A Comparative Analysis of PERS, MPERS and MFRS Frameworks

(First written in July 2014, Updated in October 2015)

By Tan Liong Tong

1. Introduction

In February 2014, the MASB issued Malaysian Private Entities Reporting Standard (MPERS) and this sets a new milestone for financial reporting of private entities in Malaysia. MPERS is based substantially on the *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs) issued by the IASB in July 2009. The new reporting framework, known as the MPERS Framework, is effective for financial statements beginning on or after 1 January 2016, with early application permitted. Private entities now have a choice of continuing with the existing Private Entity Reporting Standards (PERS) Framework, or apply the Malaysian Financial Reporting Standards (MFRS) Framework (mandatory for non-private entities, except transitioning entities), or by 1 January 2016, mandatory migration to the new MPERS Framework. As the requirement for first-time adoption of MPERS is retrospective, it is important the private entities prepare in advance if they have to migrate to the MPERS Framework or the MFRS Framework in the near future. A common question that private entities would ask is how far-off or how different is the current PERS Framework when compared with the newer MPERS Framework or the MFRS Framework.

In October 2015, the MASB issued *Amendments to MPERS*, which are equivalent to the *Amendments to IFRS for SMEs* issued by the IASB in May 2015. The Amendments make some minor changes to the Standards in MPERS, provide more clarifications or guidance on the requirements and align some standards to those of the MFRSs. The Amendments are effective for financial statements beginning on or after 1 January 2017, with early application permitted.

This article is a comparative study that examines the differences between the MPERS Framework and the current PERS Framework used by private entities, and with the MFRS Framework used by non-private entities. MPERS is a self-contained Standard that comes with 35 sections covering all the relevant areas for financial reporting by private entities. This comparative study focuses on the issues of recognition, measurement, presentation and disclosures of the various Standards. It is a study of differences in accounting treatments among the three reporting frameworks, covering the following broad areas:

(a) Presentation of Financial Statements and Accounting Policies, Estimates and Errors;
(b) Business Combinations & Consolidation-Related Standards;
(c) Financial Instruments;
(d) Standards on Assets;
(e) Standards on Liabilities;
(f) Revenue and Revenue-Related Standards; and
(g) All Other Standards included in MPERS.

The findings of the Study indicate that although there are some new requirements in MPERS when compared to PERS, it is not too onerous for private entities to make a transition to the MPERS framework.

2. The Methodology of the Study

This Study identifies 38 areas of accounting for comparison between the three reporting frameworks. The areas are selected based on the topics covered in the MPERS framework and those in the PERS framework or the MFRS framework that are relevant to private entities. Thus, areas such as segment reporting, interim reporting and earnings per share which are applicable only to public listed entities are excluded from the scope of the Study. In areas where there are no equivalent PERS Standards (such as business combinations, financial instruments and related party disclosures), the comparison of PERS is based on generally accepted accounting principles (GAAPs) of any previous standards issued by the professional accountancy bodies before 1997 (such as in Agriculture) and the requirements of the Companies Act 1965 (for business combinations, related party disclosures and share capital requirements).

The Study first examines the detailed requirements of each section in MPERS and compares those requirements with the equivalent PERS standard and MFRS standard. In narrative description, the requirements and differences are analysed, the result of which is shown in Appendix 1 to this article. The detailed application requirements and procedures in each area are highlighted in the analysis only if there are differences between the three reporting frameworks.

A paired-comparison of differences in accounting treatments is made between PERS and MPERS, PERS and MFRS, and between MPERS and MFRS. The differences in the comparison are ranked in six ascending discrete levels of differences, ranging from "no differences" to "very high level of differences". Rank scores are assigned to each level in the ascending order of the ranking i.e. scores of 0, 1, 2, 3, 4 and 5 respectively, with a simple average rank score of 2.50. The criteria for the ranking are as follows:

Levels	Rank Scores	Criteria
No differences (N)	0	No differences in treatments
Very low level (VL)	1	One difference in treatment
Low level (L)	2	Two differences in treatments
Medium level (M)	3	Three differences in treatments
High level (H)	4	Four differences in treatments
Very high level (VH)	5	Five and above differences in treatments

For the purpose of this Study, treatment differences relate to differences in recognition principles (such as whether borrowing costs are capitalised or expensed and the criteria for recognising identifiable intangible assets in a business combination), in measurement principles (such as whether cost model, revaluation model or fair value model is applied for a particular asset or liability), in presentation of line items (such as whether the presentation of liability and equity instruments is in accordance with legal form or with economic substance and the offsetting presentation), differences in model or approach used in an area (such as risks and rewards approach versus rights and obligations approach, differences in control models, and reporting currency versus functional currency concepts), differences in exceptions and exemptions in Standards, and in disclosure requirements. Thus, the relative importance of a particular area is determined by the number of treatments applicable. If a particular area (such as borrowing costs) has only one treatment (whether capitalised or expensed) it can only have a maximum of very low level differences. In an area where there are only three treatments, the maximum level is a medium level in this Study. For most areas, they may be ranked with a maximum potential of five or above treatment differences.

This Study uses a strict level of tolerance for differences in treatments, at intervals of one treatment difference. Differences of five or more treatments in an area are automatically considered a very high level of differences. Another basis, such as intervals of two-treatment differences with 10 differences considered as very high level, may produce a different result from this Study.

The frequencies of the number of areas by levels of differences are multiplied by their respective rank scores to determine the weighted mean rank score in each paired-comparison.

3. Narrative Comparison of the three Reporting Frameworks

3.1 Concepts and Pervasive Principles

MPERS has a separate section on Concepts and Pervasive Principles, whereas for PERS and MFRS, the reference is the *Conceptual Framework*. There is no major difference in the Concepts and Pervasive Principles because the MASB uses the *Conceptual Framework* as a basis for issuing standards. There are only minor differences in the emphasis of the qualitative characteristics and pervasive principles. The MASB has retained the original *Conceptual Framework for the Preparation and Presentation of Financial Statements* for PERS. The MPERS framework identifies “reliability” as a desirable qualitative characteristic of financial statements (which is the same as in the original *Conceptual Framework* for PERS), whilst this has been replaced by “faithful representation” as one of the two fundamental qualitative characteristics in the revised *Conceptual Framework* for MFRS. Also, “prudence” is a pervasive principle in MPERS and PERS but not in MFRS. Although these are minor differences in emphasis, they nevertheless set the basis in which Standards are prescribed in the three reporting frameworks and help users understand why the MPERS framework uses more of cost-based measurement models whilst the MFRS framework prescribes fair value measurements for certain situations.

3.1.1 Undue Cost or Effort Exemption

In the original $\text{MPERS}_{(2014)}$, numerous exemptions on measurement were given on the ground of under cost or effort. But the concept of “undue cost or effort” was not explained. The amended $\text{MPERS}_{(2015)}$ clarifies that considering whether obtaining or determining the information necessary to comply with a requirement would involve undue cost or effort depends on the entity’s specific circumstances and on management’s judgement of the costs and benefits from applying that requirement. This judgement requires consideration of how the economic decisions of those who are expected to use the financial statements could be affected by not having that information.

Applying a requirement would involve undue cost or effort by a private entity if the incremental cost (for example, valuers’ fees) or additional effort (for example, endeavours by employees) substantially exceeds the benefits that those who are expected to use the private entity’s financial statements would receive from having the information. This is a qualitative assessment because it is typically not possible to quantify the benefits that users would receive. An assessment of undue cost or effort by a private entity in accordance with this MPERS would usually constitute a lower hurdle than an assessment of undue cost or effort by a publicly accountable entity because private entities are not accountable to public stakeholders.

Assessing whether a requirement would involve undue cost or effort on initial recognition in the financial statements, for example at the date of the transaction, should be based on information about the costs and benefits of the requirement at the time of initial recognition. If the undue cost or effort exemption also applies subsequent to initial recognition, a new assessment of undue cost or effort should be made at that subsequent date, based on information available at that date. Whenever an undue cost or effort exemption is used by an entity, the entity shall disclose that fact and the reasons why applying the requirement would involve undue cost or effort.

3.2 Presentation, Accounting Policies, Estimates and Errors

3.2.1 Presentation of Financial Statements

There are some minor nomenclature changes to the titles used in the MPERS Framework, such as statement of financial position to replace balance sheet and statement of comprehensive income to replace income statement. MFRS requires the 3rd statement of financial position (as at the beginning of the comparative period) to be presented whenever there is a retrospective application of a change in policy, a retrospective restatement on correction of errors, or a reclassification of line items, if the effect on that 3rd statement is material. There is no such requirement in PERS and MPERS.

All three frameworks prescribe minimum line items to be presented on the face of the statement of financial position. In the amended $\text{MPERS}_{(2015)}$, the added requirement is to present investment property measured at cost less accumulated depreciation and impairment separately from property, plant and equipment even if it is accounted for as a class within the scope of Section 17 *Property, Plant and Equipment*. The Amendments also remove the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares.

For the performance statement, minority interest is deducted (or added) in the income statement in PERS whereas MPERS and MFRS prohibit debiting or crediting non-controlling interest (NCI) in profit or loss because NCI's share of profit or loss is not an expense or income item. Because NCI is equity, the statement of changes in equity must have a column to show the movements in the NCI amount. Similarly, dividend per share, which is shown on the face of the income statement in PERS, is removed in MPERS and MFRS because dividend payment is a transaction with equity holders, not an expense item. PERS requires presentation of extraordinary items separately in profit or loss but clarifies that this can only arise in extremely rare occasions, such as due to an expropriation of assets or an earthquake or other natural disaster. Both MPERS and MFRS ban such presentation.

The components of other comprehensive income (OCI), which are presented within the equity statement or as a stand-alone statement in PERS, are now presented in the statement of comprehensive income in MPERS and MFRS. However, MFRS requires segregation of items of OCI into those that may be reclassified to profit or loss and those that will never be reclassified to profit or loss. The segregation of OCI items is not a requirement in PERS and $\text{MPERS}_{(2014)}$.

The amended $\text{MPERS}_{(2015)}$ requires segregation of items of OCI into those that may and those will never be reclassified to profit or loss. In MPERS, OCI items that will never be recycled to profit or loss are: (a) actuarial gains or losses of defined benefit plans, (b) revaluation surplus of property, plant and equipment and (c) exchange translation differences of foreign operations. The only OCI item that may be reclassified to profit or loss is fair value gain or loss of hedging instrument in a cash flow hedge. The Amendments also clarifies that the single amount presented for discontinued operation in profit or loss includes any impairment of the discontinued operation.

The amended $MPERS_{(2015)}$ further clarifies that the statement of changes in equity shall present separately profit or loss for the period and other comprehensive income, which is aligned to the presentation requirement in MFRS.

MPERS provides an option to present a simplified version of the statement of income and retained earnings in place of the statement of comprehensive income and the statement of changes in equity if the only changes in the period arise from profit or loss, dividend payments and prior period adjustments to opening retained earnings. This means that there must be no components of OCI and no non-controlling interests.

Another major difference is the disclosure of judgements applied in the selection of accounting policies and key sources of estimation uncertainties, required by both MPERS and MFRS but not in PERS. Similarly, the disclosure of capital management objectives, policies and strategies, including summary quantitative data about capital management, is only required in MFRS, not in PERS or MPERS.

3.2.2 Cash Flow Statements

For the statement of cash flows, there are no differences of treatments between the three reporting frameworks. The minor differences in clarification and guidance are explained in the Appendix 1 to this article.

3.2.3 Accounting Policies, Estimates and Errors

All the three reporting frameworks have the same requirements for the selection of accounting policies, which must be in accordance with the applicable Standards, and in the absence of Standards, the selection of policies is based on a hierarchy of authoritative guidance. Similarly, all the three reporting frameworks require a mandatory change in accounting policy if it is required by a new Standard, and permit voluntary changes only if they result in a better presentation. If the change in policy is mandated by a new Standard, all the three reporting frameworks require that the change be accounted for in accordance with the specific transitional provisions in the Standard.

In the absence of specific transitional provisions and for all voluntary changes, PERS requires as the benchmark treatment, retrospective application of the new policy with restatement of comparative information. However, if the adjustment to opening retained earnings cannot be reasonably determined, the change in policy is applied prospectively. The allowed alternative for a change in policy is a current year treatment whereby the resulting adjustment is included in the determination of net profit or loss for the current period. In contrast, both MPERS and MFRS require only retrospective application, with an impracticability exemption. When the exemption is availed the adjustment is made in the earliest period practicable (which may be the beginning of the current period).

The requirements for changes in accounting estimates are the same for all the three reporting frameworks. PERS uses the term fundamental error whereas MPERS and MFRS use the term prior period error. Some errors may be material but not fundamental, and would thus be outside the scope of PERS. MPERS and MFRS do not distinguish an error as fundamental or material, and is thus potentially wider in scope. Apart from this change, all the three reporting frameworks have the same requirement of retrospective restatement for correction of errors, except that PERS allows the alternative treatment of a current period adjustment, whereas MPERS and MFRS provide for an impracticability exemption.

For new Standards that have been issued but are not yet effective in a current reporting period, MFRS requires disclosures of that fact and any potential effect on an impending change in policy in the future periods. There is no such requirement in PERS and MPERS.

3.3 Business Combinations and Consolidation-Related Standards

3.3.1 Business Combinations

At the international level, the accounting requirements for business combinations have changed significantly over the years. PERS does not have a Standard on business combinations and the practices by private entities may have relied on generally accepted accounting principles (GAAPs) and the provisions of the Companies Act 1965 on merger relief.

MPERS requires application of the purchase method (also known as the acquisition method), which means that an acquirer must be identified in a business combination even if it is a “merger of equals”. MFRS has the same requirement for the use of the acquisition method for all business combinations within its scope. The previous practices under GAAPs used the acquisition method for most business combinations but required the merger method when the specified criteria, including the merger relief provisions of the Companies Act 1965, were met in rare occasions of “merger of equals”. The current practices by private entities no longer use the merger method because it is considered an out-dated method for business combinations.

MPERS specifies the cost elements that form the cost of a business combination. MFRS prescribes similar measurement requirements on the consideration transferred. Generally, both MPERS and MFRS require that the consideration transferred (including contingent considerations) in a business combination should be measured at fair value, with limited exceptions. In MPERS, expenses incurred in connection with a business combination are capitalised in the cost of combination whereas MFRS requires that such expenses should be expensed to profit or loss, except for transaction costs of issuing financial instruments (equity or debt instruments) in a business combination, in which case, the transaction costs are included in the initial measurement of those financial instruments.

Both MPERS and MFRS require that assets acquired and liabilities assumed (including contingent liabilities) should be measured at acquisition-date fair value, with limited exceptions. The assets acquired must include identifiable intangible assets even if these assets are not recognised in the books of the acquiree. However, the criteria for recognising identifiable intangible assets in a business combination differ among the three reporting frameworks [see the discussion in section 3.4.3 of this article on Intangible Assets].

MPERS requires that any non-controlling interest (NCI) in an acquiree should be measured at share of net assets (this is the same requirement in the old GAAPs), whereas MFRS permits a choice, on an acquisition-by-acquisition basis, to measure NCI at acquisition-date fair value or based of NCI’s share of the net assets acquired.

MPERS allocates the cost of combination to share of the assets acquired and liabilities assumed with the resulting balance being attributed to goodwill or gain on purchase. If the acquiree is not wholly-owned the goodwill recognised is only attributable to the acquirer. MFRS determines goodwill as the difference between: (a) the aggregate of: (i) the consideration transferred, (ii) NCI measured either at acquisition-date fair value or at share of net assets, (iii) and fair value of any previously held interest, and (b) the identifiable net assets acquired. If NCI is measured at acquisition-date fair value, the goodwill on combination would include a portion attributable to the NCI. It also means that the goodwill on combination is only calculated once i.e. at the date control is obtained, whereas the old GAAPs required that goodwill should be calculated on a step-by-step basis in a step-acquisition.

MFRS further requires that any previously held interest in the acquiree must be remeasured to fair value at the acquisition date, with the resulting difference in amounts recognised as a gain or loss in profit or loss. It also requires that any previously recognised OCI gains or losses deferred in equity should be recycled to profit or loss or transferred to retained earnings in accordance with the applicable Standards. There are no such requirements in MPERS. Also, there is no requirement or guidance in MPERS on step-acquisition, increase in equity stake after the acquisition date, and reverse acquisition accounting.

In MPERS, goodwill is considered to have a finite useful life and hence, the subsequent measurement of goodwill is at cost less accumulated amortisation and impairment. If the useful life of goodwill cannot be estimated reliably, the life shall be determined based on management's best estimate but shall not exceed 10 years. In MFRS, goodwill shall not be amortised but shall be tested for impairment annually.

The amended MPERS$_{(2015)}$ has replaced the undefined term "date of exchange" with the defined term "date of acquisition" and has added additional clarification on the measurement requirements for employee benefit arrangements, deferred tax and non-controlling interests when allocating the cost of a business combination. It has also included an undue cost or effort exemption to the requirement to recognise intangible assets separately in a business combination and an additional requirement for all entities to provide a qualitative description of the factors that make up any goodwill recognised, such as expected synergies from combining operations or intangible assets subsumed in goodwill. In PERS and MFRS, there is no requirement to disclose the factors that make up any goodwill recognised.

3.3.2 Consolidated Financial Statements

Consolidation is another area which has advanced to a different level in the MFRSs. The three reporting frameworks have different requirements for consolidation. Both PERS and MPERS use a control model based on power to govern financial and operating policies so as to obtain benefits. MFRS uses a new control model based on power to direct the relevant activities and extract returns and there must be a link between power and returns. Some investees may be identified as a subsidiary under de facto control (dominant shareholder concept) or purely by virtue of an agreement to control and extract returns (e.g. control of structured entities even if the investor holds no equity interests). These newer concepts are not in the PERS, whilst MPERS only has a simplified requirement on special purpose entities (SPE), which uses risk and reward indicators to identify control. The indicators may not necessarily point to a control relationship.

