

The MS News

November 2011

Updates to Accounting Standards

The International Accounting Standards Board (IASB) has recently issued the following new and amended standards:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 (revised) Consolidated and Separate Financial Statements; and
- IAS 28 (revised) Investments in Associates.

Are these standards adopted in Singapore?

On 22 September 2011, the Accounting Standard Council of Singapore has issued identical equivalents of these new standards.

What you need to know

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements.

It includes a new definition that an investor has control if it has:

- Power over the investee;
- Exposure or rights, to variable returns from its involvement with the investee; and
- Ability to use its power over the investee to affect the amount of the returns to the investor.

It replaces part of IAS 27 related to consolidated financial statements. It also replaces SIC 12 *Consolidation – Special Purpose Entities*.

Principal Impact of IFRS 10

The new definition of control will lead to consolidation of entities that were not previously included in the consolidated financial statements, potentially resulting in more assets and liabilities on the balance sheet. Hence, it may also lead to significant changes in the entity's reported financial performance.

The most fundamental changes in IFRS 10 are those dealing with agent and principal considerations. Principals must evaluate whether their decision making authority, their exposure to variable returns and the rights held by others, in combination with any other potential interest they hold in the funds under their management, leads to a situation in which they are deemed to have control.

The changes introduced in IFRS 10 could lead to situations whereby consolidation of special purpose entities is required. The activities that significantly affect the structured entity's returns will need to be determined. Thus, if an investor has power over the activities that significantly affect returns and has exposure to variable returns; it would consolidate the special purpose entities under IFRS 10, even if it does not have a majority of the returns.

There may also be instances in which an entity will have to de-consolidate entities that were previously consolidated, if the entity does not now meet the definition of control mentioned above. This situation is expected to be rare.

A considerable amount of judgment is required in applying this standard.

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IFRS 11 Joint Arrangements

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement. The legal structure of a joint arrangement is no longer the most significant factor in determining the accounting for such an arrangement.

There are two types of joint arrangements: joint operations and joint ventures.

Jointly controlled assets and jointly controlled operations (as defined under IAS 31 Interests in Joint Ventures) are referred to as joint operations under IFRS 11. The accounting will be the same as under IAS 31. That is, the entity recognises the assets it controls and liabilities it has incurred; and the expenses that it has incurred and its share of the income from the revenue earned by the joint operations.

Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed.

IFRS 11 replaces IAS 31 and SIC 13 Jointly Controlled Entities – Non – Monetary Contributions by Venturers.

Principal Impact of IFRS 11

When proportionate consolidation had been adopted to account for jointly controlled entities under IAS 31, and if such entities are classified as joint ventures under IFRS 11, the adoption of IFRS 11 will result in substantial changes to the entity's financial statements because they will be required to use the equity method.

Conversely, there might be some joint arrangements that were accounted for using the equity method that may be considered as joint operations under IFRS 11. For such arrangements, the entity recognises the assets it controls and liabilities it has incurred; and the expenses that it has incurred and its share of the income from the revenue earned by the joint operations.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for investment in subsidiaries and all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 12 replaces the requirements previously included in IAS 27, IAS 31 and IAS 28.

Principal Impact of IFRS 12

Entities may be required to modify and enhance their accounting systems to address the change in standards and to provide the necessary information for the new disclosure requirements.

IAS 27 (revised) and IAS 28 (revised)
IAS 27 (revised) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. IAS 28 (revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

When are these standards effective?

IFRS 10, 11, 12 and IAS 27 (revised) and IAS 28 (revised), and the equivalent Singapore Financial Reporting Standards, are effective for annual periods beginning on or after 1 January 2013.

The Singapore Shipping Conference 2012

26 April 2012 – Save the date!

In conjunction with the Singapore Maritime Week 2012, organised by the Maritime and Port Authority of Singapore, Complete Corporate Services will be holding The Singapore Shipping Conference on Thursday, 26 April 2012 at The Marina Bay Sands Hotel, Singapore. Moore Stephens LLP Singapore is again proud to be the main sponsor of the Singapore Shipping Conference.

With the participation of outstanding speakers from the shipping industry and related services, including ship owners, operators, charterers, financiers and professional service advisors,

The Singapore Shipping Conference will again aim to provide insights into current developments in accounting, risk management, tax, maritime law and ship financing, both in Singapore and internationally. Issues surrounding industry capacity, the current economic climate and prospects for the future will also be features of the 2012 Conference.

