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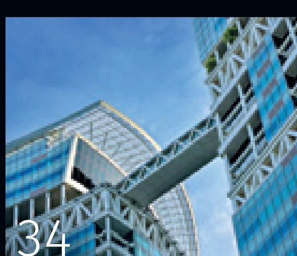

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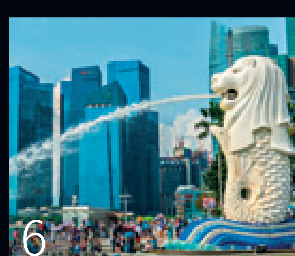

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ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

IS Chartered Accountant Journal

MARCH 2019

Plan, Act, Review, Repeat: Refining The Cycle For Progress

Dear members,

THE SINGAPORE BUDGET SPEECH was delivered by Finance Minister Heng Swee Keat in Parliament on February 18. This year's Budget features initiatives to build and maintain a strong, united Singapore, with security and social issues taking up large portions. Two days after Mr Heng delivered the Budget speech, 10 key representatives from trade associations and chambers, professional services firms and business leaders gathered at the ISCA Post-Budget Focus Group Discussion (FGD), to examine the details and implications of Budget 2019. While the FGD panellists regarded the Budget positively – it is favourable to small and medium-sized enterprises (SMEs), and largely a continuation or expansion of existing initiatives – they called for more targeted support for SMEs in various areas, such as enhancing access to resources to build capability, encouraging greater digitalisation and addressing manpower-related issues. ISCA, as the voice of the profession and industry, forwarded the feedback to the government for its consideration. We bring you the highlights in this cover story.

Mr Heng, in his Budget Roundup speech in Parliament on February 28, acknowledged the input of different stakeholders, saying, "I am grateful for this feedback – some challenge our current thinking while others help us refine our policies over time." Reiterating the shared objective to help Singaporeans to thrive, and build a strong, united Singapore, he highlighted some of the key principles for Budget 2019 and those before, which make up what he called the "Singapore way" – "we put people at the centre of our plans, strategies, and programmes"; "we plan long term, while taking an adaptive approach to respond to changing circumstances and needs", and "we do all of this together, working in partnership".

In many ways, the "Singapore way" describes what we do at ISCA. As the national accountancy body, our members are our priority, and our strategies are geared towards preparing members to navigate the increasingly complex business environment. The Institute also plans for the longer term, which is why we began our transformation journey 10 years ago – to prepare for a sustainable future. With the support of our members, we are on track to realise our 2020 vision. The Institute's journey has been divided into various phases, with each phase marked by a comprehensive strategy built upon strategic priorities.

The Institute's foresight and timely initiatives have benefited members. As a case in point, ISCA started preparing members for FRS 116 *Leases*, which is effective for annual financial periods beginning on or after 1 January 2019, with a series of articles in this Journal; the first article was published in August 2016. As FRS 116 substantially changes the accounting of leases for lessees, ISCA has been receiving enquiries through our Technical Helpdesk, particularly about how variable rent adjustments should be accounted for under FRS 116. This multifaceted issue was deliberated by the ISCA FRC Core Sub-Committee, and we developed a Tech Bite for members' reference. Details of this Tech Bite are available within these pages. You can also access the entire suite of Tech Bites online.

International Women's Day (IWD) is celebrated annually in March. While the call for gender parity has seen uneven progress across the globe, in Singapore, organisations such as Council for Board Diversity, established in January this year, signals the country's intent to do more by targeting the highest business echelons.

The theme for this year's IWD is #BetterforBalance, with the message that balance drives a better working world. In this issue, we shine the spotlight on four female members, each one a #BetterforBalance success story. These women are as distinct from each other as possible, yet what binds their stories together is a shared sense that personal time is crucial, because "me time" allows them to step back and recharge, so that they are better able to focus, and perform the multiple roles required of them. Oftentimes, it takes some planning and a few sacrifices but, with single-mindedness and determination, these members show that it is possible to carve out the time to pursue their passions. They just need to plan, act and review their plans, to get the best fit. We hope their stories will inspire more women to strive towards a sustainable work-life harmony for themselves.

As a renowned business hub, it is important for Singapore to have a robust, progressive tax regime that aligns with changing circumstances. Find out the latest changes in the Income Tax (Amendment) Act 2018, gazetted in November 2018, codifying Budget 2018 income tax and other non-budget tax changes arising from the periodic review of the country's income tax system.

As always, this issue is packed with resources that add value to your work. Have a good read!

Kon Yin Tong
FCA (Singapore)
president@isca.org.sg

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2017 APEX® AWARDS FOR PUBLICATION EXCELLENCE

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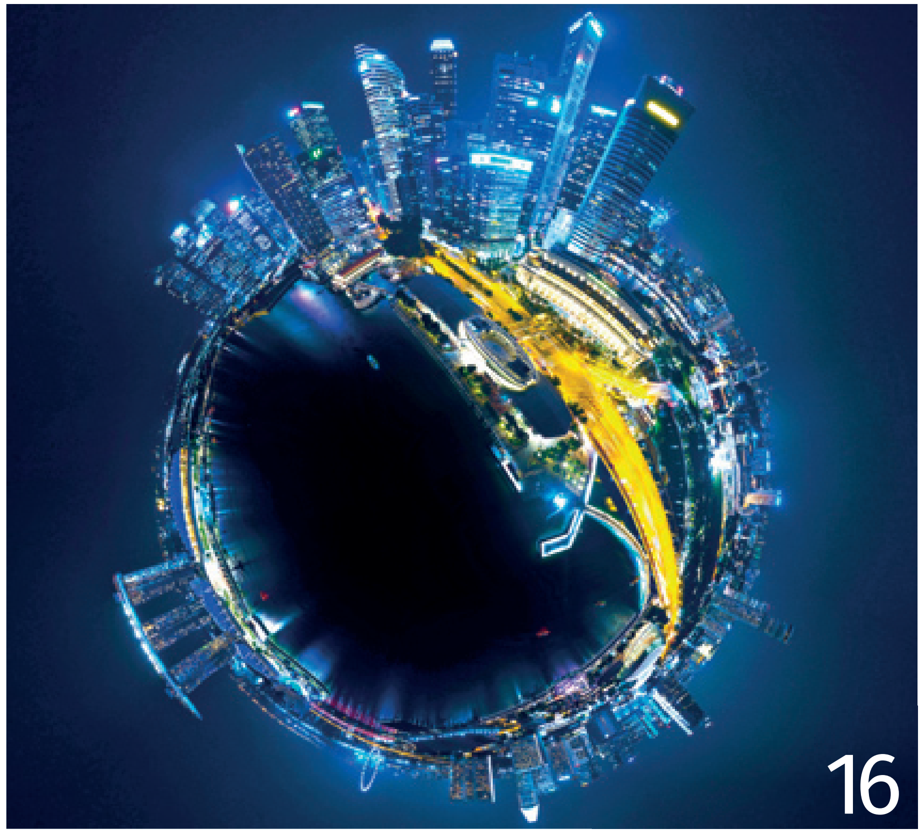

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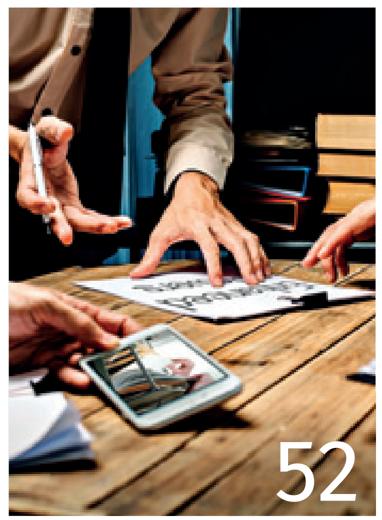

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Entrepreneurial Talent Key To Global Competitiveness

THE CHANGING NATURE OF ECONOMIC COMPETITIVENESS

In a world that is becoming increasingly transformed by new, digital technologies is creating a new set of challenges for governments and businesses, which collectively runs the risk of having a negative impact on future growth and productivity. But with the right entrepreneurial talent, economies can mitigate the risk and continue to thrive, according to findings from two global competitiveness reports – "Global Competitiveness Report 2018" (GC Report), published by the World Economic Forum (WEF), and "Global Talent Competitiveness Report 2019" (GTC Report), published by INSEAD Business School, in partnership with Adecco Group and Tata Communications.

Global Competitiveness Index 4.0 Rankings

Rank	Economy	Score
1	United States	85.6
2	Singapore	83.5
3	Germany	82.8
4	Switzerland	82.6
5	Japan	82.5
6	Netherlands	82.4
7	Hong Kong	82.3
8	United Kingdom	82.0
9	Sweden	81.7
10	Denmark	80.6

Source: "Global Competitiveness Report 2018"

Global Talent Competitiveness Index

Rank	Economy	Score
1	United States	85.6
2	Singapore	77.27
3	United States	76.64
4	Norway	74.67
5	Denmark	73.85
6	Finland	73.78
7	Sweden	73.53
8	Netherlands	73.02
9	United Kingdom	71.44
10	Luxembourg	71.18

Source: "Global Talent Competitiveness Report 2019"

The Global Competitiveness Index 4.0 (GCI 4.0), in the GC Report, measures national competitiveness, which is defined as the set of institutions, policies and factors that determines the level of productivity. The Global Talent Competitiveness Index (GTCI), in the GTC Report, measures talent competitiveness based on the results of all GTCI editions since 2013. Unsurprisingly, seven countries – Denmark, Netherlands, Singapore, Sweden, Switzerland, United Kingdom (UK) and United States (US) – appear in both the top 10 rankings, reflecting the key role of entrepreneurial talent in economic competitiveness. In both global indices, Singapore ranks second – which places it first in Asia Pacific.

The GC Report points to one unifying theme among the world's most competitive economies – the considerable room for improvement. For example, while the GCI 4.0 finds that Singapore is the most "future-ready" economy, Singapore trails Sweden when it comes to having a digitally-skilled workforce. Switzerland, meanwhile, has the most effective labour for reskilling and retraining policies and US companies are the fastest when it comes to embracing change. Ideally, countries should rank similarly across all categories.

One of the report's most concerning findings is the relative weakness across the board when it comes to mastering the innovation process, from idea generation to product commercialisation. In this area, 73.6% of countries surveyed score lower than 50. The report also notes that the attitude towards entrepreneurial risk tends to be negative in several East Asian economies. Canada has the most diverse workforce, and Denmark's corporate culture is the least hierarchical – both critical factors for driving innovation.

"Embracing the Fourth Industrial Revolution has become a defining factor for competitiveness," says Klaus Schwab, Founder and Executive Chairman, WEF. "I foresee a new global divide between countries that understand innovative transformations and those that don't. Only those economies that recognise the importance of the Fourth Industrial Revolution will be able to expand opportunities for their people."

The GTC Report confirms that talent issues have become a mainstream concern for firms, nations and cities, with talent performance seen as a critical factor to growth and prosperity. This year's report has a special focus on entrepreneurial talent – how it is being encouraged, nurtured and developed throughout the world, and how this affects the relative competitiveness of different economies. New approaches are emerging to stimulate entrepreneurial and intrapreneurial talent and prepare employees for the future, such as developing bottom-up innovation and empowering employees. The research results show that the highest-ranking countries and cities tend to be the most open to entrepreneurial talent, and digitalisation and globalisation are increasing the role of entrepreneurial talent.

PHOTOS SHUTTERSTOCK

Another finding is that cities, rather than countries, are developing stronger roles as talent hubs and will be crucial in reshaping the global talent scene. This growing importance of cities is due to their greater flexibility and ability to adapt to new trends and patterns as nimble economic units where policy can be changed more swiftly. Thus, cities are more attractive for talent, especially entrepreneurial talent.

A worrying trend is the growing gap separating talent champions from the rest of the global community. Talent competitiveness is strengthening in groups of countries where it is already comparatively high, and weakening in those where it is relatively low. As high-level talents are more mobile internationally, countries need to remain open and innovative to attract and retain their talent leadership.

MTI Maintains 2019 GDP Growth Forecast At 1.5% to 3.5%

THE SINGAPORE ECONOMY EXPANDED BY 3.2% IN 2018, according to official data released on February 15. This was down from the 3.9% growth recorded in 2017, and for 2019, the Ministry of Trade and Industry (MTI) maintains the GDP growth forecast at 1.5% to 3.5%, with growth expected to come in slightly below the mid-point of the forecast range.

Since November 2018, the external demand outlook for Singapore has weakened slightly. In particular, the International Monetary Fund has revised downwards its 2019 global growth forecast by 0.2 percentage points to 3.5%, with downgrades to the forecasts for some of Singapore's key final demand markets such as the Eurozone and ASEAN-5 economies. As compared to 2018, growth in most of the key advanced and regional economies is expected to moderate in 2019.

Recent headwinds

Uncertainties and downside risks in the global economy have increased since three months ago. First, there remains the risk of a further escalation of the trade conflicts between the US and its key trading partners, which could trigger a sharp fall in global business and consumer confidence. Should this happen, global investment and consumption spending would decline, with an adverse impact on global economic growth.

Second, a sharper-than-expected slowdown of the Chinese economy could adversely affect the region's growth due to falling import demand from China, especially given regional economies' close linkages with China through their participation in manufacturing and trade-related services value chains.

Third, there is a risk that the UK will leave the EU without a withdrawal agreement. A no-deal Brexit could lead to substantial trade frictions between the UK and its trading partners, and weigh on consumer and business sentiments in the UK and EU, with potential negative effects on global growth.

The heightened uncertainties and risks in the global economy have led to a rise in volatility in global financial markets. Should the downside risks materialise, financial market volatility could spike and adversely affect investor sentiments, thereby exacerbating the negative effects on global growth.

