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Accounting Profession in Singapore; Professional Accounting in Foreign Country Series

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The Accounting Profession in Singapore

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

AICPA

American Institute of Certified Public Accountants

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NOTICE TO READERS

The Professional Accounting in Foreign Countries series is designed to be educational and used as reference material for the members of the Institute and others interested in the subject. It is not intended to establish standards.

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The Accounting Profession in Singapore

PROFESSIONAL ACCOUNTING IN FOREIGN COUNTRIES SERIES

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Preface

This booklet is one of a series on professional accounting in foreign countries. The material is current as of March 1993. Changes made after this date in the standards of either the United States or Singapore may alter the comparisons and references detailed in this publication.

Included are descriptions of the accounting profession, auditing standards, and accounting principles in Singapore. The booklet also presents brief descriptions of the various forms of business organizations, taxes, and requirements for stock exchange listings and securities offerings. Checklists comparing Singapore auditing standards and accounting principles with those generally accepted in the United States are included as appendixes to the text.

This booklet is not intended to be a comprehensive discussion of auditing standards and accounting principles in Singapore but is designed instead to focus primarily on differences from those of the United States.

John F. Hudson
Vice President—Technical
Standards and Services

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The Accounting Profession

REQUIREMENTS FOR ENTRY INTO THE PROFESSION

Domestic Functions and Licensing Requirements

1. The Institute of Certified Public Accountants of Singapore (ICPAS) is the national body representing the accounting profession in Singapore. This body is organized under the Accountants Act 1987. The Act also established the Public Accountants Board, which is responsible for registering and disciplining practicing accountants. The ICPAS focuses on professional standards, including training and development, professional conduct, ethics, and the administration of national examinations for membership. The ICPAS can be reached at the following address:

Institute of Certified Public Accountants of Singapore
Middle Road 09-01/04
ICB Enterprise House
Singapore 0718

Under the Companies Act 1990, all companies are required to elect an auditor to audit their financial statements annually. The Companies Act is the primary legislation regulating companies in Singapore. It includes provisions for the formation, administration, and reporting requirements of companies. It also establishes the Registrar of Companies as the administrator of the Act.

2. The auditor must be an approved company auditor. To qualify as an approved company auditor, an auditor must—

a. Satisfy the Minister of Finance that he or she is of good character and competent to perform the duties of an auditor under the Companies Act.

b. Satisfy the other requirements as set by the Minister at the time of the application.

The Minister has delegated the power to make these determinations to the Registrar of the Public Accountancy Board.

Foreign Reciprocity

3. The ICPAS generally offers reciprocity to members of recognized overseas accounting bodies—for example the American Institute of Certified Public Accountants (AICPA)—provided that the applicant—

a. Passed the final examination in accountancy for the relevant body.

b. Has sufficient practical experience in the areas of accounting, auditing, and taxation (generally three years).

c. Has proficiency in local laws, which is determined by an examination.

d. Is maintaining an office or carrying on public practice in Singapore, or is about to.

ROLES AND RESPONSIBILITIES OF STANDARD-SETTING BODIES

Professional Standards Promulgated by Each Body

4. The ICPAS is responsible for the promulgation of generally accepted accounting and reporting standards. These standards are set out in Statements of Accounting Standards (SAS). In addition to SAS, the ICPAS issues statements of Recommended Accounting Practice (RAP). Members of the ICPAS who assume responsibility for financial statements are obligated to comply with SAS.

5. The ICPAS has adopted the international standards issued by the International Accounting Standards Committee.

Ethics Requirements

6. All Certified Public Accountants (members of the ICPAS) are required to maintain the highest standards of professional conduct as set out in the Public Accountants Board rules. These rules cover areas such as integrity, independence, confidentiality, professional competence, and behavior. The ICPAS has approved the introduction of a practice review program, whose purpose is to ensure that CPAs in practice maintain an appropriate level of professionalism in their accounting and auditing services. This program is expected to begin in July 1994.

PROFESSIONAL PUBLIC ACCOUNTING ORGANIZATION

Requirements for Membership

7. A person applying for associate membership in the Institute must be at least twenty-one years old, have passed the prescribed examinations, and have at least three years' experience in the areas of accounting, auditing, and taxation in a public accountant's office.

8. In order to retain a valid practicing certificate, a member must satisfy the established continuing professional education requirements and pay an annual prescribed fee.

Rights of Membership

9. Members of the ICPAS are allowed to place "CPA," for certified public accountant, after their names once they are full members. Provisional members do not have this right.

Number of Members

10. As of March 1993, the membership of the ICPAS was approximately seven thousand.

CPE Requirements

11. Members of the ICPAS are expected to undertake continuing professional education (CPE). All members have the duty to maintain a high level of professional knowledge and skill throughout their professional careers.

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Auditing Requirements

STATUTORY AUDITING AND REPORTING REQUIREMENTS

Purpose of the Statutory Audit

12. Audits of financial statements of enterprises in Singapore are required to meet statutory (Companies Act 1990) and stock exchange requirements (where appropriate), as well as adhere to Statements of Auditing Guidelines (SAG) and Statements of Auditing Practice (SAP), issued by the ICPAS. SAG and SAP set out generally accepted auditing practices and the form and content of audit reports. Singapore has adopted the International Auditing Guidelines published by the International Federation of Accountants (IFAC).

13. Under SAG 1, *Objective and Scope of the Audit of Financial Statements*, the objective of an audit of financial statements, prepared within the framework of recognized accounting policies, is to enable an auditor to express an opinion on such financial statements. The auditor's opinion helps establish the credibility of the financial statements. The user, however, should not assume that the auditor's opinion is an assurance as to the future viability of the entity or an opinion as to the efficiency or effectiveness with which management has conducted the affairs of the entity.

Entities Required to Be Audited

14. Audits are required of all registered companies, private and public, incorporated under the Companies Act. Audited financial statements must be filed with the Registrar of Companies.

15. Additional audit requirements exist for the following entities:

a. Banks—The Monetary Authority of Singapore (MAS) requires banks to submit an Auditor's Supplementary Report. Auditors are required to report on noncompliance without regard to materiality, so long as the noncompliance was observed during the course of the normal statutory audit carried out under the Companies Act and the Banking Act.

b. Finance Companies—Finance companies are required to comply with all guidelines, circulars, and notices to finance companies issued by the MAS. The Auditors' Supplementary Report is identical to that required for banks.

c. Merchant Banks—Merchant banks are required to comply with relevant legislation as well as directives and notices to merchant banks and other regulations issued by the MAS. Merchant banks are required to submit an Auditor's Supplementary Report in addition to the statutory report. Auditors are required to report any noncompliance, as they are in the case of banks.

d. Corporate Members of the Singapore International Monetary Exchange (SIMEX)—A corporate member of SIMEX must furnish not only its audited accounts, but also an Auditor's Supplementary Report within three months of the end of the financial year. The auditor will report on noncompliance with the financial requirements of appropriate exchange rules and noncompliance with the articles and rules of SIMEX.

e. Statutory Boards—Auditors must submit an Auditor's Supplementary Report to the Auditor-General upon completion of the audit, in accordance with the terms of reference for the Commercial Auditors of Statutory Boards in the context of the relevant act pertaining to each statutory board. Auditors are required to report on matters such as internal control weaknesses, waste and inefficiency, and noncompliance with relevant laws and regulations.

f. Charities—The audit of charities may be required by statute, by the charity itself, or by the Commissioner of Charities under Section 9(2) of the Charities Act 1982.

g. Trade Unions—The Trade Union Act requires the audit of trade union accounts, for submission to the Registrar of Trade Unions and to union members.

Appointment and Qualifications of Auditors

16. The Companies Act provides that within three months after incorporation the directors of a company shall appoint the auditor of the company, who will hold office until the end of the first annual general meeting. Thereafter, the appointment of the auditor shall be made at each annual general meeting of the company's shareholders. The auditor will hold office until the end of the next annual general meeting.

17. An auditor of a company may resign only if he or she is not the company's sole auditor, or at a general meeting. An auditor of a company can be removed from office only by a resolution of the company at a general meeting of which special notice has been given. A copy of such special notice, when received by the company, must be sent to the Registrar of Companies. The auditor may, within seven days after receipt of a copy of the notice, make representations to the company and request that these be forwarded to shareholders.

18. Audits of entities should be performed by a CPA, who should be a member of the ICPAS.

19. Under the Accountants Act 1987, no person can be registered as a public accountant unless that person is at least twenty-one years old and is of good character and reputation. All applicants for registration must satisfy the requirements regarding professional examination, experience, preregistration courses, and proficiency in local laws, as described in the Public Accountants Board Rules 1989, which were approved by the Minister of Finance, and which are administered by the ICPAS.

20. A member in public practice, or the member's firm, cannot accept appointment as auditor of a company under the following circumstances:

- The member or members of his or her immediate family hold a significant beneficial interest (5 percent of the shares in a publicly listed company or 20 percent or more of equity share capital in a private company, unless the ownership of such shares has been approved by the Public Accountants Board).
- The member was, for a period of twelve months immediately preceding the appointment, an officer or employee of the company.

- The member has a direct or indirect material financial interest in the company.

Auditing and Reporting Responsibilities

21. Company directors must, under the Companies Act 1990, state whether, in their opinion, the profit and loss account and balance sheet present a true and fair view of the results of the business of the company and whether, at the date of this statement, the company is reasonably able to pay its debts as and when they fall due. The statement must be signed by two directors of the company.

22. Before the profit and loss account and balance sheet are completed, the directors must take reasonable steps to ensure the following:

a. All known bad debts are written off and adequate provision for doubtful debts is made.

b. Current assets that are unlikely to realize their value in the ordinary course of the business are written down to their realizable value.

c. A description is given of any contingent or other liabilities that are likely to become enforceable within the next twelve months and that may affect the ability of the company to meet its obligations.

d. Any circumstances not otherwise addressed in the accounts, that may render the accounts misleading, are discussed.

e. Any charge against the company's assets since the end of the financial year are discussed.

f. A description is included of any material or unusual item, transaction, or event and the amount or the effect thereof, on the results of the company during the year and in the interval between the end of the year and the date of the report.

23. The auditor normally determines the scope of an audit of financial statements in accordance with the audit requirements of the relevant legislation, regulations, and promulgations of the ICPAS. The latter are contained in the SAG and SAP.

24. Before undertaking work for a special auditor's report, the CPA should reach an agreement with the client as to the exact nature of the engagement and the form and content of the report to be issued.

25. *The Statutory Requirements of Auditors*

a. The auditor must report whether in his or her opinion the accounts are prepared so as to give a true and fair view of the matters contained in Section 201 of the Companies Act, and whether the balance sheet and profit and loss account give a true and fair view of matters contained therein.

b. The auditor must report whether the accounting and other records and registers required by the Companies Act are properly kept in accordance with the Act.

c. The auditor must form an opinion on whether he or she has obtained all the information and explanations required; whether the returns from branch offices were adequate; and whether the procedures and methods used by the company for consolidation were appropriate. Any deficiencies, failures, and shortcomings in any of these matters must be stated in the auditor's report.

d. The auditor is required to report in writing to the Registrar on any breaches or nonobservances of the Companies Act if, in his or her opinion, the matter has not been adequately addressed in the audit report, or by bringing the matter to the attention of the directors.

e. The auditor of a public company must immediately report to the Minister of Finance if he or she has reason to believe that a serious offense involving fraud or dishonesty has been committed against the company.

f. The auditor of a borrowing corporation must furnish to every trustee for the debenture holders any reports which have been issued to the corporation, as required under the Companies Act, and the debentures or trust deed. Further, the auditor is required to report to the corporation and the trustee for the debenture holders any matters which may be relevant to the exercise and performance of the powers and duties of that trustee.

