

# TABLE OF CONTENTS

About the Author.....	iii
Dedication .....	iv
Preface.....	v
Index of Referenced Sections of MPERS .....	xxxi
<b>CHAPTER 1: An Overview of Private Entity Reporting in Malaysia .....</b>	<b>1</b>
1.1    A Historical Perspective.....	3
1.2    The Current Financial Reporting Regime.....	4
1.3    Statutory Regulations on Financial Accounting and Reporting.....	5
1.3.1    The Financial Reporting Act 1997 .....	5
1.3.2    The Companies Act 2016.....	6
1.3.3    No Par Value Share Regime.....	10
1.3.4    Income Tax Act 1967 .....	10
1.4.    Accounting Standard Pronouncements in Malaysia .....	11
1.4.1    Pronouncement before the Current Financial Reporting Regime .....	11
1.4.2    Pronouncement under the Current Financial Reporting Regime .....	11
1.4.3    Future Pronouncements.....	15
1.5.    The State-of-The-Art Accounting and Reporting Practices .....	16
1.6.    Malaysian Private Entities Reporting Standard (MPERS).....	17
1.6.1    Scope of Section 1.....	17
1.6.2    Amendments to MPERS (2015).....	17
1.6.3    Maintenance of MPERS.....	18
1.7.    The Directors' Report of Companies .....	18
<b>CHAPTER 2: Conceptual Framework, Concepts and Pervasive Principles .....</b>	<b>21</b>
2.1.    Why the Need for a Conceptual Framework.....	23
2.2.    Concepts and Pervasive Principles in MPERS .....	24
2.2.1    Objective of Financial Statements of Private Entities.....	24
2.2.2    Qualitative Characteristics of Information in Financial Statements .....	24
2.2.3    Comparison with the MFRS's Conceptual Framework .....	27
2.3.    Financial Position.....	27
2.3.1    Assets .....	28
2.3.2    Liabilities.....	28
2.3.3    Equity .....	29

**Table of Contents**

2.4	Performance .....	29
2.4.1	Income.....	29
2.4.2	Expenses.....	29
2.5	Recognition of Assets, Liabilities, Income and Expenses.....	30
2.5.1	Recognition Criteria.....	30
2.6	Measurement of Assets, Liabilities, Income and Expenses .....	31
2.7	Pervasive Recognition and Measurement Principles .....	31
2.7.1	Undue Cost or Effort Exemption .....	31
2.8	Accrual Basis .....	32
2.9	Recognition in Financial Statements.....	33
2.9.1	Assets .....	33
2.9.2	Liabilities.....	33
2.9.3	Income.....	33
2.9.4	Expenses.....	33
2.9.5	Total Comprehensive Income and Profit or Loss.....	33
2.10	Measurement at Initial Recognition.....	34
2.11	Subsequent Measurement.....	34
2.11.1	Financial Assets and Financial Liabilities.....	34
2.11.2	Non-Financial Assets .....	34
2.11.3	Liabilities Other than Financial Liabilities .....	34
2.12	Offsetting.....	35
2.13	Concepts of Capital and Capital Maintenance .....	35
2.13.1	Concepts of Capital .....	35
2.13.2	Concepts of Capital Maintenance and the Determination of Profits.....	36
<b>CHAPTER 3:</b>	<b>Presentation of Financial Statements.....</b>	<b>39</b>
3.1	Introduction .....	41
3.2	Presentation of Financial Statements .....	41
3.2.1	Fair Presentation.....	41
3.2.2	An Explicit Statement of Compliance.....	42
3.2.3	True and Fair View Over-ride .....	42
3.2.4	Going Concern .....	44
3.2.5	Frequency of Reporting.....	45
3.2.6	Consistency of Presentation .....	45
3.2.7	Comparative Information.....	45
3.2.8	Materiality and Aggregation .....	46