Impact on Singapore

The pace of growth in the Singapore economy is expected to slow in 2019 compared to 2018. First, the manufacturing sector is likely to see a significant moderation in growth following two years of robust expansions. In particular, the electronics and precision engineering clusters are expected to face external headwinds due to the weakening global demand for semiconductors and semiconductor equipment with the fading of the global electronics cycle. Second, growth in outward-oriented services sectors, such as wholesale trade, transportation and storage, and finance and insurance, is expected to ease in tandem with the moderation in growth in the key advanced and regional economies.

Nonetheless, the information and communications sector and the education, health and social services segment are expected to remain resilient, supported by firms' robust demand for IT and digital solutions and the ramp-up of operations in healthcare facilities respectively. Meanwhile, the construction sector is likely to see a turnaround after three consecutive years of contraction, as the pickup in contracts awarded since the second half of 2017 should translate into construction activities in the quarters ahead.

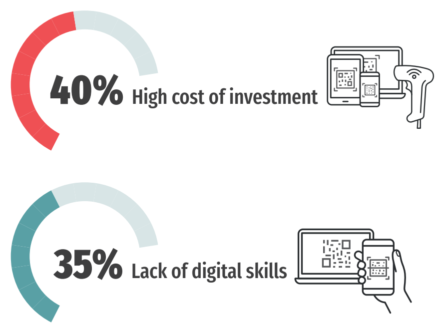
PHOTOS SHUTTERSTOCK

Singapore SMEs Need To Speed Up Transition Towards Digital Economy

SINGAPORE'S SMEs are still lagging in digital adoption and are not adequately prepared for the national transition to a digital economy, according to the fourth edition of QBE Insurance's annual survey of Singapore SMEs. The results show that SMEs have been slow to take up cyber-protection measures, digital payment offerings and government support for digitalisation.

Despite SMEs indicating real concern relating to security, fraud and cyber hacks, a quarter of those surveyed said they do not have any internal processes or policies to protect themselves from such risks – a figure that rises to one-third when looking only at smaller-sized SMEs. This is in spite of an uptick in national-level incidents in the past year, with 90% of SMEs admitting to being aware of possible cyber risks.

Barriers To Digitalisation



Government support for digitalisation was also raised in the findings, highlighting a disconnect between awareness and uptake. While 65% of SMEs indicated that they are aware of the various forms of government support available to help businesses digitalise, only 30% have proceeded to utilise the support. This is despite the realisation by many businesses that they lack the digital skills needed to move forward.

A resistance to cashless payments?

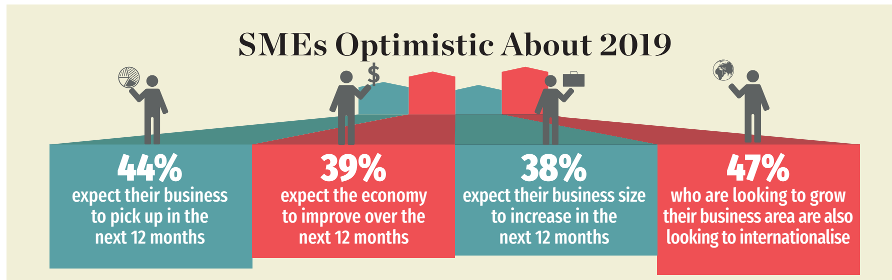
While employing both offline and online payments for their businesses, a quarter of all SMEs (24%) have indicated a preference for more traditional payment methods like cheques and cash, despite the government's continuing investment in developing a cashless infrastructure, and large-scale education initiatives to forward new payment technologies and tools.

Further to this, the survey measured awareness and acceptance of PayNow Corporate – a business-centric peer-to-peer payment platform launched in August 2018, with the backing of the Association of Banks in Singapore, to offer businesses secure transfer of funds with banks, government agencies and other businesses. But despite 71% of all SMEs admitting to knowing of the service, only a minority (26%) are actually using it to receive and make payments.

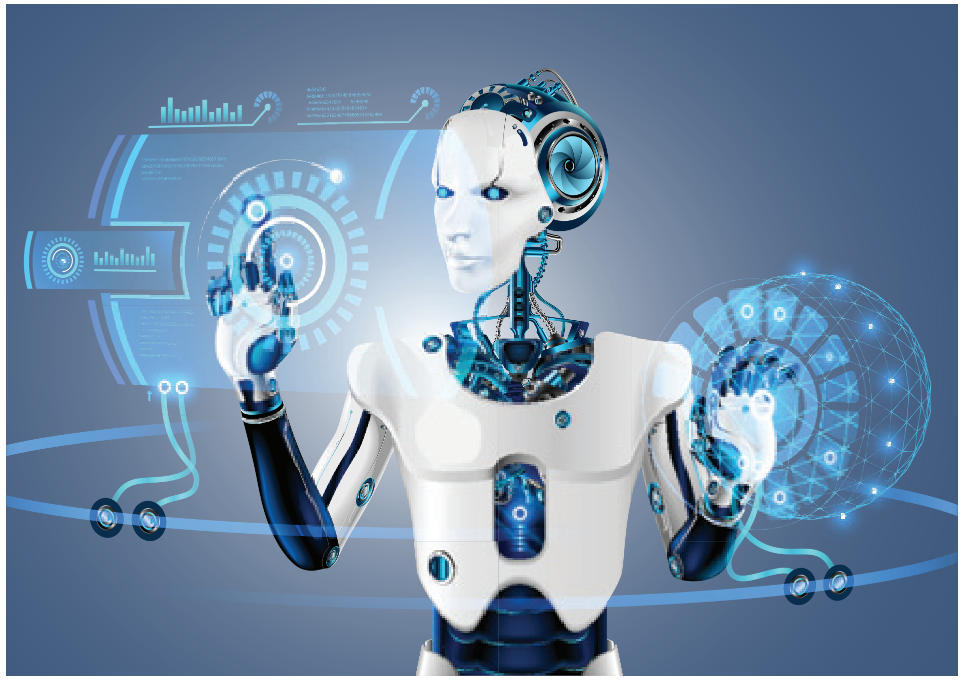
Close to 10% of all SMEs are unwilling to use PayNow Corporate at all, while 29% are sitting on the fence, unsure of whether they will open themselves up to the service in the future. The top reason indicated for their reluctance to use it is the fear that the platform is insecure and vulnerable to fraud and hacking, as cited by 32% of respondents who have indicated that they are unwilling to use the service.

"SMEs form 99% of Singapore's businesses. It is important that they continue to align to the overall economic direction for Singapore set by the government. While many are still showing resistance towards digitisation, they should tap on resources available to help smoothen their transition to the digital economy," says Karl Hamann, CEO of QBE Insurance Singapore.

This SME survey was carried out in November 2018, in an effort to better understand SMEs' behaviours and business challenges. Interviews were conducted with 491 SMEs across various industries in Singapore.



Singapore Releases First AI Model Framework In Asia



SINGAPORE RELEASED ITS MODEL ARTIFICIAL INTELLIGENCE (AI) GOVERNANCE FRAMEWORK (Model Framework) for public consultation, pilot adoption and feedback on January 23. It is the first such framework in Asia that provides detailed and readily implementable guidance to organisations in the private sector, to address key ethical and governance issues when deploying AI solutions. Common definitions and frames for dialogue in the implementation of AI are also included in the Model Framework.

The Model Framework is a living document that is intended to be agile in evolving with the fast-paced changes in a digital economy, and is expected to continue to develop as it is being used. The two high-level guiding principles underpinning the Model Framework help organisations to ensure that decisions made by or with the assistance of AI are explainable, transparent and fair to consumers, and their AI solutions are human-centric. These will in turn enhance the trust in and understanding of AI, as well as acceptance of how AI-related decisions are made for the benefit of users.

The Model Framework builds on the themes first raised in a discussion paper released in June 2018 by Singapore's Personal Data Protection Commission (PDPC) and Info-communications Media Development Authority (IMDA). Where the discussion paper identified areas for organisations to consider, the Model Framework has taken a broad step forward by developing clear measures and recommendations which organisations can implement.

The Model Framework maps out the key ethical principles and practices that apply to common AI deployment processes in the four areas of:

1) Internal governance structures and measures;
2) Risk management in autonomous decision-making;
3) Operations management, and
4) Customer relationship management.

Driving AI and data innovation

Singapore is also collaborating with World Economic Forum (WEF)'s Centre for the Fourth Industrial Revolution (C4IR) to further drive AI and data innovation. IMDA and WEF will be engaging organisations to discuss the Model Framework in greater detail and facilitate its adoption. Work has already commenced, with closed-door discussions led by C4IR and IMDA to seek feedback on the Model Framework, as well as to generate and understand use cases and practical examples. They will also be developing a measurement matrix for the Model Framework which regulators and certification bodies globally can adopt and adapt for their use, in assessing whether organisations are responsibly deploying AI. The two agencies will also develop a discussion paper outlining policy options on the facilitation of cross-border data flows under the collaboration.

THE MODEL FRAMEWORK IS PART OF SINGAPORE'S EFFORTS TO FORWARD ITS VISION TO BE A LEADING DIGITAL ECONOMY AND SMART NATION, CONTINUALLY EMBRACING DIGITAL TRANSFORMATION AND REINVENTING ITSELF TO REMAIN GLOBALLY COMPETITIVE.

PHOTO SHUTTERSTOCK

MARK YOUR CALENDAR

13 MAR

ISCA Breakfast Talk – Keeping your Data Secure for your Day to Day Business

Join our experts to learn how to improve your defences and reduce risk for your business.

- What process audit can provide in terms of support
- 3rd party vendor due diligence
- Addressing outsourcing contract obligation with CII

15 MAR

ISCA Budget Update 2019

Join us at the Launch of the SAAC Series 2019 - Budget Update Seminar. Obtain perspectives & insights from industry experts.

Group of 5 Corporate Registration is available

29 MAR

Financial Statements: Presentation & Disclosure

Discusses the latest disclosure requirements relating to the preparation of Corporate Financial Reports for non-listed companies, excluding matters specifically relating to companies in the financial sectors.

SkillsFuture Credit & UTAP Funding approved

05 APR

An Insider Guide into the World of Cryptocurrency NEW!

Get insights into the world of cryptocurrency with an overview of the mechanics of blockchain technology (also known as distributed ledger technology).

22, 23 & 24 APR

Apply Knowledge of Accounting-Related Concepts NEW!

Learn to apply the fundamental accounting policies:
- understand the implications on organisation's finances
- maintain a general ledger in accordance with sound bookkeeping practices
- prepare basic financial statements to provide information on financial positions and performance

SkillsFuture Credit & SSG Funding approved

04 MAY

ISCA Run 2019

Join us for a day of camaraderie and fun among members of the accountancy profession and the public at #ISCARun2019. This is also an opportunity to give back to the profession via ISCA Run's chosen beneficiary, ISCA Cares. The charity supports disadvantaged Singapore youths with academic potential in having access to quality accountancy education. Registration is now open!
For more information, visit **www.iscarun.sg**

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

Learning And Sharing In Yangon, Myanmar

ON 11 AND 12 DECEMBER 2018, ISCA delivered a two-day training on ISCA's "Audit Manual for Standalone Entities" (AMSE) for 54 Burmese accountancy practitioners in Yangon, Myanmar. The training centred on the audit methodology used and how auditors can effectively use AMSE to comply with the various audit requirements when carrying out audits. The audit methodology used in AMSE is a risk-based approach which focuses on the key risk areas in an audit engagement. The training was facilitated by Magdalene Ang, Director, R Chan & Associates PAC, and Kang Wai Geat, Deputy Director of Audit Quality & Standards Development, ISCA.

This training arose from a Memorandum of Understanding (MOU) signed by ISCA and Myanmar Institute of Certified Public Accountants (MICPA) in November 2017, to develop and enhance the capabilities of the Burmese accountancy sector through the exchange of expertise, experiences and best practices between Myanmar and Singapore.

ISCA is privileged to share in the process of contributing to the development of the accountancy profession in ASEAN. The Burmese participants were impressed with the quality of the trainers and found the real-life case studies particularly useful in enhancing their understanding of how the audit methodology should be implemented.

ISCA encourages and welcomes members to volunteer their professional expertise for future training programmes in ASEAN countries. Interested members may contact ISCA at isca@isca.org.sg.

Mr Kang sharing how auditors can effectively use AMSE to comply with the various requirements during audits

"The local participants were very eager to know what we had to share during the training. Throughout the two-day session, they were very focused and gave us their full attention. When we shared some examples that resonated with them, I could see them nodding in agreement.

It was a new and valuable experience for me as a first-time trainer. Although it was only for a couple of days, the stint was an eye-opener. From my interactions with the MICPA representatives and local participants, I was able to broaden my knowledge about the audit practice in Myanmar, and the challenges they face.

I also learnt that being a trainer is no walk in the park. From the preparations before the training to the actual delivery, it was necessary to put in a lot of time and effort to ensure that the participants benefited from their two days with us, and that the training objectives were fulfilled."

KANG WAI GEAT, Deputy Director, Audit Quality & Standards Development, ISCA

The Burmese participants with Kang Wai Geat, Deputy Director of Audit Quality & Standards Development, ISCA (front row, 5th from left), and Magdalene Ang, Director, R Chan & Associates PAC (beside Mr Kang)

MORE ABOUT THE ISCA-MICPA MOU

The ISCA-MICPA MOU, signed on 27 November 2017, was for the co-development of the accountancy profession in Myanmar through capability-building programmes. These programmes include training on Principles of Accounting, International Financial Reporting Standards (IFRS), IFRS for SMEs, and continuous professional education classes on topical issues and trends.

