit standards. She also attends events such as ISCA's overseas business study missions, which aim to help small and medium-sized practices regionalise. In 2016, she was part of the delegation that headed to Vietnam. The trip enabled her to broaden her horizons and gain an understanding of the local finance and accounting sector.

Having enjoyed her professional journey thus far, Soo Rui has some advice for accountants who are new to the industry. "To be excellent in your job, passion is essential and continuous learning is key. There are a lot of changes in the field due to technology. For example, back in the day, we used printed hard copy working papers to document audit work done, now, we are using auditing software."

Two things are essential in the making of a good auditor – professional scepticism and good client engagement practices, says Soo Rui. "You have to be able to clearly substantiate and communicate your findings, and add value by recommending practical solutions to help your clients improve their controls and governance."

HAPPY WIFE, HAPPY LIFE

If she were not an accountant, Soo Rui believes she would likely have been the wife of a restaurateur, balancing the books while her husband cooks. "But really, I wouldn't trade my job for anything; I just love what I do," she quips. And yes, she is the one who balances the books at home.

Soo Rui, who was made Audit Partner in 2013, now leads a team of auditors at the firm. It was also in 2013 that she got married – to the man she had known for 13 years since she was in secondary school. Communication is key to a happy marriage, she shares, as it helps to build mutual understanding. It is a value that has been instilled in her by her mother, to whom she is very close. Growing up, her mother always made time to talk to Soo Rui and her younger brother. "Parents are important role models."

She is grateful that she has been able to achieve both her career and family milestones, which she chalks up to a lot of planning, plus a good dose of determination and hard work. "All thanks to my beloved mother and my supportive husband, and not forgetting my gratitude to my boss and mentor for believing in me," says Soo Rui.



**“To be excellent in your job,
passion is essential and
continuous learning is key.
There are a lot of changes in
the field due to technology.”**



“There are no growth limits for those who take the initiative to add value, be it through implementing and streamlining processes or business partnering.”

TAKING LIFE BY THE REINS



Tang Poh Lu, CA (Singapore), Sports Leader, Decathlon Singapore

BY NO MEANS DOES TANG POH LU SEE HIMSELF AS A BORN ATHLETE, but that does not stop him from learning as many sports as possible. An avid basketball player since young, he tries to learn a new sport each year. The 31-year-old also scuba dives, cycles and plays tennis – “a sport where there is always something new to learn,” he says.

It was thus the most natural of fits when he was offered the position of Financial Controller at Decathlon Singapore in 2015. The world’s largest sporting goods retailer, headquartered in France, Decathlon’s mission to bring the joy of sports to the masses through its affordable sportswear and sports equipment resonated with Poh Lu’s passion for sports.

As Financial Controller, he led the overall finance function, optimised costs and resources, and drove the innovation of business processes and finance functions. But it has not been all work. Since joining the company in 2015, he has had the opportunity to bond with his colleagues in the Finance team over weekly sports sessions every Friday.

Today, he is a Sports Leader at the City Square Mall retail outlet, managing the fitness sport section. His work scope has expanded beyond financial management to include a more commercial focus spanning omni-channel fitness sport economic performance, store operation, merchandising, and managing team and customer satisfaction.

So far, it has been a rich learning experience for him. With the relatively flatter management structure at Decathlon, each store has the autonomy to make decisions on various aspects of the business including commercial matters and HR management. The structure empowers employees to make decisions in alignment with local market needs and preferences.

It is a natural progression for Poh Lu, whose Chartered Accountant of Singapore or CA (Singapore) designation, conferred by ISCA, provides a solid underpinning in accounting expertise and ethical standards, enabling him to springboard into a broader business role.

Chartered Accountants are trusted leaders who possess the skills and foresight to add value to businesses. “There are no growth limits for those who take the initiative to add value, be it through implementing and streamlining processes or business partnering,” says the Sports Leader. This includes leveraging technology where relevant. Automation, for example, is a productivity tool that can bring about time and cost savings, freeing up resources for accounting professionals to focus more on value creation.

YEARNING TO EXPLORE

Previously an auditor at Ernst & Young and then a financial analyst at global semiconductor manufacturer Micron Technology, Poh Lu believes that Finance is less about the numbers and more about the business. “The mindset (of the finance and accounting profession) has to change from that of mere number crunching,” he says.

His advice for young accountants is, “Don’t be too desk-bound and fixated on the numbers” – numbers alone may not always tell the full story. Productivity may be high, but the reality could be that the store is under-staffed, and this could

drive attrition or employee unhappiness which in turn negatively impacts business.

“Be in the field, talk to people in operations... this is how you identify the real problems on the ground, and from that, derive effective solutions that create value and drive efficiency.” Keen observation and relationship-building skills are key, as well as the initiative and commitment to seek out opportunities for business improvement.

Poh Lu’s life motto is to live life to the fullest by being unafraid to make mistakes. Known among his friends and colleagues as one who enjoys making others laugh, he is extremely driven but is equally mindful that there are more important things in life besides career success.

On his bucket list is also the desire to explore as many places as possible. By his estimation, he has travelled to over 15 countries thus far. One of his most memorable vacations was a hiking trip to Adam’s Peak in Sri Lanka with two friends, a sojourn that involved conquering over 5,000 steps. “I didn’t train for it, so when we reached the top, I was really exhausted, but the view was worth it. Nature is wonderful. Sometimes we get so stressed out about work and the little things in our daily lives that we forget we are surrounded by the beauty of the simple things all around us. Whatever we face, remember that it will be okay, life goes on.”

Besides his Store Leader/Coach at Decathlon, Nils Swolkien, he admires English entrepreneur and philanthropist Sir Richard Branson for his unconventional leadership style that favours employee autonomy and flexibility over rigidity, which has been a key factor in fuelling innovation. Sir Richard’s larger-than-life persona also resonates with Poh Lu. “He’s done crazy things like being the first to cross the Atlantic in a hot-air balloon. Which billionaire would do that? He’s truly larger than life.”

+ CAREER MILESTONES

2010

Auditor, EY Singapore

2013

Senior Financial Analyst, Micron Technology

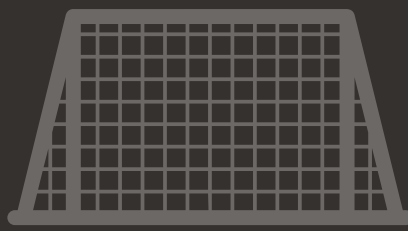
2015

Financial Controller, Decathlon Singapore

2017

Sports Leader, Decathlon Singapore

GAME N



Benjamin Khong, Associate (ISCA), Internal Audit Senior Associate, Nexia

WHERE THERE IS A WILL, THERE IS

A WAY. For Benjamin Khong, 30, football has always been a big part of his life. Growing up, he was part of the football team at Catholic Junior College and captain of his church football league. But when he started working, it became harder for him to find the time to play his favourite sport. That was when he turned to futsal, widely considered to be a mini version of football.