PERS only exempts a wholly-owned parent from presenting consolidated financial statements, whilst MPERS and MFRS allow the exemption for partially-owned parents, and for MFRS only, provided the non-controlling shareholders have been informed and do not object to the exemption. MPERS$_{(2014)}$ exception also applies if a parent has no other subsidiaries other than the one acquired with a view to disposal, in which case, the parent applies the fair value measurement for that one subsidiary if the fair value can be measured reliably without undue cost or effort, otherwise at cost model. In MFRS, a subsequent amendment requires that investment entities shall measure its investments in subsidiaries at fair value through profit or loss, rather than by consolidation.

PERS requires a subsidiary to be excluded from consolidation on the grounds of temporary control and severe restrictions. The amended $\text{MPERS}_{(2015)}$ restricts the exception only to any subsidiary that is acquired and held with the intention of selling or disposing of it within one year from its acquisition date, which may be more than one such subsidiary. If a subsidiary previously excluded from consolidation is not disposed of within one year from its acquisition date (i.e. the parent entity still has control over that subsidiary), the parent shall consolidate the subsidiary from the acquisition date unless the delay is caused by events or circumstances beyond the parent's control and there is sufficient evidence at the reporting date that the parent remains committed to its plan to sell or dispose of the subsidiary. MFRS does not provide for exceptions on these two grounds, a subsidiary is excluded only when control is lost.

All three reporting frameworks allow an impracticability exemption to the use of uniform reporting date, with the difference being that both PERS and MFRS specify the difference in dates should not be more than three months whilst MPERS allows the use of the most recent financial statements of a subsidiary, which may have a difference in dates of more than three months.

On disposal of a subsidiary, both PERS and MFRS require that the cumulative exchange reserve (for MFRS, including other applicable OCI reserves) of the former subsidiary must be recycled to profit or loss, but MPERS does not permit recycling of OCI reserve. Both PERS and MPERS require that for any stake retained, either as a financial asset or becomes a joint venture or an associate, the carrying amount on that date becomes the new carrying amount (either as deemed cost or deemed fair value) of that stake retained, whereas MFRS requires a remeasurement of the stake retained to its fair value on the date control is lost.

PERS further deals with changes in stakes in a subsidiary, and provided the criteria of cash consideration and fair value are met, any decrease in stake is treated as a deemed disposal of interest for which the gain or loss is recognised in profit or loss. Any increase in stake is treated as a piecemeal acquisition of interest for which an additional goodwill is recognised. All other changes in stakes are treated as equity transactions with any financial effect adjusted directly in equity. MFRS uses the control criterion to differentiate the treatments. A derecognition is done only when control is lost, which means that all other changes in stakes (whether increase or decrease) that do not result in a loss of control are treated as equity transactions for which the effect is adjusted directly in equity. In MPERS, changes in stakes in a subsidiary are treated in the same manner as in MFRS by reference to requirement that the statement of changes in equity shall present reconciliation of equity separately disclosing changes in ownership interests in subsidiaries that do not result in a loss of control.

PERS restricts the attribution of losses to NCI up to the capital contribution, meaning that there can be no debit NCI (except for guarantee situation). Both MPERS and MFRS require full attribution of profit or loss and OCI even if it results in a debit NCI.

3.3.3 Separate Financial Statements

Separate financial statements are those presented by a parent or an investor with interests in joint ventures or associates, in which investments in subsidiaries, joint ventures and associates are accounted for at cost, at fair value (or revalued amount for PERS) or by using the equity method. The three reporting frameworks do not mandate which entities should prepare separate financial statements. The presentation is by voluntary election or if it is required by local laws and regulations. In Malaysia, the Companies Act 1965 requires presentation of company financial statements, which are deemed as separate financial statements if they meet the definition (implied by the 9th Schedule's requirement for disclosure of dividend income from investments in the profit or loss of the company).

Separate financial statements account for investments in subsidiaries, joint ventures and associates on the basis of the direct investments. In the case when a parent issues consolidated financial statements, its company financial statements are deemed as separate financial statements (provided they meet the definition). The presentation applies equally to an investor with a joint venture or an associate where its financial statements (primary) must first use the equity method to account for such investments. It may then elect to prepare separate financial statements using the cost model or fair value model (or revaluation model for PERS) to account for its investments in joint ventures and associates.

PERS requires a parent or an investor without a subsidiary to account for the investments in the investees at cost or at revalued amounts. The measurement model in MPERS$_{(2014)}$ and MFRS is an accounting policy choice by category of investments, either at cost or at fair value. The amended MPERS$_{(2015)}$ adds an option to allow the equity method in the separate financial statements, which is similar to a recent amendment in the MFRS.

MFRS has a requirement on the measurement of cost of investment when a parent establishes a new entity to be its parent in an internal group reorganisation. In such cases, the new parent, if it applies the cost method, shall measure the cost of investment at its share of carrying net assets value (equity items) of the original parent rather than at fair value. There is no such requirement in PERS or in MPERS.

Interestingly, MPERS introduces (but does not require) a new set of financial statements, known as combined financial statements that were previously not in the MASB literature. Combined financial statements are a single set of financial statements that combine two or more entities under common control. However, no guidance is provided on the procedures for preparing combined financial statements. Combined financial statements may be required when no legal group structure exists yet, but units, segments or businesses under common control need to be aggregated for a particular transaction or event, such as a 5-year track record for listing the combined unit in an initial public offer (IPO) of shares. The MIA has issued a guidance note on the preparation and presentation of combined financial statements.

3.3.4 Joint Arrangements

Both PERS and MPERS use the form to identify the types of joint arrangements. An arrangement structured through a separate vehicle (such as a joint venture company) would automatically be classified as a jointly controlled entity. In contrast, MFRS uses the rights and obligations approach to identify the type of arrangement. A separate vehicle is not necessarily classified as a joint venture as it depends on the substance of the arrangement.

For jointly controlled operations and jointly controlled assets (combined as joint operations in MFRS), the requirement in all the three reporting frameworks is to account directly for assets, liabilities, income and expenses based on rights to the assets and obligations for liabilities assumed.

For jointly controlled entities (classified as joint ventures in MFRS), both PERS and MFRS require the equity method for measurement. MPERS, however, provides for flexibility in the choice of accounting, which may be: (a) the cost model, (b) the equity method, or (c) the fair value model.

The other notable differences among the three reporting frameworks in this area are:

(a) Exception or exemption of the equity method is provided in the MFRS for investment-type entities but not in PERS or MPERS;
(b) PERS provides for exception of the equity method on the grounds of temporary investment or conditions of severe restrictions, but these exceptions have been removed in MFRS;
(c) In PERS, if a venturer does not present consolidated financial statements (e.g. because it does not have a subsidiary), it applies the cost method or revaluation model in its financial statements, with the effects of equity accounting disclosed by way of notes. MFRS requires the equity method in the venturer's financial statements in such circumstance. The cost method or fair value model can only be applied in its separate financial statements; and
(d) MFRS requires disclosure of summarised financial information for each material joint venture and aggregated summarised information for all other immaterial joint ventures. There are no such requirements in PERS or MPERS.

3.3.5 Investments in Associates

Both PERS and MFRS require the equity method to account for investments in associates, with some dissimilar exemptions and exceptions. MFRS requires an investment entity to measure investments in associates at fair value through profit or loss (mandatory), and for other mutual funds and venture capital entities that do not meet the definition of an investment entity, the option of the fair value measurement remains available (non-mandatory). There is no such exception or exemption in PERS. On the other hand, PERS does not permit equity accounting for temporary investments or when an associate operates under conditions of severe restrictions. These two exceptions have been removed in MPERS and MFRS.

MPERS provides the greatest flexibility in the accounting for investments in associates. An investor chooses, as an accounting policy, to account for the investments in associates using: (a) the cost model, (b) the equity method, or (c) the fair value model. Furthermore, consistency in measurement is not required because an entity using the cost model for investments in associates must apply the fair value model for any associates that are quoted. Similarly, an entity using the fair value model for investments in associates must apply the cost model for any associates for which it is impracticable to measure fair value reliably without undue cost or effort. This flexibility effectively renders the exemptions or exceptions in PERS and MFRS redundant, because the reporting entity, whether it is an investment-type entity or otherwise, can choose a measurement model that best suits its requirements.

The other differences in accounting treatments include:

(a) Remeasurement requirements of the remaining stake when there is a loss of significant influence in both MPERS and MFRS, but they are not exactly the same. When an associate becomes a joint venture a remeasurement is required in MPERS but not in MFRS because the equity method continues to apply in MFRS, whereas in MPERS this may not be the case if the investor had previously applied the cost method. Also, MPERS does not allow a remeasurement of the stake retained if the loss of significant influence is other than by a partial disposal whereas MFRS does not have this restriction. There is no remeasurement requirement in PERS, which means that the stake retained shall be measured at the equity-accounted carrying amount at the date significant influence is lost;

(b) MFRS requires reclassification adjustments of OCI reserves to profit or loss when significant influence is lost but there is no similar requirement in PERS and MPERS;

(c) If an investor does not issue consolidated financial statements (e.g. because it does not have a subsidiary), PERS requires that the investments in associates be accounted for under the cost method or the revaluation model. The effects of equity accounting are disclosed by way of notes. MFRS requires the equity method in the investor's financial statements in such circumstance. The use of the cost method or fair value method is applicable only in the separate financial statements, which are non-mandatory statements in the MFRS.

(d) PERS has a provision for reciprocal shareholdings that requires an investor to disregard the associate's ownership interest in the investor when the investor applies the equity method to avoid double-counting of results. There is no similar requirement in MPERS or MFRS.

(e) PERS requires an investor to account for all net asset changes in the associate, including those arising from issuance of shares by the associate to other parties or to settle employee share-based payment arrangements. This means that the investor takes its share of profits and losses through profit or loss and its share of other equity movements (e.g. share option reserve) through equity. These other net assets changes are not dealt with in MPERS or MFRS (The IASB had earlier attempted to address this issue in an ED to propose a similar requirement, but in May 2014 that proposal was withdrawn due to insufficient support from Board members).

(f) MFRS requires disclosure of summarised financial information for each material associate. All other immaterial associates are aggregated for disclosure of less detailed financial information. There are no such requirements in PERS and MPERS.

3.3.6 Foreign Currency Transactions and Operations

PERS uses the concept of "reporting currency" for translation of foreign currency transactions and operations, whereas MPERS and MFRS both use the concept of "functional currency" for measuring the results and financial position, and the "presentation currency" for presentation of financial statements. These are fundamentally different concepts because the starting point in the application of this area in MPERS or MFRS is for an entity to identify its functional currency (a currency of the primary economic environment in which it operates) for measurement purposes. The functional currency is not necessarily the local currency.

For translation of foreign currency transactions, PERS differs with MPERS and MFRS in many treatments and these include: (i) the use of contracted or forward rate for an unsettled monetary item that has a related matching forward contract, (ii) hedging of net investment in a foreign entity, (ii) allowing exchange difference arising on a recent acquisition of an asset to be included in the carrying amount of the asset if there is no practical means of hedging, and (ii) a choice of treating goodwill and fair value adjustments as assets and liabilities of the foreign entity and translated at closing rate or as assets and liabilities of the reporting entity and translated at the historical rate.

Both MPERS and MFRS do not have these exceptions and they require goodwill and fair value adjustments must be treated as assets and liabilities of the foreign operation and translated at the closing rate.

In PERS, two mutually exclusive translation methods are prescribed depending on whether the foreign operation is an integral operation or is a foreign entity. Under the functional currency concept used in MPERS and MFRS, there is only one classification of foreign operations because an integral operation in PERS would automatically have the same functional currency of the reporting entity. Hence, only one translation method i.e. the closing rate method is prescribed for foreign operations. Note that if a foreign operation keeps its accounting records in a local currency which is not its functional currency, a re-measurement is required to provide the same results and financial position if they had been measured using the functional currency.

On disposal of a foreign entity, PERS requires the cumulative exchange reserve related to that foreign entity must be recycled to profit of loss. In the case of a partial disposal, only the proportionate share of the related cumulative exchange reserve is recycled. MFRS has a similar requirement for recycling of the cumulative exchange reserve, except that the amount recycled is the entire amount of the cumulative exchange reserve (excluding any NCI's portion) when there is a loss of control, loss of joint control or loss of significant influence, regardless of whether there is any equity stake retained. Any equity stake retained would then have a fresh-start remeasurement at fair value. MPERS specifically prohibits recycling of the cumulative exchange reserve on disposal of a foreign operation.

The amended $\text{MPERS}_{(2015)}$ has added a clarification that financial instruments that derive their value from the change in a specified foreign exchange rate, i.e. financial derivatives, are excluded from Section 30 *Foreign Currency Translation*, but not financial instruments denominated in a foreign currency.

3.4 Financial Instruments

3.4.1 Recognition, Measurement and Hedge Accounting

This is a major area of differences between PERS and MPERS simply because there is no equivalent MASB Standard on the recognition and measurement of financial assets and financial liabilities. IAS 25 *Accounting for Investments*, which is endorsed as a PERS, classifies investments into current and non-current investments, and there are numerous measurement models prescribed. Derivative instruments are off-balance sheet i.e. unrecognised until settlement. The MPERS covers this area in two sections i.e. Section 11 for basic financial instruments and Section 12 for other financial instrument issues, with an option for private entities to apply the recognition and measurement requirements of MFRS 139. For a private entity that has no complex financial instruments, it only needs to apply Section 11 of MPERS and the accounting requirements have been simplified.

The principles of recognition, derecognition and measurement prescribed in MPERS for basic financial instruments are generally the same as those in MFRS 139. However, MPERS is a simplified version in that it does not contain rigid or rule-based classification requirements. Basic financial instruments are cash, debt instruments (receivables and payables, including inter-company receivables and payables), commitments on loans and investments in straight ordinary or preference shares. Intention of management, such as whether an instrument is to be held for trading or held to maturity, is not a criterion in the classification. This is a primary criterion in MFRS 139. In MPERS, generally all basic financial instruments shall be measured at cost or amortised cost model (with one exception). These include debt instruments, such as investments in quoted bonds, regardless of management's intention and there is no option for fair value designation. For investments in straight ordinary or preference shares (or similar equity investments), they must be measured at fair value through profit or loss but only if there is a traded price or the fair value can otherwise be measured reliably without undue cost or effort. The complex requirements of available-for-sale assets and the "tainting" provision of held-to-maturity investments in MFRS 139 are not applicable to financial instruments of private entities.

The requirement for initial measurement has also been simplified in MPERS where the transaction price (i.e. the cost), which is an entry price, is used and there will be no gain or loss arising on initial recognition of a basic financial asset or a financial liability. However, if the arrangement constitutes a financing arrangement, such as an inter-company loan without interest, the entity measures the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar risk-class instrument. MFRS requires the initial measurement to be at fair value for all financial instruments, which is an exit price, and there may be gain or loss arising on initial recognition.

For impairment of financial assets, PERS requires that long-term investments must be written down for any decline in value that is other than temporary. This criterion is subjective, and in practice, private entities have relied on the condition of a permanent decline in value. For other financial assets, such as receivables, which are not covered in PERS, the current practice is based on management judgements in providing for specific and general allowances. MPERS and MFRS both use the incurred loss model based on objective evidence of "trigger" loss events, which means that an impairment test must be performed whenever there is any evidence of a loss event. For quoted available-for-sale investments, a significant or prolonged decline in market value is also an evidence of impairment. For receivables, individually significant receivables must be tested for individual impairment based on objective evidence, and for all other receivables, collective impairment is performed based on credit risk classes, analysed by past loss experiences of types of customers or types of businesses, areas of concentration and ageing of receivables.

More recently, the MFRS Framework has introduced an "expected credit loss model" for impairment of financial assets. This new impairment model requires an upfront 12-month expected loss to be recognised on initial recognition of a financial asset, and if the credit risk of a borrower has increased significantly after initial recognition, a lifetime expected credit loss would be recognised. In measuring the expected credit losses, an entity uses not just historical and current information, but also expected forward-looking future economic conditions. This new model is not yet applied in the MPERS Framework.

In the MFRS framework, embedded derivatives in host contracts must be assessed for separation, and if the derivatives are not closely related to their host contracts, they must be accounted for as a stand-alone derivative. The concept of embedded derivatives is not in the MPERS framework, which means that this complex requirement is not applicable for a private entity using MPERS. The MFRS framework has numerous prescriptive requirements, detailed application guidance and implementation guidance on the optional hedge accounting. The MPERS requirement is a simplified version of the MFRS hedge accounting model that is broadly similar in principles, but limits the application of hedge accounting to some basic financial risk exposures.

The amended $\text{MPERS}_{(2015)}$ has added additional guidance and clarifications that include: (a) undue cost or effort exemption from the measurement of investments in equity instruments at fair value, (b) application of the criteria for basic financial instruments to simple loan arrangements, (c) when an arrangement would constitute a financing transaction, (d) when the best evidence of fair value may be a price in a binding sale agreement, and (d) requirements for hedge accounting, including clarification on the treatment of exchange differences relating to a net investment in a foreign operation.

3.4.2 Presentation and Classification of Liabilities and Equity

PERS does not have requirements on the classification of financial liabilities and equity instruments. For share capital and debt instruments, practices by private entities must comply with requirements in the Companies Act 1965 and its 9th Schedule, and other regulations by Authorities. Substance over form is not a consideration for legal capital requirements.

The requirements in MPERS are similar to those in the MFRS. Both apply the substance over form consideration to classify a financial instrument as liability or equity. Thus, an instrument that takes the legal form of capital but meets the substance of a liability (e.g. redeemable preference shares) must be classified as a financial liability. Conversely, an instrument that takes the legal form of debt but meets the substance of equity (e.g. a loan stock that represents residual interest) must be presented as equity.