Following the MOU signing, Lim Ju May, Deputy Director of Corporate Reporting and Ethics, ISCA, had presented on ISCA's Micro Accounting Model (MAM). MAM was developed by ISCA 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. The model is a useful tool in helping to raise the overall standard of the profession in emerging and developing countries, thereby contributing to stronger investor confidence.

Also in 2017, the Institute had presented MAM to an international audience at the United Nations Conference on Trade and Development-International Standards of Accounting and Reporting (UNCTAD-ISAR). The model was very well-received, which helped to forward ISCA's standing as a progressive professional accountancy body.

(From left) Then-ISCA President Dr Gerard Ee, ISCA CEO Lee Fook Chiew, MICPA Chairman Wan Tin and MICPA Patron Win Thin

Fuelling The Pipeline Of Qualified Financial Forensic Professionals

AGAINST THE BACKDROP OF SOPHISTICATED FINANCIAL CRIME which has risen in recent years[1], there is demand for qualified white-collar crime professionals to tackle financial-related fraud, money laundering and cyber crimes in Singapore and across the globe. A team of competent financial forensic professionals that

is trained to investigate and dissect complex financial information, leverage data analytics to analyse and discern insights, advise and design preventive measures to mitigate the risk of financial fraud will safeguard an organisation's reputation and limit financial losses.

To foster learning, the Institute worked with industry experts to develop the ISCA Financial Forensic Accounting (FFA) Qualification with the aim to build capability in the financial forensic field for both the public and private sectors. The Qualification provides a pathway leading to the attainment of the ISCA Financial Forensic Professional (FFP) credential.

ISCA has had two candidate intakes for the Qualification to date – on 1 March 2018 and January 2019 – and we have celebrated the success of our pioneer batch of 25 graduates. These graduates work in a wide array of industries from law enforcement agencies to professional services and commercial firms. We congratulate our ISCA FFA Qualification graduates and look forward to welcoming more financial forensic professionals to the profession.

PHOTO SHUTTERSTOCK

[1] "Global Economic Crime and Fraud Survey 2018", PwC

GRANDFATHERING SCHEME FOR EXPERIENCED FINANCIAL FORENSIC PROFESSIONALS

Highly-experienced financial forensic experts can apply under the one-time limited-period grandfathering scheme. Please submit a professional competency write-up by 31 August 2019.

WHAT GRADUATES SAY...

"I chose to take on the ISCA FFA Qualification as it is highly relevant to my work at Borrelli Walsh. Without prior training or education, ISCA FFA Qualification deepened my knowledge and skill sets in forensic accounting."

BENJAMIN OH
Associate
Borrelli Walsh Pte Ltd

"The programme was positively intensive and there were two key takeaways for me. I learnt about why and how frauds are perpetrated, and how financial forensic methodologies can be applied to detect them with the aid of digital tools. Financial crime is increasingly more pervasive, and it was very enlightening that the programme covered anti-money laundering red-flag indicators that we should be alert to.

The core technical competencies acquired after completing the programme will allow me to conduct investigations competently if financial frauds are uncovered during an external audit."

PIRIYADARSHINI GUNNAASANKARAAN
Audit Supervisor
EY

"I chose to embark on the ISCA FFA Qualification as I would like to enhance my existing forensic accounting and investigation knowledge.

Taking up the Qualification has broadened my knowledge in forensic accounting. It is one of the platforms which allows me to hone my investigative skill set, and better face the challenges in tackling the growing complexity of financial crime investigations."

ONG TA-HONG
Commercial Affairs Department
Singapore Police Force

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.

Our newly-revamped ISCA MPP allows our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

You may also access your privileges online at http://bit.ly/memberssignup.
*Terms and conditions apply.

Flash your membership e-card to enjoy these benefits as an ISCA member.

Fine Wines

ISCA members enjoy:

- 10% discount on all wine classes. Enjoy additional 5% discount for 2 persons. Visit http://finewines.com.sg/wine-lessons for class dates
- Complimentary leather carrier for first time wine purchase
- Privilege discount on corporate wine catering/workshop services

Island Yacht Charter

ISCA members enjoy:

Rates (Inclusive of GST):

A. Mon to Thu (Excluding eve of PH and PH)
For a 5-hours boat charter (Max 20 pax): $1,320.00 nett
For a 4-hours boat charter (Max 20 pax): $1,200.00 nett

B. Fridays, Weekends, eve of PH and PH
For a 5-hours boat charter (Max 20 pax): $1,480.00 nett
For a 4-hours boat charter (Max 20 pax): $1,360.00 nett

For bookings, please refer to the ISCA website for details.

*ISCA Member who made the booking must be on the charter trip booked to show the membership/staff card isca breakfast talk

Driving Peak Business Performance

ALL BUSINESSES, BE IT MNC OR SME, would want to drive peak business performance and get ahead of the curve. To accelerate growth, funding is key. However, SMEs today are often bogged down by operational issues such as holding excess inventories or delayed debt collection from slow paymasters, which limit cash flows for expansion.

Besides the more commonly-known financing options such as angel investing, equity crowdfunding and bank loans, the Breakfast Talk held on February 20 deep-dived into the concept of Peer-to-Peer Lending, also known as Debt Crowdfunding. Goh Xin Ying, Head of Business Development, Funding Societies explained how SMEs can break through various tight cash-flow situations through flexible financing options.

Participants learnt more about the concept of crowdfunding and how it can possibly help to increase working capital and further scale up businesses. Examples of usage of debt crowdfunding include getting a last-minute top-up for an upcoming tender project, bridging long days sales outstanding or obtaining a loan without the hassle of stringent bank approvals.

Funding Societies' Head of Business Development Goh Xin Ying explaining the differences in the financing options available to SMEs

In addition, Ms Goh shared case studies of how debt crowdfunding has been a financing catalyst to grow Singapore businesses by providing easier access and faster speed to obtain funds to support SME growth.

SIATP Spurs Profession's Growth In Tax Excellence

THE TAX LEGISLATIVE LANDSCAPE has evolved with the enhanced investigative powers accorded to the Comptroller of Income Tax (CIT). Aimed at equipping tax professionals with the practical insights to navigate the new terrain, a *Tax Excellence Decoded* session was organised by Singapore Institute of Accredited Tax Professionals (SIATP) on the implications of this development. Facilitated by Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner at Malkin & Maxwell LLP, the session also covered the interplay between the CIT's enhanced powers and Singapore's commitment to the exchange of information protocols.

Besides boosting the knowledge of tax professionals, the profession's growth also entails grooming the next generation of tax professionals. SIATP continued

SIATP Board member Mrs Chung-Sim Siew Moon (4th from left) was part of the judging panel for the finals of the Tax Advisory Club's National Tax Competition 2019; SIATP Director Joanna Wong (3rd from left) joined other platinum sponsors and student leaders to mark the competition's 10th anniversary

Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner at Malkin & Maxwell LLP, sheds light on what the CIT's enhanced powers mean for tax agents and their clients

its long-term platinum sponsorship of the National Tax Competition organised by Nanyang Technological University's Nanyang Business School Tax Advisory Club. Celebrating its 10th anniversary, the competition saw over 250 students from various tertiary institutions taking part. SIATP remains committed to promoting tax excellence across the profession.

To access exciting developments from the hub of tax excellence, email enquiry@siatp.org.sg.

BY LOKE HOE YEONG, FELIX WONG, JOYCE HAN

BUDGET 2019

Planning For The Future Amid Global Uncertainties

THE 2019 SINGAPORE BUDGET SPEECH was delivered by Minister for Finance Heng Swee Keat in Parliament on February 18. In his speech, he noted that Singapore's economy grew 3.2% in 2018 in tandem with global expansion. This year, however, global growth is expected to taper, given the greater uncertainties and downside risks. Amid the turbulent changes that continue on the world stage, this year's Budget rang in initiatives to build and maintain a strong, united Singapore, with security and social issues taking up large portions of the Budget speech.

Pundits called the 2019 Budget a classic one, with the government redistributing the country's surpluses among the most vulnerable in society. This was highlighted by government spending on multiple social initiatives aimed at making Singapore a more inclusive society, which helps to provide a balance against measures such as the impending increase in the Goods and Services Tax from 7% to 9%; the increase is scheduled to take place in the 2021 to 2025 period. Mr Heng also announced "goodies" such as the S$8-billion Merdeka Generation Package[1] and initiatives to commemorate the 200th anniversary of the founding of modern Singapore, in the form of a broad-based S$1.1-billion Bicentennial Bonus. These will particularly benefit the mid- and lower-income earners, students and older workers nearing retirement.

In terms of economic restructuring, this Budget comes after the industry transformation maps (ITMs) across all 23 sectors have been rolled out. For Budget 2019, Mr Heng listed three thrusts to boost Singapore's economic transformation journey:

- Building deep enterprise capabilities;
- Building deep worker capabilities, and
- Encouraging strong partnerships within Singapore and across the world.

Mr Heng also announced "goodies" such as the S$8-billion Merdeka Generation Package and initiatives to commemorate the 200th anniversary of the founding of modern Singapore.

[1] S$6.1 billion will be set aside to grow the funds needed for the Merdeka Generation Package, which is projected to cost over S$8 billion.

PHOTO SHUTTERSTOCK

PHOTO SHUTTERSTOCK

ISCA POST-BUDGET FOCUS GROUP 2019

Two days after Mr Heng delivered the Budget speech, 10 key representatives from trade associations and chambers (TACs), professional services firms and business leaders gathered for the ISCA Post-Budget Focus Group Discussion (FGD) on February 20.

On the whole, the panellists regarded the Budget positively – it is favourable to small and medium-sized enterprises (SMEs), and largely a continuation or expansion of existing initiatives. "The initiatives announced will support the TACs' efforts to implement industry transformation in their respective sectors," said Lee Fook Chiew, CEO, ISCA.

Improving Access To Resources For Capability-Building

The FGD panellists called for the government to place greater emphasis on improving the implementation of grants and other support programmes, in order to encourage more SMEs to tap on these enhanced measures.

It was also noted that larger SMEs were better able to commit resources towards grant hunting and application, compared to the "long tail" of smaller SMEs for which this was impossible and hence, the greater likelihood of the former being awarded such grants. The grant criteria for some SME-centric schemes may also exceed the reach of a large portion of small to mid-sized SMEs. Given these circumstances, a general perception among SMEs and TACs was that the government's grant schemes tended to favour larger and more stable companies over smaller SMEs, even though the smaller SMEs were the ones that needed the grants more, such as to help them meet rising business costs.

However, it was noted that the SME category is a very broad one that groups micro-enterprises, mid-sized, as well as multi-million-dollar companies together.[2] Some panellists floated the idea of tiering grant schemes along parameters such as the size of the annual turnover of the business. As a second step, the outreach efforts of government agencies in promoting these tiered grant schemes could also be similarly targeted at each of these SME sub-category types.

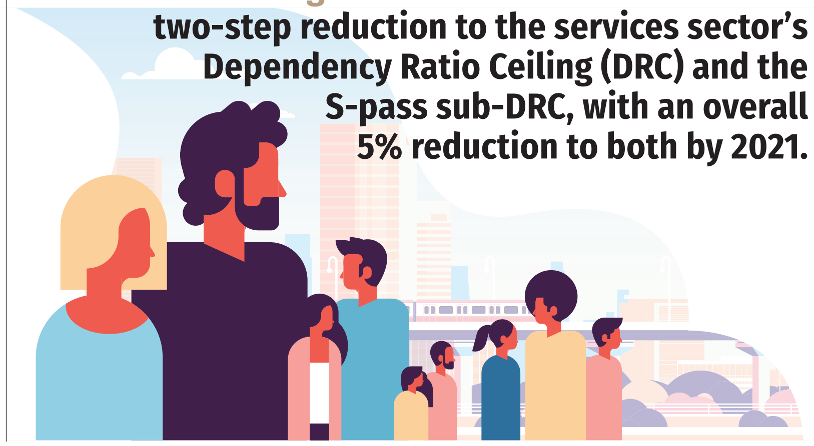
Encouraging Greater Digitalisation

The FGD panellists reported an observable growth in interest among SMEs to digitalise, as a result of previous policies to encourage digital transformation, such as the Productivity and Innovation Credit (PIC) scheme. While Budget 2019 built upon the existing SMEs Go Digital platform – through the introduction of more pre-approved solutions online – some panellists gave feedback that businesses preferred customised solutions to increase productivity, rather than plug-and-play-type products. It is hoped that the government would in future consider funding customised solutions rather than just pre-approved solutions. This was a suggestion previously cited by panellists at the ISCA Pre-Budget FGD held in October 2018.

Some businesses also called on government agencies disbursing grants to be less conservative in their approach. Companies highlighted that there was always an element of risk and failure when embarking on an innovation or transformation journey. Allowing one bad apple to spoil the whole barrel would be contradictory to national efforts to encourage digital transformation and innovation.

Related to this was the feedback that agency officers could be more understanding of the pain points faced by industry, with respect to the grant evaluation process. A suggestion was made for agencies to consider involving industry representatives to sit on evaluation panels, to fill the knowledge gap in the agencies.

Mr Heng warned that foreign labour growth, particularly in the broad services sector, was becoming unsustainable. He announced a two-step reduction to the services sector's Dependency Ratio Ceiling (DRC) and the S-pass sub-DRC, with an overall 5% reduction to both by 2021.



[2] Enterprise Singapore's current definition of an SME is one where the company's group annual sales turnover is not more than S$100 million, or if the company's group employment size is not more than 200 workers.

