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MANAGING PARTNER'S MESSAGE

Frankie Chia
BDO Singapore

At the recent event held at The Mandarin Marina Hotel Singapore, BDO won three awards at the prestigious CFO Innovation Awards 2016. Against stiff competition from other mid-tier professional firms in the Asia region, we were awarded the Partner of the Year - Best in Audit Services (Mid-Tier), Best in Tax Advisory (Mid-Tier) and the Editor's Choice Award - Excellence in Business Transformation (Management Consulting). These awards are the testimony to BDO's strong leadership in clients' excellence and position regionally.

On the global front, BDO International network continues to grow from strength to strength. The network has expanded from 154 to 158 countries and territories with 67,731 people now working out of 1,401 offices worldwide. Our global combined revenue for the year ended 30 September 2016 increased to US$7.6 billion. We will continue to make long-term investment strategy in global infrastructure, technology and talent that not only ensures that we can provide exceptional service to our clients but gives us the momentum and power to continue to be the leader of the mid-tier of our profession.

2016 was a year full of surprises. Several significant international events such as the Britain exit from the European Union and Donald Trump administration taking over the running the US will continue to bring more uncertainties and shape future events that will eventually impact us. For now, the sentiments on the lacklustre economy continues to haunt many businesses here. We hope the upcoming Budget announcement will bring some breather for us.

On behalf of BDO, I hope this quarter's issue will benefit you as we share the updates and insights on accounting and tax developments.
Enjoy!

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SINGAPORE FINANCIAL REPORTING UPDATES

ASC REMINDS ABOUT SINGAPORE IFRS CONVERGENCE AND THE MAJOR NEW STANDARDS

On 30 November 2016, the Accounting Standards Council of Singapore (ASC) issued a reminder about the new IFRS-identical financial reporting framework that Singapore-incorporated companies listed on SGX are required to apply for annual periods beginning on or after 1 January 2018. The ASC confirmed that in order to adopt the new framework, all of the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards* must be applied, and reminded companies to ensure they are ready to implement both the new framework and the major new IFRSs effective at the same time from 1 January 2018.

The ASC also affirmed that other Singapore-incorporated companies can continue to apply the existing frameworks, including Singapore FRSs, although the new IFRS-identical framework will be available to them for voluntary adoption.

On 19 December 2016, the ASC followed up with a reminder letter on the 2018 timeline for full IFRS convergence and the new major IFRS standards addressed to Directors and Chief Financial Officers of Singapore listed companies. At the same time, the ASC released a publication, developed jointly with the Institute of Singapore Chartered Accountants (ISCA), entitled *IFRS Convergence Are You On Track?*, which sets out in a list questions & answers on full IFRS convergence to assist companies with implementation.

Separately, the ASC also issued a reminder letter to Directors and Chief Financial Officers of companies applying Singapore FRSs about the major changes ahead from FRS 109, FRS 115 and FRS 116, and included a high-level overview of these standards and their key implications.

For more information

Refer to the ASC's website for the 30 November 2016 press release, for details about the IFRS-identical financial reporting standards (the standards themselves will be issued by the ASC in due course), to read the IFRS convergence reminder letter, to download a copy of the Q&A publication IFRS Convergence Are You On Track? and to read the reminder letter on new standards.

ACRA'S FRSP FOCUS TOPICS FOR FY2016 FINANCIAL STATEMENTS

On 8 December 2016, the ACRA issued Financial Reporting Practice Guidance No. 1 of 2016 *Areas of Review Focus for FY2016 Financial Statements under ACRA's Financial Reporting Surveillance Programme*. This guidance is intended to remind directors and other financial statements (FS) preparers of potential risks of misstatements in the financial statements and questions to ask to improve the quality of financial reporting.

The following are the seven areas of review focus for FY2016 FS under the third review cycle of the Financial Reporting Surveillance Programme (FRSP) and highlights from some of ACRA's reminders about these areas:

1. **Going concern**
   - In weak and volatile market conditions, the going concern assessment may require more detailed evaluation of future profitability, debt repayment schedules and sources of financing. All facts and circumstances must be considered.
   - The significant judgements made in concluding that the going concern assumption is appropriate must be fully disclosed.

