
Companies (Amendment) Act 2014 – Changes to Financial Statements

In the last issue of our newsletter, we discussed how the Companies (Amendment) Act 2014 (the “CAA”) affects the annual filing requirements for dormant and small companies. We also noted that the legislative changes under the CAA will come into force in two phases, on 1 July 2015 (“Phase 1”), and in the first quarter of 2016 (“Phase 2”).

This time, we look at some changes to the provisions for financial statements brought about by the CAA.

1. Abolishment of Directors’ Report

Section 201 of the Companies Act (the “CA”) is re-enacted to remove the requirements for directors to issue a directors’ report to be attached to financial statements and to disclose directors’ benefits. The rationale for this is that similar disclosure requirements are already prescribed under the Singapore Financial Reporting Standards (the “SFRS”) and there is little value in having a separate document for these disclosures.

The statement by the directors required under the earlier Section 201(15) of the CA has been enhanced to include most of the mandatory disclosures previously required under the directors’ report. The Twelfth Schedule of the CA sets out the information which must be reported in a statement by directors. This is a Phase 1 amendment which applies to any company whose financial year ends after 1 July 2015.

2. Alignment with SFRS

Alignment of financial year end

Section 200 of the CA has been repealed so that there is no statutory requirement for Singapore holding companies to align the financial year ends of their subsidiaries to that of the holding company. However, Singapore holding companies are required by the SFRS to ensure that the financial statements of the company and of the subsidiaries used in the preparation of the consolidated financial statements are made up to the same reporting date as the consolidated financial statements.

Determination of requirement to prepare consolidated financial statements

The determination of whether a company should prepare consolidated accounts is now governed by the SFRS and not the CA. This aligns the provisions in the CA and SFRS, and minimises any future alignment issues if and when the provisions in the SFRS change.

Substituting the references to “accounts” and “profit and loss accounts” with “financial statements”

The CAA has substituted the words “accounts” and “profit and loss accounts” in the CA with “financial statements”. This is to better align the definition of accounts as set out in the CA with the SFRS. Also, should there be any changes to the components of accounts as set out in the SFRS, it would not be necessary to amend the CA to accord with these changes.

The above amendments come under Phase 1.

3. Revision of defective financial statements

Under the CA, the only enforcement action available for defective financial statements is to prosecute the directors. The CAA inserts new Sections 202A and 202B to, (i) allow application to court to determine if financial statements are defective/non-compliant and to get a court order for rectification; and (ii) facilitate voluntary revisions to defective financial statements. A provision for voluntary revision of financial statements will allow diligent directors of a company to revise the financial statements of the company on their own accord before the financial statements in respect of the next financial period are prepared. However, it should be noted that while voluntary revision of financial statements can operate as mitigation to a breach of the CA for defective financial statements, if a breach has already occurred, the directors will still be potentially liable regardless of whether they revise the financial statements. This is a Phase 2 amendment which will come into effect in the first quarter of 2016.

4. Other provisions

Prior to 1 July 2015, Section 203(1) of the CA required accounts to be sent to all persons entitled to receive notice of general meetings not less than 14 days before the date of the Annual General Meeting (“AGM”). Under the CAA, Section 203(1) has been amended to expressly allow financial statements to be sent less than 14 days before the date of the AGM, subject to agreement by all persons entitled to receive notice of the meeting. Consistent with this, Section 201 of the CA has been amended to allow the financial statements to be audited less than 14 days before the AGM if all the persons entitled to receive notice of general meetings agree.

Section 203A of the CA states that only listed public companies are allowed to send summary financial statements instead of a complete set of financial statements to members. Under Phase 2 of the CAA, the new Section 203A will allow all companies to send summary financial statements to members.

For more information and guidance how the CAA may have impacted your company’s financial statements, please [click here to contact us](#). We have a team of experienced and qualified company secretarial professionals who are dedicated to helping your company meet its compliance obligations in Singapore.



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