First-time Adoption of MPERS

MAY 2016

Highlight

Section 35 of MPERS set out the requirements on transition to MPERS, regardless of the financial reporting framework applied by a preparer previously.

A first-time adopter of MPERS[1] shall apply MPERS from the date of transition ("DOT"). Section 35 of MPERS set out the requirements and one-time exemptions on transition to MPERS, regardless of the financial reporting framework applied by a preparer previously.

No retrospective adjustments (mandatory)

On first-time adoption of MPERS:

- *Derecognition of financial assets and financial liabilities* – Financial assets or financial liabilities derecognised under previous financial reporting framework before the DOT shall not be recognised upon adoption of MPERS.
- *Hedge accounting* - For hedging relationships that no longer exist at the DOT, do not adjust the hedge accounting before the DOT.
- *Accounting estimate* – No retrospective adjustment of accounting estimate.
- *Discontinued operations* – No retrospective adjustment of discontinued operations.
- *Non-controlling interest* – The allocation of profit or loss and total comprehensive income between non-controlling interest and owners of the parent shall be applied prospectively from the DOT.
- *Government grant* – For any government loan at a below-market rate of interest existing at the DOT, recognise such benefit as a government grant prospectively.

Optional transitional exemptions

On first-time adoption of MPERS, an entity may apply any of the following exemptions in preparing its first MPERS financial statements:

- *Business combination* – No retrospective adjustment to business combinations that were effected before the DOT.
- *Share-based payment* – No retrospective adjustment to equity instruments that were granted before the DOT, or to liabilities arising from share-based payment transaction that were settled before the DOT.

- *Fair value as deemed cost* – An entity is allowed to measure an item of PPE[2], IP[3] or intangible assets on the DOT at its fair value and use that fair value as its deemed cost at that date.
- *Revaluation as deemed cost* – An entity is allowed to use a previous revaluation of an item of PPE, IP or intangible assets at/before the DOT as it its deemed cost at the revaluation date.
- *Translation differences* – An entity may elect to deem the cumulative translation differences for all foreign operations to be zero at the DOT.
- *Separate financial statements* – If an entity elect to measure its investment in a subsidiary, associate or jointly controlled entity at cost on the DOT, it may use either the fair value or previous carrying amount on the DOT as its deemed cost.
- *Compound financial instruments* – Need not split the liability and equity components of a compound financial instrument, if the liability component is not outstanding at the DOT.
- *Deferred tax* – Apply Section 29 *Income Tax* prospectively from the DOT.
- *Service concession arrangement* – No retrospective adjustment of service concession arrangements entered into before the DOT.
- *Lease* – Determine whether an arrangement exiting at the DOT contains a lease on the basis of facts and circumstances existing at that date, instead of when that arrangement was entered into.
- *Decommissioning liabilities* – May elect to measure the decommissioning liabilities relating to an item of PPE at the DOT, instead of on the date when the obligation initially arose.
- Other exemptions include extractive activities [35.10(j)], operations subject to rate regulation [35.10(m)] and severe hyperinflation [35.10(n)].

When an exemption is adopted, it must be applied consistently for all similar transactions or events.

Next …

In next newsletter of MPERS series, we will discuss about key differences between MPERS and other financial reporting framework.

References
1 Malaysian Private Entities Reporting Standard
2 Property, plant and equipment
3 Investment properties

MAZARS Can Help

The multi-disciplinary professional team (accounting, tax and IT) of Mazars is ready to assist you in the migration from your existing financial reporting framework to MPERS. Mazars can assist you in the following areas:

- Delivery of training on MPERS
- Advice on identification and implication of differences between the current financial reporting framework and MPERS
- Advice on tax implication arising from the adoption of MPERS
- Advice on implementation of MPERS
- Review of accounting policies developed by the management
- Advice on preparation or review of MPERS financial statements

CONTACT

Chong Fah Yow
fah-yow.chong@mazars.my

Esther Yap
esther.yap@mazars.my

Francis Xavier Joseph
francis.joseph@mazars.my

Lee Soo Eng
soo-eng.lee@mazars.my

MAZARS
Wisma Selangor Dredging
11th Floor, South Block
142-A, Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +60 3 2161 5222

www.mazars.my