PREFACE TO SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL)

This *Preface* is issued to set out the objectives of the Accounting Standards Council and to explain the scope, authority and timing of application of Singapore Financial Reporting Standards (International).

Objectives of the Accounting Standards Council

1 The Accounting Standards Council (ASC) was established on 1 November 2007 by an Act of Parliament. The ASC is empowered under the Accounting Standards Act (Cap. 2B) to make or formulate accounting standards for companies, charities, co-operative societies and societies (collectively, the entities). In making or formulating accounting standards, the ASC has the following objects:

(a) the development of accounting standards that require the provision of financial information that:
   (i) assists directors or officers of the entities to discharge their duties and obligations in relation to financial reporting under the applicable written law;
   (ii) is relevant to assessing performance, financial position, financing and investment;
   (iii) is relevant and reliable;
   (iv) facilitates comparability; and
   (v) is readily understandable; and

(b) to maintain investor confidence in the Singapore economy (including its capital markets).

Scope and authority of Singapore Financial Reporting Standards (International)

2 In December 2017, the ASC issued a new Singapore financial reporting framework titled Singapore Financial Reporting Standards (International) (SFRS(I)s). The ASC's policy intent is that an entity complying with SFRS(I)s can elect to simultaneously include an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) in its first SFRS(I) financial statements, and thereafter, in its subsequent SFRS(I) financial statements.

3 SFRS(I)s refer to SFRS(I) Standards and Interpretations issued by the ASC. The first volume of SFRS(I)s contains the equivalent of the consolidated text of IFRS Standards and Interpretations as issued by the IASB at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018. SFRS(I)s include paragraphs specific to SFRS(I)s, which are indicated with a prefix 'SG'.

4 SFRS(I)s set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. They may also set out such requirements for transactions and events that arise mainly in specific industries. SFRS(I)s are based on the *Conceptual Framework*, which addresses the concepts underlying the information presented in general purpose financial statements. The objective of the *Conceptual Framework* is to facilitate the consistent and

logical formulation of SFRS(I)s. The *Conceptual Framework* also provides a basis for the use of judgement in resolving accounting issues.

5 SFRS(I)s apply to all general purpose financial statements. Such financial statements are intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to those users in making economic decisions.

6 A complete set of financial statements includes a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and accounting policies and explanatory notes. When a separate income statement is presented in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*, it is part of that complete set. In the interest of timeliness and cost considerations and to avoid repeating information previously reported, an entity may provide less information in its interim financial statements than in its annual financial statements. SFRS(I) 1-34 *Interim Financial Reporting* prescribes the minimum content of complete or condensed financial statements for an interim period. The term 'financial statements' includes a complete set of financial statements prepared for an interim or annual period, and condensed financial statements for an interim period.

7 The ASC's objective is to require like transactions and events to be accounted for and reported in a like way and unlike transactions and events to be accounted for and reported differently, both within an entity over time and among entities. Some SFRS(I)s permit different treatments for given transactions and events. The ASC may reconsider those transactions and events for which SFRS(I)s permit a choice of accounting treatment, with the objective of reducing the number of those choices.

8 Standards include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual standard should be read in the context of the objective stated in that standard and this *Preface*.

9 Interpretations of SFRS(I)s give authoritative guidance on issues that are likely to receive divergent or unacceptable treatment, in the absence of such guidance.

10 SFRS(I) 1-1 includes the following requirement:

An entity whose financial statements comply with SFRS(I)s shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with SFRS(I)s unless they comply with all the requirements of SFRS(I)s.

11 Any limitation of the scope of a SFRS(I) is made clear in the standard.

Timing of application of Singapore Financial Reporting Standards (International)

12 A SFRS(I) apply from a date specified in that SFRS(I) or its preface, as the case may be. New or revised SFRS(I)s set out transitional provisions to be applied on their initial application.

13 There is no general policy of exempting transactions occurring before a specific date from the requirements of new SFRS(I)s. When financial statements are used to monitor compliance with contracts and agreements, a new SFRS(I) may have consequences that were not foreseen when the contract or agreement was finalised. For example, covenants contained in banking and loan agreements may impose limits on measures shown in a borrower's financial statements. The fact that financial reporting requirements evolve and change over time is well understood and would be known to the parties when they entered into the agreement. It is up to the parties to determine whether the agreement should be insulated from the effects of a future SFRS(I), or, if not, the manner in which it might be renegotiated to reflect changes in reporting rather than changes in the underlying financial condition.

14 The ASC's due process includes inviting public comment on exposure drafts of new IFRSs issued by the IASB. The IASB's proposals contained in an exposure draft are subject to revision. Until the ASC endorses an IFRS for adoption as a SFRS(I) and the effective date of that SFRS(I), the requirements of any SFRS(I) that could be affected by the IASB's proposals in an exposure draft remain in force.

Issued by the ASC in December 2017.