26. An auditor has a right of access at all times to the accounting and other records of the company. He or she is also entitled to obtain information and explanations pertaining to the audit from any officer of the company and from any auditor of a related company. The Act provides a penalty for obstructing an auditor in the completion of the audit.

27. An auditor or authorized agent is entitled to attend any general meeting of the company, and to receive all notices and other communications received by a shareholder. The auditor also has the right to speak at any general meeting on matters concerning his or her capacity as auditor.

Filing of Reports

28. A copy of the auditor's report must accompany the profit and loss account and balance sheet, which must be sent to shareholders no less than fourteen days before the annual general meeting. The annual general meeting must be held once every calendar year but not more than fifteen months after the preceding general meeting.

29. Annual returns must be filed with the Registrar of Companies, after the annual general meeting, as follows: for companies with share capital, within fourteen days; for companies not having share capital, within one month; and for companies with overseas branches, within two months.

30. Unless waived by the Registrar, foreign companies shall file a balance sheet, profit and loss account, and other documents accompanied by an audited statement showing the assets used in and liabilities arising out of operations in Singapore. The profit and loss account shall give a true and fair view of the profit and loss arising from the company's operation in Singapore.

SUMMARY OF SIGNIFICANT AUDITING STANDARDS AND COMPARISON WITH U.S. GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)

Standards Issued

31. The ICPAS issues Statements of Audit Guidelines (SAG) as guidance on generally accepted auditing practices and on the form and content of audit reports. The aim of these guidelines is to improve the degree of uniformity of auditing practices in Singapore. Members should work towards their implementation when and to the extent practicable.

32. These guidelines are not issued as exposure drafts.

33. To assist members in implementing SAG, SAP on specific audit problems are issued periodically. These concern the detailed work that the auditor has to perform under SAG.

General Standards

34. SAG 4, *Basic Principles Governing an Audit*, describes the basic principles governing the auditor's professional responsibilities and should be complied with whenever an audit is conducted.

Integrity, Objectivity, and Independence

35. Auditors should be straightforward, honest, and sincere in approaching their work. They must be fair and not allow prejudice or bias to override their objectivity. They should maintain an impartial attitude and both be, and appear to be, free of any interest that might be regarded as incompatible with integrity and objectivity.

Confidentiality

36. Auditors should respect the confidentiality of information acquired in the course of their work, and should not disclose such information to a third party without specific authority or unless there is a legal or professional duty to disclose it.

Skills and Competence

37. The audit should be performed and the report prepared with due professional care by persons who have adequate training, experience, and competence in auditing. These skills and competencies are acquired through education and a qualifying examination; practical experience under proper supervision; and awareness of developments regarding relevant legislation, regulations, and promulgations of the ICPAS.

Standards of Fieldwork

Work Performed by Others

38. When auditors delegate work to assistants, or use the work performed by other auditors or experts, they continue to be respon-

sible for forming and expressing an opinion on the financial information. It is not acceptable for auditors to subcontract audit work to a third party who is not a public accountant.

39. Auditors should carefully direct, supervise, and review work delegated to assistants, and they should obtain reasonable assurance that the work performed by other auditors or experts is adequate.

Documentation

40. Auditors should document matters that are important in providing evidence that the audit was conducted in accordance with basic auditing principles.

Planning

41. Auditors should plan their work so they can conduct an effective audit in an efficient and timely manner. Plans should be based on a knowledge of the client's business, and should be developed and revised as necessary during the course of the audit.

42. The planning process should include—

- Acquiring knowledge of the client's accounting system, policies, and internal control procedures.
- Establishing the expected degree of reliance on internal controls.
- Determining and programming the nature, extent, and timing of the audit procedures.
- Coordinating the work to be performed.

Audit Evidence

43. Auditors should obtain sufficient appropriate evidence by performing compliance and substantive procedures to enable them to draw reasonable conclusions on which to base their opinion on the financial information.

Accounting Systems and Internal Control

44. Auditors should gain an understanding of the accounting system and related internal controls and should study and evaluate the operation of those internal controls upon which they wish to rely in determining the nature, extent, and timing of other audit procedures.

Standards of Reporting

Audit Conclusions and Reporting

45. Auditors should review and assess the conclusions drawn from the audit evidence obtained, as the basis for expressing their opinion on the financial information. This review and assessment involves forming an overall conclusion as to whether—

a. The financial information has been prepared using acceptable accounting policies, which have been consistently applied.

b. The financial information complies with the relevant legislation and regulations.

c. The view presented by the financial information is consistent with the auditors' knowledge of the entity.

d. There is adequate disclosure for a true and fair presentation of the financial information.

46. The audit report should contain a clear written expression of opinion on the financial information. An unqualified opinion indicates the auditors' satisfaction in all material respects.

47. When a qualified opinion, adverse opinion, or disclaimer of opinion is given, the audit report should state all of the reasons in a clear and informative manner.

Using the Work of Another Auditor

48. Under the Companies Act, auditors of consolidated accounts shall report the following information:

a. The names of the subsidiaries for which they have not acted as auditors.

b. Whether they have considered the accounts and the auditors' reports of all subsidiaries of which they have not acted as auditors, if these accounts are included in the consolidation.

c. Whether they are satisfied as to the appropriateness of the form and content of the accounts of subsidiaries, for consolidation purposes, and whether they have received satisfactory information and explanations as required for these purposes.

d. Whether the auditor's report on the subsidiaries was made subject to any qualification or comment.

49. Under the Companies Act, auditors are not required to form an opinion in their report about whether the accounting and other records of subsidiaries of a Singapore holding company, which are not incorporated in Singapore, have been kept in accordance with the Act.

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Accounting Principles and Practices

SOURCES OF ACCOUNTING PRINCIPLES

50. As indicated previously, the ICPAS is responsible for the development and promulgation of accounting standards. These standards are primarily based on International Accounting Standards issued by the International Accounting Standards Committee. Where further amplification of an adopted International Standard is required, the standard is usually supplemented by a foreword and/or appendix.

FORM AND CONTENT OF FINANCIAL STATEMENTS

Presentation of Statements

51. The directors of a company are required by the Companies Act to attach a directors' report to the audited financial statements submitted to the shareholders for their approval at the annual general meeting. Companies having a share capital are required to file an annual return with the Registrar of Companies within fourteen days after the annual general meeting of shareholders; those not having a share capital must file within one month of such meeting.

52. The Act requires that the directors' report contain appropriate details of the following matters: names of directors;

principal activities; net profit or loss; transfers to and from reserves; shares and debentures issued; arrangements to benefit directors; shares and debentures held by directors; recommended dividends; any circumstances that would render any amount stated in the financial statements misleading; and material and unusual transactions or events that substantially affect the results of company operations.

53. The Act does not require a statement of changes in financial position. However, SAS 7, *Statement of Changes in Financial Position*, requires enterprises, except exempt private companies and enterprises other than public companies with sales and other operating income of S (Singapore) $1 million or less, to provide statements of changes in financial position.

54. There are no significant differences between Singapore and the United States in the form and content of financial statements other than those described in appendix E.

Types of Statements

55. Financial statements normally include the following:

a. Profit and loss account
b. Balance sheet
c. Statement of changes in financial position
d. Notes to the financial statements

56. The Companies Act and SAS 26, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, require companies with subsidiaries to present consolidated financial statements, unless the company is a wholly owned subsidiary of another corporation incorporated in Singapore. The Act requires that the profit and loss statement and balance sheet give a true and fair view of the state of affairs of the company.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND COMPARISON WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

57. Singapore has adopted International Accounting Standards as Statements of Accounting Standards.

Assets Revaluations

58. A major difference between Singapore and U.S. accounting standards is that SAS 14, *Accounting for Property, Plant, and Equipment,* permits the revaluation of fixed assets. The standard suggests that revaluation could be made by appraisal undertaken by professionally qualified valuers. Other methods are also allowed; for example, indexation and reference to current prices.

59. When property, plant, and equipment are revalued in financial statements, an entire class of assets should be revalued, or the selection of assets for revaluation should be made on a systematic basis. This basis should be disclosed.

60. The revaluation in financial statements of a class of assets should not result in the net carrying amount exceeding the recoverable amount of that class of assets. The recoverable amount of a class of assets is defined as the amount that the enterprise can recover from the future use of the asset, including its net realizable value on disposal.

61. An increase in the carrying amount on revaluation of property, plant, and equipment should be credited directly to shareholders' interests under the heading of revaluation surplus. If the increment is a reversal of revaluation decrement previously charged to income, it could be credited to income.

62. A decrease in the net carrying amount of property, plant, and equipment should be charged directly to income. There is an exception if such a decrease is related to an increase which was previously recorded as a credit to revaluation surplus and which has not been subsequently reversed or utilized, it should be charged directly to that account.

63. On disposal of a revalued item of property, plant, and equipment, the difference between net disposal proceeds and the net carrying amount is normally charged or credited to income. The amount in revaluation surplus following the retirement or disposal of an asset that relates to that asset may be transferred directly to retained earnings.

Inventories

64. Inventories are valued at the lower of cost or net realizable value. The net realizable value should not be based on temporary

fluctuations of price or cost but on the most reliable evidence available at the time the estimates are made as to what the inventories are expected to realize. The valuation of inventory could be made on an item-by-item basis or by groups of similar items. The cost of manufactured goods inventories should include a systematic allocation of production overhead costs related to putting inventories in their present location and condition. SAS 2, *Valuation and Presentation of Inventories in the Context of the Historical Cost System*, allows the following methods in assigning costs of inventories: specific identification; first in, first out (FIFO); weighted average; last in, first out (LIFO); and base stock.

Equity Accounting

65. When an investor entity has the capacity to exercise significant influence over another entity, SAS 27, *Accounting for Investment in Associates*, requires that the investor account for the investment under the equity method, except when the investment is acquired and held with the view to its disposal in the near future. In that case, it should be accounted for under the cost method.

66. Significant influence is defined in SAS 27 as "the power to participate in the financial and operating policy decisions of the investee." Significant influence is presumed to exist when the investor holds 20 percent or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case. If the investor holds less than 20 percent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence is clearly demonstrated.

Business Combinations

67. SAS 22, *Accounting for Business Combinations*, requires that a business combination be accounted for under the purchase method, except in the rare circumstances when it is deemed to be a pooling of interest. A business combination is deemed to be a pooling of interest if the shareholders of the combining enterprises continue to mutually share in the risks and benefits of the combined enterprise, and—

a. The basis of the transaction is principally an exchange of voting common shares of the enterprises involved.

b. The whole, or effectively the whole, of the net assets and operations of the combining enterprises are combined in one entity.

Consolidated Financial Statements

68. SAS 26, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries,* requires enterprises with subsidiaries, except enterprises which are themselves wholly or virtually wholly owned subsidiaries, to present consolidated financial statements. A subsidiary is an enterprise controlled by another enterprise where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A parent should consolidate all subsidiaries, foreign and domestic. It should exclude from consolidation subsidiaries whose control is intended to be temporary or which operate under severe long-term restrictions that significantly impair the subsidiary's ability to transfer funds to the parent. Excluded subsidiaries should be accounted for as if they are investments in accordance with SAS 25, *Accounting for Investments.* SAS 25 requires that investments classified as current assets be accounted for at either market value or the lower of cost or market. Long-term investments should be accounted for at: (*a*) cost, (*b*) revaluation amounts, or (*c*) in case of marketable securities, the lower of cost or market value determined on a portfolio basis.

Research and Development

69. Research and development (R&D) is defined, and the method for its accounting is described, in SAS 9, *Accounting for Research and Development Activities.* R&D costs should be charged as an expense of the period in which they are incurred, except to the extent that development costs are deferred. Development costs of a project may be deferred to future periods if all the following criteria are satisfied:

a. The product or process is clearly defined and the costs attributable to it can be separately identified.

b. The technical feasibility of the product or process has been demonstrated.

c. The enterprise's management has indicated its intention to produce and market, or use, the product or process.

d. There is a clear indication of a future market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise can be demonstrated.

e. Adequate resources exist, or are reasonably expected to be available, to complete the project and market the product or process.