Futsal is akin to football in that players also try to kick the ball into their opponents' goal, but that is where the similarity ends. Futsal is played five-a-side compared to 11-a-side for football; courts are therefore smaller and matches are shorter – but no less intense as reaction time is also reduced. It is played indoors, which means that matches can be easily held at night by renting a court, making it easier to accommodate the varied schedules of different players.

As an Internal Audit Senior Associate at Nexia since 2014, Benjamin was asked to assume the captaincy of the firm's futsal team after the previous captain left in 2015. Besides organising matches, his biggest responsibility is to motivate the team – not necessarily to win, but to be engaged, show up at practices and bond. He encourages and manages on-field communication among all the players, as well as maintains effective communication both with and among the players. In fact, according to Benjamin, the waiting period between games is one of the best times for bonding as players get to know one another, and find out more about the work they do in their respective departments.

As the captain, one of the highlights is leading his team in the annual ISCA Games, which aims to build a cohesive community in the professional accounting sector through sports. The Games, which also promotes an active lifestyle, sees representation from a growing number of accounting firms each year.

In 2013, Nexia came in second in the futsal competition. This was a significant win considering that many of the trophies

are usually clinched by teams from the Big Four firms. At last year's Games, Benjamin and his team repeated their success with a 2-0 win, even though they were the underdogs and were missing two of their best players who were unable to join them in the Games. He rallied the rest of the team to give it their best shot while having some good, friendly fun, and achieved the surprise victory. "It was a wonderful team effort," recalls Benjamin with a smile.

In the last few years since becoming captain, Benjamin has taken the time to get to know his teammates, and to understand their motivations and ability to contribute. Such information clues him in on how they prepare mentally for a game. "Not everybody can commit to the same level, and that's okay", because the captain needs to be able to deal with each player as an individual.

If he were asked to build a team, what attributes would he look out for? "Teamwork and the right dynamics," he replies immediately. "It is important that you have people who want to run hard and chase the ball, instead of waiting for the pass."

BUILDING CAMARADERIE THROUGH SPORTS

Besides taking on a leadership role in Nexia's futsal team, Benjamin has been able to broaden his career as he moved from external audit to internal audit and risk management. His ISCA membership has been instrumental in the shift as the Institute provides up-to-date training on pertinent and trending topics from financial reporting and auditing

standards to professional ethics. "Such courses increase my employability and on-the-job performance," he says.

Benjamin, who has been putting his course takeaways into practice, derives great satisfaction from a job well done, particularly when clients express their appreciation at the end of a project. "If I am able to help identify control lapses or areas of risk and the clients thank me for it, I feel like I have played a part in really helping to bring about improvements for smoother, more efficient and compliant processes," he shares.

Benjamin is also thankful to the seniors who have given him guidance and support, especially when he was just starting out in the workforce. "The learning curve is always smoother when you reach out and ask for help. So whenever there is an opportunity to join a sport at your workplace, take it up! It really does help you get to know others, and friendships are important at the office." Nexia is also actively promoting the sports culture within the firm. Already, it has set up a sports committee that will organise different sports clubs that staff may join and play for leisure. The aim is not to win competitions but to foster better teamwork and interactions among staff from various departments. This also allows them to unwind and destress amid and between their work commitments.

Managing one's emotional health and keeping an open mind are vital to staying motivated at work, says Benjamin. The days can be long and the cases, challenging. And being in a job that requires him to travel up to 40% of the time around the region, avoiding burnout is essential. Besides playing sports, Benjamin's other pursuits include watching Netflix. In particular, he likes sitcoms such as "Friends", "The Big Bang Theory" and "Fresh off the Boat". As he explains, "a sitcom is not as long as a movie, but long enough to destress at the end of the day". ISCA



CAREER MILESTONES

2011

Audit Assistant, MHC & Associates

Jan 2014

Audit Associate, Verity Partners

Sep 2014

Internal Audit Senior Associate, Nexia



Wanda Tan and Yong Yung Shin are contributing writers.



"If I am able to help identify control lapses or areas of risk and the clients thank me for it, I feel like I have played a part in really helping to bring about improvements for smoother, more efficient and compliant processes."



BY SELENA LING

ARTIFICIAL INTELLIGENCE IS HERE TO STAY

Act Fast Or Be Left Behind

THE TRADITIONAL LEVERS OF ECONOMIC PROGRESS – (1) capital investment and (2) labour – are no longer able to sustain the growth in GDP enjoyed in previous decades in most developed economies. With the recent convergence of technology, economies are entering a new era where artificial intelligence (AI) has the potential to overcome the physical limitations of capital and labour, and open up new sources of value and growth. Of late, communities, businesses and even governments have become increasingly concerned about how they can capitalise on AI, and if their

comparative advantage is threatened by AI disruption. They are looking to AI capabilities which can allow them to outperform their peers, improve productivity, and even enhance the quality of their goods and services.

IF IT AIN'T BROKEN, WHY FIX IT?

Many jobs that used to exist a century and a half ago no longer exist today. To illustrate, in 1870, almost 50% of the United States' workers were in the agricultural sector, supplying food to the country. Fast forward to today – agriculture employs shy of 2% of the nation's workers, and surprisingly,

American food production outstrips domestic demand. We can thus see how technological innovations, like the self-driving tractors we see today, have improved the productivity of the sector and subsequently, improved standards of living.

Generally, technology improves productivity by reducing the number of hours required to generate a unit of output. Labour productivity improvements normally result in increases in average wages, thus lowering the number of work hours for the worker. Empirically, over the last 65 years, a large part of developed economies has experienced a significant decline in the average annual hours worked per worker.

ENTER THE 2ND STAGE OF THE INDUSTRIAL REVOLUTION

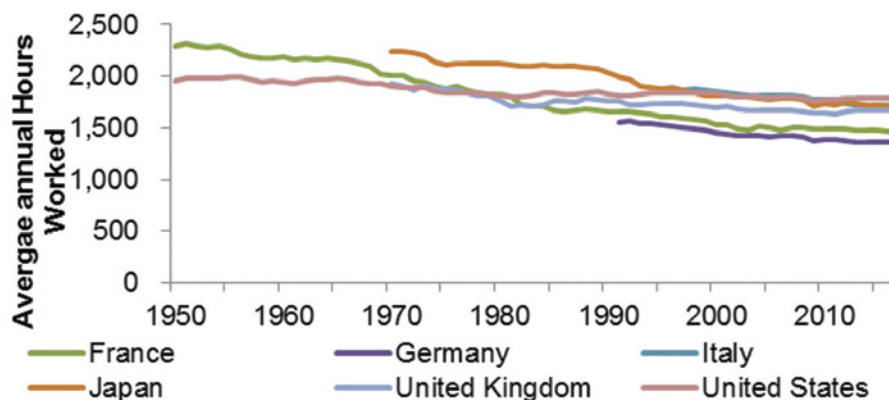
Indeed, technology is one of the key forces of the growth in productivity. In particular, a study for the Centre of Economic Performance at the London School of Economics concluded that industrial robotic automation raised GDP and labour productivity by 0.37 and 0.36 percentage points annually between 1993 and 2007 for the 17 countries it studied.

