

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

as at March 2005

Significant changes on			
Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 1 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> Definition of impracticable introduced (FRS1.11). Definition of material included (FRS 1.11). 	<ul style="list-style-type: none"> Application of FRS is presumed to result in fair presentation (FRS1.13). Use of true and fair override restricted to extremely rare circumstances where compliance will be misleading and departure is not prohibited by the relevant regulatory framework (FRS1.17). 	<ul style="list-style-type: none"> Reclassification of comparatives required unless impracticable (FRS 1.40). Tightening of requirement for classification and disclosure of current and non-current items on the balance sheet <ul style="list-style-type: none"> Current and non-current classification on the balance sheet except when the liquidity presentation of assets and liabilities provides information that is reliable and more relevant than a current/non-current presentation (FRS 1.51). The following to be classified as current liability: <ul style="list-style-type: none"> liability held primarily for trading (FRS1.57); financial liability for which an entity has no unconditional right to defer settlement for at least 12 months after the balance sheet date (FRS 1.60); and long-term financial liability payable on demand due to breach(es) on loan agreement on or before the balance sheet date, even if the lender has agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach (FRS 1.65). However, the liability is classified as non-current if the lender agreed by the balance sheet date to provide a period of grace ending at least twelve months after the balance sheet date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment (FRS 1.66). Investment properties, biological assets and assets held for sale required to be disclosed on the face of the balance sheet (FRS 1.68). Deferred tax not included under current asset/liabilities on the balance sheet (FRS 1.70). Requires disclosure of results of discontinued operations on income statements (FRS 1.81) Prohibits disclosure of 'extraordinary items' on income statement (FRS 1.85). Removes the disclosure requirement of results of operating activities on the face of the income statement and number of employees (FRS IN13). Requires disclosure of judgements made by management in applying accounting policies and key assumptions or uncertainties affecting their estimation (FRS 1.113 to 124). Minority interest: <ul style="list-style-type: none"> allocation of amount between 'profit or loss attributable to minority interest' and 'profit or loss attributable to equity holders of the parent' to be shown on the face of income statement. The allocated amounts are not to be presented as items of income or expenses (FRS 1.82). total income and expense recognised directly in equity in statement of changes in equity with amounts allocated to minority interest and shareholders of parent separately disclosed (FRS 1.96).

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FRS 2 <i>Inventories</i>	<ul style="list-style-type: none"> In the objective and scope paragraphs, reference to inventories "held under historical cost system" was deleted to clarify that the Standard applies to all inventories that are not specifically excluded from its scope (FRS 2.IN5). Scope exclusion for certain inventories (work-in-progress from construction contracts, financial instruments and biological assets related to agricultural activity and produce) are outside the scope of the standard (FRS 2.3). FRS 2 measurement requirements need not be complied with for (FRS 2.3): <ul style="list-style-type: none"> producers of agricultural and forest products, agricultural produce, and mineral and mineral products if they measure their inventories at net realisable value; and commodity broker-traders if they measure their inventories at fair value less costs to sell. Incorporates and supersedes INT FRS 1 requirement to use same cost formula for inventories of similar nature and use (FRS 2.25). 	<ul style="list-style-type: none"> Difference between net realisable value and fair value less costs to sell clarified (FRS 2.6). Does not permit exchange differences from being included in the costs of purchase of inventories (previous version of FRS 2 allowed inclusion of certain foreign exchange differences arising directly on the acquisition of inventories.) (FRS 2.IN10). Clarifies that when inventories are purchased with deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid shall be recognised as interest expense over the period of financing (FRS 2.18). Describes circumstances that would trigger a reversal of a write-down of inventories recognised in a prior period (FRS 2.33). Matching principle eliminated (FRS 2.IN14). 	<ul style="list-style-type: none"> Requires disclosure of carrying amounts of inventories carried at fair value less costs to sell (FRS 2.36). Requires disclosure of amount of write-down of inventories included as an expense (FRS 2.36). Eliminates the requirement to disclose the amount of inventories carried at net realisable value (FRS 2.IN17).

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FRS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<ul style="list-style-type: none"> Name of standard changed from "Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Defines (FRS 8.5): <ul style="list-style-type: none"> material omissions or misstatements; impracticable; prior period errors; change in accounting estimates. Changes to accounting policies from adopting FRS scoped out of FRS 8 (FRS 101.42). Incorporates and supersedes INT FRS 2 and INT FRS 18. Selection of accounting policies transferred from FRS 1 (FRS 8.7 to 12). 	<ul style="list-style-type: none"> Updates the hierarchy of guidance for selecting accounting policies in the absence of standards and interpretations that specifically apply (FRS 8.7 to 12, 21). In such situations, management should use its judgement to develop relevant and reliable accounting policies, considering the following sources in descending order: <ol style="list-style-type: none"> Standards and Interpretations dealing with similar and related issues; definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework; and the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework, other accounting literature, accepted industry practices. Eliminates the concept of fundamental error and thus, the distinction between fundamental errors and other material prior period errors (FRS 8.IN12). Removes alternative to include, in the current period income statement, the cumulative effect of a voluntary change in accounting policy or a correction of error; retrospective application is required (FRS 8.41 to 48). However, when it is impracticable to determine the effect of applying a new accounting policy to all prior periods, the standard allows the policy to be applied prospectively from the earliest date practicable (FRS 8.24 to 27). 	<ul style="list-style-type: none"> Requires the disclosure of impending change in accounting policy from a new standard or interpretation that has been issued but not yet effective, and its possible impact (FRS 8.30 to 31). More detailed disclosures of effect of changes of policies and errors required (including the effect on each line item and on basic and diluted earnings per share) (FRS 8.28 to 31, 49). The disclosure requirements regarding extraordinary items in the old FRS 8 has been removed. Extraordinary items are no longer allowed in the income statement (FRS 1.85).
FRS 10 <i>Events after the Balance Sheet Date</i>	No change.	<ul style="list-style-type: none"> Clarifies that dividends declared after the balance sheet date shall not be recognised as a liability at the balance sheet date (FRS 10.12). 	No change.
FRS 15 <i>Information Reflecting the Effects of Changing Prices</i>	<ul style="list-style-type: none"> FRS 15, is withdrawn from 1 January 2005. 		
FRS 16 <i>Property, Plant and Equipment</i>	<ul style="list-style-type: none"> Clarifies that the standard applies to Property, Plant and Equipment ("PPE") used to develop or maintain biological assets, mineral rights and mineral reserves (FRS 16.3). 	<ul style="list-style-type: none"> Removes separate recognition principle for subsequent expenditure; all PPE costs (whether incurred initially to acquire or construct the asset, or incurred subsequently to add to, replace part of or service the asset) shall be capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably (FRS 16.IN6, FRS 16.7) 	<ul style="list-style-type: none"> Prior-year comparatives for PPE mandatory [FRS 16.73(e)]. Additional disclosures for revalued assets (FRS 16.77): <ul style="list-style-type: none"> the methods and significant assumptions applied in estimating the items' fair values; the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques.