2. **Value of long-lived assets – impairment testing**
   - Given the economic outlook, asset values are of concern and it is important to pay closer attention to whether there are indicators of impairment, whether impairment tests have been properly conducted by management, and if no impairment charges have been recorded, why that is so and to scrutinise whether the assumptions are realistic.

3. **Significant one-off gains or losses**
   - All significant one-off gains or losses should be scrutinised to ensure they reflect the economic reality of the arrangement, rather than the legal form.

4. **Consolidation or equity accounting**
   - Assessments on whether there is control, joint control or significant influence over an investee can be affected by reserved matters clauses that require unanimous consent of different shareholders and contractual rights that accord power to direct relevant activities of the investee.
   - Such assessments must consider the rationale for contractual arrangements and different financial instruments and the value and role of each party involved in a business arrangement.

5. **Business acquisitions – specific intangible assets**
   - When premiums paid for business acquisitions result in large goodwill, there is a higher likelihood that specific intangible assets were acquired that should be separately recognised and amortised.
   - Professional valuers should be engaged to identify and value specific intangibles and not just to value intangibles pre-identified by management based on assumptions provided by management.

6. **Statement of cash flows – classification**
   - Net operating cash flow is an important indicator which should not be distorted by presentation errors in classifying cash flows as operating, investing and financing activities e.g. for business acquisitions/disposals or foreign currency translation differences.

7. Significant judgements and critical estimates

- A rigorous process should be developed for making the most subjective or complex judgements that have the most significant impact.
- Such judgements must be fully and meaningfully disclosed, with the disclosures tailored to the company's specific circumstances.

Additionally, ACRA included in the practice guidance a reminder for directors and other FS preparers to ensure that preparation work is on track for:

(a) The adoption of the new IFRS-identical reporting framework effective from 1 January 2018 and mandatory for Singapore listed companies. ACRA suggested that the impact assessment should be completed before the FY2016 FS are authorised for issue.

(b) The major new financial reporting standards SFRS 109 Financial Instruments, SFRS 115 Revenue from Contracts with Customers, and SFRS 116 Leases. According to ACRA, the reasonably estimable financial effects from adopting these standards should be meaningfully disclosed in the FY2016 FS.

We encourage directors and other FS preparers to read ACRA's detailed comments in the practice guidance, available for download on ACRA's website HERE. For further information about the FRSP and the findings from previous review cycles, please download the latest FRSP report HERE.

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FOCUS ON: DISCLOSING THE EXPECTED IMPACT OF ADOPTING NEW ACCOUNTING STANDARDS ISSUED NOT YET EFFECTIVE

Paragraph 30 of IAS/FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of impending changes in accounting policies when an issuer has not adopted an accounting standard that has been issued but is not yet effective. Specifically, IAS/FRS 8 requires disclosure of "known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS/FRS will have on the entity's financial statements in the period of initial application". The objective is for users of the financial statements to be able to understand beforehand the impacts a new standard will have on entities' financial position and performance.

Given the significance of the major new IFRSs, IFRS 9 *Financial Instruments and IFRS 15 Revenue from Contracts with Customers* effective from 1 January 2018 as well as IFRS 16 *Leases* effective from 1 January 2019, financial reporting regulators and standard setters in various jurisdictions have recently reminded issuers about their implementation and the importance of disclosures in FY 2016 and FY 2017 financial statements on the impact of adopting these new standards. This includes a reminder issued by ACRA to Singapore companies, as part of Financial Reporting Practice Guidance No. 1 of 2016, to meaningfully disclose the impact arising from the adoption of these major new standards.

The European Securities and Markets Authority (ESMA) has issued two public statements this year on issues for consideration in implementing IFRS 15 (HERE) and IFRS 9 (HERE) and the need for relevant and transparent disclosure about the implementation and impact. ESMA highlights that the IAS 8 requirement encompasses both qualitative and quantitative information.

"ESMA expects, that as the implementation of [IFRS 9 and 15] progresses, information about [their] impact should become more reasonably estimable and issuers should be able to provide progressively more entity-specific qualitative and quantitative information about the application of [IFRS 9 and 15] in their financial statements".