However, there has been a stark fall in the potential of capital investment, combined with labour, to boost the rate of growth currently experienced. World GDP growth has been steadily declining since its peak of 5.4% since 2011.

... the full potential of AI is in doing things never done before, instead of an absolute automation or improvement of current capabilities.



Figure 1 Average annual hours worked per worker
Source: OECD Stat





Singapore is attracting leading AI talents given its status as a cosmopolitan society, and with the strong state backing for technology research.



As such, both developing and developed economies may have to leverage on the capabilities of AI to overcome these incumbent limitations, and to explore new avenues of growth.

Leaders and policymakers should look to AI as a game changer, rather than a temporary hype in the market. AI's presence is stronger now than ever before. The Indxx Global Robotics & Artificial Intelligence Thematic Index, designed to track the performance of companies listed in developed markets that are expected to benefit from the increased adoption of robotics and AI, rose almost 90% between 2015 and 2017. This increased inflow of funds and interest among investors in AI and robotics has been growing for the better part of the decade.

IMPLICATIONS ON GDP

Shifting our lens onto GDP prints instead, we observed that G4 GDP growth rates have been steadily falling for the past two decades. Thus, we feel that AI can offer the developed economies fuel to improve productivity and streamline processes to once again drive economic growth higher.

To have a closer glimpse of AI's estimated effect on global GDP as well as GDP in developed economies, we took a dive into various white papers from the likes of PwC, Accenture (Why Artificial Intelligence is the Future of Growth 2017) and Frontier Economics. We found their methodology to be interesting and present some of these effects here.

The first paper we delved into was a research report by PwC (Sizing the Prize, 2017). To estimate the potential and impact of AI, their team sourced for input from their database of customers, as well as functional and sector advisors within the firm. Many insights were drawn from the extensive research but we choose to focus mostly on the potential impact of AI on GDP, dividing the impact into consumption (demand-side) and productivity (supply-side) effects.

On the data front, we saw that enhancements in productivity of labour were slated to take up more than 55% of overall GDP improvement from AI from 2017 to 2030. As seen from the curve in Figure 4, as new technology is slowly taken up and implemented by mainstream consumers, there will be an uptick in demand, thus increasing the proportion of the impact from product advancements. Additionally, as the impact from

increased productivity starts to taper off from 2025, demand-side effects would have the lion's share of the impact of AI on GDP, hitting around an estimate of 58% by 2030.

Another paper, a collaboration by Accenture and Frontier Economics, helped us understand the impacts of AI on 12 developed economies, of which we choose to present the largest six (refer to Figure 5). These 12 developed markets, which contribute more than half of the



Figure 2 Labour productivity growth in G7 economies
Source: Conference Board, Total Economy Database, CEA calculations

