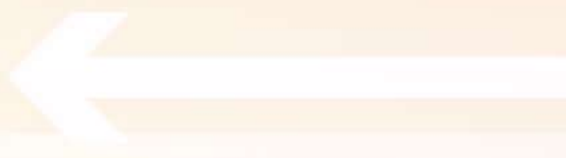




# ICPAS TECHNICAL



## Financial Reporting Standard (FRS) 1 (REVISED 2008)

Key Features and Comparisons  
of FRS 1 (Revised 2008) with  
Previous Version of FRS 1



# Introduction

FRS 1 (Revised 2008) *Presentation of Financial Statements* was issued by the Accounting Standards Council in March 2008. FRS 1 (Revised 2008) replaces the FRS 1 (Revised in 2006) and amended in 2007. FRS 1 (Revised 2008) is identical to International Accounting Standards (IAS) 1 issued by the International Accounting Standards Board (IASB) in September 2007. FRS 1 (Revised 2008) sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

The Standard applies equally to all entities, including those that present consolidated financial statements and those that present separate financial statements as defined in FRS 27 *Consolidated and Separate Financial Statements*.

FRS 1 (Revised 2008) is effective for annual periods beginning on or after 1 January 2009. Early application is permitted and encouraged. As the standard does not contain any specific transitional provisions, the general requirements under FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* apply. Accordingly, comparative figures need to be restated when an entity first applies FRS 1 (Revised 2008).

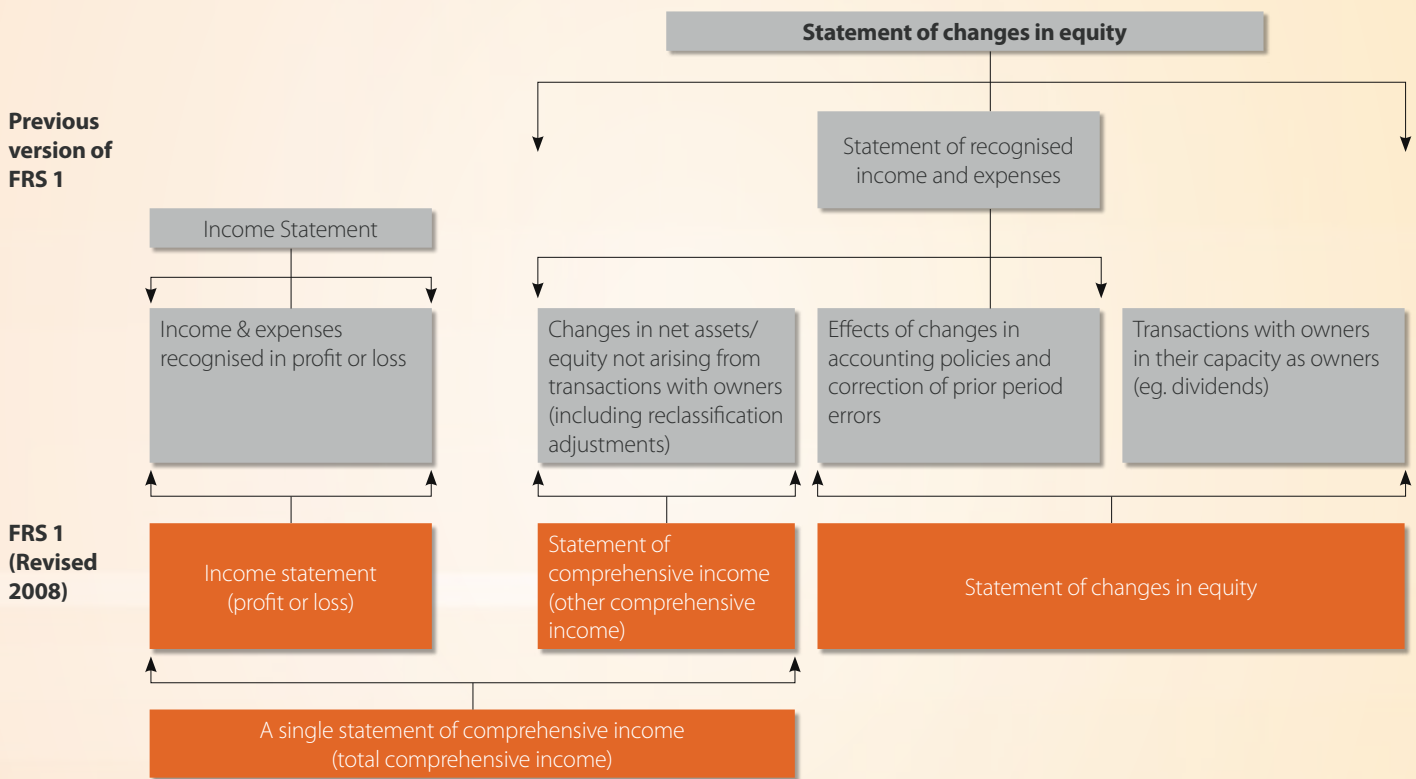
In this publication, we compare the main changes of FRS 1 (Revised 2008) to the previous version of FRS 1. For ease of visual reference, the differences are also summarised in Table 1. At the end of this publication, there is a section on frequently asked questions on FRS 1 (Revised 2008).