Both MPERS and MFRS require that the proceeds of a compound financial instrument (e.g. a convertible debt) must be allocated to liability and equity components respectively. However, MPERS version is simpler as it does not explicitly require a deferred tax liability arising on taxable temporary difference when the proceeds are separated, whilst this is a mandatory requirement in MFRS.

The other requirements on classification are broadly similar in the two reporting frameworks, although MPERS provides further guidance on the issue of shares, capitalisation or bonus issue and share splits. It also prescribes measurement requirements on the issue of shares, which generally should be by reference to the fair value of the cash, other assets or resources received or receivable. MFRS does not have this requirement and the measurement of shares issued in a transaction depends on the particular circumstances. When shares are issued in a business combination, both MFRS and MPERS require that the shares issued must be measured at their fair value rather than by reference to the fair value of the net assets received, and there may be a control premium in the consideration transferred.

The amended $\text{MPERS}_{(2015)}$ adds guidance on debt and equity swaps when a financial liability is renegotiated and the debtor extinguishes the liability by issuing equity instruments, which is based on the requirements in IC 19 *Extinguishment Financial Liabilities with Equity Instruments*. The amendment requires that the equity instruments issued shall be measured at their fair value. However, if the fair value of the equity instruments issued cannot be measured reliably without undue cost or effort, the equity instruments issued shall be measured at the fair value of the financial liability extinguished.

3.4.3 Disclosures about Financial Instruments

There is no equivalent PERS on the disclosures about financial instruments. MPERS disclosure requirements relate mainly to basic financial instruments, and for entities that have more complex instruments (including derivatives and hedge accounting) only limited additional disclosures are required. If, and only if, fair value is applied in the measurement of financial assets and financial liabilities the measurement basis should be disclosed, including where applicable, the valuation technique and the assumptions used.

Compared with MFRS, MPERS does not require disclosure of the following information:

(a) an entity's risk management objectives, policies and strategies, including hedging policies and strategies;
(b) disclosure about market risks (currency risk, interest rate risk and price risk), credit risk, and liquidity risk;
(c) the fair value measurement levels and transfers between levels;
(d) the sensitivity analysis of variables used in the fair value measurement;
(e) sensitivity analysis of market risks; and
(f) disclosure about the quality of receivables, such as concentration of credit risk, ageing of receivables and impairment losses.

MPERS disclosures about financial instruments are thus a simplified version catering mainly for small and medium-sized entities that typically do not have complex financial instruments.

3.5 Standards on Assets

3.5.1 Inventories

For inventories, there are only minor differences between PERS and MPERS. PERS allows the LIFO formula for measuring the cost of inventories. This cost formula is disallowed in MPERS and MFRS. PERS provides for exempt entities not to comply with certain disclosure requirements of the Standard, but there is no such exemption in MPERS and MFRS.

3.5.2 Property, Plant and Equipment (PPE)

PERS applies two recognition principles to account for PPE, one on initial recognition and the other on a subsequent expenditure if it enhances the asset beyond the originally assessed standard of performance. Mere replacements of components or parts of an item of PPE, regardless of the amount, must be expensed to profit or loss. Both MPERS and MFRS apply only one recognition principle i.e. the principle of initial recognition by using a "components" approach to separately account for each significant component of an item of PPE. Consequently, any replacement must be recognised or capitalised as a new or a new component of an item of PPE. This means that the components or parts replaced must be derecognised.

The measurement on initial recognition is the same for all the three reporting frameworks i.e. at cost. For the subsequent measurement, both PERS and MFRS, allow as an accounting policy choice by class of PPE, to measure PPE at the revaluation model. In contrast, $\text{MPERS}_{(2014)}$ only provides for the use of the cost model. However, the amended $\text{MPERS}_{(2015)}$ has re-introduced the option of the revaluation model by class of PPE. With this option, the subsequent measurement of PPE is the same in all three reporting frameworks.

The amended $\text{MPERS}_{(2015)}$ is further aligned with the requirements in MFRS 116 regarding the classification of spare parts, stand-by equipment and servicing equipment as PPE or inventory. The

Amendments also allow an entity to use the cost of the replacement part as an indication of what the cost of the replaced part was at the time that it was acquired or constructed, if it is not practicable to determine the carrying amount of a part of an item of PPE that has been replaced.

3.5.3 Intangible Assets

PERS deals only with research and development (R&D) costs. The requirements are the same as MFRS in that only development costs that meet the specified recognition criteria are capitalised. MPERS makes a non-rebuttable presumption that for all R&D costs, the probability recognition criterion is not met. Hence, all R&D costs must be recognised as an expense when incurred unless they form part of the cost of another asset that meets the asset recognition criteria (for example, the cost of software development or an internal website development is added to a recognised operating system asset).

PERS does not deal with other intangible assets, whether internally developed or acquired separately. In a business combination accounted for under the acquisition method, past practices were based on an old GAAP which required that an intangible asset is considered as identifiable only if it can be separated from the business as a whole (a separability criterion). Those that could not be sold separately from the business were subsumed in the resulting purchased goodwill.

$\text{MPERS}_{(2014)}$ does not restrict the recognition of identifiable intangible assets acquired in a business combination to those that are separable. It considers the identifiability requirement met if an intangible asset is separable or if it arises from legal or contractual rights regardless of whether it is separable or not. MPERS assumes that the probability recognition criterion is always met for acquired intangible assets. It also makes a rebuttable presumption that the measurement reliability criterion is normally met for acquired intangible assets. The conditions for rebuttal are also prescribed in MPERS on business combinations and when rebutted the intangible assets are subsumed in the resulting purchased goodwill. The amended $\text{MPERS}_{(2015)}$ removes these rebuttal conditions by simplifying the requirement to recognise an intangible asset in a business combination unless its fair value cannot be measured reliably without undue cost or effort at the acquisition date.

MFRS has however moved on to presume (non-rebuttable) that both the probability recognition criterion and the measurement reliability criterion for intangible assets are always met in a business combination. Thus, all identifiable intangible assets in a business combination must be recognised separately from goodwill in MFRS, but this may not be the case for MPERS (because the measurement reliability criterion may be rebutted due to the undue cost or effort exemption), and is unlikely for PERS (because the criterion of separability is unlikely to be met for most intellectual property).

In MPERS, all recognised intangible assets are considered to have a finite useful life. Amortisation of an intangible asset is over its useful life, or if the useful life cannot be reliably estimated, the life shall be determined based on management's best estimate but shall not exceed 10 years. In MFRS, an intangible asset may have an indefinite life, in which case, there will be no amortisation of that intangible asset, but it must be subjected to annual impairment testing.

3.5.4 Investment Property (IP)

PERS has very limited guidance on IP accounting. The classification of land or building as IP is an "all or nothing" criterion of not substantially owner-occupied. This means that a property is classified as IP in its entirety if it is not substantially owner-occupied, otherwise it is classified as PPE. There is no threshold or bright-lines provided for this criterion. In contrast, MPERS and MFRS have no criterion of substantially owner-occupied and thus part of a building would be classified as an IP if it meets the definition. Similarly, an interest in an operating leased asset may qualify as an IP in MPERS and MFRS, such as when a lessee rents an entire shopping complex from its owner and sub-leases part of the complex to other tenants. In this case, the lessee may choose to treat the sub-lease arrangement as IP, being its interest in the underlying shopping complex.

PERS provides a choice of classifying IP as a PPE or as a long-term investment. If classified as a PPE, the IP may be measured at cost less accumulated depreciation and impairment or at revalued amount less accumulated depreciation and impairment. If classified as a long-term investment, the choice of cost or revalued amount remains the same, except that the IP is not subject to systematic depreciation.

MPERS applies a hierarchy of measurement in that if the fair value can be measured reliably without undue cost or effort on an ongoing basis, the IP must be measured at the fair value model. All other IP must be accounted for as property, plant and equipment using the cost-depreciation-impairment model in Section 17 *Property, Plant and Equipment,* and remains within the scope of Section 17 unless a reliable measure of fair value becomes available and it is expected that fair value will be reliably measureable on an ongoing basis. MPERS does not require a consistent accounting policy choice. In contrast, MFRS requires that the measurement model applied must be subjected to an accounting policy choice of either using the cost model or the fair value model. Although not explicitly stated, MFRS has a preference for the fair value model in its clarification that if an entity had applied the fair value model previously, it is highly unlikely that a change to the cost model would result in a better presentation. Disclosure of fair value information is also required if the cost model is applied.

The amended $\text{MPERS}_{(2015)}$ requires that even if an IP is accounted for as a class of PPE within the scope of Section 17, the entity shall present separately in the statement of financial position investment property at cost less accumulated depreciation and impairment.

MPERS further provides that if an entity had previously applied the fair value model, and reliable fair value measurement becomes unavailable without undue cost or effort, the entity applies the cost model thereafter (not as a change in policy because it is a change in circumstances).This simplified treatment is not available in MFRS, which means that a change from cost model to fair value model would be treated as a change in accounting policy. MFRS however requires transfers from IP to inventories or to PPE and vice versa when there is change in the use of the property.

3.5.5 Non-current Assets Held for Sale and Discontinued Operations

The term “non-current assets held for sale” is not in the PERS or MPERS literature. This means that there is no such classification for PERS and MPERS even if an entity has firmly committed to sell a non-current asset, a group of assets or a business. MFRS requires a separate classification and presentation of non-current assets held for sale, with the measurement being at the lower of carrying amount and fair value less costs to sell. Any impairment loss is recognised “upfront” even if the sale is not yet completed. In MPERS if, at the end of the reporting period, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose a description of the asset(s) or the group of assets and liabilities, a description of the facts and circumstances of the sale or plan, and the carrying amount of the assets, or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.

PERS requires that if an entity is discontinuing an operation (business or geographical area of operations), the entity applies the relevant Standards to test for impairment of assets, recognise provisions attributable to that discontinuing operation, and provide disclosures of the effects in the financial statements. The disclosure of discontinuing operations is a line-by-line presentation of revenue and expense items using either a multiple-column format or a continuous format to distinguish results of continuing operations and discontinuing operations. In both MPERS and MFRS, the presentation of discontinued operations is a one-line presentation of post-tax gain or loss in profit or loss (and restatement of comparative) with the details disclosed by way of notes. The amended MPERS$_{(2015)}$ further clarifies that the post-tax gain or loss includes impairment loss of the discontinued operation.

3.5.6 Biological Assets and Agricultural Produce

PERS has a Standard on Aquaculture (farming of fish, prawns or other aquaculture species). It applies a cost model whereby growing and harvested aquaculture stocks are measured at the lower of cost and net realisable value, applied on project or batch basis (the unit of account).

For plantation operations, the current practice is based on MAS 8 *Accounting for Pre-Cropping Costs*, an old GAAP of the professional accountancy bodies issued in 1996. This GAAP deals only with pre-cropping costs of long-term bearer biological assets, such as oil palms and rubber trees. It is a cost-based model with two mutually exclusive treatments: (a) the capitalisation and amortisation method, or (b) the capital maintenance method but only for large plantation entities that have a systematic replanting programme. Under the first method, all new planting and replanting expenditures are capitalised and subsequently amortised as an expense over the useful life of the crop (which typically is about 25 years for oil palms). Under the capital maintenance method, only new plantings are capitalised, but without subsequent amortisation. The regular replanting expenditure is treated as the equivalent of amortisation and charged as an expense when incurred.

MFRS requires that all biological assets and agricultural produce be measured at fair value less costs to sell. It has a high-level rebuttable presumption that the fair value of biological assets can be measured reliably. If rebutted, the entity uses the cost model of the PPE Standard. The MASB has issued *Amendments to MFRS 116 and MFRS 141*, which require that long-term bearer plants, such as oil palms and rubber trees, shall be accounted for as a class of PPE within the scope of MFRS 116 whilst the produce growing on trees shall remain in MFRS 141. This means that the bare bearer plants shall be measured at cost or revalued amount and subject to systematic depreciation and impairment, and the produce on trees shall be measured at fair value less costs to sell as the produce grows. Agricultural produce harvested from biological assets shall be measured at fair value less costs to sell only at the point of harvest.

MPERS provides for an accounting policy choice, by classes of biological assets, to use the fair value model only if the fair value can be measured reliably without undue cost or effort. All other biological assets must be measured at the cost model. This is a significant and very practical approach because the types of biological assets in agriculture are so diverse, that a single fair value model for agriculture is unlikely to meet the objective of fair reporting. For long term bearer biological assets, such as oil palms and rubber trees, the fair value measurement without undue cost or effort criterion can be easily circumvented by private entities to apply the cost model. In MPERS, there is currently no requirement to bifurcate a bearer plant into bare bearer plant and produce growing on trees. This means that the produce growing on bearer plants shall be treated as part and parcel of the plants, and agricultural produce harvested from the plants are recognised and measured at fair value less costs to sell only at the point of harvest.

The amended $\text{MPERS}_{(2015)}$ has removed the requirement to disclose comparative information for the reconciliation of changes in the carrying amount of biological assets measured on the fair value model.

3.5.7 Impairment of Assets (Other than Financial Assets)

In impairment accounting, the general principle is the same in all the three reporting frameworks in that an asset cannot be carried in the financial position at more than its recoverable amount. Both PERS and MPERS require impairment testing only if there is any indication (using internal and external sources of information) of impairment. MFRS requires that if an entity carries in its financial position, goodwill or an intangible asset with indefinite life, impairment test must be performed annually (or more frequently if there are indications of impairment) regardless of whether there is any indication of impairment.

All the three reporting frameworks require that impairment test must be done on an individual asset basis, but only if that asset generates independent cash flows. Otherwise, the impairment test is performed on the cash-generating unit (CGU) basis. MFRS requires that goodwill must be allocated to CGUs on acquisition or completed by the end of 12 months after acquisition. The allocation of goodwill in MPERS depends on whether there is a reasonable basis for allocation. If it cannot be allocated on a non-arbitrary basis, the goodwill is allocated to the business or entity acquired in its entirety if it has not been integrated with other entities, and if it has been integrated with other entities, goodwill is allocated to the group of entities integrated. PERS allows goodwill not to be allocated, in which case, the impairment testing is done in two levels, bottom-up approach for the CGU without the goodwill and the top-down approach for all CGUs and the goodwill.

The requirements for the measurement of fair value less costs to sell and value in use are the same in all the three reporting frameworks. All three reporting frameworks require impairment loss must be recognised as an expense in profit or loss for an asset carried on the cost model, and impairment loss of an asset carried at revalued amount shall be treated as a revaluation decrease (which would be offset in OCI if there is sufficient balance in the revaluation reserve of that asset).

The amended $\text{MPERS}_{(2015)}$ clarifies that Section 27 *Impairment of Assets* does not apply to assets arising on construction contracts.

3.6 Standards on Liabilities

3.6.1 Provisions and Contingencies

All the three reporting frameworks make use of the definition of a liability in the *Conceptual Framework* for the recognition of a provision, which is defined as a liability of uncertain timing or amount. The recognition of a liability in a contingency requires a probability recognition criterion test i.e. it must be probable (more likely than not) that outflows will be required to settle the obligation. The requirements in this area are similar in all the three reporting frameworks.

MFRS has additional guidance in the IC interpretations issued on this area, which are not or not yet incorporated in MPERS and PERS. For example, IC Interpretation 1 deals with the changes in existing decommissioning, restoration and similar liabilities that are both: (a) recognised as part of the cost of an item of PPE and (b) recognised as a liability. The Interpretation deals with the effect of events that change the measurement of an existing decommissioning, restoration or similar liability. The latest IC Interpretation 21 provides guidance on the accounting for levies charged by public authorities that are recognised as a liability. The consensus is that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy as identified by the legislation. An entity does not have a constructive obligation to pay a levy that will arise from operating in a future period as a result of being economically compelled to continue to operating in that future period.

The amended $\text{MPERS}_{(2015)}$ has added a clarification on the disclosures of contingent assets, which requires an entity to disclose a description of the nature of the contingent assets at the end of the reporting period and, unless it would involve undue cost or effort, an estimate of their financial effect. If such an estimate would involve undue cost or effort, the entity shall disclose that fact and the reasons why estimating the financial effect would involve undue cost or effort.

3.6.2 Income Taxes

All the three reporting frameworks use the same temporary difference approach to prescribe requirements on accounting for current and deferred taxes. Their requirements are similar in all material respects.

PERS has an additional guidance, which is a clarification on the treatment of reinvestment allowance or other similar allowances that are part of the tax base on the initial recognition of qualifying capital expenditure. This is an adaptation (not a difference in principle) to suit the requirements to the local environment.

MFRS has subsequently made an amendment for the treatment of deferred taxes for IP measured at fair value, with a rebuttable presumption that the carrying amount of the IP is recovered through sale at the end of the reporting period. $\text{MPERS}_{(2015)}$ has a similar rebuttable presumption. This issue is silent in PERS and the normal expected manner of recovery by use applies in this reporting framework. There will thus be a difference in the amount recognised for deferred taxes depending on which framework is applied.

The amended $\text{MPERS}_{(2015)}$ has further aligned the main principles of Section 29 *Income Tax* with MFRS 112 *Income Taxes* for the recognition and measurement of deferred tax, but modified to be consistent with the other requirements in MPERS. It has also included an undue cost or effort exemption to the requirement to offset income tax assets and liabilities, but that fact together with the reasons for not offsetting must be disclosed.

3.6.3 Employee Benefits

For short-term employee benefits and defined contribution plans, the accounting requirements in the three reporting frameworks are identical. For many private entities that do not have defined benefit plans, the accounting for employee benefits would be the same regardless of which reporting framework is applied.