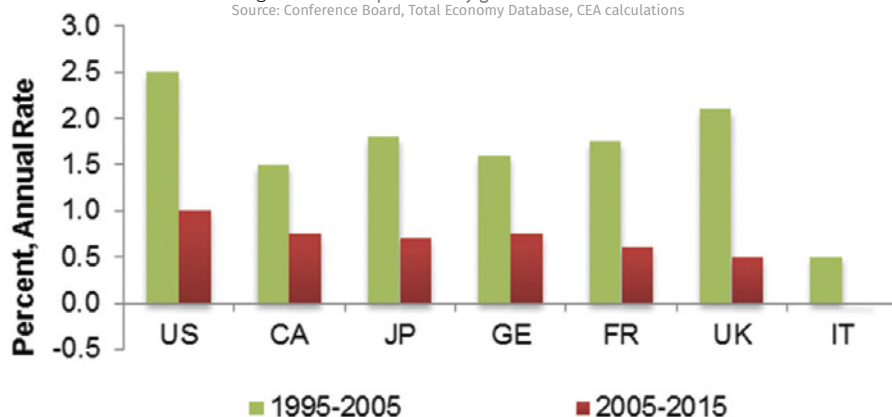


Figure 3 Growth in GDP per capita
Source: OECD Stat

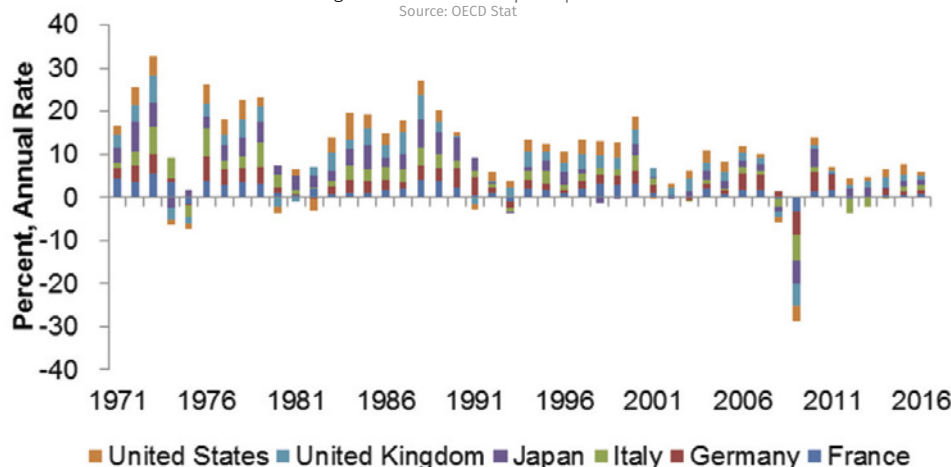




Figure 4 Impact of AI on global GDP (£ trillion)
Source: PwC Analysis

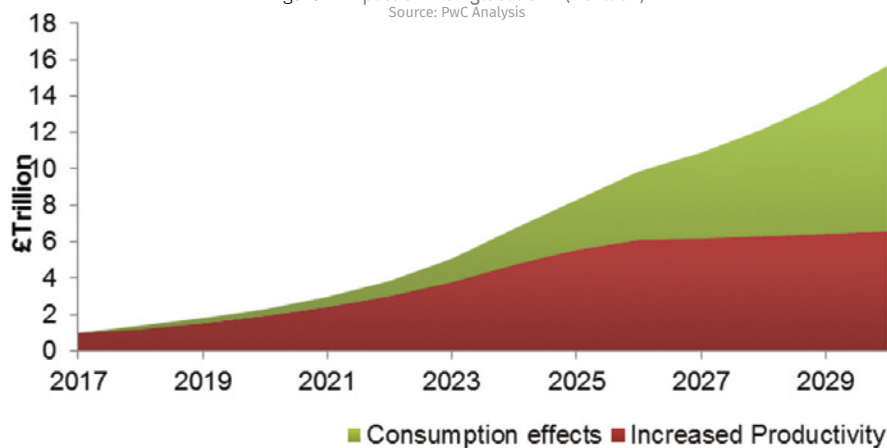
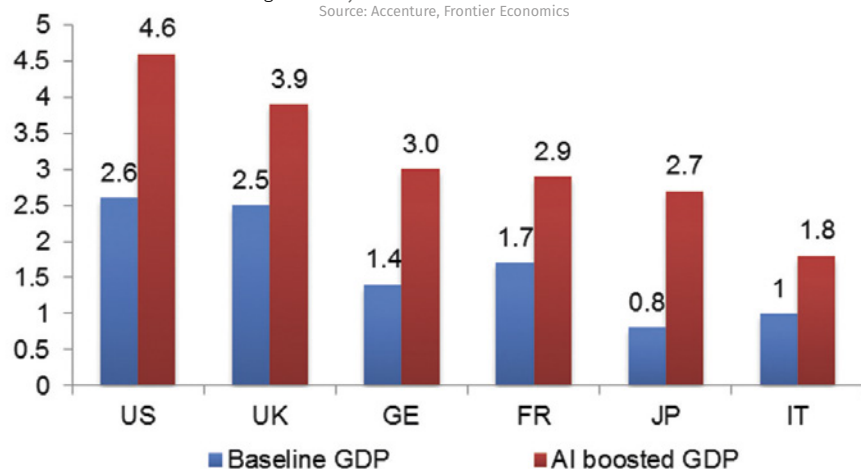


Figure 5 Projected GDP of G7 economies in 2035
Source: Accenture, Frontier Economics



world's output, aided us in realising that AI has the capabilities to double annual GDP rates, providing a solution to the slowing growth rates of late.

To model the economic potential of AI on these various economies, a baseline and expected economic growth factoring the impacts of AI were included. Furthermore, a buffer till 2035 was used in the analysis to take into account the time for the impacts of AI to filter through. Clearly, AI's modelled economic benefit on the US is substantial, with the potential to boost GDP growth to 4.6% by 2035. Also, Germany and Japan's economies stand to benefit significantly, with the potential to double and triple their GDP growth rates by 2035, compared to a baseline scenario without AI enhancements. Elsewhere, the projected effects on GDP were also seen with more laggard economies such as Italy (80%), Spain (47%) and Belgium (69%), albeit a duller effect. This is due to the mismatch of technological advancement and public investment in these laggard economies.

These estimates also allow us to see how quickly these regions can double in size with the help of AI. Particularly for Japan, the baseline effect (no AI intervention) would mean around 80 years for its economy to double in size. However, with AI, it is estimated that Japan's GDP could double in a mere 25 years. The US is even quicker in this aspect, potentially boasting a doubling in size is just 10 to 15 years' time with the help of AI intervention.

This all points to one indisputable conclusion: Artificial Intelligence is here to stay, and nations will have to act fast, or risk being left behind. ISCA

Selena Ling is Head of Treasury Research & Strategy, OCBC Bank. First published in OCBC Global Outlook 2018; <https://www.ocbc.com/assets/pdf/regional%20focus/global%20outlook/ocbc%20global%20outlook%202018.pdf>. Reproduced with permission.

FROM PERSPECTIVES@SMU

TOWARDS A CASHLESS SOCIETY

The Potential And The Challenges

IN THE DECEMBER 2017 RED BOOK STATISTIC REPORT BY THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS), it was noted that “the number of cashless transactions seems to have at least doubled over the last 10 years across all countries”. Countries like Singapore, Australia, and the Netherlands lead the way with over 400 cashless transactions a year per person – more than double from 10 years ago – while China has gone from single digits to nearly 30 in five years.

On the other end of the spectrum, cash usage (defined as “the ratio between currency and GDP”) remains high in some economies. Hong Kong, for example, went from 10% before the financial crisis in 2008 to 15%, while Japan leads all advanced economies at around 17%.

Viewed in this context, Ant Financial’s US\$184.5 million investment for a 45% stake in Telenor Microfinance Bank (TMB) to develop mobile payment and digital financial services in Pakistan makes one wonder: Are e-payments really the way of the future? Will “cashless” ever become a reality?

“When I think of ‘cashless’,” explains Robert Kauffman, Professor of Information Systems and Associate Dean (Faculty) at Singapore Management University, “I think of a centrally technology-assisted payment system where we don’t have to worry about the mechanisms of transacting because you could do it with a card, or plastic, or a mobile phone, and there are various mechanisms to support that. The fact that there are multiple providers of services like that complicates things because you aren’t quite sure which one to adopt. But if they adopt something, let me just reassure everyone that there will be a time when all of these come together. The weaker will get bought out or fail, the stronger starts dominating, and cashless will rule the economy.”

Kauffman made those remarks at a recent panel discussion on a cashless society for Singapore-based station Channel NewsAsia’s Perspectives programme. Pointing to the Red Book statistics, Barclays’ Chief Asia-Pacific Economist David Fernandez expects “an aggressive change towards



PHOTO SHUTTERSTOCK



e-payment systems but cash will have its place”, but he also expects difficulty in reaching “a very large number who are unbanked”.

Brad Jones, CEO of Wave Money, a mobile financial services provider operating in Myanmar, describes how the Myanmarese still prefer to convert digital currency into physical cash despite the proliferation of smartphones – about 80% of mobile devices are smartphones – and the associated ease of digital payment.

“What we are doing in Myanmar is laying down the tracks and distribution network and giving customers the opportunity to have a bank account that allows them to do the things they need to do,” he says, referring to financial services made available through a mobile device. “One of the things about the Myanmar market is that it leapfrogged generations in terms of cellphone ownership. Once you have that infrastructure of smartphone usage and the ability to provide a compelling case to customers to use digitised cash, be it to pay taxes or receive payments, customers are less likely to take the cash in digital form and cash out.”

China is the poster child for a cashless society. Mobile payment platforms such as AliPay and WeChat Pay facilitate the Chinese trend of paying with smartphones, where “I can handle day-to-day living without using cash in China”, according to Zhang Dayong, General Manager, Glocal Business at Ant Financial, Alipay’s parent company.

