
PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 1

Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves

SB-FRS Guidance Note 1 *Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves* applies to Statutory Boards for annual periods beginning on or after 1 January 2019.

Comments to be received by 9 February 2018

This exposure draft on SB-FRS Guidance Note 1 *Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves* is issued by the Accountant-General's Department Technical Directorate for comments only and does not necessarily represent the views of the Directorate. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard (SB-FRS).

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explaining the problem and providing a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **9 February 2018** preferably by email to AGD_ASSB_Feedback@agd.gov.sg or addressed to:

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Statutory Board Financial Reporting Standard Guidance Note 1 *Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves* is set out in paragraphs 1-25. All the paragraphs have equal authority. SB-FRS Guidance Notes are issued to standardise the accounting and disclosure requirements of Statutory Boards in specific areas and are to be complied with by Statutory Boards. These Guidance Notes rank behind SB-FRS and INT SB-FRS in terms of importance.

Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 1

Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves

Objective

1. The objective of this Guidance Note is to prescribe the additional accounting and disclosure requirements for funds, grants, accumulated surplus and reserves.

Scope

2. **This Guidance Note shall be applied to all general purpose financial statements prepared and presented in accordance with Statutory Board Financial Reporting Standards (SB-FRS).**

Funds

Presentation of Funds

3. **To make the Statement of Comprehensive Income representative of the total results of the activities undertaken by the Statutory Board (SB), the operating results of all funds, of which the SB exercises control over, are to be taken to the Statement of Comprehensive Income.** Control as defined by SB-FRS 27 *Consolidated and Separate Financial Statements* (paragraph 4), is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
4. The incomes and expenditures of all funds under the control of the SB are to be taken to the Statement of Comprehensive Income. This means that the surpluses/deficits of these funds would be merged with the surplus/deficit from the main activities of the SB to give an overall surplus/deficit. The accumulation of this overall surplus/deficit will form the accumulated surplus of the SB.
5. The accounting and disclosures for trust funds are dealt with in accordance with the requirements for trust funds as specified in Guidance Note 3 *Accounting and Disclosures for Trust Funds*. Annex A of SB-FRS Guidance Note 3 explains via a flowchart the differences between trust funds, designated funds and restricted funds.
6. Generally, all the activities of the SB should be reported in the Statement of Comprehensive Income.
7. However, a SB may have some funds which need to be separately disclosed:
 - (a) Funds created by law which specifically requires the results of the operations of the funds be separately accounted for e.g. Home Protection Fund of the CPF Board.
 - (b) Funds received for specific purposes and for which separate disclosure is necessary as these funds are material and there are legal or other restrictions on the ability of the SB to distribute or otherwise apply its funds.
8. Some examples of restrictions on the ability of the SB to distribute or otherwise apply its funds are, but not limited to:

- (a) The SB is not able to use the funds for another project, but has to seek permission prior to using the funds; or
 - (b) The SB is not able to use any excess funds remaining from one project for another project without seeking permission.
9. A limitation placed on the type of recipient who can receive a fund / grant, by itself, should not affect the assessment of whether the fund / grant is a restricted fund.
 10. For funds which satisfy the criteria for separate disclosure, the incomes and expenditures of these funds shall be presented in the Statement of Comprehensive Income as a separate column with further details in the notes to the accounts.
 11. In the Statement of Financial Position, the assets and liabilities of the various funds should be combined with other assets and liabilities supporting the accumulated surplus.
 12. The assets and liabilities of material restricted funds or special purpose funds governed by law need only to be disclosed separately in the notes to the financial statements. The SB shall determine whether to disclose such funds separately or together with one or more other restricted funds as a single group of funds based on the nature and materiality of the fund. A restricted fund can be combined with other restricted funds as a single group of funds only if they are (a) similar in nature, i.e. fulfilling a similar purpose, and (b) not material in amount individually.
 13. As for the fund balances, the method of presentation will depend on whether the fund satisfies the criteria for separate disclosure.
 14. If the criteria for separate disclosure are not satisfied, the balances in the various funds should be presented in the Statement of Financial Position as **ACCUMULATED SURPLUS**.
 15. If the criteria are satisfied, the presentation should be as follows:

ACCUMULATED SURPLUS

General Funds
Restricted Funds

Other Guidelines on Funds

16. Purposes of and restrictions on the fund, sources of the fund and the basis of accounting for the fund should be disclosed in the notes to the accounts.

Grants and Capital Account

17. **SBs should follow SB-FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, when accounting for and disclosing grants from the Government. In addition, paragraphs 18 to 20 should also be complied with.**
18. **Government grants for the establishment of the SB should be taken to the Capital Account.**
19. **Capital grants for the purchase of non-depreciable assets, including non-monetary grants at fair-value, e.g. infrastructure and freehold land should also be taken to the Capital Account.**
20. Government grants should be reflected as a separate item in the Statement of Comprehensive Income after the surplus /deficit from operating and non-operating items. This presentation will give a better indication of the extent to which the SB's operations are financed by Government grants.

21. The assets and liabilities, including those of a restricted nature (i.e. restricted funds), transferred from dissolved a SB to a newly formed SB should be taken to the Capital Account of the newly formed SB.

Accumulated Surplus and Reserves

22. In order to show clearly the exact nature and amount of the accumulated surplus and other reserves held by a SB, the term accumulated surplus should be used to denote unappropriated surplus built over the years.
23. SBs should not create reserves unless allowed under the law or in accordance with the SB-FRS, such as revaluation reserves when assets are revalued.
24. If a SB wishes to set up a reserve for a specific purpose other than those allowed under the law or the FRS, the amount set aside must be accounted for as a fund.

Effective Date

25. This Guidance Note is operative for financial statements covering periods beginning on or after 1 January 2019