

ISCA chartered Accountant JOURNAL

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FROM THE
ISCA COUNCIL

BEYOND THE BASIC ABC



Yiong Yim Ming
FCA (Singapore)
ISCA Vice President

Dear members,

EMERGING TECHNOLOGIES OFFER MANY BENEFITS, and organisations have been quick to adopt them to serve their corporate needs. Accountants would have likely encountered the (ABC)² of emerging technologies – the acronym capturing the first letter of artificial intelligence (AI), big data/data analytics, cloud computing; automation (robotic processing), blockchain, and cybersecurity. In addition to (ABC)², e-commerce and digital trade, Internet of things and connected devices, and distributed ledger technology were identified by the World Economic Forum as technologies likely to be adopted by companies in the financial sector by 2025, in its *Future Of Jobs Report 2020*.

AI, in particular, has the potential to power a technology revolution as it can draw upon the best of man and machine to become infinitely more intelligent – and reliable (reliability being a drawback in its nascent phase).

As the national accountancy body, it is ISCA's responsibility to equip present and future accountants with the right skills to navigate the VUCA (volatile, uncertain, complex, ambiguous) business environment. Already, members are leveraging our plethora of courses and resources to enhance their skills. For aspiring accountants, accountancy education has been undergoing evolution, and the curriculum at the tertiary level now encompasses a strong technology component. The cover story, "Emerging Technologies And Accountancy Education", shares how prospective accountants are being schooled for the workplace. To advance accountancy education, the Institute has commissioned an extensive study, under the ISCA Research Fund, to align accountancy teaching and learning with the developing needs, including advancements in technology.

Clearly, things have moved beyond the basic ABC to (ABC)². Sooner rather than later, it may progress to (ABC)³, (ABC)⁴ and further. Continuous upskilling is the only way to keep up.

ABOUT YIONG YIM MING

Ms Yiong is a Fellow Chartered Accountant of Singapore. She serves as Vice President on the ISCA Council and is a member of the ISCA Investment Committee. She was previously a member of the ISCA Continuing Professional Education Committee, as well as a mentor in the ISCA Mentoring Programme for Aspiring CFOs in 2017.

Ms Yiong is a member of the United Nations Global Compact's CFO Taskforce for Sustainable Development Goals. She also served a five-year term on the Board of Trustees of the Singapore University of Social Sciences.

She joined City Developments Limited (CDL) in 2007 as an executive and was appointed as Chief Financial Officer in April 2016. She was redesignated as Group Chief Financial Officer on 1 February 2018. Ms Yiong has extensive knowledge of the Group's financial and operation matters both domestically and overseas, covering the Group's operations in property development, investment properties and hotels.

Ms Yiong has strong technical competencies specialising in the real estate sector, harnessed through 12 years of audit experience. Prior to joining CDL, she served a 10-year stint at KPMG Singapore, and was with Ernst & Young Singapore for two years.

Ms Yiong holds a Bachelor of Accountancy from Nanyang Technological University.



Teo Ser Luck
FCA (Singapore)
ISCA President

THOUGHTS

LEADING FOR SUSTAINABLE SUCCESS

In the realm of corporate leadership, there exists a crucial distinction between leading and managing. Many of us may mistake managing with leading. We probably practise both but one usually outweighs the other.

Our profession revolves around people, and the distinction is profoundly evident in how companies approach the wellness, motivation, and development of their staff. The contrast in emphasis is stark, and it becomes most apparent during both prosperous and challenging times.

Leaders place the wellness, motivation, and development of their staff at the very heart of their strategy. They understand that an organisation's success hinges upon the growth of its people. Leaders inspire and guide their teams to reach new heights, fostering a sense of purpose and a shared vision. They create an environment where individuals thrive, where creativity and innovation flourish. In such companies, staff well-being is not just a priority, it's a way of life.

Managers may acknowledge the importance of staff well-being and development, but their primary focus may lie in overseeing daily operations, ensuring tasks are completed, and maintaining efficiency. While these are necessary functions, the crucial element of nurturing human potential might take a backseat, potentially neglecting the long-term growth and motivation of their teams.

When challenges arise, such as economic downturns or unforeseen crises, it is the companies led by true leaders that weather the storms with resilience. Their motivated and dedicated teams adapt to change, find innovative solutions, and remain loyal to the organisation's vision; they play a crucial part in the company's sustainability. On the other hand, companies that predominantly manage may struggle to maintain staff morale and adapt to adversity.

The distinction between leading and managing is fundamental in understanding how companies approach the well-being, motivation, and development of their staff. To build a sustainable and successful organisation, it is imperative to lead rather than just manage.

NOVEMBER 2023

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DON'S COLUMN WHAT CONSTITUTES A GOOD ANNUAL REPORT?

An annual report is a strategic communication tool that provides a concise and dynamic narrative through which a company communicates its journey. It should display transparency with perspective, with informative descriptions and explanations supported by engaging visual aids, among other traits.

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GREAT LEADERSHIP STARTS WITH PERSONAL MASTERY

Successful leaders need to look deep within themselves and not externally, to discover their unique style of leadership. But, they will need courage to embark on a journey of self-discovery.

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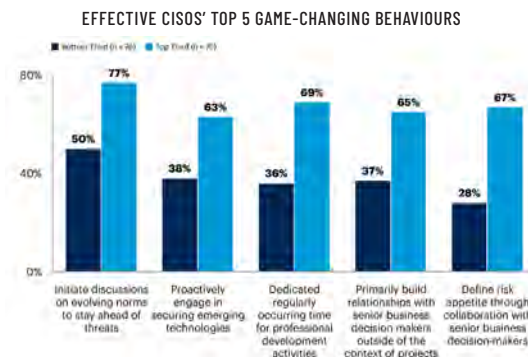
69% of Top-Performing CISOs Dedicate Time for Personal Professional Development



A SURVEY OF CHIEF INFORMATION SECURITY OFFICERS (CISOs) BY GARTNER, INC. reveals that 69% of top-performing CISOs dedicate recurring time on their calendars for personal professional development. This compares with just 36% of bottom-performing CISOs who do so.

As the nature of business risk and, by extension, the CISO's role, rapidly evolves, "it becomes even more critical for security and risk leaders to protect time for professional development," says Chiara Girardi, Senior Principal, Research at Gartner. "Developing new skills and knowledge as the role changes is essential, to effectively serve as a strategic advisor to the business - the new CISO paradigm."

The research identifies five key behaviours that significantly differentiate top-performing CISOs from bottom performers. On average, each of these behaviours is at least 1.5 times as prevalent among the top performers as bottom performers.



For example, the survey finds that 77% of top-performing CISOs initiate conversations in the enterprise on evolving national and international security norms, such as hacking back and threat attribution; only half of bottom performers do so.

"No organisation can be fully protected against every cyber threat," says Ms Girardi. "The most effective CISOs stay apprised of existing and emerging risks, so they can provide leadership with context around the most significant threats facing the business, to influence investments and risk decisions accordingly."

Additionally, 63% of top-performing CISOs proactively engage in securing emerging technologies like artificial intelligence (AI), machine learning (ML) and blockchain, compared with just 38% of bottom-performing CISOs.

Given the rapid proliferation of AI, "CISOs are already behind the curve in assessing its risk impact". With threat actors "always one step ahead", it is crucial for CISOs to be more proactive in understanding the security impact of technologies like generative AI, and communicating those risks to management, Ms Girardi points out.

Top-performing CISOs proactively engage with senior decision-makers across the business, such as by building relationships outside the context of projects (65%), and by collaborating to define enterprise risk appetite (67%). Furthermore, the most effective CISOs regularly meet with three times as many non-IT stakeholders compared to IT stakeholders, such as heads of sales, heads of marketing and business unit leaders.

"Non-IT functions are key partners that can take technology and cybersecurity decisions outside of IT," she says. "By setting aside dedicated time to build relationships with senior business decision-makers across the enterprise, CISOs can cultivate an environment where decision-makers understand and care about cybersecurity, as well as consider cybersecurity implications in their decision-making."

Data from the survey were collected from 2020 through 2023 as part of a Gartner benchmarking survey of 227 CISOs. Respondents were measured on key areas of CISO effectiveness, with those scoring in the top one-third ranked as "top performers".

PHOTOS: SHUTTERSTOCK

Exploring Business Opportunities And Collaborations In Shanghai, China

SHANGHAI, A RENOWNED MAJOR GLOBAL FINANCIAL HUB, has a thriving economy with prospects for growth and enterprise. As part of ISCA's commitment to advance global exchange and support professional firms in forging valuable connections and partnerships, the Institute led a delegation of 20 practitioners from Singapore to Shanghai, to explore new opportunities and horizons.

Over the course of the four-day trip from August 22 to 25, the delegates actively participated in a diverse range of engagements comprising networking events, business matching



The delegation enjoyed a networking dinner with the Singapore Chamber of Commerce and Industry in China, and Shanghai businesses



At the jointly organised networking high tea with Singapore Enterprise Centre, participating Singapore firms and Shanghai businesses exchanged insights on the regulatory, economic and business landscape in their countries, paving the way for business development opportunities



Delegates learnt about investment and cross-border businesses during the visit to MapleGree, an integrated one-stop e-commerce solution provider for foreign brands in China



New perspectives were gained and connections were forged during our visits to Shanghai Institute of Certified Public Accountants (left), and a Shanghai accounting practice, Shanghai Gongxin Certified Public Accountants

sessions, and business visits. It was an enriching global exchange where delegates learnt more about Shanghai's business and regulatory landscape, and had the opportunity to exchange insights and showcase their firms and services to Chinese accounting firms and enterprises keen to invest in the region.

ISCA's expanding network in the region and partnerships with overseas organisations will create more opportunities for our members, the business community and the accountancy profession. More exciting developments are in the pipeline, and we invite you to join us in the upcoming overseas business missions.

● isca lunch talk series

Game-Changing Tools For Company Valuations And M&A

INDUSTRY LEADERS GATHERED to delve into the constantly evolving arena of SME valuation and the pivotal role that technology plays, at the ISCA Lunch Talk Series session on October 5.

Leading the event were representatives of Valutico, a world-leading business valuation software, and DealCierge, an innovative platform facilitating seamless deal-making. They demonstrated how new technology is reshaping the world of small and medium-sized enterprise (SME) valuation and merger and acquisition (M&A) strategies – a transformation that promises to redefine the way businesses are valued and how they merge in the future.

Participants heard from Valutico CEO Paul Resch, and EMEA Managing Director Jean Poireau, who shed light on their innovative platform. In a world where valuing SMEs can be complex and challenging, Valutico’s novel approach to this fundamental aspect of business garnered significant attention.



▲ (From left) Valutico EMEA Managing Director Jean Poireau, Valutico CEO Paul Resch, and DealCierge CEO Karan Soni demonstrated how new technology is changing the way SME valuation and M&A strategies are made

Mr Poireau explained that the Valutico platform combines advanced algorithms with real-time market data to provide a holistic view of an SME’s valuation. This data-driven approach not only enhances the accuracy of valuations, it streamlines the process, making it more efficient and accessible to businesses of all sizes. His presentation left attendees eager

to explore the potential of this cloud-based software in their own valuation endeavours.

DealCierge CEO Karan Soni offered insights into their platform, which complements Valutico’s mission by facilitating deals and transactions. DealCierge employs cutting-edge technology to connect businesses with the right partners and investors, streamlining the often-complex process of M&As and investments. His presentation resonated with the audience, underscoring the importance of seamless deal-making to SMEs.

The lunch-time session provided a valuable opportunity for professionals from various sectors to network, exchange ideas, and gain a deeper understanding of the role that technology plays in SME valuation and deal-making. And, Valutico and DealCierge are at the forefront of leveraging technology to empower businesses and financial experts with the tools they need to thrive in an ever-evolving market.



▲ Mr Soni elaborated on their innovative tech platform

● isca breakfast talk

Sale & Leaseback Transactions, Leases And Financing Arrangements



▲ Participants gained valuable insights on sale and leaseback transactions from Lim Ju May, Technical Director & Assurance Principal, CLA Global TS

“SALE AND LEASEBACK TRANSACTIONS

have not been popular with standard-setters in the past and are still not well received today. Structuring to create a particular accounting outcome is the concern, and the accounting for sale and leaseback transactions does appear to significantly feature anti-abuse measures,” said Lim Ju May, Technical Director & Assurance Principal, CLA Global TS, at the ISCA Breakfast Talk session on October 4.

At the hybrid-format event, Ms Lim offered the participants an in-depth look at sale and leaseback transactions through a series of poll questions and case studies. The

process was designed to evaluate their understanding of the scenarios, to determine if each contains a lease.

Identifying whether an agreement is or contains a lease requires judgement, and it can prove



▲ A photo for the album!

Question 4 – How are lease contracts different from a service contract?

- A. The customer in a lease contract controls the use of the asset vs the supplier in a service contract retaining control of the asset;
- B. The customer in a lease contract retains substantially all the risks & rewards of ownership of the asset vs the supplier in a service contract retaining all the risks and rewards of the asset;
- C. In a lease contract, the customer receives physical possession of an asset vs in a service contract whereby the supplier provides a service through the use of an asset owned by the supplier.