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	<ul style="list-style-type: none"> Incorporates and supersedes INT FRS 6, INT FRS 14, and INT FRS 23 (IAS 16.IN1 to IN3). PPE that meets FRS 105 criteria as held for sale are scoped out [FRS 16.3(a)]. 	<ul style="list-style-type: none"> Requires PPE costs to include costs of the asset's dismantlement, removal or restoration, the obligation for which is incurred as a consequence of using the asset for purposes other than producing inventories; this is in addition to those incurred as a consequence of installing the asset, as currently allowed (FRS 16.16, 18). Requires PPE acquired in an exchange transaction to be measured at fair value, unless the transaction lacks commercial substance. This is in contrast to the current requirement of measuring such PPE at fair value, unless assets exchanged are similar (FRS 16.24-25). Allows PPE of a class to be measured at a revalued amount, only when fair value can be measured reliably (FRS 16.31). Clarifies that : <ul style="list-style-type: none"> PPE shall be depreciated once it is available for use and until it is derecognised or reclassified as "held-for-sale", even if the asset is idle (FRS 16.55); depreciation charge shall be determined separately for each significant part of an item of PPE (FRS 16.43-47); carrying amount of significant part shall be derecognised once replaced (FRS 16.70); and residual value shall be measured as amount estimated to be received currently if the asset was of the age and in the condition expected at the end of its useful life (FRS 16.6). Requires PPE to be derecognised on the date that the criteria for sale of goods in FRS 18 is met (FRS 16.69). Prohibits gain on disposal of PPE to be classified as revenue (FRS 16.68). 	<ul style="list-style-type: none"> Held-for-sale PPE separately classified in financial statements (FRS 105.38).
FRS 17 <i>Leases</i>	<ul style="list-style-type: none"> Investment properties held under leases initially measured using finance lease accounting methodology using FRS 17 (FRS 17.19). Initial direct costs defined as incremental costs directly attributable to negotiating/arranging a lease (FRS 17.4). 	<ul style="list-style-type: none"> Requires the land and buildings elements of a lease of land and buildings to be considered separately for the purposes of lease classification (FRS 17.15). Requires minimum lease payments of a lease of land and buildings to be allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land and buildings elements of the lease at the inception of the lease (FRS 17.16). 	No change.

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	<ul style="list-style-type: none"> Amendment of definition of implicit interest rate to consider initial direct costs (FRS 17.4). Distinguishes between: <ul style="list-style-type: none"> the inception of the lease (i.e. when the classification of lease is determined and for finance leases, when amounts to be recognised are determined); and the commencement of the lease (i.e. when leases are initially recognised) (FRS 17.4). Definitions for unearned finance income and net investment in the lease simplified (FRS 17.4). 	<ul style="list-style-type: none"> Specifies treatment of initial direct costs: <ul style="list-style-type: none"> lessors of finance leases, other than manufacturer or dealer lessors, shall include initial direct costs in initial measurement of finance lease receivables and recognise the costs over the lease term on the same basis as lease income (FRS 17.38); manufacturer or dealer lessors shall recognise such costs as an expense when selling profit is recognised (FRS 17.38); lessors of operating leases shall include initial direct costs in the lease asset and recognise over the lease term on the same basis as the lease income (FRS 17.52) and lessees of finance leases shall include initial direct costs in initial measurement of leased assets and recognise them over the estimated useful lives of the asset (FRS 17.20). 	
FRS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	<ul style="list-style-type: none"> Introduction of functional currency as primary currency of the entity's operating environment (FRS 21.8). Requires each individual entity included in the reporting entity to determine its functional currency and measure its results and financial position in that currency (FRS 21.21). Introduction of presentation currency as the currency used to present financial statements (FRS 21.8). "Reporting currency" no longer used (FRS 21.IN6). 	<ul style="list-style-type: none"> Incorporates INT FRS 19, which gives guidance on the determination of measurement (functional) currency. However, the revised FRS 21 gives greater emphasis to the currency of the economy that determines the pricing of the transactions (FRS 21.9). Requires change in functional currency to be accounted for prospectively (FRS 21.35). Distinction between integral foreign operations and foreign entities eliminated. Foreign entities method now used to translate all foreign operations (FRS 21.IN9). This method requires assets and liabilities of a foreign operation to be translated at the closing rate, and income and expenses to be translated at the exchange rates at the dates of the transactions (or at the average rate for the period when this is a reasonable approximation) for inclusion in the reporting entity's financial statements. All resulting exchange differences shall be recognised as a separate component of equity (FRS 21.39). 	<ul style="list-style-type: none"> Reason required for using different currency from the functional currency for presentation of items in financial statements (FRS 21.53). New requirement to disclose details of and reason for any change in presentation currency (FRS 21.54).

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	<ul style="list-style-type: none"> Requirements for hedge accounting and foreign currency derivatives moved to FRS 39 (FRS 21.IN5). Incorporates and supersedes INT FRS 11, INT FRS 19 and INT FRS 30 (FRS 21.IN1). 	<ul style="list-style-type: none"> Does not permit limited option in the previous version to capitalise exchange differences resulting from a severe devaluation or depreciation of a currency against which there is no means of hedging; such exchange differences shall be recognised in profit or loss (FRS 21.IN10). Presentation of financial statements permitted in any currency (FRS 21.38). Requires an entity to translate its results and financial position from its functional currency into a presentation currency using the method required for translating a foreign operation for inclusion in the reporting entity's financial statements (FRS 21.39). For an entity whose functional currency is the currency of a hyperinflationary economy: <ul style="list-style-type: none"> If the results and financial position are translated into the currency of a different hyperinflationary economy, all amounts (e.g. balance sheet and income statement amounts, including comparatives) are translated at the closing rate of the most recent balance sheet presented [(FRS 21.42(a)]. If the results and financial position are translated into the currency of a non-hyperinflationary economy, comparative amounts are those presented in the relevant prior year financial statements [FRS 21.42(b)]. Requires goodwill and fair value adjustments to assets and liabilities arising from the acquisition of foreign entity to be expressed in acquiree's currency and translated using closing rates (FRS 21.47). Requires exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised in profit and loss (FRS 21.32). However, such exchange differences are required to be recognised as a separate component of equity in the consolidated accounts only, provided the following conditions are met: <ul style="list-style-type: none"> settlement is neither planned nor likely to occur in the foreseeable future (FRS 21.15); the monetary item is not a trade receivable or payable (FRS 21.15); the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation (FRS 21.33); the monetary item must be a receivable/payable between the reporting entity and the foreign operation that is the subsidiary/associate/joint venture/branch of the reporting entity (FRS 21.8, 21.15). E.g. exchange differences arising on a loan from a subsidiary to a fellow subsidiary that is a foreign operation cannot be taken to equity. 	

