First published in the Government *Gazette*, Electronic Edition, on 31st May 2005 at 5:00 pm.

No. S 326

COMPANIES ACT
(CHAPTER 50)

COMPANIES (ACCOUNTING STANDARDS) (AMENDMENT NO. 2) REGULATIONS 2005

In exercise of the powers conferred by section 200A(1) of the Companies Act, the Accounting Standards Committee (known as the Council on Corporate Disclosure and Governance), with the approval of the Minister for Finance, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Companies (Accounting Standards) (Amendment No. 2) Regulations 2005 and shall come into operation on 1st June 2005.

Amendment of Third Schedule

2. The Third Schedule to the Companies (Accounting Standards) Regulations (Rg 6) is amended —

(*a*) by inserting, immediately after the words "(revised 2002)" in the second column of the item relating to FRS 19, the words "(Amendment December 2004)";

(*b*) by deleting the words "paragraph 120(*c*)(vii), (*f*)(iv), (*g*) and (*h*)(iii)" in paragraph 159(*b*) in the third column of the item relating to FRS 19 and substituting the words "paragraph 120A(*f*)(iv), (*g*)(iv), (*m*) and (*n*)(iii)";

(*c*) by inserting, immediately after paragraph (ii) in the third column of the item relating to FRS 19, the following paragraphs:

"(iii) Insert, immediately after paragraph 32 of IAS 19, the following paragraphs:

"32A. There may be a contractual agreement between the multi-employer plan and its participants that determines how the surplus in the plan will be distributed to the participants (or the deficit funded). A participant in a multi-employer plan with such an agreement that accounts for the plan as a defined contribution plan in accordance with paragraph 30 shall recognise the asset or liability that arises from the contractual agreement and the resulting income or expense in profit or loss.

Example illustrating paragraph 32A

An entity participates in a multi-employer defined benefit plan that does not prepare plan valuations on an FRS 19 basis. It therefore accounts for the plan as if it were a defined contribution plan. A non-FRS 19 funding valuation shows a deficit of 100 million in the plan. The plan has agreed under contract a schedule of contributions with the participating employers in the plan that will eliminate the deficit over the next five years. The entity's total contributions under the contract are 8 million.

The entity recognises a liability for the contributions adjusted for the time value of money and an equal expense in profit or loss.

32B. FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires an entity to recognise, or disclose information about, certain contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:

(*a*) actuarial losses relating to other participating entities because each entity that participates in a multi-employer plan shares in the actuarial risks of every other participating entity; or

(*b*) any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.".

(iv) Delete paragraph 35 of IAS 19.

(v) Delete paragraph 34 of IAS 19 and substitute the following paragraphs:

"34. Defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.

34A. An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with FRS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with FRS 19 to individual group entities, the entity shall, in its separate or individual financial statements, recognise the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost shall be recognised in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities shall, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period.

34B. Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:

(*a*) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy;

(*b*) the policy for determining the contribution to be paid by the entity;

(*c*) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120-121;

(*d*) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(*b*)–(*e*), (*j*), (*n*), (*o*), (*q*) and 121. The other disclosures required by paragraph 120A do not apply.”.

(vi) Delete paragraph 61 and the paragraph heading in IAS 19 and substitute the following paragraph and the paragraph heading:

“**Profit or Loss**

61. An entity shall recognise the net total of the following amounts in profit or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) current service cost (see paragraphs 63-91);

(b) interest cost (see paragraph 82);

(c) the expected return on any plan assets (see paragraphs 105-107) and on any reimbursement rights (see paragraph 104A);

(d) actuarial gains and losses, as required in accordance with the entity's accounting policy (see paragraphs 92-93D);

(e) past service cost (see paragraph 96);

(f) the effect of any curtailments or settlements (see paragraphs 109 and 110); and

(g) the effect of the limit in paragraph 58(b), unless it is recognised outside profit or loss in accordance with paragraph 93C.".

(vii) Delete the word "under" in paragraph 92 of IAS 19 and substitute the words "in accordance with".

(viii) Delete paragraph 93 of IAS 19 and substitute the following paragraphs:

"93. The portion of actuarial gains and losses to be recognised for each defined benefit plan is the excess determined in accordance with paragraph 92, divided by the expected average remaining working lives of the employees participating in that plan. However, an entity may adopt any systematic method that results in faster recognition of actuarial gains and losses, provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period. An entity may apply such systematic methods to actuarial gains and losses even if they are within the limits specified in paragraph 92.