**Table of Contents**

3.3	Complete Set of Financial Statements .....	46
3.4	Identification of the Financial Statements.....	47
3.5	Statement of Financial Position .....	48
3.5.1	Information to be presented in the Statement of Financial Position .....	48
3.5.2	Current/Non-Current Distinction .....	52
3.5.3	Current Assets .....	52
3.5.4	Current Liabilities .....	52
3.5.5	Information to be presented either in the Statement of Financial Position or in the Notes .....	53
3.6	Statement of Comprehensive Income and Income Statement.....	54
3.6.1	Some New Terms and Definitions.....	54
3.6.2	Information to be presented in the Statement of Comprehensive Income .....	59
3.6.3	Analysis of Expenses .....	61
3.6.4	Other Comprehensive Income .....	65
3.7	Statement of Changes in Equity and Statement of Income and Retained Earnings.....	69
3.7.1	Components in the Statement of Changes in Equity.....	69
3.7.2	Alternative Statement for Private Entities.....	73
3.8	Notes to the Financial Statements .....	74
3.8.1	Structure of the Notes.....	74
3.8.2	Disclosure of Accounting Policies .....	74
3.8.3	Disclosure of Judgments and Estimation Uncertainties .....	75
3.8.4	Any Other Disclosures .....	78
3.9	Comparison with the MFRS Framework .....	78
<b>CHAPTER 4:</b>	<b>Statement of Cash Flows .....</b>	<b>79</b>
4.1	Rationale of the Statement of Cash Flows .....	81
4.2	The Requirements in Preparing the Statement of Cash flows .....	81
4.2.1	Cash and Cash Equivalents .....	82
4.2.2	Bank Borrowings .....	83
4.2.3	Fixed Deposits Pledged for Financing .....	83
4.2.4	Disclosure of Components of Cash and Cash Equivalents .....	83
4.3	Cash Flows from Operating Activities .....	84
4.4	Cash Flows from Investing and Financing Activities .....	86
4.5	Interest and Dividends .....	86

**Table of Contents**

4.6	Taxes on Income .....	87
4.7	Non-Cash Transactions .....	87
4.8	The Worksheet Technique .....	93
4.9	Changes in Fair Values of Financial Instruments.....	98
4.10	Other Disclosures.....	99
<b>CHAPTER 5:</b>	<b>Accounting Policies, Estimates and Errors.....</b>	<b>107</b>
5.1	Nature and Definitions .....	109
5.2	Accounting Policies and Changes.....	109
5.2.1	Selection and Application of Accounting Policies.....	110
5.2.2	Consistency of Accounting Policies.....	111
5.2.3	Changes in Accounting Policies.....	111
5.2.4	Methods of Effecting a Change in Accounting Policy.....	113
5.2.5	Limitations on Retrospective Application.....	119
5.2.6	Day 1 Accounting.....	121
5.2.7	Disclosure Requirements of Changes in Accounting Policies.....	122
5.2.8	Impending Change in Policies due to New Standards .....	125
5.3	Accounting Estimates.....	126
5.3.1	What are Accounting Estimates? .....	126
5.3.2	Changes in Accounting Estimates.....	126
5.3.3	Disclosure Requirements of Changes in Accounting Estimates .....	128
5.4	Accounting Errors.....	128
5.4.1	What are Accounting Errors? .....	128
5.4.2	Corrections of Prior Period Errors .....	129
5.4.3	Disclosure Requirements of Corrections of Errors .....	131
5.5	Impracticability Exemption.....	134
5.6	Comparison with the MFRS Framework .....	134
<b>CHAPTER 6:</b>	<b>Revenue.....</b>	<b>137</b>
6.1	Nature, Definition and Types of Revenue .....	139
6.2	Measurement of Revenue.....	140
6.2.1	Barter Trades — Exchanges of Goods and Services.....	140
6.2.2	Deferred Consideration .....	142
6.2.3	Combination of Sales of Goods and Rendering of Services .....	143
6.2.4	When there are Measurement Uncertainties .....	144

**Table of Contents**

6.3	Identification of Transaction .....	144
6.3.1	Separating the Components in a Single Transaction.....	144
6.3.2	Customer Loyalty Programmes.....	145
6.3.3	Combining Multiple Transactions into a Single Transaction.....	148
6.4	Timing of Revenue Recognition .....	148
6.5	Sales of Goods.....	149
6.6	Rendering of Service.....	151
6.6.1	Recognition of Service Revenue.....	152
6.6.2	When the Outcome is Uncertain .....	153
6.7	Interest, Royalties and Dividends .....	155
6.7.1	Recognition of Interest Income.....	156
6.7.2	Recognition of Royalties.....	159
6.7.3	Recognition of Dividends .....	160
6.8	Other Emerging Issues and Guidance .....	161
6.8.1	Principal and Agent Relationship.....	161
6.8.2	Allocating Consideration in Multiple-Components Arrangement .....	161
6.9	Disclosures .....	162
6.10	Comparison with the MFRS Framework .....	163
<b>CHAPTER 7:</b>	<b>Inventories .....</b>	<b>165</b>
7.1	Nature and Types of Inventories .....	167
7.2	Scope of Section 13 <i>Inventories</i> .....	167
7.3	Measurement of Inventories in Section 13 of MPERS .....	168
7.3.1	The Cost Basis.....	168
7.3.2	Cost of Inventories of a Service Provider .....	172
7.3.3	Agricultural Produce Harvested from Biological Assets .....	173
7.4	Cost Methods / Formulas .....	173
7.4.1	Effects of Inventory System on Cost Method .....	175
7.5	Basis of Inventory Valuation .....	178
7.6	Recognition as an Expense .....	181
7.7	Disclosure Requirements .....	182
7.8	Comparison with the MFRS Framework .....	184
<b>CHAPTER 8:</b>	<b>Construction Contracts .....</b>	<b>185</b>
8.1	Nature and Definitions .....	187
8.1.1	Objective and Scope of Section 23 <i>Revenue</i> .....	188