Addressing Manpower Needs Amid Shrinking Workforce

Mr Heng warned that foreign labour growth, particularly in the broad services sector, was becoming unsustainable. He announced a two-step reduction to the services sector's Dependency Ratio Ceiling (DRC) and the S-pass sub-DRC, with an overall 5% reduction to both by 2021.

This was a hard pill to swallow, especially among businesses in industries already facing a manpower and talent crunch. Still, the government deemed it a necessary measure that would nudge businesses to begin restructuring their payroll. That is in part because foreign manpower is projected to become scarcer in the coming years as other economies in the region develop further, making it more attractive for individuals to remain in their home countries to build a career.

Cognisant of this reality, the panellists offered suggestions for the government to consider, to help affected companies to transition. One food and beverage (F&B) company suggested that the Ministry of Manpower (MOM) allow companies some flexibility in the deployment of their staff to adjust to the changes. For example, companies in the F&B industry could be allowed to deploy their foreign staff across multiple sectors of operations (for example, central kitchens and front-line service), with a cap on man-hours to prevent abuse. Another panellist proposed that an innovative policy experiment would be to make it easier for Dependant's Pass holders – that is, the family members of an Employment Pass or S Pass holder – to get clearance to take on part-time work – tapping on people already in Singapore as an alternative pool of workers.

Mr Heng called on TACs to "spearhead worker upskilling and develop industry-wide capabilities, such as improving access to local and international networks".

PHOTO SHUTTERSTOCK

Reinforcing Linkages With TACs As Part Of Wider Business Ecosystem

TACs and professional associations and organisations are natural allies in the government's drive for national transformation. In his Budget speech, Mr Heng called on TACs to "spearhead worker upskilling and develop industry-wide capabilities, such as improving access to local and international networks". He cited the ISCA-Singapore University of Social Sciences (SUSS) Business Analytics Certification programme, which equips accountancy professionals with practical skills in data analytics, as an example of such an initiative. This was an area the Institute had anticipated high growth in as the profession transformed and business evolved online.

Overall, the TAC panellists acknowledged that when it came to transformation, there was still much work to get their industries moving. This was especially so for smaller, less tech-savvy SMEs that perennially fell behind in their awareness and capacity to transform. More cross-sectoral collaboration, even among TACs, could solve common resource challenges and increase the reach of their efforts. To this end, the focus group became, in itself, an avenue for the cross-sector panellists to bounce ideas for potential collaboration and forge connections with each other.

PHOTO SHUTTERSTOCK

While numerous Budget schemes are introduced yearly to support businesses, there is a sense that businesses, particularly smaller businesses, may not have the expertise to fully understand and to utilise these schemes. On this, Professor Sum Yee Loong, ISCA's Honorary Technical Advisor and SIATP's Board member commented, "TACs are in a unique position to help businesses but are constrained by lack of resources. Each industry has its own unique challenges and focus and correspondingly, the TACs as well. The government could perhaps consider providing a broad funding programme that is flexible enough to enable TACs to assist their members in implementing the industry transformation."

TAX MEASURES

Corporation Tax

Mr Heng indicated that as the current corporate tax rate of 17% is competitive, there would be no proposed changes to the corporate tax rate.

Separately, the government has reaffirmed its commitment to support innovation efforts of businesses through the extension of two key tax schemes. The Writing Down Allowance (WDA) for acquisition of qualifying Intellectual Property Rights (IPRs) will be extended for another five years to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for Year of Assessment (YA) 2025. Similarly, the 100% Investment Allowance under the Automation Support Package introduced in Budget 2016 will also be extended by two years, for projects approved by Enterprise Singapore from 1 April 2019 to 31 March 2021.

Towards A Greener Singapore

To safeguard Singapore's environment for a more sustainable future, Mr Heng announced plans to further restructure diesel taxes towards a more consumption-based model. Effective from 18 February 2019, the excise duty on diesel fuel has been doubled from S$0.10 to S$0.20 per litre. Correspondingly, the annual special tax for diesel cars and taxis was permanently reduced.

Supporting Our People

A Personal Income Tax (PIT) rebate of 50% of tax payable was announced for YA 2019. The PIT rebate, albeit with a cap of S$200, came as a pleasant surprise for individual taxpayers, especially when no PIT rebate was granted in YA 2018. On the S$200 cap, Mr Heng explained, "I have set the cap at S$200 so that the benefits go mostly to middle-income earners."

Working mothers who engage the help of their parents, parents-in-law, grandparents or grandparents-in-law to look after any of their children who is handicapped and unmarried, can also look forward to more support as the government relaxes the qualifying conditions for the Grandparent Caregiver Relief (GCR) scheme. Currently, working mothers can only claim GCR for a child aged 12 years and below (during the year preceding the YA of claim); with this change, they will be able to claim GCR in respect of a handicapped, unmarried dependent child, regardless of the child's age, from YA 2020.

Still on the individual tax front, the popular "Not Ordinarily Resident" (NOR) scheme, which was introduced in Budget 2002 to attract talent with regional and global responsibilities to relocate to Singapore, will lapse after YA 2020. While this change may come as a surprise to some, it should not negatively affect individuals who have been accorded the NOR status as their NOR tax concessions will continue until expiry (the last such NOR status will expire in YA 2024). The government has also assured that Singapore will continue to build a conducive environment to attract and retain highly-skilled individuals through its competitive tax regime, stable political, economic and social environment, strong regional connectivity, and high standards of healthcare, housing and education.

Ensuring The Relevance And Resilience Of Our Tax System

A further tightening of our GST system was announced in this year's Budget – the reduction of GST import relief for travellers. This follows the Budget 2018 announcements to raise GST by two percentage points some time between 2021 and 2025, in addition to the introduction of a Reverse Charge mechanism and an Overseas Vendor Registration regime to collect GST on the importation of services in respect of Business-to-Business (B2B) and Business-to-Consumer (B2C).

To ensure that Singapore's tax systems remain resilient amid rising international travel and changing shopping trends, the quantum of GST import relief for travellers has been adjusted downwards from 19 February 2019. Following the change, travellers who spend fewer than 48 hours outside Singapore will get GST import relief reduced from the first S$150 to S$100 of the value of goods bought overseas, while travellers who spend at least 48 hours outside Singapore will get GST import relief reduced from the first S$600 to S$500 of the value of goods bought overseas. Practically, the change would only bring about a small increase in GST for travellers (up to S$7). Separately, travellers will also be entitled to less duty-free allowance for liquor products from 1 April 2019. ISCA

Loke Hoe Yeong is Manager, Insights & Intelligence, ISCA; Felix Wong is Head of Tax, SIATP, and Joyce Han is Executive, Insights & Intelligence, ISCA.

AGNES LIM, CA (Singapore), Chief Financial Officer, Asia Pacific, Jones Lang LaSalle

JAIME TING, CA (Singapore), Finance Manager, Procter & Gamble

LEE XIN HUI, CA (Singapore), Financial Services Audit Manager, KPMG

EVONNE LIM, CA (Singapore), Finance & Academic Director, GeYi Academy

CHECKED AND BALANCED

Four women in accountancy share how they put a premium on personal time, and achieve equilibrium between work and play

ESTABLISHING SOME MEASURE OF WORK-LIFE BALANCE is an important goal of many professionals worldwide, and this is no less true for the Singapore workforce. When it comes to specifically addressing the needs of women in the workforce, the issue of balance becomes even more pertinent. Dual-income households are nothing extraordinary in Singapore, but married working women continue to shoulder more of the caregiving and household load than married working men, according to Carys Chan, assistant professor at RMIT University's College of Business, in a commentary published by Channel NewsAsia.

According to a 2018 report by the McKinsey Global Institute, employers stand to gain by helping to address issues faced by women who have to balance between work and family responsibilities. Among its findings, this one is telling: Singapore's economy could benefit to the tune of S$26 billion by 2025 simply by boosting female participation in the workforce.

This year, International Women's Day brings the issue of balance to the forefront, with its theme of #BalanceforBetter. Collective action and shared responsibility are key to encourage gender parity. This is certainly an international issue, with the US Census Bureau reporting that approximately 24% of married men who work full-time and have children under 15 have stay-at-home spouses. This contrasts sharply with the fact that fewer than 1% of married women find themselves in the same circumstances. Arguably, such scenarios are not sustainable in the long term.

As we reported last year, too many professional working women only manage to find time for their families by giving up their personal time and passions. The government is playing its part here, with the enhancement of the Ministry of Manpower's Work-Life Grant last year, which was announced just before International Women's Day on March 8. Notable changes included simplified application criteria, increasing the coverage of employer payments, and higher grant per employee.

While these were welcomed, government action isn't the only solution. It is already evident that employees are looking for better work-life balance scenarios, and it behooves employers to pay attention. Indeed, a number of women are blazing their own paths towards personal fulfilment alongside career advancement, as the story of these four ISCA members illustrates.

These women are as distinct from each other as possible, yet what binds their stories together is a shared sense that personal time cannot be sacrificed. The fact that each one is going her own way should at least inform us all that there isn't just one way to achieve a #BalanceforBetter.

> … not every company will have the same approach to the work-life balance equation, but Ms Lim insists on personal responsibility here. "Be honest with yourself about what makes you happy, keep it simple, and make your decisions accordingly."

DANCING BY NUMBERS

Agnes Lim, CA (Singapore), Chief Financial Officer, Asia Pacific, Jones Lang LaSalle

MAKING TIME FOR ONESELF IS KEY FOR ANYONE SEEKING WORK-LIFE BALANCE. The trick is finding something that is fun to do, and which can be scheduled regularly. That's exactly what Agnes Lim does. "It is easy to want to make time for dancing because I enjoy it," she says. Ms Lim attends regular dance classes that allow her to try out everything from K-Pop Fitness to Zumba and Sh'bam. "I love the upbeat music and how the movements are not all that complicated. Best of all, I work up a sweat enjoying myself thoroughly in a class where everyone else is also having fun, and nobody cares whether you are good or not at it."

While the 43-year-old Chief Financial Officer (CFO) is quite an active person who runs a few times a week and also practises pilates, it was not always obvious that an active lifestyle was something that was on the cards for her. "Although I was active during my school days, doing track and taekwondo, it was impossible to keep up when I started a family immediately after university," says Ms Lim, striking a note that is all too familiar to women who settled down early.

A NATURAL HIGH

Seven years ago, while at Jones Lang LaSalle, Ms Lim decided to get fit and thought that having to pay for a gym membership would make her "properly commit" to a regular schedule of workouts.

It did not quite work out that way in reality, until she discovered the dance classes. "It's the dance classes that I truly look forward to because I am in the moment, just joyfully dancing; it gives me a great natural high! An hour of dancing keeps me energetic for the rest of the day," she enthuses.

This energy has translated into better results at work, according to Ms Lim, and she is thankful that Jones Lang LaSalle is one of those firms that believes in a good balance between work and play. And, she truly believes that happy employees are productive employees. "In my role (she leads a team), I see it as a responsibility to set a good example and take care of myself physically and mentally, so I can be a better leader and help others. We are currently undergoing a transformational phase at Jones Lang LaSalle to drive results, innovation and growth, and things are going to be busier than ever. It's actually during challenging times that it's all the more important to remind ourselves to take breaks, recuperate and recharge, so we can go on," explains the CFO.

CAREER HIGHLIGHTS

- 1998 to 2001
  Audit Senior, Ernst & Young
- 2002 to 2004
  Financial Analyst, Arrow Electronics
- 2004 to Present
  Chief Financial Officer, Asia Pacific, Jones Lang LaSalle

AT THE CROSSROADS

Ms Lim was not always so upbeat about challenges though. As a young auditor, she had to juggle the infamous long hours with the needs of her young family, and she came to a crossroads. "I chose to slow the pace of my career temporarily, to spend time with my toddlers. It turned out to be one of my best decisions because it was, and still is, among the happiest times I've ever had with them. The slower pace also gave me time to reconsider how I would like to spend the rest of my working life, as well as the type of organisation I would like to join. Sometimes it's alright – and even necessary – to slow down, take a breather and rethink options," says Ms Lim.

Today, her three toddlers have grown into teenage girls, and Ms Lim is focused on being a good role model for them, which is where her own motto of "I need to love myself before I can love others" comes into play. "Most women are very loving by nature, but we forget to love ourselves. And, we sometimes think we need to derive our happiness from other people. Do not feel that you are obliged to do things that you don't want to do – people will come to respect you for this too. That's what I teach my girls as well," says Ms Lim.

Clearly, Jones Lang LaSalle is the right fit for Ms Lim, who joined the company in 2004. She cites its positive culture as a vital ingredient in her success. When she began her journey there, she took a deskbound role so as to better participate in her family life. Once her children were older, Ms Lim was given a leadership opportunity that took her around Asia. She credits Jones Lang LaSalle for understanding that every employee has different needs, and has herself benefited from it, when she decided to go on a four-day work-week for family reasons. "Ours is a culture where we care about our people, and we are empowered to be our best self in a safe, friendly and flexible working environment," shares Ms Lim.

Of course, not every company will have the same approach to the work-life balance equation, but Ms Lim insists on personal responsibility here. "Be honest with yourself about what makes you happy, keep it simple, and make your decisions accordingly. Life does not always turn out the way we expect or hope it will, but if you can take control of it to live the life the way you want, then do it, because no one else is going to do it for you," she advises.

BEING PRESENT IN THE MOMENT

Jaime Ting, (CA) Singapore, Finance Manager, Procter & Gamble

NOT MANY PEOPLE HAVE THE FORTITUDE to give their best at a full-time job, and manage a start-up on the side. Fewer would venture ahead and take on more by representing both ISCA and Chartered Accountants Worldwide at the annual One Young World (OYW) Summit. Jaime Ting, 31, is a standout for all these reasons, but perhaps her most impressive quality is her determination to maintain a little time for herself, and her desire to keep improving.