For defined benefit plans, the requirements on recognition and measurement are broadly the same in the three reporting frameworks, which generally require present value measurement of the obligation under the plan and fair value measurement for plan assets. The treatments differ in respect of past service cost and recognition of actuarial gains and losses. PERS requires unrecognised past service cost to be included in the defined benefit liability, whereas this cost is expensed in MPERS and MFRS. PERS allows actuarial gains and losses to be accumulated in the liability with a 10% corridor rule to recognise a portion of the accumulated actuarial gains and losses in profit or loss (part of the employee benefit expense in a period). There are no accumulated actuarial gains and losses in MPERS and MFRS. MPERS allows as an accounting policy choice to recognise the actuarial gains or losses in profit or loss, or in other comprehensive income, whereas MFRS requires that the actuarial gains or losses should be recognised in other comprehensive income without any option of recycling to profit or loss.

The amended $\text{MPERS}_{(2015)}$ clarifies the application of the accounting requirements for other long-term benefits and removes the requirement to disclose an accounting policy for termination benefits.

3.6.4 Leases

All the three reporting frameworks use the "risks and rewards" approach to classify a lease arrangement. If risks and rewards are transferred substantially to the lessee, the lease is classified as a finance lease. By default, all other leases are classified as operating leases. The requirements in the three reporting frameworks are similar in all material respects. The minor differences are in the guidance provided, such as the clarification on the classification of leases of land and buildings, and the bright-line indicators provided in PERS (but not in MPERS or MFRS).

MFRS has additional guidance in the IC Interpretations on evaluating arrangements to determine whether they are leases or contain a lease component. For example, IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* clarifies that a series of transactions that involve the legal form of a lease that is linked shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. If the arrangement does not convey the right to use an asset, it does not contain a lease. IC Interpretation 4 *Determining whether an Arrangement Contains a Lease* clarifies that some arrangements that comprise a transaction or series of transactions, though not taking the legal form of a lease, convey a right to use an asset. Such arrangements are, or contain, a lease component.

The amended $\text{MPERS}_{(2015)}$ adds a modification to include leases with an interest rate variation clause that is linked to market interest rate within the scope of Section 20 *Leases* and clarifies that some outsourcing arrangements, telecommunication contracts the provide rights to capacity and take-or-pay contracts are, in substance, leases.

3.6.5 Government Grants

All the three reporting frameworks use the income approach (rather than the capital approach) to prescribe requirements for government grant accounting. There are some differences in the treatments and these are:

(a) MPERS requires all government grants, including non-monetary assets received, shall be measured at fair value. This would include transfer of land at nominal value. PERS merely states that it is usual to measure this non-monetary asset at fair value, but the wording is not prescriptive i.e. it appears non-mandatory. MFRS, on the other hand, allows an entity to record the land at the nominal amount (as an alternative to fair value); and

(b) Both MPERS and MFRS require that the benefit of a government loan at below market rate of interest be treated as a government grant. This means that on initial recognition, the loan itself would need to be measured at fair value (by discounting the future payments at the entity's current borrowing cost) and accounted for as a financial liability. The difference between the proceeds of the loan and the present value is the amount attributed to the grant. There is no similar requirement in PERS, which means that an entity can recognise the entire government loan as a grant at the nominal amount received without having to measure it at discounted present value. On first-time adoption, $\text{MPERS}_{(2015)}$ does not permit restatement of previously recognised amounts of government loans which were not discounted.

3.7 Revenue-Related Standards

3.7.1 Revenue

The accounting for sales of goods, rendering of services, and interest, royalties and dividend is identical in all the three reporting frameworks. These are the traditional areas of revenue accounting and the requirements have not changed over the years. The MFRS version has subsequently been updated to include guidance on whether an entity is acting as a principal or as an agent in sales of goods or rendering of services transactions.

The MASB has, in September 2014, issued MFRS 15 *Revenue from Contracts with Customers*. This new MFRS introduces a consistent and robust model for revenue accounting. The nature and extent of the changes will vary between entities and industries. For straightforward contracts for sales of goods or rendering of services, the requirements in MFRS 15 would have little, if any, effect on current practice. For other contracts, such as long-term service contracts and multiple-elements arrangements, MFRS 15 could result in some changes either to the amount or timing of the revenue recognised by an entity. The changes will only affect some revenue transactions for some entities.

3.7.2 Revenue-Related Interpretations

MFRS has IC Interpretation guidance on barter trade transactions involving advertising services and on customer loyalty programmes. In a barter trade transaction involving advertising services, the entity that provides the advertising services measures revenue by reference to similar non-barter trade transactions, rather than by reference to the fair value of the advertising services received. For credit awards in customer loyalty programmes, a seller must allocate the proceeds of an initial sales transaction between credit awards and sales revenue. MPERS includes the same requirements on customer loyalty programmes in the section on revenue. PERS does not provide for any of the guidance.

3.7.3 Construction Contracts

For construction contracts, all the three reporting frameworks have the same requirements and are similar in all material respects.

3.7.4 Property Development Activities / Real Estate Development

The MPERS version on property development activities is a verbatim of the PERS version. MFRS does not have a separate Standard on property development activities. The accounting for real estate development is guided by IC Interpretation 15 [see the detailed requirements in the Appendix 1 to this article]. For agreements that are accounted for as sales of goods, it is unclear in the IC Interpretation when transfer of control and significant risks and rewards incident of ownership occurs, either a point in time or continuously as the construction progresses. The indicators provided are mixed and it is difficult to make a judgement. This can affect the reported results of entities depending on the judgement made. Private entities using PERS or MPERS are not affected by this IC Interpretation confusion. They shall thus apply the percentage of completion method to account for real estate developments.

In September 2014, the MASB issued MFRS 15 *Revenue from Contracts with Customers*, which introduces a robust model for revenue accounting. For real estate development, control and hence performance obligation is transferred over time to the customer if the developer has no alternative use to the development unit sold and it has an enforceable right for payment. This means that the developer must apply the percentage of completion method to account for its real estate development when the two criteria are met. With this new MFRS, the accounting for real estate development would the about the same in all three reporting frameworks.

3.8 All Other Standards

3.8.1 Share-Based Payment Transactions

PERS does not have an equivalent Standard on share-based payment transactions. The generally accepted principles used in practice by private entities do not recognise shares or share options of employee benefit plans. PERS only requires disclosure about equity compensation benefits to employees.

Both MPERS and MFRS deal with equity-settled share-based payments, cash-settled share-based payments and combination of equity-settled and cash-settled share-based payments. Their requirements are the same. This means that for share or share options granted to employees, a private entity using MPERS must recognise an expense and a corresponding equity when the employee services are received.

The amended MPERS$_{(2015)}$ has aligned the scope and the definitions with MFRS 2 *Share-based Payment* to clarify that share-based payment transactions involving equity instruments of other group entities are within the scope of Section 26 *Share-based Payment*. It further clarifies that Section 26 applies to all share-based payment transactions in which the identifiable consideration appears to be less than the fair value of the equity instruments granted or the liability incurred and not only to share-based payment transactions that are provided in accordance with programmes established under law. There are further clarifications of the accounting treatment for vesting conditions and modifications to grants of equity instruments, and simplification provided for group plans that is for the measurement of the share-based payment expense only and does not provide relief from its recognition.

3.8.2 Borrowing Costs

The three reporting frameworks each take a different treatment for borrowing costs. PERS allows all borrowing costs to be recognised as an expense, but provides for an alternative of capitalising borrowing costs on qualifying assets. MPERS requires all borrowing costs to be recognised as an expense, whilst MFRS requires borrowing costs directly related to a qualifying asset must be capitalised.

3.8.3 Events after the End of the Reporting Period

The requirements in all the three reporting frameworks are similar in all material respects. Both PERS and MPERS permit dividends declared after the end of the reporting period to be presented in equity (part of retained earnings) or disclosed by way of notes. MFRS is silent on this presentation. PERS and MFRS require updating disclosures about conditions at the end of the reporting, but this is not a requirement in MPERS.

3.8.4 Related Party Disclosures

This is another area of major differences because there is no equivalent PERS on related party disclosures. Practices are based on the requirements of the Companies Act 1965 which only requires disclosure of transactions with related corporations (defined in the Act as parent, subsidiaries and fellow subsidiaries) and directors' remunerations.

The requirements in MPERS are similar to those of MFRS. The scope of the related party relationships in MPERS or MFRS is much wider than related corporations in the Act as it includes individual persons and close family members, and entities in which those persons have control, joint control or significant influence. Minor differences are made in MPERS to simplify the disclosure of key management personnel compensation and the categories of relationships for disclosure of transactions and balances.

The amended $\text{MPERS}_{(2015)}$ now includes management entity that provides a reporting entity's key management personnel services as a related party (similar to the amendment made in the MFRS recently).

3.8.5 Extractive Activities

PERS does not have an equivalent Standard on extractive activities. MPERS requires that private entities engaged in the exploration, evaluation or extraction of mineral resources shall account for the expenditure on the acquisition or development of tangible or intangible assets in accordance with the PPE Section and the Intangible Assets Section. If there is an obligation to dismantle an item or to restore the site, such obligation is accounted in accordance with the Provisions and Contingencies Section.

The MFRS version on this topic is only an interim Standard that makes limited improvements to existing practices, requires impairment testing for recognised exploration and evaluation assets and disclosure to explain the amounts of those exploration and evaluation assets.

The amended $\text{MPERS}_{(2015)}$ has aligned the main recognition and measurement requirements for exploration and evaluation assets with MFRS 6 *Exploration and Evaluation of Mineral Resources*.

3.8.6 Service Concession Arrangements

PERS does not have an equivalent Standard or guidance on service concession arrangements. MPERS has requirements on service concession arrangements that are similar to those in MFRS. A private operator who is required to construct, upgrade and operate a public infrastructure for the government shall account for the consideration receivable for the services it provides as a financial asset or an intangible asset, depending on the terms and conditions of the arrangement. For example, if the operator's right in the arrangement is cash payment or a guaranteed purchase of the outputs produced from the infrastructure asset, the operator applies the financial asset model for the accounting. If the operator's right is in the form of a licence to charge the public for use of the public infrastructure, the operator applies the intangible asset model for the accounting.

3.8.7 First-Time Adoption

There is no equivalent PERS on first-time adoption of a new reporting framework. MPERS has requirements on first-time adoption of a new reporting framework which are similar to those in MFRS. A first-time adopter must identify its date of transition to MPERS, which is the beginning of the comparative period and prepares an opening statement of financial position for that date as a starting point of transition. For example, if a private entity's first MPERS-compliant financial statements are for its financial year ending 31 December 2016, the starting point of transition is 1 January 2015. It prepares an opening statement of financial position that complies with MPERS Standards as on that date.

The general requirement is that all applicable MPERS standards must be applied retrospectively at the date of transition so that the opening statement of financial position is MPERS-compliant at the transition point. This may require changes to accounting policies used in PERS. The resulting adjustments from the changes in accounting policies are recognised directly in retained earnings (or another category of equity) at the date of the transition. For example, if a private entity has used the lower of cost and market basis for measurement of quoted equity investments under PERS, it must change the measurement of such investments to fair value at the date of transition and the difference between fair value and the previous carrying amount is adjusted to the opening retained profits at the date of transition. Similarly, if a private entity has used the revaluation model for its PPE under PERS, it may treat the carrying amount at the date of transition as deemed cost under MPERS, and the related revaluation reserve is transferred to retained earnings. The Standard however provides for some specified exceptions (mandatory) and exemptions (non-mandatory) from the retrospective application of MPERS standards. An entity migrating to MPERS must provide disclosure of the effects of transition on equity and on comprehensive income in the form of reconciliations.

The amended $\text{MPERS}_{(2015)}$ adds an option to permit Section 35 to be used more than once, which is based on the amendments to MFRS 1 *First-time Adoption of MFRSs*. If an entity that has applied MPERS in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with MPERS, it must either apply Section 35 or apply MPERS retrospectively as if the entity had never stopped applying MPERS. The Amendments add a mandatory exception to the measurement of government loans at below market rate of interest at the date of transition i.e. no remeasurement to fair value for those loans. The Amendments further extend the non-mandatory exemptions to include an event-driven fair value measurement as deemed cost, use of previous GAAP carrying amounts of PPE and intangible assets used in operations subject to rate regulation, and guidance for entities emerging from severe hyperinflation that are applying MPERS for the first time. These amendments are aligned to the recent changes made to MFRS 1.

3.9 Summary of the Narrative Comparisons

For a private entity that migrates to the MPERS framework or the MFRS framework, there will be some major changes: (a) to the presentation of financial statements, (b) in accounting for business combinations and consolidation; (c) in accounting for complex financial instruments, and (d) in related party disclosures. The above narrative comparisons reveal that the MPERS framework uses more cost-based models for the measurement of assets and liabilities. In areas where fair value measurement is relevant, it is only required if the fair value can be measured reliably without undue cost or effort. The measurement models in the PERS framework are mixed whilst the MFRS framework has a preference for fair value measurement in many areas.

The MPERS framework also provides for more flexibility in the choice of accounting models (such as in accounting for investments in associates and joint ventures), has simplified presentation requirements (such as the presentation of statement of income and retained earnings in place of statement of comprehensive income and statement of changes in equity), does not have complex accounting requirements of recycling adjustments and remeasurements (such as in business combinations), and it is less rule-based (such as in accounting for financial instruments). However, as all the reporting requirements are in a single MPERS Standard, the guidance and detailed application procedures in some areas are somewhat not included.

4. Comparative Analysis

4.1 The Ranking by Areas

The detailed results of the ranking by areas are shown in Table 1. Examining the detailed ranking in the Table reveals that the areas with no differences or relatively lower levels of differences are the traditional areas which have not undergone significant changes or advancements in the last decade. These include concepts and pervasive principles; statement of cash flows; accounting policies, estimates and errors; inventories; property, plant and equipment; provisions and contingencies; income taxes; leases; revenue; construction contracts; and events after the end of the reporting period.

The relatively higher level of differences between PERS and the other newer reporting frameworks is due mainly to the areas (those with VH level ranking) where there are no equivalent PERS standards or the PERS standards have not been updated to incorporate the current changes and improvements, such as in the presentation standard, business combinations, consolidation, financial instruments, biological assets, related party disclosures and first-time adoption of a new framework. For example, in the area of financial instruments, the only limited guidance in the PERS framework is IAS 25 *Accounting for Investments*, a Standard issued by the professional accountancy bodies in 1987 and endorsed as a PERS Standard, although this IAS has long been superseded by the IASB.

Between MPERS and MFRS there is not even a single area of a very high level of differences. Areas with a high level of differences are in business combinations and consolidation-related standards, disclosures about financial instruments, and non-current assets held for sale. In the MFRS framework, business combination and consolidation models have moved to a different level in the recent years, and these newer developments are not yet reflected in the MPERS framework. The amended $\text{MPERS}_{(2015)}$ has further aligned some standards in MPERS with those of the MFRSs.

Table 1: Analysis of Differences by Areas and Ranking

No.	Areas	PERS vs MPERS Ranking	PERS vs MFRS Ranking	MPERS vs MFRS Ranking
1	Concepts and Pervasive Principles	VL	VL	N
2	Presentation of Financial Statements	VH	VH	L
3	Statement of Cash Flows	N	N	N
4	Accounting Policies, Estimates and Errors	L	L	L
5	Business Combinations	H	VH	H
6	Consolidation Financial Statements	M	VH	H
7	Separate Financial Statements	L	L	L
8	Joint Arrangements	M	VH	H
9	Associates	H	VH	H
10	Foreign currency operations	H	H	N
11	Financial Instruments: Recognition Measurement & Hedge Accounting	VH	VH	M
12	FI: Presentation / Classification	VH	VH	L
13	FI: Disclosures	VH	VH	H
14	IC Interpretations on FI	N	L	L
15	Inventories	L	L	N
16	Property, plant and equipment	VL	VL	N
17	Intangible assets	M	M	L
18	Investment Property	H	H	VL
19	Non-current assets held for sale and discontinued operations	L	H	H
20	Biological assets and agriculture produce	VH	VH	L
21	Impairment of assets	VL	VL	VL
22	Provisions and Contingencies	N	N	N
23	Provisions-Related Interpretations	N	H	H
24	Employee Benefits	L	L	VL
25	Income Taxes	L	VL	VL
26	Leases	N	VL	VL
27	Government Grants	L	L	M
28	Revenue	N	N	N
29	Revenue related interpretations	VL	L	VL
30	Construction contracts	N	N	N
31	Property Development Activities / Real Estate	N	N	N
32	Service concession arrangements	M	M	N
33	Share-Based Payment Transactions	VH	VH	N
34	Borrowing Costs	VL	VL	L
35	Events after the end of the reporting period	N	N	N
36	Related Party Disclosures	VH	VH	VL
37	Extractive Activities	L	L	N
38	First-Time Adoption	VH	VH	N

Ranking: N = no difference, VL = very low level, L = low level, M= medium level, H = high level and VH = very high level.