70. If development costs of a project are deferred, they should be allocated, on a systematic basis, to future accounting periods by reference to the use of the product or process or to the time period over which the product or process is expected to be sold or used. The deferred development costs should be reviewed at the end of each accounting period and if the criteria for deferral are no longer met, the unamortized balance should be immediately charged to income.

71. Financial statements are required to disclose the total amount of R&D costs, including amortization of development costs, charged as expense. They should also disclose the movement in, and the balance of, unamortized deferred development costs and the proposed or adopted basis for the amortization of the unamortized balance.

Leases

72. SAS 15, *Accounting for Leases,* classifies leases as either operating leases or finance leases and specifies accounting and disclosure for each category. Lease classification is based on the extent to which risks and rewards incident to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibility of losses from idle capacity or technological obsolescence and variations in return due to changing economic conditions. Rewards may be represented by the expectation of profitable operation over the asset's economic life and gain from appreciation in value or realization of a residual value. If the lease transfers substantially all the risks and rewards of an asset, the lease is classified as a finance lease. Otherwise, it is classified as an operating lease. To be recognized as a finance lease, a lease would normally be noncancelable and would secure for the lessor the recovery of the capital outlay, plus a return on the funds invested. The following are examples of finance leases:

a. The lease transfers ownership of the asset to the lessee by the end of the lease term.

b. The lessee has the option to purchase the lease at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain the option will be exercised.

c. The lease term is for the major part of the useful life of the asset. Title may or may not eventually be transferred.

d. The value of the minimum lease payments at the inception of the lease is greater than, or equal to, the fair value of the leased asset, net of grants or tax credits to the lessor. Title may or may not eventually be transferred.

73. Lessees of assets classified as finance leases recognize the right to use the leased property as an asset and their obligations for minimum lease payments as a liability. The leased assets and liabilities are recorded at the beginning of the lease at the fair value of the leased property, net of grants and tax credits receivable by the lessor, or, if lower, at the present value of the minimum lease payments. At the inception of the lease, the asset and liability for the future payments are recorded in the financial statements of the lessee at the same amounts. The capitalized lease is amortized over the lease term or, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, over the asset's useful life. This amortization should be made on a systematic basis consistent with the depreciation policy that the lessee adopts for depreciable assets. Lease payments should be apportioned between interest (computed at the rate implicit in the lease or, if this not practical to determine, the lessee's incremental borrowing rate) and principal. Operating lease payments (rents) are charged to expense on a systematic basis that is representative of the time pattern of the user's benefit.

74. If the lessor is not a manufacturer or dealer (direct financing lease), the lessor should record a receivable at the present value of minimum lease payments plus the present value of any unguaranteed residual value. The difference between the lessor's gross investment in the lease and the present value is unearned income from the lease, which should be recognized as income on a systematic basis.

75. Under a sales-type lease, if the lessor is a manufacturer or dealer, it should recognize two types of income: selling profit or loss,

and finance income. Selling profit or loss is the difference between sales revenue of the lease and the carrying amount of the asset. The sales revenue of the lease is measured by the fair value of the asset, if lower; the sum of the present values of the minimum lease payments and the estimated unguaranteed residual value accruing to the lessor, computed at the commercial rate of interest. The selling profit or loss should be included in income in accordance with the policy normally followed by the enterprise.

Income Tax

76. Income tax expense is calculated on the pretax accounting income after adjusting for permanent differences between pretax accounting income and the income subject to tax. The difference between income tax expense and income tax payable is the tax effect. This effect is attributable to timing differences that occur if items of revenue or expense are recognized in taxable income for a period that does not coincide with that in which the items are recognized for accounting income. SAS 12, *Accounting for Taxes on Income*, requires the consideration of all timing differences, with the exception of those that are not expected to reverse for some considerable future period. The tax effect of timing differences that result in a debit balance or a debit to the deferred tax balance should not be carried forward unless there is reasonable expectation of realization.

Construction Contracts

77. In accounting for construction contracts, SAS 11, *Accounting for Construction Contracts*, permits the use of either the percentage of completion method or the completed contract method. The percentage of completion method may be used only if the outcome can be reliably estimated. The standard specifies the following criteria for using the percentage of completion method for fixed price contracts:

a. Total contract revenues to be received can be reliably estimated.

b. Both the costs to complete the contract and the stage of contract performance completed at the reporting date can be reliably estimated.

c. The costs attributable to the contract can be clearly identified so that actual experience can be compared with prior estimates.

For cost-plus contracts, the percentage of completion would be permitted if both the following conditions are satisfied:

a. The costs attributable to the contract can be clearly identified.

b. Costs other than those that will be specifically reimbursable under the contract can be reliably estimated.

Related-Party Transactions

78. SAS 21, *Related Party Disclosures*, requires reporting entities to provide disclosure of related-party transactions. Entities are considered to be related if one has the ability to control the other or exercise influence over the other in making financial and operating decisions. If there are transactions between related parties, the reporting enterprise should disclose the nature of the related-party relationships as well as the kinds of transactions.

Inflation Accounting

79. There are no statutory or professional requirements to show the impact of inflation on an entity's financial performance.

Foreign Currency Translations

80. SAS 20, *Accounting for the Effects of Changes in Foreign Exchange Rates*, requires reporting entities to record foreign currency transactions in the local currency using the exchange rates in effect at the transaction date. At each balance sheet, foreign currency items should be reported at the closing rate.

81. Exchange differences relating to foreign currency monetary items should be recognized in income for the period, except the following:

a. Exchange differences arising on an intercompany monetary item that is, in effect, an extension to or deduction from a parent's net investment in a foreign entity. These differences should be included in shareholders' interests.

b. Exchange differences arising on foreign currency loans and other foreign currency transactions that are designated as such, and provide an effective hedge against a net investment in a foreign entity. These differences should be included in shareholders' interests.

c. An exchange difference that results from severe devaluation or from depreciation of a currency against which there is no practical means of hedging and that affects liabilities arising directly from the recent acquisition of assets invoiced in a foreign currency. This exchange difference may be included in the carrying amount of related assets, if the adjusted carrying amount does not exceed the lower of replacement cost and the amount recoverable from the use of the asset.

82. Exchange differences relating to foreign currency monetary items, forming part of the net investment in a foreign entity which is not integral to the parent's operations, are included in shareholders' interests.

4

Business Environment

FORMS OF BUSINESS ORGANIZATION

83. The following are the forms of business organization in Singapore:

a. Companies (corporations)
b. Foreign branches
c. Partnerships and joint ventures
d. Sole proprietorships and trusts

Entities With Corporate Attributes

84. Companies and securities laws in Singapore are the responsibility of the Registrar of Companies. This body administers the Companies Act and is responsible for keeping for public access specific information and files on all companies that are registered under the Act.

85. The Singapore government passed the Companies Act 1990 which allows it to control companies and their activities.

86. Other laws that may apply to certain companies are as follows:

a. The Control of Manufacture Act: requires a license for the manufacture of certain goods.
b. The Factories Act: requires all factories to be registered and also gives appointed inspectors the right of physical inspection.

87. The following types of companies may be incorporated under the Companies Act.

Type of Company	*Corresponding U.S. Entity*
A company limited by shares—the liability of each shareholder is limited to share investment and any unpaid amount on those shares.	Corporation
A company limited by guarantee—the liability of each shareholder is limited to the amount pledged as a contribution to the company in the event of dissolution. These pledges are recorded in the company's memorandum of association.	Not-for-Profit Organization
A company limited by both shares and guarantee.	Not-for-Profit Organization
An unlimited company—the liability of shareholders for company debts is unlimited.	Partnership/Sole Proprietorship

88. The most common form of business organization in Singapore is the company limited by shares, referred to simply as a company. Two types of companies exist: the public company and the private company. Public companies whose shares are traded on a stock exchange are referred to as listed companies.

89. The Ministry of Finance may declare any corporation as being engaged primarily in the making of investments in marketable securities for the purpose of generating revenue and profit, and not for the purpose of exercising control. There are certain restrictions imposed on investment companies regarding borrowing money or investing in shares in another corporation.

90. By complying with the requirements contained in the Companies Act, two or more individuals can subscribe their names to a memorandum and form an incorporated company.

91. A company having share capital may be incorporated as a private company if its memorandum or articles—

a. Restrict the right to transfer its shares.
b. Limit the number of its members to fifty.
c. Prohibit any invitation to the public to subscribe for shares or debentures of the company.
d. Prohibit any invitation to the public to deposit money with the company for fixed periods or payable at call, whether interest-bearing or not.

92. A company is an exempt private company if—

a. No beneficial interest is held in its shares, directly or indirectly, by a corporation, and if it has no more than twenty members,

or

b. It is a private company, wholly owned by the Government, and the Minister deems that it is in the national interest that it be an exempt private company.

93. When an application is made to the Registrar of Companies and Businesses for the formation of a company, a Memorandum of Association and Articles of Association must be filed and registered. The registration fee, payable on incorporation, is determined by the amount of the authorized share capital.

94. The memorandum of a company limited by shares shall state the company's name; the amount of registered share capital; the full name, address and occupation of the subscribers; and that the liability of the members is limited.

95. The principal controlling body of the company is the board of directors, which is appointed by the shareholders. A company is required to have a minimum of two directors, one of whom must reside in Singapore. However, there is no requirement that a director own shares in the company. A company must have at least two shareholders, if none of the shareholders is a company. However, a company may have one shareholder if it is a holding company that owns all the shares.

96. The Companies Act places significant responsibilities on the directors of the company. Directors are obliged to show diligence, honesty, and reasonable care. Failure to do so is treated very seriously and is punishable by fines and imprisonment.

97. All companies are required to hold an annual general meeting. This meeting must be held at least once every calendar year and

not more than fifteen months after the previous meeting. Newly incorporated companies must hold the first general meeting not later than eighteen months after the date of incorporation.

98. Companies incorporated under the Companies Act are required to keep accounting and other associated records to explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance sheets to be prepared.

99. The accounting and other records must be kept at the registered office, which must be located in Singapore, or at such other place as the directors deem appropriate. If the accounting and other records are kept outside Singapore, the statements and returns must be sent to a location in Singapore. These records must be open to inspection by the company directors at all times. The company shall retain the accounting records for seven years after completion of the transaction or operations to which they relate.

100. A company cannot acquire its own shares or shares in its holding company, except in certain limited circumstances, and cannot give financial assistance, directly or indirectly, for the purpose of acquiring its own shares.

Branch of a Foreign Company

101. Every foreign company must file the following documents with the Registrar within one month after it has established a place of business or commences to carry on business in Singapore:

a. A copy of the certificate of incorporation in the place of origin, certified by an official holding an office corresponding to that of the Registrar of Companies in which the foreign company is incorporated

b. A copy of its charter or articles of incorporation and bylaws or other instruments constituting or defining its constitution, certified under an oath of a director, manager, or secretary of the foreign company

c. A list of its directors

d. If there is a local board of directors, a memorandum stating the powers of the local directors

e. A memorandum of appointment or power of attorney stating the names and addresses of two or more persons residing in

Singapore who are authorized to accept notices served on the company or its agents

f. Notice of the company's registered office in Singapore

g. A statutory declaration, in the prescribed form, made by the agents of the company confirming information relating to the company

102. A foreign company is not regarded as carrying on business in Singapore for the purposes of the Act merely because in Singapore it—

a. Maintains a bank account.

b. Effects any sale through an independent contractor.

c. Solicits or procures any order to be accepted outside Singapore.

d. Conducts an isolated transaction.

e. Invests any of its funds.

f. Holds property.

g. Creates evidence of any debt.

h. Secures or collects any of its debts.

