Singapore financial reporting standards vs ifrs

Back to Tax & Accounting Guides This article is prepared by Hawksford to provide general guidance on accounting standards in Singapore. Please note that this is not a comprehensive composition of standards or a professional advice, but only a broad overview of the topic. Business entities around the world report their financial performance through financial reporting. Historically, the format of financial reporting has changed from one country to another and each country's financial reporting practices have followed a set of principles, rules or conventions that have evolved into the political, legal, economic and cultural environments of that country. Consequently, financial reports often lack international comprehensive and acceptance. In today's globalized world, comparable, transparent and reliable financial information is fundamental to the smooth functioning of global capital markets. Therefore, the need for comparable standards of financial reporting has become extremely important due to the dramatic growth in the number, reach and size of multinational corporations, foreign direct investments, cross-border purchases and sales of securities, as well as the number of foreign securities listed on the stock exchanges. Accounting standards consist of a set of principles and governing practices for the treatment of various financial transactions. The main purpose of the accounting standards is to set out recognition, signing, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. These statements give information about performance, position and cash flows that are useful for a variety of users to make financial decisions. The users of financial statements include current and potential investors, employees, borrowers, suppliers and other trading creditors, customers, governments and their agencies and the general public. They use financial statements to satisfy some of their different needs for information. The main driving force in the development of international accounting standards is the International Accounting Standards Board (IASB) – an independent, accounting standard-institution body of the IFRS Foundation. The broad purpose of the IASB is to further harmonize accounting practices by formulating accounting standards and promoting their global adoption. International Financial Reporting Standards (IFRS) issued by IASB are widely used as the site stick to measure the financial health of businesses. Reliability and quality of the framework is high, but it is long and complex. Accounting Standards in Singapore In Singapore are accounting standards known as Singapore Financial Reporting Standards (SFRS) and are based on the IFRS. All with financial period commusting on or after 1 January 2003, comply with SFRS. Run-up-based accounting is one of the heads of Singapore accounting standards. Standards. statements are prepared on the off attack base of accounting. Under this basis the consequences of transactions and other events are recognised when they occur (and not received or paid as cash or the equivalent thereof) and they are recorded in the accounting records and reported in the financial statements of the periods on which they relate. Financial statements prepared on the accrual base lift users not only from previous transactions involving the payment and receipt of cash, but also of obligations to pay cash in the future and of resources that represent cash that represent cash in the future. The overall set of accounting standards in Singapore contains approximately 41 different standards with each standard named as FRS X eg. FRS 1. Each standard covers a specific topic such as presentation of financial statements, recognition of income, accounting for stock, and so on. Singapore Accounting Standards for Small Entities In an ever-changing and demanding world, the accounting standards are becoming increasingly complex. This makes it harder for small businesses to feel confident they are consistent. Compliance with the full SFRS was difficult for small and medium-sized entities (SME), as they found that the requirements were a burden on their precious small resources. As in many other countries, SMEs form the bulk of the companies listed in Singapore. As a measure to address the specific need of the international SMEs IASB, IASB issued an IFRS specifically for SMEs in 2009. After this, Singapore Accounting Standards (ASC) of Singapore also announced the issuance of Singapore Financial Reporting Standard (SFRS) for Small Entities in November 2010. The SFRS for Small Entities is an alternative framework for the full SFRS for suitable entities in Singapore. SFRS for SE is now in line with IFRS for Small Entities, and it has been issued after extensive consultation with the stakeholders. It provides an optional financial reporting standard for small entities for reporting periods starting on or after 1 January 2011. The purpose of the SFRS for SE is to provide relief to small entities of compliance with full SFRS, while ensuring quality, transparency and comparability, which could benefit the investment community and other users of financial statements. A Singapore incorporated company or a Singapore branch of a foreign company is eligible to apply the SFRS for SE provided that it is not publicly accountable it publishes general-purpose financial statements for external users This is a small entity. An entity qualifies as a small entity as it meets at least two of the three following criteria: Total annual income of not more than S$10 million Total gross assets of not more than S$1 million Number of employees is no more than 50 It should be noted that the SFRS applies for SE from 1 January 2011 and in order to be eligible for the simplified SFRS, an