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FRS 22 <i>Business Combinations</i>	<ul style="list-style-type: none"> Superseded by FRS 103 for periods commencing on or after 1 July 2004. 		
FRS 24 <i>Related Party Disclosures</i>	<ul style="list-style-type: none"> Expands definition of "related party" to include (FRS 24.9): <ul style="list-style-type: none"> parties with joint control over the entity; joint ventures in which the entity is a venturer; and post-employment benefit plans for the benefit of employees of an entity, or of any entity that is a related party to that entity. Removes the scope exemption for: <ul style="list-style-type: none"> state-controlled entities (i.e. those that are profit-oriented are no longer exempted from disclosing transactions with other state-controlled entities) (FRS 24.IN6); separate financial statements of a holding company that is published together with its consolidated financial statements; and separate financial statements of a parent, venturer or investor. "Close members of the family of an individual" defined as (FRS 24.9): <ul style="list-style-type: none"> family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. Clarifies that two venturers are not related parties simply because they share joint control over a joint venture [FRS 24.11(b)]. 	No change.	<ul style="list-style-type: none"> Compensation of key management, which is clarified to include non-executive directors (FRS 24.9). Amounts of transactions and outstanding balances with respect to related parties. Disclosure of proportions of transactions and outstanding balances is no longer sufficient [FRS 24.17(a-b)]. Bad and doubtful debts expense on balances due from related parties [FRS 24.17(c-d)]. Amounts payable to, and receivable from, related parties into different categories of related parties (namely parent, entities with joint control or significant influence over the entity, subsidiaries, associates, joint ventures in which the entity is a venturer, key management personnel of the entity or its parent, and other related parties) (FRS 24.18 to 19). Name of parent and if different, the ultimate controlling party. If neither of these two parties produces financial statements available for public use, the name of the next most senior parent that does so is required (FRS 24.12). Removes discussion on pricing of transactions, but clarifies that "arm's length" term of transactions shall be disclosed only if the term can be substantiated (FRS 24.21). The Standard clarifies that related party transaction disclosures shall include (FRS 24.17): <ul style="list-style-type: none"> amount of the transactions; amount of outstanding balances, their terms and conditions (including whether they are secured, and the nature of the consideration to be provided in settlement) and details of any guarantees given or received; provisions for doubtful debts, and doubtful and bad debt expense arising from related parties.

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FRS 25 <i>Accounting for Investments</i>	<ul style="list-style-type: none"> Accounting for financial assets and financial liabilities governed by FRS 39 for periods commencing on or after 1 January 2005. Accounting for investment properties governed by FRS 40 for periods commencing on or after 1 January 2007. 	<ul style="list-style-type: none"> Covered by FRS 39 for financial assets and liabilities. 	<ul style="list-style-type: none"> Covered by FRS 32 for disclosures.
FRS 27 <i>Consolidated and Separate Financial Statements</i>	<ul style="list-style-type: none"> Name of standard amended from "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". Applies to accounting for investments in subsidiaries, jointly-controlled entities and associates in separate financial statements of the parent/venturer/investor (FRS 27.3). Clarifies that unincorporated entities are included in definition of subsidiary (FRS 27.4). Clarifies that the requirement to consolidate applies to venture capital organisations, mutual funds, unit trusts and similar entities (FRS 27.19). Incorporates and supersedes INT FRS 33 (FRS 27.IN1). 	<ul style="list-style-type: none"> Modifies the criteria for exemption from preparing consolidated accounts that (FRS 27.10): <ul style="list-style-type: none"> it is no longer necessary for the subsidiary to be wholly-owned or "virtually wholly-owned", but minority owners shall be informed and do not object to the non-preparation; the parent's debt or equity instruments shall not be traded in a public market; the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and the ultimate or any intermediate parent need to produce consolidated financial statements that are available for public use, but the consolidated financial statements need not comply with any specific accounting framework. Exclusion of a subsidiary from consolidation on grounds of severe long-term restrictions (on the ability to transfer funds) prohibited (FRS 27.IN9). Subsidiaries that are intended to be disposed of within 12 months are considered under FRS 105 (Footnote to FRS 27.12, FRS 27.37). Prohibits investments in subsidiaries, jointly-controlled entities and associates to be accounted for using equity method in the separate financial statements. Investments in subsidiaries, jointly-controlled entities and associates (that are not classified as held for sale in accordance with FRS 105) shall be accounted for at either cost, or in accordance with FRS 39 in the separate financial statements (FRS 27.37). 	<ul style="list-style-type: none"> Nature and extent of significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or allowances [FRS 27.40(f)]. Minority interest presented on balance sheet within equity, but separate from shareholders' equity (FRS 27.33).

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		<ul style="list-style-type: none"> Requires that investments in jointly controlled entities and associates that are accounted for in accordance with FRS 39 in the consolidated financial statements be accounted for in the same way in the investor's separate financial statements (FRS 27.39). Use of uniform policies now required. Exception on grounds of impracticality withdrawn (FRS 27.IN11). 	
FRS 28 <i>Accounting for Investments in Associates</i>	<ul style="list-style-type: none"> Excludes from the scope, investments in associates held by: <ul style="list-style-type: none"> venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading under FRS 39 (FRS 28.1). Incorporates and supersedes INT FRS 3, INT FRS 20, and INT FRS 33 (FRS 28.IN1). Clarifies that unincorporated entities are included in definition of associate (FRS 28.2). Investments in associates where there is an intention to dispose within 12 months now covered under FRS 105 (FRS 28.14). 	<ul style="list-style-type: none"> Provides exemption from equity accounting similar to that provided to certain parents from preparing consolidated financial statements (FRS 28.13). Removes exemption from equity accounting of associate operating under severe long-term restrictions that significantly impair its ability to transfer funds to the parent (FRS 28.IN10) Equity method not applied in separate financial statements (FRS 28.35). Other than in separate financial statements, investments in associates must be accounted for using equity method, whether or not the investor also has investments in subsidiaries and prepares consolidated financial statements (FRS 28.IN8). Clarifies that goodwill relating to associates shall be included in the carrying amounts of the investments (FRS 28.23). Allows the use of an associate's financial statements that are prepared on a reporting date no greater than 3 months from that of the investor for equity accounting (FRS 28.24 to 25). Use of uniform policies now required. Exception on grounds of impracticality withdrawn (FRS 28.IN13). Clarification that interests held by jointly controlled entities or other associates ignored when determining group's total interest in an associate (FRS 28.21). Requires an investor to consider the carrying amount of its investment in the equity of the associate and its other long-term interests in the associate when recognising its share of losses. This is in contrast to the requirement in superseded INT FRS 20, which limits the recognition of losses to the carrying amount of its investment in the equity of the associate (FRS 28.29). Clarification that carrying amount of investment in associate (including goodwill on acquisition) is impaired when IAS 39 requirements indicate that asset may be impaired (FRS 28.33). 	<ul style="list-style-type: none"> Fair value of quoted investments in associates [FRS 28.37(a)]. Summary of assets, liabilities, revenues and profit or loss of associate [FRS 28.37(b),(i)]. Reporting date of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor, and the reason for using a different reporting date or different period [FRS 28.37(e)]. Nature and extent of significant restrictions on the ability of associates to transfer funds to the investor [FRS 28.37(f)]. Amount of investor's share of associate's losses not recognised, both for the period and cumulatively [FRS 28.37(g)]. Investors' share of any discontinued operations of associates accounted for using the equity method (FRS 28.38).