Partnership Entities

103. Partnerships are defined as two or more parties associated through a common objective of sharing profits and losses. They are subject to the provisions of the Business Registration Act.

104. Joint ventures can involve both incorporated and unincorporated bodies and can be quite common, especially in the area of property development. The joint venture agreement defines the participant's proportionate share in venture assets, liabilities and results.

Other Forms of Business Organization

105. Other forms of business organizations in Singapore are sole proprietorships and trusts.

106. A sole proprietor need only comply with minimal requirements under the Business Registration Act 1973, such as notifying the Registrar of a change in residential address or the opening of a new branch. If a sole proprietor resides outside Singapore, and the business is carried on in Singapore in his or her name by a local manager, the local manager shall be personally responsible for

discharging all obligations of the proprietor under the Act. In the case of any default regarding such obligation, the local manager shall be subject to the same responsibilities, liabilities, and penalties as the owner.

107. Trusts can be either private or public and follow either the unit format or the discretionary format. A unit trust holds the beneficiaries' interest in units or shares of value which are fixed. In a discretionary trust, the beneficiaries' entitlement is at the discretion of the trustee. It is possible to have a conglomerate of trusts containing both forms.

REQUIREMENTS FOR PUBLIC SALES OF SECURITIES AND REQUIREMENTS FOR LISTING SECURITIES ON THE STOCK EXCHANGE

Registration Requirements for Public Sale

108. Any company intending to register securities for a public sale must issue a prospectus that complies with the rules contained in the Companies Act. The prospectus must not be misleading and must disclose certain specific information, such as the amount of net tangible assets for each class of stock, the basis and date of any valuation of assets and by whom the valuation was made, and a report by an auditor called "the investigating accountant's report." Any report contained in the prospectus may not be abridged. The qualifications of the person issuing the report must be stated, and all reports must be dated less than one month prior to the registration date of the prospectus.

Requirements for Listing Securities on the Stock Exchange

109. Companies intending to invite public subscription may seek admission to the Stock Exchange of Singapore. The requirements for listing vary according to whether the listing is to be on the main board or on a secondary board. For specific details, see the Stock Exchange listing rules manual.

110. Once listed, companies are required to keep the Exchange notified of matters of significance that have occurred or are expected

to occur, and that might have an effect on its public securities. These matters include, but are not limited to, the following:

a. Any information the company is aware of that, if not disclosed, might establish a false market for its securities or that would materially affect the price of its securities

b. Any change in the general character of the business of the company or any related company

c. Any substantial acquisition or disposal of fixed assets in another company, investments in another company, or both, by a company or its affiliates

111. Financial statements must be filed with the Stock Exchange at half-year intervals and within three months of the end of the period. This includes consolidated reports, if applicable.

112. The annual report of the company must be filed with the Exchange within four months after the end of the year. This report must include footnotes that disclose specific information in addition to the normal statutory requirements. These disclosures include—

a. The reason for and amount of any material variation between the preliminary and final results and financial statements.

b. The maximum contingent liability for the termination of benefits under employment agreements with directors, officers, and other managers.

c. A statement, as of the date of the director's report, indicating the interest of each director in equity or other securities of the company.

d. Details of material transactions involving directors.

e. A statement made no earlier than six weeks before the issue of the company's annual report disclosing the names of all substantial shareholders, their holdings, and the number of holders of each class of shares.

f. A statement of the percentage of total holdings of the twenty largest shareholders of each class of equity, as well as the names of the shareholders and the number of shares they hold, by class.

113. Most of the Stock Exchange listing requirements address the specific reporting of information and financial data, rather than the extension or modification of accounting principles.

SELECTED ECONOMIC DATA

114. Key demographic and social factors, based on 1991 Singapore census data (unless otherwise indicated), follow:

Area, including smaller islands (in square kilometers)	639.1
Population (in millions), as of June 1992	2.8
Annual population increase, 1991–1992	2.0%
Population under age 15	23.1%
Population over age 60	9.4%
Median age	30.2
Labor force (in millions)	1.58
Unemployment rate	1.9%

115. The major Singapore trading partners, as of 1992, are as follows:

Country	*Imports (S$ millions)*	*Exports (S$ millions)*
Japan	24,753	7,857
United States	19,340	21,779
Malaysia	17,287	12,925
Saudi Arabia	6,018	671
Taiwan	4,721	4,188
Thailand	4,365	6,442
Germany	3,839	4,389
China	3,668	1,811
Hong Kong	3,587	8,081
United Kingdom	3,281	3,003
Other	26,671	32,205
	117,530	103,351

116. Singapore's primary import and export products for 1992 are as follows:

	Imports (S$ millions)	*Exports (S$ millions)*
Machinery and transport	56,330	56,939
Manufactured goods	26,767	16,708
Mineral fuels	14,987	13,510
Chemicals and chemical products	8,855	6,732
Food	4,837	2,987
Metals	1,867	2,278
Beverages and tobacco	1,652	1,969
Animal and vegetable oils	878	747
Miscellaneous	1,357	1,481
	117,530	103,351

TAXES

Principal Types

117. All income earned by residents of Singapore, both individuals and companies, is subject to income tax, with a few exceptions. This includes income derived from sources outside Singapore; however, the level of tax due on income depends on the amount of tax paid in the country in which it was derived, and international tax treaties. Nonresidents who earn income from sources in Singapore are also subject to income tax.

118. The tax year in Singapore commences on January 1 and ends on December 31. Taxes are assessed annually. All companies are taxed at the same rate; the current tax rate is 30 percent. This rate applies to both resident and nonresident companies. The tax is based on adjusted net profit less depreciation allowances.

119. Resident individual tax rates are progressive. They begin at 3.5 percent and progressively increase. Those who earn in excess of S$400,000 pay the maximum rate of 33 percent.

120. Nonresident individuals are taxed at a rate of 30 percent on all income except for short-term employment income (less than 60 days) which is not taxed.

121. All employers are required to contribute 40 percent of an employee's monthly gross wage to a Central Provident Fund, of which 22 percent is recoverable from the employee. This fund is the National Social Security for wage earners and offers income protection for older individuals.

122. The government offers a number of tax concessions for companies and business enterprises as an incentive for developing certain sectors and for attracting foreign investment. The principal concessions are the following.

a. Service companies and industries that receive Pioneer status may be granted a tax holiday for up to ten years. At the end of this period, they may be granted post-Pioneer status and taxed at the reduced rate of 10 percent for an additional five years.

b. The Income Tax Act provides for a concessionary tax rate of 10 percent on income from Asian Currency Unit Accounts of financial institutions. The income of general insurance companies derived from the insuring of offshore risks is also taxed at the concessionary rate of 10 percent.

Property Tax

123. Property tax is payable in January and July, or in monthly installments. The tax payable is a percentage of the annual value, which is the amount of gross rents the property could generate if rented. Since July 1, 1990, property tax has been set at 16 percent of the annual value of the property. Some approved development projects will continue to enjoy the concessionary tax rate of 12 percent for twenty years.

Estate Duty

124. Estate duty is imposed on the total assets of deceased persons domiciled in Singapore, as well as on their assets abroad. In the case of nondomiciled individuals, estate duty is levied only on their assets in Singapore. Foreigners who at the time of their deaths were neither domiciled nor resident in Singapore, are not liable for estate duty on certain assets they had held.

Stamp Duty

125. Stamp duty is imposed on various kinds of commercial and legal instruments. The rate of duty varies according to the type of

instrument. Failure to stamp an instrument that requires duty, or improper stamping, is an offense.

Tax Returns

126. All taxpayers required to file tax returns must do so within two months following the end of the tax year, or within twenty-one days of the date of issue of the Return Form. All companies must file a tax return accompanied by their audited financial statements. The tax office usually issues a tax assessment within one to two months of filing the return. Any tax due must be paid within thirty days of the date of assessment. All payments of tax installments by individuals and companies are credited against the tax liability, and overpayments are refunded.

127. Partnerships, joint ventures, and trusts are generally not subject to income tax, but are still required to file tax returns in order to determine partners' and trustees' taxable income.

128. Taxable income for companies is based, in general terms, on pretax accounting income; however, special rules apply to the following:

a. Tax losses are carried forward (there are no carrybacks).

b. Charges to provisions are not deductible.

c. Special concessions are available for certain investments.

d. Cost concessions are made for research and development.

129. There is no capital gains tax in Singapore. Therefore, gains or profits derived from transactions are not generally regarded as taxable. However, if they occur as part of a commercial activity, transactions could be regarded as amounting to a trade or business and thus taxable.

130. The following additional taxes are levied by the Singapore government:

a. Sales tax on certain items

b. Customs tax

c. Skills development levy

d. Motor vehicle tax

APPENDIX A

Outstanding Auditing Pronouncements

Auditing Pronouncements as of March 1993 are as follows:

Statements of Auditing Guidelines (SAGs)

No.	Title
1	*Objective and Scope of the Audit of Financial Statements*
2	*Special Purpose Auditor's Reports*
3	*Audit Engagement Letters*
4	*Basic Principles Governing an Audit*
5	*Planning*
6	*Using the Work of Another Auditor*
7	*Study and Evaluation of the Accounting System and Related Internal Controls in Connection with an Audit*
8	*Control of the Quality of Audit Work*
9	*Audit Evidence*
10	*Documentation*
11	*Using the Work of an Internal Auditor*
12	*Fraud and Error*
13	*Analytical Procedures*
14	*Auditing in an EDP Environment*
15	*Computer-Assisted Audit Techniques*
16	*The Effects of an EDP Environment on the Study and Evaluation of the Accounting System and Related Internal Controls*
17	*Other Information in Documents Containing Audited Financial Statements*
18	*Auditor's Report on Financial Statements*
19	*Related Parties*
20	*Representations by Management*
21	*Going Concern*
22	*Audit Sampling*
23	*Using the Work of an Expert*

No.	Title
24	*Date of the Auditor's Report, Events after the Balance Sheet Date; Discovery of Facts after the Financial Statements have been Issued*
25	*Value of Money Auditing in a Statutory Board*
26	*Audit of Accounting Estimates*
27	*Materiality and Audit Risk*
28	*The Examination of Prospective Financial Information*
29	*First Year Audit Engagements – Opening Balances*
30	*Inherent and Control Risk Assessments and Their Impact on Substantive Procedures*

Statements of Auditing Practice (SAPs)

No.	Title
1	*Verification of Debtor Balances – Confirmation by Direct Communication*
2	*The Interpretation of 'Material' in Relation to Accounts*
3	*Microfilm Records and Their Audit Implications*
4	*Existence and Valuation of Inventories in the Context of the Historical Cost System*
5	*Auditors' Supplementary Report for Banks*
5A	*Auditors' Supplementary Report for Finance Companies*
5B	*Auditors' Supplementary Report for Merchant Banks*
5C	*Auditors' Supplementary Report for Corporate Members of the Singapore International Monetary Exchange*
5D	*Auditors' Supplementary Report for Statutory Boards*
6	*True and Fair*
7	*Audit of Solicitors' Accounts*
8	*Charities*
9	*Audit of Trade Unions*
10	*Bank Reports for Audit Purposes*
11	*Review of Interim Financial Information*
12	*Basic Principles Governing Review Engagements*
13	*A Guide to the Audit of General Insurance Companies*
14	*Engagements to Perform Agreed-Upon Procedures*
15	*Engagements to Compile Financial Information*

APPENDIX B

Outstanding Accounting Pronouncements

The outstanding accounting pronouncements as of March 1993 are listed below:

Statements of Accounting Standards (SASs)