¹ <https://isca.org.sg/docs/default-source/fr-technical-articles/isca-march-2016-leases-cover-story.pdf>

▲ Participants who were unable to attend the ISCA Breakfast Talk session in-person could tap into the insights virtually

challenging because the line between a lease contract and a service contract can sometimes be blurred. Ms Lim re-introduced the Leases Roadmap¹ (first published in the March 2016 issue of this journal), which provided participants with a guide to more accurately determine whether a contract contains a lease. She dwelt on the control element of a lease contract, that is, the right to control the use of an identified asset, and explained how the control element in a lease contract is different from that of an asset ownership.

Both SFRS(I) 16 *Leases* and SFRS(I) 15 *Revenue from Contracts with Customers* are intertwined in determining the accounting for repurchase agreements, and sale and leaseback transactions. On this note, Ms Lim shared the issue with sale and leaseback transactions, how to account for such transactions, and the related amendments to SFRS(I) 16. She highlighted two key concepts: (i) to only recognise a portion of the gain from the sale component of sale and leaseback (gain or loss that relates to the right transferred to the buyer-lessor), and (ii) expanded lease measurement to include all variable lease payments.



▲ Revved up and ready to go

ISCA Run 2023: Running For A Worthy Cause

THE EIGHTH EDITION OF THE ISCA RUN RETURNED BIGGER AND BETTER, attracting passionate supporters from both the accountancy profession and broader community. On September 30, over 1,700 participants gathered at OCBC Square in the early hours, united by a common purpose as they laced up their shoes for the charity run.

ISCA Cares Chairman Max Loh extended a warm welcome and his heartfelt gratitude to the participants for contributing to the annual community event. All net proceeds will be directed towards supporting ISCA Cares' beneficiaries, reflecting a shared commitment to corporate social responsibility.

ISCA President Teo Ser Luck; former ISCA President and current Sport Singapore Chairman Kon Yin Tong, and Mr Loh flagged off the enthusiastic runners for the ISCA Run. The event also featured the handover ceremony of the ISCA Games Championship Trophy. The 2019 champion, KPMG, represented by Managing Partner Lee Sze Yeng, handed the trophy to ISCA CEO Fann Kor. ISCA will safekeep the trophy until the next champion emerges from this year's edition.

The run marked the official commencement of ISCA Games 2023, and is an integral part of the

Games. The runners were especially revved up as they could chalk up points for their firms at the run, with these points going towards their overall score for the Games. Additionally, as the Games went on a hiatus from 2020 to 2022 due to the pandemic, many runners were eager for the opportunity to pit their athletic prowess against others in competition – beginning with the run.

In a first for the ISCA Run, various carnival games were set up at the race village for runners and their



▲ KPMG Managing Partner Lee Sze Yeng (right) handing over the ISCA Games Championship Trophy to ISCA CEO Fann Kor



▲ ISCA Cares Chairman Max Loh thanked participants for contributing to ISCA Cares



▲ Warming up before the run



▲ Flagging off the runners were (from left) Mr Loh, ISCA President Teo Ser Luck, and former ISCA President and current Sport Singapore Chairman Kon Yin Tong

supporters to enjoy and have a go at winning some ISCA souvenirs. The carnival games also served as a refreshing post-run activity. We reintroduced the finisher medals, with exclusive 60th-anniversary finisher medals given to all runners, to commemorate their participation during the Institute's diamond jubilee year.



▲ And off they went!

This year, the Institute awarded a total of 60 trophies and prizes to the top three runners in each gender category, grouped according to specific age groups, for both the five-kilometre and 10-kilometre distances.

ISCA Run 2023 was a resounding success, and much thanks must go to all the participants and supporters. We look forward to welcoming everyone back for ISCA Run 2024 next September!



▲ Runners received a limited edition, commemorative ISCA 60th-anniversary finisher medal



▲ In a first for ISCA Run, the run village featured carnival games, with ISCA souvenirs as prizes



Ho Yew Kee

● don's column

Emerging Technologies And Accountancy Education

Evolution, Impact And Next Steps



- Several emerging technologies have the potential to disrupt accountancy education and practice, including artificial intelligence, big data, cloud computing, automation, blockchain and cybersecurity.
- In particular, generative AI such as ChatGPT and Bard will significantly change the way accountancy education and work will be conducted.
- Accountancy education must evolve to keep pace with advances in technology, to prepare accountancy students for the future of work. In Singapore, ISCA has begun work on advancing accountancy education to meet these technological needs.

ARTIFICIAL INTELLIGENCE (AI) IS NOT THE ONLY EMERGING TECHNOLOGY THAT IS DISRUPTING ACCOUNTANCY EDUCATION AND PRACTICE.

Other emerging technologies are also impacting different aspects of the accountancy profession and industry. How then should we deal with them?

Chat Generative Pre-trained Transformer (ChatGPT) took the world by storm when it was released on 30 November 2022. It is a tool for conversation and provision of information for an enquirer. Immediately, the academic world was concerned about students using ChatGPT to complete their assignments; there was also worry that ChatGPT could spell the demise of educators.

While there is no doubt that ChatGPT will significantly change the way education and work will be conducted, this is just the beginning of the technological revolution for accountancy. For accountancy schools, the key challenges include:

- What should accountancy schools do to address this technology disruption?

- How should accountancy schools train their students in these new technologies?
- What are the opportunities available in this technology disruption?

The answers to the above questions, from the accountancy schools, will determine their continuing relevance.

FIGURE 1 TECHNOLOGIES LIKELY TO BE ADOPTED BY COMPANIES IN THE FINANCIAL SECTOR BY 2025

Position	Technology	% of adoption by 2025
1	Cloud computing	98
2	Encryption and cybersecurity	95
3	Big data analytics	91
4	Artificial intelligence	90
5	E-commerce and digital trade	90
6	Internet of things and connected devices	88
7	Automation (text, image and voice processing)	88
8	Distributed ledger technology (example, blockchain)	73

Source: Future of Jobs Report 2020, World Economic Forum 2020



PHOTOSHUTTERSTOCK



¹ World Economic Forum. (2020). *Future of Jobs Report 2020*. https://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf
² Leitner-Hanetseder, S., Lehner, O.M., Eisl, C., and Forstenlechner, C. (2021). A profession in transition: Actors, tasks and roles in AI-based accounting. *Journal of Applied Accounting Research* 22(3), 539-556. <https://www.emerald.com/insight/content/doi/10.1108/JAAR-10-2020-0201/full/pdf?title=a-profession-in-transition-actors-tasks-and-roles-in-ai-based-accounting>

KEY TECHNOLOGIES

There are plenty of discussions on the disruptions caused by various technologies on the accountancy and finance profession. The World Economic Forum (WEF)¹ surveyed companies and listed the technologies that will likely be adopted by the financial services sector by 2025 (Figure 1).

The following will focus on the “(ABC)”² of emerging technologies that disrupt accountancy education and practice. (ABC)² stands for artificial intelligence, big data, cloud computing; automation (robotic processing), blockchain, and cybersecurity.

Artificial intelligence

A simplistic form of AI, “expert systems” was introduced in the audit profession in the 1980s but the progress was hampered by limitations in computer hardware. However, today, AI can be taught and trained to mimic human behaviour and human decision-making. AI learns from extensive data of similar past behaviours, enabling it to “grow” like a child. Some postulate that it is possible to create a “firm-wide, fully autonomous, self-aware and self-improving accounting system”² where the AI “manages structured and unstructured data and regulations from various sources” with

This year, ISCA commissioned an extensive study under the ISCA Research Fund to bridge accountancy education with new needs, including those arising from technological advancements.

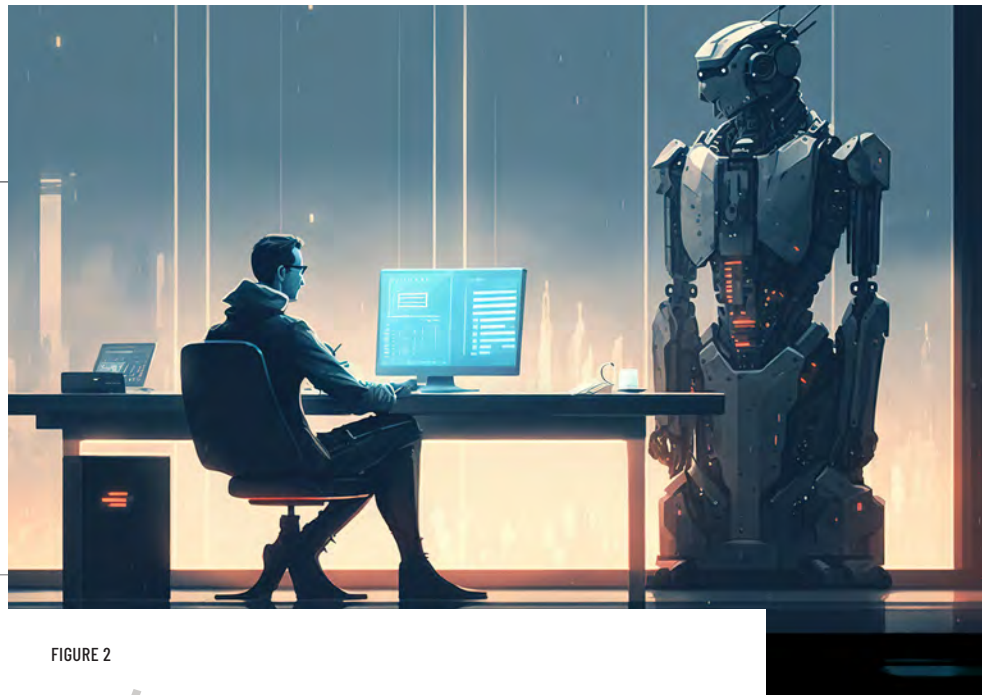


FIGURE 2

Prompt: "Assuming you are an external auditor. A fraud of corruption was discovered in your auditee. Outline in fewer than 50 words the three key processes you will examine in your audit."

Bard

As an external auditor, if I discovered a fraud of corruption in my auditee, I would examine the following three key processes in my audit:

Procurement: This process is vulnerable to corruption, as it involves the selection of vendors and the negotiation of contracts. I would examine the procurement process to identify any weaknesses that could be exploited by fraudsters.

Revenue recognition: This process is also vulnerable to corruption, as it involves the recording of sales and the collection of cash. I would examine the revenue recognition process to identify any weaknesses that could be exploited by fraudsters to overstate revenue.

Expenses: This process is vulnerable to corruption, as it involves the recording and approval of expenses. I would examine the expense process to identify any weaknesses that could be exploited by fraudsters to overstate expenses or to submit fraudulent expenses for reimbursement.

I would also examine any other processes that I believe may be relevant to the fraud, based on my understanding of the auditee's business and the specific fraud that was discovered.

ChatGPT

As an external auditor investigating fraud or corruption, I would focus on these key processes:

Financial transactions: Scrutinise financial records, transactions, and controls to detect irregularities in accounting practices.

Procurement and vendor management: Review procurement processes to identify any signs of favouritism, kickbacks, or conflicts of interest in supplier relationships.

Internal controls: Assess the effectiveness of internal controls, including approval workflows, segregation of duties, and access controls, to determine if they were circumvented to facilitate fraud.

³ Cai, C.W. (2021). Triple-entry accounting with blockchain: How far have we come? *Accounting and Finance* 1, 71-93. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/acfi.12556>

human-like cognitive abilities. Figure 2 demonstrates the use of ChatGPT and Bard in providing advice in an audit setting.

Generative AI tools, such as ChatGPT and Bard, will only become more intelligent over time, given the amount of data and learning.

Big data/Data analytics

Big data are characterised by four Vs, namely high volume, high velocity, high variety, and high veracity. Accountancy professionals are prime movers of financial information but their roles are redefined with big data. Accountants need to use appropriate data analytics on the big data to perform data visualisation, verification, fact finding and data-driven decision-making. This is to allow accountants to tell their data-driven story more convincingly. This enhances the role of accountants as key gatekeepers and experts in data-driven decision-making.

Cloud computing

The COVID-19 pandemic has allowed cloud-based solutions and services to demonstrate their usefulness. The role of accountancy professionals in analytics, compliance assessment and reporting is substantially carried out in the cloud, away from physical presence in the office. Accountancy professionals need to be well versed in cloud computing skills and knowledge to navigate and perform their roles in this new environment. In addition, they need to be cognisant of the security challenges in a cloud setting.

Automation (robotic processing which includes text, image and voice processing)

Accountancy practices that are most susceptible to productivity gains are those that are repetitive and adhere to well-defined rules-based algorithms.

Automation or robotic processing will be ideal, as repetitive, tedious and labour-intensive works are replaced by reliable and highly efficient robotic processing, much like an automated manufacturing line.

Blockchain

Bookkeeping has been traditionally conducted through hardcopy documents to provide the needed audit trail for updating the accounting ledger. Blockchain can be a game changer as it becomes the immutable digital version of the traditional ledger. The use of blockchain can disrupt the traditional recording and processing of financial information. Cai C.W. (2021)³, in an article published in *Accounting and Finance*, advocates a triple-entry bookkeeping system using blockchain. The double-entry bookkeeping is augmented with a third entry in blockchain for a firm. The blockchain entry has the advantage that it can be verified efficiently and effectively by auditors. This is notwithstanding the possibility of smart contracts using blockchain.