"Having time to ourselves is essential for improving our mental and physical well-being. Personally, this means having the time to recharge, engage in activities that bring me joy, and reflect on difficult issues," says Ms Ting. "During the process, I discover more about myself – my interests, goals, strengths and weaknesses. This allows me to make better decisions and improve relationships."

In 2018, Ms Ting beat an impressive field of her peers and seniors to earn the honour of joining more than 1,000 young leaders for the OYW Summit at The Hague, Netherlands. The summit was an opportunity to connect with prominent OYW Counsellors, whose ranks include Canadian Prime Minister Justin Trudeau, South African Nobel Peace Prize laureate Archbishop Desmond Tutu, the late former UN Secretary-General Kofi Annan, and Hollywood star Emma Watson. You can read more about her experiences at the OYW Summit in the December 2018 issue of this Journal.

ONCE IN A LIFETIME

All this begs the question – What keeps her going? For one thing, Ms Ting believes in being present in the moment. "Life only happens once, so clearly define what matters most to you, and make the best out of every moment," she says. It was this desire to make the most of her time that drove her entrepreneurial spirit, inspiring her to set up an educational firm with her partner. The company focused on teaching programming and problem-solving skills to children from disadvantaged families.

Ms Ting's own background in teaching and connecting with children proved to be a decisive advantage at her new start-up. It also explains why she chose to venture into the business in the first place. "During my university days, I spent my school holidays working part-time at an education centre, teaching children technological concepts through hands-on activities. After working for a few years, I decided to pursue this interest and volunteered with a youth befriending programme aimed at providing exploratory learning to disadvantaged children," she explains.

Ms Ting freely admits that it was not easy juggling her full-time job with her responsibilities at her own company. "I was working seven days a week, barely having time to spend with my loved ones. I had to be more focused at work, prioritising crucial matters and letting go of small issues that were beyond my control. (At the start-up,) it was the appreciation from the children and their parents that kept me going. Knowing that my efforts were making a positive impact on the children's lives made it all worthwhile," she shares.

CAREER HIGHLIGHTS

2010 to 2011
Audit Senior (Assurance), Ernst & Young

2012 to 2015
Senior Financial Analyst (Planning & Analysis), John Wiley & Sons

2016 to Present
Finance Manager, Procter & Gamble

NEW BEGINNINGS

Ms Ting credits the support of her family and her bosses for giving her the will to keep the business going, although her partner and her decided to call time on their venture after three years. They had wanted to focus on their own careers as well as their relationship with each other. They are now engaged, and are preparing to walk down the aisle.

As for her career, the Procter & Gamble Finance Manager is also the finance leader of the company's US$200-million fabric business, which certainly keeps her busy. However, she is quick to emphasise that she is not motivated by fancy titles nor power. "I changed my perspective on my long-term career goal. I would have envisioned myself as a CFO (after my university studies) but now, I prefer a career where fulfilment is more meaningful than power and a title," says Ms Ting.

This sense of meaning and fulfilment was what motivated Ms Ting during her start-up days, and kept her going during the most stressful moments. She also discovered yoga in those days and the practice helped her cope with the pressure. She credits yoga for helping to alleviate her chronic lower back pain and bringing relief to her stiff shoulders. She now practises yoga regularly because it allows her to recharge, and it brings her joy.

"Having time to ourselves is essential for improving our mental and physical well-being. Personally, this means having the time to recharge, engage in activities that bring me joy, and reflect on difficult issues. During the process, I discover more about myself – my interests, goals, strengths and weaknesses. This allows me to make better decisions and improve relationships."

"Being able to give back to society is an important part of my life... I've been privileged in many aspects of my life, and I want to pass it on to the people in my community."

MAKING EVERY MOMENT COUNT

Lee Xin Hui, CA (Singapore), Financial Services Audit Manager, KPMG Singapore

HAVING A LITTLE "ME" TIME IS PRECIOUS in today's fast-paced world and everybody chooses to spend it in different ways. For Lee Xin Hui, she chooses to spend a part of it with the community. "Being able to give back to society is an important part of my life," says Ms Lee. "I've been privileged in many areas of my life, and I want to pass it on to the people in my community."

The 30-year-old Audit Manager made good on this idea right after junior college, when she began volunteering at Boon Lay Community Club. This proved to be no passing fancy either, as she spent eight years there, organising and participating in everything from public policy forums to home refurbishment programmes for needy residents and events for the integration of new residents. A personal highlight was when she got to co-lead a team of 18 youths on a two-week expedition to serve in three orphanages in Myanmar in 2013. Ms Lee was already at KPMG Singapore at that point, but she was able to undertake the project, thanks to the support from the firm.

Ms Lee reveals that it was KPMG's corporate citizenship profile that drew her to the firm and distinguished it from the field. A programme called KPMG Cares entitles employees to 40 hours – the equivalent of five days of paid leave – each calendar year, to volunteer at a charity of their choice. She utilises the firm's policies to facilitate her volunteer work, even encouraging her colleagues to do the same. Such is the strength of her commitment to give back to society. "This has allowed me to continue the relationship with the orphanage in Myanmar. I try to go back every one to two years, and (the KPMG Cares programme) has allowed me to not only sustain this relationship, but also to bring along my colleagues and expand the project," she elaborates.

CAREER HIGHLIGHTS

2012 to 2015
Audit Associate, KPMG Singapore

2016 to 2017
Secondment to KPMG New York

2018 to Present
Audit Manager, KPMG Singapore

WELLNESS PROGRAMMES

After taking a break from volunteering during her overseas secondment in the US, she is now focused on doing her part to "narrow the inequality gap faced by underprivileged children". To this end, Ms Lee now volunteers as a Programme Coordinator at the We Love Learning (WeLL) Centre in Henderson Road. WeLL is entirely volunteer-run, and provides learning opportunities for less privileged children from the age of one right up to secondary-school age.

While Ms Lee primarily works with pre-schoolers, she actually finds engaging the parents to be her greatest challenge. "These parents face a multitude of issues in their daily lives and may not be able to give as much attention to their children during their formative years as they would like to," shares Ms Lee. She adds that the WeLL team makes house visits to try to understand the specific circumstances facing each family, and also to build a rapport with the parents to encourage them to bring their children regularly to the programmes offered by WeLL. "It has been very encouraging to see the warm response of the parents for the new programmes we are offering. It's also heart-warming as several parents have started to regard us, and our new volunteers, as partners in their children's education," she says.

ONE TIME, ONE MEETING

With this sort of generous spirit and can-do attitude, it is unsurprising to learn that Ms Lee's motto is the Japanese saying *ichi-go ichi-e* (一期一会), which translates to "one time, one meeting". Basically, this means that all experiences are only once-in-a-lifetime and should be treasured accordingly. "During my interactions with friends, families or volunteers in my free time, I strive to be present and treasure the time we have together. Even when I am alone doing my own thing, I adapt this concept to enjoy the quiet time by myself," she elaborates.

Juggling volunteer work and a full-time job that often involves late nights and weekends surely doesn't leave much quiet time for Ms Lee, but she says that it is a misconception that volunteer work is a daunting commitment. "In fact, every little effort counts, such as taking a few minutes each week to send messages to the volunteers, to get them to come down for (WeLL's) KidsRead sessions, and keeping track of the children's attendance."

Ms Lee acknowledges that she does have the luxury of a bit more time as she does not have a spouse or children. Nevertheless, she thinks that striking the "perfect" balance is a myth. "The important thing is to continue to consciously carve out time for yourself so that you can slow down, do the things that bring you joy, rejuvenate and appreciate that life is so much more than work," she advises.

CHANGE MANAGEMENT

Evonne Lim, CA (Singapore), Finance & Academic Director, GeYi Academy

WHEN YOUR CAREER INTERESTS AND PERSONAL PASSIONS ALIGN, you find yourself in a true win-win scenario. This is the enviable state that Evonne Lim has engineered for herself, striking what many would find an impossible balance between personal passion, family and professional responsibility. Her most challenging moment, which happened in December last year, is revealing. In order to attend an I-Ching conference in Taiwan, she had to juggle an impending master's degree dissertation deadline, arrange for childcare during the school vacation, meet a tax-filing deadline, and manage other year-end tasks.

To understand how the 35-year-old Finance & Academic Director manages such feats, you first have to come to grips with I-Ching and its approach to managing change. This art (of managing change) is core to Ms Lim's time management success, as evident in the motto "embrace change and progress with the times", which she has adopted as her own. "It's my reminder to be adaptable to change, and focus on personal advancement while maintaining balance among the various aspects of life in this dynamic world. This mindset has been crucial both for my career and personal life," says Ms Lim.

In fact, the course of Ms Lim's professional career has been defined by her passion for I-Ching. The ancient Chinese philosophy is not only a private pursuit, it happens to be central to her dissertation for the Masters of Science in Supply Chain & Logistics Management from the University of Warwick, which is titled "Research on Applicability of I-Ching Philosophy in Business Analysis". Her workplace at the GeYi Academy in Singapore also works to blend natural sciences and ancient philosophies, especially I-Ching, and this is how it all comes together for her.

FINDING TIME

Of course, it was not always this way for Ms Lim. It was a childhood curiosity about how the universe worked that sparked her interest in philosophy. "I discovered that I-Ching consists of principles about the natural forces of the world, centring on the ideas of the dynamic balance of opposites, the evolution of events as a process, and acceptance of the inevitability of change," shares Ms Lim. I-Ching would come to play a bigger part in her life as she grew up.

On the professional side of things, Ms Lim's career had begun at Chevron Corporation, where she handled process coordination, developing her expertise in supply chain management and capital stewardship for manufacturing plants. Her appreciation for processes is clearly a product of her expertise as an accountant. For example, how does she find the time for work, family and philosophy? "I schedule time for personal activities on Sundays while maintaining Saturday as a family day; I always try to limit myself to the hours allotted. If I need extra time for myself, I would wake up earlier," she shares.

"I plan ahead to accumulate annual leave days for overseas conferences. I apply for leave in advance, once the event dates are known, in order to minimise work disruptions. Technology is a boon, and I use it to improve my personal efficiency, such as using smartphone apps for planning, tracking, and decision-making."

A STRATEGY OF HARMONY

Over the course of her career, Ms Lim has made strategic moves to better align her personal and private priorities. These were always complementary, and she reveals that she had to decide between career advancement – with a much heavier workload – and continuing her philosophy studies. In a move completely in line with her character, she deployed I-Ching strategies to develop a macro view of her situation. "I decided to remain in my existing job, but widened my job portfolio in workforce competency development, data analytics and lean sigma projects to align my profession with my passion in I-Ching. After all, my interest is commonly related to strategic choices and implementation, learning and development."

Happily for Ms Lim, her family is fully on board with her philosophical leanings, even pitching in to help her out with household matters when she travels to attend I-Ching conferences. "Being a mother of two, I cherish quality family time. My family members acknowledge my contributions at home and my interest, and we keep in close contact while I am away so I can share with them my purpose and experience. Sometimes, my family attends I-Ching talks and courses with me as a show of support for my passion. The companies I have worked for have been supportive as well, allowing for flexible working hours and work-life balance," she adds.

Not everyone can achieve such harmony between the personal and the professional, to the point that the professional becomes the personal, but Ms Lim prescribes perseverance, with a healthy dose of flexibility. "It is important to understand (one's) inner self and to identify a sense of purpose in life, to attain happiness and completeness. Set a vision and focus on the mission, with achievable milestones," she advises. ISCA

CAREER HIGHLIGHTS

2009 to Present
Supply Chain Process Coordinator, Chevron Corporation

2012 to 2013
Consultant, Printserve Solutions

2014 to 2018
Corporate Consultant, BizCom Management

2018 to Present
Finance & Academic Director, GeYi Academy

"Embrace change and progress with the times... It's my reminder to be adaptable to change, and focus on personal advancement while maintaining balance among the various aspects of life in this dynamic world. This mindset has been crucial both for my career and personal life..."



BY LIM JU MAY AND FELICIA TAY

TECHNICAL BITE-SIZE GUIDANCE: FRS 116

Treatment Of Variable Rent Leases By JTC Corporation


PHOTO: SHUTTERSTOCK

FRS 116 *LEASES*, THE SINGAPORE EQUIVALENT OF IFRS 16 *LEASES*, was issued by the Accounting Standards Council on 30 June 2016, and is effective for annual financial periods beginning on or after 1 January 2019, for entities under the Singapore Financial Reporting Standards (SFRS) or Singapore Financial Reporting Standards (International) (SFRS(I)). FRS 116 replaces FRS 17 *Leases* and related Interpretations.

FRS 116 substantially changes the accounting of leases for lessees. The right-of-use accounting model requires the lessee to recognise a right-of-use asset and a lease liability on the balance sheet at the commencement date of the lease, for all leases with a term of more than 12 months, and for which the underlying asset is not of low value.

In Singapore, leases with JTC Corporation (JTC) are fairly common in the marketplace. Such leases are typically more than 12 months and for which the underlying asset is not of low value. Hence, these leases would be accounted for in accordance with the requirements of FRS 116.

Through enquiries received via ISCA's Technical Helpdesk, we understand that leases with JTC typically include clauses where the annual rent is subject to revision based on prevailing JTC-posted rates. ISCA members have expressed uncertainties as to how such variable rent adjustments should be accounted for under FRS 116.

As this issue is pervasive and relates to a complex accounting area, further discussions and in-depth deliberations are warranted. Hence, the issue was brought onto the agenda of ISCA's FRC Core Sub-Committee[1] for deliberation. The following Tech Bite was developed and issued to share on key points from the deliberations. The Tech Bite also includes an illustrative example to aid in the understanding of the principles being applied through illustrating the numbers that will be recognised in the financial statements based on the Tech Bite's fact pattern.

