

A yearly publication by ACRA on the

FINANCIAL REPORTING PRACTICE GUIDANCE NO. 1

AREAS OF REVIEW FOCUS FOR FY2025 FINANCIAL STATEMENTS

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ABOUT THE FINANCIAL REPORTING PRACTICE GUIDANCE

- 1.1 Under the Financial Reporting Surveillance Programme, ACRA reviews selected financial statements (FS) lodged for compliance with the accounting standards in Singapore.
- 1.2 This publication outlines the focus areas for the FY2025 FS and serves as a guide for directors, particularly those on the Audit Committees (ACs), in fulfilling their duties. In reviewing the FS, ACs are advised to exercise heightened vigilance given the prevailing uncertainties in the business environment, particularly those arising from evolving global trade, tariff policies and climate-related risks, and assess their potential impacts on the FS.
- 1.3 Since high quality audits are essential for fostering confidence and trust in financial markets, ACs should engage external auditors early in the audit process to ensure accounting issues are addressed appropriately to comply with the accounting standards.

NAVIGATING THROUGH UNCERTAINTIES

- 2.1 The global economy continues to face uncertainties from evolving tariff policies and trade disruptions. While the global economy has remained broadly resilient, supported by trade front-loading and accommodative financial conditions, early signs of softness are emerging. Labour markets in advanced economies are beginning to weaken, and Asia's export growth is slowing with the implementation and escalation of tariffs in August 2025. Going forward, global growth is expected to moderate as the adverse effects of higher tariffs on production and hiring become more apparent¹.
- 2.2 Singapore's economic outlook mirrors the global economy. While the Singapore economy has expanded at an above-trend rate of 3.9% on a year-on-year basis in Q1–Q3 2025, GDP growth is expected to moderate in 2026. Further increases to effective tariff rates, including from product-specific duties, could adversely impact the performance of Singapore's externally-oriented sectors. Continued global uncertainty could also weigh more heavily on hiring and investment decisions over time¹.
- 2.3 These uncertainties directly affect financial reporting as changes in tariff policies affect measurement and timing of recognition of revenue amounts, inventory valuations, and foreign exchange exposures. The moderation in economic growth and evolving trade dynamics may also impact supply chain assumptions and asset

¹ Source: *Macroeconomic Review Volume XXIV Issue 3, Oct 2025*
<https://www.mas.gov.sg/publications/macroeconomic-review/2025/volume-xxiv-issue-3-oct-2025>

valuations. Beyond trade matters, climate-related risks require assessment of business models and their impact on future cash flows. Given these uncertainties and their potential interconnected effects on financial reporting, directors should apply increased scrutiny and professional judgement when reviewing the FS.



Materiality consideration for directors

In this environment of heightened uncertainty, directors should pay particular attention to materiality assessments. This is because uncertainties may be material even where precise quantification is challenging. It may be **helpful to consider Practice Statement 2 Making Materiality Judgements when applying materiality in practice**, particularly when assessing whether uncertainties and their potential impacts require disclosures.

Directors are advised to focus on the following accounting considerations in their review of the FS. Additional tariff-specific considerations are indicated in blue.

(A) Going concern assessment

- **Extend assessment periods:** Consider performing going concern assessments covering at least 12 months from the date of approval of the FS, especially in situations where uncertainties may persist for a longer period to reliably assess the appropriateness of the going concern assumption. This will be in line with the proposed changes to Singapore Standard on Auditing (SSA) 570 (Revised 2024), *Going Concern*² which will require auditors to evaluate management's going concern assessment covering at least 12 months from the date of approval of the FS.
- **Focus on cash flow timing, not just amounts:** Ensure that cash flow projections account for the timing of receipts and payments, as liquidity pressures often arise from timing mismatches (such as delays in customer's receipts while payments to suppliers fall due earlier) rather than actual cash shortfalls.
- **Apply rigorous stress testing to financial projections:** Traditional models may be inadequate during periods of heightened uncertainty as they typically rely on historical patterns and stable assumptions that may not hold in volatile environments. To address this limitation, develop multiple scenarios that reflect the range of possible economic outcomes, including worst-case scenarios, and assess the entity's ability to maintain operations under each scenario.