8.2	Segmenting and Combining Construction Contracts.....	188
8.3	The Accounting Method.....	189
8.4	Measurement of Contract Revenue.....	189
8.5	Measurement of Contract Costs.....	190
8.6	Recognition of Contract Revenue and Expenses.....	191
8.6.1	Accounting Entries for the Percentage of Completion Method.....	191
8.6.2	Costs Incurred Basis as a Measure of Stage of Completion .....	193
8.6.3	Estimate of Outcome of a Contract.....	195
8.6.4	Changes in Estimates of Outcome .....	196
8.6.5	Recognition of Expected Losses and Uncollectible.....	197
8.6.6	Construction Contracts with Non-Monetary Considerations — Barter Trade.....	197
8.7	Disclosure Requirements .....	200
8.8	Cases on Construction Contracts .....	202
8.9	Comparison with the MFRS Framework .....	209
<b>CHAPTER 9:</b>	<b>Property Development Activities .....</b>	<b>211</b>
9.1	Nature and Definitions .....	213
9.2	Objective and Scope of Section 34 <i>Specialised Activities</i> .....	214
9.3	Land Held for Property Development.....	214
9.4	Project Development Costs.....	215
9.4.1	Identification of Projects or Phases .....	216
9.4.2	Accumulation of Costs by Projects .....	216
9.4.3	Allocation of Accumulated Costs to Development Units .....	218
9.5	Property Development Revenue and Expenses.....	219
9.5.1	Revenue Measurement and Recognition.....	219
9.5.2	Recognition of Cost of Sales in Profit or Loss.....	221
9.5.3	Methods for Measuring Stage of Completion .....	222
9.5.4	Costs Accumulated for Unsold Development Units .....	224
9.5.5	Summary of the Accounting Procedures.....	224
9.6	Land Development and Allocation of Common Costs .....	231
9.7	Estimates, Revocation of Sales and Incentives .....	235
9.8	Inventories — Unsold Completed Development Units .....	237
9.9	Disclosure Requirements .....	237
9.10	Comparison with the MFRS Framework .....	239

<b>CHAPTER 10:</b>	<b>Property, Plant &amp; Equipment.....</b>	<b>241</b>
10.1	Nature and Definition.....	243
10.2	Scope of Section 17 <i>Property, Plant and Equipment</i> .....	243
10.3	Recognition of Property, Plant and Equipment.....	244
10.3.1	Presentation is by Classes .....	245
10.3.2	When Control is Obtained.....	245
10.3.3	One Recognition Principle — A Components Approach.....	245
10.4	Measurement at Recognition.....	246
10.4.1	Initial Measurement is at Cost.....	246
10.4.2	Property, Plant and Equipment Purchased by Cash .....	246
10.4.3	Self-Constructed Property, Plant and Equipment.....	247
10.4.4	Decommissioning, Dismantling and Restoration Costs.....	249
10.4.5	Non-Monetary Consideration and Barter Trade.....	250
10.4.6	Subsequent Costs on Property, Plant and Equipment .....	253
10.5	Measurement after Recognition .....	257
10.5.1	The Issues of Measurement.....	257
10.5.2	Choice of Measurement Model in MPERS.....	258
10.6	The Revaluation Model for PPE .....	258
10.6.1	The Revaluation Principles .....	258
10.6.2	Methods to Record Revaluations .....	258
10.6.3	Treatments for Surpluses and Deficits .....	260
10.6.4	No Reclassification Adjustments to Profit or Loss.....	260
10.6.5	Deferred Tax Liability on Surplus.....	261
10.7	Depreciation Accounting.....	262
10.7.1	What is Depreciation? .....	262
10.7.2	The Depreciable Amount .....	263
10.7.3	The Estimated Useful Life .....	264
10.7.4	The Allocation or Depreciation Methods .....	264
10.7.5	Changes in Estimates .....	268
10.7.6	The Issue of Depreciation, Residual Value and Fair Value .....	270
10.7.7	Impairment Losses and Reversals .....	271
10.7.8	Compensation for Impairment .....	274