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FRS 29 <i>Financial Reporting in Hyper-inflationary Economies</i>	<ul style="list-style-type: none"> Amends the scope to clarify that the standard is applicable to an entity whose functional currency is that of hyperinflationary economy (FRS 29.1). Previously, the standard applied to entities that reported in such a currency. 	<ul style="list-style-type: none"> Requires comparative amounts to be translated based on the requirements in FRS 21 (FRS 29.8). 	
FRS 31 <i>Interests in Joint Ventures</i>	<ul style="list-style-type: none"> Excludes from the scope, investments in jointly controlled entities held by <ul style="list-style-type: none"> venture capital organisations, mutual funds, unit trusts and similar entities that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading under FRS 39 (FRS 31.1). Interests in jointly controlled entities that are classified as held for sale in accordance with FRS 105 shall be accounted for in accordance with that FRS (FRS 31.42). 	<ul style="list-style-type: none"> Provides exemption from applying proportionate consolidation or equity accounting similar to that provided to certain parents from preparing consolidated accounts [FRS 31.2(b to c)]. Removes exemption of joint venture operating under severe long-term restrictions (that significantly impair its ability to transfer funds to the parent) from proportionate consolidation/ equity accounting (FRS 31.IN8). FRS 27 guidance applied on recognition of investment in separate financial statements (FRS 31.46). Proportionate consolidation/ equity method applied whether or not subsidiaries exist (FRS 31.31). Where joint control ceases, investment in joint venture is accounted for under FRS 39; FRS 27 if control is obtained; FRS 28 if significant influence is held (FRS 31.45). 	<ul style="list-style-type: none"> Requires disclosure of the method used to recognise interests in jointly controlled entities (i.e. proportionate consolidation or equity accounting) (FRS 31.57).
FRS 32 <i>Financial Instruments: Disclosure and Presentation</i>	<ul style="list-style-type: none"> Amendments made to scope of FRS 32 to conform with scope of FRS 39, where appropriate. Definition of financial asset and liability amended to include contracts settled in entity's own instruments (FRS 32.11). Incorporates and supersedes INT FRS 5, 16 and 17 (FRS 32.IN10 to IN11, IN14 to IN15). 	<ul style="list-style-type: none"> Clarifies that a financial instrument is an equity instrument if, and only if, both of the following conditions are met (FRS 32.16): <ul style="list-style-type: none"> instrument includes no contractual obligation to (a) deliver cash or another financial asset to another entity, or (b) exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer; where the instrument will or may be settled in the issuer's own equity instruments, (a) it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or 	<ul style="list-style-type: none"> Requires disclosure of (FRS 32.IN17): <ul style="list-style-type: none"> information about the use of valuation techniques, including the sensitivities of fair value estimates to significant valuation assumptions (FRS 32.75); information about assets retained in transactions that do not qualify for derecognition in their entirety [FRS 32.94(a)]; the carrying amounts of financial assets and financial liabilities that are classified as held for trading and those designated by the entity upon initial recognition as financial assets and financial liabilities at fair value through profit or loss [FRS 32.94(e)];

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		<p>(b) a derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.</p> <ul style="list-style-type: none"> Requires a financial instrument that gives the holder a right to put the instrument back to the issuer for cash or another financial asset (a "puttable instrument") to be classified as a financial liability [FRS 32.18(b)]. Removes the choice to measure liability component of a compound financial instrument on initial recognition using a relative-fair-value method. Any asset and liability components would now need to be separated first and the residual is the amount of any equity component (FRS 32.IN13, FRS 32.31). 	<ul style="list-style-type: none"> the amount of the change in fair value of a financial liability designated as at fair value through profit or loss that is not attributable to changes in a benchmark interest rate [FRS 32.94(f)]; the existence of, and specified information about, issued compound financial instruments with multiple embedded derivative features that have interdependent values [FRS 32.94(d)]; and information about any defaults by the entity on loans payable and other breaches of loan agreements [FRS 32.94(j)]. <ul style="list-style-type: none"> Allows limited exemption in disclosure of fair value of financial assets and liabilities that meet the exemption requirements in FRS 39 for unquoted equity investments and derivatives linked to such equity investments (FRS 32.90).
FRS 33 <i>Earnings Per Share</i>	No change.	<ul style="list-style-type: none"> Gives guidance and illustrative examples on complex matters such as: <ul style="list-style-type: none"> transactions involving an entity's preference shares (FRS 33.12 to 18, IE1) contingently issuable shares (FRS 33.52 to 57, IE7 to 8); potential ordinary shares of subsidiaries, joint ventures or associates (FRS 33.AGA11, IE10); participating equity instruments (FRS 33.AGA13, IE11); contracts for repurchase of own shares (FRS 33.63, AGA 10); options, warrants and equivalents (FRS 33.45-48, IE5, 9, 12). Requires that ordinary shares issued upon the conversion of a mandatorily convertible instrument be included in the calculation of basic earnings per share from the date the contract is entered into (FRS 33.23). The number of potential ordinary shares is a year-to-date weighted average of the number of potential ordinary shares weighted for the period they were outstanding, rather than a year-to-date weighted average of the number of potential ordinary shares included in each interim diluted earnings per share calculation (FRS 33.37, IE7). For share options and other share-based payment arrangements to which FRS 102 applies, the exercise price of options/ warrants shall include the fair value of any goods or services to be supplied to the entity in the future under the share option or other share-based payment arrangement (FRS 33.47A). 	<ul style="list-style-type: none"> Requires disclosure of basic and diluted EPS for continuing operations on face of income statement (in addition to basic and diluted EPS attributable to ordinary equity holders of the parent entity) (FRS 33.66). Requires disclosure of basic and diluted EPS for discontinuing operations in income statement or notes (FRS 33.68). Prohibits earnings per share information based on an entity's separate financial statements (i.e. unconsolidated balances) from being presented in the consolidated financial statements (FRS 33.4). Requires inclusion of the individual effect of each class of instruments that affects earnings per share in the following reconciliations: <ul style="list-style-type: none"> reconciliation of numerators for basic and diluted EPS to profit/ loss attributable to parent entity reconciliation of denominator for basic and diluted EPS to each other [FRS 33.70(a) to (b)]. Requires that, where an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than one required by FRS 33, such amounts be calculated using the weighted average number of ordinary shares determined in accordance with FRS 33. Basic and diluted amounts per share relating to such a component should be disclosed with equal prominence and presented in the notes. The basis on which the numerator(s) is (are) determined should be disclosed, including whether amounts per share are before tax or after tax. If a component of the income statement is used that is not reported as a line item in the income statement, reconciliation should be provided between the component used and a line item that is reported in the income statement (FRS 33.73).

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			<ul style="list-style-type: none"> Requires disclosure of instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented [FRS 33.70(c)]. Requires a description of ordinary share transactions or potential ordinary share transactions occurring after the balance sheet date, other than those accounted for in accordance with para. 64*, that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period [FRS 33.70(d)]. <p><i>* Mainly bonus issue, share split, reserve capitalisation, reverse share split, or other capital transactions that require EPS for all periods presented to be adjusted retrospectively. The accounting and disclosure requirements for these transactions are separately dealt with in para.64.</i></p>
FRS 35 <i>Discontinuing Operations</i>	<ul style="list-style-type: none"> Superseded by FRS 105 for periods commencing on or after 1 January 2005. 		
FRS 36 <i>Impairment of Assets</i>	<ul style="list-style-type: none"> New term "fair value less costs to sell" introduced to replace "net selling price" (FRS 36.6). Assets held for sale and disposal groups are scoped out (FRS 36.2(i), 3). 	<ul style="list-style-type: none"> Requires the recoverable amounts of the following assets to be measured at least annually and whenever there is an indication of impairment, rather than only when there is an indication of impairment (FRS 36.10): <ul style="list-style-type: none"> intangible asset with an indefinite useful life; intangible asset not yet available for use; and goodwill acquired in a business combination. Clarifies that the following elements should be reflected in the calculation of an asset's value-in-use (FRS 36.30): <ul style="list-style-type: none"> an estimate of the future cash flows the entity expects to derive from the asset; expectations about possible variations in the amount or timing of those future cash flows; the time value of money, represented by the current market risk-free rate of interest; the price for bearing the uncertainty inherent in the asset; and 	<ul style="list-style-type: none"> Requires disclosure of amount of goodwill that has not been allocated to a CGU, and the reasons why that amount remains unallocated (FRS 36.133). Additional disclosures required of assumptions used in estimating recoverable amount for CGUs containing goodwill or intangibles with indefinite useful lives (FRS 36.134 to 135). Additional disclosures of amount of goodwill allocated to each CGU and, where appropriate, a declaration that no individual CGU holds a substantial portion (FRS 36.135).