No.	Title
–	*Preface to Statements of Accounting Standards*
1	*Disclosure of Accounting Policies*
2	*Valuation and Presentation of Inventories in the Context of the Historical Cost System*
4	*Depreciation Accounting*
5	*Information to be Disclosed in Financial Statements*
6	*Earnings per Share*
7	*Statement of Changes in Financial Position*
8	*Unusual and Prior Period Items and Changes in Accounting Policies*
9	*Accounting for Research and Development Activities*
10	*Contingencies and Events Occurring after the Balance Sheet Date*
11	*Accounting for Construction Contracts*
12	*Accounting for Taxes on Income*
13	*Presentation of Current Assets and Current Liabilities*
14	*Accounting for Property, Plant, and Equipment*
15	*Accounting for Leases*
16	*Revenue Recognition*
17	*Accounting for Retirement Benefits in the Financial Statements*
18	*Accounting for Government Grants and Disclosure of Government Assistance*
19	*Capitalization of Borrowing Costs*
20	*Accounting for the Effects of Changes in Foreign Exchange Rates*
21	*Related Party Disclosures*
22	*Accounting for Business Combinations*
23	*Reporting Financial Information by Segment*

No.	Title
24	*Accounting and Reporting by Retirement Benefit Plans*
25	*Accounting for Investments*
26	*Consolidated Financial Statements and Accounting for Investments in Subsidiaries*
27	*Accounting for Investments in Associates*

Recommended Accounting Practice (RAPs)

No.	Title
1	*Standards of Disclosure in Financial Statements*
1A	*Framework for the Preparation and Presentation of Financial Statements*
2	*Reporting Financial Information by Segment*
3	*Reporting Value Added Information*
4	*Accounting for Financial Futures*
5	*Off-Balance Sheet Finance and Window Dressing*
6	*Accounting by Charities*

APPENDIX C

Illustrative Auditor's Report and Financial Statements

The following financial statements are intended for illustrative purposes. The statements are not intended to include all information that Singapore law requires for a large nonexempt company that is both a borrowing and a listed corporation.

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts of the Company and of the Group for the year ended March 31, 1992.

Principal Activities

The principal activities of the Company and of the Group are those relating to marine engineering, marine welding and repair, manufacturing and remanufacturing, sales of oil rig tools, and marketing of marine equipment. There have been no significant changes in the nature of these activities during the year.

Results for the Year

(in Singapore dollars)

	Group	*Company*
Profit after taxation and minority interest	S$4,478,576	S$5,338,288
Dividend proposed, less tax	(420,000)	(420,000)
Profit retained	S$4,058,576	S$4,918,288

In the opinion of the directors, the results of the operations of the Company and the Group during the financial year have not been affected by any item, transaction, or event of a material and unusual nature.

Transfer to/from Reserves and Provisions

There were no material transfers to and from reserves and provisions during the year, other than consolidation adjustments totaling S$74,977 which have been credited to the group revenue reserve.

Dividends

During the year, the Company paid a final dividend of 10 percent, less tax, amounting to S$414,000 in the previous year as proposed in the directors' report of that year. The directors propose that the final dividend of 10 percent, less tax, amounting to S$420,000, be paid for the current year.

Share Capital

No shares were issued during the year. Currently, there is no option plan for unissued shares. The subsidiary company, XYZ Limited, issued 210 million shares at par for cash to increase its working capital.

Acquisition and Disposal of Subsidiaries

Acquisition
(in Singapore dollars)

Name of company	*Interest*	*Net tangible assets on date of acquisition*	*Consideration*
ABC Co Pte Ltd	50%	S$158,761	S$158,761
DEF Pte Ltd	25	5,896	2,500

There were no disposals of subsidiaries during the year.

Directors

The directors of the Company in office at the date of this report are:

David Wong
Irene Wang
Jamie Ling
Liak Teng Boo
Chew Soo Chiat
Barnes Clement

A register was maintained in compliance with Section 164 of the Companies Act, Cap. 50. According to the register, the following directors held both office and an interest in shares in the Company at the end of the financial year, as follows:

	Shareholdings registered in the name of directors		*Shareholdings in which directors are deemed to have interests*	
	Shares of S$0.25 each at April 1, 1991	*Shares of S$0.25 each at April 1, 1992*	*Shares of S$0.25 each at April 1, 1991*	*Shares of S$0.25 each at April 1, 1992*
David Wong	3,150,000	3,150,000	3,100,000	3,100,000
Irene Wang	10,000	10,000	–	–
Liak Teng Boo	–	–	–	10,000

There were no changes in any of the above-mentioned interests between the end of the financial year and April 21, 1992, except that Chew Soo Chiat acquired 15,000 shares in a subsidiary company, GHI Pte Ltd on April 1, 1992, and Clement Barnes had an interest of 2,000 shares in GIH (Singapore) Limited both at the date of appointment and at April 21, 1992. Apart from the interest of Chew Soo Chiat, as disclosed above, no other director who held office at the end of the financial year had an interest in shares or debentures in the Company's subsidiaries. Since the end of the previous year, no director has received, or has become entitled to receive, benefits under contracts required to be disclosed by Section 201(8) of the Companies Act 1990.

Audit Committee

The Audit Committee was established by the Board of Directors in accordance with Section 201 B of the Companies Act 1990. The Audit Committee carried out its functions in accordance with the Companies Act, which included review of the financial statements of the Group and the Company for the year and the auditor's report thereon. The Audit Committee has recommended David & Tong for reappointment as auditors by shareholders for the ensuing financial year.

Asset Values

Before the profit and loss account and balance sheet of the Company were completed, the Directors took reasonable steps to ascertain the following:

a. Action had been taken in relation to writing off bad debts and making provision for doubtful debts, and the directors are satisfied that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

b. Any current assets which are unlikely to realize their book value in the ordinary course of business have been written down to their estimated realizable values or adequate provision has been made for the difference between those values.

At the date of this report, the directors are not aware of any circumstances that would render—

a. Any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent.

b. The values attributed to current assets in the consolidated accounts misleading.

Charges and Contingent Liabilities

Since the end of the financial year, no charge on the assets of the Company or any company in the Group has arisen that secures the liabilities of any other person. Since the end of the financial year, no contingent liability of the Company or any company in the group has arisen.

No contingent or other liability of the Company or any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other Circumstances Affecting the Accounts

At the end of this report, the directors are not aware of any circumstances not otherwise addressed in this report or the consolidated accounts which would render any amount stated in the accounts of the Company and the consolidated accounts misleading.

Unusual Items After the Financial Year

In the opinion of the directors, no item, transaction, or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that would affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

Auditors

The auditors, David & Tong, Certified Public Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board,

D. WONG Director	I. WANG Director

June 22, 1992
Singapore

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

We, DAVID WONG and IRENE WANG, being two of the directors of GIH (SINGAPORE) Limited, do hereby state that, in the opinion of the directors:

a. The balance sheets, profit and loss accounts, and consolidated statement of changes in financial position together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 1992; and the results of the Company and the Group, and the changes in financial position of the Group, for the year ended on that date;

b. At the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

D. WONG	I. WANG
Director	Director

June 22, 1992
Singapore

REPORT OF THE AUDITORS TO THE MEMBERS OF GIH (SINGAPORE) LIMITED

We have audited the accounts in accordance with Statements of Auditing Guidelines and Statements of Auditing Practice and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered appropriate in the circumstances. In our opinion—

a. The accounts are properly drawn up in accordance with the provisions of the Companies Act 1990 and Statements of Accounting Standards and so as to give a true and fair view of:

  (*i*) The state of affairs of the Group and of the Company as at March 31, 1992, and of the results of the Group and of the Company and changes in financial position of the Group for the year ended on that date.

  (*ii*) The other matters required by Section 201 of the Act to be addressed in the accounts and consolidated accounts.

b. The accounting and other records and the registers required by the Act to be kept by the company and by the subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the accounts and auditors' reports of all subsidiaries for which we have not acted as auditors, and whose accounts have been included in the consolidated accounts. We have also considered the accounts of XYZ Limited, which are not required to be audited under the laws of the country of its incorporation, being accounts that are included in the consolidated accounts. We are satisfied that the accounts of the subsidiaries that are consolidated with the accounts of the holding company are in the form and content appropriate and proper for the purposes of the preparation of the consolidated accounts, and we have received satisfactory information and explanations as required by us for those purposes. The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in the Republic of Singapore, did not include any comment made under subsection (3) of Section 207 of the Act.

DAVID & TONG
Certified Public Accountants

June 22, 1992
Singapore

PROFIT AND LOSS ACCOUNTS
For the year ended March 31, 1992

	Note	Group		Company	
		1992 (S$000)	1991 (S$000)	1992 (S$000)	1991 (S$000)
Turnover	3	25,667	23,875	24,777	23,663
Operating profit	4	5,919	6,715	6,503	6,742
Investment and interest income	5	285	274	697	424
Share of profit of associated company		—	157	—	—
Profit before taxation		6,204	7,146	7,200	7,166
Provision for taxation	6	(1,734)	(2,115)	(1,862)	(2,110)
Profit after taxation		4,470	5,031	5,338	5,056
Minority interest		8	17	—	—
Profit attributable to members of GIH (Singapore) Ltd		4,478	5,048	5,338	5,056
Dividends	7	(420)	(414)	(420)	(414)
Retained profit for the year		4,058	4,634	4,918	4,642
Retained earnings at the beginning of year		12,636	8,002	15,350	10,708
Retained earnings at the end of year		16,694	12,636	20,268	15,350
Earnings per share	8	18.7c	21.0c		

BALANCE SHEET
At March 31, 1992

	Note	*Group*		*Company*	
		1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Fixed assets	9	18,704	10,970	11,224	9,413
Subsidiary companies	10	—	—	9,492	2,166
Associated company	11	—	567	—	123
Investments	12	51	51	51	51
Deferred expenditure	13	716	267	—	—
Current assets					
Stock and work-in-progress	14	3,467	1,995	3,340	1,940
Trade debtors	15	9,598	9,438	9,307	9,372
Other debtors	16	1,565	458	806	245
Fixed deposit		2,199	6,250	1,751	6,250
Cash and bank balances		1,987	1,627	1,505	1,544
		18,816	19,768	16,709	19,351
Deduct: Current liabilities					
Bank overdraft, secured	17	414	—	—	—
Trade creditors		5,005	3,674	4,476	3,517
Term loan, unsecured	18	100	—	100	—
Hire purchase creditors	19	267	267	267	267
Provision for taxation		1,502	1,940	1,460	1,940
Proposed final dividend		420	414	420	414
		7,708	6,295	6,723	6,138
Net current assets		11,108	13,473	9,986	13,213
Long-term liabilities					
Hire purchase creditors	19	(117)	(384)	(117)	(384)
Deferred taxation	20	(1,432)	(1,181)	(1,417)	(1,181)
Term loan, unsecured	18	(900)	—	(900)	—
		28,130	23,763	28,319	23,401
Financed by:					
Share capital	21	6,000	6,000	6,000	6,000
Reserves	22	21,816	17,682	22,319	17,401
		27,816	23,682	28,319	23,401
Minority interest		314	81	—	—
		28,130	23,763	28,319	23,401

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended March 31, 1992

	1992 (S$000)	*1991 (S$000)*
Source of funds		
Profit before taxation	6,204	7,146
Items not involving the movements of funds		
Share of profits of associated company	–	(157)
Depreciation of fixed assets	2,006	1,552
Profit on sale of fixed assets	(20)	(25)
Amortization of deferred expenditure	180	–
Translation difference on consolidation	86	1
Funds generated from operations	8,456	8,517
Funds from other sources		
Increase in long-term hire purchase creditors	–	384
Issue of shares to minority interest	246	10
Dividend from associated companies	–	103
Proceeds from sale of fixed assets	114	161
Decrease in advance to associated companies	48	21
Increase in term loan	1,000	–
	9,864	9,196
Application of funds		
Income tax paid	2,041	1,932
Dividends paid	414	414
Increase in deferred expenditure	627	268
Purchase of fixed assets	9,725	4,030
Increase in investment	–	51
Acquisition of subsidiaries	161	–
Decrease in long-term hire purchase creditors	267	–
	13,235	6,695
(Decrease)/increase in working capital	(3,371)	2,501
Represented by:		
Increase in debt	853	1,270
Increase in stocks and work-in-progress	1,472	19
(Increase) in credit	(1,074)	(676)
	1,251	613
Movements in net liquid funds		
(Decrease)/increase in fixed deposits	(4,539)	1,743
(Decrease)/increase in cash and bank balances	(83)	145
	(4,622)	1,888
	(3,371)	2,501