entity must meet the criteria for each of the previous two consecutive consecutive An entity equating under the criteria can comply with the standards until it falls out of the size for two consecutive reporting period and in such cases the company must follow the full SFRS. A subsidiary of a containing company following the full SFRS can still adopt the SFRS for SMEs, with the provision that it meets the prescribed criteria. The choice between SFRS or SFRS for SE Until recently followed all Singapore-registered entities, regardless of size, the full SFRS. Now that there is an SFRS, especially for the small entities, companies that qualify for the new standards must consider few points of meaning before the SFRS for SE. Companies must also review their growth plans and the nature of their business before adopting these standards. Some of the issues to be investigated, Is Transitional Costs – Training Costs, Accounting System and Software Future plans - Plans for IPO, probability of the business exceed the size threshold Group consideration - the impact on holding companies Financing - Financial institutions and lenders looking for complete SFRS state Marginal companies that are on the brink of violating the size threshold will better meet the full SFRS rather than evacuation Similarly, companies that are accustomed to the full SFRS, those belonging to a group or held by older companies that follow the full SFRS and companies, which will be negatively affected by the treatment of some accounting elements under the simplified version, should refresh from adopting the SFRS for SE. In a nutshell, the simplified SFRS for small entities will be ideal for startup companies and companies that have problems with full SFRS and those companies whose statements are not used by external parties. The full set of Singapore Accounting Standards is available from Singapore Accounting Standards Board. Hawksford can work with you as your bookkeeper, accountant, controller, business adviser, part-time CFO – or your entire Accounting and Finance division. Find out how Hawksford can help let our experienced team help you manage your accounting, tax and payroll issues. Contact us This website uses cookies to provide you with a more responsive and personalized service. By using this website you agree to our use of cookies. Please read our cookie notification for more information about the cookies we use and how to remove or block them. The full functionality of our website is not supported on your browser version, or you may have chosen 'compatibility mode'. Please turn off compatibility mode, upgrade your browser to at least Internet Explorer 9, or try using another browser such as Google Chrome or Mozilla Firefox. Scope of IFRS Application Status Additional Information IFRS It is required for domestic public companies Listed companies in Singapore to use Singapore Financial Reporting Standards (SFRS), which are materially converged with IFRS Standards. However, However consent from the securities regulator, listed companies can use IFRS Standards as issued by the Board. IFRS Standards are permitted, but not necessary for domestic public companies IFRS Standards are required or permitted for listing by foreign companies All foreign companies listed on the Singapore Exchange are allowed to apply IFRS standards under the Listings Rules. Specifically, foreign companies whose equity securities have a primary listing in Singapore are required to apply SFRS, IFRS Standards or US GAAP, while those with a secondary listing are only required to reconcile their financial statements to SFRS, IFRS Standards or US GAAP. The IFRS for SMEs Standard is required or allowed. The IFRS for SMEs Standard consider commitment to GLOBAL FINANCIAL REPORTING STANDARDS Singapore has accepted all effective IFRS standards, except for IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments, and have made several changes mainly to transitional provisions and effective dates of the IFRS standards it has adopted. Consequently, the standards, known as Singapore Financial Reporting Standards (SFRS), are significantly aligned with IFRS standards. The non-adoption of IFRIC 2 does not affect Singapore-incorporated companies (both listed and non-listed). The sole amendment to requirements of IFRS Standards does not affect listed Singapore-incorporated companies, but can affect non-listed Singapore-incorporated companies. A new financial reporting framework identical to IFRS Standards will be set for mandatory application by Singapore-incorporated companies listed on Singapore Exchange (SGX) for annual periods commenced on or after 1 January 2018 (see below). Singapore started the process of now aligning SFRS with IFRS Standards in 2002. Full convergence of SFRS with IFRS Standards for Singapore-incorporated companies listed on SGX was a strategic direction of the ASC set in 2009. On 29 May 2014, the ASC announced that Singapore-incorporated companies listed on SGX will apply a new financial reporting framework identical to IFRS Standards for annual periods starting on or after 1 January 2018. Non-listed Singapore-incorporated companies can also voluntarily apply the new framework. Companies switching to the new financial reporting framework will apply IFRS 1 First Time adoption of International Financial Reporting Standards. As the new framework will be identical to IFRS Standards, companies will have the option to ensure compliance with IFRS standards as well as with the new Singapore financial reporting framework. SCOPE OF IFRS APPLICATION Yes. In terms of the Singapore Companies Act, Singapore-incorporated companies (both listed and requires use accounting standards as prescribed by the ASC in their consolidated and separate financial statements. SFRS is