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

HOW ARE VARIABLE RENT LEASES BY JTC TREATED UNDER FRS 116?

Note:
- Although this technical bite makes reference to FRS 116 *Leases*, the guidance shared in this technical bite is also applicable to entities applying SFRS(I) 16 *Leases*.
- This technical bite applies only to lease arrangements where JTC is the lessor (that is, this technical bite does not apply to sub-lease arrangements).
- The fact pattern and illustrative example presented in this technical bite are purely illustrative in nature. Entities should determine the lease liability, right-of-use asset, depreciation expense and interest expense according to its specific facts and circumstances.

Consider the following illustration: Company A enters into a 30-year lease with JTC for the right to use a plot of industrial land for the following consideration:
- Year 1: Annual rent of $300,000
- Year 2 to Year 30: Annual rent is subject to revision based on the prevailing JTC-posted rates but any increase shall not exceed 5.5% of the annual rent in the immediate preceding year (that is, variable rent adjustments)

Under FRS 116, variable lease payments are payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that vary because of changes in facts and circumstances occurring after the commencement date, other than the passage of time.

Q1) At commencement date of the lease, are all variable lease payments included in the measurement of the lease liability and corresponding right-of-use asset?
No. Only variable lease payments that depend on an index or a rate are included in the measurement of the lease liability. Such amounts that are unpaid at the commencement date are included in the measurement of lease liability.

FRS 116 paragraph 28 states that variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

PHOTO SHUTTERSTOCK

Q2) Are the annual rent payments from Year 2 to Year 30 by Company A to JTC considered to be variable lease payments that depend on an index or a rate?
This depends on whether the variable rent adjustments reset the lease payments to market rental rates at the dates of the adjustments, that is, the payments vary to reflect changes in market rental rates.

JTC is a statutory board under the Ministry of Trade and Industry and manages a wide range of facilities such as industrial land and business parks to meet the diverse needs of companies based in Singapore.

JTC's land rent is payable monthly in advance and will be revised to the prevailing JTC-posted rates with a 5.5% escalation cap annually. JTC-posted rates are revised twice a year to reflect changes in market rental rates. Because JTC is Singapore's principal developer and manager of industrial land and the driver of market rent of industrial land in Singapore, variability of rent payments arising from rent adjustments by JTC would reflect changes in market rental rates, and accordingly qualify as an index or rate in accordance with paragraph 28 of FRS 116.

The variable rent adjustments in the lease agreement between Company A and JTC can be considered to be variable lease payments that depend on an index or rate.

ILLUSTRATIVE EXAMPLE

Using the details provided in the above illustration and the assumptions stated below, the lease liability, cost of the right-of-use asset, interest expense and depreciation expense for Year 1 and Year 2 are as follows:

YEAR 1

Assumptions:
- the discount rate is 3% (**Note 1**)
- initial direct costs are zero
- no lease incentives, no payments of lease payments at/before commencement date, and no restoration costs

Note 1 The rate to be used is the interest rate implicit in lease, if the rate can be readily determined. If the rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. FRS 116 defines "lessee's incremental borrowing rate" as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

[2] For ease of illustration, yearly payments have been assumed.
[3] For ease of illustration, yearly payments have been assumed.

At commencement date:

Lease liability (A)
= Present value of lease payments
= $5,880,000 [$300k x 30 years = $9,000,000 discounted at 3%]

Year	Lease payment ($'000) [2]	Discounted ($'000)
1	300	291
2	300	283
3	300	275
-	-	-
-	-	-
-	-	-
29	300	127
30	300	124
Lease liability commencement date		**5,880**

Right-of-use asset (B)
= Present value of lease payments
+ lease payments made at/before commencement date (less lease incentives received)
+ initial direct costs incurred by Company A
+ estimated cost of restoration
= $5,880,000 [$5,880,000 + $0 + $0 + $0]

At end of Year 1:

	Amount	Computations
Interest expense (C)	$176,000	= Lease liability (A) x Discount Rate = $5,880,000 x 3%
Depreciation expense (D)	$196,000	= Right-of-use asset (B) / Lease Term = $5,880,000 / 30 years
Lease liability (E)	$5,756,000	= Lease liability (A) + Interest Expense (C) - Lease payment = $5,880,000 + $176,000 - $300,000
Right-of-use asset (F)	$5,684,000	= Right-of-use asset (B) - Depreciation expense (D) = $5,880,000 - $196,000

YEAR 2

Assumption:
- there is an upward rent adjustment of 5% at the beginning of Year 2 to $315,000 (that is, 105% x $300,000 = $315,000)

Because the lease payments are variable payments that depend on an index or rate, Company A adjusts the lease liability to reflect the change based on the unchanged discount rate.

The adjustment is calculated as the difference between the original lease payment ($300,000) and the adjusted lease payment ($315,000) over the remaining 29-year lease term, discounted at the original discount rate of 3% as follows:

At beginning of Year 2:

Re-measured lease liability (G)
= Present value of lease payments
= $6,044,000 [$315k x 29 years = $9,135,000 discounted at 3%]

Year	Lease payment ($'000) [3]	Discounted ($'000)
2	315	306
3	315	297
-	-	-
-	-	-
-	-	-
29	315	138
30	315	134
Re-measured lease liability at beginning of Year 2		**6,044**

The adjustment made to the lease liability is **$288,000** [$6,044,000 (G) - $5,756,000 (E)] with a corresponding adjustment made to the right-of-use asset.

Re-measured right-of-use asset (H)
$5,972,000 [$5,684,000 (F) + **$288,000**]

At end of Year 2:

	Amount	Computations
Interest expense (I)	$181,000	= Lease liability (G) x Discount Rate = $6,044,000 x 3%
Depreciation expense (J)	$206,000	= Right-of-use asset (H) / Lease Term = $5,972,000 / 29 years
Lease liability (K)	$5,910,000	= Lease liability (G) + Interest Expense (I) - Lease payment = $6,044,000 + $181,000 - $315,000
Right-of-use asset (L)	$5,766,000	= Right-of-use asset (H) - Depreciation expense (J) = $5,972,000 - $206,000

YEAR 3 ONWARDS

The lease liability and right-of-use asset are subsequently re-measured to reflect the revised lease payments arising from changes in lease payments each year. The interest expense and depreciation expense will also be accordingly revised.

Publication date: 23 November 2018
Written by: Lim Ju May and Felicia Tay, Corporate Reporting & Ethics

OTHER PUBLISHED TECH BITES

In addition to the above Tech Bite, ISCA has issued 21 other Tech Bites covering application of principles in various financial instruments standards (FRS 32 *Financial Instruments: Presentation*, FRS 39 *Financial Instruments: Recognition and Measurement*, FRS 107 *Financial Instruments: Disclosures*, FRS 109 *Financial Instruments)*; revenue standard (FRS 115 *Revenue from Contracts with Customers)*, and other standards such as FRS 1 *Presentation of Financial Statements*, FRS 2 *Inventories*, FRS 16 *Property, Plant and Equipment*.

For the entire suite of Tech Bites that have been issued to date, please refer to "Technical Bites".

We encourage and welcome members to share your implementation/application issues of FRSs through our Technical Helpdesk. In the meantime, we will continue to publish Tech Bites to share technical views and insights on financial reporting matters. ISCA

Lim Ju May is Deputy Director, and Felicia Tay is Manager, Corporate Reporting & Ethics, ISCA.


PHOTO SHUTTERSTOCK

BY BENOY PHILIP

PROPRIETARY INVESTMENT STRUCTURES, AND GOVERNANCE, RISK AND COMPLIANCE

Set The GRC Framework In Place

THE NEED FOR GOVERNANCE, RISK AND COMPLIANCE (GRC) AT A COMMENSURATE LEVEL, especially for proprietary investment structures, may not have received much attention in the past in many countries, although it should. A proprietary structure is typically used when establishing a single family office, or a family trust using a corporatised private trustee arm or an investment-holding entity, and other types of private investment vehicles.

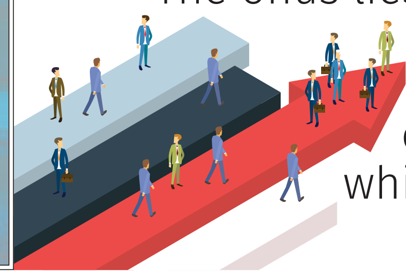
REGULATORS' EVER-GROWING TENTACLES AND OFFSHORE STRUCTURES

In recent years, regulators and tax authorities across the globe have become more active in initiating and implementing regulatory changes, which have a significant impact on cross-border investment structures. There is a heightened level of cooperation between governments on a bilateral and multilateral basis on the sharing of information and data. This is further augmented with the use of technology to drive on-going surveillance and law enforcement is also getting stricter. This trend is set to continue and will further accelerate as we move forward in 2019 and beyond.

We have the Foreign Account Tax Compliance Act (FATCA) driven by United States of America; Common Reporting Standard driven by Organisation for Economic Cooperation and Development (OECD) and the resultant automatic exchange of information among participating countries; OECD's active pursuit on tax transparency, fair taxation and implementation of anti-base erosion profit shifting measures, to mention a few. These global developments are driving the need to conduct business in a more compliant manner, with demonstrable economic substance. The message is loud and clear, if we wish to take note of it.

The location of an investment structure in the past was mainly driven by tax considerations.

... proprietary structures are not required to pass the tests required of licensing regimes. The onus lies squarely on the owner or sponsor of the proprietary structure to insist on having the commensurate level of governance, risk and compliance which underpins economic substance.



The legislative changes in several no-tax/low-tax jurisdictions during 2018, requiring certain prescribed levels of economic substance, will make treaty shopping far less attractive and investment structuring, less complex. Those offshore structures that do not currently have a desired level of economic substance may consider either infusing economic substance or co-locating/re-locating the structure to the jurisdiction which happens to be its place of effective management.

GOVERNMENT: THE "CAESAR"

I am reminded of this biblical quote, "Render unto Caesar the things which are Caesar's, and unto God the things that are God's."

Let us look at the first part which can be paraphrased as, "What is reasonably due to Caesar, give it to Caesar."

The word "Caesar" here can refer to governments across the globe and the respective tax departments. To have an efficient commercial structure is desirable but it should have a GRC framework with well-defined policies, processes and procedures to enable the structure to demonstrate economic substance.

PROPRIETARY INVESTMENT STRUCTURES

The fundamental aspect of a proprietary structure is that it holds, or is meant to hold, monies and assets which are proprietary in nature. By its very definition, proprietary structures are not required to pass the tests required by licensing regimes. The onus lies squarely on the owner or sponsor of the proprietary structure to insist on having the commensurate level of GRC which underpins economic substance.

WHAT CAN STACK UP BETTER?

1. Evaluate the need to get rid of a "cost-centre" mentality while looking at GRC aspects.

2. Inculcate an organisational culture where employees refrain from cutting corners.

3. Avoid liberal interpretation of regulatory requirements, as it is *most unlikely* to sail across various jurisdictions in the days to come.

4. Regulators' tentacles have become longer, sharper and more powerful.

5. At the first board meeting/management meeting (while setting up a new venture), formally adopt a GRC standard (i) which is *higher* than the prescribed regulatory requirement, or (ii) which is *better* for its business conduct; the higher of the two should be the minimum standard.

6. From the start, have a suitable mechanism in place to deal with conflicts of interest/related party transactions and adopt a management style that truly reflects a fiduciary mindset.

7. Conduct physical board meetings/management meetings in a formal manner at periodic intervals. Maintain comprehensive documentation for all important business decisions.

8. Ensure economic substance, economic substance and more economic substance in line with the business activity and revenue earned.

9. Be reminded that regulators will continue to have considerable discretion. The place of effective management and control, as well as the domicile of investment structure, should be co-located in the same jurisdiction, to make it easier to demonstrate economic substance.

10. Simple investment structures are better understood by tax authorities and other regulators.

11. The pertinent questions to ask are, "What is the DNA of one's own business?" "Will the structure stand the test of regulatory scrutiny?" ISCA

Benoy Philip is Senior Adviser to MD & CEO of Tricor Singapore, and Director, Taproot Family Offices, Singapore.

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In order to make non-financial drivers more effective... you need to have targets where the business knows what success looks like, as well as metrics that are not delivering a reward for something that is either a basic part of the CEO's job or rewards for avoiding wrongdoing...

PHOTO SHUTTERSTOCK

FROM BUSINESSTHINK

RETHINKING KEY PERFORMANCE INDICATORS

KPIs Not Always The Best Measure

IN THE INFORMATION AGE, populated by data-driven organisations, key performance indicators (KPIs) have – or so the theory goes – helped to manage large organisations by setting targets and measuring outcomes. Applied to employees, KPIs can help to motivate staff, give them more autonomy and direct them towards common goals.

But it's fair to say that KPIs aren't hugely popular – no one likes being reduced to numbers, after all. But beyond the psychological barriers, are the metrics working? Evidence suggests that even though a lot of time is spent gathering data – time that could be spent doing the actual work – the data isn't understood, or it's simply ignored.

Looking first at KPIs as a straightforward tool for creating incentive and reward, Richard Holden, a professor in the school of economics at UNSW Business School, has revealed flaws in what should be one of the key functions. His research shows that being too specific about what is being measured allows people to "game" their KPIs.

Says Holden, "Let's imagine you can measure imperfectly, but reasonably well, people's performance on a given task, such as how many vacuum cleaners they sell, or how many papers an academic publishes, then you can pay people based on their performance."