Cybersecurity

The use of cloud computing will magnify a firm's cybersecurity risk because huge amounts of information can be accessed remotely. This gives rise to concentration risk where all the "information eggs" are in one basket. Accountants must manage this cybersecurity risk to protect their works from being corrupted or exploited by sinister elements. In addition, cybersecurity can also become a domain where accountants can thrive in, by providing specialised assurance or consultancy services.

ACCOUNTANCY EDUCATION EVOLUTION

Figure 3 summarises the evolution of accountancy education. In the first instance, the Pillar Approach is where the technical accounting and business domains

FIGURE 3 ACCOUNTANCY EDUCATION EVOLUTION

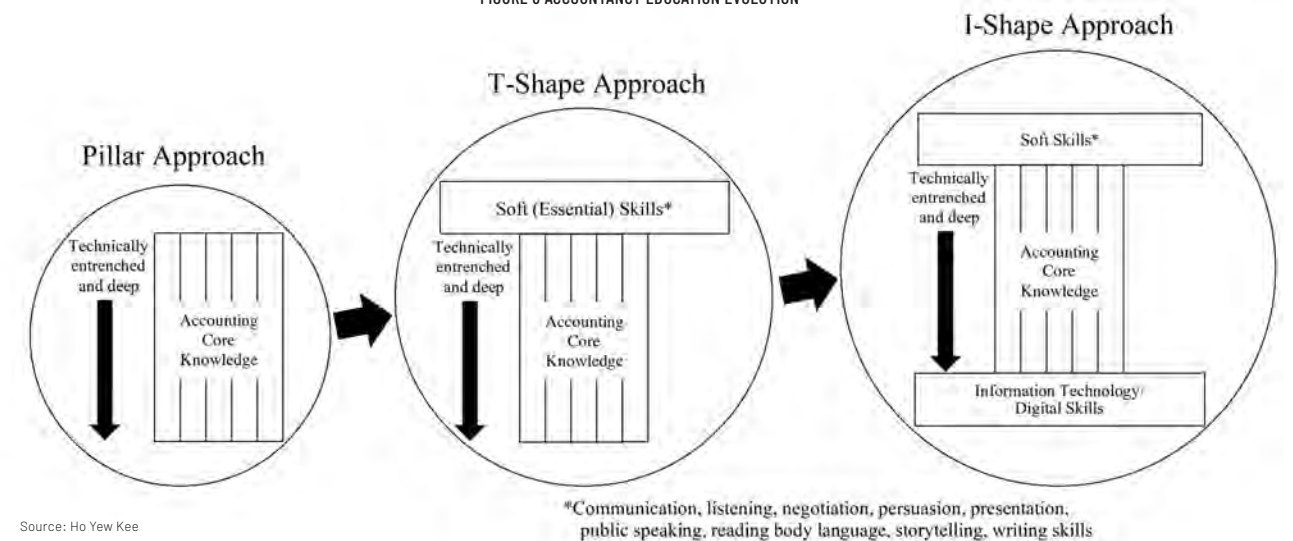


FIGURE 4 EMERGING TECHNOLOGIES OFFERED BY LOCAL AU ACCOUNTANCY SCHOOLS

Programming for Data Analytics Courses
Python for Data Analytics
Programming for Business Analytics
Data Management Courses
Fundamentals of Data Mining and Data Management
Designing and Developing Databases
Data Analytics Courses
Business Analytics Applications and Issues
Analytics, Visualisation, Modelling and Predictive Techniques
Spreadsheet Modelling and Analytics
Cybersecurity Courses
Foundations of Cybersecurity
Cyber Risk and Forensic Work
Machine Learning/Artificial Intelligence Courses
AI in Accounting & Finance
Data Analytics and Machine Learning
Machine Learning and AI for FinTech
Specialised Analytics Courses
Audit Analytics
Forecasting and Forensic Analytics
Analytics for Value Investing
Analytics in Finance and Real Estate

Source: Ho Yew Kee

are taught in a deep manner. With the passage of time, accountancy students, as financial gatekeepers, are required to have soft (essential) skills which allow them to better communicate their accountancy services.

The T-Shape Approach becomes the next education paradigm. In this Industry 4.0 world, accountancy students need to have a good foundation in information technology or digital skills. This results in the I-Shape Approach with information technology and digital skills as the foundation.

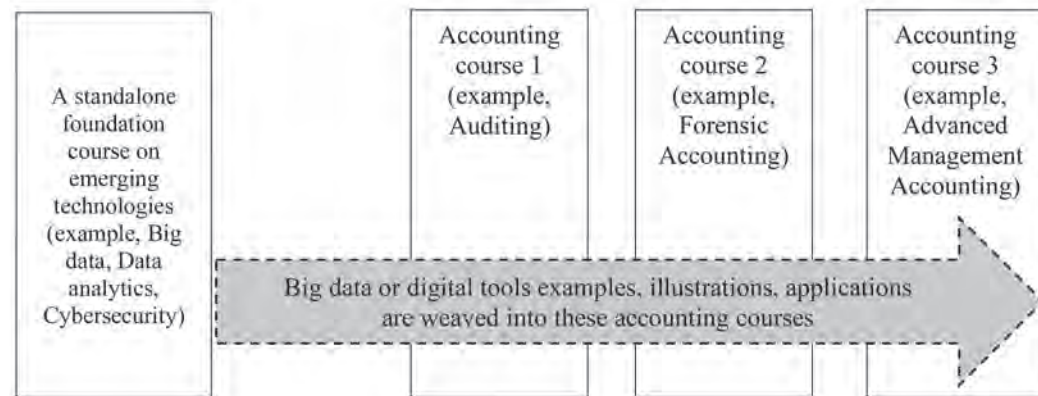
In surveying the five autonomous universities (AUs) in Singapore with accountancy programmes⁴, it was found that these emerging technologies are already in their curricula, especially data analytics (Figure 4).

The accountancy schools have incorporated these technologies in their curricula to make their graduates more effective and employable to the industry. Data analytics is already deeply entrenched but not the other five technologies.

Ideally, these technologies should be taught by accounting instructors who straddle between accounting and technology, failing which the technologies should be taught by a combination of accounting and technology instructors. The hybrid approach (Figure 5) is recommended, where there is at least one standalone course in emerging technologies and thereafter, the technologies are incorporated into the accounting courses.

Although the approach sounds simple, in an ASEAN Federation of Accountants sponsored study⁵, a significant percentage of accountancy schools in ASEAN which responded to the survey

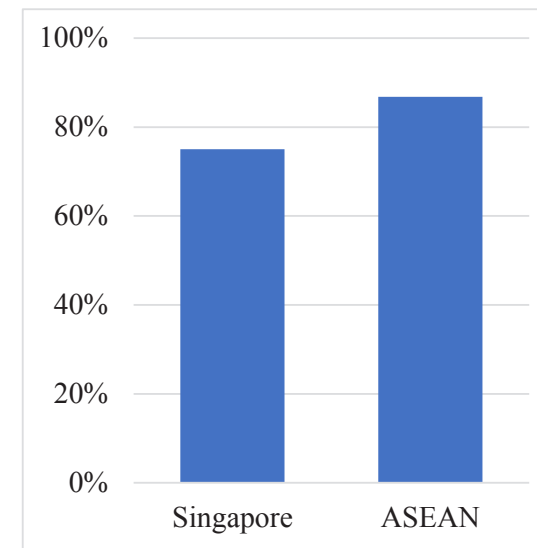
FIGURE 5 A RECOMMENDED HYBRID APPROACH FOR ACCOUNTANCY EDUCATION



⁴ Nanyang Technological University, National University of Singapore, Singapore Institute of Technology, Singapore Management University, Singapore University of Social Sciences
⁵ ASEAN Federation of Accountants, (2023). *Technology Adoption by the Accountancy Profession in ASEAN Countries*. Working manuscript.



FIGURE 6 LACK OF EXPERTISE IN ACCOUNTANCY SCHOOLS TO TEACH EMERGING TECHNOLOGIES



Source: Technology Adoption by the Accountancy Profession in ASEAN Countries, ASEAN Federation of Accountants, 2023

had opined that the key barrier is the shortage of experts in these technologies (Figure 6).

With these disruptions, how can the accountancy schools, professionals and professional bodies in accountancy work together to turn the challenges into opportunities? Here are three suggestions:

- a. Accountancy schools must work closely with the accountancy professionals to provide inputs on technology needs, and bring their expertise into the classroom

to motivate the students to acquire the emerging technologies.

- b. Accountancy schools must work closely with the accountancy professionals to curate business cases and data sets, and share technology tools to provide realistic learning scenarios for the students.
- c. Professional bodies in accountancy must work with the accountancy schools and professionals to formulate a technology roadmap for the accountancy sector, and then incentivise the stakeholders to actualise it.

In Singapore, ISCA has begun work on advancing accountancy education to meet these technological needs. This year, the Institute commissioned an extensive study under the ISCA Research Fund to bridge accountancy education with new needs, including technological advancements.

CONCLUSION

The accountancy profession in Singapore enjoys a very enviable status in ASEAN as well as globally. The accountancy schools are well positioned to be leaders in accountancy education, and they can cement the coveted position by continuously reinventing accountancy education in the presence of disruptions, to re-learn their technological ABCs. ISCA

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PHOTO: SHUTTERSTOCK

Auditing: A Dynamic Profession

Low Yuan Yi, CA (Singapore),
Senior Manager of Assurance, EY



- TAKE AWAYS**
- Auditing has evolved to cover non-financial aspects of an organisation and now provides more value and quality.
 - With new, disruptive technologies coming to the fore, constant learning is imperative.
 - While the demands of the job are real, with proper planning and prioritisation, the career can fulfil the aspirations of a younger generation of accountants.

IT MIGHT SOUND LIKE A CURIOUS CONNECTION, but Low Yuan Yi's passion for baking was what first sparked her interest in accounting. "At age 18, I was selling my baked goods to friends, but I didn't know how to price my products," she recalls. "I thought I should price my products lower than those in the shops, and ended up

making not much money. That got me thinking about how to control expenses by choosing my ingredients, how to price my products and how to cost a business." Her mother, who had studied accountancy and worked at the Monetary Authority of Singapore, then told her that accounting is the language of all businesses.

It opened her eyes to a whole new world, and led her to study accountancy at Nanyang Technological University.

CONSTANT LEARNING

Ms Low joined EY as an audit assistant upon graduation. "It was the obvious choice for me

coming out of university. I find auditing more dynamic than routine, and felt that it would allow me to gain a wider exposure to clients across different industries," she explains. Ms Low adds that while auditing might largely have been about compliance in the past, the role has since gone beyond the financial figures "to provide our clients with other business perspectives".

While picking up technical skills in the workplace was an uphill struggle for her as a fresh graduate, she was encouraged by her seniors and also motivated by her new experiences. "It is funny how time flies – nine years later, I am still here," the 31-year-old Senior Manager of Assurance says with a chuckle. But a need to constantly upskill to keep up to date in the fast-paced industry, combined with a drive to continually improve herself, keeps things fresh and exciting for Ms Low. "I derive great fulfilment through upskilling," she enthuses. "The job to be done every day is different, and I am always learning, be it a new technical competency, or a social skill to pursue a client or lead a team. I like that I am constantly growing."

With new, disruptive technologies coming to the fore, Ms Low highlights the importance of constant learning. "Just to illustrate, when I was an assistant less than 10 years ago, we would have to spend many hours figuring out the dimensions of printouts, filing them, slotting things into envelopes, carrying files around," she relates. "These days, everything is done electronically, and assistants no longer have to carry bags of files around." Going deeper, technology has also changed the way her team looks at documents; for example, data analytics has allowed them to process more information more accurately, and in a shorter time. The firm's recent launch of EY.AI – a platform that combines EY's vast experience in different fields with EY technology platforms – is again changing the way things are done. "You really have to be open to learning, to do well," Ms Low emphasises.

Having held leadership roles since her school days – she was the treasurer for her



“I have learnt over the years that work is part of life. Audit, interestingly, has given me the flexibility to plan my own schedule. It’s really about how you manage your own time.”

badminton team in secondary school and junior college – Ms Low is no stranger to responsibility. She now leads various teams, running multiple engagements at the same time. Aside from audit work, she also has a group of 10 staff to whom she offers counselling under EY’s “family tree culture”. Under this counselling arrangement, she serves as a mentor and lends a listening ear to the younger staff, offering them guidance in areas such as career development, performance feedback, or coping with difficulties they may face in their work. A strong proponent of collaboration, Ms Low values the voices of the younger team members. “While the seniors have deeper insights, the younger ones are more tech-savvy and have fresh new ideas,” she observes. “It is important to not get too hierarchical.”

RESHAPING PERSPECTIVES

Interacting with new blood is something that Ms Low derives much satisfaction from. “I do a lot of recruitment for my sector, and have many opportunities to interact with fresh graduates,” she says, adding that this allows her to get a better understanding of what young people these days want from their job. She points out that their goals and priorities are very different from those of their seniors. “In our time, we just took the obvious route of going to university and then getting into a good company,” she states. “Now, they look at fulfilment and work-life integration.”

