Accounting @ Pinnacle Pte. Ltd.

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Private and Confidential
ArcBlue Singapore Pte. Ltd.
22 Cross Street
Cross Street Exchange
Singapore 048421

Our Ref ABS/MOK/LLH/CS/2023

Attention: Board of Directors

4 August 2023

Dear Sirs/ Madam

Arcblue Singapore Pte. Ltd. (the ''Company'')
Financial year ended 31 December 2023

We enclose the following documents for the financial {period from [date] to [date] / year ended [date]} for your attention:-

i) Management account;
ii) General ledger; and
iii) Management account schedules (together terms as the "accounting records")

Please review the accounting records and let us have your comment(s), if any. In your review, please ensure that the facts, information and representations included therein are complete and accurate and does not include any misstatement or omission of material facts. If you are agreeable to the documents above, please let us have your approval for the accounting records.

In your review of the above, we would like to draw your attention to the following:-

PROPERTY, PLANT AND EQUIPMENT

Cost model

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets / reducing balance over the residual value of the assets as follows:

	Useful lives
Freehold land	No depreciation
Leasehold land	Over the lease period ranging from 80 to 99 years
Leasehold buildings	6 to 40 years
Leasehold improvements	3 to 7 years
Machinery and other equipment	3 to 5 years
Office equipment, furniture fixtures and fittings	3 years
Motor vehicles	5 years

The residual value, useful lives and depreciation method are reviewed at least at the end of each financial period, and adjusted prospectively, if appropriate.

Properties under construction are carried at cost less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is include in profit or loss in the year the asset is derecognised.

In accordance with the accounting standards related to FRS 16 Property, Plant, and Equipment as mentioned above, please find attached the property, plant, and equipment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

OR

Valuation model

PINNACLE

Accounting @ Pinnacle Pte. Ltd.

The Company's ~~freehold~~ land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluation is performed annually by external independent valuer.

Any revaluation increase is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on revaluation of the freehold land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of the same asset. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

All other plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets (other than freehold land and properties under construction), net of their residual values, over their estimated useful lives/ reducing balance over the residual value of the assets as follows:

	Useful lives
Freehold land	No depreciation
Leasehold land	Over the lease period ranging from 80 to 99 years
Leasehold buildings	6 to 40 years
Leasehold improvements	3 to 7 years
Machinery and other equipment	3 to 5 years
Office equipment, furniture fixtures and fittings	3 years
Motor vehicles	5 years

Properties under construction are carried at cost less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. When revalued freehold land or buildings are sold, the attributable revaluation surplus in the property revaluation reserve is transferred directly to retained earnings.

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated based on the higher of fair value less costs of disposal and value in use, to determine the extent of the impairment loss (if any).

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease as described above.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increase does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase as described above.

In accordance with the accounting standards related to FRS 16 Property, Plant, and Equipment as mentioned above, please find attached the property, plant, and equipment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INVESTMENT PROPERTIES

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

In accordance with the accounting standards related to FRS 40 Investment Properties as mentioned above, please find attached the investment properties listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FAIR VALUE THROUGH PROFIT OR LOSS

Listed corporate bonds (classified as at FVTOCI)

The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount are recognised in other comprehensive income and accumulated in the investments revaluation reserves. On derecognition, the cumulative gain or loss previously accumulated in the investments revaluation reserves is reclassified to profit or loss.

In accordance with the accounting standards related to FRS 9 Financial instruments as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

OR

Listed and unlisted shares (designated as at FVTOCI)

The Company holds 20% equity shares in an unlisted investee which is involved in the commercial property development. Management does not consider that the Company is able to exercise significant influence over the investee as the other 80% shareholding is held by one shareholder, who also manages the day-to-day operations of the investee.

The Company has elected to designate these investments in equity instruments as at FVTOCI as these equity instruments are held for medium to long-term strategic purposes.

Equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with any gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserves. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends received in respect of these investments are recognised in profit or loss in accordance with FRS 9.

In accordance with the accounting standards related to FRS 9 Financial instruments as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

OR

Listed shares (mandatorily measured at FVTPL)

The Company invested in a portfolio of listed shares which are held for trading. The investments are measured at fair value, with any gains or losses arising from changes in fair value (including dividends received) recognised in 'Other gains and losses' line item.