(Continued on next page)

The acquisition of subsidiaries has been shown in the statement as a single item. The effect on the individual assets and liabilities is set out below:

	1992 (S$000)
Fixed assets	124
Debtors	414
Fixed deposits	488
Cash and bank balance	28
Trade creditors	(256)
Provision for taxation	(103)
Deferred taxation	(18)
Minority interest	6
	683
Less: Investments in associated company	(519)
Reserve on consolidation	(3)
Net assets acquired	161

NOTES TO THE ACCOUNTS
March 31, 1992

1. Significant Accounting Policies

a. Basis of accounting

The accounts of the Company and of the Group are prepared under historical cost.

b. Basis of consolidation

The accounting year of the Company and its subsidiaries ends on March 31 and the consolidated accounts incorporate the accounts of the Company and all its subsidiaries. The results of the subsidiaries acquired or sold during a year are included in or excluded from the respective dates of acquisition or sale, as applicable. When subsidiary companies are acquired, any excess of the consideration over the net assets at the date of acquisition is included in goodwill and written off against group revenue reserves in the year in which it arises. Assets, liabilities, and results of overseas subsidiaries are translated into Singapore currency on the basis outlined in paragraph *h*.

c. Subsidiary companies

Investments in subsidiary companies are stated at cost unless, in the opinion of the directors, there has been permanent diminution in value, when they are written down to a valuation fixed by the directors.

d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements, and renewals is capitalized and expenditures for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

e. Depreciation

Depreciation is calculated on the straight-line method to write off the cost of the fixed assets over their estimated useful life. No depreciation is provided on land. The estimated useful lives of fixed assets are as follows:

Leasehold buildings	50 years or the remaining term of the lease, whichever is lower
Workshop equipment	5 and 10 years
Furniture and fixtures	5 to 10 years
Motor vehicles	5 years

f. Stock and work-in-progress

Stock is stated at the lower of cost, determined by using the first-in-first-out method, and net realizable value. In arriving at the net realizable value, allowance is made for all obsolete and slow moving items. Finished goods and work-in-progress include the cost of raw materials, direct labor, and attributable factory overhead.

g. Deferred taxation

Deferred taxation is accounted for under the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on all timing differences is reflected in the deferred taxation account.

h. Foreign currencies

Transactions arising in foreign currencies during the year are converted at rates closely approximating those on the transaction dates. Foreign currency assets and liabilities are converted into local currency at the exchange rates at the balance sheet date. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated accounts, all assets and liabilities of foreign subsidiaries are translated into Singapore dollars at the exchange rates at the balance sheet date and the results of foreign subsidiaries are translated into Singapore dollars at the weighted average exchange rates. Exchange differences attributable to such currency translations are included in revenue reserve.

i. Deferred expenditure

Deferred expenditure represents preproduction expenses. It is amortized over five years commencing in the year of production.

2. General

The Company is incorporated in the Republic of Singapore. The Company's accounts and consolidated accounts are expressed in Singapore dollars. The principal activities of the Company and of the Group are those relating to marine engineering, marine welding and repair, manufacturing and remanufacturing, sale of oil rig tools, and marketing of marine equipment. There have been no significant changes in the nature of these activities during the year.

3. Turnover

Turnover represents invoiced trading sales and services after allowance for goods returned and trade discounts and excludes intragroup transactions.

4. Operating Profit

	Group		Company	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Operating profit is stated after charging/ (crediting)				
Depreciation of fixed assets	2,006	1,552	1,674	1,532
Directors' remuneration:				
Executive directors	829	995	792	995
Nonexecutive directors	55	47	55	47
Professional fees paid to firm in which two directors have an interest	34	46	31	47
Auditors' remuneration	55	50	46	46
Profit on sale of fixed assets	(20)	(25)	(50)	(24)
Amortization of deferred expenditure	180	—	—	—
Interest on bank overdrafts	6	—	—	—

5. Investment and Interest Income

	Group		Company	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Gross dividend income from:				
Unquoted associated company	—	—	525	150
Quoted equity investments	2	—	2	—
Interest income from fixed deposit	283	274	170	274
	285	274	697	424

6. Provision for Taxation

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Tax on profit for the year:				
Current taxation	(1,500)	(1,967)	(1,626)	(2,014)
Deferred taxation	(264)	(74)	(266)	(74)
	(1,764)	(2,041)	(1,892)	(2,088)
Adjustment to previous years:				
Current taxation	(1)	(7)	–	(7)
Deferred taxation	31	(15)	30	(15)
	30	(22)	30	(22)
Share of associated company	–	(52)	–	–
	(1,734)	(2,115)	(1,862)	(2,110)

7. Dividends

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Final proposed 10 percent (1991–10 percent) less tax	(420)	(414)	(420)	(414)

8. Earnings per Share

Earnings per share are calculated by dividing the profit of S$4,478,576 (1991: S$5,048,077) by 24 million (1991: 24 million) shares outstanding during the year.

9. Fixed Assets (S$000)

Group	*Land*	*Leasehold land and building*	*Diving and workshop equipment*	*Furniture, office equipment and motor vehicles*	*Building under construction*	*Total*
Cost at April 1, 1991	187	7,518	12,439	1,246	–	21,390
Currency realignment	(22)	3	3	–	–	(16)
Additions	–	56	5,317	532	3,818	9,723
Due to acquisition of subsidiary	–	–	894	80	–	974
Disposals	–	–	(448)	–	–	(448)
At March 31, 1992	165	7,577	18,205	1,858	3,818	31,623
Accumulated depreciation at April 1, 1991	–	2,050	7,646	723	–	10,419
Charge for the year	–	233	1,475	297	–	2,005
Due to acquisition of subsidiary	–	–	783	68	–	851
Disposals	–	–	(356)	–	–	(356)
At March 31, 1992	–	2,283	9,548	1,088	–	12,919
Net book value						
At March 31, 1992	165	5,294	8,657	770	3,818	18,704
At March 31, 1991	187	5,467	4,793	523	–	10,970

Company	*Leasehold building*	*Workshop equipment*	*Furniture, office equipment and motor vehicles*	*Total*
Cost at April 1, 1991	6,832	11,235	1,126	19,193
Additions	40	3,215	257	3,512
Disposals	–	(383)	–	(383)
At March 31, 1992	6,872	14,067	1,383	22,322
Accumulated depreciation				
At April 1, 1991	2,038	7,048	694	9,780
Charge for the year	219	1,215	240	1,674
Disposals	–	(356)	–	(356)
At March 31, 1992	2,257	7,907	934	11,098
Net book value				
At March 31, 1992	4,615	6,160	449	11,224
At March 31, 1991	4,795	4,186	432	9,413

10. Subsidiary Companies

	Company	
	1992 (S$000)	*1991 (S$000)*
Unquoted shares, at cost:		
Balance at beginning of year	1,403	425
Additions in the year:		
GHI Sdn Bhd	–	965
XYZ Portugal	2,143	12
DEF Co Ltd	2	–
ABC Co Pte Ltd:		
New investment	159	–
Original investment under associate company	75	–
Balance at end of year	3,782	1,402
Provision for diminution in value of investment	(326)	(325)
Net investment in unquoted shares	3,456	1,077
Intracompany indebtedness:		
Amount owed by subsidiary companies	6,269	1,314
Deduct: Provision against amounts owed:		
Balance at beginning of year	(165)	(165)
Addition during the year	(10)	–
Balance at end of year	(175)	(165)
	6,094	1,149
Amounts owed to subsidiary companies	(58)	(60)
	6,036	1,089
Total investments in subsidiary companies	9,492	2,166
By geographical locations:		
Singapore	267	5
Malaysia	4,237	1,890
Portugal	4,988	271
	9,492	2,166

11. Associated Company

	Group		Company	
	1992 (S$000)	1991 (S$000)	1992 (S$000)	1991 (S$000)
Unquoted shares, at cost	–	75	–	75
Share of postacquisition profits:				
Balance at beginning of year	444	442	–	–
Movements during the year:				
Transfer to subsidiary company	(444)	–	–	–
Share of profits	–	157	–	–
Dividends received, gross	–	–	–	150
Attributable taxation	–	(52)	–	–
Dividend to GIH	–	(103)	–	(150)
	(444)	2	–	–
Balance at end of year	–	444	–	–
Net investment carrying value	–	519	–	75
Advances to associated company	–	48	–	48
Carrying value of associated company	–	567	–	123

During the year, the Company acquired an additional 50 percent interest of the shares in the associated company, ABC Pte Ltd, making it a wholly owned subsidiary. Accordingly, the share of the postacquisition profits of the associated company at March 31, 1991 have now been consolidated as part of the assets and liabilities of the Group at March 31, 1992.

12. Investments

	Group		Company	
	1992 (S$000)	1991 (S$000)	1992 (S$000)	1991 (S$000)
Quoted shares, at cost	51	51	51	51
Market value	51	51	51	51

13. Deferred Expenditure

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Balance at April 1, 1991	268	–	–	–
Currency realignment	1	–	–	–
Additions	627	267	–	–
Amortization during the year	(180)	–	–	–
Balance at March 31, 1992	716	267	–	–

14. Stock and Work-in-Process

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Finished goods	418	91	95	91
Raw material	1,597	933	1,793	890
Work-in-progress	1,335	875	1,335	863
Engines and spare parts	117	96	117	96
	3,467	1,995	3,340	1,940

15. Trade Debtors

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Trade debtors are stated after deducting provision for doubtful debts of	152	257	150	255
Analysis of provision for doubtful debts:				
Balance at April 1	257	258	255	256
Currency realignment	–	(11)	–	(10)
Charge to profit and loss account	94	187	94	186
Bad debts written off	(171)	(76)	(171)	(76)
Bad debts recovered	(28)	(101)	(28)	(101)
Balance at March 31	152	257	150	255
Bad debts written off directly to profit and loss account	5	–	4	–

16. Other Debtors

	Group		Company	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Staff loan	71	50	22	50
Sundry deposits	279	15	50	13
Prepayments	811	393	734	182
Value-added tax recoverable	404	—	—	—
	1,565	458	806	245

17. Bank Overdraft, Secured

The bank overdraft is secured by a corporate guarantee from GIH Ltd and bears interest at 1.5 percent above base lending rate.

18. Term Loan, Unsecured

	Group and Company	
	1992 (S$000)	*1991 (S$000)*
Repayable within twelve months	100	—
Repayable after twelve months	900	—

The loan is repayable over five years by twenty equal quarterly installments commencing December 1, 1992, and bears interest at 1.5 percent above the prime rate.