As one who also reaches out to young professionals in the accounting industry as an ISCA Young Professionals Advisory Committee member, Ms Low tries to dispel stereotypical notions about the career being just a gruelling, number-crunching job. She takes the effort to offer her perspectives on priorities in life, and on how the hours put into work can translate into value for accountancy professionals. “Auditing has, unfortunately, built a reputation as a tough industry to be in,” she admits. “For sure, accountancy is tied to a long history of number crunching and data processing, but it is a lot more than that. It is really a career that gives you a foundation to explore different routes. For a young person who might not be sure of which way to head, it offers a very broad exposure, and very useful and relevant foundational technical and social skills.”



More importantly, Ms Low tries to reshape the young people’s notion of audit as an all-consuming job. Her pitch is especially convincing, given that she walks the talk – she still takes time out to play badminton regularly, and is the captain of

the EY badminton team. She even has time to bake. “While the demands of my job are real, it’s about prioritising and carving out time for what is important to me,” she emphasises. “You could be doing your own thing in the morning, and then going to a client’s place in the afternoon. Or you could prioritise clearing your work during the day,

so that you can have your evenings to do what you enjoy, such as me with my badminton sessions, and weekend cookouts with my family,” she shares candidly. “I have learnt over the years that work is part of life. Audit, interestingly, has given me the flexibility to plan my own schedule. It’s really about how you manage your own time.” ISCA

don's column

What Constitutes A Good Annual Report?

Insights From A Member Of The Judging Panel

TAKE AWAYS

- The annual report is a strategic communication tool that provides a concise and dynamic narrative through which a company communicates its journey; it records the past and present, as well as its future aspirations.
- In addition to mandatory disclosures and compliance, an annual report needs to meet the evolving expectations of stakeholders looking for a diverse, holistic, and multifaceted understanding of a company.
- The winning annual reports display transparency with perspective, with informative descriptions and explanations supported by engaging visual aids.
- They report both financial and non-financial performance, and help enhance stakeholder engagement on sustainability.

AS A UNIVERSITY PROFESSOR, I am privileged to be constantly surrounded by inquisitive young minds with an insatiable thirst for knowledge. Among the thousands of students who have attended my lectures, there is always one recurring inquiry that captures the very essence of corporate communication: "What constitutes a good annual report?"

While this question might seem straightforward, the answer is often far from simple.

The annual report serves as a critical strategic communication tool. It provides a concise and dynamic narrative through which a company communicates its journey – its past triumphs, its current challenges, and its aspirations. Annual reports wield the power to shape perceptions, establish trust, influence sentiment and foster connections with stakeholders.

Given the significant role of annual reports in the corporate landscape, the Best Annual Report Award (Best ARA), introduced in 1974, aims to promote excellence in corporate reporting that surpasses minimum regulatory requirements. This award encourages transparency that caters to the needs of investors, as well as other stakeholders such as employees, creditors and the public. Presented as part of the Singapore Corporate Awards (SCA), the Best ARA recognises listed companies on the Singapore Exchange (SGX) that exhibit exemplary reporting in their annual report.

As a member of the judging panel for this year's Best ARA, I revisited the profound question of what really makes for a good annual report. While a concise answer typically emphasises



Companies should adeptly articulate their narrative in a succinct, yet compelling, manner to effectively convey the message of value creation.



useful information, the definition of “useful information” has evolved considerably, alongside the changing needs and desires of investors and stakeholders.

From a mandated standardised compliance document centred around shareholder value, the annual report has progressively shifted its focus to additionally emphasise stakeholder value. Investors and stakeholders now seek a diverse, holistic, and multifaceted understanding of a company.

The judging panel for the Best ARA has thus established thorough assessment criteria that reflect the multidimensional expectations from an annual report.

Companies are evaluated across several dimensions spanning performance review; business plan and prospects; risk assessment and management; environmental, social, and governance (ESG) considerations and accountability, as well as overall informativeness and clarity of the reports.

This year, the Gold Awards for Best ARA were given to DBS Group Holdings in the big-cap category (market capitalisation

of S\$1 billion and above), SBS Transit in the mid-cap category (market capitalisation of S\$300 million to less than S\$1 billion), and Banyan Tree Holdings in the small-cap category (market capitalisation of under S\$300 million). CapitaLand Ascendas REIT secured the top prize in the REIT and business trust category.

TRANSPARENCY WITH PERSPECTIVE

Transparency serves as a core foundation of trust, as information loses its usefulness in the absence of trust. Companies that confidently invite stakeholders to delve into and evaluate their business with openness and clarity enable them to make well-informed decisions. However, it is important to highlight that transparency in isolation is naive, because it can lead to information overload and indigestion. Both insufficient and excessive transparency

can ultimately become unactionable.

What is vital for companies is to provide transparent information that offers perspective, encompassing not only positive developments but also addressing negative aspects responsibly. Companies should adeptly articulate their narrative in a succinct, yet compelling, manner to effectively convey the message of value creation.

The recipients of this year’s Best ARA are able to skilfully immerse readers in an engaging exploration of the company’s essence. DBS’ commitment to the integrated reporting framework shines through in its annual report, effectively communicating the key drivers of its business value.

In addition to concrete analyses of strategic objectives and progress, diverse insights and commentaries from its top

management team also help to shed light on the group’s strategies to preserve and enhance long-term value. While employing a more traditional reporting format, SBS’ annual report boasts a well-structured design, facilitating seamless navigation through its narrative and data. Banyan Tree’s annual report equally captures the brand’s essence, and illustrates how the company’s guiding vision and principles manifest in its actions and performance.

Similar to a skilled maestro elevating a musical score through orchestration, providing transparency with contextual perspective is paramount in facilitating understanding.

Some reports merely fulfil minimum requirements, offering a laundry list of common content that fails to add substantial value or insights. How often have we experienced moments of *deja vu* while perusing annual reports – that lingering sensation of having encountered the same information elsewhere before?

Descriptive and genuine explanations play a pivotal role in augmenting transparency, and, when combined with engaging visual aids, can truly distinguish a report. For example, DBS minimises boilerplate statements in the qualitative descriptions of its annual report, and CapitaLand Ascendas REIT’s succinct presentation in “The Manager’s Review” section is both informative and easy to comprehend. SBS underscores additional measures to reinforce its corporate governance, and Banyan Tree provides a thoughtful assessment of its gender parity, revealing gender pay gaps and outlining future steps for improvements. Transparent disclosures like these raise the relevance and usefulness of information provided.

As a general improvement, companies might consider being more transparent in how their previously announced aspirations jibe with what they actually did, and how successful they were. This is particularly crucial for innovation initiatives because of their importance for future growth and also the high uncertainty associated with such initiatives that can require significant financial investment and managerial attention.

Governance of innovation – a key area of my research – represents an avenue in which increased transparency can be fruitful.

PHOTO: SHUTTERSTOCK



Investors and stakeholders now seek a diverse, holistic, and multifaceted understanding of a company



Descriptive and genuine explanations play a pivotal role in augmenting transparency, and when combined with engaging visual aids, can truly distinguish a report.

ENHANCING STAKEHOLDER ENGAGEMENT ON SUSTAINABILITY

As the spotlight shifts towards the creation of reputational value, mere financial performance is no longer sufficient. Beyond profits and a strong trajectory, companies are now expected to demonstrate commitment to societal and environmental well-being. As Minister for Sustainability and the Environment Grace Fu recently commented, business leaders need to “think beyond the next quarter of earnings report” and deliberate on “sustaining its business for decades to come, leaving a legacy that lasts far into the future”. Therefore, companies that acknowledge the imperative of long-term sustainability, and invest efforts to realise it, can forge deeper connections with their stakeholders.

The ability to effectively communicate their dedication to the sustainability cause can further enhance stakeholder engagement. The award-winning companies produce high-quality comprehensive sustainability reports, referencing frameworks such as the Global Reporting Initiative, Sustainability Accounting Standards Board, United Nations Sustainable Development Goals, and the Task Force on Climate-Related Financial Disclosures. They provide quantitative data and other evidence on the identification, measurement and alignment of their short-term and long-term targets within the relevant frameworks.

DBS’ sustainability report outlines its sustainability approach through its three pillars, disclosing key performance indicators and progress towards various targets, such as its net-zero agenda. Similarly, SBS and Banyan Tree provide quantitative disclosures on environmental sustainability aspects such as water and waste, along with insights into community impacts through inclusive social initiatives.

Despite general improvements in sustainability reporting since their mandate in 2018, we observe notable differences in the scope and depth of sustainability disclosures across various categories of firms that we evaluated. For instance, more big-cap companies engage independent assurance for



their sustainability reports – a direction smaller and mid-cap companies can also aspire to pursue in order to enhance accountability.

There is room for companies to improve their reporting of environmental strategies and impact. And, it is important for companies to focus on key areas most relevant to their business and stakeholders, rather than just ticking the boxes.

I note that a number of companies are issuing separate sustainability reports. Personally, I view that a potential pitfall exists within this segregated reporting approach that necessitates some caution. To explain, there is a discernible trend among companies to reallocate a substantial portion of risk-related disclosures from the main annual reports to the sustainability reports. As a

result, readers are forced to navigate between two discrete reports to gain a comprehensive understanding of the company, and this might foster confusion. Furthermore, this disparity might engender a sense of disjointedness from the core annual report, creating an impression that the sustainability report is merely an appendage rather than an integral part of the annual report.

A more thoughtful exploration of alternative integrated reporting methodologies is certainly warranted.

Many of my students often express the daunting nature of reading an annual report – a sentiment likely shared by many. With an average annual report running to

more than 120 pages, readers can become overwhelmed. Adding another 100 pages of a sustainability report, one can easily imagine a collective sigh from my students when they realise that they must review not one but two extensive reports to obtain a holistic view of a company’s operations.

HARMONISING A GOOD ANNUAL REPORT

Reading an annual report should be an enjoyable endeavour. Just as different sections of an orchestra collaborate to create a captivating musical journey, a strong annual report harmonises financial and non-financial elements into an engaging symphony that resonates with stakeholders. These attributes have certainly been demonstrated by this year’s winners of the Best ARA, and their commitment and effort in producing high-quality reports are commendable.

However, not everyone has the ability to create masterpieces. I have observed that the same small group of companies consistently makes the shortlist for the Best ARA year after year. Some companies – perhaps with fewer resources to produce the highest-quality reports – may find it challenging to ascend to the top ranks. But that does not imply that they are not continually striving to raise the bar.

Beyond solely celebrating the best, we should also contemplate recognising companies that display remarkable effort and dedication to enhancing the quality of their annual reports. This would inspire other companies to also raise their game.

This brings us back to the question of what makes for a good annual report.

I firmly believe that an effective annual report is grounded in transparency and offers perspectives that weave together a concise yet compelling narrative. This narrative not only imparts valuable information but also captivates stakeholders, thereby empowering them to make well-informed decisions. ISCA

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Beyond profits and a strong trajectory, companies are now expected to demonstrate commitment to societal and environmental well-being

PHOTO: SHUTTERSTOCK



Yeo Chuen Chuen

Great Leadership Starts With Personal Mastery

Start By Looking Within Yourself



- There is no fixed, secret formula for leadership.
- Successful leaders are more likely to have looked within themselves, not outside, for inspiration and answers about their unique leadership style.
- Leaders need courage to embark on their self-discovery journey.
- Soft skills are important to navigate today's complex business environment.

YEARS AGO, I WORKED WITH PENNY, A SENIOR DIRECTOR WHO HAD WANTED TO BECOME MORE INFLUENTIAL IN HER JOB.

When I asked her how I could help her succeed, she said, "I want you to give me the recipe to become the inspiring leader I believe I can be." I understand that she wanted a quick fix, but this way of thinking is what makes leadership difficult for many people nowadays.

While it is true that you can learn to be a great leader, some folks have gotten the wrong idea that there is a fixed, secret formula for leadership. That is probably why Penny wanted me to give her the formula. However, from my experience, what sets successful leaders apart is whether they keep looking for answers outside themselves, or have the courage to go on a journey within themselves.

THE PANDA'S REFLECTION

Leaders like Penny remind me of the movie *Kung Fu Panda*. To keep it short, I will focus on three parts of the story: the special scroll, the snow leopard, and the panda.

First, the scroll. It was not just any scroll. It was called the Dragon Scroll, and it held ancient martial arts secrets that had been hidden for thousands of years. It was meant for the Dragon Warrior, the bravest and most skilled warrior who proved his worth by overcoming many tough challenges.

Now, let us talk about the snow leopard, Tai Lung. He wanted very badly to be the Dragon Warrior. He trained hard and endured a lot of pain, but he did not get chosen. Instead,

he ended up locked in a dungeon, guarded by many skilled warriors. He was deemed unworthy despite his skills.

The point is this: having amazing skills does not automatically mean you are ready to be a leader. Just being really good at something and being the best at it does not mean you are prepared for leadership.

Let us stop and think about ourselves. Were there not times when we had worked really hard

to become skilled at something, so that everyone could see we would be a great leader – the very best leader – like the Dragon Warrior?

When we are striving for leadership and success, sometimes, our determination can turn into a strong desire. If we do not pay attention to feedback in the form of challenges and obstacles, and we keep pushing ourselves in the wrong direction, it can drive us a bit crazy. That is how people end up feeling stuck.



PHOTO: SHUTTERSTOCK



Agile leadership is the ability to lead with authenticity and a sense of ease even when things get complex and volatile

VIEWPOINT

If you do not understand yourself, you cannot become your best self. The most important thing for being a good agile leader is to know who you are.