# Highlights of the Main Changes

Description of Change	FRS 1 (Revised 2008)	FRS 1 (Revised 2006) (Amended in 2007)
Changes in terminology	Statement of financial position	Balance sheet
	Statement of cash flows	Cash flow statement
	Now known as "Owners". Owners are defined as "holders of instruments classified as equity".	Previously known as "Equity holders"
Changes in items presented in the income statement and statement of changes in equity	Please refer to Table 1	
Disclosure of "reclassification adjustments"	<p>Required to disclose "reclassification adjustments" to provide users with information to assess the effect of reclassifications on profit or loss.</p> <p>Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.</p> <p>Circumstances when reclassification adjustments will arise include:</p> <ul style="list-style-type: none"> <li>disposal of a foreign operation (when foreign exchange reserves are reclassified to profit or loss and form part of the gain or loss on the disposal);</li> <li>derecognition of an available-for-sale financial asset (when the fair value reserves are reclassified to profit or loss and form part of the gain or loss on disposal); and</li> <li>a hedged forecast transaction that affects profit or loss (the effective portion of the gain or loss on the hedging instrument that was previously recognised in other comprehensive income is now reclassified to profit or loss).</li> </ul>	Transfers from reserves to profit or loss are generally referred to as "recycled to profit or loss".
Disclosure of income tax on each component of other comprehensive income	FRS 1 (Revised 2008) has a new requirement of disclosing income tax relating to each component of other comprehensive income.	No such requirement
Presentation of dividends	Dividends recognised as distributions to owners are presented in the statement of changes in equity or in the notes. These disclosures are not permitted in the statement of comprehensive income.	Dividends recognised as distributions to equity holders (now known as "owners") were presented in the income statement, in the single statement of changes in equity, or in the notes.
Presentation of "third" balance sheet	A new requirement to prepare a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.	No such requirement



# Table 1: Summary of Comparisons Between Previous Version of FRS 1 and FRS 1 (Revised 2008)



(Source: Grant Thornton)

## Some Frequently Asked Questions on FRS 1 (Revised 2008)

### Q: Is it compulsory to use the revised terminology in the various titles of the primary statements of the financial statements?

A: No. An entity may use titles for the statements other than those used in FRS 1 (Revised 2008).

However, in order to better reflect the function of each financial statement, FRS 1 (Revised 2008) uses the following titles for financial statements:

- Statement of financial position (previously the balance sheet)
- Statement of comprehensive income (a new statement)
- Statement of changes in equity (title does not change but contents are refocused)
- Statement of cash flows (previously the cash flow statement)

### Q: Do changes in FRS 1 (Revised 2008) apply only to annual statutory financial statements?

A: FRS 1 (Revised 2008) also has a consequential impact on interim financial reporting. The interim report needs to include the same

primary statements as that required by FRS 1 (Revised 2008).

Accordingly, starting with the annual accounting period in which FRS 1 (Revised 2008) is first adopted, the interim report should also include the primary financial statements as required by FRS 1 (Revised 2008).

### Q: Will there be any changes in the method used for calculating Earnings Per Share (EPS)?

A: There is no change to the existing method used to calculate EPS. EPS continues to be calculated based on profit or loss for the period attributable to owners of the company.

### Q: Will there be any tax impact as a result of the revised standard?

A: There is no tax impact as a result of FRS 1 (Revised 2008). However, the revised standard requires the disclosure of the amount of income tax relating to each component of Other Comprehensive Income (OCI). This disclosure can be made either in the statement of comprehensive income or in the notes to the financial statements.

# Some Frequently Asked Questions on FRS 1 (Revised 2008) continued

**Q: There is a widespread perception that there will be chaos with the introduction of the statement of comprehensive income as financial analysts will no longer be able to determine financial ratios such as the price to earnings (PE) ratio and will instead have to value equities based on price to total comprehensive income ratio. Is that true?**

A: The statement of comprehensive income will still show a line called profit and loss, followed by other comprehensive income and finally total comprehensive income. Therefore, financial analysts should not have a problem in determining PE ratios.

**Q: Are the preparers of financial statements of unit trusts required to adopt FRS 1 (Revised 2008) for the financial year ending 31 December 2009 or later?**

A: No. In Singapore, unit trusts financial statement preparers follow a framework called Recommended Accounting Practice (RAP) 7, which has not been amended to take into account the changes in presentation for financial years ending 31 December 2009 or later. In any case, the presentation of the statement of total return (the equivalent of the statement of comprehensive income) is already compliant with FRS 1 (Revised 2008), as gains or losses that normally flow through equity are already being shown as flowing through the statement of total return. Furthermore, an ICPAS working group has also assessed that there will be no significant impact of FRS 1 (Revised 2008) to the presentation of financial statements of unit trusts, even after the proposed revisions to RAP 7 is implemented and FRS 1 (Revised 2008) being incorporated into it.

**Q: The project on financial statement presentation is a joint project between the IASB and the US Financial Accounting Standards Board (FASB). The revised IAS 1 on which FRS 1 (Revised 2008) is based on one part of the project. The other part that discusses more fundamental issues for financial statement presentation has been the subject of a discussion paper (published in October 2008, closed in April 2009) and is expected to result in an Exposure Draft in Q2 2010 and a final standard in 2011. Do you agree with this approach?**

A: One could look at this approach from 2 angles. The 2-step approach will result in an amendment to IAS 1 twice in a short period and preparers, users and auditors will need to adjust themselves to 2 separate revisions to the standard over a relatively short period of time. We could do with some stability and less frequent changes especially to the same standard.

Also, whilst the project is on convergence between IFRSs and US GAAP, there remain some differences between IAS 1 and the US equivalent standard.

However, in the efforts to converge between IFRSs and US Generally Accepted Accounting Principles (GAAP), the 2-step process will make the revision to the standard more manageable and allow for the changes to take place gradually and aid implementation. The first step was to improve and re-order sections of IAS 1 and to allow for easier readability and not to consider all the requirements of IAS 1.

**Members can download a copy of FRS 1 (Revised 2008) from ICPAS website at [www.icpas.org.sg](http://www.icpas.org.sg) under the Members' Handbook Section.**

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