² The proposed SSA 570 (Revised 2024), *Going Concern*, once issued, is expected to be effective for audits of FS for periods beginning on or after 15 December 2026.

(B) Impairment of assets

- **Identify both direct and indirect impairment indicators:** Look beyond obvious indicators such as declining revenues and instances where market capitalisation is below the carrying amount of net assets. Consider whether broader economic conditions have created indirect indicators, such as increased competition or supply chain disruptions, that may signal asset impairment.

Assess whether significant tariff exposure, such as inability to pass increased cost to customers, supply chain relocations, or accelerated restructuring plans, indicate that related non-financial assets may be impaired. Consider both immediate impact and longer-term strategic implications.

- **Consider probability-weighted scenario analysis:** Single-point estimates may not capture the range of possible outcomes in uncertain periods. Develop multiple scenarios with assigned probabilities that reflect possible economic conditions and impact on the future cash flows from the asset.

Consider using probability-weighted scenarios reflecting different possible outcomes for tariff duration, their scope, and escalation. Update assumptions for production costs, sales volumes, and capital expenditure plans based on realistic assessments of tariff impacts.

- **Validate discount rates and key assumptions:** Ensure that discount rates reflect current market conditions and entity-specific risks. Assess that all assumptions are reasonable and supportable. Where external valuation experts are used, management retains the ultimate responsibility for all key assumptions, including discount rates, growth rates, and cash flow projections.
- **Enhance disclosure of key assumptions:** Ensure that disclosures for cash-generating units containing goodwill or intangible assets with indefinite useful lives go beyond discount rates and terminal growth rates to include other key assumptions underlying cash flow forecasts, such as revenue growth rates, margin assumptions, capital expenditure requirements, working capital changes, and key operational drivers. For other assets, consider providing similar disclosures where assumptions are material or subject to significant estimation uncertainty.
- **Address asset abandonment and lease implications:** Where tariff-related restructuring leads to facility relocations, closures, or commitments to abandon assets, evaluate whether accelerated depreciation to reflect shortened useful lives or impairment is required. For leased assets, assess

if changes result in lease modifications or impairments of right-of-use assets under SFRS(I) 16 *Leases*. Where assets are to be disposed of through sales rather than abandonment, assess whether they meet the criteria for held-for-sale classification.



Consideration for ACs

When engaging external valuers for impairment testing or fair value measurement, it is crucial not to accept their **valuation reports without appropriate scrutiny and review**. ACs should **critically assess and challenge the underlying assumptions**, especially those that seem inconsistent with current market conditions or the company's specific circumstances. ACs should ensure that these assumptions reflect realistic expectations rather than overly optimistic projections before accepting the valuation outcomes.

(C) Expected credit loss (ECL)

- **Reassess the relevance of historical loss data:** During times of economic uncertainty, relying solely on historical experiences may be insufficient, especially if past experiences do not include similar market disruptions. Consider whether adjustments are necessary to reflect current economic conditions and forward-looking expectations.
- **Update forward-looking scenarios and probability weightings:** Incorporate current economic uncertainty into ECL models by updating forward-looking scenarios to reflect potential economic outcomes and their impact on credit risk. Reassess the probability weightings assigned to different scenarios based on current economic indicators and forecasts.

Include tariff-related economic disruptions in forward-looking scenarios by considering how trade policy changes may affect borrower circumstances, industry performance, and overall economic conditions. Adjust probability weightings to reflect the likelihood of different trade policy outcomes.

- **Enhance ECL disclosures about key judgements and assumptions:** Provide clear explanations of how uncertainty is incorporated into ECL calculations, including the scenarios considered, probability weightings applied, and key assumptions about the relationship between economic conditions and credit losses.
- **Assess customer creditworthiness:** Evaluate whether customers in tariff-affected industries face increased credit risk due to margin pressures, reduced demand, or liquidity constraints that may affect their ability to meet payment obligations.