¹ Questions are taken from the Penguin-published book *Leaders People Love* by Yeo Chuen Chuen

LEADERSHIP POINTERS

If you ignore feedback and do not pay attention to the signs, you will quickly find yourself stuck. For Penny, that was the case. So, for the leaders I work with, I first help them understand that if they want to be great leaders in today's workplaces, they should be less like Tai Lung. Skills, intelligence, and thinking abilities are important, but what are even more important are soft skills, like understanding people, different cultures, emotions, and contexts, especially in the current VUCA (volatile, uncertain, complex, ambiguous) work environment.

This is where Po, the panda, comes in. He was not very graceful and did not seem special at first, but he had hidden talents. Po worked hard, overcame many challenges, and eventually was named the Dragon Warrior, winning the right to get the Dragon Scroll.

Then, there was a big moment: when Po opened the legendary scroll, instead of secret martial arts techniques, all Po found was a mere golden mirror. All Po got for all his hard work was his own reflection.

INSIDE-OUT DISCOVERY

What does this story tell us?

For Penny, the senior director, to become a great leader, she needed to first look inside herself. To help her begin her journey of self-discovery, I asked her some questions, starting with, "What does leadership mean to you?"

At first, there was complete silence. Penny had a hard time explaining what leadership meant to her. It was the first time someone had cared enough to ask her about her dreams and aspirations as a leader. She had been stuck in an antiquated system where her overarching

KPI (key performance indicator) was to meet the standards set by the higher-ups.

No matter where you are on your leadership journey, you can begin by answering the following self-evaluation questions¹:

- What is leadership to you?
- What values guide you?
- What are your strengths?
- Where and how do you contribute your strengths in a meaningful way that will make your heart sing?
- What is that result, effect, or contribution – both tangible and intangible – that will make your life and career feel worthwhile?

If you do not understand yourself, you cannot become your best self. The most important thing for being a good agile leader is to know who you are. Instead of searching for answers from others, start by looking inside yourself.

When you become an agile leader, you will know. It is the ability to lead with authenticity and a sense of ease even when things get complex and volatile. You will be relevant and effective regardless of shifts in the context, because you will be watching the winds of change, and responding to them. You will be calm and steady because, intuitively, you know what the system requires of you. *isca*

Yeo Chuen Chuen is Founder and Managing Director of ACESENCE Agile Leadership, and an award-winning leadership coach. The content for this article was adapted from her Penguin-published book *Leaders People Love*.

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The Multifaceted Role Of Today's Accountant



- The setting up of the Accountancy Workforce Review Committee is a timely initiative to counter the misconceptions that the profession is boring, monotonous and repetitive.
- Amid the digital transformation push, accountants can look forward to expanded job scopes that are enriching and challenging.
- In the sustainability space, accountants can use their accounting skills and knowhow to ensure that the sustainability metrics provided to stakeholders are relevant, compliant and accurate.

THE GOVERNMENT HAD, IN JUNE THIS YEAR, announced the setting up of the Accountancy Workforce Review Committee to stem the talent dearth confronting the accountancy profession. This is a timely initiative to counter misconceptions that the profession is boring, monotonous and repetitive.

DRIVING CHANGE THROUGH TECHNOLOGY

In a recent survey by NASDAQ-listed business management consultancy Blackline, an overwhelming 95% of respondents believe that finance and accounting functions modernised through digital transformation are essential to business growth and operational longevity and

resilience¹. Therefore, far from being boring, monotonous and repetitive, amid the digital transformation push, accountants can actually look forward to expanded job scopes that are enriching and challenging.

For instance, there are already reports of the Big Four accounting firms embracing the power of generative artificial intelligence (AI) to revolutionise workflows, provide faster insights and empower their accountants and consultants to be more productive. Examples include using AI to collect and analyse tax data, for contract and meeting minutes summarisation, and for preparing audit committee presentations.

Through digital transformation, moreover, accountants can play critical business partnering and information provision and assurance roles that enhance and catalyse the CEO's ability to deliver digital business capability responsibilities and efforts. In this way, by serving as strategic co-pilots to the CEO, accountants can metamorphose

companies into intelligent enterprises that rapidly harness technology and big data to innovate and transform business processes to create value across the entire company hierarchy, thus helping to navigate companies safely through the deep waters of post-pandemic business challenges.

Consider the case of an established food manufacturer (we will call it Food Co.) which is in the business of manufacturing and processing rice cracker snacks, as well as providing private label packaging for local house brands and contract manufacturing services for businesses in the service industries, such as hotels and airlines. Food Co. boasts an extensive product range of over 10 flavours which retail in eight countries in Asia, and has aspirations to increase market share and penetrate new overseas markets. Its competitive positioning is in offering quality rice cracker products at affordable prices.

Established as it is and though armed with rich and voluminous historical sales and inventory data, Food Co. lacked the accounting digital tools needed for data analysis and robust demand forecasting. With these accounting digital tools, they would be able to use predictive analytics to identify consumer buying preferences based on historical sales data and trends, derive valuable insights to efficiently stock inventory levels to match demand on a timely basis, and support strategic planning and decision making in areas such as new product development and branding, thus strengthening customer loyalty and product pricing formulation.

Enters Food Co.'s CFO, who identified these information gaps as obstacles to the company's business expansion aspirations. Working with external consultants, the CFO, as driver and change agent, guided the company and his team of accounting executives and sales managers on a digital transformation journey which made these accounting digital tools a reality. Besides designing and implementing the IT architecture

PHOTO: SHUTTERSTOCK



¹ <https://www.blackline.com/resources/whitepapers/future-proofing-finance-accounting-2023-landscape-singapore/>



... accountants, as finance leaders by virtue of their deep knowledge and industry expertise, are uniquely poised to ... serve as auteurs of digital transformation, custodians of value and strategic business partners to companies and businesses.



and infrastructure, the CFO also worked with the external consultants to obtain buy-in from the team, galvanised internal stakeholders and brought everyone into alignment by adopting a consultative approach to gather user requirements. They countered resistance by taking measures to assuage anxiety and concerns over the lack of training and knowledge to effectively use these accounting digital tools by sending staff for training on company time.

STEERING SUSTAINABILITY INITIATIVES

The long awaited publication by the International Sustainability Standards Board (ISSB) of the first two International Financial Reporting Standards Sustainability Disclosure Standards² in June this year, covering general sustainability concerns and climate disclosures respectively, is a key milestone to create a consistent global template for investor-focused sustainability reporting, consolidating existing disclosure standards including those by the Task Force on

Climate-Related Financial Disclosure and the Sustainability Accounting Standards Board. The standards will be effective from financial year 2024, although it will be contingent upon each jurisdiction as to whether and when to adopt them. In Singapore, the Sustainability Reporting Advisory Committee, comprising the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation, recommends that listed and large non-listed companies report their climate-related disclosures in line with the ISSB standards from financial year 2025 and 2027³ respectively, making Singapore among the first in Asia to

PHOTO: SHUTTERSTOCK

propose mandatory climate reporting for non-listed companies. Straddling all relevant sustainability-related disciplines such as governance, strategy, risk management, sustainability metrics and targets, and with time being of the essence, companies will have their work cut out for them as they seek out the right talents to ramp up the significant capability-building that will be needed to engage C-level executive teams to appreciate what these standards mean, and to assess how companies need to adapt and comply.

Indeed, on the sustainability front, it has been reported that there is a talent vacuum

holding back sustainability initiatives in Asia's financial sector⁴. Accountants, too, are naturally well placed to fill this talent vacuum. For example, within the overarching framework of the ISSB standards, accountants can use their accounting skills and knowhow to ensure that the sustainability metrics provided to stakeholders are relevant, compliant and accurate. Playing the quadruple roles of what Deloitte's established methodology terms as Steward, Strategist, Catalyst and Operator⁵, CFOs in particular could identify company-relevant sustainability issues and metrics (Steward), codify and operationalise these sustainability metrics into monetary terms to internalise and embed them into the corporate strategy (Strategist), provide continuous monitoring and oversight to evaluate efforts and outcomes to ensure that the company does not deviate from its sustainability goals (Catalyst) and, last but not least, publish compelling and high-quality reports on sustainability (Operator). In this way, accountants are hence in a privileged position to support the overall execution of the sustainability playbook, and at the same time identify and balance the value-add of both the finance and sustainability measures sides of the equation.

CONCLUSION

In the final audit, accountants these days are no longer mere bean counters tasked only with balancing the books. With Singapore growing from strength to strength as an international hub for finance and sustainability, accountants, as finance leaders by virtue of their deep knowledge and industry expertise, are uniquely poised to support this journey and to serve as auteurs of digital transformation, custodians of value and strategic business partners to companies and businesses. ISCA

Woon Wee Min is a Chartered Accountant of Singapore and earned his Chartered Financial Analyst qualification in 2003.



² <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>
³ <https://www.eco-business.com/news/singapore-among-the-first-in-asia-to-propose-mandatory-climate-reporting-for-non-listed-companies>
⁴ <https://finance.yahoo.com/news/talent-dearth-holding-back-esg-155500413.html>
⁵ <https://www2.deloitte.com/content/dam/Deloitte/de/Documents/finance-transformation/CFO-as-the-Driver-of-Sustainability.pdf>

Preparing For The Upcoming Workplace Fairness Legislation

Get Your Organisation Ready



- Implementing fair employment practices is vital to building an engaged and motivated workforce that will work towards your organisation's goals.
- With the Tripartite Guidelines on Fair Employment Practices being retained and enhanced to work in concert with legislation, organisations need to do more to ensure that their employment practices are in alignment.
- Employers should review their policies and practices, particularly their recruitment practices and grievance-handling procedures, in line with the upcoming legislation.



With the impending enactment of the new legislation, implementing fair employment practices will soon become more important than ever for employers.



¹ <https://www.mom.gov.sg/newsroom/press-releases/2023/0804-government-accepts-tripartite-committee-final-recommendations-for-wfl>
² <https://www.mom.gov.sg/-/media/mom/documents/press-releases/2023/tripartite-committee-on-workplace-fairness-final-report.pdf>
³ <https://www.mom.gov.sg/employment-practices/fair-consideration-framework>
⁴ <https://www.tal.sg/tafep/resources/tools-and-templates/2022/introduction-to-fair-hiring>
⁵ https://www.tal.sg/tafep/-/media/tal/tafep/employment-practices/files/grievance-handling-handbook_2018.ashx

IN AUGUST 2023, the government accepted¹ the final set of recommendations² by the Tripartite Committee on Workplace Fairness for the Workplace Fairness Legislation (WFL).

With the impending enactment of the new legislation, implementing fair employment practices will soon become more important than ever for employers. This is a significant step in building fairer and more harmonious workplaces, and will send a strong signal that there is no place for workplace discrimination in Singapore.

As the Tripartite Guidelines on Fair Employment Practices (TGFEF) will be retained and enhanced to work in concert with legislation, business and human resources (HR) leaders can prepare by taking stock and knowing where your organisation stands in terms of its fair employment practices in adherence with the prevailing guidelines.

Here are two key areas where you can start reviewing:

1. FAIR RECRUITMENT PRACTICES

With legislation, employers will be required to put in place processes to ensure that recruitment practices are carried out in a fair and merit-based manner.

When it comes to fair recruitment, a candidate's skills, experience and ability to perform the job should be considered, instead of personal attributes that are irrelevant to the job, such as race, age, gender, religion, marital status and family responsibilities or disability.

For instance, when you write a job advertisement, do you already have these processes in place?

- Ensuring that the selection criteria listed are related to the job requirements;
- Ensuring all personnel involved in writing the job advertisement (including staff outside of your HR team) are aware of the need to adhere to the TGFEF;
- Having a comprehensive vetting process in place to check for words or phrases that could be perceived as discriminatory before posting the advertisement online.

Another fundamental aspect to fair recruitment is complying with existing

manpower regulations, such as the Fair Consideration Framework (FCF)³. Here are some important questions that you need to ask:

- Is your organisation's recruitment policy and process in line with the FCF requirements?
- Does your recruitment process consider the workforce in Singapore fairly for job opportunities by advertising job vacancies on the MyCareersFuture portal?
- Does your process fairly consider all candidates who meet the selection criteria?

To learn more about how to implement fair recruitment practices, you may access the "Introduction to Fair Hiring" e-learning course⁴.

2. CLEAR GRIEVANCE-HANDLING PROCEDURES

Another key recommendation to be included in legislation is for employers to put in place grievance-handling processes, so that employees and their employers can try to resolve disputes amicably within the organisation in the first instance. These processes help preserve workplace harmony and promote amicable resolution of disputes, both of which are hallmarks of Singapore's employment landscape.

Here are some questions to help you gauge your organisation's preparedness in managing employee grievances:

- Do you currently have a proper process in place for employees' concerns to be heard, looked into and resolved in a fair and timely manner?
- How is the process communicated to the employees (for example, is it written in the employee handbook, code of conduct, or on the company intranet)?
- Do your employees know who to approach should they wish to lodge a grievance report or file a discrimination complaint?
- How are you ensuring confidentiality of the complaint and treating it with sensitivity?
- Are the affected employees informed of the outcome of how their grievances are resolved?

