S'pore not adopting revision in fair value accounting yet
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(SINGAPORE) Singapore has deferred the adoption of a much-awaited first amendment to fair value accounting, following a similar move by the European Commission late last year.

The Accounting Standards Council (ASC) said yesterday that it has decided to defer the adoption of IFRS 9, which deals with the Classification & Measurement of Financial Instruments and is the first of three phases of amendments to International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement.

The ASC said it 'took cognisance of the fact that this standard . . . is the first of three phases of the IAS 39 re-write project and the full impact of the second and third phases covering Impairment and Hedging respectively is not yet known'.

It added: 'There is also the possibility of further changes to the standard due to the global convergence efforts as well as that arising from feedback received on this first phase. Equally, liabilities have been scoped out of the first phase and will be revisited by the IASB (International Accounting Standards Board) at a later date.'

The IASB completed its review of the first phase on the classification and measurement of financial instruments last year, is in the midst of seeking comments on the second phase on impairment and amortised cost, and will soon publish its proposed amendments to the third phase on hedge accounting.

Accounting practitioners and academics here say they agree with the ASC's move.

Accounting professor Mak Yuen Teen, of the National University of Singapore, told BT: 'How financial instruments ought to be accounted for is still in a fluid state, and I think it's wise of ASC to adopt only when there is more certainty as to what the final overall standards will be.'

He recalled when Singapore first adopted IAS 39 about a decade ago - and had to constantly make amendments when the global standard was revised time and again.

Reinhard Klemmer, executive director of accounting advisory services at KPMG, said: 'Given the close interaction of the final IFRS 9 and the published Exposure Draft ED 2009/12 on Impairment and Amortised Cost, as well as the upcoming Exposure Draft on Hedge Accounting, this is a very sensible approach of waiting for all the components to be on the table, and then deciding how to best adopt it.'

Ernest Kan, president of the Institute of Certified Public Accountants, concurred: 'IFRS 9 replaces only part of IAS 39 and the early adopter will have to follow IFRS 9 and the unamended portion of IAS 39. Considering that it will be a major change, we need time to consider the implications of adopting IFRS 9 in Singapore from all angles.'

The European Commission had in November refused to endorse IFRS 9, despite pushing hard for a speedy review of IAS 39 in the wake of the crisis. It had lobbied for less fair value accounting, which has been criticised by policymakers for amplifying the credit crunch.
The IASB had promptly begun a review of the standard, but a key European Commission advisory panel, the European Financial Reporting Advisory Group (EFRAG) - which represents preparers and users of financial statements - did not endorse the first phase.

EFRAG was unhappy that too many assets would still be accounted for at fair value under the new rules - which now use a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in the existing IAS 39.

Dr Kan said: 'The European Commission's delayed endorsement of IFRS 9 could probably be an acknowledgement that pushing for hasty reforms in such a complex accounting subject should be avoided. Perhaps it is an illustration of the danger of accounting reforms based on unpredictable economic cycles or short-term objectives. Financial reporting information is primarily meant to faithfully represent the economic performance over multiple financial periods and should not be seen as a tool for short-term and subjective interventions.'

Mr Klemmer also pointed out that the Financial Accounting Standards Board (FASB) in the US has decided to overhaul their Financial Instruments Standards in one go. 'They believe that piecemeal adoption would result in additional costs for the companies adopting the changes,' he said.

The ASC said yesterday it will continue to participate in the technical and global developments of the standard and re-deliberate its decision during the year.