While the extent of and timing for providing disclosures may vary depending on the complexity and impact, ESMA expects the impacts of initial adoption to become known during 2017 before the effective date 1 January 2018. The eventual impact will be affected by specific business conditions, contracts and portfolios in place in the period of adoption, but this should not prevent disclosure of the quantitative impact before then based on information at each reporting date. Where the impact of the new standards is significant, ESMA set out the following expectations for good practices and an illustrative timeline for disclosure:

2016 FS	• Detailed description and explanation of how key concepts will be implemented. Where relevant highlight the differences to current approach. • Explanation of the timeline, including expected use of transition reliefs/practical expedients. • If known or reasonably estimable, reliable quantification of the possible impact. • When quantitative information is not disclosed, additional qualitative information enabling users to understand the magnitude of the expected impact.
2017 Interim FS	Consider updates to the 2016 FS information if: • Reliable quantitative information becomes available that was not available for the 2016 FS; or • Able to provide significantly more specific information.
2017 FS	As the 2017 FS are published after the effective date, quantitative assessment of the impact on the financial statements as at 1 January 2018.

The above can serve as a good guide for Singapore companies to consider what to include in the disclosure of the impact of the new standards in their financial statements from 2016 onwards.

What are some of the key questions about implementation to think about when considering the disclosures that could be made in the 2016 financial statements about the impact of new standards?

IFRS 15

- Are there some aspects of the implementation assessment that have been completed, while for others detailed assessment is still ongoing? When are further assessments expected to be completed? (E.g. can the impact be narrowed down to certain revenue streams?; or based on preliminary assessment do not expect any changes to timing of revenue recognition, but the amount of revenue recognised could be affected as detailed assessment of methods for estimating variable consideration (e.g. due to rebates given) is ongoing and expected to be completed during 2017)

- Have any available accounting policy choices been made?

- How do the key concepts of the new five-step model affect the entity's revenue recognition and how will this differ from current practice?
  – Step 1: Are there any contract modifications? Or contracts to be combined and treated as a single contract?
  – Step 2: Are there separate performance obligations to be identified from multiple deliverable arrangements?
  – Step 3: Is there any variable consideration? How will this be estimated? Or any contracts with a significant financing component or consideration payable to the customer?
  – Step 4: How will transaction price be allocated to performance obligations? Are standalone selling prices available?
  – Step 5: Will revenue be recognised over time or at a point in time? And which method will be used to measure progress towards satisfaction of performance obligations (input vs. output methods)?

- Is there any impact from the new guidance on accounting for contract costs, warranties, licences, principle-agent considerations etc?

- Has the transition approach been decided on i.e. full retrospective vs. cumulative effect method? (Note that for listed companies adopting IFRS and applying IFRS 1, the cumulative effect method is not available)

- Will any of the practical expedients be used (four available for full retrospective method, one available for the cumulative effect method)?

IFRS 9

- Are there some aspects of the implementation assessment that have been completed while for others detailed assessment is still ongoing? When are further assessments expected to be completed? (E.g. classification and measurement preliminarily assessed, methods of estimating impairment allowances still being developed and expected to be completed during 2017)

- Have any available accounting policy choices been made? (E.g. the option to designate equity instruments at FVOCI, or whether to adopt hedge accounting)

- How do the key concepts of IFRS 9 affect the entity and how will this differ from current practice?
  - For classification and measurement of financial assets, how will the business model and "SPPI" contractual cash flow characteristics tests be applied? How will fair value be measured for any instruments for which the exemption from fair value measurement has previously been used (e.g. available-for-sale investments in unquoted equities)?
  - Are there any financial liabilities at FVTPL affected by the own credit risk rules?
  - Will the simplified model (e.g. trade receivables) or the 3-stage model (e.g. inter-company non-trade receivables) be used for impairment?
  - How will expected credit losses and increases in credit risk be estimated for impairment allowances? What kind of modelling techniques or judgements will be required? How will forward-looking data be incorporated?
  - Will there be any changes to hedge accounting or is the entity considering whether to hedge account for the first time?

- Has the transition approach been decided on i.e. full retrospective vs. option not to restate comparatives with a cumulative effect adjustment at the date of initial application?

- Will any of the transition reliefs be used?

Key message

In summary, companies cannot simply disclose that they are "in the process of assessing the impact" of these major new standards at this stage of the implementation timeline. This will not satisfy either the information needs of users of financial statements, the requirements of IAS/FRS 8 or the expectations of regulators. Therefore, we recommend that all issuers progress with their implementation efforts and prepare appropriate disclosures for the FY2016 and FY2017 financial statements.