To learn more about how to implement a proper grievance-handling process in your workplace, you may refer to the *Grievance-Handling Handbook*⁵.





CONDUCT A SELF-AUDIT OF YOUR ORGANISATIONAL PRACTICES

In rooting out discrimination, employers have to invest effort in implementing formal policies and processes to comply with legislative requirements. This begins with understanding current practices and identifying gaps to be addressed.

The Fair and Progressive Employment Index (FPEIndex)⁶ is a modular and complimentary diagnostic tool that can help you in this process. The TGFEF module enables you to conduct a fast and simple

self-assessment of how well your organisation adheres to the Tripartite Guidelines on Fair Employment Practices.

Insights and recommendations are provided in your online report to help identify areas that require change and actionable steps to refine your practices, for a truly conducive workplace.

If you require specific assistance or advice regarding the TGFEF, you may make an appointment to speak to our consultants via the Employer Advisory Service⁷.

Implementing fair employment practices is vital to building an engaged and motivated workforce that will work towards your organisation's goals. Take your first step today. ISCA

This article was first published by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP). Adapted and reproduced with permission.

PHOTO: SHUTTERSTOCK

⁶ <https://fairprogressive.sg/>
⁷ <https://www.tal.sg/tafef/contact-us>



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The Power Of Networking In The New Economy

The Impact Of Transitory Ties



- Post-COVID-19, work has transformed towards shorter-term, non-standard arrangements like independent contracting and freelancing. This, in turn, affects the nature of networking.
- Understanding the value of transitory ties and the nature of these networks could encourage those in the labour market to help one another densify their networks and achieve mutually beneficial outcomes.

“IT’S NOT WHAT YOU KNOW, IT’S WHO YOU KNOW” – OR SO THE SAYING GOES. Few would refute this or the fact that networking can boost our careers. In fact, networking can take us to places we can hardly imagine.

However, in the age of the fast-paced, non-standard gig economy that relies heavily on temporary positions, we need a new frame to understand networking. Even before the COVID-19 pandemic disrupted work as we know it and accelerated the rise of the gig economy, work had been transforming towards shorter-term, non-standard arrangements¹ like independent contracting and freelancing.

In the creative industries, where the value of the practitioner’s work is not easily defined and consumer demand is typically uncertain, jobs are frequently on a contractual and precarious per-project basis. Fashion models, film directors, musicians, editors, graphic designers and the like have been taking on gigs even before the term

was popularised. Today, independent contracting is common in both white and pink-collar industries, and even in high-status fields like entertainment and information technology.

CHANGING TIDES, CHANGING TIES

In the sociology of work and markets, social capital is an influential concept. Studies have confirmed the role of social ties² in shaping, constraining, and enabling labour market opportunities. Traditionally, the value of a tie is determined primarily by its strength³ – defined by the duration of the relationship, its emotional intensity, intimacy and potential for reciprocity. However, prevalent conceptions of social capital have not kept pace with transformations in the workplace. Most studies are based on standard employment within formal organisations and long tenure.

Social network analysis of the creative industries can produce interesting insights about networks today. A creative practitioner’s network can bolster

reputation and name recognition⁴, just like how theatre actors benefit from sharing the stage with a celebrity. In addition to status signalling, networks are a source of camaraderie and communal support to professionals in more precarious employment. Indeed, anthropologists found sharing to be a common social response to precarious conditions⁵.

Fashion models exemplify independent contractors in a fast-paced market that is marked by stiff competition, global mobility and high turnover. In the course of their work, models travel to fashion markets around the globe for short-term employment. Before the pandemic, for example, some 3,000 to 5,000 models converged at the

annual New York Fashion Week annually. These models come together at fashion shows, form ties and depart in quick succession.

ARE STRONGER TIES BETTER?

Through the world of fashion modelling, our study – “Transitory ties: A network ecology perspective on job opportunities in fashion modelling”⁶ – forthcoming in *Social Networks*, explored the practical implications of quickly formed and fleeting social ties established through recurrent projects. We assessed whether such ties can boost careers. We introduced the concept of “transitory ties” to capture the recurrent, brief, and valuable social ties

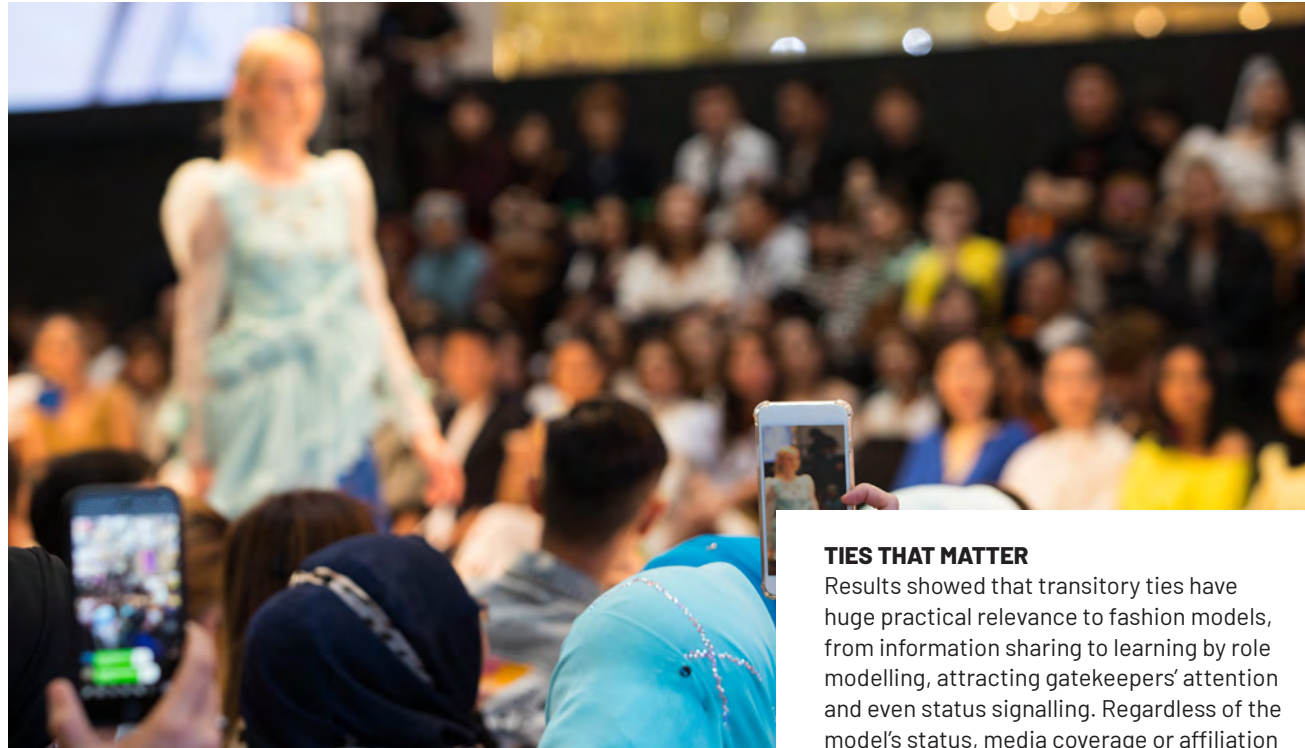


¹ <https://journals.sagepub.com/doi/abs/10.1177/0003122416630982>
² <https://www.sciencedirect.com/science/article/abs/pii/S0049089X1002389>
³ <https://www.journals.uchicago.edu/doi/full/10.1086/663574>
⁴ <https://journals.sagepub.com/doi/10.1177/0730888413504099>
⁵ <https://www.routledge.com/The-Gift-The-Form-and-Reason-for-Exchange-in-Archaic-Societies/Mauss/p/book/9780415267496>
⁶ <https://doi.org/10.1016/j.socnet.2022.02.003>

PHOTO SHUTTERSTOCK

VIEWPOINT

Studies have confirmed the role of social ties in shaping, constraining and enabling labour market opportunities.



TIES THAT MATTER

Results showed that transitory ties have huge practical relevance to fashion models, from information sharing to learning by role modelling, attracting gatekeepers' attention and even status signalling. Regardless of the model's status, media coverage or affiliation with fashion houses, transitory networks exert considerable influence on the success of a model's career (measured as the number of catwalk shows a model has done).

Further, we outlined how the network ecology of transitory ties shaped career outcomes. For instance, the chances of success of an aspiring model increased in a linear fashion as she moved from the periphery towards the core (insider) group, but the effects diminished when she was very close to the core of the network.

For workers in the gig economy to continue to thrive, we should foster more opportunities for networking and sharing of information among each other. Understanding the value of transitory ties and the nature of these networks could encourage those in the labour market to help one another densify their networks and achieve mutually beneficial outcomes. **ISCA**

Frederic Godart is Associate Professor of Organisational Behaviour, INSEAD. Ashley Mears is Professor of Sociology and Women's, Gender, and Sexuality Studies, Boston University. This article is republished courtesy of INSEAD Knowledge (<http://knowledge.insead.edu>). Copyright INSEAD 2023.

PHOTO SHUTTERSTOCK

that exist between arm's length and strong ties – akin to the relationships forged in public spaces or between cab drivers and passengers⁷. Transitory ties, although not a new phenomenon, play a salient role among today's informal workers.

We studied networks among fashion models through ethnographic accounts of fashion shows and castings in New York and London, and tested the effects of transitory ties using a unique longitudinal dataset of fashion models' career profiles spanning a decade. We examined contextual factors leading to the formation of transitory ties and considered broader network effects that may influence the models' careers. With these, we mapped the career consequences of transitory ties in fashion modelling.

In this study, we questioned the significance of time in defining ties, and specifically, if duration, emotional intensity, intimacy and reciprocity line up linearly. Looking beyond a tie's strength, we considered how brief and fleeting connections can yield meaningful outcomes – a shift that mirrors the transformation in the labour market from organisation-based to project-based work.



Today, independent contracting is common in both white and pink-collar industries



⁷ <https://www.jstor.org/stable/2773022>

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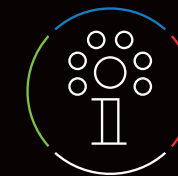
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What It Takes to Combat Money Laundering In Singapore

Essential Role Played By Accountants



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TEXT BY 



Terence Lam



Ng Shi Zhen

TAKEAWAYS

- Professionals including accountants are required to file a suspicious transaction report if she or he has reasonable grounds to suspect criminal conduct such as money laundering, terrorist financing and the use of proceeds of crime.
- Accountants who deal with clients or handle transactions deemed to be of high risk must carry out extra checks, to guard against money laundering and financing of terrorism. They form the essential first line of defence against such crime.
- Singapore takes a zero-tolerance approach towards financial crime.

RECENT RAIDS CONDUCTED BY THE SINGAPORE POLICE FORCE saw the seizure and freezing of S\$2.4 billion (US\$1.8 billion) in cash and assets, and charges of money laundering and forgery pressed against the suspects¹.

It was reported that several financial institutions had filed suspicious transaction reports and alerted the authorities to suspicious activities. With further assistance from the financial institutions, authorities were able to trace the tainted funds and subsequently, make the arrests.

However, one may wonder how illicit activities of such scale could still occur in an environment where tough rules and strict compliance processes are already in place.

Money laundering is typically complex, occurring in phases and through multiple parties and transactions, making detection difficult, if not impossible. New technology culminating in digital assets, such as cryptocurrencies, provides additional avenues for perpetrators.

In the recent case, the suspects had allegedly laundered proceeds from overseas organised criminal activities including scams and online gambling, forged documents to substantiate the source of funds in multiple bank accounts and, eventually, used the laundered funds to buy assets. This appeared to take place through multiple transactions involving bank accounts with a total estimated value exceeding S\$1.1 billion, and the purchase of 110 properties, 62 vehicles and more.

Any individual who is convicted of a money-laundering offence can be fined up to

S\$500,000, jailed for up to 10 years, or both. While harsh punishment might deter financial criminals, no extent of anti-money laundering regulations can entirely prevent financial crime.

Perpetrators of such crimes typically require professional advice and assistance. Therefore, accountants, lawyers, and financial advisers are part of an unassuming first line of defence in the fight against financial crime.

HOW ACCOUNTANTS PLAY AN IMPORTANT ROLE

Under the Corruption, Drug Trafficking and Other Serious Crimes Act, it is mandatory for any professional to file a suspicious transaction report if she or he has reasonable grounds to suspect criminal conduct such as money laundering, terrorist financing and the use of proceeds of crime.

Public accountants who prepare or carry out high-risk transactions, for example, buying and selling real estate and managing client assets, have to comply with the Accountants (Prevention of Money Laundering and Financing of Terrorism) Rules 2023 prescribed by the Accounting and Corporate Regulatory Authority.

For high-risk services, accountants are required to screen the client against money-laundering and terrorist-financing information sources, such as sanctions lists provided by the Monetary Authority of Singapore.

Accountants must also conduct due diligence checks on prospective or existing clients. Such checks enable accountants to know who they are dealing with, and also to



¹ <https://www.channelnewsasia.com/singapore/s1-billion-dollar-money-laundering-accused-suspects-charges-what-assets-seized-3734531>

VIEWPOINT

Perpetrators of such crimes typically require professional advice and assistance. Therefore, accountants, lawyers, and financial advisers are part of an unassuming first line of defence in the fight against financial crime.



gauge money-laundering risks. This in turn helps them in the effective identification and reporting of suspicious activities.