4.2 Total Scores and Weighted Mean Rank Scores

The summarised rank scores by levels and the mean rank score in each paired-comparison are as follows:

(a) Paired-Comparison of PERS and MPERS

PERS vs MPERS			
Level of Differences	Frequency (No. of Areas)	Rank Score	Total Score
No difference	9	0	0
Very low level of differences	5	1	5
Low level of differences	8	2	16
Medium level of differences	4	3	12
High level of differences	4	4	16
Very high level of differences	8	5	40
Total	38		89
Weighted mean score			**2.34**

(b) Paired-Comparison of PERS and MFRS

PERS vs MFRS			
Level of Differences	Frequency (No. of Areas)	Rank Score	Total Score
No difference	7	0	0
Very low level of differences	6	1	6
Low level of differences	7	2	14
Medium level of differences	2	3	6
High level of differences	4	4	16
Very high level of differences	12	5	60
Total	38		102
Weighted mean score			**2.68**

(c) Paired-Comparison of MPERS and MFRS

MPERS vs MFRS			
Level of Differences	Frequency (No. of Areas)	Rank Score	Total Score
No difference	14	0	0
Very low level of differences	6	1	6
Low level of differences	9	2	18
Medium level of differences	2	3	6
High level of differences	7	4	28
Very high level of differences	0	5	0
Total	38		58
Weighted mean score			**1.53**

The Findings

The weighted mean rank scores of all the three paired-comparisons are below the medium level score of 3.0. Between PERS and MPERS, the mean rank score is 2.34 and is below the average rank score of 2.50 (indicating slightly above the low level of differences between the two reporting frameworks). The paired-comparison of PERS and MFRS produces a mean rank score of 2.68, which is above the average rank score of 2.50 (slightly below the medium level of differences). However, between MPERS and MFRS, the mean rank score is only 1.53, indicating slightly below the low level of differences in the two reporting frameworks. The result of the previous MPERS-MFRS paired-comparison showed a mean rank score of 1.76, which means the recent amendments to $\text{MPERS}_{(2015)}$ have moved the Standards in MPERS closer to the full MFRSs.

These findings suggest that the current PERS framework used by private entities is not that far-off or different when compared with the MPERS framework. Compared with the MFRS, the level of differences is above average but lower than the medium level of differences. And the MPERS framework is much closer to the MFRS framework. One of the reasons why the gap between the PERS framework and the newer frameworks is not that far-off is probably because IASs were already applied by Malaysian entities way back in the 1970s, when the professional accountancy bodies started to issue standards by adopting or adapting the original IASs. The MASB continued with this process by issuing MASB Standards until 2004 when the then single reporting framework was separated into two frameworks; one for private entities (the PERS framework) and the other for public entities (the FRS framework, and subsequently renamed to the MFRS framework in 2012 for the convergence to IFRSs). The PERS standards were then current up to that point in time.

5. Conclusion and Implications

This Study reveals that there are not that many differences between the PERS currently used by private entities and the MPERS or the MFRS. MPERS uses more cost-based models for measurement of assets and liabilities, and in areas where fair value measurement is relevant, it is only required if the fair value can be measured reliably without undue cost or effort, or as an option. MPERS also provides greater flexibility on the choice of measurement models in some areas and it is less rule-based. The amended $\text{MPERS}_{(2015)}$ has re-introduced the revaluation model for PPE accounting, has further aligned some standards in MPERS with the MFRSs and makes more extensive use of the "undue cost or effort" exemption. Thus, it will not be difficult or onerous for most private entities to make a transition to the MPERS framework.

MPERS is an adaptation of the *International Financial Reporting Standard for Small and Medium-sized Entities* issued by the IASB in July 2009. This IFRS caters for the financial reporting of small and medium-sized entities that typically do not have complex business transactions and instruments. The requirements and guidance in MPERS would generally be sufficient to small and medium-sized private entities in Malaysia. MPERS does not come with detailed application guidance in some complex areas. Large private entities may need to refer to the guidance in the MFRS framework for their accounting requirements. For some large private entities, entities with significant research and development activities (including IT and software development activities), entities that have capitalised borrowing costs previously and entities with significant amount of purchased goodwill, they may find adopting MPERS a disadvantage because the option of capitalising development costs or borrowing costs has been removed and purchased goodwill must be subject to annual amortisation. They may opt to migrate straight to the MFRS framework.

The last PERS Standard, MASB 32 *Property Development Activities*, was issued in the year 2003 (effective 1 January 2004). Since then there have been no new PERS Standards issued by the MASB. Although there have been significant changes, developments and improvements to the MFRS in the last 11 years, the PERS standards have not been updated to incorporate these changes. There is thus an 11-year gap between PERS and the newer reporting frameworks. For private entities that continue to use PERS, the gap will only become wider in the future unless new PERS Standards are issued and the existing PERS Standards are regularly updated or improved. By early adopting MPERS, a private entity would have the benefit of a quantum leap to bring its financial reporting to be at par with the current global financial reporting, apart from other benefits such as simplified treatments and presentation, choices in accounting policies and less rule-based requirements. And if a private entity prefers cost models, these are readily provided in MPERS.

Adoption of a new reporting framework will inevitably require costs. Most of the extra costs are likely to be one-off learning cost to familiarise and understand the new requirements. For some entities and in some areas, such as financial instruments, business combinations and related party disclosures, accounting systems and processes may need to be updated. In employee benefit accounting, if an entity adopts a defined benefit plan for the first time or makes improvements to an existing plan, there is bound to be catch-up past service cost. An analogy of this is that if a private entity adopts MPERS for the first time, there is an unavoidable 11-year catch-up learning cost. But in the longer term, there would be cost-savings in the accounting systems, processes and procedures.

References:

1. *Amendments to International Financial Reporting Standard for Small and Medium-sized Entities,* May 2015, IASB.
2. *Amendments to Malaysian Private Entities Reporting Standard*, October 2015, MASB.
3. Companies Act 1965.
4. IAS 25 *Accounting for Investments*, 1987, MIA & MICPA.
5. International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities, July 2009, IASB.
6. Malaysian Financial Reporting Standards (MFRS), 2012 to current, MASB.
7. Malaysian Private Entities Reporting Standard (MPERS), February 2014, MASB.
8. MAS 8 *Accounting for Pre-Cropping Costs*, 1996, MIA & MICPA.
9. MASB 21 *Business Combinations*, 2001, MASB.
10. Private Entity Reporting Standards (PERS), 1998 to 2003, MASB.
11. The Conceptual Framework for Financial Reporting, 2011, MASB.
12. The Framework for the Preparation and Presentation of Financial Statements, 2007, MASB.

Tan Liong Tong is the current project manager of the MASB Working Group (WG 63) on Consolidation. The views expressed in this article are those of the author and not the official views of the MASB.

Appendix 1: A Narrative Comparison of PERSs, MPERS and MFRSs

1. Presentation, Policies, Estimates and Errors

A. Concepts and Pervasive Principles			
	MASB Standards	MPERS	MFRSs
	Framework for the Preparation and Presentation of Financial Statements. 1. Objective, concepts and pervasive principles are the same as those in MPERS and MFRS. 2. Reliability and prudence are pervasive principles. 3. No undue cost or effort exemption.	Section 3 Objective, concepts and pervasive principles are about the same as MFRSs. 1. Reliability is one of the qualitative characteristics 2. Prudence is one of the pervasive principles 3. Undue cost or effort exemption is applied in numerous Sections.	Conceptual Framework Objective, concepts and pervasive principles are the same as in PERS and MPERS. 1. Faithful representation is one of the two fundamental qualitative characteristics. 2. Prudence is not emphasised. 3. Undue cost or effort exemption applied in limited MFRSs (such as MFRS 9).
B. Presentation of Financial Statements			
	MASB Standards	MPERS	MFRSs
	MASB 1 & MASB 3 1. Components of financial Statements (i) Two statements each for balance sheet, income statement, changes in equity, cash flows and notes [MASB 1.8 &1.38]. (ii) No requirement for the 3rd balance sheet 2. Presentation of income statement with profit or loss less minority interest to arrive at profit attributable to owners [MASB 1.75]. Present extraordinary items separately from profit or loss of ordinary activities [MASB 3.10] Concept of OCI is not applied. Presentation of OCI components and subsequent reclassification adjustments are not relevant. 3. No provision for simplified presentation of statement of income and retained earnings. 4. A long-term liability due within 12 months continues to	Section 3 1. Components of financial statements: (i) Two statements each for financial position, comprehensive income, changes in equity, cash flows and notes. (ii) No requirement for the 3rd statement of financial position. 2. Choice of one continuous statement or two separate statements for presentation of comprehensive income. A new requirement to segregate items of OCI into those that may or may not be reclassified to profit or loss. Attribution to owners and non-controlling interests to be shown separately. Presentation of extraordinary items is banned. 3. If the only changes during the period arise from profit or loss, payment of dividends, correction of errors and changes in accounting policy, may	MFRS 101 1. Components of financial statements: (i) Two statements each for financial position, profit or loss and other comprehensive income, changes in equity, cash flows and notes. (ii) 3rd statement of financial position as at the beginning of the comparative period when this is a retrospective application, retrospective restatement or reclassification of line items, if material. 2. Choice of one continuous statement or two separate statements for presentation of comprehensive income. Items of other comprehensive income must be segregated into those which may and those which would not be reclassified to profit or loss. Attribution to owners and non-controlling interests to be shown separately. 3. No provision for simplified presentation of statement of income and retained earnings 4. Disclosure of judgements applied in the selection of

	be classified as non-current if there is intention to refinance and the intention is supported by an agreement to refinance or reschedule completed before the financial statements are authorised for issue [MASB 1.63]. 5. No requirement to disclose judgements and estimation uncertainties.	present a single statement of income and retained earnings in place of statement of comprehensive income and statement of changes in equity, 4. Disclosure of judgements applied in the selection of accounting policies and estimation uncertainties [S8.6 & S8.7]	accounting policies and estimation uncertainties 5. A long-term loan due within 12 months must be classified as current liability (the condition at the balance sheet date). Agreement obtained after the balance sheet date is a non-adjusting event. 6. Disclosure of capital management objectives, policies and strategies.
C. Statement of Cash Flows			
	MASB 5 Requires presentation of cash flow statement that reflects the inflows and outflows of cash and cash equivalents from operating, investing and financing activities, and reconciling the movements in cash and cash equivalents [MASB 5.10]. Cash flows from operating activities may be presented using the direct method or the indirect method [MASB 5.18] Guidance is provided on the classification of revolving credit facilities which shall be presented as financing cash flows [MASB 5.8].	Section 7 The requirements and the principles prescribed in this section are similar to those in MASB 5 and MFRS 107 [S7.3]. The additional guidance and improvements to MFRS 107 are not incorporated in this section. Provides for some simplifications such as: (a) no reconciliation of C&CE if the components are identical with the C&CE in the financial position [MPERS S7.20] and (b) no explicit requirement to disclose effects of acquisitions and disposals of business units [MPERS S7.10].	MFRS 107 Similar to those in MASB 5 and Section 7 of MPERS. Subsequent amendments and improvements on this Standard include guidance and clarification on: (a) routine replacement of PPE and (b) interest capitalised in qualifying assets.
D. Accounting Policies, Estimates and Errors			
	MASB 1 and MASB 3 Same requirements on selection of policies and hierarchy of authoritative guidance in the absence of Standards and conditions for change in policy. If change is due to a new Standard, apply the specific transitional provisions [MASB 3.38]. For all other changes, the benchmark treatment is retrospective application including restatement of comparative information, unless impracticable [MASB 3.51]. If the required adjustment to the opening retained earnings *cannot be reasonably determined*, apply the policy change prospectively [MASB 3.54] Allowed alternative – if the amount of adjustment to prior	Section 10 1. Select policies based on requirement of Standards. In the absence of any Standard, select policies based on a hierarchy of authoritative guidance 2. Change policy if required by a Standard (mandatory) or if it results in a better presentation (voluntary) 3. Effect change in policy in accordance with the specific transitional provisions specified in the Standard. In the absence of specific transitional provisions and for all other changes, apply new policy retrospectively. Allows impracticability exemption of retrospective application. 4. Prospective application for changes in estimates [S10.16]. 5. Retrospective restatement for	MFRS 108 As described in MPERS

	periods is not reasonably determinable, any resulting adjustment is included in profit or loss in the current period [MASB 3.56]. If this amount is still not reasonably determinable, apply the new policy prospectively [MASB 3.58]. For correction of errors, the benchmark treatment is retrospective application with adjustment to comparative information [MASB 3.36] The allowed alternative is to adjust amount of the correction in the profit or loss in the current period [MASB 3.40].	correction of prior period errors, with impracticability exemption provided [S10.21 & S10.22].	

2. Business Combinations and Consolidation-Related Standards

	PERS	MPERS	MFRS
A	Business Combinations		
	No equivalent PERS Standard on business combinations. Practices are based on GAAPs and the provisions of the Companies Act 1965 on merger relief. Acquisition method for most business combinations, but requires merger method when the specified conditions are met. In a merger, an acquirer is not identified. Allocate cost of combination to net assets acquired (but not contingent liabilities). Expenses of combination are capitalised Goodwill is the difference in the purchase price allocation. No goodwill is attributed to NCI. Goodwill is calculated on a piecemeal basis (step-by-step) in a step-acquisition. No remeasurement of previously held stake at the date control is obtained. No requirement on amortisation of goodwill. May be held at cost, but must be tested for	Section 19 Scope covers all business combinations, except for combinations under common control, formation of a joint venture and acquisition of a group of assets that is not a business. Application of the purchase method (also known as acquisition method). An acquirer must be identified. Acquirer allocates cost of combination to share of net assets acquired, including contingent liabilities [S19.6 & S19.7]. Cost of combination is generally measured at fair value of consideration transferred and liabilities assumed. Expenses incurred in connection with the combination are capitalised [S19.11]. Goodwill is initially measured at the difference between cost of combination and share of net assets acquired [S19.22]. No goodwill is attributed to NCI. Goodwill is subsequently measured at cost less accumulated amortisation and impairment. If unable to make reliable estimate of the useful	MFRS 3 Same scope as in MPERS Application of acquisition method. An acquirer must be identified. Requires reverse acquisition accounting if the former owners of a subsidiary gain control of the parent. Acquirer allocates an aggregate of consideration transferred, fair value of previously held state and NCI to total net assets acquired, including contingent liabilities. Expenses of business combination are generally expensed to profit or loss, except for transaction costs of issuing financial instruments. Goodwill calculation requires remeasurement of any previously held stake to fair value and NCI may be measured at acquisition-date fair value. Goodwill is only calculated once i.e. at the date control is obtained, and it may include NCI's portion.

	impairment. Measurement period adjustment may extend more than one year if there are contingent considerations and profit guarantee agreements.	life, the life is determined based on management's best estimate but shall not exceed 10 years [S19.23]. No guidance provided for a step-acquisition and for increase in stake after the acquisition date. Measurement period adjustment is one year.	Goodwill is not subjected to amortisation but it must be tested for impairment annually. Measurement period adjustment ends when the information is received, with a maximum period of one year.
B	Consolidated Financial Statements		
	MASB 11 Uses a control model based on the power to govern the financial and operating activities so as to obtain benefits. Only wholly-owned parent is exempted from presenting CFS [MASB 11.8]. A subsidiary is excluded if control is intended to be temporary (acquired with a view to sale) or if it operates under severe long term restrictions [MASB 11.15]. MI is presented in the CFS as a quasi-liability [MASB 11.34]. Provided the consideration is in cash and at fair value, the reduction in stake in a subsidiary is treated as a deemed disposal for which the gain or loss is recognised in income [MASB 11.37]. Provided the consideration is in cash and at fair value, the accretion of the group's interests in a subsidiary is treated as purchase of equity interest for which the acquisition method should be applied (a piecemeal acquisition) [MASB 11.39] All other changes in stake are treated as equity transactions and the effect is adjusted directly in equity [MASB 11.41]. On disposal and loss of control of a former subsidiary, the carrying amount of any interest retained shall be regarded as cost thereafter i.e. no remeasurement to fair value [MASB 11.33]. In the case of a disposal of a foreign entity, the cumulative exchange reserve must be recycled to profit or loss	Section 9 Uses a control model based on the power to govern the financial and operating policies so as to obtain benefits [S9.4]. Exemption – need not present CFS: (a) if the parent itself is a subsidiary and its ultimate parent (or any intermediate parent) produces CFS that comply with MFRSs or this Standard. A subsidiary is excluded from the CFS if it is acquired and is held with the intention of selling or disposing of it within one year from its acquisition date. In this later case, account for such subsidiary as an investment in accordance with Section 11 [S9.3]. No exemption for severe restrictions. Incorporate the requirements on SPE using, other than the control criterion, indicators of risks and rewards [S9.11]. Changes in interests in subsidiaries without loss of control shall be presented in the statement of equity [S6.3(c)(iii)] On disposal of a subsidiary, the cumulative exchange difference shall not be reclassified to profit or loss [S9.18]. Any remaining interest, whether a financial asset or becomes an associate or a JV, is measured at the carrying amount at the date control is lost i.e. no remesaurement to fair value [S9.19]	MFRS 10 A new control model based on the elements of power to direct the relevant activities to extract returns and the link between power and returns. Exemption for presenting CFS given to partially-owned subsidiaries provided NCIs have been informed and do not object. A subsidiary is excluded from CFS only when control is lost. No exemption for temporary control or severe restrictions The control model captures de facto control (dominant shareholder concept) and structured entities. Changes in stakes after the acquisition date that do not result in a loss of control shall be treated as equity transaction and the effect adjusted in equity. On disposal of a subsidiary, all related OCI reserves must be recycled to profit or loss or transferred to retained earnings in accordance the applicable MFRSs. Any remaining interest must be remeasured to fair value.