REMINDERS ABOUT THE GOING CONCERN ASSESSMENT

Why is the going concern assessment especially important this year? Have the requirements changed?

There are two reasons for a greater focus on the going concern assessment this year:

1. As noted by ACRA in its FRSP Areas of Focus for FY2016 financial statements, due to the more uncertain economic conditions and business environment faced by many entities, going concern is likely to require more detailed assessment by management, whereas in times of stronger financial performance and better outlook it may be possible to conclude such assessments based on more limited analysis.

2. As part of the changes to the auditing standards that require enhanced auditor's reports, there is now a greater focus on going concern in terms of:
   - More explicit descriptions of the management's and auditor's responsibilities;
   - More prominent reporting about material uncertainties relating to going concern in the auditor's report; and
   - A specific requirement for the auditor to challenge the adequacy of management's disclosures about going concern, including in "close call" situations where management and the auditor have concluded that no material uncertainties exist.

It is important to remember that these requirements apply to all entities, and not just listed entities.

What is management required to do?

The accounting requirements on going concern (which are unchanged) are found in FRS 1 *Presentation of Financial Statements* paragraphs 25 and 26 and these are mainly disclosure-based requirements. Management is required to:

- Perform an assessment of the appropriateness of the going concern basis in the preparation of financial statements. Financial statements are prepared on a going concern basis unless management intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- Include disclosures in the financial statements when there are material uncertainties relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern ("material uncertainties"), or if the company does not prepare financial statements on a going concern basis.
- Provide additional disclosures if the assessment involves significant judgement even if there are no material uncertainties (FRS 1. 122).

These requirements are summarised in Figure 1.

Tips and considerations for a thorough going concern assessment

- When identifying events and conditions, consider a broad range of possible indicators and all facts and circumstances i.e. not just net liabilities/net current liabilities but also operational factors e.g. loss of key customers, breach of financial covenants etc.

- Although FRS 1 requires at a minimum a 12-month assessment, a longer period such as 15 to 18 months is likely to be useful, and all relevant known information about the future should be considered in the assessment.

- Cash flow projections should be based on and consistent with management's existing budgets and forecasts for other business and financial reporting purposes, should include all relevant cash inflows and outflows and should be prepared with sufficient granularity to assess the timing of debt repayments and settlement of other liabilities and commitments. Sensitivity analysis on the key assumptions may also be considered.

