Targeted Consultation on Proposed Financial Reporting Framework for Co-operative Societies

This consultation exercise, by the Registry of Co-operative Societies (RCS) and the Accounting Standards Committee (ASC) [1], seeks feedback from co-operative societies (co-ops) in Singapore on the common accounting standard or financial reporting framework (FRF) that all co-ops should adopt in the preparation of their financial statements.

Current FRFs issued by the ASC and used by co-ops

The ASC has issued the following FRFs for use by different types of entities in Singapore:
(a) Singapore Financial Reporting Standards (International) (SFRS(I));
(b) Singapore Financial Reporting Standards (SFRS);
(c) Singapore Financial Reporting Standards for Small Entities (SFRS for SEs); and
(d) Charities Accounting Standard (CAS).

The Co-operative Societies Act requires co-ops to use the applicable FRFs issued by the ASC, but the ASC did not specify a FRF for co-ops. However, we understand that most co-ops are using SFRS to prepare their financial statements, and only a very small number are using SFRS for SEs.

Proposal 1: Prescribe SFRS as the Single Mandatory FRF for Co-ops with Certain Relief

The RCS and the ASC are proposing to simplify and standardise financial reporting for co-ops through the use of a common FRF. This will promote consistency and comparability in financial reporting across the co-ops, while reducing reporting burden on them, without compromising reporting quality. This proposal is part of the ASC's ongoing review to streamline financial reporting in Singapore, including the long-term viability and utility of SFRS for SEs[2].

After careful consideration, it is proposed that all co-ops be required to use SFRS as their single FRF. The effective date for this change will be determined after the consultation, but co-ops will be given at least two years notice to prepare before the change takes effect. Co-ops that are currently applying SFRS for SEs and wish to continue doing so will be allowed to, until the ASC advises otherwise. This approach allows co-ops which are ready to switch to SFRS to do so and enjoy the benefits of a

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[1] The ASC is a committee set up under the Accounting and Corporate Regulatory Authority (ACRA) and is responsible for making or formulating accounting standards for companies, charities, co-operative societies and societies in Singapore.

[2] As part of this review, the ASC has also amended FRS 119 *Subsidiaries and Small Entities without Public Accountability: Disclosures* to avail the benefits of reduced disclosure requirements to eligible small entities including co-operative societies, making it less onerous for them to prepare financial statements. In addition, FRFs with low adoption rates, such as SFRS for SEs, are being reviewed for their continued relevance and may be phased out over time. SFRS for SEs currently sees limited adoption across co-operative societies, societies and companies, and is not widely familiar among accounting professionals.

standardised framework, while those that choose to remain on SFRS for SEs can continue until further changes are announced.

Proposal 2: Incorporate IFRIC 2 into SFRS

Under SFRS, FRS 32 *Financial Instruments: Presentation* establishes principles on how financial instruments should be classified as either financial liabilities or equity. However, applying these principles to members' shares in co-operative entities and similar instruments is difficult.

IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments* was subsequently issued by the International Accounting Standards Board (IASB) to provide guidance on the classification of financial instruments within the scope of IAS 32 *Financial Instruments: Presentation* (the international accounting standard equivalent to FRS 32). The key determining factor is whether members hold redemption rights. Members' shares are classified as financial liabilities where members are entitled by statute, regulation, or the co-op's by-laws to request redemption at will and the co-op has little or no discretion to decline such requests. On the other hand, members' shares qualify as equity instruments where the redemption is either prohibited by law or subject to the co-op's unconditional right of refusal.

Currently, SFRS does not include IFRIC 2. As the ASC's broader intention is to align its issued FRFs with IFRS Accounting Standards, the RCS and the ASC propose to incorporate IFRIC 2 into SFRS. This will make financial statements prepared under SFRS more comparable with those prepared under IFRS Accounting Standards.

The RCS and the ASC recognise that this proposal may affect certain co-ops. In particular, some co-ops may need to reclassify their members' shares from equity to financial liabilities. However, the relevant requirements under the Co-operative Societies Act remain unchanged regardless of any such reclassification.

Payments to Members and Contributions to Central Co-operative Fund (CCF) and Singapore Labour Foundation (SLF)

Under the Co-operative Societies Act, dividends are distributed from the net surplus (i.e. the remaining portion of the surplus after provisions have been made for the CCF and SLF in accordance with section 71 of the Co-operative Societies Act). Dividends can therefore only be declared if the co-op has a surplus for that financial year. If a co-op wishes to use its reserves to pay dividends, it must obtain the Registrar's approval and meet the requisite criteria.

Contributions to the CCF and SLF will continue to be calculated based on a prescribed percentage of a co-op's surplus, before any dividend payments are made. When calculating these contributions, co-ops should continue to separately identify and adjust for dividend-related costs to ensure the contributions remain consistent with the prescribed percentage basis under the Co-operative Societies Act.

Nonetheless, for financial reporting purposes, where members' shares are classified as financial liabilities under IFRIC 2, payments to members (including dividends) are to be recorded as finance costs in profit or loss.

Impact and Implementation Timeline

With the transitional relief, Proposal 1 is expected to have limited impact on most co-ops. Proposal 2, however, may require some co-ops to review how their members' shares are classified and to consider any significant impact or challenges that may arise from doing so.

To help co-ops prepare, the RCS and the ASC are proposing a two-year transition period following the announcement of final decisions. This will give co-ops sufficient time to assess the implications of the proposals and make any necessary preparations.

Request for feedback

Please submit your responses via FormSG by **31 December 2026**. Your input is important in shaping the final proposals.

The consultation paper is available on both the ACRA website (https://www.acra.gov.sg/public-consultations/) and the RCS website (using a hyperlink) (https://www.mccy.gov.sg/coop).