“Even for tips in the restaurants, all the waiters have a bar code (on their name tags) that says, ‘Please tip me’. What I’m trying to say is that a cashless society... is not a target. That is a result, the natural result because technology development is changing the lifestyle of the whole society,” says Zhang. “Mobile payment is the natural result. Even for offline payments, we use QR payment to facilitate the very small and microbusiness. They can get the money (with) a simple sticker there. They have a very low cost... and merchants accumulate data.”

“What I’m trying to say is that a cashless society... is not a target. That is a result, the natural result because **technology development is changing the lifestyle of the whole society.**”

Zhang Dayong, General Manager,
Glocal Business, Ant Financial



"So the cashless society... we have to think about: What is the value that we have created for the users? What is the value we have created for the merchants? I think I have to say that the technology development gives us a better life."

SETTLEMENT AND BLOCKCHAIN

The proliferation of mobile payments in China is built on the ease of use, made possible by sorting out smaller, disparate payment networks that stop other advanced economies from emulating Chinese success. Would the end game be an international mobile payment platform or system that could replicate what VISA or MasterCard does?

"I think one of the challenges actually is really in clearing and settlement," Jones explains. "When you look at a market like Myanmar, where clearing and settlement is actually quite an evolving area, how do you actually start to connect Wave Money internationally to other providers? How do I use my Wave Money account in Thailand, how do I use it in Cambodia?"

"The goal is not to have an endless set of tracking capabilities and auditing capabilities for many transactions, but instead to offer **the immediacy of being able to make a cash-substituting payment** in the context that traditionally has not permitted cashless interactions."

Robert Kauffman, Professor of Information Systems and Associate Dean (Faculty), SMU



“For many years, you’ve had... VISA and MasterCard. I think what we’re trying to see with the emergence of alternative payment systems that that’s being challenged. So I think what happens in the next five to 10 years, particularly in ASEAN, is going to be very interesting because the role of other companies and how that interoperability start to occur, how that clearing and settlements start to occur, I think certainly there is a big question mark on who will start to play that role.”

But as blockchain technology matures and cryptocurrency gains acceptance, could things such as Bitcoin and Ethereum represent the cashless future?

“The goal is not to have an endless set of tracking capabilities and auditing capabilities for many transactions,” Kauffman explains, “but instead to offer the immediacy of being able to make a cash-substituting payment in the context that traditionally has not permitted cashless interactions. What we’re more concerned about... is the issue of settlement.



WILL “CASHLESS” EVER BECOME A REALITY?



“Blockchain doesn’t get you away from settlement. You may not have an intermediary but ultimately, when do funds become usable?”

Kauffman adds, “(It’s about making sure) the value in one person’s account can go to another person’s account. And it doesn’t have to be in cash but it has to be in some kind of a form that is recognisable by all of the other parties in an economy. And banks typically have been the ones that provide that service.” Jones agrees, adding that “the challenge really is in developing markets”.

“If you look at the Philippines, you look at Cambodia, Vietnam, Myanmar, how do you do the last mile? Even if you have a Bitcoin system sitting on blockchain, customers still need to put money into the system, there still needs to be a conversion from fiat currency into Bitcoin. And there has to be a way generally to take the money out because the acceptance of Bitcoin is still that low that the consumer is unable to use the cryptocurrency much.” ISCA

Robert Kauffman, David Fernandez, Brad Jones and Zhang Dayong were part of a discussion panel, “Building a More Inclusive Society”, for the SMU-Channel NewsAsia programme, Perspectives, which was recorded at the Singapore Management University School of Law. This article was first published in Perspectives@SMU. Reproduced with permission.



BY STANISLAV SHEKSHNIA, VERONIKA ZAGIEVA
AND ALEXEY ULANOVSKY

FIVE PRACTICES OF THE MOST CHANGE-READY LEADERS

Unconventional Leadership Methods That Work

OUR BOOK *ATHLETIC CEOS: LEADERSHIP IN TURBULENT TIMES* describes effective leaders from emerging markets. In our previous INSEAD Knowledge blog, we discussed the mindset of athletic leaders, specifically their improbable combination of mental toughness and adaptability. Now let's look at what they do.

We have identified five leadership meta-practices of athletic CEOs. Each of them allows leaders to effectively manage a particular challenge. Within each meta-practice, we found a number of very specific behaviour strategies, which we called leadership practices.

META-PRACTICE 1 Pragmatic exploration

This meta-practice allows athletic leaders to deal with the challenge of staying ahead of the game in fast-changing environments. Exploration is about continuously pushing the boundaries of personal and organisational expertise, expanding the frontiers of applied knowledge and striving for new discoveries. Athletic leaders make learning and unlearning part of their daily routine and, more importantly, part of their companies' routine. Their curiosity is insatiable yet pragmatic. General knowledge doesn't interest them; they want to acquire or generate know-how that adds value. Athletic leaders explore when they are in the office, on holiday, at a business dinner or at a social function.

One of the practices all athletic CEOs excel at is *going out, going down* and *going deep*. They continuously scan the environment – they *go out*. Benchmarking and gathering market intelligence are the two routines that athletic leaders nurture in their organisations. They look out for best practices and new ideas that will enhance performance, just like top athletes. They do not limit themselves to industry benchmarks, but look for knowledge across the spectrum. We found that their companies spend heavily on global consulting in order to gain

insights. "We don't hire consultants for solutions; we hire them for knowledge acquisition. We will find solutions ourselves," Alexander Dyukov, CEO of Gazprom Neft told us.

At the same time, our protagonists actively explore their organisations at different levels – they *go down*. After earning a black belt in the Toyota Production System, Herman Gref, Sberbank CEO, made *gemba* walks (a practice wherein an executive regularly spends time on the front lines) mandatory for every Sberbank manager, including himself. This exercise is less about telling people what to do than "learning from them about challenges and solutions", says his deputy Alexander Torbakhov.

Athletic leaders also *go deep* into different aspects of their company's business. They might pop up unexpectedly in offices, plants and oilfields; servicing customers; immersing themselves in investment projects, and reading emails and suggestions from employees. These activities yield an enormous amount of first-hand data.

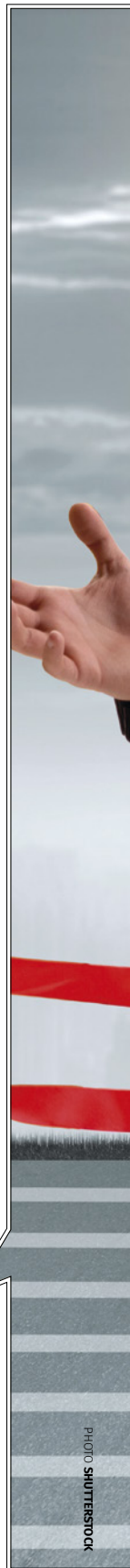
META-PRACTICE 2 Navigating towards a moving target

Under the traditional "command-and-control" or "carrot-and-stick" leadership model, leaders chart their organisation's course by setting long- and short-term goals and incentives, as well as developing annual and five-year budgets. Athletic leaders, however, de-emphasise familiar levers in favour of unorthodox approaches and tools.