	[MASB 6.37]. For a partial disposal, only the proportionate share of cumulative exchange reserve is recycled to profit or loss [MASB 6.38] Excess loss beyond the capital contribution cannot be allocated to MI (except in guarantee situation) [MASB 11.35].	Full attribution of profit or loss and OCI to NCI even if it results in a deficit to NCI [S9.22].	Full attribution of profit or loss and OCI, even of it results in a deficit to NCI.
C	Separate Financial Statements & Combined Financial Statements		
	MASB 11, MASB 12 & MASB 16 If a parent issues CFS, investments in subsidiaries should be carried at cost or revalued amounts in its separate financial statements [MFRS 11.44]. Regardless of whether a venturer issues CFS or not, it uses the cost method or revaluation amounts for interests in jointly controlled entities in its own financial statements [MASB 16.34 & 16.38]. An investor that issues CFS shall apply the cost method or revaluation model to measure its investments in associates in its separate financial statements [MFRS 12.12] An investor that does not issue CFS shall measure its investments in associates at cost or revalued amounts in its financial statements (deemed as the separate financial statements and there is no requirement to present another financial statements that apply the equity method) [MASB 12.14].	Section 9 Does not require presentation of separate financial statements for the parent entity or for the individual subsidiaries [S9.24]. An investor with joint ventures or associates prepares financial statements using equity method for those investments. These statements are not separate financial statements. The investor may elect to present separate financial statements [S9.25]. Investments in subsidiaries, joint ventures and associates shall be measured at cost, at fair value through profit or loss or by using the equity method [S9.26]. No requirement or guidance on the measurement of cost of investment in an internal group reorganisation. Combined financial statements – a single set of financial statements that combines two or more entities under common control. Not a mandatory requirement to present combined financial statements [S 9.28]. A limited guidance on the accounting procedures of preparing combined financial statements is provided [S9.29]	MFRS 127 Does not mandate which entities prepare separate financial statements. Investments on subsidiaries, joint ventures and associates shall be measured at cost, at fair value through profit of loss (in accordance with MFRS 9) or by using the equity method [MFRS 127.10]. This is an accounting policy choice by category of investments. Dividend from a subsidiary, a joint venture or an associate is recognised in profit or loss when the rights to receive dividend is established [MFRS 127.12]. A limited guidance is provided on the measurement of cost of investment in an internal group reorganisation when a parent establishes a new entity as its parent. Provided the specified conditions are met, the new parent, if it uses the cost model, shall measure the cost of investment at its share of the carrying amount of the equity items shown in the separate financial statements of the original parent i.e. at carrying net asset value, rather than at fair value [MFRS 127.13].
D	Joint Arrangements		
	MASB 16 Uses the form of an arrangement to distinguish and identify: (i) jointly controlled operations, (ii) jointly controlled assets, and (ii) jointly controlled entities. An arrangement through a separate vehicle is automatically	Section 15 Uses the form of an arrangement to distinguish and identify: (i) jointly controlled operations, (ii) jointly controlled assets, and (iii) jointly controlled entities. An arrangement through a separate vehicle is automatically	MFRS 11 Uses a rights and obligations approach to classify an arrangement as ether: (i) a joint operations, or (ii) a joint venture. An arrangement through a separate vehicle is not automatically classified as a joint

	classified as a jointly controlled entity. For jointly controlled operations and jointly controlled assets, account directly for assets, liabilities, income and expenses based on rights and obligations [MASB 16.12 & 16.20] For jointly controlled entities, a venturer uses the equity method in its CFS, and applies the cost method or revalued amount in its separate financial statements [MASB 16.34]. A venturer that does not prepare CFS uses the cost method or revalued amount to measure its interest in a jointly controlled entity in its financial statements, with the effects of equity accounting disclosed by way of notes [MASB 16.38] Exceptions are: (a) when the investment is acquired and held exclusively with the view to its subsequent disposal in the near future, or (b) when the jointly controlled entity operates under severe long term restrictions that significantly impair its ability to transfer funds to the venturer [MASB 16.40]. Disclosure of summarised financial information about jointly controlled entities is not required.	classified as a jointly controlled entity For jointly controlled operations and jointly controlled assets, account directly for assets, liabilities, income and expenses based on rights and obligations. For jointly controlled entities, a policy choice is given to account for all joint venture entities using: (i) the cost model, (ii) the equity method; and (iii) the fair value model. No exception if the equity method is applied. No exception if the equity method is applied. Disclosure of summarised financial information about jointly controlled entities is not required.	venture as it depends on the substance of the arrangement. For joint operations, account directly for assets, liabilities, income and expenses based on rights and obligations. For joint ventures, account as an investment under the equity method in accordance with MFRS 128. Equity method must be applied even if the venturer does not issue CFS. The cost method or the fair value method can only be applied in its separate financial statements. The two conditions for exception of the equity method have been removed. However, investment entities are required to apply the fair value method to account for investments in joint ventures. Other mutual funds and venture capital entities may avail the exemption and apply the fair value method. Disclosure of summarised financial information about joint ventures is required.
E	Associates		
	MASB 12 Generally, all investments in associates must be accounted for under the equity method in the CFS of the investor. No exception provided for investment entities (such as mutual funds or venture capital entities) [MASB 12.8]. The exceptions are: (a) when an associate is acquired and held exclusively with a view to its disposal in the near future in which case it should be accounted for under the cost method [MASB 12.8]; and (b) the use of the equity method is no longer appropriate because the associate operates under	Section 14 For the measurement, a policy choice is given to account for all investments in associates using either: (i) the cost model, (ii) the equity method, or (iii) the fair value model [S14.4]. If the cost model is applied, investments are measured at cost less impairment, but quoted associates must be measured at fair value [S14.5&.7]. If the fair value model is applied, investments are measured at fair value though profit or loss. Any investment for which it is impracticable to measure fair value reliably without undue cost or effort must be measured	MFRS 128 For the measurement, investments in associates must be accounted for under the equity method in the consolidated financial statements (or in the financial statements if the investor does not produce consolidated financial statements). Mutual funds and venture capital entities that are not investment entities may elect to measure all associates at fair value through profit or loss. Investment entities must measure all associates at fair value through profit or loss.

	severe long-term restrictions that significantly impair its ability to transfer funds to the investor [MASB 12.9(b)]. The equity method is applied for all post-acquisition changes in net assets of the associates including those recognised directly in equity [MASB 12.6]. If an investor does not issue CFS, the investment in an associate is accounted for under the cost method or at revalued amount in its financial statements. The effect of equity accounting is disclosed by way of notes [MASB 12.14]. When the equity method is discontinued, the carrying amount at that date is cost thereafter [MASB 12.9]. Guidance is provided on the accounting when an associate holds an interest in the investor (reciprocal shareholdings) [MASB 12.33] No disclosure of summarised financial information about associates.	using the cost model [S14.10]. No specific exemption for mutual funds and venture capital entities. The free choice remains applicable. No specific exception for investment entities. The free choice remains applicable. If equity method is applied, no exception for temporary investments and for condition of severe restrictions. When an associate becomes a subsidiary or a joint venture, a remeasurement is required with gain or loss recognised in profit or loss[S14.8(i)(i)] When there is a loss of significant influence either in a full or partial disposal, remeasurement of the interest retained to fair value is required but there is no recycling of OCI reserves to profit or loss [S14.8(i)(ii)]. If loss of significant influence is for reasons other than partial disposal, the carrying amount at that date is regarded as a new cost basis i.e. no remeasurement [S14.8(i)(iii)]. No disclosure of summarised financial information about associates.	No exception for temporary investments and for conditions of severe restrictions. When an associate becomes a subsidiary, a remeasurement is required. There is no remeasurement if an associate become a joint venture and the equity method continues to be applied. When there is a loss of significant influence either in a full or partial disposal, the related OCI reserves shall be reclassified to profit or loss or transferred to retained earnings in accordance with the applicable MFRSs. Disclosure of summarised financial information about associates is required.
F	Foreign Currency		
	MASB 6 Uses the concept of "reporting currency" for the translation of foreign currency transactions and operations. For monetary items outstanding at the end of the reporting period, use the closing rate except for items that are covered by a related and matching forward contract, in which case that contracted or forward rate should be used in the translation [MASB 6.11(a)]. All exchange gains and losses from settled and unsettled transactions should be recognised in profit or loss, except for long-term monetary items that form a part of net investment in a foreign entity	Section 30 The requirements are similar to MFRS 121. Applies the concept of functional currency to measure results and financial position. The functional currency of a Malaysian entity is not necessarily the local currency as it depends on the primary economic environment in which the entity operates. The presentation currency can be in any currency or currencies, which may not necessarily be the same as the functional currency. No option of using contracted or forward rate for unsettled monetary items. No option to capitalise exchange differences in related asset.	MFRS 121 The same requirements as described for MPERS, except for the treatment on disposal of a foreign operation.

	and for hedges of net investment in a foreign entity [MASB 6.15]. Permits exchange differences rising from a recent acquisition of an asset to be included in the carrying amount of the asset if there is no practical means of hedging risk [MASB 6.21]. A foreign operation is classified as either an integral operation or a foreign entity, depending on facts and circumstances. For an integral operation, the translation method is a mix of closing rates and historical rates with exchange differences recognised in profit or loss [MASB 6.27]. For a foreign entity, the translation is on the closing rate method with exchange difference recognised in equity (exchange reserve) [MASB 6.30] Goodwill and fair value adjustment may be treated as assets and liabilities of the foreign entity and translated at the closing rate, or as assets and liabilities of the reporting entity and translated at the historical rate [MASB 6.33].	No distinction of integral operations and foreign entities. There is only one classification of foreign operations. An integral operation would automatically have the same functional currency of the reporting entity. Only one translation method i.e. the closing rate method is prescribed for all foreign operations. Goodwill and fair value adjustments must be treated as assets and liabilities of the foreign operation and translated at the closing rate [S30.23]	
	On disposal of a foreign entity, the cumulative exchange reserve is recycled to profit or loss. In a partial disposal, the amount recycled is proportionate to the interest disposed [MASB 6.37].	On disposal of a foreign, the gain or loss is the difference between the proceeds and its carrying amount at the date of disposal, excluding the cumulative exchange reserve i.e. no recycling of cumulative exchange reserve [S9.18]	On disposal of a foreign operation (either loss of control, loss of significant influence or loss of joint control), the entire cumulative exchange reserve (excluding the NCI's portion) is recycled to profit or loss [MFRS 121.48]. Any stake retained would have a fresh-start remeasurement at fair value.

3. Financial Instruments

	PERS	MPERS	MFRS
A	Recognition, Derecognition, Measurement & Hedge Accounting		
	IAS 25 Classifies investments as current based on the criteria of "readily realisable" and " intention" to hold for not more than one year [IAS 25.1]. By default, all other investments are classified as long-term investments. Initial measurement is at cost and it includes transaction costs [IAS 25.12]. For the subsequent measurement, a choice is given to measure current investments	Section 11 Deals with basic financial instruments and is applicable to all private entities. An accounting policy choice is provided for private entities to apply the requirements of Sections 11 & 12 in full, or the recognition and measurement requirements of MFRS 139 [S11.2]. Basic instruments include cash, debt instruments (such as receivables and payables),	MFRS 139 Four categories of financial assets: (a) financial assets at fair value though profit or loss, (b) held-to-maturity investments, (c) loans and receivables, and (d) available-for-sale assets. Classification depends on the type of instruments, the intention (such as held for trading or held to maturity) and by designation. For financial assets, the measurement model is fair value

	at: (a) market value, or (b) the lower of cost and market value [IAS 25.46]. Long-term investments are subsequently measured at: (a) cost <u>less decline in value that is other than temporary</u>, (b) at revalued amount, (c) or in the case of marketable securities classified as long-term, at the lower of cost and market value determined on the portfolio basis [IAS 25.47]. For a disposal of a long-term investment carried at revalued amount, the related revaluation reserve is either recycled to profit or loss or transferred directly to retained earnings. This is an accounting policy choice [IAS 25.50]. There is no guidance on other financial assets and there is no equivalent standard on financial liabilities.	commitments to receive loans (with specified conditions) and investments in non-convertible preference shares and non-puttable ordinary shares or preference shares [S11.8]. Derivatives and complex instruments are not within the Scope of this section [S11.11]. Uses a “rights and obligations” approach to the recognition of financial assets and financial liabilities whereby recognition is at the point in time when the entity becomes a party to the contractual provisions of the instruments [S11.12]. The initial measurement of a basic financial asset or a financial liability is at <u>the transaction price</u> (including transaction costs, except for instruments measured at fair value through profit or loss), unless the arrangement constitutes a financing transaction. In this later case, the <u>financial asset or financial liability is measured at the present value of the future payments discounted at a similar</u> risk-class market rate of interest [S11.13]. For the subsequent measurement, the Section prescribes that: (a) debts instruments shall be measured at amortised cost using the effective interest method [S11.14(a)]; (b) commitments to receive a loan shall be measured at cost less impairment [S11.14(b); (c) Investments in non-convertible preference shares and non-puttable ordinary or preference shares shall be measured at fair value through profit or loss if the shares are publicly traded or their fair value can otherwise be measured reliably. All other such investments shall be measured at cost less impairment [S11.14(c)]. Requires impairment test at the end of each reporting period for	except for HTM and L&R assets which must be measured at amortised cost model, and for unquoted equity instruments whose fair value cannot be measured reliably, at cost model. Impairment test for <u>financial assets is the incurred loss model based on objective evidence of trigger loss events.</u> For financial liabilities, the measurement is generally at amortised cost except for those held for trading, financial guarantees and commitments. The <u>initial measurement is at fair value, which is an exit price. There may be gain or loss arising on the initial recognition of a financial asset or a financial liability.</u>

	Apart from long-term investments, where impairment is based on the criterion of other than temporary decline in value, impairment of receivables in practice is based on specific and general allowances, which depend on judgement of management.	financial assets measured at cost or amortised cost [S11.21] The impairment model is the same as that of MFRS 139 i.e. an incurred loss model based on evidence of trigger loss events [S11.22 – S11.26]. Derecognition of a financial asset is based on when: (a) the contractual rights to cash flows expire or are settled, or (b) the entity transfers substantially all of the risks and rewards of ownership, or (c) if there is a continuing involvement, the transfer of control of the asset to another party [S11.33]. Derecognition of a financial liability is based on a legal discharge i.e. when it is extinguished, is cancelled or expires [S11.36].	
	Derivatives are off-balance sheet.	Section 12 This section applies only if a private entity has complex financial instruments, including derivative instruments [12.1] An accounting policy is given for private entities to comply with this Standard in full or with the requirements in MFRS 139 [12.2]. The initial recognition criterion is the same as for basic financial instruments i.e. based on when the entity becomes a party to the contractual provisions of the instrument [S12.6]. This means that all derivative contracts must be recognised in the financial position at the contract date. There is no requirement for assessing separation of embedded derivatives from host contracts, which means a private entity may disregard this complex accounting requirement in MFRS 139. The initial measurement of a financial asset or financial liability is at its fair value, which is normally the transaction price [S12.7]. The subsequent measurement at the end of each reporting period for financial instruments is at fair value through profit or	Requires assessment of embedded derivatives in host contracts. Fair value on initial recognition is the exit price, which may not be the same as the entry price.

	No requirement or guidance on hedge accounting.	loss, except for unquoted equity instruments whose fair value cannot be measured reliably, which shall be measured at cost less impairment [S12.8]. The Section provides for the option (not mandatory) of hedge accounting to recognise off-setting gains and losses of hedging instruments and hedged items in profit of loss [S12.15] The criteria for hedge accounting are similar to those in MFRS 139. However, the Standard limits the application of hedge accounting only to: (a) interest rate risk of debt instruments measured at amortised cost, (b) foreign exchange or interest rate risk in a firm commitment or a highly probable forecast transaction, (c) price risk of a commodity or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity, and (d) foreign exchange risk in a net investment in a foreign operation [S12.17].	Prescribes full hedge accounting requirements. Hedge accounting is an option.
B	Classification of Financial Liabilities and Equity		
	There is no equivalent PERS on the classification of financial liabilities and equity. GAAPs used in practice must comply with local laws and regulations. Uses the legal form as a basis for classifying capital and debt instruments. Preference shares, regardless of types, are share capital.	Section 22 The principles for classification of an instrument as liability or equity are similar to those in MFRS 132. Substance over form consideration is applied in the classification. The Standard provides guidance and examples of some instruments, though meeting the definition of a liability are presented as equity because they represent residual interest in the net assets of the entity [S22.4]. It also provides some examples of instruments that are classified as liabilities although in form, they may be equity. These include puttable instruments and redeemable preference shares [S22.5].	MFRS 132 As described in MPERS. Same requirements in MPERS.
	Issuance of shares, regardless of types, must comply with legal requirements.	The Standard provides guidance on the original issue of shares or other equity instruments and these include differences in date of issue and timing of payments	No guidance on the original issue of shares.

