

20 December 2011

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: commentletters@ifrs.org)

Dear Sirs,

RESPONSE TO AGENDA CONSULTATION 2011

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the Agenda Consultation 2011 issued by the International Accounting Standards Board (IASB) in July 2011.

Our comments on the specific questions in the Agenda Consultation are as follows:

Question 1:

What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?

We are of the view that the IASB's strategic priorities over the next three years should focus on responding to the implementation needs and post-implementation reviews of the standards. With a number of new or revised standards such as the suite of consolidation standards (IFRS 10, 11 and 12), IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*, coming into effect in 2013 or earlier with early adoption permitted, implementation and post-implementation of additional new and revised standards may pose significant challenges for preparers and auditors.

We would also like to propose that the IASB consider a period of relief in setting new or revised standards, for example for a period of two to three years, after completing the existing priorities on the IASB workplan. This would allow preparers and users of the financial reports to focus on implementation and adapt to the new or revised accounting standards in their jurisdictions.

Question 1(a):

Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?

We are agreeable with the proposed strategic approaches identified by the IASB. In addition, we would like to propose that the IASB engages in more collaborative arrangements with the national accounting standard-setters and professional bodies. National accounting standards-setters and professional bodies can leverage local knowledge and expertise to provide feedback to IASB through new collaborative channels such as webinars and joint research projects.

Question 1(b):

How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.

We are of the view that, in practice, maintaining IFRSs should take priority, in particular the post-implementation reviews and responding to implementation needs. There should be sufficient time for experience to be realised and insights to be gained, to refine the alignment of the standards to the financial reporting needs.

The IASB should also not lose sight on the importance of strategic research activities which would benefit the industry in the long-run, by helping us to anticipate future standard-setting needs and to prepare to meet those needs.

Question 2:

What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

The standards must address and be congruent with the local legislative and business environment. For example, Singapore has faced challenges in applying and implementing IFRIC 15 *Agreements for the Construction of Real Estate*. The local equivalent standard in Singapore, INT FRS 115, contains an Accompanying Note that takes into account the legal framework in Singapore that is directly relevant to the application of INT FRS 115 in Singapore, and it summarises the considerations in reaching consensus on the accounting treatment for a specific type of sale of uncompleted residential properties in Singapore.

Question 2(a):

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

Although the current projects on the IASB's agenda involve some of the more complex areas of accounting, IASB should not overlook other projects that are in need of significant improvements to effectively reflect the substance of transactions that are common in our marketplace today. The projects that should have priority are listed below.

- Common control transactions

Accounting for business combination under common control is currently not addressed in the accounting standards. It is common to find businesses restructuring themselves within a group of related companies in many jurisdictions including Singapore, to achieve a legitimate business objective such as streamlining of operations to achieve operational efficiency or to obtain an advantageous tax treatment. In practice, a variety of accounting methods such as the fair value method or the historical cost method can be applied, and this would reduce comparability across companies and produce significantly different results in accounting. We are of the view that the Board should undertake a review of IFRS 3 *Business Combinations* to define and set out the accounting for common control transactions.

- Intangible assets

The capitalisation of internally-generated intangible assets is currently not allowed to be presented on the face of the balance sheet. The current accounting standard only allows capitalisation of purchased intangibles and hence does not reflect the true value of the business. In today's growing knowledge economy, more and more companies carry significant internally generated intangible assets. Hence, an accounting principle should be developed to ensure consistency in the recognition and measurement of such internally generated intangible assets.

- Other comprehensive income

Currently, there is insufficient clarity in the IFRS on why certain income and expense items are not included in determining the profit or loss for the year, and instead included as a separate line item under 'other comprehensive income' (OCI). For example, fair value changes in non-trading equity investment may be included in OCI while fair value changes in investment properties are always included in profit or loss. Clarity also needs to be given on why some items such as foreign exchange gain or loss on translation of foreign operations are subsequently reclassified to profit or loss upon realisation, while others such as the revaluation of PPE are not. We are of the view that the IASB should review how the underlying principles and guidelines could be better communicated in respect of profit or loss and OCI items and what these balances are intended to represent, so as to provide clarity on the performance reported by an entity.

- Related party transactions

Currently, there is no guidance in the IFRSs on how related party transactions should be recognised, for example in the recognition of intercompany sales and purchases. In

practice, the company has the flexibility to recognise related party transactions either on a deemed commercial basis or based on the agreed terms. This would produce significantly different results and reduce comparability across and within companies. We are of the view that the Board should look into developing a common underlying principle that will guide the accounting of related party transactions.

- Income taxes

The current model for the income tax standard, in particular in relation to the accounting requirements for deferred taxes, is complex and sometimes difficult to apply. An Exposure Draft was issued in 2009 to review the standard, but the project scope has been narrowed down since then. We are of the view that the Board should look into the area of deferred taxation, for example, deferred tax on valuation gains, discounting of deferred tax and the accounting for deferred tax on retained profits for multinational companies with multiple subsidiaries and different tax rates, to clarify and enhance the IAS 12 *Income Taxes*.

- Conceptual framework for disclosures

The number of disclosure requirements has increased substantially over the years such that critical information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity are made inconspicuous amongst the many other detailed disclosures. The standard should emphasize the principles of disclosures such that only salient disclosures are required.

Question 2(b):

Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred would you remove from the agenda in order to make room for new projects and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

We propose to remove the following projects as they can be developed or adapted locally by the national standard-setters:

- Country-by-country reporting;
- Interim reporting; and
- Islamic (Shariah-compliant) transactions and instruments

The projects, previously added to the IASB's agenda but deferred, that should be reactivated, should be consistent with those we have highlighted in the response to Question 2(a).

Should you require any further clarification, please feel free to contact Ms Chia Shini, Technical Assistant Manager, from ICPAS via email at shini.chia@icpas.org.sg.

Yours faithfully,



Dr Tham Kah Poh, FCPA
Chief Executive Officer