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		<ul style="list-style-type: none"> - other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset. • Clarifies that cash flow projections used to measure value-in-use should exclude cash flows that are expected to arise from <ul style="list-style-type: none"> - a future restructuring to which an entity is not yet committed, or - improving/ enhancing the asset's performance (FRS 36.44). • Provides guidance on present value techniques (FRS 36.A1 to A21). • If output from a cash-generating unit is consumed internally, the standard requires value-in-use of all CGUs affected by the internal transfer pricing to be based on cash flows determined from management's best estimate of future arm's-length price(s) (instead of the internal transfer prices) (FRS 36.70). • Requires that in projecting cash flows to determine value-in-use, management should examine and take into account causes of differences between past cash flow projections and actual cash flows, and should ensure that, where appropriate, current assumptions should be consistent with actual past outcomes (FRS 36.IN7, FRS36.34). • Requires that goodwill should, from the acquisition date, be allocated to each of the acquirer's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units (FRS 36.80). • Each unit or group of units to which the goodwill is so allocated should (1) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (2) not be larger than a segment based on either the entity's primary or entity's secondary reporting format determined in accordance with FRS 14 (FRS 36.80). • Requires that goodwill allocation should be completed before end of the first annual period beginning after the acquisition date (FRS 36.IN12, 36.84). • Requires that when an entity disposes of an operation within a cash-generating unit (group of units) to which goodwill has been allocated, the goodwill associated with that operation should be: 	

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		<p>(i) included in the carrying amount of the operation when determining the gain or loss on disposal; and</p> <p>(ii) measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit (group of units) retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the operation disposed of (FRS 36.86).</p> <ul style="list-style-type: none"> • Requires that when an entity reorganises its reporting structure in a manner that changes the composition of cash-generating units (groups of units) to which goodwill has been allocated, the goodwill should be reallocated to the units (groups of units) affected. This reallocation should be performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit (group of units), unless the entity can demonstrate that some other method better reflects the goodwill associated with the reorganised units (groups of units) (FRS 36.87). • Allows annual impairment test for a CGU (groups of units) to which goodwill has been allocated to be performed at any time during an annual reporting period, provided the test is performed at the same time every year (FRS 36.96). • Allows different CGUs (groups of units) to be tested for impairment at different times (FRS 36.96). • The Standard permits the most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) to which goodwill has been allocated to be used in the impairment test for that unit (group of units) in the current period, provided specified criteria are met (FRS 36.99). • Prohibits reversal of impairment losses for goodwill recognised in previous period(s) (FRS 36.124). 	

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FRS 38 <i>Intangible Assets</i>	<ul style="list-style-type: none"> Removes the requirement for asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes from the definition of intangible asset (FRS 38.IN5, FRS 38.7). Intangible that meets FRS 105 criteria as held for sale scoped out [FRS 38.3(h)]. Deferred acquisition costs and intangibles arising from insurer's contractual rights under an insurance contract within scope of FRS 104 [FRS 38.3(g)]. 	<ul style="list-style-type: none"> Clarifies that an asset meets the identifiability criterion in the definition of an intangible asset when it is separable or arises from contractual or other legal rights (FRS 38.12). Clarifies that the probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination (FRS 38.33). Introduction of rebuttable presumption that the fair value of an intangible asset with a finite life can be measured reliably if acquired in a business combination (FRS 38.35 to 41). Requires subsequent expenditure on an in-process research and development project acquired in a business combination to be recognised as: <ul style="list-style-type: none"> an expense when incurred if it is research expenditure or development expenditure that does not satisfy the recognition criteria in FRS 38. an intangible asset when incurred if it is development expenditure that satisfies recognition criteria in FRS 38 (FRS 38.42 to 43) Removes the rebuttable assumption that the useful life of an intangible asset cannot exceed 20 years from the date the asset is available for use (FRS 38.IN12). Regards an intangible asset to have indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity (FRS 38.88). For contractual/ legal rights that have a limited term but can be renewed, the useful life should include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost (FRS 38.94). An intangible asset with an indefinite useful life is not amortised but tested for impairment annually or whenever there is indicator of impairment (FRS 38.107 to 108). The useful life of an intangible asset with an indefinite life to be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. A change in the useful life assessment from indefinite to finite should be accounted for as a change in accounting estimate under FRS 8 (FRS 38.109). Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired (FRS 38.110). 	<ul style="list-style-type: none"> Carrying amount of intangible assets with indefinite useful lives [FRS 38.122(a)]. Reasons supporting the indefinite useful life assessment, including a description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life [FRS 38.122(a)]. Comparative information for the reconciliation of opening and closing balances for each class of intangible assets is now required [FRS 38.118(e)]. Within the reconciliation of opening and closing balances for each class of intangible assets, disclosure is required of any movements in intangibles arising from classifying the assets as held for sale or including the assets in a disposal group classified as held for sale in accordance with FRS 105 [FRS 38.118e(ii)]. Methods and significant assumptions applied in estimating the fair values of intangible assets accounted for using the revaluation model [FRS 124(c)].

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FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	<ul style="list-style-type: none"> • Applicable to all types of financial instruments except (FRS 39.2): <ul style="list-style-type: none"> – <u>Interests in subsidiaries, associates and joint ventures</u> covered by FRS 27, 28 and 31, unless FRS 27/28/31 specifies that the interest is accounted for under FRS 39. FRS 39 is applicable to derivatives on such interests that are not equity instruments under FRS 32. – <u>Lease obligations</u> that are covered by FRS 17. However, <ul style="list-style-type: none"> - lease receivables recognised by lessors are subject to the derecognition and impairment provisions of FRS 39; - finance lease payables recognised by a lessee are subject to the derecognition provisions of FRS 39; - derivatives embedded in leases are subject to the embedded derivatives provisions of FRS 39. – <u>Employers' rights and obligations under employee benefit plans</u> that are covered by FRS 19. – <u>Equity instruments</u> in the books of the issuer. – <u>Rights and obligations under insurance contracts</u> that are covered by FRS 104. However, applicable to: <ul style="list-style-type: none"> - Derivatives embedded in insurance contracts, provided that the derivative is not itself a contract covered by FRS 104; 	<ul style="list-style-type: none"> • Divides financial assets and financial liabilities into the following: <ul style="list-style-type: none"> - Financial assets or financial liabilities at fair value through profit or loss. These include trading assets and liabilities, all derivatives that are not hedges and those designated by the entity at initial recognition as fair value through profit or loss (FRS 39.9). They are measured at fair value (FRS 39.46) with all gains and losses recognised in profit or loss as they arise [FRS 39.55(a)]. - Loans and receivables. They are ordinarily accounted for at amortised cost using the effective interest method [FRS 39.46(a)]. - Held-to-maturity investments. They are accounted for at amortised cost using the effective interest method [FRS 39.46(b)]. - All other financial assets are ordinarily classified as available-for-sale (FRS 39.9) and measured at fair value (FRS 39.46), with all gains and losses taken to equity [FRS 39.55(b)]. On disposal, gains and losses previously taken to equity are recycled to profit or loss [FRS 39.55(b)]. - Financial liabilities (other than those measured at fair value through profit or loss) to be measured at amortised cost using the effective interest method (FRS 39.47). • Requires an embedded derivative to be separated from the host contract and accounted for as a derivative unless certain conditions are met (FRS 39.11). • Requires an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired (FRS 39.58). <ul style="list-style-type: none"> - impairment should take into account only losses that have already been incurred (FRS 39.63), and not those that might happen in future (FRS 39.59); - impairment losses are included in profit or loss (FRS 39.63). • Sets out 3 types of hedging relationships and their accounting treatments: <ul style="list-style-type: none"> - <u>fair value hedge</u>, in which the fair value of the item being hedged changes as market prices change [FRS 39.86(a)]. Changes in the fair value of both the hedging instrument and the hedged item are reported in profit or loss (FRS 39.89). 	Covered by FRS 32.

