

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Malaysia**



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This Profile provides information about the application of IFRS Standards in Malaysia. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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PARTICIPANT IN THE IFRS FOUNDATION SURVEY ON APPLICATION OF IFRS STANDARDS

Organisation	Malaysian Accounting Standards Board (MASB)
Role of the organisation	The Malaysian Accounting Standards Board was established under the Financial Reporting Act 1997 as an independent authority to develop and issue accounting and financial reporting standards in Malaysia. That Act gives the standards issued by the MASB legal authority.
Website	www.masb.org.my
Email contact	beeleng@masb.org.my

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
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Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Malaysia has already adopted IFRS Standards and the IFRS for SMEs Standard for all companies.
Additional comments provided on the adoption status?	<p>In August 2008, the MASB announced its plan to converge Malaysian Financial Reporting Standards (MFRS) with IFRS Standards in 2012. See: http://www.masb.org.my/press_list.php?id=71</p> <p>In November 2011, the MASB issued the MFRS Framework which is Malaysian Financial Reporting Standards (MFRS) that are, in substance, word-for-word in agreement with all IFRS Standards in effect as of 1 January 2012. Moreover, MASB's plan is to maintain the identity of MFRS and IFRS Standards going forward by adopting all new or amended IFRS Standards.</p> <p>On 2 September 2014 the MASB announced that the mandatory effective date for Transitioning Entities to migrate to the MFRS Framework is 1 January 2017. The MASB also announced the adoption of two recent IFRS Standards as part of the MFRS Framework as follows:</p> <ul style="list-style-type: none"> • MFRS 15 <i>Revenue from Contracts with Customers</i>, effective for annual periods beginning on or after 1 January 2017. • <i>Agriculture: Bearer Plants</i> (Amendments to MFRS-116 and MFRS 141) effective for annual periods beginning on or after 1 January 2016. <p>The announcement (MASB Notice 2014-09-02) is here: http://www.masb.org.my/pdf.php?pdf=2014-09-02_masbnotice.pdf&file_path=pdf</p> <p>On 8 September 2015, the MASB announced that in the light of the IASB Board's deferral of IFRS 15 <i>Revenue from Contracts with Customers</i>, the mandatory effective date for Transitioning Entities to migrate to the MFRS Framework will also be deferred to 1 January 2018. The MASB has consistently used the effective date of MFRS 15 (which is, in substance, word-for-word IFRS 15) as the basis for setting the effective date for the Transitioning Entities to apply the MFRS Framework. See http://www.masb.org.my/press_list.php?id=8</p> <p>The announcement (MASB Notice 2015-10-28) is here: http://www.masb.org.my/pdf.php?pdf=MASB_NoticeofIssuane_28Oct2015.pdf&file_path=pdf</p> <p>Financial statements that have been prepared in accordance with the MFRS are required to include an explicit and unreserved statement of compliance with IFRS Standards. For the press announcement on the MFRS Framework, please see: http://www.masb.org.my/press_list.php?id=36</p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	<p>Non-private entities were mandated by law to apply the MFRS Framework (ie IFRS Standards) for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities (TEs).</p> <p>TEs are mandated by law to apply the MFRS Framework for annual periods beginning on or after 1 January 2018, with early application permitted. In the meantime, TEs that have not chosen to apply the MFRS Framework will continue using the existing Malaysian national GAAP (known as the FRS Framework) in its entirety.</p> <p>TEs are entities that are subject to the application of MFRS 141 <i>Agriculture</i> (identical to IAS 41 <i>Agriculture</i>) and/or Malaysian Interpretation 15 <i>Agreements for Construction of Real Estate</i> (identical to IFRIC 15 <i>Agreements for the Construction of Real Estate</i>). An entity that consolidates or equity accounts another TE that has chosen to apply FRS (rather than MFRS) may itself choose to apply the FRS Framework. The MASB had permitted TEs to continue to use FRS until the IASB Board completed its projects on revenue recognition and bearer biological assets. Those projects are now completed, and MASB has adopted IFRS 15 and the bearer plant revisions to IAS 41 as part of the MFRS Framework.</p>
Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Required.
For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?	<p>Through 31 December 2015, private entities were permitted to use the MFRS Framework (identical to IFRS Standards) or they were permitted to use the Private Entity Reporting Standard (PERS) issued by the MASB. However, with effect from 1 January 2016, PERS is withdrawn and be replaced by the Malaysian Private Entities Reporting Standard, MPERS. MPERS is word-for-word the IFRS for SMEs Standard (including the Amendments to IFRS for SMEs Standard issued in May 2015) except for the requirements for property development activities, plus some terminology changes (details are in the section below on Application of the IFRS for SMEs)</p> <p>Under MASB guidelines, an entity that is a subsidiary, an associate, a joint operation, or a joint venture whose parent/investor is required by the Malaysian securities or banking regulator to prepare full MFRS financial statements must itself prepare full MFRS financial statements. That is, it does not meet the definition of a private entity under MASB guidelines and cannot use the PERS.</p>