the prescribed set of accounting standards for all Singapore-incorporated companies. Companies. Companies (both listed and non-listed) are also allowed to use IFRS standards if approval for the use of IFRS granted to such companies by the Accounting and Corporate Regulatory Authority of Singapore (ACRA). In addition, a Singapore-incorporated company listed on both a securities exchange in Singapore and allowed a securities exchange outside of Singapore to use IFRS standards if the securities exchange outside Singapore on which the company is listed requires the use of IFRS Standards to be listed. In both those circumstances, there is no reason for Singapore-incorporated companies using IFRS Standards to reconcile their IFRS Standards financial statements to SFRS. Requires for listed Singapore-incorporated companies because the non-acceptance of IFRIC 2 and the sole change to requirements of IFRS Standards does not affect such companies. All. Yes. See above. See above. Not applicable. All foreign companies listed on SGX are allowed to apply IFRS standards under the SGX listing rules. Specifically, foreign companies whose equity securities have a primary listing are required to apply SFRS, IFRS Standards or US GAAP, while those with a secondary listing are only required to reconcile their financial statements to SFRS, IFRS Standards or US GAAP. See above. See above. SUBMISSENT ENDORSEMENT All effective IFRS standards have been adopted as SFRS, with the exception of IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments, and with various changes mainly on transitional provisions and effective dates. IFRS Standards are permitted for Singapore-incorporated companies if approval for the use of IFRS Standards is granted by ACRA, or in the case of a Singapore-incorporated company that on both a securities exchange in Singapore and a securities exchange outside of Singapore, if the latter requires the use of IFRS Standards. SFRS (unless IFRS standards as described above) or IFRS standards (when IFRS standards are applied as described above). No. Not applicable. See above. Yes. The ASC has a formal process of endorsing IFRS standards such as and when issued by the Board. Broadly, when the board issues a consultation document for comment, the ASC invites public comments, executes targeted issue with its voters and sends comments on that consultation document to the Board. When the Board issues an IFRS Standard, consider the ASC facilitating the adoption of that IFRS Standard as SFRS, considering (a) facilitate the information needs of stakeholders, (b) whether it facilitates comparability, disclosure and transparency, (c) compatibility with international standards, and (d) Singapore's reputation as a reputation business and financial hub. The ASC considers feedback from its voters when developing comments to the board and in the endorsement of IFRS standards. Not applicable. Yes. SFRS is in line with currently effective IFRS Standards, except as follows: The following effective IFRS Standards are to be adopted as SFRS: IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments. This does not affect Singapore-incorporated companies (both listed and non-listed). Some changes have been made to the exemptions from the presentation of consolidated financial statements and the application of the equity method on investments in associates and joint ventures compared to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. It does not affect listed Singapore incorporated companies. Additional guidance was issued in the form of an Accompanying Note to the SFRS equivalent of IFRIC 15 Agreements for the Construction of Real Estate to guide the accounting for a specific type of agreement in Singapore. This guidance is intended to be in accordance with the requirements of IFRIC 15. Various amendments were made to the transitional terms and effective dates of IFRS standards. The majority of changes dates back to before 2005. For banks, the Monetary Authority of Singapore (the banking regulator) changed the loan loss losses of SFRS by issuing Notice to Banks No. 612 Credit Files, Rating and Provision. As explained above, Singapore's new financial reporting framework, which will be effective in 2018, is identical to IFRS Standards. APPLICATION OF THE IFRS FOR SMEs STANDARD Yes effectively 1 January 2011. Not applicable. Yes. The only differences between the Singapore version of the IFRS for SMEs Standard (known as the SFRS for Small Entities) and the IFRS for SMEs Standard are: not all Singapore companies that comply with the Council's definition of SMEs are eligible to use the SFRS for Small Entities; and the Accompanying Note to the Singapore equivalent of IFRIC 15 (as mentioned above in the IFRS Endorsement section of this profile) is an integral part of the SFRS for Small Entities. As mentioned above, this guidance is intended to be consistent with the requirements of IFRIC 15. An entity is eligible to use the SFRS for Small Entities if not publicly accountable, publish general purpose financial statements for external users, and comply with the definition of a small entity for each of the previous two consecutive financial reporting periods, with amended application for newly incorporated entities. An entity qualifies as a small entity as it meets at least two of the three following criteria: total annual income of not more than SGD 10 million (approximately US$7.5 million). total gross assets of no more than SGD 10 million (approximately US$7.5 million). total number of employees of not more than 50. They may use full SFRS or, if they receive permission from ACRA, they can use full IFRS standards. This website uses cookies. You can which cookies are used by viewing the details in our Privacy Policy. Policy. Policy.