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	<ul style="list-style-type: none"> - Financial guarantee contracts entered into, or retained, on transferring to another party financial assets/liabilities within the scope of FRS 39. Only applicable to the issuer. - <u>Contracts for contingent consideration in a business combination</u>. Only applicable to the acquirer. - Contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date. - <u>Loan commitments</u> that cannot be settled net in cash or another financial instrument, except (i.e. the following are subject to FRS 39) (FRS 39.4): <ul style="list-style-type: none"> - Loan commitments designated as financial liabilities at fair value through profit or loss. - Loan commitments of entities that have a past practice of selling assets resulting from its loan commitments shortly after origination. - Loan commitments are subject to the de-recognition provisions of FRS 39. - <u>Financial instruments, contracts and obligations that are covered by FRS 102</u>, except (i.e. the following are covered by FRS 39): <ul style="list-style-type: none"> - Contracts to buy/sell a non-financial item that can be settled net in cash or another financial instrument or by exchanging financial instruments, as if the contracts were financial instruments (FRS 39.5). 	<ul style="list-style-type: none"> - <u>cash flow hedge</u>, to hedge variability of the cash flows of the hedged item. Changes in the fair value of the hedging instrument are initially reported in equity (FRS 39.95) and transferred to profit or loss to match the recognition of the offsetting gains and losses on the hedged transaction (FRS 39.100). - hedge of a net investment in a foreign operation – same treatment as cash flow hedge (FRS 39.102). • Specifies that hedge accounting for internal hedges is not permitted (FRS 39.73) and for the use of hedge accounting: <ul style="list-style-type: none"> - hedging relationship has to be defined by designation and documentation [FRS 39.88(a)], reliably measurable [FRS 39.88(d)], and actually effective [FRS 39.88(e)]; - to the extent that a hedging relationship is effective, the offsetting gains and losses on the hedging instrument and the hedged item are recognised in profit or loss at the same time (FRS 39.97, FRS 39.98, FRS 39.100); - all hedge ineffectiveness is recognised immediately in profit or loss [FRS 39.95(b), FRS 39.102]. • Allows fair value hedge accounting to be used for a portfolio hedge of interest rate risk, provided that (FRS 39.IN24A): <ul style="list-style-type: none"> - the hedged item is designated as an amount of a currency, rather than as individual assets (or liabilities) (FRS 39.81A); - the gain or loss attributable to the hedged item is presented either (FRS 39.89A): <ol style="list-style-type: none"> in a single separate line item within assets, for those repricing time periods for which the hedged item is an asset; or in a single separate line item within liabilities, for those repricing time periods for which the hedged item is a liability. - prepayment risk is incorporated by scheduling prepayable items into repricing time periods based on expected, rather than contractual, repricing dates (FRS 39.81A). 	

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	<ul style="list-style-type: none"> - However, contracts that were entered into and continue to be held for receipt/delivery of a non-financial item in accordance with the entity's expected purchase/sale/usage requirements are excluded (FRS 39.5). - Written option to buy/ sell non-financial items are within the scope of FRS 39 (FRS 39.7) 		
FRS 41 Agriculture	<ul style="list-style-type: none"> • Clarification that FRS 2 measurement requirements not applied to agricultural produce (FRS 2.3) 	No change.	<ul style="list-style-type: none"> • FRS 41 assets and liabilities disclosed separately on balance sheet (FRS 1.68). • Requires comparative for the reconciliation of changes in the carrying amount of biological assets between the beginning and end of the period (FRS 41.50).
FRS 101 First-time Adoption of Financial Reporting Standards	<ul style="list-style-type: none"> • Sets out further exemptions in relation to: <ul style="list-style-type: none"> - designation of previously recognised financial instruments; - share-based payment transactions; - insurance contracts; - decommissioning liabilities included in the cost of property, plant and equipment (FRS 101.13). 	<ul style="list-style-type: none"> • Permits a first-time adopter to designate a financial instrument as a financial asset/liability at fair value through profit or loss or as available for sale at the date of transition to FRS (FRS 101.25A). The first-time adopter should disclose the fair value of any financial assets/liabilities designated into each category and the classification/carrying amount in the previous financial statements. • Encourages, but does not require a first-time adopter to apply FRS 102 Share-based Payment to (FRS 101.25B) <ul style="list-style-type: none"> - equity instruments that were granted on or before 22 November 2002; - equity instruments that were granted after 22 November 2002 that vested before the later of (a) the date of transition to FRS and (b) 1 January 2005. <p>However, if a first-time adopter elects to apply FRS 102 to the above equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in FRS 102 (FRS 101.25B).</p>	

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		<ul style="list-style-type: none"> Requires disclosure of the information required by paragraphs 44 and 45 of FRS 102 for all grants of equity instruments to which FRS 102 has not been applied (FRS 101.25B). If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which FRS 102 has not been applied, the entity is not required to apply paragraphs 26-29 of FRS 102 if the modification occurred before the later of (a) the date of transition to FRSs and (b) 1 January 2005 (FRS 101.25B). Encourages, but does not require a first-time adopter to apply FRS 102 to <ul style="list-style-type: none"> liabilities arising from share-based payment transactions that were settled before the date of transition to FRS; liabilities settled before 1 January 2005. For liabilities to which FRS 102 is applied, a first-time adopter is not required to restate comparative information to the extent that the information relates to a period or date that is earlier than 22 November 2002 (FRS 101.25C). First-time adopter may apply the transitional provisions in FRS 104. FRS 104 restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter (FRS 101.25D). Exempts a first-time adopter from applying the requirements in INT FRS 101 pertaining to changes in a decommissioning, restoration or similar liability. If a first-time adopter uses this exemption, it should (FRS 101.25E): <ul style="list-style-type: none"> measure the liability as the date of transition to FRS in accordance with FRS 37; to the extent that the liability is within the scope of INT FRS 101, estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have been applied for that liability over the intervening period; and calculate the accumulated depreciation on that amount, as at the date of the transition to FRS, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity under FRSs. 	