		[S22.7].	
		Measurement of equity instrument issued is by reference to the fair value of cash or other resources received or receivable, net of direct costs incurred in the issue. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis [S22.8]. The measurement requirement in this sub-section appears to be applicable only to first-time issue of shares. Shares issued in a business combination should be measured at their fair value rather than the fair value of the net assets received.	No specific guidance on measurement of shares issued. Measurement of shares issued in a transaction depends on the particular circumstances. Shares issued in a business combination must be measured at their fair value (MFRS 3)
	Capitalisation or bonus issue and share splits are allowed by the Companies Act 1965	The presentation of increase in equity on the issue of shares is determined by applicable laws, such as shares with or without a par value [S22.10].	
	Does not have requirements to split the proceeds of a compound financial instrument into debt and equity components. Treasury shares are not applicable for private entities. Distribution can be made only out of realised profits.	Provides guidance on the accounting for capitalisation or bonus issue and share splits, which requires reclassification of amounts within equity as required by applicable laws [S22.12]	No specific guidance on the accounting for capitalisation or bonus issue and share splits. These are treated as equity transactions in the MFRS.
		Requires that the proceeds of issuing debt or similar compound financial instrument be allocated to a liability and an equity component [S22.13].	
		There is no explicit requirement in this section or in the income tax section that a deferred tax liability must be recognised on the separation of the proceeds.	Requires a deferred tax liability on the taxable temporary difference arising on the separation of the proceeds of a compound financial instrument.
		Treasury shares are equity instruments and shall be presented as deduction from equity [S22.16]	
		Distribution to owners, whether in cash or non-cash is deducted directly in equity [S22.17].	
		For a non-cash distribution, the dividend payable is measured at the fair value of the assets to be distributed [S22.18].	
		NCI in the consolidated financial statements is presented as equity. Changes in stake that do not result in a loss of control are equity transactions and the	

	Dealt with in MASB 11.	effect is adjusted between parent and NCI in equity [22.19].	Dealt with in MFRS 10.
C	Disclosures about financial instruments		
	There is no equivalent PERS on disclosures about financial instruments.	Sections 11 & 12 Disclose the measurement basis (or bases) and other policies used for financial instruments [S11.40]. Disclose in <u>total</u> the carrying amount of each category of financial assets and financial liabilities [S11.41]. Disclose other information that enables users to evaluate the significance of financial instruments [S11.42]. If fair value is applied, disclose basis for determining fair value. When a valuation technique is used, disclose assumptions applied [S11.43]. No requirement to disclose fair value into measurement levels and transfers between levels. Disclose fact if reliable measure of fair value is no longer available [S11.44]. If hedge accounting is applied, disclose the details on hedge accounting [S12.27 - 12.29]. No disclosure requirement about an entity's financial risk management objectives, policies and strategies. No disclosure requirement on the sensitivity of market risk variables.	MFRS 7 Similar to MPERS. Need to disclose details in each category. Similar to MPERS. Disclosure of fair value information is much more comprehensive in the MFRS, including sensitivity test, information of significant variables used in the fair value measurement, the levels in the hierarchy of fair value measurement, and transfers between levels. MFRS has more detailed disclosure requirements on hedged accounting. Must disclose the risk management objectives, policies and strategies. Must disclose sensitivity analysis of market risks (currency risk, interest rate risk and price risk)
	FI-Related Interpretations		
	PERS has no equivalent guidance	The amended MPERS incorporates the guidance in IC 19 *Extinguishing Financial Liabilities with Equity Instruments* [S22.15].	IC 9 Reassessment of Embedded Derivatives. IC 19 *Extinguishing Financial Liabilities with Equity Instruments*

4. Standards on Assets

	PERS	MPERS	MFRSs
A	Inventories		
	MASB 2 Requirements are generally similar to MPERS and MFRS. Measures inventories at the lower of cost and net realisable value [MASB 2.11] Cost formulas:	Section 13 Requirements are the same as MFRS 102. Measures inventories at the lower of cost and estimated selling price less costs to complete and sell [S13.4]. Cost formulas:	MFRS 102 As described in MPERS

	Specific identification formula for inventories which are not ordinarily interchangeable and those of specific projects [MASB2.22] For other inventories, the benchmark treatment is FIFO or weighted average [MASB 2.24]. The allowed alternative is the LIFO formula [MASB 2.26] Exempt entities are given the option of not complying with certain disclosure requirements [MASB 2.5].	Specific identification formula for inventories which are not ordinarily interchangeable and those of specific projects [S13.7]. FIFO or weighted average cost formula for all other items of inventories [S13.8]. Techniques using standard cost method or retail price method allowed if result approximates cost [S13.6]. All private entities must comply with the disclosure requirements.	
B	Property, plant & equipment (PPE)		
	MASB 16 Applies two recognition principles, one on initial recognition and the other on subsequent expenditure (enhancement principle) to account for PPE [MASB 16.18 & 16.27]. Initial measurement is at cost [MASB 16.18]. Subsequent expenditure that enhances the performance of the asset is added to the carrying amount [MASB 16.27]. Replacements that are not enhancement are expensed. The benchmark treatment in the subsequent measurement is at cost less depreciation and impairment [MASB 16.33]. The allowed alternative treatment is at revalued amount less depreciation and impairment [MASB 16.34].	Section 17 Applies a "components" approach to separately recognise and account for each significant part of an item of PPE [S17.6]. Initial measurement is at cost [S17.9] Enhancement principle of a subsequent expenditure is not relevant. Each significant replacement is a new or new component of an item of PPE. Subsequent measurement is at cost or revalued amount less accumulated depreciation and accumulated impairment losses [S17.15]. Option for revaluation model is introduced in the amended MPERS.	MFRS 116 Applies a "components" approach to separately recognise and account for each significant part of an item of PPE Initial measurement is at cost Enhancement principle of a subsequent expenditure is not relevant. Each significant replacement is a new or new component of an item of PPE Subsequent measurement – A policy choice, by class, to measure PPE at: (i) the depreciated cost model; or (ii) the depreciated revaluation model.
C	Intangible Assets		
	MASB 4 Deals only with research and development costs. The requirements are the same as MFRS in that only development costs that meet the recognition criteria are capitalised [MASB 4.17]. No equivalent PERS on other intangible assets.	Section 18 The recognition criteria include a probability recognition criterion [S18.4]. The Standard makes an assumption that for all research and development expenditure [S18.14] and all internally generated intellectual property [S18.15], the probability recognition is not met. The expenditures incurred should be recognised as an expense. Recognition of intangible assets is restricted to prepayment [S18.16] and those acquired	MFRS 138 Development expenditure of R&D activities that meets the recognition criteria must be capitalised. All research and other development expenditure are recognised as an expense. Internally generated intellectual property shall not be recognised as an asset. Recognition of intangible assets includes prepayment, development expenditure capitalised and acquired intangible assets.

	In a business combination, practices under GAAPs require that an intangible asset is identifiable only if it is separable (can be sold separately) from the business as a whole. If it cannot be separated, it would be subsumed in the purchased goodwill. Initial measurement is at cost. Subsequent measurement is at cost less accumulated amortisation and accumulated impairment losses. No option for the use of the revaluation model.	through exchanges, such as through separate acquisitions, business combinations, government grants or exchanges of assets. For these assets, the probability recognition criterion is always considered satisfied [S18.7] For an intangible asset acquired as part of a business combination, there a rebuttable presumption that the measurement reliability criterion is met. This presumption is rebutted if the asset arises from legal or other contractual rights and its fair value cannot be measured reliability without undue cost or effort [S18.8]. Initial measurement of an intangible asset is at cost [18.9]. Subsequent measurement is at cost less accumulated amortisation and accumulated impairment losses [S18.18]. All intangible assets are presumed to have a finite useful life. Amortise over the useful life, or if the useful life cannot be reliably estimated, the life is determined based on management's best estimate but shall not exceed 10 years [S18.19&.20]. No option is provided for the use of the revaluation model or the fair value model.	For an intangible asset acquired as part of a business combination, both the probability recognition criterion and the measurement reliability criterion are assumed met. Thus, all intellectual property in a business combination must be recognised separately from goodwill. Initial measurement is at cost Subsequent measurement is subject to an accounting policy choice, by class, to measure an intangible asset either at: (a) amortised cost model, or (b) amortised revaluation model. The revaluation model can be applied only if there is an active market for the intangible asset. An intangible asset in MFRS may have an indefinite useful life. No amortisation is required in this case but subject to annual impairment test.
D	Investment Property (IP)		
	IAS 25 A land or building that is not substantially owner-occupied. No threshold or bright lines provided on what is substantial. A free choice is given to account for IP as PPE or as a long-term investment. If accounted for as a PPE, the measurement is the depreciated cost model or depreciated revalued amount [IAS 25.24]. If accounted for as a long-term investment, the measurement is either cost or revalued amount	Section 16 Subsequent measurement An IP whose fair value can be measured reliably without undue cost or effort shall be measured at fair value through profit or loss (includes interest in a leased property). All other IP shall be accounted for as PPE using the depreciated cost model [S16.7] Measurement is not subjected to a consistent policy choice. Transfers: If initially on a fair value model and reliable	MFRS 140 Land or building, or both, or part of land or buildings. Includes interest in an underlying operating leased asset. Subsequent measurement: An accounting policy choice to measure IP at the fair value model or at the cost model. Requirements include transfers from IP to inventories or to PPE and vice versa based on change in use.

	with changes in value recognised in revaluation reserve (note: the this no OCI for PERS yet) [IAS 25.25]. There is no depreciation if accounted as a long-term investment but impairment test is required.	measure of fair value is subsequently no longer available without undue cost or effort, account for the IP as PPE until a reliable measure of fair value becomes available. The carrying amount of the IP on that date becomes the surrogate cost. This is a change of circumstances, not a change in accounting policy [S16.8].	Clarifies that if an entity had used the fair value model it is highly unlikely that a change to the cost model would result in a better presentation.
E	Non-current Assets Held for Sale and Discontinued Operations		
	MASB 28 Non-current assets held for sale is not in the PERS literature. There is no PERS on this topic. PERS includes requirements to test for impairment of assets and recognition of provision when there is a discontinuing operation [MASB 28.17]. Definition includes a single plan to dispose a separate major line of business or geographical area of operations, and can be distinguished operationally and for financial reporting [MASB 28.2] Present discontinuing operation line-by-line for revenue and expense items right up to profit or loss for the period, either in a separate column and then combine with the line items of the continuing operations, or as a stand-alone section following the presentation of profit or loss from continuing operations.	Section 5 and Glossary of Terms There is no definition of non-current assets held for sale in the MPERS. There is no MPERS on this topic. However, if at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall make the necessary disclosures, including the carrying amounts of the assets and liabilities [S4.14]. No explicit requirement on impairment testing. Definition of discontinued operation is provided in the Glossary of Terms section and is similar to that of MFRS. Presentation of discontinued operation in the statement of comprehensive income is prescribed in S5.5(e) and it is identical to that of MFRS.	MFRS 5 Can be a single asset, a group of assets or a business held for sale. The carrying amount would be recovered principally through a sale transaction rather than continuing use. The expected sale must be highly probable (expected to complete the sale within one year) and firm management commitment to sell. Measurement is at the lower of carrying amount and fair value less costs to sell. Impairment loss recognised immediately even though the sale is not yet completed. For a disposal group, present as separate one-line, non-current assets of disposal group in current assets, liabilities of disposal group in current liabilities, and aggregated OCI of disposal group in equity. Definition is provided on discontinued operations that include business segment already disposed or is classified as held for sale and a subsidiary acquired with a view to sell within one year. Present the post-tax gains or losses of a discontinued operation as one line (separately from continuing) in profit or loss, with comparative information being similarly presented. Details of the results are disclosed by way of notes.
F	Biological Assets and Agricultural Produce		
	For plantation crops, the current practices are based on MAS 8, an old GAAP issued by the	Section 34 As an accounting policy, for each class of biological assets, an	MFRS 141 This MFRS does not provide for an accounting policy choice in

	professional accountancy bodies, and it relates to pre-cropping costs of long-term bearer biological assets. Under this GAAP all pre-cropping costs of new planting are capitalised as PPE. Under the "capitalisation and amortisation" method, the capitalised expenditure is amortised over the useful life of the crop. Replanting costs are capitalised as new PPE. Under the "capital maintenance" method, the capitalised cost of new planting is not amortised. Instead, the replanting expenditure is treated as the equivalent of amortisation and charged as an expense when incurred. Agricultural produce is measured at lower of cost and net realisable value. For aquaculture, MAS 5, an approved PERS, requires that the unit of account for growing aquaculture stock (fishes, prawns and other fish species) be based on production system which may be by units of ponds or cages, or by batches of production cycles. Growing aquaculture stock and produce harvested should be measured at the lower of cost and net realisable value, determined on the basis of the unit of account.	entity shall use: (a) the fair value model for which fair value is readily determinable without undue cost or effort; and (b) the cost model for all other biological assets [S34.2]. If the fair value model is applied, the biological assets on initial recognition and at each reporting date shall be measured at fair value less costs to sell with changes in fair value recognised in profit or loss [S34.4]. If the cost model is applied, the biological asset shall be measured at cost less accumulated depreciation and accumulated impairment losses [S34.8]. Agricultural produce harvested from biological assets must be measured at its fair value less costs to sell at the point of harvest regardless of the model applied for the biological assets [S34.5 & S34.9]. There is no requirement in MPERS to bifurcate a bearer plant into a bare plant and produce growing on the plant. MPERS applies to all biological assets, including fishes and animals.	that all biological assets and agricultural produce must be measured at fair value less point-of-sale costs. A high-level rebuttable presumption of fair value measurement is provided to permit the use of the cost model for biological assets. However, undue cost or effort is not a factor to rebut the presumption of measurement reliability. If the fair value measurement reliability is rebutted, biological assets are measured at depreciated cost method. No option for revaluation even if it is accounted for similar to a PPE. In the amended MFRS 116 and MFRS 141, long-term bearer plants shall be accounted for as a class of PPE whilst produce growing on trees remains within the scope of MFRS 141. This means that the bare bearer plants shall be measured at cost or revalued amount less accumulated depreciation and impairment whilst the produce growing on trees shall be measured at fair value less costs to sell as the produce grows. MFRS 141 applies to all biological assets, including fishes and animals.
G	Impairment of Assets (Other than Financial Assets)		
	MASB 23 Impairment test required only if there is any indication of impairment [MASB 23.9]. Allocation of goodwill depends on whether goodwill can be allocated on reasonable and consistent basis to CGUs. If yes perform "bottom-up" test only that includes the allocated goodwill [MASB 23.82(a)] If goodwill cannot be allocated, perform bottom-up test of a	Section 27 Test of impairment is required at each reporting date only if there is any indication of impairment [S27.7]. If goodwill can be allocated on a non-arbitrary basis, it is allocated to CGUs for impairment testing. In testing impairment of a partly-owned subsidiary, the goodwill on acquisition is notionally adjusted to include the NCI's portion [S27.25 & S27.26].	MFRS 136 If an entity carries goodwill or an intangible asset with indefinite useful life, impairment test must be performed annually or more frequently when impairment is evident, regardless of whether there is any indication of impairment. If without goodwill or intangible asset with indefinite life, test for impairment only if there is any indication of impairment. Goodwill must be allocated to its

	CGU without goodwill, and then perform top-down test by combining all CGUs and the goodwill [MASB 23.82(b)]. Impairment loss recognised in profit or loss for an asset carried at cost model and treated as revaluation decrease for an asset carried at revalued amount.	If goodwill cannot be allocated to CGUs on a non-arbitrary basis, the measurement of recoverable amount is by including the goodwill in: (a) the acquired entity in its entirety if that entity has not been integrated with other acquired entities; or (b) the entire group of entities that have been integrated if the goodwill relates to an entity that has been integrated [S27.27]. For assets carried on the cost model, any impairment loss is recognised immediately in profit or loss [S27.6]. For assets carried on the revaluation model, any impairment loss is treated as a revaluation decrease.	related CGUs. If initially acquired and cannot be allocated initially because the fair value information about assets and liabilities is not complete, the allocation must be completed by the end of 12 months after acquisition. For assets carried on the cost model any impairment loss is recognised in profit or loss. For assets carried at the revaluation model any impairment loss is treated as a revaluation decrease.

5. Standards on Liabilities

A	Provisions and Contingent liabilities		
	MASB 20 Similar to MFRS 137 and MPERS. Principles are as described in MPERS.	Section 21 The recognition criteria of a provision (a liability of uncertain timing or amount) are the same as those of PERS and MFRS. Uses a past obligating event, probable outflows and measurement reliability for recognition of a provision [S21.4]. The initial measurement of a provision is the "best estimate" of the amount required to settle the obligation at the reporting date, which is estimated using a weighted average formula if the provision involves a large population of items (such as a provision for warranties) or the individual most likely outcome if the provision arises from a single obligation. Other obligations that do not meet the recognition criteria, including those that are present obligations that are assessed as possible, are classified as contingent liabilities and are disclosed separately unless the possibility of an outflow of resources is remote. A contingent asset shall not be recognised. It is disclosed	MFRS 137 As described in MPERS.

	No undue cost or effort exemption for disclosure of contingent assets.	separately if the economic inflows are probable. The disclosures include nature of the contingent asset and an estimate of the financial effect, unless such an estimate would involve undue cost or effort. If undue cost or effort exemption is availed, disclose that fact and the reasons. When the inflows from a contingency are virtually certain, the related asset is not a contingent asset. Hence its recognition is appropriate [S21.13].	No undue cost or effort exemption for disclosure of contingent assets.
B	Provisions-Related Interpretations		
	PERS has no equivalent guidance on the issues addressed in the IC Interpretations	MPERS does not contain guidance on the issues dealt with in the IC Interpretations	IC 1 deals with Changes in Existing Decommissioning, Restoration and Similar Liabilities. IC 5 deals with Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds. IC 6 deals with Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. IC 21 deals with Levies charged by Public Authorities.
C	Income Taxes		
	MASB 25 Requirements are similar to MFRS 112 and MPERS. Minor adaptations have been made in PERS to suit the requirements to the local environment but they are not changes to the principles. In particular, a clarification is made on the treatment of reinvestment allowance and similar allowances, which form part of the tax base of a qualifying capital expenditure [MASB 25.36].	Section 29 Requirements are similar to those in MFRS 112 Uses a temporary difference approach to recognise tax assets and tax liabilities [S29.8]. Applies the balance sheet liability method to account for deferred taxes on temporary differences between carrying amounts of assets and liabilities in the financial position and their corresponding tax bases [S29.9]. Generally requires full provision except for: (i) initial recognition of goodwill, and (ii) difference arising on initial recognition of an asset of a liability which is not a business combination and at the time of the transaction, affects neither accounting profit	MFRS 112 As described in MPERS. For IP measured at fair value, there is a high-level rebuttable presumption that the carrying amount of the IP is recovered through sale at the end of the reporting period. To rebut the presumption, an entity must have a business model to recover the asset entirely though use over the economic life of the IP.