In accordance with the accounting standards related to FRS 9 Financial instruments as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

OR

Listed redeemable notes and debentures (at amortised cost)

The listed redeemable notes and debentures are initially measured at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

In accordance with the accounting standards related to FRS 9 Financial instruments as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INVESTMENT IN JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Equity method of accounting

The results and assets and liabilities of associates and joint ventures are incorporated in the financial statements using the equity method of accounting. Investment in each associate or joint venture is initially recognised at cost, and are subsequently accounted for by including the Company's share of its profit or loss and other comprehensive income or loss in the carrying amount of the investment until the date on which significant influence or joint control ceases. Dividends received reduce the carrying amount of the investment. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses.

When a Company entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the financial statements only to the extent of interests in the associate or joint venture that are not related to the Company. When necessary, adjustments are made to align the associate's or joint venture's accounting policies with the those of the Company.

In accordance with the accounting standards related to FRS 28 Investment in Associates and Joint Ventures as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Equity method of accounting

The results and assets and liabilities of associates and joint ventures are incorporated in the financial statements using the equity method of accounting. Investment in each associate or joint venture is initially recognised at cost, and are subsequently accounted for by including the Company's share of its profit or loss and other comprehensive income or loss in the carrying amount of the investment until the date on which significant influence or joint control ceases. Dividends received reduce the carrying amount of the investment. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses.

When a Company entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the financial statements only to the extent of interests in the associate or joint venture that are not related to the Company. When necessary, adjustments are made to align the associate's or joint venture's accounting policies with the those of the Company.

In accordance with the accounting standards related to FRS 28 Investment in Associates and Joint Ventures as mentioned above, please find attached the investment listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Basis of consolidation
The consolidated financial statements of the Company incorporate the financial statements of the Company and its subsidiaries. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the those of the Company. All intraCompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Company are eliminated on consolidation. Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests in subsidiaries are identified separately from the Company's equity and are initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to the acquisition date, the carrying amounts of non-controlling interests are adjusted for the non-controlling interests' share of changes in equity. Losses are attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If consolidated financial statements are not required, for reasons such as exemption under FRS 27 Separate Financial Statements, the statement of profit or loss and other comprehensive income and statement of cash flows of the Company shall be presented.

Company's separate financial statements
Investments in subsidiaries in the Company's separate financial statements are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

In accordance with the accounting standards related to FRS 27 Investment in Subsidiaries as mentioned above, please find attached the consolidation accounts for your review. Kindly check the breakdown reflected in the consolidation accounts to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

In accordance with the accounting standards related to FRS 38 Intangible Assets as mentioned above, please find attached the intangible assets listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

OR

Internally-generated intangible assets - research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

In accordance with the accounting standards related to FRS 38 Intangible Assets as mentioned above, please find attached the intangible assets listing for your review. Kindly check the breakdown reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

GOODWILL

Goodwill arising from business combination is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, the goodwill is allocated to each of the Company's cash-generating units (or Companys of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (estimated based on the higher of fair value less costs of disposal and value in use) of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In accordance with the accounting standards related to FRS 38 Intangible Assets as mentioned above, please find attached the consolidation accounts for your review. Kindly check the breakdown reflected in the consolidation accounts to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

RIGHT OF USE ASSETS & LEASE LIABILITIES

The Company assesses whether a contract is or contains a lease, at inception of the contract. A right-of-use asset and a corresponding lease liability are recognised with respect to all lease arrangements, except for short-term leases (those with a lease term of 12 months or less) and leases of low value assets (those with cost below US$5,000 when new). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The Company has applied the practical expedient under FRS 116 that permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease, and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the Company's lease liabilities comprise mainly of fixed lease payments over the lease terms.

A right-of-use asset is initially measured at cost comprising the initial lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs and any restoration costs. The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated over the lease terms commencing from the date of the lease, and are tested for impairment in accordance with the policy similar to that adopted for property, plant and equipment.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease liability is remeasured by discounting the revised lease payments using a revised discount rate when there is a change in the lease term upon exercising extension options not previously included in the determination of the lease term. A corresponding adjustment is made to the related right-of-use asset.