However, if the person being rewarded has superior knowledge of their environment to the person setting the KPIs, they can alter or "game" their approach to the tasks at hand, he says.

"For example, there may be big incentives for a salesperson to sell the most vacuum cleaners. But an employee may then choose to offer the maximum discount to buyers in order to move the product, or they may push the cheapest brand of vacuum cleaner to get them out of the door." Neither of these were the intended consequence when the KPIs were set.

THE WORST BEHAVIOUR

Selling discounted or cheap-brand vacuum cleaners may not be the end of the world, but when KPIs extend beyond a commercial application to things that have high social and ethical value, such as health or education, then outcomes become much more critical.

Holden cites the real-world example of one of Tony Blair's policies while he was UK prime minister. Blair pledged to reduce hospital waiting times and, as an incentive, hospital trusts were told that patients had to be treated within a four-hour window or else face financial penalties. "This led to patients being left in ambulances in the car park to slow down the clock," says Holden, "or they were discharged prematurely from hospital before they were fit and the result was a sharp spike in deaths."

Eventually, the policy was changed and a new set of measures was introduced to test hospital emergency effectiveness, but hospitals weren't told what they were until the end of the year. Holden says it led the facilities to adopt a more balanced approach that was better for patients and achieved the outcome the government was intending.

"One lesson of economics is that people do respond to incentives, but the sting in the tail is, it's not always obvious how they are responding to those incentives." When incentives are more opaque, argues Holden, you get a more holistic view of performance.

Coen de Bruijn, head of business architecture at ABN AMRO bank, and author of *KPI Performance Illusions*, says, "KPIs are frequently irrelevant, or worse, they encourage the wrong behaviour". He notes that KPIs are often portrayed as "the lighthouse that will guide you safely through stormy and rocky seas. This, however, is far off the mark". KPIs just bring out the worst in some people, says de Bruijn. "They hate being controlled and KPIs are the manifestation of this, while others don't see what's in it for them."

There are other "soft" goals that are difficult to measure but are very important to the success of the business, such as effective leadership, diversity and talent management, execution of strategy, compliance and staff engagement.

PHOTOS SHUTTERSTOCK

"I think an underlying factor for people to be sceptical about the usefulness of the KPI is the 'not-invented-here' principle. People like to have an influence, especially when it concerns their future and how they will be assessed," says de Bruijn. Involving as many people as possible in the creation of KPIs helps to raise awareness and build commitment to them.

"KPI PARALYSIS"

But it's not enough just to tell people that KPIs exist or are important. Unless they are followed up by action, it's all a bit pointless.

A new MIT Sloan Management Review-Google study shows that nearly 30% of business leaders don't even bother to use KPIs to drive change in their organisations. Michael Schrage, co-author of the report, says, "Our research indicates that KPIs are mismanaged and undervalued." Of the 3,200 executives surveyed, "only 26% have a clue as to what the heck the KPIs are supposed to be telling them," Schrage adds.

Jeanette Kalthof-Drost, HR and strategy consultant at Synthetron, thinks many businesses are suffering from what she calls "KPI paralysis".

"Our research shows that managers think KPIs are important, they understand them and their bonus dependency makes them certainly interested in KPIs," Kalthof-Drost says. "However, the KPIs are often not met because there are too many of them; they are too complex to implement and they put people personally under too much pressure. My advice would be to abolish them altogether for a period of two to three years and see what happens."

If humans struggle with KPIs, perhaps it's time to outsource the task. In an interesting new development, the MIT study reveals how KPI metrics are beginning to be packaged as data sets for machine learning, not just as analytic outputs for performance review and planning.

Nearly 75% of executives interviewed for the report see the potential and believe that KPIs could be "better achieved with greater investment in automation and machine-learning technologies".

WHAT SUCCESS LOOKS LIKE

Perhaps, as Holden suggests, KPIs work best when people take a more holistic approach and consider factors that aren't simply quantifiable by machines. This already happens at the top of the salary tree where subjective evaluations of people's performance are common when deciding on an annual bonus for a CEO or investment banker.

"At a top-100 company, between 30% to 60% of executives' annual bonuses are based on non-financial measures," says Martin Lawrence, head of research at Ownership Matters. "The two biggest non-financial items that drive a CEO's salary are safety – if a company does things that involve danger to their staff or where they operate – and the other is customer satisfaction – which has become very fashionable in the past couple of years," says Lawrence.

There are other "soft" goals that are difficult to measure but are very important to the success of the business, such as effective leadership, diversity and talent management, execution of strategy, compliance and staff engagement.

But without hard and fast metrics to judge if a CEO is performing well in these areas, a lot of it comes down to discretion of the Board. The problem, says Lawrence, is that bonuses have become an entitlement with less than 10% of CEOs receiving a below-target bonus. In order to make non-financial drivers more effective, he believes you need to have targets where the business knows what success looks like, as well as metrics that are not delivering a reward for something that is either a basic part of the CEO's job or rewards for avoiding wrongdoing – both of which he has seen.

As the challenge of creating good key performance indicators continues to evolve, it's worth recalling a quote that's often attributed to Albert Einstein, "Not everything that can be counted counts, and not everything that counts can be counted." ISCA

This article was first published in "BusinessThink", UNSW Business School. Reproduced with permission.

BY DEBORAH ANCONA AND HENRIK BRESMAN

CRAFTING YOUR OWN LEADERSHIP SIGNATURE
PART 2
Five Key Capabilities Of Effective Leadership

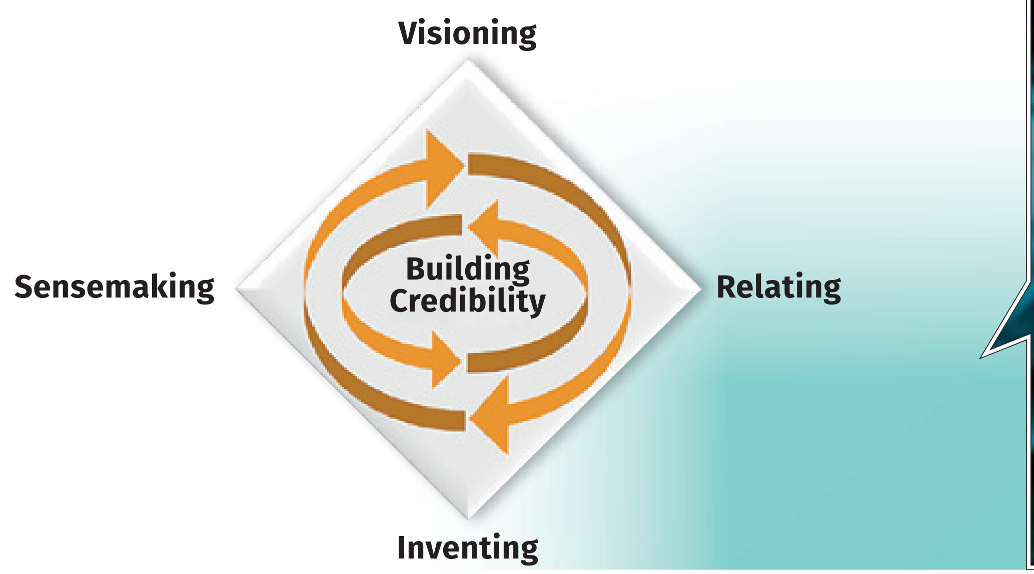
IF YOU LOOK UP THE PHRASE "LEADERS SHOULD FIND PEOPLE WHO COMPLEMENT THEM", Google may just show you results for "leaders should find people who compliment them". Funny – or scary? In our previous article, published in ***IS Chartered Accountant*** Journal, February 2019, we explained how difficult it is for leaders to know themselves and described how our development tool, the x360, can assist them in this critical task. While leadership is about knowing who you are, it's also about your actions and, ultimately, your impact.

In this second article of a three-part series, we focus on what effective leaders do. Specifically, our decades of research (in collaboration with Thomas Malone, Wanda Orlikowski and Peter Senge at MIT Sloan School of Management) have uncovered the five key capabilities of effective leaders. Forming the second dimension of the x360, they are shown in Figure 1.

These capabilities span the wide-ranging set of skills – from the intellectual and interpersonal to the conceptual and creative – required in today's business environment. However, it is important to dispel the common myth, which has crushed the soul of many an executive, that leaders should possess all of these skills. No matter how exceptional, it is truly rare to see a leader exhibit more than two or three.

Effective leaders know what their strong suit is and do not fall for the myth of the omniscient leader. They do not delude themselves into thinking that the success of the whole organisation solely rests on their shoulders. Organisational success resides in distributed leadership, or the fine art of finding and working with people who can compensate for one's weaknesses.

Figure 1 Five key capabilities of effective leaders



FIVE LEADERSHIP CAPABILITIES

1 Sensemaking

Are you open to new trends and information? Do you enjoy learning from others? Can you create order from uncertainty? Do you experiment to learn how the organisation will respond? If so, sensemaking may be your key strength.

Effective leaders are keenly aware of what is going on in this chaotic world. They know how to keep their finger on the pulse of the external world. They realise that new, better methods may come from outsiders. These leaders don't just hunt for new information, they integrate it into a cohesive framework that helps others understand what the next move should be.

To some extent, sensemaking is the opposite of tunnel vision. Satya Nadella, the CEO of Microsoft – an exceptionally voracious reader and participant in online courses – is a great example of a leader gifted with sensemaking.

2 Relating

Are you attuned to other people's feelings and assumptions? Are you an expert at influencing and negotiating? Do you enjoy coaching? You may excel at relating, which is about developing supportive relationships and effective ties, both within and outside an organisation.

Relating can be thought of as the glue that brings people together. Ever since the birth of matrix organisations, leaders at all levels have had to finetune their persuasion skills. This starts with a strong ability to listen to others and understand what makes them tick. Only then can these leaders rally support for their own ideas.

In this complex world, command-and-control leadership is no longer considered effective. One example of a persuasive leader who has recognised the need to involve others to achieve transformation and meaning with the organisation is Eileen Fisher, founder of the eponymous women's clothing brand.

3 Visioning

Do you enjoy developing a vision about things that inspire you? Are you good at creating a vision that uplifts others? If so, you may be a master of visioning, the art of painting a compelling picture of the future.

Effective leaders often use images, metaphors and stories to win people over. They are also able to link their vision to an organisation's core values and mission, imparting optimism in the process. They may not be able to fully describe how the vision can be achieved, but by creating a sense of urgency, they can inspire others to think up ways to effect change.

PHOTO SHUTTERSTOCK

(Effective) leaders don't just hunt for new information – they integrate it into a cohesive framework that helps others understand what the next move should be.

While sensemaking describes what is, visioning produces a compelling image of what could be. More importantly, it dynamically motivates action. Richard Branson of the Virgin Group is known for exciting people with his visionary new ideas for businesses and the technologies that will get us there.

4 Inventing

Are you a truly creative yet practical person? Do you like exploring alternative ways of doing things? Are you a logistics expert who always knows how to get things done? If so, inventing may be your main calling card as a leader.

Inventing is about devising ways to bring a vision to life, either through structures or processes. Inventing allows abstract ideas to materialise. Leaders with strong inventing skills are experts at reorganising the way work is done, identifying key performance indicators and measuring progress. As the ones who "keep the trains running", they are not afraid of making tough decisions when reality demands it. At the same time, such leaders create a culture of learning so that both innovation and execution occur. For example, media companies are learning how to become ever more efficient in some print outlets while transforming themselves for a digital age.

5 Building credibility

In Figure 1, building credibility appears at the centre, surrounded by arrows. This is because this key capability is both the condition and the result of the other four. It is about gaining respect from others by keeping commitments and operating with a strong sense of purpose. Credible leaders walk the talk – their actions match their words.

Let us reiterate that the x360 is about self-awareness. The five leadership capabilities we describe do not represent a checklist of things every leader should hope – let alone expect – to have. As Bruce Chizen, the former CEO of Adobe, aptly said about top leadership, "The job is simply too big for any one person." However, effective leaders should know their strengths and weaknesses, so they can find people who complement them, not compliment them. ISCA

The third article of this three-part series will be published in *IS Chartered Accountant* Journal, April 2019.

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TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA ISSUES FIVE TECH BITES ON SPPI TEST

These interrelated Tech Bites focus on the principles to consider when performing the solely payments of principal and interest on the principal amount outstanding (SPPI) test. Specific Singapore-centric areas discussed include fixed deposit home rate loans, financial assets with prepayment options, SIBOR, SOR and bail-in features of bank-issued debt instruments.

For more information, please visit https://isca.org.sg/tkc/fr/techbites/

ISCA COMMENTS ON IFRIC'S TENTATIVE AGENDA DECISION – OVER TIME TRANSFER OF CONSTRUCTED GOOD

We note the IFRS Interpretations Committee (IFRIC)'s tentative conclusion that the entity should not capitalise borrowing costs under the described fact pattern and IFRIC's observation (c) below:

(c) any inventory (work-in-progress) for unsold units under construction that the entity recognises is not a qualifying asset. In the fact pattern described in the request, this asset is ready for its intended sale in its current condition – ie, the entity intends to sell the part-constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress related to that unit to the customer.

We wish to highlight the following concerns we have regarding observation (c) above:

- Scope of the Tentative Agenda Decision is unclear;
- Conceptual challenge to differentiate between property developers who recognise revenue overtime and those who recognise revenue at a point in time/on completion.

In addition, we do not agree with observation (c) for the following reasons:

- Pre-emption of method of revenue recognition;
- Contrary to current market practice;
- Presentation of margins for projects will differ and usefulness of financial reporting may deteriorate.