Accountants are also required to perform more comprehensive checks and regular monitoring of clients from higher-risk countries known to have inadequate measures for the detection and prevention of money laundering or terrorist financing.

Despite rigorous checks in place, financial criminals can evade detection by exploiting human nature. For instance, seven persons were charged in court on August 17 for relinquishing their bank accounts or Singpass credentials², which were then used by scam syndicates for money-laundering activities.

In one case, an 18-year-old woman agreed to an online investment scheme on Telegram which offered her at least S\$10,000 in return for using her two bank accounts. One of her bank accounts was found to have been used for laundering criminal proceeds.

Combating money laundering thus requires the concerted effort of members of the public as well, as they may be inadvertently caught in a web of illicit transactions.

ZERO-TOLERANCE APPROACH

As a global financial hub with a business-friendly reputation, Singapore enjoys inflows of foreign investment, but with that comes the risk of attracting financial criminals.

Singapore's authorities have been steadfast with a zero-tolerance approach towards financial crime. The Financial Action Task Force, an independent inter-governmental body, assessed that Singapore has a robust legal and institutional framework in place to combat money laundering and terrorist financing.

This is a strong testament to Singapore's anti-money laundering and counter-terrorist financing regime and sends a firm message that the country will leave no stone unturned to prevent illegal activities on its shores.

As financial criminals become more sophisticated and continue to exploit technologies to launder money, business professionals need to be alert to red flags, such as companies formed with no apparent business purpose, large cash value purchases and clients with an unusual rise in net worth arising from gambling and lottery gains.

This will go a long way to avoid a repeat of, in Deputy Public Prosecutor Eric Hu's words, "one of the most serious, if not the worst, money-laundering case in Singapore"³. ISCA

Terence Lam is Head of Professional Standards, and Ng Shi Zhen is Associate Director of Professional Standards, ISCA. This commentary was first published on Channel NewsAsia online on 22 September 2023. Reproduced with permission.



² https://www.police.gov.sg/Media-Room/News/20230816_seven_persons_to_be_charged_for_relinquishing_their_singpass_for_money_laundering

³ <https://www.straitstimes.com/singapore/courts-crime/one-of-the-most-serious-if-not-the-worst-money-laundering-case-in-singapore-dpp>

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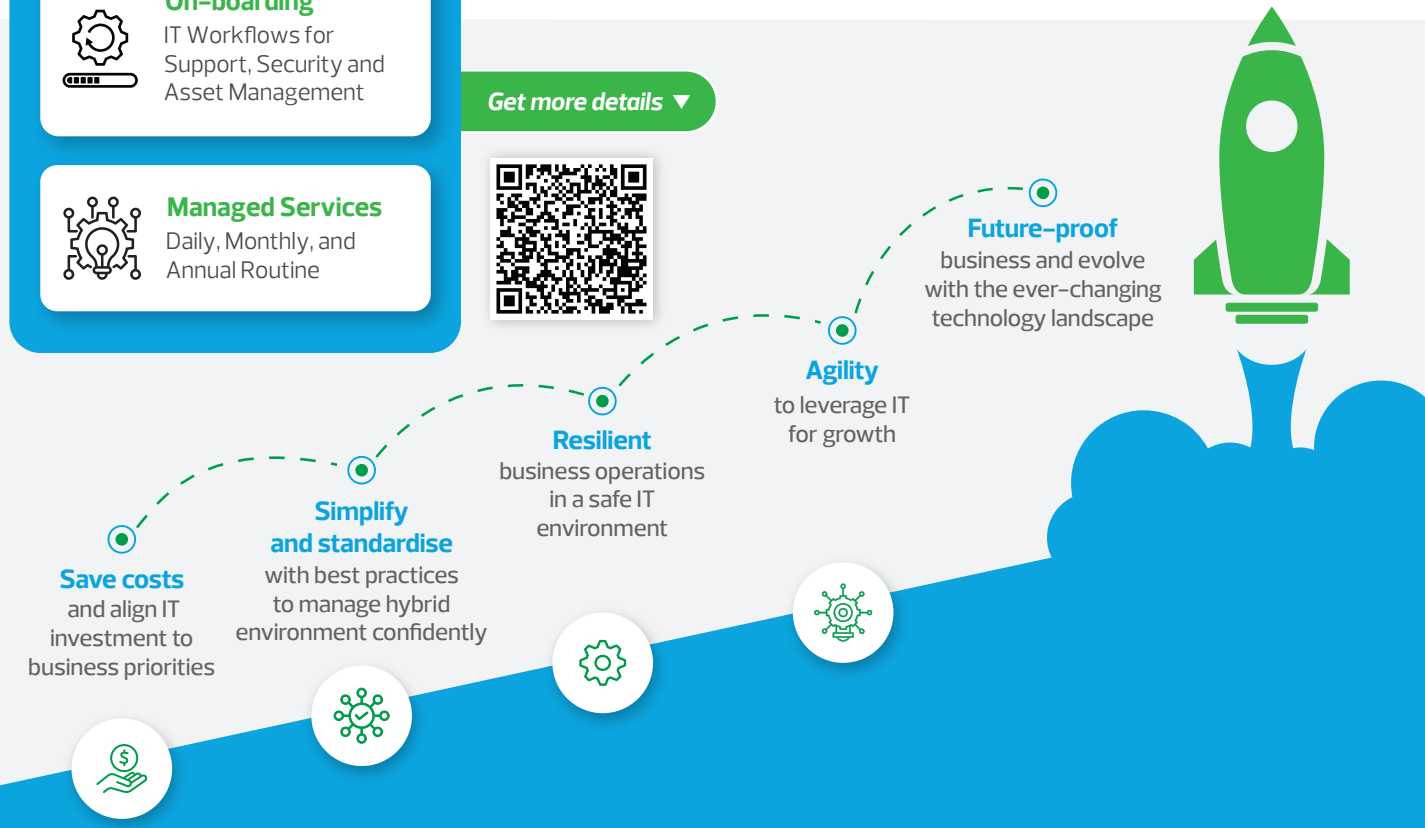
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Technical Highlights

ETHICS

ISCA Issues EP 100 Exposure Draft To Adopt Technology-Related Revisions To The Code

ISCA invites comments on EP 100 Exposure Draft to adopt IESBA's final pronouncement, *Technology-Related Revisions to the Code*, with a proposed effective date of 15 December 2024. The technology-related revisions will guide the ethical mindset and behaviour of professional accountants as they take advantage of the opportunities created by technology and adapt to new technology.

Please send your comments to professionalstandards@isca.org.sg by 20 November 2023.

For more information, please visit:

[https://isca.org.sg/standards-guidance/ethics-\(ep-100\)/open-for-comments](https://isca.org.sg/standards-guidance/ethics-(ep-100)/open-for-comments)

FINANCIAL REPORTING

ISCA Comments On IASB's Request For Information On Post-Implementation Review Of IFRS 9 Impairment

The introduction of a forward-looking expected credit loss (ECL) model under IFRS 9 has resulted in an earlier recognition of credit losses as compared to the incurred loss model under IAS 39. However, there is complexity in the adoption of the ECL model as significant judgement is required for the incorporation of forward-looking information and determination of significant increases in credit risks. Noting the challenges faced by entities in the measurement of ECL, ISCA urged IASB to consider more practical expedients, with a focus on specific provisioning instead of general provisioning.

For more information, please visit

[https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/isca's-comment-letter---ifrs-9-pir-impairment-\(for-submission\).pdf](https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/isca's-comment-letter---ifrs-9-pir-impairment-(for-submission).pdf)

ASC Issues Amendments To SFRS(I) 1-21 And FRS 21, And SFRS For Small Entities

The Accounting Standards Committee (ASC) has issued:

- Amendments to SFRS(I) 1-21 and FRS 21 that will require entities to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. These amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early application is permitted.
- Amendments to SFRS for Small Entities to (i) provide a temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two Model Rules; and (ii) clarify that the Standard requires entities applying the Standard to disclose information that enables users of their financial statements to evaluate the nature and financial effect of income tax consequences of the Pillar Two legislation. The temporary exception in (i) is effective immediately. The required disclosures in (ii) are required for annual reporting periods beginning on or after 1 January 2023.

For more information, please visit

<https://www.acra.gov.sg/accountancy/accounting-standards/accounting-standards-news/local-news>

IASB To Explore Ways To Improve Reporting Of Climate-Related And Other Uncertainties In The Financial Statements

IASB decided to explore targeted actions to improve the reporting of climate-related and other uncertainties in the financial statements. The possible actions include development of educational materials, illustrative examples, and targeted amendments to IFRS Accounting Standards to improve application of existing requirements.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2023/09/iasb-to-explore-improvements-to-reporting/>

September 2023 IASB Update And Podcast Available

The topics discussed in this podcast include IASB's discussions on its various projects such as Business Combinations – Disclosures, Goodwill and Impairment; and Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures; Climate-Related and Other Uncertainties in the Financial Statements; and stakeholder feedback on the IASB Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7). The IASB work plan has also been updated.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2023/09/september-2023-iasb-podcast-now-available/>

IFRIC Update For September 2023

This Update is a summary of discussions by IFRIC. Topics discussed include Tentative Agenda Decision on Payments Contingent on Continued Employment during Handover Periods (IFRS 3), and Agenda Decisions on Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9) and Guarantee over a Derivative Contract (IFRS 9).

For more information, please visit

<https://www.ifrs.org/news-and-events/updates/ifric/2023/ifric-update-september-2023/>

September 2023 IFRS For SMEs Accounting Standard Update Available

This Update includes an overview of the forthcoming amendments to the IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules; and the next steps in the second comprehensive review of the Standard.

For more information, please visit

<https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/ifrs-for-smes/2023/september-2023-ifrs-for-smes-accounting-standard-update/>

September 2023 ASAF Agenda And Meeting Papers Available

For the Accounting Standards Advisory Forum (ASAF) meeting held on 28 September 2023, topics discussed include Agenda planning and feedback from previous ASAF meetings, Rate-Regulated Activities, Power Purchase Agreements and International Tax Reform – Pillar Two Model Rules.

For more information, please visit

<https://www.ifrs.org/news-and-events/calendar/2023/september/accounting-standards-advisory-forum/>

SUSTAINABILITY & CLIMATE CHANGE

September 2023 ISSB Update And Podcast Available

The topics discussed in this podcast include supporting the implementation of IFRS S1 and IFRS S2, bilateral engagements with jurisdictions, development of ISSB's adoption strategy, and future priorities of ISSB.

For more information, please visit

<https://www.ifrs.org/news-and-events/news/2023/09/september-2023-issb-podcast-now-available/>



PHOTO SHUTTERSTOCK

IS FAIR VALUE ALWAYS THE BEST?

No One-Size-Fits-All Solution



PHOTO SHUTTERSTOCK

THE DRAMATIC COLLAPSE OF SILICON VALLEY BANK (SVB) triggered much speculation and debate as many sought to unravel the cause behind the bank's sudden downfall. Among the factors and explanations raised, there were criticisms levelled at how SVB was able to carry a portion of its bond portfolio at amortised cost. The deep paper losses suffered by these bonds were not reflected in their carrying amounts in the financial statements.

In SVB's annual report¹ for the year ended 31 December 2022, the above-mentioned bonds were carried at their amortised cost of US\$91 billion, but their fair value was only US\$76 billion. This indicated an unrecorded loss of \$15 billion, which critics have blamed on the accounting method used – "amortised cost" instead of "fair value". Although SVB did disclose the fair value of these bonds, there were some who felt that that was not enough. The argument was that "fair value" should be the only measure for all financial assets as it is more reflective of their

TEXT BY



Terence Lam



Felicia Tay

TAKEAWAYS

- Under IFRS 9 *Financial Instruments*, three different classification and measurement bases are allowed: amortised cost, fair value through other comprehensive income, and fair value through profit and loss. The key difference lies in the entity's business model under which the financial assets are being held.
- The determination of fair value could be highly subjective and may not be highly reliable depending on the inputs and assumptions used. This is why the accounting standards continue to accommodate different measurement methods.

"true value". We will examine this argument in this article.

WHAT ACCOUNTING METHODS ARE ALLOWED BY THE ACCOUNTING STANDARD?

Under the international accounting standard IFRS 9 *Financial Instruments*, the following classification and measurement bases are allowed:

- Amortised cost
- Fair value through other comprehensive income (FVOCI) – where fair value changes are recorded in other comprehensive income
- Fair value through profit or loss (FVTPL) – where fair value changes are recorded in profit or loss.

The key difference lies in the entity's **business model** under which the financial assets are being held. Reclassification between the different categories will happen only if the entity changes its business model for managing the financial asset.

Table 1 demonstrates how a financial asset such as a bond could be treated very differently, depending on the business model under which it is held:



¹ <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000719739/f36fc4d7-9469-41d7-9e3d-2c468971b386.pdf>

TABLE 1 CLASSIFICATION OF A FINANCIAL ASSET HELD UNDER DIFFERENT BUSINESS MODELS

	Business model
Amortised cost	To hold the bond until maturity to collect contractual cash flows (which represent solely payments of principal and interest)
FVOCI	To collect the contractual cash flows (which represent solely payments of principal and interest) and to sell the bond at any point in time before maturity to realise any changes in its value
FVTPL	To sell the bond at any point in time before maturity to realise any changes in its value

There are pros and cons to each of the three measurement methods for financial assets and a one-size-fits-all approach may not be the solution.