Athletic CEOs
Go out, go down,
go deep

Athletic leaders make learning and unlearning part of their daily routine and, more importantly, part of their companies' routine.





Making clothes with room for growth

They set a very high bar and let their followers figure out how to get there. The initial reaction may be shock, but soon, the followers accept the target, start thinking about achieving it and then go do it. When Dyukov presented Gazprom Neft's 10-year strategy in 2010, many executives dismissed it as surreal. But the CEO remained firm and asked for implementation plans. Senior managers started to think it over, ran a series of workshops and soon saw ways to make it happen. Within three years, the strategy had to be updated to raise certain targets.

Furthermore, athletic leaders do not suffer from sunk-cost syndrome. They readily abandon programmes and goals that cannot be achieved or are no longer relevant. Such moving of goal posts creates stress for followers. Yet, the leaders consider it necessary for growth and development.

When mountaineers are engaged in climbing, the most experienced person does not tell other members of the team what to do, but keeps an eye on the rope that connects them, intervening immediately in case of danger.



Dyukov says, "Stress is useful for a company as it is useful for an individual – a change in scenery. The need to work in new conditions helps develop skills and unites a team."

"Both-ends' leadership" Athletic leaders defy traditional management dichotomies such as low cost versus differentiation, quality versus volume and innovation versus discipline. They want both at the same time and get their organisations to pursue both ends of the spectrum.

META-PRACTICE 3 The slack rope

When mountaineers are engaged in climbing, the most experienced person does not tell other members of the team what to do, but keeps an eye on the rope that connects them, intervening immediately in case of danger.

Vitaly Savelyev, CEO of Aeroflot, told us that he manages by variances. "If I don't see negative deviation from the norm, I sit still. If something goes wrong, I dive in." When followers deliver superior results on a continuous basis, they get more autonomy and authority, but the leader keeps watching and, should a problem arise, the rope shortens quickly.

Athletic leaders surround themselves with large groups of executives and extended leadership teams. Gref's management team at Sberbank consists of almost 250 people, while Dyukov invites 150 executives to the regular meetings of Gazprom Neft's extended management board. However, the leader-team dynamics in these companies do not follow the popular recipes of inclusive and enabling leadership based on emotional intelligence. Their leaders are demanding captains rather than wise and attentive coaches. Their focus is on the game





gemba and agile. Athletic leaders strengthen this position by influencing customers, suppliers, the general public and even regulators.

META-PRACTICE 5 Feeding and milking

The Russian government presents a formidable challenge to business leaders. It is becoming more and more involved in business, but that involvement is also ambiguous in many ways. The government regulates the economy while actively participating in it; it supports business but constrains its freedom. Government officials create and enforce universal rules for all economic actors but may have private business interests in some of them. For some leaders we interviewed, the government is a majority shareholder, and the Russian president is a key figure who decided their appointment. As one Russian CEO said, “In my country, government is everything – major opportunity, major threat and major uncertainty.”

To work with the government, athletic leaders have developed an equally ambivalent response, which we call *feeding and milking*. Feeding follows a rational logic of economics – in order to receive something, one needs to contribute. Feeding involves paying the correct corporate taxes, supporting specific projects, drafting legislation, attending important events or providing small favours to some officials. This enables them to milk, that is, receive a greater level of autonomy, lucrative contracts or support for regional and international expansion.

One specific practice is *displaying loyalty publicly, challenging privately*. Athletic leaders in Russia demonstrate loyalty, respect and obedience in their relationships with senior government officials. They use expressions like “I will report back”, “I will execute” and “It will be done”. They play by the rules of a vertically-organised Russian government. As Savelyev puts it, “I don’t agree that government is an ineffective shareholder. A lot depends on management. There are some visible examples of effective state-owned companies.”

Yet, behind closed doors, they fiercely defend their companies’ interests before the most powerful politicians. When the Russian government asked Aeroflot to save the defunct Transaero by acquiring it and assuming its debt, Savelyev firmly refused and negotiated a favourable deal for the company. On a larger scale, athletic leaders lobby to advance industry-wide issues and offer solutions to macroeconomic and fiscal policy problems. But this always happens in private and with the fundamental premise of “supporting the government but challenging a specific idea”. *ISCA*

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– the business – rather than on the people they are playing with. They set the goal and invite others to work together to achieve it.

META-PRACTICE 4 Hogging the limelight

The Russian leadership tradition puts any CEO in a tight spot. On the one hand, in a vertically-organised society, the position comes with a lot of power. On the other hand, followers who deify their leaders expect miracles from them. If the magic fails to materialise, employees may not openly challenge the leader’s authority, but could lose interest and withdraw emotional support. This also applies to external stakeholders. Athletic CEOs recognise the challenge of constantly proving their leadership legitimacy and use the meta-practice of hogging the limelight to overcome it. Like top athletes, they enjoy playing to full stadia and crave the roar of the crowd.

Evangelism Athletic leaders passionately promote their values, world views and specific methods and instruments to various audiences. Some limit themselves to their industries while others, like Eugene Kaspersky, speak to the country or the whole world. To a large extent, it is thanks to Gref that the Russian business and government communities have discovered such concepts as productive corporate culture, lean technology,



TECHNICAL HIGHLIGHTS



FINANCIAL REPORTING

ASC ISSUES SFRS(I) 17 AND FRS 117

ASC issued on 29 March 2018, SFRS(I) 17: Insurance Contracts, and FRS 117: Insurance Contracts, which are effective for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted.

For more information on SFRS(I) 17: Insurance Contracts, please visit

www.asc.gov.sg/CEPafter1Jan2018

For more information on FRS 117: Insurance Contracts, please visit

www.asc.gov.sg/frsCEPafter1Jan2018

IASB ISSUES REVISED CONCEPTUAL FRAMEWORK

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance, in particular, the definition of a liability, and clarifications in important areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

For more information, please visit

www.ifrs.org/news-and-events/2018/03/iasb-completes-revisions-to-its-conceptual-framework/

IASB PUBLISHES MARCH 2018 IASB UPDATE

March 2018 IASB Update highlights preliminary decisions of IASB during its meeting in March. The topics discussed include Disclosure Initiative: Principles of Disclosure; Dynamic Risk Management; Rate-regulated Activities, Accounting Policies and Accounting Estimates and IFRS 8 Amendments.