- **Consider geographic and industry concentration risks:** Assess whether the entity's credit exposure is concentrated in certain geographical regions or industries particularly vulnerable to trade disruptions, and whether this concentration requires higher ECL provisions or specific disclosures about credit risk concentrations.

(D) Provisions and onerous contracts

- **Identify contracts that may have become onerous:** Review material contractual arrangements to identify contracts where unavoidable costs exceed expected benefits, particularly those in volatile market segments.

Assess whether existing customer agreements, inventory purchase commitments or other contractual arrangements have become onerous due to tariff-related cost increases that cannot be recovered through higher prices or contract renegotiation, necessitating recognition of onerous contract provisions for the excess of committed costs over expected recoverable amounts.

- **Evaluate provision methodology and adequacy:** Assess whether methodologies remain appropriate and provisions are adequate given current uncertainties, including review of how accurate past estimates have been.
- **Challenge net realisable value assumptions:** Review the reasonableness of assumptions used in net realisable value assessments, such as selling price and completion cost estimates, in light of current market conditions.
- **Assess restructuring provisions for tariff-driven changes:** Evaluate whether tariff pressures have accelerated business restructuring decisions (e.g., facility relocations, workforce reductions, or operational consolidations) and whether a restructuring provision is required under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

(E) Revenue recognition and contract modification accounting

- **Evaluate collectability and revenue recognition:** Assess whether economic uncertainty affects the collectability of consideration to which the entity expects to be entitled under SFRS(I) 15 *Revenue from Contracts with Customers*. Where collectability becomes doubtful during contract performance, reassess whether the revenue recognition criteria continue to be met under SFRS(I) 15. If the criteria is no longer met, revenue recognition is to be deferred until collection becomes probable.

- **Review contract modification accounting:** Assess whether economic pressures have led to contract modifications (e.g., price concessions, extended payment terms, or changes in performance obligations). Ensure that such modifications are accounted for appropriately under SFRS(I) 15.

Determine whether tariff-related pricing changes should be treated as variable consideration (where contractual price adjustment clauses exist) or as contract modifications (where prices are separately renegotiated). Apply the appropriate accounting treatment based on the contractual terms.

- **Update progress measurement for cost-based methods:** Where entities use cost-based input methods to measure progress towards completion of performance obligations, incorporate tariff-related cost increases into total expected completion costs. This will increase total expected completion costs, which may in turn reduce the percentage of completion already achieved, potentially requiring adjustments to cumulative revenue recognised.
- **Review force majeure and contract cancellation provisions:** Assess whether tariff-related disruptions may trigger force majeure clauses or other contractual provisions that could lead to contract cancellations or modifications. Consider the revenue recognition implications of such contractual provisions.
- **Ensure proper treatment of cost pass-through arrangements:** Where tariff costs are passed through to customers, ensure these amounts are properly included in the transaction price as revenue rather than offset against cost of goods sold.

(F) Fair value measurement

- **Evaluate the appropriateness of valuation techniques:** Consider whether existing valuation approaches remain suitable during periods of market volatility and uncertainty. Where market-based inputs become less reliable or unavailable, assess whether alternative valuation techniques or probability-weighted scenarios better reflect fair value. For unquoted equity investments, understand the specific features of these investments and employ appropriate valuation techniques that comply with SFRS(I) 13 *Fair Value Measurement*.
- **Review fair value measurement inputs:** For Level 2 fair value measurements using indirect observable inputs, assess the reasonableness of adjustments made to observable market data for differences in asset characteristics. For Level 3 fair value measurements, reassess key assumptions, including cash flow projections, growth rates, and other valuation parameters. Ensure that these inputs reflect current market

conditions and reasonable forward-looking expectations. Consider whether material ESG-related risks and opportunities have been appropriately incorporated into valuation assumptions.

- **Provide enhanced fair value disclosures:** Consider if uncertainty requires additional disclosures, including sensitivity analyses showing how changes in key assumptions may affect fair values, detailed explanations of valuation techniques, and quantitative information about significant unobservable inputs.