19. Hire Purchase Creditors

	Group and Company	
	1992 (S$000)	1991 (S$000)
Repayable within one year	267	267
Repayable after one year	117	384
	384	651
The future repayments under hire purchase are as follows:		
1991–92	–	297
1992–93	297	297
1993–94	128	128
	425	722
Amounts representing interest	(41)	(71)
	384	651

20. Deferred Taxation

The deferred taxation arises as a result of:

	Group		Company	
	1992 (S$000)	1991 (S$000)	1992 (S$000)	1991 (S$000)
Excess of net book value over tax write-down value of fixed assets	1,431	1,154	1,417	1,154
Other timing differences	1	27	–	27
	1,432	1,181	1,417	1,181

21. Share Capital

	Group and Company	
	1992 (S$000)	1991 (S$000)
Authorized:		
40 million shares of S$0.25 each	10,000	10,000
Issued and fully paid:		
24 million shares of S$0.25 each	6,000	6,000

22. Reserves

	Group		*Company*	
	1992 (S$000)	*1991 (S$000)*	*1992 (S$000)*	*1991 (S$000)*
Revenue reserve	19,764	15,630	20,268	15,350
Share premium account	2,052	2,052	2,051	2,051
	21,816	17,682	22,319	17,401

APPENDIX D

Checklist for Comparison of Generally Accepted Auditing Standards (GAAS) in the United States With Auditing Standards in Singapore

General Information	Answer	Comments
1. Is a primary purpose of an audit–		
a. To attest to information used by investors, creditors, etc.?	No	
b. To satisfy statutory requirements (for example, the Companies Act)?	Yes	
c. For tax purposes?	No	
2. A. The United States has ten generally accepted auditing standards including general standards, standards of field-work, and standards of reporting. Those standards and their interpretations constitute U.S. GAAS, which have been published in *Codification of Statements on Auditing Standards.*[1] Do generally accepted auditing standards exist in Singapore?	Yes	2A. Statements of Auditing Guidelines (SAG) and Statements of Auditing Practice (SAP) are guidance statements on generally accepted auditing practices. Members are advised to work towards their implementation to the extent practicable.
B. If so, are they published?	Yes	2B. Published in the *ICPAS Members' Handbook.*

C. If auditing standards exist in Singapore, are they similar to U.S. standards?	Yes				2C. Most of the SAG are similar to U.S. GAAS.
3. Who is responsible for promulgating auditing standards (for example, the profession, a governmental body, etc.)?	The profession				3. The Institute of Certified Public Accountants of Singapore (ICPAS).

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
4. Do auditors confirm receivables? (AU 331)	Yes. SAP 1	✓			
5. Do auditors observe inventory counts? (AU 331)	Yes. SAP 4	✓			
6. Do auditors receive written representations from management? (AU 333)	Yes. SAG 20	✓			
7. Do auditors receive written representations from management's legal counsel? (AU 337)	Yes		✓		7. Written representations from management's legal counsel are received only if a case is in litigation. Solicitors do not reply to nonspecific queries where no case number is quoted.

Notes:

Checklist was completed from the perspective of performing a local audit, *not* a referral audit.
AU numbers refer to sections in the *Codification of Statements on Auditing Standards*, unless otherwise noted.
This checklist does not include the latest GAAS pronouncements issued in the United States.
SAS = Statements of Accounting Standards issued by the ICPAS.
[1] American Institute of Certified Public Accountants. *Codification of Statements on Auditing Standards.* Chicago, Ill.: Commerce Clearing House, Inc., 1993.

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
8. A. Do auditors prepare and maintain working papers? (AU 339)	Yes. SAG 10	✓			
B. If so, do they include a written audit program outlining procedures to be performed? (AU 339)	Yes. SAG 10	✓			
9. Do auditors obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing, and extent of tests to be performed? (AU 319)	Yes. SAG 7	✓			
10. A. Do auditors communicate reportable conditions in the internal control structure to the audit committee? (AU 325)	Yes. SAG 7 and S 201B of the Companies Act	✓			10A. Under SAG 7 auditors should report in writing to management any material weaknesses in the internal control system. The Companies Act requires auditors to report to the audit committee regarding their review of the internal control structure.
B. If so, is the communication documented? (AU 325)	Yes	✓			
11. In obtaining evidential matter, does the auditor apply either statistical or nonstatistical procedures? (AU 350)	Yes. SAG 13 and 22	✓			
12. Is the auditor responsible for designing the audit to provide reasonable assurance of detecting errors and irregularities that are	Yes. SAG 5, 12, and 27	✓			12. In planning the audit, the auditor should consider what would render the financial information materially misstated.

material to the financial statements? (AU 316)			
13. A. Does the auditor perform procedures to identify related-party transactions and their effects on the financial statements? (AU 334)	Yes. SAG 19	✓	13A. Management is responsible for the identification and disclosure of related parties and transactions with such parties. The auditor's responsibility is to obtain sufficient appropriate audit evidence to draw reasonable conclusions concerning the treatment of such disclosure in the financial statements.
B. If so, list the procedures.			13B. Procedures may include one or more of the following: • Inquiry of management as to the names of all related parties. • Inquiry as to the affiliation of directors and officers with other entities. • Determination of names of principal stockholders. • Review of minutes of meetings of stockholders and board of directors. • Review of prior year work papers for names of known related parties. • Inquiry of other auditors currently involved or predecessors as to additional related parties. • Review of entity's income tax returns.

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
14. Does the auditor consider the adequacy of cutoff procedures to ensure that movements into and out of inventories are properly identified in the accounting records? (AU 313)	Yes. SAP 4	✓			
15. A. Are specific auditing procedures applied to transactions occurring after the balance sheet date? (AU 560)	Yes. SAG 24	✓			
B. Are other auditing procedures applied to ascertain the occurrence of subsequent events that require adjustment to or disclosure in the financial statements? (AU 560)	Yes. SAG 24	✓			
16. The concept of "joint auditors" in certain countries (e.g., U.K., Canada, and Australia) is that two auditors or audit firms jointly audit the financial statements of a company and issue a single report signed by the two firms. This practice is not generally followed in the United States. Does the concept of "joint auditor" exist in Singapore?	No			✓	
17. When a principal auditor is reporting on financial statements that include one or more subsidiaries, divisions, branches, or investees: (AU 543)					

A. Must the principal auditor assume responsibility for the work of the other auditor as it relates to the principal auditor's opinion?	Yes. SAG 6	✓	
B. May the principal auditor decide not to assume that responsibility by making reference to the other auditor and indicating the division of responsibility?	No. SAG 6	✓	17B. If the principal auditor is not satisfied that the accounts of subsidiaries are appropriate and proper for consolidation and has not received satisfactory information and explanations, the auditor has a statutory obligation to report this.
18. A. Is there a standard form of auditor's report? (AU 508)	Yes. SAG 18	✓	
B. List the circumstances that require a departure from the standard report and indicate the type of report required. (AU 508)			18B. Limitation on scope; disagreement with management on: • Accounting policies. • Application and adequacy of disclosure of policies. • Compliance with relevant regulations and statutory requirements. • Departure from the Statements of Accounting Standards. • Uncertainty. Whenever the auditor issues a report other than an unqualified report, it should include a clear description of all substantive reasons and, where practicable, a quantification of the possible effects on the financial statements.

U.S. Generally Accepted Auditing Standards	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
19. A. Does the auditor's report require an explanatory paragraph for a change in accounting principles or in the method of their application? (AU 508)	No			✓	
B. If not, does it imply that either consistency exists or that the financial statements disclose the inconsistency?	Yes. SAS 1 and 8	✓			19B. The financial statements must disclose the change and the effects of the change.
20. A. Is the auditor's report dated as of the last day of fieldwork? (AU 530)	Yes. SAG 18 and 24	✓			
B. If not, what date is used?					
21. To express an opinion, must the auditor be independent? For the purpose of this checklist, independence is defined as not having a financial interest in or connection with the client. (Code of Professional Conduct, Rule 101 and its interpretations.)	Yes. SAG 4 and The Public Accountants Board Rules	✓			
22. Please describe any standards in Singapore for which there are no corresponding U.S. standards.					22. None

APPENDIX E

Checklist for Comparison of Generally Accepted Accounting Principles (GAAP) in the United States With Accounting Principles in Singapore

General Information	Answer	Comments
1. Are there generally accepted accounting principles in Singapore? If so, are they codified?	Yes	1. There are no codified accounting principles in Singapore but members of ICPAS are obliged to observe the Statements of Accounting Standards (SAS).
2. Who is responsible for promulgating accounting principles (for example, the profession, a governmental body, etc.)?	The profession	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
3. Are assets and liabilities recorded on the historical cost basis?	Yes	✓			

Notes:

References are to sections in the *FASB Current Text*, unless otherwise noted.
This checklist does not include the latest GAAP pronouncements issued in the United States.
RAP = Recommended Accounting Practice issued by the ICPAS.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
4. Are interest costs, incurred while activities that are necessary to get an asset ready for its intended use are in progress, capitalized as part of the historical cost of an asset? (I67)	Yes. SAS 19		✓		
5. A. Is a general revaluation (either upward or downward) of assets permitted? (D40)	Yes. SAS 14	✓			
B. If so, define the basis.					5B. See paragraph 58 of text.
6. Are nonmonetary transactions that culminate an earnings process accounted for on the basis of the fair market value of the assets involved when that value is determined within reasonable limits? (N35)	Yes. SAS 16	✓			
7. Is revenue recognized when it is earned and its realization is reasonably assured (rather than when money is received)? (Statement of Financial Accounting Concepts No. 5)	Yes. SAS 16	✓			
8. Are costs recorded when incurred rather than when money is paid? (Statement of Financial Accounting Concepts No. 5)	Yes	✓			
9. A. Are consolidated financial statements required when one company has controlling	Yes. SAS 26 and S 210 (3A) of the Companies Act	✓			

financial interest over another company? (C51)			
B. Is control usually indicated by ownership of over 50 percent of the outstanding voting shares? If not, how is control indicated?	Yes. SAS 26	✓	
10. A. Are there instances when an entity would not be consolidated even though control is present? (C51)	Yes. SAS 26 and S 201 (3B) of the Companies Act	✓	
B. If so, list them.			10B. SAS 26 states: • Control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future, or • It operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.
11. If consolidation is not otherwise appropriate, is the equity method used for unconsolidated subsidiaries, corporate joint ventures, and other investees, if the investments give the investor the ability to exercise significant influence over the investees' operating and financial policies? (I82)	No. SAS 25 and 26	✓	11. Unconsolidated subsidiaries are reported at cost, revaluation amounts, or lower of cost or market.
12. Are there two methods of accounting for business combinations: the pooling-of-interests method and the purchase method? (B50)	Yes. SAS 22	✓	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
13. Is the method used to account for a business combination disclosed? (B50)	Yes. SAS 22	✓			
14. A. Do criteria exist for treatment of business combinations as a pooling of interests? (B50)	Yes. SAS 22	✓			
B. If so, list the criteria.					14B. The criteria for pooling of interests are as follows: • Shareholders of the combining enterprises achieve mutual sharing in the risks and benefits of the combined entity. • The basis for the transaction is the exchange of voting common shares of the enterprises involved. • The uniting of interests is further demonstrated by continuing participation by management of the combining enterprises in the management of the combined enterprise.
15. A. Is goodwill arising from a business combination accounted for as an asset? (I60)	Yes. SAS 22	✓			15A. SAS 22 requires that goodwill is either recognized as an asset in the consolidated financial statements or immediately adjusted against shareholders' interest.
B. If so, is it amortized as a charge to income over the period estimated to be benefited?	Yes. SAS 22	✓			15B. If recognized as an asset, it should be amortized on a systematic basis over its useful life.