For more information, please visit

www.ifrs.org/news-and-events/2018/03/march-2018-iasb-update-published-and-work-plan-updated/

AUDITING AND ASSURANCE

FAQS: AUDITOR'S REPORT ON FS PREPARED UNDER SFRS(I)S

This FAQ publication has been developed to address some of the common questions relating to the auditor's report on financial statements prepared in accordance with SFRS(I)S.

For more information, please visit

<https://isca.org.sg/tkc/aa/resources/practical-guidances/other-guidances/2018/april/auditor-s-report-on-financial-statements-prepared-in-accordance-with-sfrs-i-s/>

ETHICS

LEARNINGS FROM ISCA ETHICS SEMINAR 2018

The ISCA Ethics Seminar, "Ethics Developments – Knowing Where to Draw the Line" was held on April 13. The presentations were as follows:

- EP 200: APB 2 of 2017: Compliance with Ethics Pronouncements on Anti-Money Laundering and Countering the Financing of Terrorism by Kwok Wui San, Chairman, ISCA Ethics Committee (EC);
- EP 100: Current Developments and Pertinent Issues by Tan Seng Choon, member, ISCA EC;
- Corruption and Inducements – From a Legal Perspective by Hamidul Haq, Partner, Rajah and Tann Singapore LLP, and
- International Developments by Caroline Lee, member, International Ethics Standards Board for Accountants (IESBA).

Please visit

<https://isca.org.sg/ethics/ethics-headlines/ethics-headlines/2018/april/isca-holds-the-isca-ethics-seminar-2018/> for the highlights of the presentations and to access the presentation slides.

IESBA CONSULTS ON 2019-2023 STRATEGY AND WORK PLAN

IESBA seeks public comment by 16 July 2018, on its Proposed Strategy and Work Plan, 2019-2023. Leveraging on the completely rewritten and significantly strengthened International Code of Ethics for Professional Accountants (including International Independence Standards), the proposed Strategy and Work Plan projects IESBA's vision for the Code in the global economy.

For more information, please visit

www.ifac.org/news-events/2018-04/iesba-consults-2019-2023-strategy-and-work-plan

IESBA'S RESTRUCTURED CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

IESBA has released a completely rewritten Code of Ethics for Professional Accountants that is easier to navigate, use and enforce. Beyond introducing a new structure, the Code brings together key ethics advances over the past four years, and provides more clarity about how accountants should deal with ethics and independence issues.

For more information, please visit

www.ifac.org/news-events/2018-04/global-ethics-board-releases-revamped-code-ethics-professional-accountants

Customised AR Customer Reminder Letters Utility Facilitates Timely Payment Collection



CHALLENGE

A leading writing instrument manufacturer spent much time on manual tracking of numerous payments owed by its large customer base. Its finance officer had to manually check the accounts receivable (AR) ageing report every week to identify customers with outstanding payments that were due according to the respective credit periods. Manual preparation of payment reminder letters was time-consuming, with a high risk of overlooking some outstanding payments. Seeking to facilitate payment collection, the company turned to Stone Forest IT (SFIT) for a solution.

SOLUTION

After consulting with the client, SFIT proposed a customised utility for its Sage 300 accounting system that automatically generates payment reminder letters based on the credit terms. Its capabilities include:

- Automatically generate and send tailored payment reminder letters with subject lines that indicate 'Reminder', 'Urgent Reminder' or 'Final Reminder' depending on the proximity to the payment due date
- Consolidate all reminders in a spreadsheet for easy tracking every month

RESULTS

After implementation, the client enjoyed the following benefits:

- Greater productivity
- Collect more timely payments
- Eliminate risk of overlooking outstanding payments

SFIT leverages its vast experience in providing customised solutions for Sage 300 to help businesses enhance their productivity.

HIGHLIGHTS

Industry:

F&B, Retail and
Consumer Products
(Writing Instruments)

Location:

Singapore

Solution:

Customised utility for
Sage 300 – AR Customer
Reminder Letters

Results:

- Greater productivity
- Collect more timely payments
- Eliminate risk of overlooking outstanding payments



BY FELIX WONG AND ANGELINA TAN

DON'T TRIP OVER TRANSFER PRICING RISKS

Understanding The Key Risk Areas In Transfer Pricing



Adriana Calderon, Director, Transfer Pricing Solutions Asia, shared her insights on key risk areas in transfer pricing

THE TRANSFER PRICING (TP) LANDSCAPE has evolved significantly in the last decade. Multinational enterprises (MNEs) have the unenviable task of ensuring that the TP compliance requirements in each of their countries of operations are met. The evolving TP landscape, coupled with the enhanced transparency and active exchange of information between tax authorities, further adds to companies' challenges in managing their TP risks. Until the dust is settled, companies must remain vigilant and keep updated on the latest developments to minimise their TP risks.

TP COMPLIANCE

Broadly, there are mainly three sets of TP compliance requirements that MNEs should pay attention to – tax return forms, Country-by-Country (CbC) reporting and TP documentation. Tax return forms are used by tax authorities to gather basic information on related party transactions; CbC reporting provides information about the global business, and TP documentation (which comprises master file, local file, and any other local documentation requirements) demonstrates that such related party transactions are conducted at arm's length.

"It is vital for companies to ensure that information disclosed in their tax return forms and TP documentation in each country is consistent," highlighted Adriana Calderon, Director, Transfer Pricing Solutions Asia, at the recent *Tax Excellence Decoded* (TED) session organised by the Singapore Institute of Accredited Tax Professionals (SIATP). "Instead of handling each compliance requirement in silos, companies should consider managing their TP compliance requirement as a group to reduce the risk of contradictory disclosures."

MANAGING COMMON DRIVERS OF TP RISKS

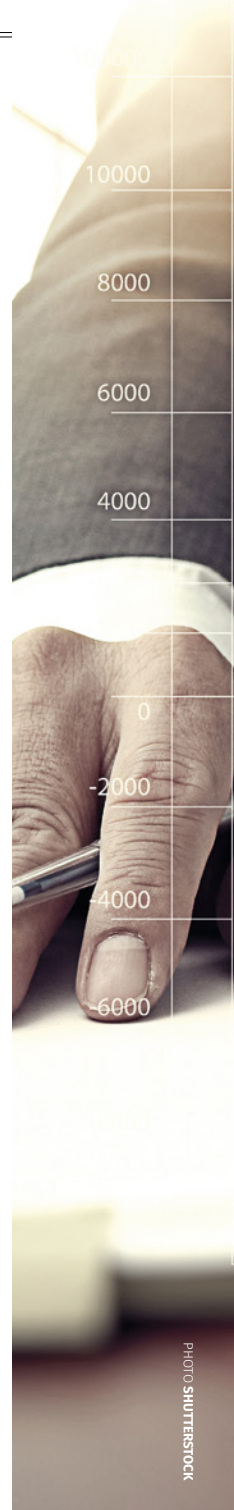
Risk of Mismatch between Profit and Value Contribution

One controversial TP area that tax authorities often focus on is whether the profit attribution reflects the value contribution and characterisation of each company. It is thus critical to understand the functions, assets and risks to determine the remuneration for each company. Ultimately, an MNE group must be able to demonstrate that profits are taxed where value is created and that there is matching between substance and form.