Consideration for ACs

When using external valuers for year-end financial reporting, ACs should check that the valuer's report **explicitly confirms that the valuer has considered the requirements of the relevant accounting standards when determining fair value**. For example, for investment properties, valuers should consider both SFRS(I) 1-40 *Investment Property* and SFRS(I) 13.

For valuation of unquoted equity investments, ISCA will be issuing Audit Bulletin 8, which sets out key considerations for auditors when designing and performing procedures relating to valuation matters. ACs are encouraged to read this bulletin upon its release to enhance their oversight of valuation processes and ask more targeted questions to management and auditors.

(G) General disclosure considerations and subsequent events

- **Disclose critical judgements and estimation uncertainties:** Evaluate whether assumptions used in FS preparation represent significant judgements or sources of estimation uncertainty requiring disclosures under SFRS(I) 1-1 *Presentation of Financial Statements*, especially for those assumptions that have significant risk of resulting in material adjustments in subsequent periods.
- **Evaluate subsequent events related to trade policy changes:** Assess post-year-end trade policy developments, including new tariff announcements, trade agreement changes, or policy reversals, to determine whether they represent adjusting or non-adjusting subsequent events requiring adjustment or disclosure.
- **Disclose material tariff exposure and impacts:** Consider providing specific disclosures about tariff exposure and potential impacts on financial performance where these constitute material risk factors affecting the entity's operations.
- **Assess whether strategic responses require capital commitment**

disclosures: Consider whether tariff-related changes to capital allocation decisions (e.g., facility relocations, or supply chain restructuring) require disclosures under applicable accounting standards.

(H) Climate change and financial reporting connectivity

ACRA and Singapore Exchange Regulation (SGX RegCo) have extended the timelines for most climate reporting requirements in Singapore to support companies in developing their reporting capabilities. Details on the extension of timelines can be found in Section 5.

While the extension offers some relief in the near-term, directors must remain vigilant and ensure that material climate-related risks are properly assessed and incorporated into financial reporting, such as impairment testing and useful life assessments. Where these risks materially affect the entity's financial performance or position, appropriate disclosures should be made in the FS. Key accounting considerations include:

- **Incorporate climate factors into asset impairment assessments.** Include climate-related considerations in impairment testing under SFRS(I) 1-36 *Impairment of Assets*, as physical and transition risks can significantly affect asset values, useful lives, and future cash flows. Consider how climate factors may accelerate asset obsolescence, require additional capital expenditure, or cause changes in market demand for products and services.
- **Assess useful life implications of climate commitments.** Evaluate whether climate-related commitments, such as net-zero targets or phase-out plans for certain assets, require reassessment of asset useful lives and depreciation methods.
- **Ensure consistency between financial and climate reporting.** Maintain consistency of assumptions used in FS preparation and climate-related disclosures. Where different assumptions are used, provide clear explanations for the differences and their rationales.