93A. If, as permitted by paragraph 93, an entity adopts a policy of recognising actuarial gains and losses in the period in which they occur, it may recognise them outside profit or loss, in accordance with paragraphs 93B-93D, providing it does so for:

(a) all of its defined benefit plans; and

(b) all of its actuarial gains and losses.

93B. Actuarial gains and losses recognised outside profit or loss as permitted by paragraph 93A shall be presented in a statement of changes in equity titled "statement of recognised income and expense" that comprises only the items specified in paragraph 96 of FRS 1 (as revised in 2004). The entity shall not present the actuarial gains and losses in a statement of changes in equity in the columnar format referred to in paragraph 101 of FRS 1 or any other format that includes the items specified in paragraph 97 of FRS 1.

93C. An entity that recognises actuarial gains and losses in accordance with paragraph 93A shall also recognise any adjustments arising from the limit in paragraph 58(*b*) outside profit or loss in the statement of recognised income and expense.

93D. Actuarial gains and losses and adjustments arising from the limit in paragraph 58(*b*) that have been recognised directly in the statement of recognised income and expense shall be recognised immediately in retained earnings. They shall not be recognised in profit or loss in a subsequent period.".

(ix) Delete the words “are best” in paragraph 95 of IAS 19 and substitute the words “may be”.

(x) Delete paragraphs 120 and 121 of IAS 19 and substitute the following paragraphs:

“***120. An entity shall disclose information that enables users of financial statements to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.***

120A. An entity shall disclose the following information about defined benefit plans:

(a) the entity’s accounting policy for recognising actuarial gains and losses;

(b) a general description of the type of plan;

(c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:

(i) current service cost;

(ii) interest cost;

(iii) contributions by plan participants;

(iv) actuarial gains and losses;

(v) foreign currency exchange rate changes on plans measured in a currency different from the entity’s presentation currency;

(vi) benefits paid;

(vii) past service cost;

(viii) business combinations;

(ix) curtailments; and

(x) settlements;

(d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;

(e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if

applicable, the effects during the period attributable to each of the following:

(i) expected return on plan assets;

(ii) actuarial gains and losses;

(iii) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;

(iv) contributions by the employer;

(v) contributions by plan participants;

(vi) benefits paid;

(vii) business combinations; and

(viii) settlements;

(f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the balance sheet, showing at least:

(i) the net actuarial gains or losses not recognised in the balance sheet (see paragraph 92);

(ii) the past service cost not recognised in the balance sheet (see paragraph 96);

(iii) any amount not recognised as an asset, because of the limit in paragraph 58 (b);

(iv) the fair value at the balance sheet date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and

(v) the other amounts recognised in the balance sheet;

(g) the total expense recognised in profit or loss for each of the following, and the line item (s) in which they are included:

(i) current service cost;

(ii) interest cost;

(iii) expected return on plan assets;

(iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;

(v) actuarial gains and losses;

(vi) past service cost;

(vii) the effect of any curtailment or settlement; and

(viii) the effect of the limit in paragraph 58(b);

(h) the total amount recognised in the statement of recognised income and expense for each of the following:"

(i) actuarial gains and losses; and

(ii) the effect of the limit in paragraph 58 (b);

(i) for entities that recognise actuarial gains and losses in the statement of recognised income and expense in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense;

(j) for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets;

(k) the amounts included in the fair value of plan assets for:

(i) each category of the entity's own financial instruments; and

(ii) any property occupied by, or other assets used by, the entity;

(l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;

(m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A;

(n) the principal actuarial assumptions used as at the balance sheet date, including, when applicable:

(i) the discount rates;

(ii) the expected rates of return on any plan assets for the periods presented in the financial statements;

(iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;

(iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases);

(v) medical cost trend rates; and

(vi) any other material actuarial assumptions used.

An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables;

(o) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

(i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and

(ii) the accumulated post-employment benefit obligation for medical costs.

For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment;

(p) the amounts for the current annual period and previous four annual periods of:

(i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

(ii) the experience adjustments arising on:

(A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the balance sheet date; and

(B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the balance sheet date;

(q) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.

121. Paragraph 120A(*b*) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.".

(xi) Insert, immediately after paragraph 159A of IAS 19, the following paragraphs:

*"**159B. An entity shall apply the amendments in paragraphs 32A, 34-34B, 61 and 120-121 for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 January 2006, it shall disclose that fact.***

159C. The option in paragraphs 93A-93D may be used for annual periods ending on or after 16 December 2004. An entity using the option for annual periods beginning before 1 January 2006 shall also apply the amendments in paragraphs 32A, 34-34B, 61 and 120.".