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		<ul style="list-style-type: none"> Allows an entity to apply the derecognition requirements in FRS 39 retrospectively from a date of the entity's own choosing, provided that the information needed to apply FRS 39 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for these transactions (FRS 101.27A). Requires an entity with a date of transition to FRS before 1 January 2005 to make the transition to FRS 105 in accordance with the transitional provisions of FRS 105 (i.e. prospective application). However, an entity with a date of transition to FRS on or after 1 January 2005 should apply FRS 105 retrospectively (FRS 101.34A, 101.34B). Requires the first FRS financial statements of an entity that adopts FRS before 1 January 2006 to present at least one year of comparative information. However, the comparative information need not comply with FRS 32, 39 and 104, provided that the entity (FRS 101.36A): <ul style="list-style-type: none"> - apply its previous GAAP in the comparative information to financial instruments within the scope of FRS 32 and FRS 39 and to insurance contracts within the scope of FRS 104; - disclose this fact, together with the basis used to prepare this information; and - disclose the nature of the main adjustments that would make the information comply with FRS 32, FRS 39 and FRS 104. The entity need not quantify those adjustments. However, the entity shall treat any adjustment between the balance sheet at the comparative period's reporting date (i.e. the balance sheet that includes comparative information under previous GAAP) and the balance sheet at the start of the first FRS reporting period (i.e. the first period that includes information that complies with FRS 32, FRS 39 and FRS 104) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)-(e) and (f)(i) of FRS 8. Paragraph 28(f)(i) applies only to amounts presented in the balance sheet at the comparative period's reporting date. 	

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FRS 102 <i>Share-based Payments</i>	<ul style="list-style-type: none"> Sets out requirements for 3 types of share-based payment transactions (FRS 102.2): <ul style="list-style-type: none"> equity-settled share-based payment transactions, in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options); cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity; transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash or by issuing equity instruments. 	<ul style="list-style-type: none"> Requires an entity to recognise share-based payment transactions, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity (FRS 102.IN3, 102.1). <u>Equity-settled share-based payment transactions</u> <ul style="list-style-type: none"> Requires an entity to measure the goods or services received from parties other than employees, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably (FRS 102.10). For transactions with employees and others providing similar services, the entity is required to measure the fair value of the equity instruments granted (FRS 102.11). Requires the fair value of equity instruments granted to be based on market prices, if available, and to take into account the terms and conditions upon which those equity instruments were granted (FRS 102.16). In the absence of market prices, fair value is estimated, using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties (FRS 102.17). For goods and services measured by reference to the fair value of the equity instruments granted, FRS 102 specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or options at the relevant measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition (other than a market condition) (FRS 102.19). 	<ul style="list-style-type: none"> Nature and extent of share-based payment arrangements that existed during the period (FRS 102.44). Para.45 lists down the minimum disclosure requirements that are required to comply with this requirement. How the fair value of the goods or services received, or the fair value of the equity instruments granted, was determined (FRS 102.46). Para.47 to 49 lists down the minimum disclosure requirements that are required to comply with this requirement. Effect of share-based payment transactions on the entity's profit or loss and on its financial position (FRS 102.50). Para. 51 to 52 lists down the minimum disclosure requirements that are required to comply with this requirement.

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Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<ul style="list-style-type: none"> - Sets out requirements if the terms and conditions of an option or share grant are modified (e.g. an option is re-priced) or if a grant is cancelled, repurchased or replaced with another grant of equity instruments (FRS 102.26 to 29). • <u>Cash-settled share-based payment transactions</u> <ul style="list-style-type: none"> - Requires an entity to measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity is required to re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period (FRS 102.30). • <u>Share-based payment transactions in which the terms of the arrangement provide the entity with a choice of settlement</u> <ul style="list-style-type: none"> - Requires the entity to account for the transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash (or assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred (FRS 102.34). 	
FRS 103 <i>Business Combinations</i>	<ul style="list-style-type: none"> • Replaces FRS 22 for annual periods beginning on or after 1 July 2004. • Not applicable to (FRS 103.3): <ul style="list-style-type: none"> - business combinations in which separate entities or businesses are brought together to form a joint venture; - business combinations involving entities or businesses under common control; - business combinations involving two or more mutual entities; 	<ul style="list-style-type: none"> • Prohibits the use of pooling-of-interests method. All business combinations within its scope should be accounted for using the purchase method (FRS 103.IN9). • Requires an acquirer to be identified for every business combination within its scope (FRS 103.17). • Requires an acquirer to recognise liabilities for terminating or reducing the activities of the acquiree as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 37 (FRS 103.41). • Requires that an intangible asset (as defined in FRS 38) or a contingent liability (as defined in FRS 37) acquired in a business combination should only be recognised separately if its fair value can be measured reliably (FRS 103.37). 	<ul style="list-style-type: none"> • Amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and, unless disclosure would be impracticable, the carrying amounts of each of those classes, determined in accordance with FRSs, immediately before the combination. [FRS 103.67(f)]. • Either: <ul style="list-style-type: none"> - Description of the factors that contributed to a cost that results in the recognition of goodwill – a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably; or - Description of the nature of any excess recognised in profit or loss as a result of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities being in excess of the cost of the combination [FRS 103.67(h)].

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as at March 2005

Significant changes on

Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
	<ul style="list-style-type: none"> - business combinations in which separate entities or businesses are brought together to form a <i>reporting entity</i> by contract alone without the obtaining of an ownership interest (for example, combinations in which separate entities are brought together by contract alone to form a dual listed corporation). • Incorporates and supersedes INT FRS 9, INT FRS 22 and INT FRS 28 (FRS 103.IN1). 	<ul style="list-style-type: none"> • Removes FRS 22 benchmark treatment of measuring acquirees' identifiable assets and liabilities recognised as the aggregate of (1) the fair value of identifiable assets and liabilities as at the date of the exchange to the extent of the acquirer's interest obtained in the exchange transaction; and (2) the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiary. FRS 103 requires the acquiree's identifiable assets, liabilities and contingent liabilities recognised to be measured initially by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree is stated at the minority's proportion of the net fair values of those items (FRS 103.IN14, 103.36). • Requires goodwill acquired in a business combination to be measured after initial recognition at cost less any accumulated impairment losses. Therefore, the goodwill is not amortised and instead must be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired (FRS 103.54 to 55). • Revises treatment of negative goodwill. If, at the acquisition date, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the combination, the standard requires the acquirer to reassess the identification and measurement of those items acquired and the measurement of the cost of the combination. Any excess remaining after that reassessment must be recognised by the acquirer immediately in profit or loss (FRS 103.56). • Detailed guidelines provided for reverse takeover (FRS 103.B1 to B17). 	<ul style="list-style-type: none"> • Amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period, unless disclosure would be impracticable. [FRS 103.67(i)]. • The disclosures required by paragraph 67 (see above) are only required in aggregate for business combinations effected during the reporting period that are individually immaterial (FRS 103.68). • The disclosures required by paragraph 67 (see above) are also required for each business combination effected after the balance sheet date but before the financial statements are authorised for issue, unless such disclosure would be impracticable (FRS 103.71). • Revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period [FRS 103.70(a)]. • Profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period [FRS 103.70(b)]. • Amount and explanation of any gain or loss recognised in the current period that: <ul style="list-style-type: none"> - relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in the current or a previous period; and - is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance [FRS 103.73(a)]. • Where information is not disclosed on the basis of impracticability, this fact shall be disclosed, together with an explanation of why this is the case [FRS 103.67(f), 103.67(i), 103.68 to 71]. • The standard specifies that the reconciliation of carrying amount of goodwill at beginning and end of the period should show separately: <ul style="list-style-type: none"> - adjustments resulting from the subsequent recognition of deferred tax assets during the period [FRS 103.75(c)]; - goodwill included in a disposal group classified as held for sale in accordance with FRS 105 and goodwill derecognised during the period without having previously been included in a disposal group classified as held for sale [FRS 103.75(d)]; - net exchange differences arising during the period in accordance with FRS 21 [FRS 103.75(f)]. • Comparative information is now required for goodwill reconciliation (Para.75).