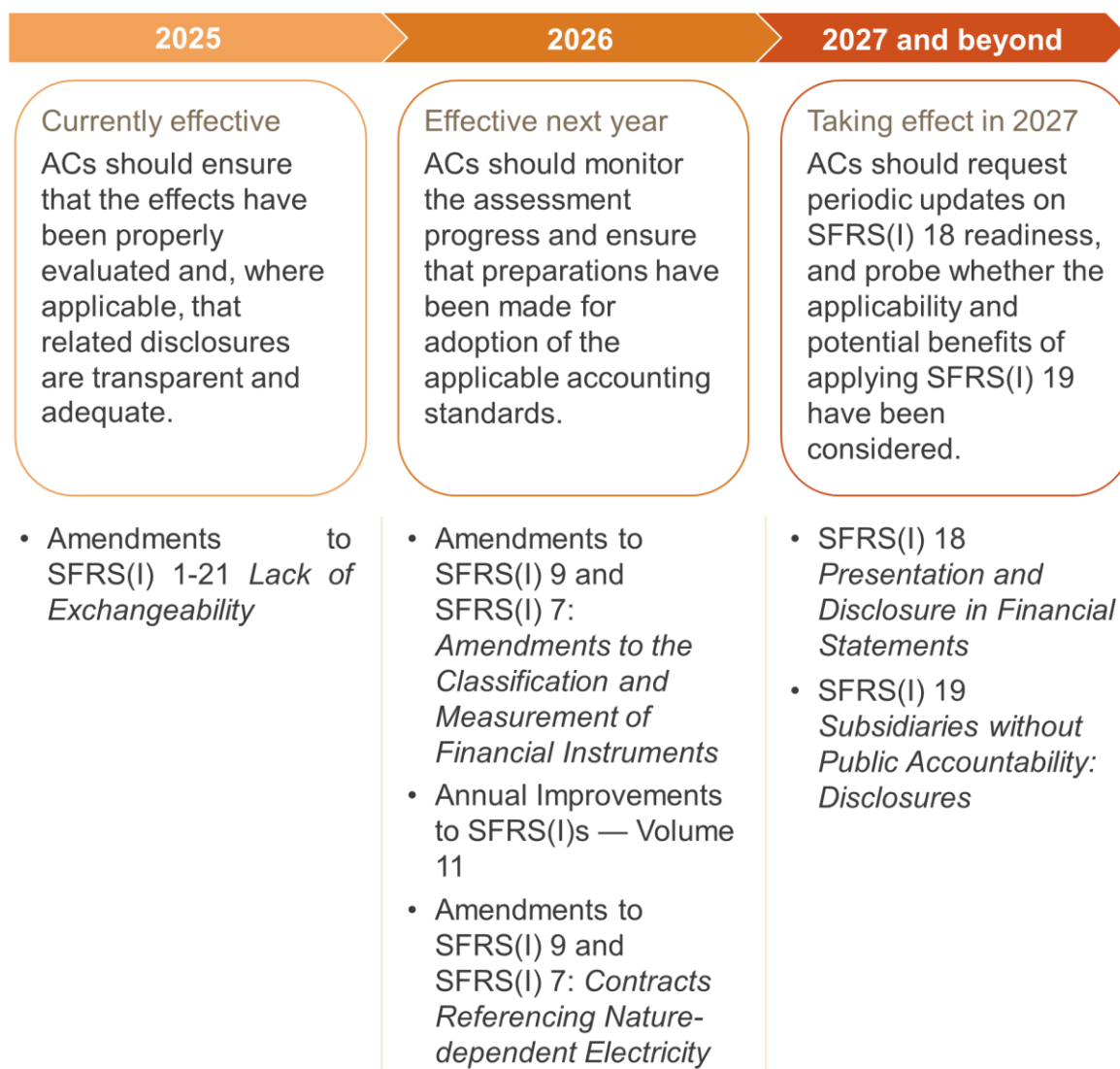


Consideration for ACs

ACs should consider relevant available guidance when evaluating whether climate-related disclosures are necessary in the FS. This includes the IFRS Interpretations Committee's [agenda decision on climate-related commitments](#). In addition, the IASB staff has published the near-final draft of the illustrative examples on disclosures about uncertainties in the FS illustrated using climate-related examples, which will provide practical guidance for climate-related disclosures in FSs.

ACCOUNTING STANDARDS EFFECTIVE FROM 2025 ONWARDS

3.1 The following accounting standards have been issued and will take effect as follows:



ACCOUNTING STANDARDS IN FOCUS

Getting ready for SFRS(I) 18 *Presentation and Disclosure in Financial Statements* – Effective for annual period beginning on or after 1 January 2027