Hence, we urge IFRIC to look into the existing definition of qualifying asset under paragraph 5 of IAS 23 *Borrowing* Costs whereby "A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale" and the implications arising from the current rationale provided for its agenda decision.

We would also ask IFRIC to clarify the scope of the agenda decision, particularly if it is intended to be applicable to situations where revenue is being recognised over time only.

For more information, please visit https://isca.org.sg/media/2822393/signed-comment-letter-ias-23-tentative-ad.pdf.

MARCH IFRS INTERPRETATIONS COMMITTEE (IFRIC) MEETING

The IFRIC meeting was held on March 5 and 6. At the meeting, IFRIC finalised the Tentative Agenda Decision relating to the capitalisation of borrowing costs (Agenda 3) and deliberated on the IFRS 15 issue, of whether an entity recognises as an asset/expense, costs incurred to fulfil a performance obligation as the entity satisfies that performance obligation over time (Agenda 2).

AUDITING AND ASSURANCE

ISA 540 (REVISED) PRESENTATION BY IAASB

This presentation explains the public interest issues addressed by ISA 540 (Revised). It also contains useful information to help stakeholders understand the proposed changes to the Standard and the planned activities of the ISA 540 Implementation Support Working Group.

For more information, please visit http://www.ifac.org/news-events/2019-01/isa-540-revised-presentation

PHOTOS: SHUTTERSTOCK

BY FELIX WONG AND ANGELINA TAN

IRAS' NEW INVESTIGATIVE POWERS VERSUS TAXPAYERS' RIGHTS

Understanding The Enhanced Powers Of The CIT

THE INCOME TAX (AMENDMENT) ACT 2018 was gazetted on 12 November 2018, codifying Budget 2018 income tax changes as well as other non-budget tax changes arising from the periodic review of Singapore's income tax system. Among the non-budget tax changes were the enhancement of the Inland Revenue Authority of Singapore (IRAS)' powers to investigate tax crimes and the amendment to allow the sharing of information by IRAS with other law enforcement agencies (LEAs).

At a recent *Tax Excellence Decoded* session organised by the Singapore Institute of Accredited Tax Professionals (SIATP), Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner at Malkin & Maxwell LLP, shed light on the legislative changes and provided insights on how taxpayers can navigate the new landscape.

Accredited Tax Advisor (Income Tax and GST) S. Sharma, Partner, Malkin & Maxwell LLP, shared his insights on IRAS' increased powers and their implications

IRAS' ENHANCED POWERS TO INVESTIGATE TAX CRIMES

Prior to 12 November 2018, IRAS had the powers to require persons to provide information, record statements and take possession of documents or items that constitute evidence of tax offences. However, these powers were deemed insufficient by the authorities amid the changing environment.

> The application of IRAS' new investigative powers varies between information sought for domestic tax compliance and international tax compliance.

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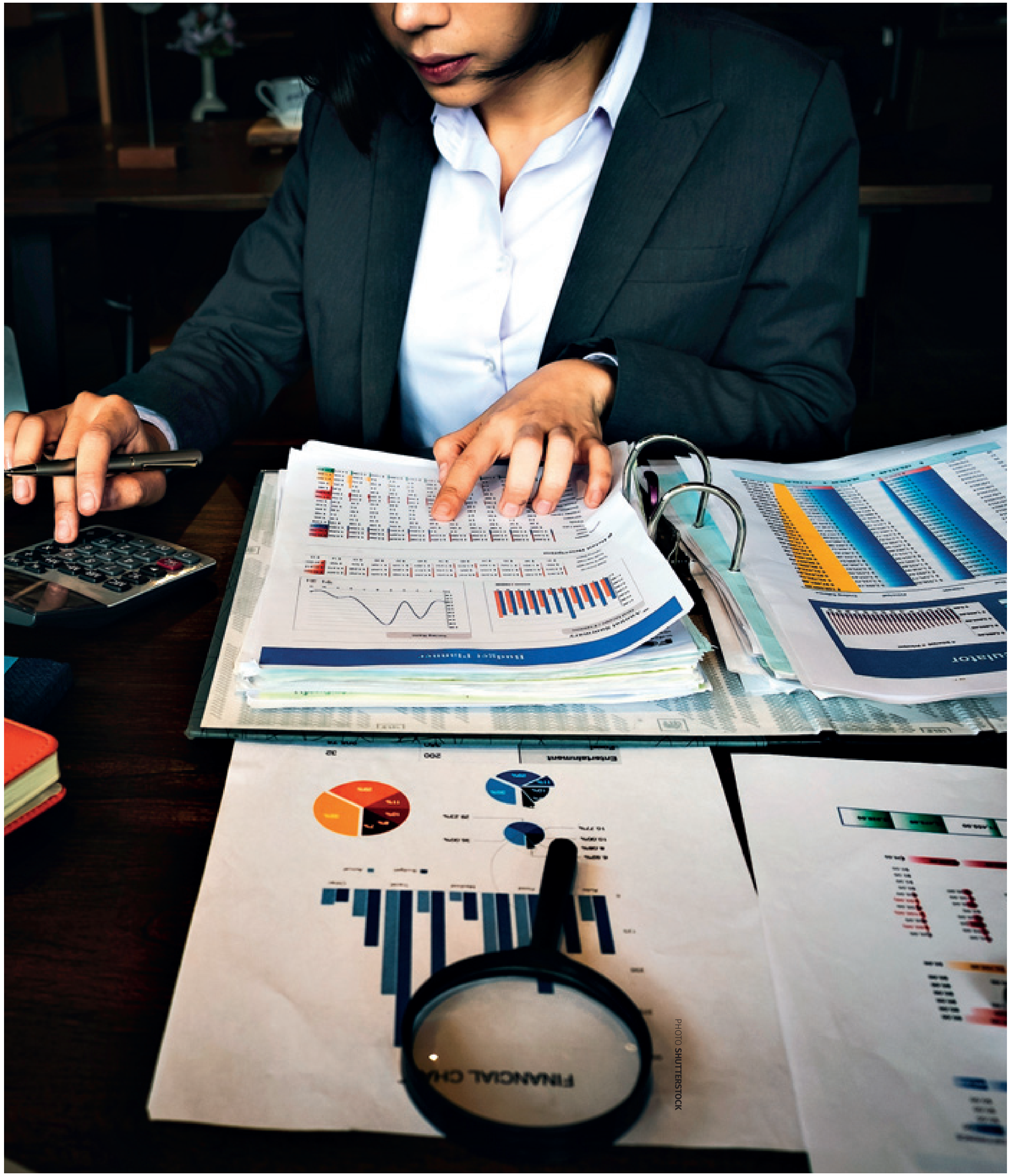
In his second reading on the Income Tax (Amendment) Bill 2018, Second Minister for Finance Lawrence Wong said, “Tax offenders and criminal syndicates are becoming more obstructive and are employing more sophisticated schemes to defraud the authorities and cover up their crimes... Enhanced investigative powers are required to more effectively deal with serious tax offenders, as well as acts of obstruction which may hamper IRAS’ investigations and prosecution.”

With the new legislative amendments (broadly, amendments made to Sections 2, 4 and 65B, and the enactment of new Sections 65F to 65K in the Income Tax Act (ITA)), IRAS’ investigative powers have been enhanced. Authorised IRAS officers are now given the power of forced entry (conferred by new Section 65B(1A)), the power to carry out body search (conferred by new Section 65B(1D)), and the power to arrest without warrant (conferred by new Section 65F). In addition, the new Sections 65G to 65K also confer various powers to the arresting officer while providing safeguards to taxpayers.

For example, Section 65G on no unnecessary restraint empowers the arresting officer to use reasonable means necessary to make the arrest (if the person forcibly resists or tries to evade arrest), while Section 65H empowers the arresting officer to be armed with batons and other accoutrements. Under Section 65I, an arresting officer may enter and search a building or place if he has reasons to believe that a person liable to be arrested is inside the building or place, while under Section 65J, the Comptroller of Income Tax (CIT) or investigation officer may examine orally an arrested person who need not state anything which is subject to legal privilege or where he is under certain statutory obligation to observe secrecy. The CIT or investigation officer may also dispose of items furnished or seized and not produced in criminal proceedings under Section 65K.

Powers To Obtain Information Under Section 65B

Under Section 65B, the scope of IRAS’ information-gathering powers has been enhanced. IRAS is no longer restricted to only gathering information relating to taxpayers’



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It would be helpful for taxpayers to familiarise themselves with the CIT’s enhanced powers and their limitations, and take cognisance of their rights in relation to the CIT’s new powers.

income, assets and liabilities. Instead, it is now allowed to gather all information relevant to the investigations or prosecution of tax offences from any person (for example, information relating to business transactions or that of accomplices).

IRAS’ powers to obtain information under Section 65B apply notwithstanding the duty of secrecy under the Banking Act or Trust Companies Act (relevant laws). Under Section 65D, a person who is issued notice or required to give information (or produce documents) is not excused from doing so only by reason that he is under statutory duty of secrecy. The person who in good faith complies with the notice to provide information will not be breaching any statutory provision on secrecy or relevant laws. Section 65D does not apply to information required for investigation or prosecution of tax offences.

Powers To Obtain Information For International Tax Compliance

Under Section 105F of the ITA, the CIT is empowered to obtain information for the purpose of complying with an exchange of information request by a foreign tax authority (Section 105D) and for purposes connected with international tax compliance agreements (Section 105N).

Amendments have been made to Sections 105F and 105N to specifically exclude Section 65B(1D) from their ambit, such that IRAS’ new investigative powers under Section 65B(1D) cannot be used to obtain information for the purpose of international tax compliance.

Safeguards Against Enhanced Investigative Powers

Various safeguards have been put in place to restrict the way IRAS can exercise its enhanced investigative powers. Fundamentally, all enhanced investigative powers may only be exercised by officers specially authorised by the CIT, and who have received training consistent with those in other law enforcement agencies (such as Singapore Customs).

Specifically, the power to arrest without warrant may only be exercised for an investigation of serious tax offences, or where a suspect attempts to destroy evidence with a view to hindering or obstructing IRAS’ investigations. An arrested person must be produced in Court without unnecessary delay and must not be detained for more than 48 hours. An arrested person may be released on bail or bond.

The power of forced entry can only be exercised if entry cannot be gained to a building or place in two situations. The first situation is when it is for an investigation of a serious tax offence (such as tax evasion or wilful action to obtain a Productivity and Innovation Credit bonus) and there is reason to believe that there is, in a place, an item relevant to the investigation or prosecution that may otherwise be concealed, removed or destroyed. The second situation is when there is reason to believe that a person liable to be arrested under the ITA is in the building or place.

The power to carry out a body search may only be exercised on a person found in a place in which IRAS has lawfully gained entry into for the purpose of investigating a tax offence, and to search for items which may be relevant for investigation or required as evidence.

SHARING OF INFORMATION BY IRAS WITH OTHER LEAS

Previously, under Section 6 of the ITA, IRAS was only allowed to provide information to LEAs under limited circumstances (for example, pursuant to a Court Order). On the basis that information may be necessary for the investigation or prosecution of serious crimes, and that the activities of criminals

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(including syndicates) are often multi-faceted, Section 6 of the ITA has been amended to allow IRAS to share information with other LEAs for the investigation or prosecution of specified serious crimes, so as to facilitate the whole-of-government approach against serious crimes.

Specifically, the new Section 6(10B) allows the CIT to furnish to the head of a LEA information either required for investigation or prosecution for offences specified in the First or Second Schedule to the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, or information that the Comptroller has reasonable grounds to suspect affords evidence of the commission of such offences.

Safeguards On Sharing Of Information

The information being shared is to be disclosed by the CIT only to the head of the LEA for the purpose of investigation or prosecution of serious crimes. The head of the LEA is defined as the Commissioner of Police, Director of Commercial Affairs Department, Director of Central Narcotics Bureau, and the head or equivalent of any other LEA. Any unauthorised onward disclosure of information would constitute an offence.

KNOWING YOUR RIGHTS; NAVIGATING THE NEW LANDSCAPE

Amid the changing landscape, it would be helpful for taxpayers to familiarise themselves with the CIT's enhanced powers and their limitations, and take cognisance of their rights in relation to the CIT's new powers.

On the CIT's enhanced powers to obtain information, it should be noted that a person is not obliged to disclose (including through production of a document) any information which he is under statutory obligation (other than Sections 128, 128A, 129 and 131 of the Evidence Act) to observe secrecy, or any information subject to legal privilege based on Section 65B(2).

Separately, taxpayers should note that the application of IRAS' new investigative powers varies between information sought for domestic tax compliance and international tax compliance. Unlike domestic cases, IRAS' new powers under Section 65B(1D) cannot be used to obtain information for the purposes of Parts XXA and XXB of the ITA (which deal with exchange of information under Avoidance of Double Taxation Agreements and Exchange of Information Arrangements, and with International Agreements to Improve Tax Compliance respectively).

In the event of an arrest, Section 65G provides that an arrested person must not be subject to more restraint than is necessary, and that handcuffs or other similar means of restraint must not be used for the purpose of punishment.

CONCLUSION

By understanding the CIT's powers, taxpayers may be able to review any exercise of powers by IRAS and assess its validity. If the validity is questionable, taxpayers can consider obtaining external advice on their rights and liabilities before deciding on the next course of action. In deciding on the next steps, taxpayers should be aware that non-compliance carries risks if the power exercised is ultimately determined (for example, by the Court) to be valid. Nonetheless, it is essential that taxpayers are mindful of their options and make informed decisions.

In this new landscape, it is imperative to keep abreast of the changes to the tax legislation and IRAS' practice on both investigative powers and sharing of information. Most importantly for you as a taxpayer, know your rights and those of the CIT's. ISCA

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