Further details will be announced in upcoming editions of MS News. Pre-registrations are now being accepted, please contact:

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Attendees at "The Singapore Shipping Conference 2011" Seminar.

OpCost 2011 Report

Published 29 September 2011

Ship operating costs increase again but insurance costs plummet

International accountant and shipping consultant Moore Stephens says total annual operating costs in the shipping industry increased by an average 2.2 per cent in 2010. This compares with the 2.0 per cent average fall in costs recorded for the previous year, which was the first time since 2002 that operating costs had fallen. All cost categories showed an overall increase this time, with the exception of stores and insurance – with the latter falling by 4.7 per cent overall.

The findings are set out in OpCost 2011, Moore Stephens' unique ship operating costs benchmarking tool, which reveals that all individual categories of vessel covered by the research, with the exception of handysize product tankers, experienced an increase in total operating costs in 2010, the financial year covered by the survey. Costs for the three main sectors covered – bulkers, tankers and container ships – were all up. The bulker index increased by 5 index points (or 2.9 per cent) on a year-on-year basis, while the tanker index witnessed a two-index-point (1.1 per cent) rise. Meanwhile, the container ship index (with a 2002 base year, as opposed to 2000 for the other two vessel classes) was up three index points, or 1.9 per cent. The corresponding figures in last year's OpCost report showed falls in the bulker, tanker and container ship indexes of 1, 5 and 13 points respectively.

There was a 3.2 per cent overall increase in 2010 crew costs compared to the 2009 figure, which itself represented the most moderate increase for a number of years. In 2008, the report revealed a 21 per cent increase in this category. Tankers overall experienced increases in crew costs of 2.7 per cent on average, compared to 2.5 per cent in 2009. For bulkers, meanwhile, the overall increase in crew costs was 4.0 per cent, while for container ships it was 2.9 per cent.

For repairs and maintenance, there was an overall increase in costs of 4.5 per cent, compared to the 11.3 per cent decrease recorded for 2009. The biggest increase here was the 8.0 per cent recorded in the container ship category. For bulkers the increase was 7.6 per cent, and for tankers just 0.8 per cent. There were variations in the cost movements experienced within vessel categories. Whereas operators of handysize bulkers spent an average of 12.0 per cent more on repairs and maintenance in 2010, those running capsize recorded an average increase of just 3.7 per cent. And whereas the average increase in repair and maintenance costs for panamax tankers was 8.4 per cent, operators of aframax actually spent 1.3 per cent less than in 2009. In the container vessel sector, meanwhile, increased repair and maintenance spend was fairly consistent across all box ship tonnage sizes covered by the report.

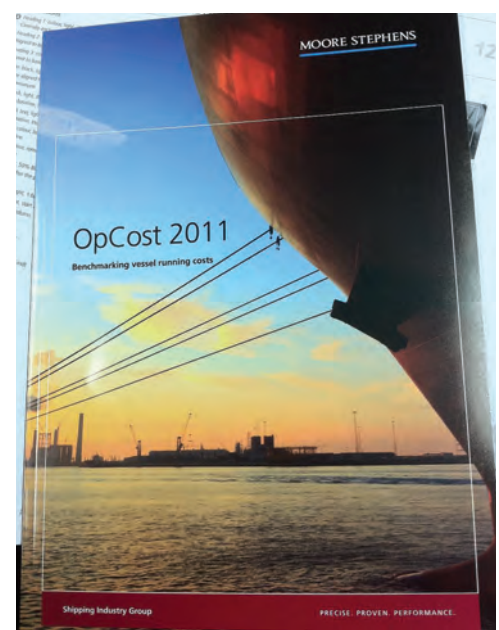
For the second successive year, OpCost reveals a fall in the level of spending on stores – down by 1.0 per cent. Overall, expenditure in this regard was actually up in the bulker sector, by 1.1 per cent, but down in the tanker trades (by 3.4 per cent) and in the container ship market (also by 3.4 per cent).