To address tax authorities' concern, a robust functional analysis (describing the economically-significant functions undertaken, risks assumed and assets used by related parties that entered into a transaction) should be performed to provide evidential support that the MNE's profits are being taxed at where the value is created.

The key to a high-quality functional analysis is to have a good understanding of the business operations. To gain a more complete picture of where value is created within the MNE group, it is often advisable in practice to expand the

It is vital for companies to ensure that information disclosed in their tax return forms and TP documentation in each country is consistent.





Ultimately, the profits generated from the IP should be proportionally attributed to the various companies that performed the DEMPE functions (in line with their respective contribution to the value of the IP).

information-gathering process beyond in-house tax and finance personnel, and reach out to key operations personnel (such as the general managers or key appointment holders of the various business units).

Risk of Unsupported Transaction Price

Another contentious area relates to the pricing of related party transactions. In cross-border transactions, it may be challenging to arrive at a transfer price which can satisfy both tax authorities, particularly if the two tax authorities have very different views on the appropriate TP method to determine a price.

In the absence of contemporaneous TP documentation, tax authorities would often make TP adjustments to companies' transfer prices to collect what, in their view, is the appropriate amount of tax. The risk of TP adjustments can often be reduced by performing a thorough benchmarking analysis, which uses comparable data to validate that the price of the transaction was carried out at arm's length, prior to the submission of tax returns.


A common misconception in TP benchmarking analysis is that external comparables are always the only available data to apply a TP method. However, when available, internal comparables may be more suitable as they are likely to comply with the comparability criteria required to test the price of the transaction under review. Typically, companies will start by examining if there are any existing internal arrangements where similar products or services are sold to both related and unrelated parties.

HIGH-RISK TRANSACTIONS Services Transactions

Intra-group services transactions are one of the most challenged types of transactions in the region. It is noted that in practice, taxpayers tend to focus on determining an appropriate mark-up, but often neglect other relevant factors for services transactions, such as the "benefits test".

The "benefits test" is used to determine whether the activities performed confer a benefit to the recipient. Essentially, it boils down to whether an





independent party in a similar situation would be willing to pay for such activities, and whether the benefits are identifiable and capable of being valued. If the “benefits test” is not properly addressed, tax authorities may challenge the service transaction by contending that a service has not been provided and accordingly, disregard the entire service charge.

In addition to determining an appropriate mark-up using proper benchmarking analysis and addressing the “benefits test”, taxpayers should also prepare an analysis of the cost base and include it in their TP documentation.

Separately, it should be noted that loss-making service companies are generally frowned upon by tax authorities, as service companies should (in theory) impute a profit on their costs. In this regard, when an intra-group transaction involves a recurrent loss-making service company, it is essential that valid explanations are provided to justify the losses and demonstrate that they are not related to the related party transactions.

Intangible Transactions

For intangible transactions, mere legal ownership and funding of the development of an intellectual property (IP) do not establish any entitlement to the returns derived from the IP. It is recognised that multiple companies within an MNE, not just the legal owner of the IP, may have been involved in the key value functions in connection with the IP.

To be entitled to all profits from the IP, a company must perform all the key activities also known as the DEMPE functions (Development, Enhancement, Maintenance, Protection and Exploitation) and have the capacity to control the related risks. Ultimately, the profits generated from the IP should be proportionally attributed to the various companies that performed the DEMPE functions (in line with their respective contribution to the value of the IP).

It should be noted that each of the five DEMPE functions may have different degrees of contribution to the value of the IP. MNEs should thus assess the level of contribution of the different functions to the value before dividing the profits among the MNE entities.

SINGAPORE TP COMPLIANCE FRAMEWORK TP Documentation Requirement in Singapore

Turning our attention back to Singapore, the new Section 34F of the Income Tax Act codifies the requirement for the mandatory preparation of TP documentation from Year of Assessment (YA) 2019. Specifically, it introduces the conditions under which certain taxpayers are required to prepare TP documentation. It also introduces some

exemptions to ease compliance burden. Existing TP rules before the enactment of Section 34F will continue to apply to TP documentation prepared for YA 2018 and before.

Under the new section, taxpayers are required to prepare TP documentation if the gross revenue derived from its trade or business for the basis period exceeds S\$10 million, or if the taxpayer is required to prepare TP documentation for the previous basis period. In other words, preparation of TP documentation for the current basis period will be required if it was required for the last basis period. This is to ensure that taxpayers will continue to prepare TP documentation if their gross revenue temporarily drops below S\$10 million.

The new section also includes two main exemptions – TP documentation is no longer required when the taxpayer’s gross revenue is below S\$10 million for the current basis period and the immediate two preceding basis periods, or if it is one of the special transactions specifically exempted under the Income Tax (Transfer Pricing Documentation) Rules 2018. Examples of the specified transactions qualifying for exemption from TP documentation include related party domestic transactions subject to the same tax rate, related party domestic loan where the lender is not in the business of borrowing and lending money, related party loans on which the indicative margin published by the Inland Revenue Authority of Singapore (IRAS) is applied, routine support services on which 5% cost mark-up is applied, related party transactions covered by an Advanced Pricing Agreement (APA), and related party transactions not exceeding certain thresholds.

Related Party Transaction Reporting

With effect from YA 2018, companies must submit a new “Form for Reporting of Related Party Transactions” (RPT Form) together with their Form C if the value of related party transactions in their audited accounts for the financial year exceeds S\$15 million. The RPT Form will provide IRAS with greater visibility on companies’ TP position and serve as a risk assessment tool for IRAS when selecting taxpayers for a risk review.

It will thus be wise for companies falling under such high-risk areas to take this opportunity to review their existing TP positions and ensure sufficient TP documentation is in place before filing their first RPT Forms this YA. **ISCA**

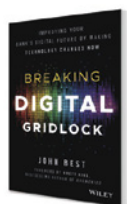
Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP. This article is based on SIATP’s *Tax Excellence Decoded* session facilitated by Adriana Calderon, Director, Transfer Pricing Solutions Asia. For more tax insights, please visit www.siatp.org.sg.

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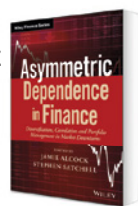
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3

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