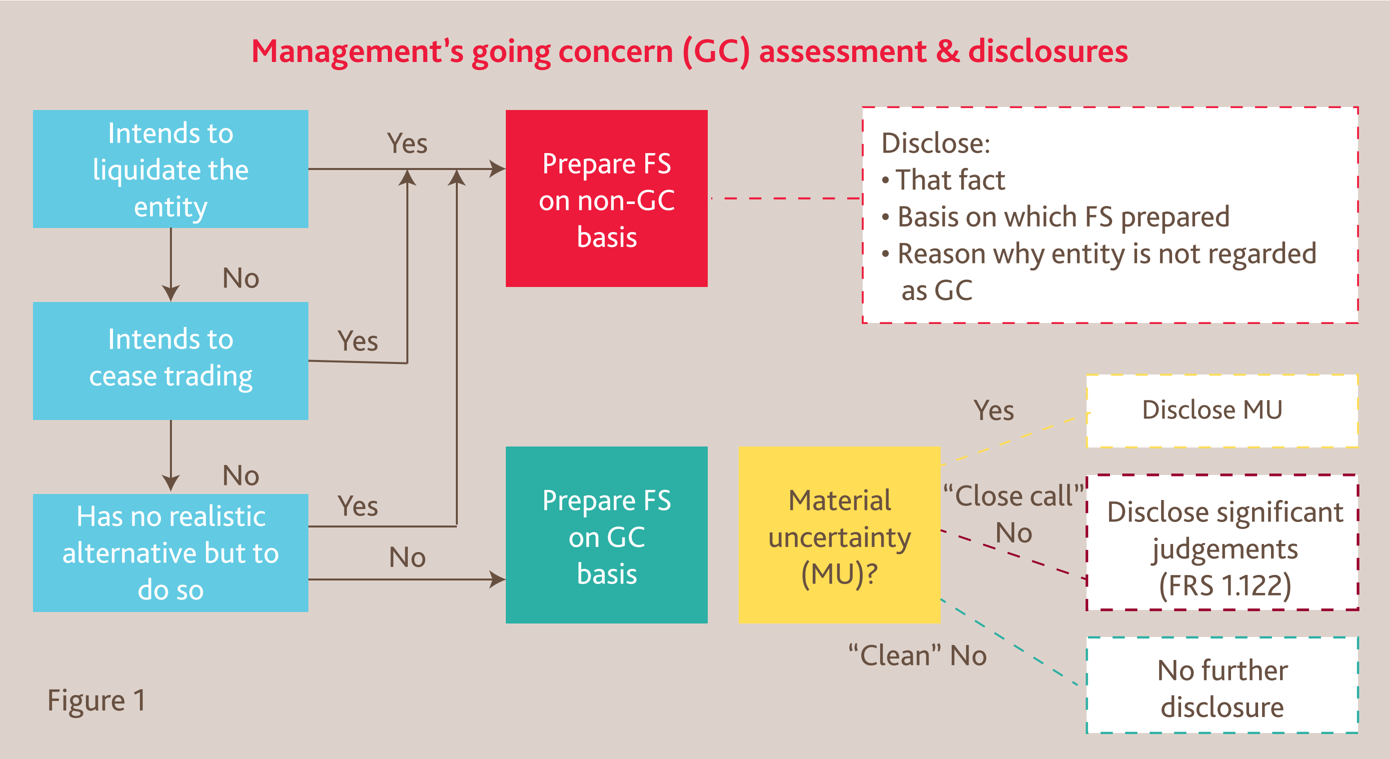

Figure 1

- Management's assessment will normally include various mitigating factors and plans to address the events and conditions. These must be effective in directly addressing the uncertainties identified as well as realistic and feasible in execution.

- In deciding whether an uncertainty is material, consider whether the potential magnitude of the impact and likelihood of it occurring (in the context of available mitigating plans) are such that disclosure is necessary in order for the financial statements to be true and fair.

- In considering whether additional disclosures are required in the financial statements, including about significant management judgements in concluding that there is no material uncertainty, consider whether the financial statements will give a true and fair view in the absence of such disclosures.

- Document the going concern assessment, assumptions and judgements made and obtain board of directors' approval. This will enable the directors to justify the disclosures made in the financial statements which are to be approved by the directors.

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IFRS UPDATES

IASB ISSUES MINOR CHANGES TO IFRS STANDARDS

On 8 December 2016, the International Accounting Standards Board (IASB) issued several amendments to IFRS Standards (Standards) and an Interpretation that clarifies the requirements in particular Standards. In Singapore, the ASC adopted all of these as part of Singapore FRS on 22 December 2016, with the same effective dates indicated below.

Annual Improvements to IFRS (2014-2016 cycle)/ Improvements to FRSs (December 2016)

Annual improvements to IFRS are minor amendments that clarify, correct or remove redundant wording in a Standard. The Annual Improvements to IFRS (2014-2016 cycle) affect the following Standards:

- IFRS 1 *First-time Adoption of IFRS: Deletion of short-term exemptions for first-time adopters* – IFRS 1 has been amended to remove the short-term exemptions dealing with IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements*. The reliefs provided are no longer applicable and had been available to entities only for reporting periods that have now passed.

- IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of the standard* - IFRS 12 has been amended to clarify the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations.

- IAS 28 *Investments in Associates and Joint Ventures:* Measuring an associate or joint venture at fair value - IAS 28 has been amended to clarify that a venture capital organisation, or mutual fund, unit trust and other similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for investments in joint ventures and associates at fair value or using the equity method.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (IFRIC 22/ INT FRS 122)

IFRIC Interpretations are developed by the IFRS Interpretations Committee and ratified by the IASB. IFRIC 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary liability (or asset) arising from the receipt (or payment) of advance consideration was initially recognised. Currently some entities may be in the practice of retranslating consideration received in advance in a foreign currency when it is released to the income statement.

Amendment to IAS 40 *Investment Property*: Transfers of Investment Property/ Amendments to FRS 40

This amendment clarifies particular aspects of IAS 40.

IAS 40 requires a property be transferred to, or from, investment property only when there is a change in use. The amendment clarifies that a change in management's intentions for the use of a property does not in isolation provide evidence of a change in use. An entity must, therefore, have taken observable actions to support such a change. IAS 40.57 gives a list of examples of appropriate sources of evidence but is not intended to be an exhaustive list.