16. Are the following disclosures made for related-party transactions: (R36)		
a. The nature of the relationship?	Yes. SAS 21	✓
b. A description of the transactions for the period presented?	Yes. SAS 21	✓
c. The amounts of the transactions for the period presented?	Yes. SAS 21	✓
d. The amounts due to or from related parties at the balance sheet date?	Yes. SAS 21	✓
17. Is an estimated loss from a loss contingency accrued only if it is probable that an asset has been impaired or a liability incurred and the amount of loss can be reasonably estimated? (C59)	Yes. SAS 10	✓
18. If a loss contingency is not accrued because both conditions for accrual listed in question 17 are not met, is disclosure of the contingency required when there is at least a reasonable possibility that a loss may have been incurred? (C59)	Yes. SAS 10	✓
19. Are guarantees of the indebtedness of others or other loss contingencies disclosed in financial statements even though the possibility of loss may be remote? [In the United States, guarantees are usually disclosed as loss contingencies even if the possibility of loss is remote.] (C59)	Yes. SAS 10	✓

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
20. Are the following items disclosed in a public enterprise's financial statements for each industry segment: (S20)					
a. Sales to outsiders and intersegment sales?	Yes. SAS 23	✓			
b. Operating profit or loss?	Yes. SAS 23	✓			
c. Identifiable assets and related depreciation, depletion, and amortization expense?	Yes. SAS 23	✓			
d. Capital expenditures?	Yes. SAS 23	✓			
e. Equity in net income and net assets of unconsolidated subsidiaries and other investees?	Yes. SAS 23	✓			
f. Effect of a change in accounting principle?	Yes. SAS 23	✓			
21. A. Are there any requirements or recommendations to disclose the effects of inflation? (C28)	No			✓	
B. If so, list the disclosures required.					
22. Are assets segregated into current and noncurrent classifications with a total for current assets presented? (B05)	Yes. SAS 13	✓			
23. A. Are noncurrent assets those not expected to be realized within one year or the current operating cycle? (B05)	Yes. SAS 13	✓			

B. If not, how are noncurrent assets defined?				
24. A. Is an allowance established for uncollectible receivables? (C59)	Yes	✓		
B. If so, what is the basis (e.g., percentage of sales, aging of receivables, etc.) for calculating the allowance?				24B. No basis specified.
25. Are receivables and payables not arising in the normal course of business or subject to normal trade terms recorded at an amount that takes imputed interest into account? (I69)	No		✓	
26. A. Is inventory stated at the lower of cost or market (or net realizable value)? (I78)	Yes. SAS 2	✓		
B. If not, how is inventory stated?				
C. Is the basis disclosed?	Yes. SAS 2	✓		
27. Does cost for inventory purposes include: (I78)				
a. Materials?	Yes. SAS 2	✓		
b. Direct labor?	Yes. SAS 2	✓		
c. Factory overhead?	Yes. SAS 2	✓		
d. If the answer to *c* is yes, is an allocable share of all factory overhead included?	Yes. SAS 2	✓		
28. A. Are the following cost methods permitted for reporting purposes: (I78)				
a. First-in, first-out (FIFO)?	Yes. SAS 2	✓		
b. Last-in, first-out (LIFO)?	Yes. SAS 2		✓	
c. Average cost?	Yes. SAS 2	✓		

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
B. Are the same methods permitted for tax purposes?	Yes	✓			28B. The Taxation Act is silent regarding the basis for valuation of inventory for income tax purposes. The Comptroller of Taxation recognizes the accounting principles that apply to inventory valuation.
29. Is the inventory costing method used disclosed? (I78)	Yes. SAS 2	✓			
30. A. Are fixed assets depreciated over their estimated useful lives by systematic charges to income? (D40)	Yes. SAS 4	✓			
B. If so, is an accumulated depreciation account used?	Yes. SAS 4	✓			
31. Are disclosures made of: (D40)					
a. Depreciation expense for the period?	Yes. SAS 4	✓			
b. Balances of major classes of depreciable assets?	Yes. SAS 4	✓			
c. The methods used to compute depreciation for the major asset classes?	Yes. SAS 4	✓			
d. Accumulated depreciation, either by major class of assets or in total?	Yes. SAS 4	✓			
32. A. Do criteria exist for classifying leases as operating leases? (L10)	Yes. SAS 15	✓			
B. If so, list the criteria and disclosure requirements.					32B. A lease is classified as an operating lease if substantially

				all the risks and rewards incident to ownership are not transferred. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. Such a lease is normally noncancellable and secures for the lessor the recovery of the capital outlay plus a return on the funds invested.
33. A. Do criteria exist for classifying leases as other than operating leases for the lessor and lessee? (L10)	Yes. SAS 15	✓		
B. If so, list the criteria, type of lease, and disclosure requirements.				33B. See comment for question 32B.
34. Are liabilities segregated into current and noncurrent classifications with a total for current liabilities presented? (B05)	Yes. SAS 13	✓		
35. A. Are noncurrent liabilities those whose liquidation is not expected to require the use of current assets or the creation of current liabilities? (B05)	Yes. SAS 13	✓		
B. If not, how are noncurrent liabilities defined?				
36. For notes payable, is disclosure made of: (C32)				
a. Interest rates?	No		✓	
b. Maturities?	No		✓	
c. Assets pledged as collateral?	Yes. Schedule 9 of the Companies Act	✓		

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
d. Covenants to reduce debt?	No		✓		
e. Minimum working capital requirements?	No		✓		
f. Dividend restrictions?	No		✓		
37. A. For long-term construction-type contracts, are the percentage-of-completion and completed-contract methods used? (Co4)	Yes. SAS 11	✓			
B. If so, what are the criteria for determining the method to be used?					37B. The percentage-of-completion method may be used only if the outcome of the contract can be reliably estimated. In the case of fixed-price contracts, this degree of reliability would be provided only if all the following conditions are satisfied: • Total contract revenues to be received can be reliably estimated. • Both the costs to complete the contract and the stage of contract performance completed at the reporting date can be reliably estimated. • The costs attributable to the contract can be clearly identified so that actual experience can be compared with prior estimates.

			In the case of cost-plus contracts, this degree of reliability would be provided only if both following conditions are satisfied: • The costs attributable to the contract can be clearly identified. • Costs other than those that will be specifically reimbursable under the contract can be reliably estimated.
38. A. Are research costs charged to expense when incurred? (R50)	Yes. SAS 9	✓	
B. Are such costs disclosed?	Yes. SAS 9	✓	
39. A. Are development costs charged to expense when incurred? (R50)	Yes. SAS 9	✓	39A. Development costs may be deferred to future periods if all the following criteria are satisfied: • The product or process is clearly defined and the costs attributable to the product or process can be separately identified. • The technical feasibility of the product or the process has been demonstrated. • The management of the enterprise has indicated its intention to produce and market, or use, the product or process. • There is clear indication of a future market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise can be demonstrated.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
					• Adequate resources exist, or are reasonably expected to be available, to complete the project and to market the product or process.
B. Are such costs disclosed?	Yes. SAS 9	✓			
40. A. In the United States, events and transactions are presented in the income statement as extraordinary items when they are unusual in nature and are of the type that would not reasonably be expected to recur in the foreseeable future. Do similar criteria for identifying extraordinary items exist in Singapore? (I17)	Yes. SAS 8	✓			40A. In Singapore, extraordinary items are called unusual items. They include gains and losses from events or transactions that are distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. The emphasis is on disclosure rather than the format of the income statement.
B. If not, what are the criteria?					
41. Are material events or transactions that are unusual in nature or expected to occur infrequently, but not both (and thus do not meet the criteria for classification as extraordinary), shown as a separate component of income or expense? (I22)	Yes. RAP 1	✓			
42. A. Are disclosures required for—					
a. Extraordinary items? (I17)	Yes. SAS 8	✓			
b. Material events or transactions not classified as extraordinary items? (I22)	No			✓	

c. Disposal of a segment of a business? (I13)	No		✓	
B. Indicate the financial statement presentation of these items.				42B. Extraordinary items should be included in net income and the nature and amount should be separately disclosed.
43. A. Are pension costs provided for covered employees over the term of employment? (P16)	Yes. SAS 17	✓		
B. If so, do they include charges for costs assigned under the actuarial method used in years prior to the plan's inception?	Yes. SAS 17	✓		43B. Past service costs, experience adjustments, and the effects of changes in actuarial assumptions for retirement benefit costs should be charged or credited to income as they arise or allocated systematically over a period not exceeding the expected remaining employment of the participating employees.
44. A. Are specific disclosures required relating to pension plans? (P16)	Yes. SAS 17	✓		
B. If so, list them.				44B. SAS 17 requires the following disclosures: • The accounting policies adopted for retirement benefit plan costs, including a general description of the valuation methods used. • Any other significant matters related to retirement benefits that affect comparability with prior period.

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
					• If the amounts funded since the inception of the plan are different from amounts charged to income or to retained earnings (due to a change in accounting policy) over the same period, the amount of the resulting liability or deferred charge and the funding approach adopted. • In the case of a defined benefit plan: (i) the amount of the shortfall (if any) of the net realizable value of the fund assets, together with the liability or deferred charge (if any) from the actuarially determined value of vested benefits and (ii) a statement of the funding approach adopted. • In the case of a defined-benefit plan, the date of the latest actuarial valuation.
45. A. When accounting income and taxable income differ, are deferred income taxes recorded for temporary differences (as opposed to permanent differences)? (I25)	Yes. SAS 12	✓			
B. If so, are deferred taxes provided for all timing differences (as	Yes. SAS 12	✓			45B. SAS 12 permits the exclusion of the effect of timing

opposed to only those meeting certain criteria)?				differences when there is reasonable evidence that these timing differences will not reverse for a considerable future period (at least three years). The standard requires that after this period there should be no indication that these timing differences are likely to reverse.
46. A. Are deferred taxes determined on the basis of current tax rates? (I25)	Yes. SAS 12	✓		
B. If not, on what basis?				
47. A. Is specific information related to income taxes required to be disclosed? (I25)	Yes. SAS 12	✓		
B. If so, list the requirements.				47B. SAS 12 requires the separate disclosure of the following items related to tax: • The tax expense related to income from the ordinary activities of the enterprise. • The tax effects, if any, related to assets that have been revalued in excess of historical cost or previous revaluations. • An explanation of the relationship between tax expense and accounting income.
48. A. Are operating losses reported on the income tax return allowed to be carried back to earlier periods? (I25)	No		✓	

U.S. Generally Accepted Accounting Principles	Required by Government or Professional Pronouncements	Predominant Practice	Minority Practice	Not Done	Comments
B. If so, are the tax effects of a loss carry-back included in the income in the period?					
49. A. Are operating losses reported on the income tax return allowed to be carried forward? (I25)	Yes. SAS 12	✓			
B. If so, are the tax effects of a loss carry-forward included in the income in the period realized?	Yes. SAS 12	✓			
50. Are financial statements of a foreign entity prepared for consolidated purposes measured in the currency of the primary economic environment in which the entity operates? (F60)	Yes. SAS 20	✓			
51. Are all elements of financial statements translated at current exchange rates? (F60)	No. SAS 20	✓			
52. A. Are translation adjustments reported separately? (F60)	Yes. SAS 20	✓			
B. Are they accumulated in a separate component of stockholders' equity until ultimately realized?	Yes. SAS 20	✓			
C. Is there an analysis of the changes during the period *in the component of stock*holders' equity relating to translation adjustments?	Yes. SAS 20	✓			

53. A. Are gains and losses resulting from transactions denominated in a currency other than that of the environment in which the entity operates included in determining net income for the period in which the exchange rate changes? (F60)	Yes. SAS 20	✓	
B. Is the aggregate transactions gain or loss included in determining net income for the period disclosed in the financial statements or notes?	Yes. SAS 20	✓	
54. Are gains or losses on foreign currency transactions that are intended to hedge a foreign currency commitment deferred and included in the related transactions? (F60)	Yes. SAS 20	✓	
55. Is information disclosed about foreign currency restrictions? (F60)	Yes. SAS 5	✓	55. SAS 5 requires disclosure of cash balances frozen in foreign banks by exchange restrictions.
56. Are significant events arising subsequent to the balance sheet date reflected in the financial statements or notes thereto? (C59)	Yes. SAS 10	✓	
57. Please list any standards for Singapore for which there are no corresponding U.S. standards.			57. Optional revaluation of property, plant, and equipment per SAS 14, and accounting for investment properties per SAS 25.

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