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Significant changes on			
Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 104 <i>Insurance Contracts</i>	<ul style="list-style-type: none"> Applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds, except for specified contracts covered by other FRSs (FRS 104.IN3, 104.2 to 104.6). Derivatives embedded in insurance contracts are still within scope of FRS 39. Some exceptions covered in FRS 104. 	<ul style="list-style-type: none"> Exempts an insurer temporarily (i.e. during phase I of the project) from some requirements of other FRSs, including the requirement to consider the Framework in selecting accounting policies for insurance contracts (FRS 104.IN4). However, the FRS: <ul style="list-style-type: none"> prohibits provisions for possible claims under contracts that are not in existence at the reporting date (such as catastrophe and equalisation provisions) (FRS 104.IN4), requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets (FRS 104.IN4), requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire (FRS 104.IN4), requires an insurer to present insurance liabilities without offsetting them against related reinsurance assets (FRS 104.IN4). Permits an insurer to change its accounting policies for insurance contracts only if, as a result, its financial statements present information that is more relevant and no less reliable, or more reliable and no less relevant (FRS 104.22). In particular, an insurer cannot introduce any of the following practices, although it may continue using accounting policies that involve them (FRS 104.IN5, 104.25): <ul style="list-style-type: none"> measuring insurance liabilities on an undiscounted basis; measuring contractual rights to future investment management fees at an amount that exceeds their fair value as implied by a comparison with current fees charged by other market participants for similar services; using non-uniform accounting policies for the insurance liabilities of subsidiaries. Allows introduction of an accounting policy that involves remeasuring designated insurance liabilities consistently in each period to reflect current market interest rates (and, if the insurer so elects, other current estimates and assumptions) (FRS 104.IN6, 104.24). Added rebuttable presumption that an insurer's financial statements will become less relevant and reliable if it introduces an accounting policy that reflects future investment margins in the measurement of insurance contracts (FRS 104.IN8, 104.27). 	<ul style="list-style-type: none"> Requires disclosure to help users understand: <ul style="list-style-type: none"> Amounts in the insurer's financial statements that arise from insurance contracts [FRS 104.IN11(a), 104.36]. A list of minimum disclosures required to comply with this requirement is provided (FRS 104.37). Amount, timing and uncertainty of future cash flows from insurance contracts (FRS 104.IN11(b), 104.38). A list of minimum disclosures required to comply with this requirement is provided (FRS 104.39). Disclosures required where FRS 104 participatory features cannot be measured reliably (FRS 32.91A).

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Significant changes on

Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<ul style="list-style-type: none"> Allows that when an insurer changes its accounting policies for insurance liabilities, it may reclassify some or all financial assets as "at fair value through profit or loss" (FRS 104.IN9, 104.45). Clarifies that an insurer need not account for an embedded derivative separately at fair value if the embedded derivative meets the definition of an insurance contract [FRS 104.IN10(a), 104.7]. Requires an insurer to unbundle (i.e. account separately for) deposit components of some insurance contracts, to avoid the omission of assets and liabilities from its balance sheet [FRS 104.IN10(b), 104.10]. Clarifies the applicability of the practice sometimes known as 'shadow accounting' [FRS 104.IN10(c), 104.30]. Allows an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer [FRS 104.IN10(d), 104.32]. Addresses limited aspects of discretionary participation features contained in insurance contracts or financial instruments [FRS 104.IN10(e), 104.34 to 35]. 	
FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<ul style="list-style-type: none"> Replaces FRS 35 for annual periods beginning on or after 1 January 2005. Specifies measurement requirements for assets that meet relevant criteria, in contrast to FRS 35 which does not establish any recognition and measurement principles. Classification and presentation requirements apply to all recognised non-current assets and to all disposal groups of an entity (FRS 105.2). Measurement provisions of this FRS do not apply to the following assets: 	<ul style="list-style-type: none"> Adopts the classification "held for sale" [FRS 105.IN6(a), 105.6]. Specifies that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell [FRS 105.IN6(c), 105.15]. Specifies that an asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated [FRS 105.IN6(d), 105.25]. Specifies that an asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately on the face of the balance sheet (FRS 105.IN6(e), 105.38). In contrast to FRS 35 <i>Discontinuing Operations</i> which has been withdrawn, FRS 105: 	<ul style="list-style-type: none"> Gain/ loss recognised on measurement to fair value less costs to sell, the related income tax expense, and the corresponding post-tax gain/ loss (FRS 105.33). The following disclosures are required for all disposal groups except newly-acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition: <ul style="list-style-type: none"> revenues, expenses, pre-tax results, tax expense, and post-tax results of discontinued operations; gain/ loss on measurement to fair value less costs to sell, or on disposal, related tax expense, and corresponding post-tax gain/ loss; net cash flows attributable to operating, investing and financing activities of discontinued operations (FRS 105.33). If an entity ceases to classify a component of an entity as held for sale, <ul style="list-style-type: none"> the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented (FRS 105.36);

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Significant changes on			
Standard	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
	<ul style="list-style-type: none"> - deferred tax assets (FRS 12); - assets arising from employee benefits (FRS 19); - financial assets within the scope of FRS 39; - non-current assets that are accounted for in accordance with the fair value model in FRS 40; - non-current assets that are measured at fair value less estimated point-of-sale costs in accordance with FRS 41; - contractual rights under insurance contracts as defined in FRS 104. • Introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction [FRS 105.IN6(b), 105 Appendix A]. 	<ul style="list-style-type: none"> - changes the timing of the classification of a discontinued operation to the date when it meets the criteria to be classified as held for sale or when the entity has disposed of the operation. FRS 35 classified an operation as discontinuing at the earlier of (a) the entity entering into a binding sale agreement and (b) the board of directors approving and announcing a formal disposal plan [FRS 105.IN6f(i)]; - specifies that the results of discontinued operations are to be shown separately on the face of the income statement [FRS 105.IN6f(ii)]; - prohibits retroactive classification of an operation as discontinued, when the criteria for that classification are not met until after the balance sheet date [FRS 105.IN6f(iii)]. 	<ul style="list-style-type: none"> - in the period of the decision to change the plan to sell the non-current asset/ disposal group, a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented (FRS 105.42); FRS 35 previously only required that if an enterprise abandons/ withdraws from a plan previously reported as a discontinuing operation, the enterprise should disclose that fact as well as its effect (FRS 35.36). • In the period in which a non-current asset/ disposal group has been either classified as held for sale or sold, the following additional disclosures have been specified: <ul style="list-style-type: none"> - description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal [FRS 105.41(b)]; - impairment loss/ reversal recognised on the asset/ disposal group and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain/ loss [FRS 105.41(c)]. • For all operations that have been discontinued by the balance sheet for the latest period presented, <ul style="list-style-type: none"> - <u>Profit and loss statement</u>: the disclosures required in FRS 105.33 (see above) should be re-presented for prior periods presented in the financial statements (FRS 105.34); however, - <u>Balance sheet</u>: no reclassifications or re-presentations of amounts should be made in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented (FRS 105.40).