In accordance with the accounting standards related to FRS 116 Leases as mentioned above, please find attached the lease liabilities listing for your review. Kindly check the breakdown and the incremental borrowing rate reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/ FIFO method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In accordance with the accounting standards related to FRS 2 Inventories as mentioned above, we have recorded the inventory based on the inventory listing provided by the Company. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

CASH AND BANK BALANCES

Cash and bank balances comprise cash on hand and on-demand deposits which are subsequently measured at amortised cost.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances as described above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

In accordance with the accounting standards related to FRS 7 Statement of Cash Flows as mentioned above, we have recorded the bank balances based on the bank statement and supporting documents provided by the Company. Any variance between the bank statement and the bank balances in the books has been reconciled to identify the difference. Additionally, we have adjusted for undeposited/unpresented cheques that have expired from the bank accounts.

Regarding the cash balance, we have prepared it based on the supporting documents provided and cash listing from the Company. Please review the cash balances and confirm if there are any discrepancies.

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and are therefore classified as current. Trade receivables are initially measured at their transaction price, unless they contain significant financing components, when they are recognised at fair value. They are subsequently measured at amortised cost, less loss allowance.

Deferred consideration and other receivables are recognised initially at fair value and are subsequently measured at amortised cost, less loss allowance.

Please find attached the receivables aging for your review and perusal. For the long-standing receivables that are more than 90 days, please advise whether the Company would like to make a provision for the irrecoverable amounts.

Additionally, please confirm that the receivables balances match your records. If any variances are found, please inform us and provide the necessary information for rectification.

Furthermore, please review the listing of deposits and prepayments attached. If any deposits disclosed in the listing have been refunded, please notify us and provide the relevant information. As for prepayments, please let us know if you have any further comments or adjustments.

TRADE AND OTHER PAYABLES

Please find attached the payables aging for your review and perusal. Kindly confirm that the payables balances match your records. If any variances are found, please inform us and provide the necessary information for rectification.

Additionally, please review the listing of accruals attached. If any accruals disclosed in the listing no longer exist, please notify us, and we will make the necessary adjustments.

Furthermore, please review the listing of deposits attached. If any deposits disclosed in the listing have been refunded, please notify us and provide the relevant information.

BORROWINGS

Borrowing costs are recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated futu
re cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability. Borrowing costs also include interest expense arising from lease liabilities.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are complete.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss.

In accordance with the accounting standards related to FRS 23 Borrowing Costs as mentioned above, please find attached the bank loan listing for your review. Kindly check the breakdown and the effective interest rate reflected in the listing to ensure everything is in order. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

AMOUNT DUE FROM/ TO SHAREHOLDERS/ DIRECTORS

Please find attached the breakdown of shareholders'/directors' balances. Kindly inform us if any inaccuracies are noted in the recorded balances and provide us with the correct details.

REVENUE RECOGNITION, CONTRACT ASSETS AND CONTRACT LIABILITIES

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

GROSS PROFIT MARGIN

We have observed a significant increase/decrease in your gross profit margin of xx% compared to the previous financial year. Could you please inform us of any factors contributing to this change? Additionally, we have attached the general ledger for your perusal and review. If you notice any inaccuracies or incorrect information, please let us know and provide the correct details.

VOLUNTARY CPF CONTRIBUTIONS

CPF (Central Provident Fund) contributions for employees are typically recorded in accounting by deducting them from the employees' remuneration, which is then paid by the employee. However, we have noticed that the CPF contributions for employees are not being deducted from their remuneration;

instead, they are being borne by the company. Please correct us if our understanding is incorrect. Please advise us the reason(s) why CPF is not deducted from the employee's remuneration.

GOVERNMENT GRANT – CAPITAL

We have noticed that the company received a capital grant from the authority/government for the acquisition of xxx assets. If the grant is not intended for acquiring xxx assets, please inform us accordingly.

FOREIGN EXCHANGE

QB/Xero

The Company incurred foreign currency transactions during the financial year. We have recorded these transactions using the daily exchange rates generated by the cloud accounting software for daily transactions. The unrealized foreign exchange gains or losses will be calculated on a monthly / yearly basis using the rate generated by the Monetary Authority of Singapore (MAS). Please let us know if you have any comments or concerns regarding the method used to record foreign currency transactions.

OR

Moneyworks

The Company incurred foreign currency transactions during the financial year. We have recorded these transactions using the monthly average/ month end exchange rates generated by the Monetary Authority of Singapore (MAS) for daily transactions. The unrealized foreign exchange gains or losses will be calculated on a monthly /yearly basis. Please let us know if you have any comments or concerns regarding the method used to record foreign currency transactions.

SMALL VALUE ASSETS

Small value assets refer to items that are of relatively low monetary value compared to the overall assets of a company. These assets are typically tangible items such as office supplies, small equipment, or furniture that are not considered significant in terms of their individual cost.