- 4.1 SFRS(I) 18 will replace SFRS(I) 1-1 and becomes effective for annual period beginning on or after 1 January 2027, with full retrospective application required. Early application of the standard is permitted.
- 4.2 The standard requires entities to classify income and expenses into one of the five categories (operating, investing, financing, income taxes and discontinued operations) in the income statement, and introduces two additional subtotals (operating profit or loss and profit or loss before financing and income tax) in the income statement.
- 4.3 SFRS(I) 18 also introduces the concept of management-defined performance measures (MPMs). A MPM is a subtotal of income and expenses that an entity uses in public communications outside the FS to convey management's view of an aspect of the entity's overall financial performance, and which is not listed in paragraph 118 of SFRS(I) 18, or specifically required to be presented or disclosed by SFRS(I)s. The standard requires disclosures about MPMs used, reconciliation of MPMs to the most directly comparable subtotal specified by SFRS(I) 18, along with explanations of why the MPMs provide useful information and how they are calculated.
- 4.4 SFRS(I) 18 requires retrospective application. Therefore, entities must restate their 2026 comparative figures when first applying the standard in 2027. For listed companies, the timeline for preparation is effectively shorter as SFRS(I) 18 will apply to interim FS issued during 2027. This necessitates early preparation to ensure that the entity's systems and processes can capture the required information for both reporting under existing standards and future restatement under SFRS(I) 18.



Consideration for ACs

ACs should consider requesting management to **conduct an inventory of all MPMs currently used in public communications** and assess the readiness of financial reporting systems for the new classification requirements. Given that 2026 information will form comparative information when SFRS(I) 18 is implemented in 2027, ACs may wish to **consider requesting parallel reporting during 2026 to have a preview of the FS prepared under the new standard and identify potential implementation issues early.**

Consider SFRS(I) 19 *Subsidiaries without Public Accountability: Disclosures* – Effective for annual period beginning on and after 1 January 2027

- 4.5 SFRS(I) 19 is a voluntary standard that is effective for annual periods beginning on or after 1 January 2027, with early application permitted. The standard can be applied by a subsidiary if it is not publicly accountable and its intermediate or ultimate parent produces consolidated FS that are available for public use and that comply with SFRS(I) or IFRS® Accounting Standards.
- 4.6 An eligible subsidiary that elects to apply the standard prepares its consolidated, separate or individual FS in accordance with the recognition, measurement and presentation requirements in other SFRS(I) standards and the reduced disclosure requirements in this standard. This is expected to reduce the cost of preparing subsidiaries' FS while maintaining the usefulness of information.

Financial Reporting Standard (FRS) 119 *Subsidiaries and Small Entities without Public Accountability: Disclosures*

- In parallel, FRS 119 provides equivalent reduced disclosures relief for eligible entities preparing FS under FRSs. Originally issued for eligible subsidiaries, the Accounting Standards Committee made this optional standard available to small entities without public accountability and accordingly, amended the title of FRS 119 to *Subsidiaries and Small Entities without Public Accountability: Disclosures* on 18 August 2025. This is aimed at extending the benefits of preparing FS with reduced disclosures to more entities, specifically small non-subsidiary companies currently applying FRSs as well as entities currently applying SFRS for Small Entities that are considering adoption of FRSs.
- An entity qualifies as a small entity without public accountability under FRS 119, if it satisfies the criteria set out in paragraphs P6 to P9 of the preface to FRS 119. For more details on the expected benefits and criteria of FRS 119, please visit go.gov.sg/frs119.



Consideration for directors

Directors should consider evaluating whether their subsidiaries meet the eligibility criteria for SFRS(I) 19 and assess the potential cost-benefit implications of adopting reduced disclosure requirements for eligible subsidiaries. Directors of non-listed companies (where eligible) should consider if the amended FRS 119 is an opportunity for the companies to reduce their reporting costs while maintaining usefulness of financial information.

EXTENDED TIMELINES FOR CLIMATE REPORTING REQUIREMENTS

5.1 ACRA and SGX RegCo have extended the timelines for most climate reporting requirements to give listed companies and large non-listed companies³ (Large NLCos) more time to develop their reporting capabilities. The extension takes into consideration varying levels of resources and readiness across companies of different sizes, while maintaining the momentum for climate action and ensuring larger companies continue to lead the implementation efforts⁴. The revised timelines for listed companies and Large NLCos are detailed below.

