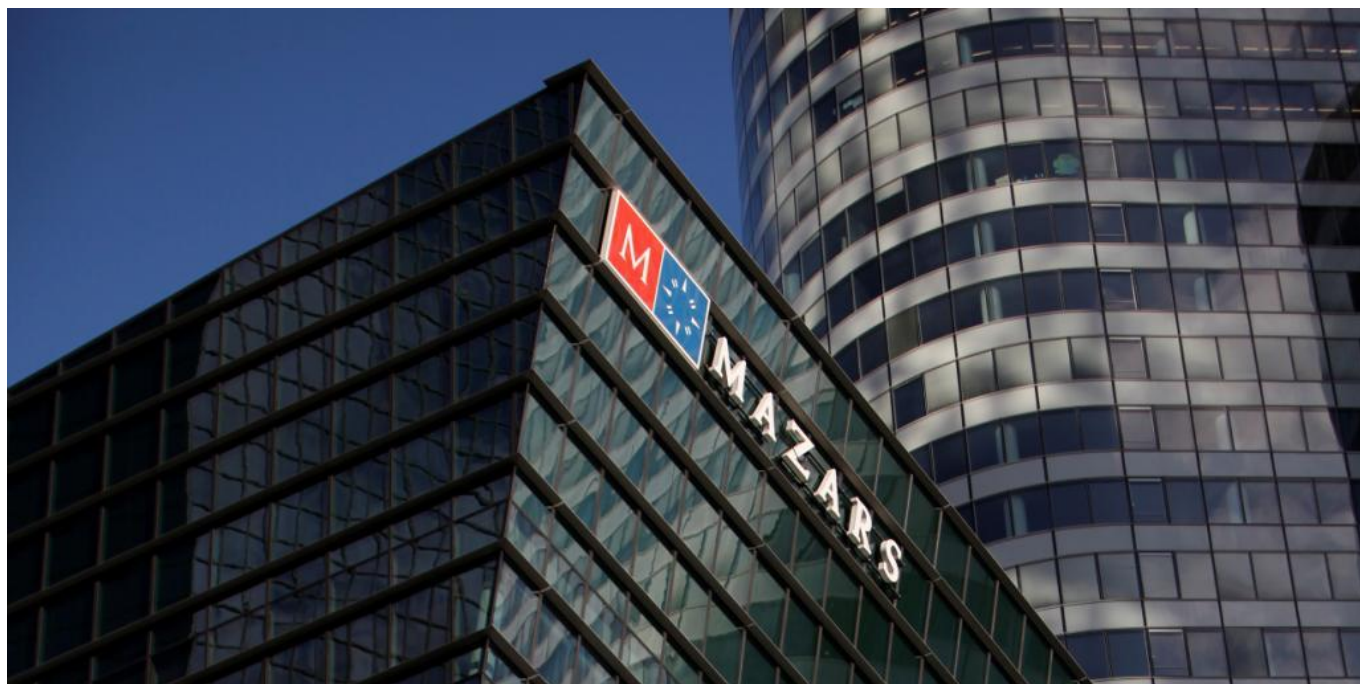


Key Features of MPERS

NOVEMBER 2016



Highlight

An “undue cost or effort” exemption is specified for some requirements in MPERS.

Certain principles and requirements of MPERS¹ are different from PERS² and MFRS³. In this article, we shall discuss some distinctive features of MPERS.

Undue cost or effort

Applying a requirement of MPERS would involve undue cost or effort by a private entity, if the incremental cost (e.g. valuers’ fees) or additional effort (e.g. endeavours by employees) substantially exceed the benefits that those that are expected to use the entity’s financial statements would receive from having the information. An undue cost or effort exemption is specified for some requirements in MPERS, including:

- Measurement of investment properties at fair value.
- Measurement of investments in associates and joint ventures at fair value.
- Measurement of biological assets at fair value.
- Measurement of equity instruments at fair value.

- Measurement of intangible assets at fair value in a business combination.

Other key features of MPERS

- **Goodwill on consolidation** – Shall be amortised over the useful life of goodwill, which is normally not more than 10 years.
- **Intangible assets** – Shall be amortised over their useful lives, which are normally not more than 10 years.
- **Research and development expenditure** – Shall be recognised as an expense in profit or loss in the period in which they are incurred.
- **Inventories** – LIFO method is prohibited (similar to requirements in MFRS).
- **Investments in associates and joint ventures** – Shall be measured using cost model, equity method or fair value model.
- **Investment properties** – Shall be measured at fair value with changes in fair value recognised in in profit or loss.

- **Investments in publicly traded ordinary shares** – Shall be measured at fair value with changes in fair value recognised in profit or loss.
- **Derivative instruments** – Shall be measured at fair value with changes in fair value recognised in profit or loss, except for hedge accounting.
- **Classification of financial instruments** – The classification of a financial instrument as financial liability or equity, depend on the substance of the arrangement rather than their legal form, e.g. a preference share is classified as liability if the arrangement meets the characteristics of liability.
- **Debts instruments** – Debts instruments (e.g. receivables, payable) shall be initially recognised at the transaction price, including transaction costs. Subsequently, the debts instruments shall be measured at amortised cost using effective interest method (similar to requirements in MFRS).
- **Property, plant and equipment (PPE)** – The cost of replacing part of an item of PPE is added to the carrying amount of that item, if the replacement part is expected to provide incremental future benefits to an entity. The carrying amount of those parts that are replaced is derecognised.
- **Functional currency** – Each entity shall identify its functional currency. An entity's functional currency is the currency of the primary economic environment in which the entity operates. All foreign currency transactions or balances shall be measured in function currency, with differences between functional currency and foreign currencies recognised in profit or loss or other comprehensive income according to the requirements of MPERS.
- **Finance costs** – Shall be recognised as an expense in profit or loss in the period in which they are incurred.
- **Government grant** – Shall be measured at the fair value of the assets received or receivable.
- **Statement of income and retained earnings (SIRE)** – If the only changes to an entity's equity during the periods arise from profit or loss, payment of dividends, correction of prior period errors and changes in accounting policy, the entity is permitted to present a SIRE, replacing a statement of comprehensive income and a statement of changes in equity.

References

- 1 Malaysian Private Entities Reporting Standard
- 2 Private Entity Reporting Standards
- 3 Malaysian Financial Reporting Standards

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

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