The classification of assets as "small value" can vary depending on the company's accounting policies and practices. In general, small value assets are considered to have a lower threshold for capitalization, meaning they may not need to be capitalized as fixed assets and instead can be expensed immediately in the period they are acquired. This treatment simplifies accounting procedures and reduces administrative burdens for tracking and depreciating these items over their useful lives.

For fixed assets that are less than or equal to S$1,000, we have classified them as small value assets and expensed them in a profit or loss account instead of capitalising them in the property, plant and equipment category. Please let us know if you disagree with this treatment.

PRESENTATION CURRENCY

The presentation currency in accounting is typically determined based on the company's primary economic environment (functional currency) and is usually the same currency in which the financial statements are presented, following the matching principle.

The Company's transactions are mainly traded in USD, so we chosen to use USD as the presentation currency for the management account and the unaudited financial statements to reduce the risk of foreign currency. Please advise if you disagree with this treatment.

EXPENSES RECOGNITION

Trading/ Manufacturing

Expenses in accounting refer to the costs incurred by a business in its day-to-day operations to generate revenue. These costs are subtracted from the company's revenue to calculate its net income or profit. Expenses are categorized into various types based on their nature and purpose. Here's a breakdown of common types of expenses:

1. Cost of Goods Sold (COGS): These are expenses directly related to the production of goods or services sold by the company. They include costs such as raw materials, labour, and manufacturing overhead.
2. Operating Expenses: These are expenses incurred in the normal course of business operations. They include items such as rent, utilities, salaries and wages, insurance, marketing, and administrative costs.
3. Interest Expenses: These are costs associated with borrowing money, such as interest payments on loans or credit facilities.
4. Depreciation and Amortisation: These are non-cash expenses that represent the gradual reduction in value of tangible assets (depreciation) or intangible assets (amortisation) over time.
5. Non-operating Expenses: These are expenses that are not directly related to core business operations. Examples include losses from investments, impairment charges, and one-time expenses.
6. Income Tax Expenses: These are expenses related to corporate income taxes based on the company's taxable income.

Expenses are recognised in accounting when they are incurred, meaning when the goods or services related to the expense are consumed or utilized, or when an obligation is created that requires the company to make a future payment. The recognition of expenses follows the accrual basis of accounting, which requires expenses to be recorded in the period in which they are incurred, regardless of when the actual cash payment is made.

OR

Investment holding companies

Expense recognition for an investment holding company refers to the process of identifying and recording expenses related to managing and maintaining investment assets. These expenses are recognized in the company's financial statements according to the accrual basis of accounting, which requires expenses to be recorded when they are incurred, regardless of when the actual cash payment is made.

OR

Investment dealing companies

Expense recognition for an investment dealing company involves identifying and recording expenses related to buying, selling, and managing investment securities.

Expense recognition for an investment dealing company refers to the process of identifying and recording expenses associated with the buying, selling, and managing of investment securities. These expenses are recognized in the company's financial statements according to the accrual basis of accounting, which requires expenses to be recorded when they are incurred, regardless of when the actual cash payment is made.

GST REGISTRATION

We note that the Company's revenue for the financial year ended XXX is S$900,000 and that the Company is currently not GST-registered. Please note that generally, the Company should register for GST if its taxable turnover is:

1. Under the retrospective view, more than $1 million at the end of the calendar year, or

2. Under the prospective view, expected to be more than $1 million in the next 12 months

Given that the Company's turnover is close to S$1 million, please keep track of the Company's taxable turnover. If the Company exceeds the S$1 million threshold on either the retrospective or prospective basis, please let us know so that we can advise you accordingly.

REPRESENATATIONS FROM THE COMPANY

We note the following from the Company:

1. Based on our call with XXX on XXX, we understand that the following expenses relate to entertainment expenses incurred by the Company for business purposes.
   a. XXX
   b. YYY
2. As discussed with AAA on WhatsApp, although the Company does not have the supporting invoices for the XXX expenses, it would still like to recognise the expenses in the profit and loss account and claim a tax deduction on the amount. Please note that IRAS may request the Company to furnish the relevant invoices before allowing the tax deduction claim.
3. Based on the email from YYY, we note that all bank withdrawals totalling XXX are wholly relating to XXX expenses; and the bank deposits totalling YYY are wholly relating to trade receipts of the Company.