	Listed companies	Large NLCos
Scope	Requirements are phased in for listed companies based on market capitalisation (mkt cap): • Straits Times Index (STI) constituents, • Non-STI constituents with a mkt cap of \$1 billion and above, and • Non-STI constituents with a mkt cap of less than \$1 billion.	Non-listed companies with annual revenue ≥ S\$1 billion and total assets ≥ S\$500 million.
Scope 1 and 2 greenhouse gas (GHG) emissions	Remain mandatory for all listed companies from FY2025.	Deferred to FY2030.
Scope 3 GHG emissions	Mandatory for STI constituent from FY2026 and voluntary for other listed companies until further notice.	Voluntary until further notice.
Other International Sustainability Standards Board (ISSB)-based climate-related disclosures	• Remain mandatory for STI constituents from FY2025. • Non-STI constituents with a mkt cap of \$1 billion and above will report from FY2028. • Non-STI companies with a mkt cap of less than \$1 billion will follow from FY2030.	Deferred to FY2030.
External limited assurance for Scope 1 and 2 GHG emissions	Deferred to FY2029 for all listed companies.	Deferred to FY2032.

5.2 While the timelines have been extended, companies should put the extension to good use and push forward with assembling the building blocks required to align with the ISSB Standards and to produce quality, decision-useful climate reports when the time comes.

³ Defined as non-listed companies with annual revenue ≥ S\$1 billion and total assets ≥ S\$500 million.

⁴ Source: *Extended Timelines for Most Climate Reporting Requirements to Support Companies*
<https://www.acra.gov.sg/news-events/news-details/id/887>

AUDIT QUALITY UPDATES

Quality Control (QC) inspection outcome

- 6.1 With amendments to the Accountants Act effective from 1 July 2023, ACRA conducts statutory QC inspections of Accounting Entities (AEs). In a QC inspection, ACRA assesses the quality controls of AEs against the requirements of the Singapore Standards on Quality Management (SSQMs). An effective system of quality management is critical as it forms the bedrock of consistent delivery of high quality audits.
- 6.2 Underlining the importance of the QC of AEs in upholding audit quality, SGX RegCo has issued a [**Guidance Note on Change of Auditors**](#), which specifies that ACs should consider the QC inspection outcome⁵ of the incoming auditors (amongst other factors) when assessing the appointment of the incoming auditors.
- 6.3 ACRA's website⁶ outlines the range of orders, with varying degrees of severity, that may be made against AEs for “Partially Satisfactory” and “Not Satisfactory” outcomes. The various orders range from those remedial in nature for a “Partially Satisfactory” outcome to the more severe ones including suspension and revocation of the license for a “Not Satisfactory” outcome.

⁵ Information on the categories of outcome of QC inspections and their definitions are set out on [ACRA's Website \(QC Review Process and Outcomes\)](#).

⁶ Source: *Quality Review Orders*
<https://www.acra.gov.sg/public-accountants/practice-monitoring-programme-pmp/quality-control-review-orders>

Audit Quality Indicators (AQIs)

- 6.4 To help ACs in ensuring high quality and reliable financial reports, ACRA introduced the AQI Disclosure Framework in 2015 to enhance discussions between ACs and AEs on audit quality matters. In view of the evolving landscape, ACRA will be updating this framework to ensure relevancy, with the refreshed framework expected to be launched in November 2025. It will incorporate findings from ACRA's study on the relationship between certain engagement level AQIs and inspection outcome, as well as insights from stakeholders.



Consideration for ACs

ACs should carefully evaluate the inspection outcomes and findings (amongst other AQIs) as these have a bearing on audit quality as outlined in the AQI Disclosure Framework.

AQIs should not be treated as “tick the box” exercise. ACs need to:

- Recognise how AQIs relate to audit quality;
- Understand the context in which the AQI information are presented; and
- Use AQIs to initiate discussions with external auditors on audit quality.

About Accounting and Corporate Regulatory Authority

The Accounting and Corporate Regulatory Authority (ACRA) fosters a vibrant and trusted business that enables innovation and growth, contributing towards making Singapore the best place for business.

ACRA regulates the registration of businesses, and their financial and other reporting obligations. We also oversee the public accountancy and corporate service provider sectors. ACRA plays a critical role in developing the accountancy profession, and sets accounting standards for companies and various other entities in Singapore.

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