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**SINGAPORE FINANCIAL REPORTING STANDARDS  
(INTERNATIONAL)**

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**SFRS(I) INT 22  
Foreign Currency Transactions and Advance  
Consideration**

This Interpretation is applicable for annual reporting period beginning on  
1 January 2020.

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*from paragraph*

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SFRS(I) Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (SFRS(I) INT 22) is set out in paragraphs 1–9 and Appendices A and B. SFRS(I) INT 22 is accompanied by Illustrative Examples, and should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

## Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable<sup>1</sup>. In such cases, the references to an IFRS Standard or Interpretation shall mean either that particular IFRS Standard or Interpretation, or its equivalent of SFRS(I) Standard or Interpretation, as appropriate. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s<sup>2</sup> shall:

- (A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and
- (B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration* is equivalent to IFRIC 22 *Foreign Currency Transactions and Advance Consideration*. An entity that complies with SFRS(I) INT 22 can simultaneously comply with IFRIC 22.

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1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

# SFRS(I) Interpretation 22

## *Foreign Currency Transactions and Advance Consideration*

### References

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- *The Conceptual Framework for Financial Reporting*<sup>1</sup>
- SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*

### Background

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- 1 Paragraph 21 of SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph 22 of SFRS(I) 1-21 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with SFRS(I) Standards (Standards).
- 2 When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability<sup>2</sup> before the recognition of the related asset, expense or income. The related asset, expense or income (or part of it) is the amount recognised applying relevant Standards, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.
- 3 The question relates to how to determine 'the date of the transaction' applying paragraphs 21–22 of SFRS(I) 1-21 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, this Interpretation clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

### Scope

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- 4 This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).
- 5 This Interpretation does not apply when an entity measures the related asset, expense or income on initial recognition:
  - (a) at fair value; or

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IFRS.1 The reference is to the *Conceptual Framework for Financial Reporting*, issued [by the IASB] in 2010 and in effect when the Interpretation was developed.

2 For example, paragraph 106 of SFRS(I) 15 *Revenue from Contracts with Customers* requires that if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

- (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying SFRS(I) 3 *Business Combinations*).

6 An entity is not required to apply this Interpretation to:

- (a) income taxes; or
- (b) insurance contracts (including reinsurance contracts) that it issues or reinsurance contracts that it holds.

## **Issue**

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- 7 This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

## **Consensus**

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- 8 Applying paragraphs 21–22 of SFRS(I) 1-21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.
- 9 If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

## Appendix A

### Effective date and transition

*This Appendix is an integral part of SFRS(I) INT 22 and has the same authority as the other parts of SFRS(I) INT 22.*

#### Effective date

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IFRS. A1 An entity shall apply [IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued by IASB in December 2016)] for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact.

#### Transition

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IFRS. A2 On initial application, an entity shall apply this Interpretation either:

- (a) retrospectively applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (b) prospectively to all assets, expenses and income in the scope of the Interpretation initially recognised on or after:
  - (i) the beginning of the reporting period in which the entity first applies the Interpretation; or
  - (ii) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Interpretation.

IFRS. A3 An entity that applies paragraph A2(b) shall, on initial application, apply the Interpretation to assets, expenses and income initially recognised on or after the beginning of the reporting period in paragraph A2(b)(i) or (ii) for which the entity has recognised non-monetary assets or non-monetary liabilities arising from advance consideration before that date.

## **Appendix B**

### **Amendment to other standards**

*IFRS. The amendment in this Appendix shall be applied for annual reporting periods beginning on or after 1 January 2018. If an entity applies [IFRIC 22] for an earlier period this amendment shall be applied for that earlier period.*

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*The amendment contained in this appendix has been incorporated into the text of the relevant SFRS(I)s.*