The insurance category showed the biggest movement in terms of costs – down overall by an average of 4.7 per cent across all vessel types in 2010. For tankers, the insurance spend was down by 7.9 per cent, for container ships by 3.8 per cent, and for bulkers by 2.9 per cent. Panamax bulkers were the only individual class of ship to spend more on insurance in 2010, while the likes of small chemical tankers (10.4 per cent), VLCCs (9.8 per cent) and aframax tankers (9.0 per cent) spent considerably less.

Moore Stephens partner Richard Greiner says: "The movement in operating costs during 2010 is fairly consistent with what we might have expected, bearing in mind the big fall in costs in 2009 and the continuing economic downturn.

The average overall increase in crew costs of 3.2 per cent, up one per cent on the figure for 2009, is clearly a matter of continuing concern for owners and operators. But it is modest in comparison to some of the very significant increases recorded in this category in earlier years. The industry must continue to invest in personnel, and it is encouraging to see that it is not only doing so, but also doing so without suffering the huge surge in outgoings that was giving such a lopsided look to operating costs a couple of years ago.

"The 4.5 per cent average increase in expenditure on repairs and maintenance compares with a decrease of more than 11 per cent in 2009, but is significantly down on the 13 per cent-plus increases recorded in both 2007 and 2008. It is also an indicator not only of increases in the costs of labour and raw materials, but of a continuing willingness on the part of the industry to pay for the upkeep of its ships which, with increasingly stringent national and international regulations coming into force covering the likes of corporate and environmental responsibility, is a prerequisite for the continuing ability to trade.



"Spending on stores was down in 2010. This is perhaps something of a surprise, since the category includes lube oils, the price of which continued to rise throughout 2010, along with the cost of the additives which go into its manufacture. But the more widespread fitting of Alpha-type lubricating systems, the fall-off in some areas of trade, and the resort by some to slow steaming, appear to have made their effect felt in this regard.

"Insurance costs were the big mover in this year's report, with spending down by almost 5 per cent.

Conditions in the insurance market were more benign in 2010 than for a number of years. The general increases announced by the P&I clubs for 2011 are in most cases at their lowest levels for more than ten years, reflecting improved figures for 2010 and more optimistic forecasts for 2011 and 2012. The results of OpCost also point to a level of informed discernment in the commercial underwriting sector, with the likes of chemical tankers – notoriously 'safe' ships – paying over ten per cent less for their insurance in 2010 than in the previous year.

Tighter regulation and stricter port state control should result in fewer accidents and, in an ideal world, will feed through to more favourable insurance rates.

"The global economic outlook remains both bleak and uncertain. Like other industries, shipping will both play a part in its recovery and suffer from its consequences. But the indications from OpCost 2011 are that operating costs are under a measure of control, which could prove crucial over the next couple of years."

Moore Stephens LLP Announces Formation of IFRS and Singapore FRS Help Desk

In our world of ever-increasing complexity, more of our clients find they are in need of technical support in their regulatory compliance, particularly as part of their financial statement preparation or even when planning a transaction.

To cater for this, Moore Stephens LLP, Singapore is pleased to announce the formation of our IFRS/SFRS Help Desk – a dedicated resource available to provide our clients with comprehensive, responsive and reliable support on the

application of IFRS or Singapore FRS to transactions either contemplated or to be reported in the financial statements, as well as IFRS learning and updates.

Our IFRS/SFRS Help Desk is headed by Simon Riley and Irene Lau and is part of the Technical Compliance and Methodology division of Moore Stephens LLP Singapore headed by Gerry Vetuz. Simon recently returned to Singapore after a number of years working with large and medium sized audit and accounting firms in

Singapore, Russia and the United Kingdom dealing with the application of International Financial Reporting Standards as well as financial reporting standard-setting roles with the professional accounting bodies in Singapore, New Zealand and Hong Kong. Simon and Irene, together with our team of dedicated professionals, provide a complete IFRS/SFRS service supporting our clients' needs in learning, financial statement preparation, transaction support, and opinions on the application of financial reporting standards.

Moore Stephens LLP, Singapore In-house Seminar

As part of its continual learning initiative, the Learning and Development department at Moore Stephens LLP, Singapore recently conducted an in-house seminar for recent joiners – "Introduction to Shipping Audits" – on 19 October 2011, aiming to equip the participants with a basic working knowledge on auditing the shipping industry.

The session started with the introduction of various basic terminologies used in the shipping industry.