(xii) Delete paragraph 160 of IAS 19 and substitute the following paragraph:

"160. FRS 8 applies when an entity changes its accounting policies to reflect the changes specified in paragraphs 159-159C. In applying those changes retrospectively, as required by FRS 8, the entity treats those changes as if they had been applied at the same time as the rest of this Standard, except that an entity may disclose the amounts required by paragraph 120A(*p*) as the amounts are determined for each annual period prospectively from the first annual period presented in the financial statements in which the entity first applies the amendments in paragraph 120A.".

(xiii) Delete "120" in paragraph 29(*b*) of IAS 19 and substitute "120A".

(xiv) Delete "120(*c*)(vi)" in paragraph 60 of IAS 19 and substitute "120A(*f*)(iii)".

(xv) Delete "120(*c*)(vii)" in paragraph 104C of IAS 19 and substitute "120A(*f*)(iv)".

(xvi) Insert, immediately after Appendix C of IAS 19, the following Appendix:

"Appendix F: Amendments to other Standards

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2006. If an entity applies the amendments to FRS 19 for an earlier period, these amendments shall be applied for that earlier period.

A1. FRS 1 *Presentation of Financial Statements* (as revised in 2004) is amended as described below.

Paragraph 96 is amended to read as follows:

96. An entity shall present a statement of changes in equity showing on the face of the statement:

(a) . . .

(d) . . .

A statement of changes in equity that comprises only these items shall be titled a statement of recognised income and expense.

In the Implementation Guidance, the following line is added to the illustrative statement of recognised income and expense after the line "Exchange differences on translation of foreign operations":

Actuarial gains (losses) on defined benefit plans	x	(*X*)

A2. In FRS 24 *Related Party Disclosures* (as revised in 2004), paragraph 20 is amended to read as follows:

20. The following are examples of transactions that are disclosed if they are with a related party:

(*a*) . . .

(*i*) . . .

Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of FRS 19).

A3. In FRS 101 *First-time Adoption of Financial Reporting Standards*, paragraph 20A is added as follows:

20A.
An entity may disclose the amounts required by paragraph 120A(*p*) as the amounts are determined for each accounting period prospectively from the transition date.”.”; and

(*d*) by deleting paragraphs (iii) and (iv) in the third column of the item relating to FRS 101 and substituting the following paragraphs:

“ (iii) Insert, immediately after paragraph 13(*k*) of IFRS 1, the following paragraph:

(*l*) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph 25G).”.

(iv) Insert, immediately after paragraph 25F of IFRS 1, the following paragraph:

“25G. Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of FRS 39 paragraph AG76, and paragraph AG76A, in either of the following ways:

(*a*) prospectively to transactions entered into after 25 October 2002; or

(*b*) prospectively to transactions entered into after 1 January 2004.”.

”.

Amendment of Seventh Schedule

3. The Seventh Schedule to the Companies (Accounting Standards) Regulations is amended by inserting, immediately after the item relating to **INT FRS 101**, the following items:

“ **INT FRS 104** Determining whether an	**IFRIC Interpretation 4** Determining whether an	Delete the following words in paragraph A1 of the Appendix to IFRIC Interpretation 4:

Arrangement contains a Lease	Arrangement contains a Lease	"In the Basis for Conclusions, after paragraph BC63C a new heading and paragraph BC63D are inserted, as follows: **Leases** BC63D IFRIC 4 *Determining whether an Arrangement contains a Lease* contains transitional provisions because the IFRIC acknowledged the practical difficulties raised by full retrospective application of the Interpretation, in particular the difficulty of going back potentially many years and making a meaningful assessment of whether the arrangement satisfied the criteria at that time. The Board decided to treat first-time adopters in the same way as entities that already apply IFRSs.".
INT FRS 105 Rights to Interests arising from Decommission ing, Restoration and Environmental Rehabilitation Funds	**IFRIC Interpretation 5** Rights to Interests arising from Decommission ing, Restoration and Environmental Rehabilitation Funds	(There is no modification on IFRIC Interpretation 5).

".

[G.N. Nos. S 401/2004; S 412/2004; S 521/2004; S 561/2004; S 124/2005]

Made this 25th day of May 2005.

J Y PILLAY
Chairman,
Council on Corporate Disclosure and Governance,
Singapore.

[F200402551T; AG/LEG/SL/50/2005/3 Vol. 1]