Figure 1 is an example to illustrate the financial impact (value of bond, interest income and fair value changes) of the earlier classifications (Table 1) on the balance sheet and profit or loss.

Fact pattern

- On 1 January 2022, Entity A invested \$100 in a bond with a coupon rate of 2% (that is, Entity A is entitled to receive \$2 annually).
- Term is three years, and the bond will be redeemed for \$100 on 31 December 2024.

- Fair value of the bond as at 31 December 2022, 31 December 2023 and 31 December 2024 is \$105, \$95 and \$100 respectively.

ONE SIZE FITS ALL?

We can analogise the above three accounting methods to clothing sizes in the fashion industry: size S for amortised cost, size M for FVOCI, and size L for FVTPL, to cater to people of different physiques (that is, different business models under which the financial asset is being held).



² Required under paragraph 25 of SFRS(I) 7 Financial Instruments: Disclosures and paragraph 97 of SFRS(I) 13 Fair Value Measurement

FIGURE 1 FINANCIAL IMPACT OF THE DIFFERENT CLASSIFICATIONS OF THE FINANCIAL ASSET

	Amortised cost	FVOCI	FVTPL
Balance sheet			
Profit or loss	<p>No impact to profit or loss arising from fair value changes</p>	<p>No impact to profit or loss arising from fair value changes</p>	
Key points to note	<ul style="list-style-type: none"> No impact to balance sheet and profit or loss arising from fair value changes Fair values are disclosed in the financial statements² 	<ul style="list-style-type: none"> Fluctuations in value of the bond and equity arising from fair value changes 	<ul style="list-style-type: none"> Fluctuations in value of bond and profit or loss arising from fair value changes

Proponents of fair value accounting are of the view that the fluctuations in the value of the financial asset in the financial statements aptly reflect the market conditions and provide stakeholders with relevant and timely information. This is particularly so if the fluctuations are promptly reflected in the profit or loss (that is, only FVTPL should be allowed). In fashion speak, there should only be size L clothing which everyone should wear.

Imagine a world full of people who are all wearing size L regardless of their physique. Would that make sense? Consider the following.

WHAT IF ONE PLANS TO HOLD THE BOND TO MATURITY?

FVTPL assumes that the realisation of the value of the financial asset is by sale instead of collection of the contractual cash flows. Using the bond example above, if the entity's business model is to hold the bond and collect the contractual cash flows until maturity and it has accounted for that bond using FVTPL, the entity's financial statements will see short-term fluctuations in the value of the bond and profit or loss arising from fair value changes during the three years.

But what if the entity plans to hold the bond until its maturity date? Would the short-term fluctuations in the fair value of the bond provide stakeholders with meaningful information? Would it make sense for the entity to record paper gains or losses throughout the three years when it already knows upfront that it would receive a total of \$106 by 31 December 2024, unless there is a default by the bond issuer?

FAIR VALUE MEASUREMENT CAN BE HIGHLY SUBJECTIVE

Fair value accounting can be straightforward if the financial asset is highly liquid and easy to value at observable market prices. Otherwise, the determination of fair value could be highly subjective and may not be highly reliable depending on the inputs and assumptions used. During times of financial crisis or high market volatility, fair value becomes hard to estimate as markets can quickly become illiquid and there may be little to no observable transaction prices. For financial assets which are intended to be held to maturity, is it worth the extra effort to determine the fair value if the changes are neither realised nor planned to be realised?

On the other end of the spectrum, there is the amortised cost model. It is a tested and

proven accounting method that is well understood by investors and stakeholders and is used to account for assets which are used by entities to generate returns. In such cases, the cost is amortised over the useful lives of the assets and valuation concerns are addressed via impairment requirements.

In the middle of the spectrum, there is the FVOCI model. It is meant for financial assets which are held to collect contractual cash flows and can be sold any time before maturity to realise changes in value. Therefore, it makes sense for such a financial asset to be measured at fair value with fair value changes recorded in equity until it is sold. However, as the fair value changes are recorded as a "lump sum figure" in equity, users are unable to distinguish how much of the fair value changes are unrealised gains and how much are unrealised losses.

Given the above factors, it can be seen why the accounting standards continue to accommodate three different measurement methods, including amortised cost.

However, there are times when measurement at fair value is necessary. When an entity faces going concern or severe liquidity issues, it may not have the ability to hold its investments to maturity, such as in the case of SVB. In such situations, the fair value of the entity's financial assets would better reflect what it would be able to realise immediately. This is akin to how one may have to put aside fashion preferences and switch to firefighting gear when there is a fire. But one cannot be wearing firefighting gear all the time, right?

CONCLUSION

There are pros and cons to each of the three measurement methods for financial assets and a one-size-fits-all approach may not be the solution. There may be areas which could be improved, such as more explicit disclosures of unrealised fair value gains and losses in the financial statements. But there are clear benefits of having different accounting methods catering to different business models. If business models change, such as in a crisis situation, the accounting may have to change. But, this may be hard to anticipate at times. After all, how does one predict when a bank run would happen? ISCA

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Felix Wong



Joseph Tan

Landmark Herbalife Case Dissected

GST Implications Of A Direct Selling Marketing Business



- The meaning of consideration in section 17(3) of the GST Act should not be interpreted too broadly, such that items of *de minimis* value fall within the meaning of non-monetary consideration.
- Regular terms of trade would not generally constitute non-monetary consideration for GST purposes.
- Any lacuna in the GST Act should be remedied by Parliament, not the courts.

THE RECENT DECISION IN THE LANDMARK GOODS AND SERVICES TAX (GST) CASE

of *Herbalife International Singapore Pte Ltd (Herbalife) v Comptroller of GST* [2023] SGHC 54 has sparked a series of parliamentary debates on revenue collection leakages.

So, what exactly is the Herbalife case about and how will the Singapore High Court's decision affect other direct selling companies?

"The High Court's decision will have far reaching implications for the direct selling



Vikna Rajah, Executive Committee Partner and Head Tax, Trust and Private Client, Rajah & Tann Singapore LLP, shared his unique insights into how he, as the Lead Counsel for the appellant, successfully persuaded the Singapore High Court to reverse the Board's ruling in the landmark GST decision

industry," said Vikna Rajah, Executive Committee Partner and Head Tax, Trust and Private Client, Rajah & Tann Singapore LLP, at a recent seminar organised by the Singapore Chartered Tax Professionals. "It demonstrates that discounts granted purely on the volume of goods purchased by its members will not be taxed on the retail price of such goods but rather, the discounted price."

BACKGROUND

The Appellant, Herbalife, is a GST-registered company that adopts a direct selling business model to distribute weight management products, nutritional supplements, and personal care products (Nutritional Products) at a discounted price to its members (Members). Consumers (that is, non-Members) who wish to purchase the Nutritional Products can only do so from Members as Herbalife does not sell directly to consumers.

For an annual fee, individuals register as Members and receive a membership pack which contains materials that form a comprehensive agreement (Membership Agreement) with



PHOTO: SHUTTERSTOCK

Herbalife. The Membership Agreement regulates the terms and conditions by which Members can purchase and market the Nutritional Products, as well as recruit other Members who form "downlines".

Members can purchase the Nutritional Products either for personal consumption or for resale to end-consumers at full price. Based on the volume of products they (or their downlines) purchase from Herbalife, Members earn volume points each month which, in turn, determine the discount that they enjoy while purchasing the Nutritional Products. The discount may range from the standard discount of 25% (Standard Discount) to further tiered discounts of 35%, 42% and 50% (Tiered Discounts).

CRUX OF THE ISSUE

When Members buy the Nutritional Products from Herbalife, GST is levied on the discounted price that Members paid for the products. Subsequently, if the Members choose to on-sell the products to end-consumers, GST is not applicable on the sale to the end-consumers as the Members, unlike Herbalife, are not GST-registered.

In effect, under the Appellant's direct selling business model, GST is only levied on the discounted price (that is, the price after the application of the Standard Discount or Tiered Discounts) of the Nutritional Products. The central issue in this case is whether GST should be levied on the discounted price or the open market value of the Nutritional Products.



The central issue in this case is whether GST should be levied on the discounted price or the open market value of the Nutritional Products.



PHOTO SHUTTERSTOCK

KEY ISSUES BEFORE THE HIGH COURT

Whether the supply of Nutritional Products falls within the ambit of section 17(3) of the GST Act

The Comptroller's argument

The Comptroller asserted that Herbalife's business model results in revenue leakage as it interposes a non-taxable intermediary between Herbalife and the end-consumer. This revenue leakage, according to the Comptroller, is addressed by section 17(3) of the GST Act.

Based on section 17 of the GST Act, the value of the supply of Nutritional Products depends on the nature of the consideration that Members furnished. If the consideration consists wholly of money, then section 17(2) of the GST Act will apply, and the value of the supply will be the net price of the Nutritional Product less the applicable discount which a purchasing Member is entitled to.

Conversely, if the consideration does not consist wholly of money but includes some form of non-monetary consideration, then the value of the supply should be the open market value in accordance with section 17(3) of the GST Act. The Comptroller's position was that the open market value is the retail price of the Nutritional Products less the Standard Discount of 25%.

Herbalife's argument

According to Herbalife, the Members' undertakings of terms and conditions stipulated in the Membership Agreement did not fulfil the requirements to be considered non-monetary consideration under the GST Act. The consideration provided by the Members in exchange for the discounted Nutritional Products consisted wholly of money and fell within the ambit of section 17(2) of the GST Act. The discounts given were also genuine volume discounts granted to the Members and not payment for services provided by the Members.

Further, counsel for Herbalife also submitted that any lacuna in the GST Act should be remedied by Parliament, not the courts.

Whether the supply in question was made in exchange for some form of non-monetary consideration

The Comptroller's argument

The Comptroller asserted that the terms and conditions in the Membership Agreement are contractual obligations undertaken by the Members which fulfilled the requirements to constitute non-monetary consideration under the GST Act. Alternatively, the discounts were consideration for services supplied by these distributors to the client, and thus should not be deducted from the value of its products for GST purposes.

Herbalife's argument

The terms and conditions in the Membership Agreement were merely part of the contractual background underpinning the commercial relationship between the Members and Herbalife. The terms and conditions constituted obligations that were merely ancillary to the purchase of the Nutritional Products and did not provide a benefit to Herbalife that went beyond the monetary transaction in question.

Herbalife also argued that there was no direct link between the supply of the Nutritional Products at discounted prices and the undertaking of obligations by the Members. In this regard, such terms and conditions should not constitute non-monetary consideration for the purposes of section 17(3) of the GST Act.

The fact that a contractual term requires a recipient of a supply to act in a particular way does not necessarily mean that the act of the recipient is consideration within the meaning of section 17(3) of the GST Act.



THE HIGH COURT'S DECISION

Interpreting section 17(3) of the GST Act

Section 17(3) of the GST Act is intended to cover situations where valuing a supply by reference only to its monetary value is underinclusive, because what the consumer gives in exchange for the supply is not only money, but something additional of value in non-monetary form.

The meaning of consideration in section 17(3) should not, however, be interpreted too broadly, such that items of *de minimis* value fall within the meaning of non-monetary consideration, as there may be implications on all kinds of commercial practices that may not be intended to so be covered.

Regular terms of trade do not constitute non-monetary consideration

Regular terms of trade would generally be dependent and ancillary to the supply. Such regular terms of trade would not constitute non-monetary consideration unless they contractually demand the provision of something non-monetary in exchange for the supply. The fact that a contractual term requires a recipient of a supply to act in a particular way does not necessarily mean that the act of the recipient is consideration within the meaning of section 17(3) of the GST Act.

On the facts of the case, the High Court was of the view that the terms of undertaking in Herbalife constituted terms of trade which were imposed by Herbalife on its Members either to qualify to receive the supply, to regulate the use of Nutritional Products once obtained, or to regulate the conduct of the Members as members of Herbalife. Such terms of trade, without more, did not constitute non-monetary consideration for the purposes of section 17(3) of the GST Act.

Accordingly, it was found that the terms and conditions in the Membership Agreement did not contractually bind the Members to provide marketing services to Herbalife. Instead, they

only governed how Members should act as a member of Herbalife as opposed to being the consideration furnished in exchange for the supply of Nutritional Products.

Tackling revenue leakage via legislative change

Finally, the High Court agreed with Herbalife that the solution to the revenue leakage raised by the Comptroller lay not in expanding the scope of non-monetary consideration, but in the adoption of a special valuation provision which specifically addresses business models akin to the appellant, without the potential negative collateral effects on commercial practices. This was beyond the power of the courts and had to be implemented legislatively.

For the reasons above, Herbalife's appeal was allowed.

CONCLUSION

The High Court's ruling in Herbalife has been extremely useful in clarifying that consideration for the purposes of section 17(3) of the GST Act should be interpreted more narrowly than the meaning of consideration under general contract law, and that regular terms of trade would not generally constitute non-monetary consideration for GST purposes. This has far-reaching implications not only for the direct selling industry, but also for all cases where a determination has to be made whether a supply is wholly for monetary consideration or for a mixture of monetary and non-monetary consideration. ISCA

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