	No explicit requirement on IP measured at revalued amount, which means that the normal expected manner of recovery by use is applied. Requires tax assets and liabilities to be offset when the conditions are met without any undue cost or effort exemption [MASB 25.69] Requires numerical reconciliation of the differences between the tax expense and the applicable statutory tax amount [MASB 25.79(c)].	nor taxable profit [S29.14 & S29.16]. Recognition of deferred tax assets for unused tax losses and unused tax credit is based on the extent that it is probable future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. For IP measured at fair value, the rebuttable presumption of recovery by sale is the same as MFRS [S29.30]. Requires offsetting of tax assets and liabilities when the conditions of legally enforceable rights and net settlement basis are met but permits undue cost or effort exemption, with disclosure of fact and reasons. [S29.37]. Requires an explanation of any significant differences between the tax expense and accounting profit multiplied by the applicable tax rate [S29.40(c)]. However, the form is not prescribed.	Requires tax assets and liabilities to be offset when the conditions are met without any undue cost or effort exemption [MFRS 112.71] Requires numerical reconciliation of the differences between the tax expense and the applicable statutory tax amount [MFRS 112.81(c)].
D	Employee Benefits		
	MASB 29 Short-term employee benefits, the requirements are similar to those in MFRS 119. Accounting for defined contribution plans is also similar. Use the projected unit credit method to measure obligations and costs. Limits the carrying amount of asset so that it does not exceed the net total of: (a) any unrecognised past service cost and actuarial losses, plus (b) the PV of refunds or reductions in future contribution. Recognise a portion of the net cumulative actuarial gains and losses that exceed the greater of a 10% corridor rule.	Section 28 The requirements for short-term employee benefits and for defined contribution plans are the same as MFRS 119. For defined benefit plans, an entity recognises a defined benefit liability for the obligation under the plan net of plan assets, and the net change in that liability during the period as the cost of its defined benefit plan [S28.14]. Requirements on measurements are the same as in MFRS 119, except that MPERS does not mandate an independent actuarial valuation and there are some simplifications in the measurement of obligation. For recognition of actuarial gains and losses, an accounting policy choice is given to recognise all such gains and losses in either: (a) profit or loss, or (b) other	MFRS 119 As described in PERS and MPERS. Past service cost is recognised as cost of a current period and there is no option of deferral. Requires independent actuarial valuation. Remeasurement gains or losses, including actuarial gains and losses must be recognised in OCI without any option of recycling to profit or loss.

		comprehensive income [S28.24]	
E	Leases		
	MASB 10 The requirements are similar to those in MFRS 117 The indicators of situations for classification as a finance lease are similar to those in MFRS 117. PERS further gives guidance on thresholds or bright-lines and these are: (i) 75% as major part of economic life, and (ii) present value of 90% as substantially all of the fair value of the leased asset [MASB 10.10] The clarification that in Malaysia leasehold land and buildings are treated as fixed assets in accordance with MASB 16 and where applicable, the 9th Schedule of the Companies Act 1965 [MASB 10.14].	Section 20 The standards prescribed for lease accounting are similar to those in MFRS 117. Uses a "risks and rewards" approach to the classification of leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this transfer of risks and rewards criterion are classified as operating leases [S20.4]. Some indicators of finance lease are provided and they are similar to those in MFRS 117. However, no thresholds or bright lines are specified [S20.5 & S20.6]. No specific guidance is provided on the classification of leases of land and buildings. For a finance lease, a lessee shall capitalise the leased asset and the corresponding lease liability [S20.9]. The subsequent measurement of the lease liability is at amortised cost effective interest method in which finance charge is allocated to each period using a constant periodic rate of interest. No option is provided for approximation such as the sum-of-digits method [S20.11]. For an operating lease, a lessee does not capitalise the leased asset or recognise the lease obligation. Lease payments are recognise as an expense on the straight-line basis unless either: (a) another systematic basis is representative of the time pattern of the user's benefit, or (b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases [S20.15]. A lessor in a finance lease recognises a receivable at an amount equal to the net	MFRS 117 As described in MPERS. Additional interpretations are provided in IC Interpretations. No thresholds or bright-lines for the indicators. More detailed clarification on the classification of lease of land and building. Some short leases of land may not meet the criteria for classification as a finance lease. Any upfront payment for such short term leases is treated as a prepayment.

		investment in the lease [S20.17]. Finance income is recognised on a pattern that reflects a constant period rate of return [S20.18]. For an operating lease, a lessor recognised the leased asset according to the nature of the asset [S20.24[, Lease income is recognised on a straight-line basis unless either: (a) another systematic basis is more appropriate, or (b) payments are structured to include expected general inflation [S20.25[	
F	Government Grants		
	MASB 31 Same income approach is applied. The requirements are similar to those in MFRS 120. For non-monetary grant such as a transfer of land at nominal value, it is <u>usual</u> to assess the fair value of the asset and record both grant and asset at that fair value [MASB 31.23]. No requirement to treat the benefit of a government loan as a grant.	Section 24 Applies an income approach in that all government grants are income transactions rather than capital transactions. If there is no specified future performance condition imposed, the grant is recognised in income when the grant proceeds are receivable. If there are specified conditions imposed, the grant is recognised in income only when the conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability [S24.4]. Government grants shall be <u>measured at the fair value</u> of the asset received or receivable [S24.5]. No exception provided for non-monetary government grants transferred at nominal value. Amended MPERS requires that a government loan at below-market interest rate be measured at fair value and the benefit of the loan treated as a grant.	MFRS 120 Applies an income approach to the recognition of government grants [MFRS 120.16]. For recognition, there must be reasonable assurance that: (a) the entity will comply with the conditions and (b) the grants will be received [MFRS 120.7]. Recognise grants in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate [MFRS120.12]. Non-monetary government grants, such as transfer of land at nominal value, may be measured at fair value by reference to the <u>fair value of the asset received or at the nominal amount paid</u> [MFRS 120.23]. Additional guidance is provided on the treatment of a government loan at below market rate of interest. The <u>loan is measured at the present value of the future payments</u> and accounted for as a financial liability. The difference between the nominal value and the present value is a treated as a government grant [MFRS 120.10A]

6. Revenue and Revenue-Related Standards

A	Revenue		
	MASB 9	Section 23	MFRS 118

	Requirements are similar to MPERS and MFRS.	The Scope covers: (a) sales of goods, (b) rendering of services, (c) construction contracts, (d) interest, royalties and dividends [S23.1]. Measures revenue at the fair value of the consideration received or receivable [S23.3]. Need to identify separately identifiable components in a multiple-element transaction. Also need to combine multiple transactions if they are closely interlinked [S23.8]. Uses a "risks and rewards" approach for the recognition of sales of goods. The criteria prescribed are similar to those in MFRS 118 [S13.10]. For rendering of services, when the outcome can be estimated reliably, revenue is recognised using the percentage of completion method. The criteria for outcome measurement reliability prescribed are similar to those in MFRS 118 [S23.14]. When the outcome cannot be estimated reliably, revenue is recognised only to the extent of the recoverable expenses recognised [S23.16]. For use by others of entity's assets: (a) interest income is recognised using the effective interest method, (b) royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement, and (c) dividends are recognised when the shareholders' right to receive payment is established [S23.29].	The requirements on sales of goods, rendering of services and interest, royalties and dividends are as described in MPERS.
B	Revenue-Related Interpretations		
	No equivalent Interpretations or guidance in PERS	Section 23 No equivalent requirement on barter trade transactions involving advertising services. The same requirement as IC 13 for customer loyalty	IC 131 Revenue – Barter Trade Transactions involving Advertising Services. A seller measures revenue at fair value of the advertising services it provides in a barter trade transaction by reference to non-barter trade transactions. IC 13 Customer Loyalty Programmes. Accounts for the credit awards as a separate identifiable

		programmes [S23.9]	components in the sales transaction(s) in which they are granted (the initial sales). Need to allocate the consideration received or receivable between credit awards component and the component of sale.
B	Construction Contracts		
	MASB 7 Similar to MFRS 111 and as described in MPERS	Section 23 The requirements for recognising revenue of construction contracts are similar to those prescribed for rendering of services [S23.17]. The main principle is the percentage of completion method when the outcome can be estimated reliably. Otherwise, revenue is recognised to the extent of recoverable contract costs recognised as an expense [S23.25]. The entity does not recognise the asset under construction. Instead, it recognises a receivable (amount due from customers) or a payable (amount due to customers) in its financial position [S23.32].	MFRS 111 As described in MPERS
C	Property Development Activities / Construction of Real Estates		
	MASB 32 Identical to MPERS. As described in MPERS.	Section 34 The subsection on property development activities is <u>almost a verbatim of MASB 32.</u> The unit of account is by projects [S34.19]. When the outcome of a project can be estimated reliably, revenue and expense of units sold are recognised in profit or loss by reference to the <u>stage of completion</u> [S34.43]. When the outcome cannot be estimated reliably, revenue on units sold is recognised <u>to extent of recoverable development costs</u>, and costs of the units sold are recognised as an expense when incurred [S34.38]. An entity recognises a project work-in-progress as an asset for costs incurred on unsold units [S34.57(c)].	IC Interpretation 15 Deals with accounting for construction of real estate. Clarifies that if an agreement meets the definition of a <u>construction contract</u>, revenue is recognised using the <u>percentage of completion method</u> [IC 15.13]. If the entity is not required to acquire and supply the construction materials, the agreement is a <u>rendering of services.</u> Provided other recognition criteria are met, the entity uses the <u>percentage of completion method</u> [IC 15.15]. If the entity is required to provide services together with construction materials, the agreement is for <u>the sales of goods</u> [IC 15.16]. The critical consideration is the transfer of control and significant risks and rewards

			incident of ownership of the WIP in its current state as construction progresses. If the entity transfers control continuously to the customer, revenue is recognised using the percentage of completion method [IC 15.17]. If the entity transfer control of the real estate in its entirety at a single time, revenue is recognised using the completed contract method i.e. only upon completion and delivery of the real estate [IC 15.18]. The indicators of when control is transferred, at a single time or continuously, are however mixed and not definitive and it is difficult to make a judgement on the continuous transfer of control. The new MFRS 15 requires that if a developer has no alternative use to the unit sold and has an enforceable right for payment, it applies the percentage of completion method.

7. All Other Standards in MPERS

A	Share-based Payments		
	There is no equivalent PERS on share-based payment transactions. GAAPs in practice do not recognise shares or share options of employee benefit plans. MASB 29 explains equity compensation benefits [MASB 29.149] but does not specify recognition and measurement requirements [MASB 29.150]. Requires disclosures about such benefits [MASB 29.152].	Section 26 The Scope is similar to that of MFRS 2 and it covers: (a) equity-settled share-based payments, (b) cash-settled share-based payments, and (c) transaction with a choice of settlement in cash or issue of equity instruments [S26.1]. For share-based payment transactions, recognise the goods or services when the entity obtains the goods or as the services are received (generally as an expense). The corresponding credit is recognised in equity in an equity-settled share-based payment transaction, or as a liability in cash-settled share-based payment transaction [S26.3]. The timing of the recognition	MFRS 2 As described in MPERS.

		depends on whether there are vesting conditions [S26.5]. The measurement principle is to measure the fair value of the goods or services received. If the fair value cannot be estimated reliably, an entity measures the value by reference to fair value of the equity instruments granted. The Standard makes a presumption that it is typically not possible to estimate reliably the fair value of employee services received [S26.7]. For transactions with employees, the fair value of the equity instrument issued shall be measured at grant date [S26.8]. The fair value measurement guidance is a three-tier measurement hierarchy, depending on whether observable market prices are available. For share options, in the absence of market prices or prices in recent transactions, an entity uses an option pricing model to estimate the fair value of the options granted [S26.10 S26.11]. The disclosure requirements are similar to those in MFRS 2 and they relate to information about the nature and extent of share-based payment arrangements that existed during the period [SS28.18 – S26.23].	
B	Borrowing Costs		
	MASB 27 Benchmark treatment - all borrowing costs should be recognised as an expense when incurred [MASB 27.6] Allowed alternative treatment - borrowing costs directly related to a qualifying asset shall be capitalised [MFRS 27.10].	Section 25 Recognise all borrowing costs as an expense in profit or loss in the period they are incurred [S25.2] The option of capitalising borrowing costs on qualifying assets is not allowed.	MFRS 123 Borrowing costs that are directly related to a qualifying asset shall be capitalised as part of the cost of that asset [MFRS 123.8].
C	Events after the End of the Reporting Period		
	MASB 19 The requirements are similar to MFRS 110 and MPERS in all material respects.	Section 32 Requirements for adjusting events [S32.4] and non-adjusting events [S32.6] that occur after the end of the reporting period but before the financial statements are authorised for issue are the same as those of	MFRS 110 As described in MPERS.

	Dividends declared or proposed after the balance sheet date may be presented as a component within equity or disclosed by way of note [MASB 19.12]. Requires disclosure updates about conditions at the balance sheet date [MASB 19.19].	MFRS 110. Dividends declared after the end of the reporting period shall not be recognised as a liability at the end of the reporting period, but may be presented as a segregated component of retained earnings at the end of the reporting period [S32.8] Requires disclosure of the date of authorisation for issue and who gave that authorisation [S32.9]. No requirement for disclosure of updates of information about non-adjusting events.	No specific requirement to present dividend declared after the end of the reporting period in equity. Requires disclosure updates about conditions at the end of the reporting period.
D	Related Party Disclosures		
	PERS <u>does not have</u> an equivalent standard on related party disclosures. Practices on related party disclosures are based on the requirements of the Companies Act 1965, which requires disclosure of <u>transactions with related corporations (parent, subsidiaries and fellow subsidiaries)</u> and disclosure of directors' remunerations and benefits in kind. Disclose directors' fees, emoluments and benefits- in-kind, and fees paid to a professional firm in which a director has an interest.	Section 33 The requirements in this section are similar in all material respects to those in MFRS 124. As described in MFRS. The amended MPERS now <u>includes entities that provide key management personnel services as a related party</u> [S33.2]. Key management personnel compensation shall be disclosed <u>in total</u> [S33.7]. Disclosure of transactions and balances is made in <u>four categories of relationships</u> [S33.10].	MFRS 124 Uses the <u>criteria of control, joint control and significant influence to identify a related party relationship</u> [MFRS 124.9]. The scope of relationships is specified and <u>it includes individual persons and close family members</u> [MFRS 124.9]. Amendment now includes an <u>entity that provides key management personnel services</u>. Control relationships of parent and subsidiaries shall be disclosed regardless of whether there are related party transactions [MFRS 124.13]. Key management personnel compensation shall be disclosed <u>in total and by categories</u> [MFRS 124.17]. Other related party relationships are disclosed only if there are transactions between the reporting entity and its related parties. Specifies the disclosure requirements on the amounts and types of transactions, balances outstanding including terms, etc. [MFRS 124.18]. Disclosure is made in <u>nine categories of relationships</u> [MFRS 124.19]. Transactions of a similar nature may be disclosed in aggregates [MFRS 124.24]. A government-related entity is exempted from disclosures of

			transactions and balances with the government or with a fellow government-related entity [MFRS 124.25].
E	Extractive Activities		
	No equivalent PERS on this topic	Section 34 Accounts for expenditure on the acquisition or development of tangible or intangible assets for use in extractive activities by applying the PPE section and the Intangible Assets section. Obligation to dismantle an item, or to restore the site, is accounted for in accordance with the Provisions and Contingencies sections [S34.11]	MFRS 6 Does not deal with recognition and measurement. Makes limited improvements to existing practices for exploration and evaluation expenditures. Requires impairment testing of recognised exploration and evaluation assets Requires disclosure to identify and explain the amounts of explorations for and evaluation of mineral resources.
F	Service Concession Arrangements		
	There is no equivalent PERS on service concession arrangements.	Section 34 Deals only with public-to-private service concession arrangements of public infrastructure, in which the private sector operator accounts for the receivable as a financial asset or an intangible asset, or both, depending on the terms and the operator's rights and obligations in the arrangement [S34.13]. Applies the <u>financial asset model</u> if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for construction services. Initially measures the <u>financial asset at fair value</u> [S34.14] Applies the <u>intangible asset model</u> if the operator receives a right (a licence) to charge users of the public service. Initially measures the <u>intangible asset at fair value</u> [S34.15]. Revenue in a service concession arrangement is <u>accounted for in accordance with Section 23 *Revenue*</u> [S34.16].	IC 12 Similar and as described in MPERS. Includes additional guidance on: (i) borrowing costs incurred for the construction of the public infrastructure, which can only be capitalised if the operator accounts for the service concession arrangement using the intangible asset model; (ii) assets transferred from the grantor, which are recognised as PPE only if they are not part of the public infrastructure; and (iii) upgrades and restoration of the infrastructure before handing it back to the grantor in a BOT arrangement. A provision is required for such obligation.

First-Time Adoption

	Transition to the New Framework		
	There is no equivalent MASB Standard on transition.	Section 35 The requirements for first-time	MFRS 1 As described in MPERS.

		adoption of MPERS are essentially the same as those for first-time adoption of MFRSs. The steps include: (i) Identifying the date of transition to MPERS, which is the beginning of the earliest period for which full comparative information is provided in the first financial statements that conform to this MPERS [S35.6]. (ii) Preparing the opening statement of financial position as of the date of transition to: (a) recognise assets and liabilities that are required by the MPERS, (b) derecognise items that are not assets or liabilities in accordance with MPERS, (c) reclassify line items to be in accordance with MPERS, and (d) apply the measurement requirements for assets and liabilities in accordance with MPERS [S35.7]. (iii) Providing the disclosures to explain the effects of the transition to the MPERS [in the form of reconciliations showing the effects on equity at the date of transition and the end of the previous comparative period, and on profit or loss of the comparative period [S35.12] The overall principle is that changes in accounting policies on recognition and measurement resulting from the adoption of MPERS are to be applied retrospectively [S35.8]. The Standard provides for non-mandatory exemptions of the retrospective application in some specified areas [S35.10]. It further prescribes mandatory exceptions to the retrospective application in some other specified areas [S35.9]. The third statement of financial position as at the date of transition may be presented on a voluntary basis.	However, MFRS 1 requires an entity's first MFRS financial statements must have three statements of financial position, including one as at the date of transition to MFRSs.