

# SFRS Newsletter

Q1 2021

**This newsletter highlights recent developments and emerging issues in the SFRS.**

## Amendments to SFRS(I) 3 Business Combinations - Reference to the Conceptual Framework

In July 2020, the Accounting Standards Council Singapore (ASC) issued 'amendments to SFRS (I) 3: Reference to the Conceptual Framework' which is effective from 1 January 2022.

Changes include:

- updated reference in SFRS (I) 3 to 2018 Conceptual Framework instead of the 1989 Framework;
- additional requirement for transactions and other events within the scope of SFRS(I) or INT FRS 121. The amendments clarify that an acquirer applies these standards (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination;
- an explicit statement that prohibit an acquirer from recognizing contingent assets acquired in a business combination.

### Effective date

The amendments to SFRS(I) 3 are effective for business combinations occurring in reporting periods starting on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in SFRS(I) Standards, issued in January 2019.



## Amendments to SFRS(I) 1-16 Property, Plant and Equipment – Proceeds Before Intended Use

In July 2020, the Accounting Standards Council Singapore (ASC) issued 'Amendments to SFRS(I) 1-16 Property, Plant and Equipment – Proceeds Before Intended Use' which is effective from 1 January 2022.

### Background

Prior year to the amendments, directly attributable costs of property, plant and equipment can be measured after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition. This creates a challenge in the comparability of financial information across different companies.

The amendments require entities to recognise the proceeds and costs from selling any such items in profit or loss in rather than deducting from the cost of property, plant and equipment.

### Summary of amendments

- Amendments to the standard have been made to set requirement of recognizing the proceeds from selling any items produced while bringing the asset to that location and condition, and the cost of those items, in profit or loss in accordance with applicable Standards.
- The amendments specify that entities should consider such items as inventories and measure the cost by applying the measurement requirements of SFRS(I) 1-2.

### Effective date

The amendments to SFRS(I) 1-16 are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract

In July 2020, the Accounting Standards Council Singapore (ASC) issued 'Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract' which is effective from 1 January 2022.

### Background

Prior to this amendment, SFRS(I) 37 did not specify which costs to include in estimating the cost of fulfilling a contract for assessing whether that contract is onerous. This could result in material effects on the financial statements. The amendment addresses this issue by clarifying what costs an entity considers in assessing whether a contract is onerous.

### Summary of amendments

The amendment clarifies that the costs that relate directly to the contract consist of both:

1. the incremental costs of fulfilling that contract—for example, direct labour and materials; and
2. an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

### Effective date

The amendments to SFRS(I) 1-37 are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Annual Improvements

Annual Improvements provide a mechanism for dealing efficiently with a collection of minor amendments to SFRS(I)s. Below is a summary of Standard amendments.

Standard affected	Subject	Summary of amendment
SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)	Subsidiary as a First-time Adopter	Amendment includes a new paragraph that allows subsidiary to elect to measure amounts reported by its parent, based on the parent's date of transition to SFRS.  A similar election is available to an associate or joint venture that uses the exemption.
SFRS(I) 9 Financial Instruments	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	Clarifies that the fees that a company includes when assessing whether the terms of a new or modified financial liability should include only fees paid to, or received from, the lender, not to other third parties.
Illustrative Examples accompanying SFRS(I) 16 Leases	Lease Incentives	The reimbursement relating to leasehold improvements in Illustrative Example 13 has been deleted to avoid confusion regarding treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
SFRS(I) 1-41 Agriculture	Taxation in Fair Value Measurements	Amendment removes the requirement to exclude taxation cash flows when measuring fair value using discounted cash flow technique. This amendment aligned the requirements in SFRS(I) 1-41 on fair value measurement with those in other IFRS Standards.

## Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions

In May 2020, the Accounting Standards Council Singapore (ASC) issued 'amendments to SFRS(I) 1-16: Covid-19-Related Rent Concessions' which is effective from 1 June 2020.

### Background

As a result of Covid-19 Pandemic, lessors have provided or are expected to provide rent concession to lessees. Rent concessions include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods.

SFRS (I) 16 Leases contains requirements that specify the accounting for changes in lease payments. This includes rent concessions. Applying these requirements would require lessees to assess if the rent concessions are lease modifications. Such assessments could be impractical or difficult for the lessee considering the challenges that stakeholders faced during the pandemic.

The objective of this amendments is to provide lessees with practical relief during the covid-19 pandemic while enabling them to continue providing useful information about their leases to users of financial statements.

### Summary of amendments

A practical expedient has been added to the standard which permits lessees not to assess whether particular covid-19-related rent concessions are lease modifications. The lessees may elect to account for any change in lease payments resulting from the rent concession in profit or loss as if the change was not a lease modification.

The practical expedient applies only to covid-19-related rent concessions and only if the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021\*
- there is no substantive change to other terms and conditions of the lease.

\*A one-year extension to the practical expedient has been proposed by the Board in an [exposure draft](#) published on 11 February 2021.

### Effective date

A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.

## Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current

In May 2020, the Accounting Standards Council Singapore (ASC) issued 'Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current'.

### Background

The objective of the amendments is to clarify that classification of liabilities as either current or non-current is based on the rights that are in existence at the end of the reporting period. The amendments affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

### Summary of amendments

The amendments in standard clarify that:

- classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability;
- classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

### Effective date

An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022 (deferred to 1 January 2023) retrospectively in accordance with SFRS(I) 1-8. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date

In July 2020, the Accounting Standards Council Singapore (ASC) issued 'Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current– Deferral of Effective Date'.

### Background

The amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current were originally to be applied for annual reporting periods beginning on or after 1 January 2022 retrospectively. However the effect of Covid-19 pandemic could delay the implementation of the amendments for affected entities. As such, a one-year deferral has been proposed to allow sufficient time for entities to apply the amendments.

## Amendments to SFRS(I) 4 Insurance Contracts: Extension of the Temporary Exemption from Applying SFRS(I) 9

In November 2020, the Accounting Standards Council Singapore (ASC) issued 'Amendments to SFRS(I) 4 Insurance Contracts'.

### Background

'Extension of the Temporary Exemption from Applying SFRS (I) 9 (Amendments to SFRS (I) 4)' to defer the fixed expiry date of the amendment by two years to annual periods beginning on or after 1 January 2023.

### Summary of amendments

Paragraphs on temporary exemptions from SFRS(I) 9 are amended from 1 January 2021 to 1 January 2023.

[Click here](#) to download the new/revised/amendments to SFRS(I)s issued by the ASC up to 31 December 2021.

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