Thereafter, time was devoted to discussing key industrial subjects including the topical audit and accounting issues associated with shipping audits, vessel valuations and assessments for impairment, the identification of various charter arrangements, as well as the relationships between different shipping organisations.



Attendees at the "Introduction to Shipping Audits" In-house Seminar.

Moore Stephens Asia Pacific Conference

The biennial Moore Stephens Asia Pacific Conference was held in Shanghai, People's Republic of China from 13 October to 16 October this year. Our partners, Mr Neo Keng Jin, who is a director of Moore Stephens Asia Pacific Ltd, and Ms Lao Mei Leng represented Moore Stephens LLP, Singapore at this Conference.

The Conference was attended by the Chairman of Moore Stephens International Ltd and partners of the regional firms.

Topics discussed included worldwide developments of Moore Stephens, recent developments in International Accounting and Auditing Standards, and opportunities and

challenges for Moore Stephens in China and Australia. Delegates also presented papers on key Stock Exchange and listing rules in the Asia Pacific and cross border practice development. The Conference provided an excellent forum for the regional partners to discuss various strategies, technical updates and share experiences in client services.



Moore Stephens Asia Pacific Regional Conference
2011 Shanghai

MS Staff Learning Retreat

After a long and illustrious year at work, the time has finally arrived for the partners and staff of Moore Stephens LLP, Singapore to retreat from the hustle and bustle of city life, into the relaxing enclaves of Pulai Springs for two days during mid-December. As with previous years' retreats, this year will continue to be an excellent showcase of our Firm's motto: Work Hard, Play Hard and Make a Mark!

For a start, the Learning Retreat on Day 1 will present an opportunity for everyone to reflect on the developments to the ever-changing financial reporting landscape.

Senior management will take to the stage to discuss experiences and share their perspectives on specific accounting topics and best auditing practices. To add an element of fun to the retreat, Day 2 will be focused on a programme packed with soft-skill trainings and team games organised by the Learning and Development team, headed by Lao Mei Leng.

The fun does not end there because no MS retreat will ever be complete without the highly-anticipated annual Dinner & Dance.

The spunk and psychedelic flavours of last year's Retro Night make way for the dangerous and murky 2011 "Mafia Night" as the Godfathers and the Sopranos, the Shanghai triads and the Young and Dangerous take centre stage. With the Firm's very own talents also flexing their acting muscles and flaunting their vocal prowess with performances to die for, this promises to be a very, very high octane evening.



Attendees at the Learning Retreat 2010.

CPA Games 2011

The ever-popular CPA Games continue to attract the enthusiastic participation of CPAs Singapore.

Already, the teams were flexing their muscles at the CPA Games Opening at Superbowl Hougang on 20 August, where they demonstrated their winning



moves at downing the pins and potting the balls in bowling and pool respectively. Among the more popular sports this year are badminton, which attracted 16 teams or double last year's eight teams, and bowling with 26 teams, up from last year's 19.

ICPAS has been organising the CPA Games, the "Olympics" of the local accountancy profession, since the 1980s. More than 20 years on, the Games are still drawing in the teams from CPA firms ranging in size from SMPs to Big Four firms, attesting to their relevance and appeal.

The CPA Games celebrate the spirit of sportsmanship and promote the sporting values of excellence, friendship and respect. Exercise is the path to good health, but more than that, the Games provide a ready platform for those in the profession to interact and build friendships.

The CPA Games 2011 took place from August through October. Were you there to cheer on your favourite teams?

Extracted from CPA Singapore, November 2011 Issue.

Moore Stephens LLP, Singapore Expands Our Technical Team

Effective 3rd October 2011, Simon Riley joins Moore Stephens LLP, Singapore as a Director with our Technical, Compliance and Methodology team.

Simon brings with him a wealth of experience dealing with the application of International Financial Reporting Standards and risk management practices in a number of countries including New Zealand, Hong Kong, United Kingdom and has also previously undertaken roles in financial reporting and professional standard-setting with various professional accounting bodies.

Simon looks to build on his extensive experience in the shipping, oil and gas, mining, real estate and agricultural industries to provide clients with quality advice to meet their business needs.

He says, "Client service is paramount to me. Helping our clients achieve what might not otherwise be possible without the input of our expertise is something I value highly in my role."

The father of two is an avid cricketer and golfer; and loves the variety of food available in South East Asia.



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