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Permitted. Under amendments to the Financial Reporting Act of 1997, foreign companies whose securities trade in a public market in Malaysia are permitted to choose between the MFRS Framework (which is identical to IFRS Standards) or any acceptable international accounting standards issued by accounting standards issuing bodies recognised by MASB (which includes the IASB Board). See: http://www.masb.org.my/pdf.php?pdf=2013jan-financial%20reporting%20act%201997%20act%20558.pdf&file_path=pdf

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies? IFRS Standards as issued by the IASB Board, ie standards and amendments are adopted/endorsed as and when issued by the IASB Board.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with: Malaysian Financial Reporting Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)? Yes. Moreover, financial statements that have been prepared in accordance with the MFRSs are required to include an explicit and unreserved statement of compliance with IFRS Standards.

Are IFRS Standards incorporated into law or regulations? Yes.

If yes, how does that process work? Section 7 of the Financial Reporting Act 1997 (FRA) empowers the Malaysian Accounting Standards Board to issue approved accounting standards for application in Malaysia. Under section 26D of the FRA, financial statements that are prepared or lodged with the Central Bank, Securities Commission, or Registrar of Companies are required to comply with the standards issued by MASB. Consequently, the accounting standards issued by MASB are given the force of law. See: http://www.masb.org.my/pdf.php?pdf=2013jan-financial%20reporting%20act%201997%20act%20558.pdf&file_path=pdf

If no, how do IFRS Standards become a requirement in the jurisdiction? Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place	Yes.
If yes, what is the process?	The MASB must make a public announcement of the issuance of a new or amended MFRS that is equivalent to a new or amended IFRS so as to give the standard the legal status of MASB Approved Accounting Standards under the Financial Reporting Act 1997. Please see the following link for the announcement of issuance of the MFRS Framework and FRS Framework: http://www.masb.org.my/pages.php?id=61
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	No.
If yes, what are the changes?	Not applicable.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language? No. The English language IFRS Standards are used.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards? Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs? Yes.

On 14 February 2014, the MASB issued a new set of framework for its private entities, MPERS (Malaysian Private Entities Reporting Standard). MPERS takes effect for financial statements with annual periods beginning on or after 1 January 2016, with early application permitted. The MPERS is, in substance, word-for-word the IFRS for SMEs Standard issued by International Accounting Standards Board (IASB Board) in July 2009 except for the requirements on income tax and property development activities, plus some terminology changes (details below).

On 28 October 2015, the MASB issued Amendments to MPERS, word-for-word the 2015 Amendments to IFRS for SMEs. With those amendments, section 29 on income taxes has been made, in substance, word-for-word the requirements on income taxes prescribed in the Amendments to IFRS for SMEs Standard issued in May 2015. Consequently, the MPERS (including the Amendments to MPERS) is, in substance, word-for-word the IFRS for SMEs Standard (including the Amendments to IFRS for SMEs Standard) except for the requirements for property development activities plus some terminology changes.

If no, is the adoption of the IFRS for SMEs Standard under consideration?	Not applicable.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Yes.
If the jurisdiction has made any modifications, what are those modifications?	<p>Section 1 Small and Medium-sized Entities has been modified to prescribe the applicability of the MPERS in the Malaysian context. In this regard, all references to 'SMEs' and 'public accountability' in Sections 1-35 have been replaced by the term 'private entities'.</p> <p>Section 9 Consolidated and Separate Financial Statements requires the ultimate Malaysian parent to prepare consolidated financial statements regardless of whether its ultimate parent that is not incorporated in Malaysia prepared consolidated financial statements.</p> <p>Section 34 Specialised Activities has been amended to provide guidance on the accounting for property development activities in Malaysia. Consequently, Example 12 on Agreements for the Construction of Real Estate contained in the Appendix to Section 23 Revenue has been removed.</p>
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	<p>Entities that meet the definition of a private entity are permitted to use MPERS. A private entity is a private company, incorporated under the Companies Act 1965, that –</p> <ul style="list-style-type: none"> • is not itself required to prepare or lodge any financial statements under any law administered by the Securities Commission or the Central Bank; and • is not a subsidiary or associate of, or jointly controlled by, an entity which is required to prepare or lodge any financial statements under any law administered by the Securities Commission or the Central Bank.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	<p>Private entities must choose their accounting framework as follows:</p> <ul style="list-style-type: none"> • Private Entity Reporting Standards (PERS) in their entirety for financial statements with annual periods beginning before 1 January 2016; or • Malaysian Private Entities Reporting Standard (MPERS) in its entirety for financial statements with annual periods beginning on or after 1 January 2016; or • Malaysian Financial Reporting Standards (MFRS) in their entirety.
Other comments regarding use of the IFRS for SMEs Standard?	None.