Effective dates

All of the above pronouncements have an effective date of periods beginning on or after 1 January 2018 except for the improvement to IFRS 12, which is effective for periods beginning on or after 1 January 2017.

LATEST BDO IFRS PUBLICATIONS

BDO publishes a range of publications on IFRS, which can be found on the recently refreshed BDO global website: IFRS - BDO. Do take a look at our latest publications, including:

- IFRS at a Glance – "one page" and short summaries of all IFRS standards.
- IFR Bulletins - one of BDO's regular publications, focusing on the latest developments in IFRS, typically issued when a new standard is released. Recent IFR Bulletins include:
  - 2016/13 IFRSs, IFRICs and Amendments that are mandatory for the first time for 31 December 2016 Year Ends
  - 2016/14 IFRS Interpretations Committee – Agenda Rejections (November 2016)
  - 2016/15 ESMA Public Statement: Issues for Consideration in Implementing IFRS 9 *Financial Instruments*
  - 2016/16 IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
  - 2016/17 Annual Improvements to IFRS Standards 2014-2016 *Cycle and Amendment* to IAS 40 *Investment Property*

- Need to Know – updates on major IASB projects and highlights practical implications of forthcoming changes to accounting standards. Recent Need to Knows include IFRS 15 *Revenue from Contracts with Customers* - IFRS v US GAAP Differences.
- IFRS in Practice – practical information about the application of key aspects of IFRS, including industry specific guidance. Recent IFRS in Practice include an updated version of IFRS 15 *Revenue from Contracts with Customers:* 2017 Update.
- Comment letters on IFRS standard setting - includes BDO comments on various projects of international standard setters, including Exposure Drafts and other Discussion Papers, when it is considered that the issue is significant to the BDO network and its clients. Recent comment letters include ED 2016/01 Amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*.

Illustrative Financial Statements

The model financial statements published by BDO are illustrative financial statements of a listed company intended to be used as a source of general technical reference, as they show suggested disclosures together with their sources. They are not intended to address the particular circumstances of any particular entity.

- **International Financial Reporting Standards** - 31 December 2016 Year End IFRS Illustrative Financial Statements
- **Singapore Financial Reporting Standards** - 31 December 2016 Year End Singapore FRS Illustrative Financial Statements

NEW PROTOCOL TO SINGAPORE-INDIA TAX TREATY

Taxation of capital gains

On 30 December 2016, Singapore and India signed a Protocol ("2016 Protocol") to amend their bilateral Avoidance of Double Taxation Agreement ("DTA") in New Delhi.

Prior to this, the DTA between Singapore and India provides for residence based taxation on gains arising from alienation of shares. In other words, gains derived by a resident of Singapore from alienation of shares in an Indian company will only be taxable in Singapore. India, therefore had no right to impose any tax on the gains derived though the asset in question were shares in an Indian company. Simultaneously, with no capital gains tax in Singapore, the alienator virtually received tax-free income if certain prescribed conditions are satisfied.

However, the subject position now stands amended through a third protocol to the DTA which introduced a source based taxation on gains arising from alienation of shares. Under this protocol, the erstwhile capital gains tax exemption (on gains from the alienation of shares in an Indian company) will only be available to shares acquired before 1 April 2017.

The gains from alienation of shares acquired on or after 1 April 2017 will now be taxable in India under the source based taxation regime.

Further, a transitory provision is provided for gains arising during a window period of 1 April 2017 to 31 March 2019 for shares acquired on or after 1 April 2017. Such gains arising during the transitory period will be subjected to tax at 50% of the domestic tax rates as applicable in India. Hence, capital gains on shares acquired after 1 April 2017 but sold by or before 31 March 2019 can avail of these transition rules, subject to a Limitation of Benefits ("LoB") Article, which seeks to avoid misuse of the DTA by shell companies.

The following cumulative tests are provided in the LoB clause for a taxpayer to be eligible to claim the transitory period benefits:

- *Primary purpose test:* Transitory period benefit not available where the affairs of the taxpayer are arranged with the primary purpose of taking advantage of the Protocol without bona fide business activities;

- *Activity test:* Transitory period benefit will not be available to a shell or conduit company. A company would not be considered as a shell or conduit company if it is listed on recognised stock exchange or expenditure on operations is equal to or more than SGD 200,000 in Singapore or INR 5,000,000 in India for each of the 12 month periods in the immediately preceding period of 24 months from the date on which the capital gains arise. However, in respect of investments acquired after 1 April, 2017 and sold before 31 March, 2019, the expenditure test needs to be met for the 12 month period immediately preceding the date of transfer.

Other amendments

- **Transfer Pricing:** The 2016 Protocol has introduced Article 9(2) in the DTA which includes provisions to facilitate relieving of economic double taxation (taxation of two different persons with respect to the same income) in transfer pricing cases. Availability of corresponding tax adjustments would ensure that the same income is not doubly taxed due to transfer pricing disputes. This amendment will facilitate the resolution of transfer pricing disputes in transactions between India and Singapore through the Mutual Agreement Procedure ("MAP") or Bilateral Advance Pricing Agreement ("APA") route, and is in line with the OECD's recommendations under its Base Erosion and Profit Shifting ("BEPS") project.

- **Anti-avoidance measures:** The 2016 Protocol has introduced a new article which provides that the DTA shall not prevent either of the countries from applying its domestic laws and measures concerning the prevention of tax avoidance or tax evasion.

Key takeaways

Singapore was the largest foreign direct investor into India for the period April 2015 – March 2016 and one of the largest portfolio investors in India markets. The capital gains tax exemption regime must have been one of the contributing factors. The impact of the change on Singapore and India's economy would be closely watched. It is with much anticipation that some new initiatives on joint promotion of bilateral investments will be available soon. For now, businesses will have to revisit their existing investment structures in India and ensure that the taxes and the underlying currency fluctuations do not wipe out the expected gains.

Kindly contact us to understand further on how we can support you in riding this new wave of change.

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WHAT'S LEFT AFTER THE FOUNDER LEAVES

The world's oldest businessman lived to a ripe old age of 109 years old. One of the world's oldest brand – is still surviving at the age of 326 years old.

The story of an enterprising young person who built a profitable business from humble beginnings is not unheard of. In fact, it is common in a country like Singapore where foresight, tenacity and resourcefulness form the building blocks of success.

However, what is also common is the thinking that all you need in business is a 'good product sold at a competitive price to people you form relationships with'.

While it has proven to be successful for some, this viewpoint has positioned the brand as something that happens by chance and not by design. As a result, the active management of a brand takes a backseat and before we know it, the business loses control over the perceptions that are being formed by customers about the business.

When The Brand Is Just A Shadow of The Business Owner

When a business is managed without the brand being the central guiding system, stakeholders and customers form perceptions about the brand based on their only point of interaction with the business. In the case of small-to-medium businesses where the business owner interacts directly with customers, these perceptions are often mere projections of the business owner's traits rather than about how the business excels in delivering something that others can't match.

Brands should therefore be actively managed as a

personified representation of a business's uniqueness and not a shadow of its founder.

There are, of course, strong brands out there that are deliberately crafted and actively managed to build upon the traits of its founder but it is surely not something that is left to chance. Otis makes a good example. In 1854 at New York's World Fair, Elisha Otis demonstrated his invention of the elevator safety brake system by actually cutting the hoisting platform rope in the form of a dramatic, death-defying live demonstration. Needless to say, he survived and Otis is
now a brand that's known in the industry for its breakthrough innovations and its boldness to stand behind what it claims to provide.

Its products are therefore built around the brand idea. The way Otis services its customers is built around the same brand idea. Every other part of the business is built with the Otis brand in mind.

Not the other way around.

What's Left After The Founder Leaves

A common finding among small-to-medium businesses is that business owners rely heavily on building personal relationships rather than building the brand's relationships with its customers and stakeholders.

However, the morbid but realistic truth is that personal relationships don't last forever – simply because there's an expiry tag on our lives. Brands, if managed carefully, live long enough to form new relationships with people and its customers, over and over again.

The brand, the therefore what's left after the founder leaves the business.

Irving Kahn was an American businessman and investor who was active in the field until he passed away at the age of 109 making him one of the oldest businessman in history. On a separate note, the Barclays brand has lived through major world events over the span of 326 years – the Industrial Revolution, the invention of the telephone, two world wars and will most likely continue to build new relationships with new customers in time to come.

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