10.8	Derecognition of Property, Plant and Equipment .....	275
10.9	Disclosures .....	277
10.10	Emerging Issues in PPE Accounting.....	279
10.11	Comparison with the MFRS Framework .....	280
<b>CHAPTER 11: Investment Property .....</b>	<b>281</b>	
11.1	Nature and Definition.....	283
11.2	Classification as Investment Property .....	283
11.2.1	Parts of Buildings.....	284
11.2.2	Property with Ancillary Services .....	285
11.2.3	Letting of Properties between Companies in a Group .....	286
11.3	Recognition and Initial Measurement.....	286
11.4	Measurement after Recognition .....	288
11.4.1	IP at Fair Value Model.....	288
11.4.2	IP at Cost Model.....	289
11.4.3	Transfers of Investment Property .....	290
11.5	Disposal of Investment Property .....	293
11.6	Disclosures .....	294
11.6.1	Example of Disclosures (for an Entity using the Fair Value Model) .....	294
11.7	Recent Developments in IP Accounting.....	295
11.8	Comparison with the MFRS Framework .....	296
<b>CHAPTER 12: Intangible Assets other than Goodwill .....</b>	<b>297</b>	
12.1	Nature and Definition .....	299
12.2	Issues and Controversies .....	300
12.2.1	What are the Main Accounting Issues?.....	302
12.3	Research and Development Costs.....	302
12.3.1	The Difference between Research and Development .....	303
12.3.2	Requirements in MPERS .....	303
12.4	Identifiable Intangible Assets .....	303
12.4.1	Emergence of Identifiable Intangible Assets .....	303
12.4.2	Recognition of Identifiable Intangible Assets .....	304
12.4.3	Measurement Basis .....	306
12.4.4	Subsequent Expenditure.....	310
12.4.5	Measurement after Recognition .....	311

12.5	Retirements and Disposals .....	314
12.6	Disclosures .....	314
12.7	Comparison with the MFRS Framework .....	315
<b>CHAPTER 13: Impairment of Assets &amp; Discontinued Operations .....</b>	<b>317</b>	
13.1	Nature and Definitions .....	319
13.1.1	The Basic Asset Measurement Model.....	320
13.1.2	Definitions .....	320
13.2	Steps in Performing an Impairment Test.....	321
13.2.1	Identifying an Asset that may be Impaired .....	321
13.3	Measurement of Recoverable Amount.....	322
13.3.1	Fair Value less Costs to Sell .....	322
13.3.2	Value in Use .....	323
13.4	Recognition and Measurement of an Impairment Loss .....	336
13.4.1	Recognition of Impairment Loss .....	336
13.4.2	When Impairment Loss is Greater than Carrying Amount .....	337
13.4.3	Changes in Estimates .....	337
13.5	Cash-Generating Units .....	337
13.5.1	Identifying the CGU to Which an Asset Belongs .....	337
13.5.2	Recoverable Amount and Carrying Amount of a CGU .....	339
13.6	Allocating Goodwill to Cash-Generating Units .....	340
13.6.1	Basis of Allocation .....	340
13.6.2	Grossing up Goodwill in Partly-Owned Subsidiaries .....	343
13.7	Allocating Corporate Assets.....	344
13.8	Impairment Loss for a Cash-Generating Unit.....	346
13.9	Reversal of an Impairment Loss .....	349
13.9.1	Indications of Reversal .....	349
13.9.2	Reversing an Impairment Loss for an Individual Asset .....	351
13.9.3	Reversing an Impairment Loss for a CGU .....	352
13.10	Disclosure Requirements .....	354
13.11	Presentation of Discontinued Operations .....	355
13.12	Comparison with the MFRS Framework .....	357
13.12.1	Impairment of Assets (Other than Financial Assets).....	357
13.12.2	Non-Current Assets Held for Sale .....	358

**Table of Contents**

<b>CHAPTER 14: Basic Financial Instruments &amp; Borrowing Costs .....</b>	<b>359</b>
14.1 Definitions and Natures of Basic Financial Instruments.....	361
14.1.1 Financial Instruments .....	361
14.1.2 Financial Assets.....	362
14.1.3 Financial Liabilities.....	362
14.1.4 Equity Instruments .....	363
14.1.5 Debates on Which is the Best Measurement Model .....	363
14.2 Scope of Financial Instruments in MPERS.....	364
14.2.1 Accounting Policy Choice.....	364
14.3 Basic Financial Instruments in MPERS .....	364
14.4 Recognition Principles .....	365
14.4.1 Receivables and Payables .....	365
14.4.2 Regular-Way Purchases of Investments .....	365
14.5 Measurement Principles .....	366
14.5.1 Initial Measurement .....	367
14.5.2 Subsequent Measurement.....	376
14.5.3 Estimating the Fair Value of Unquoted Equity Investments.....	383
14.5.4 Financial Asset Denominated in a Foreign Currency .....	388
14.5.5 Loan Commitments.....	391
14.5.6 Impairment of Financial Assets.....	391
14.6 Derecognition of Financial Instruments.....	396
14.6.1 Derecognition of a Financial Asset .....	396
14.6.2 Derecognition of a Financial Liability .....	397
14.7 Presentation and Disclosures.....	400
14.7.1 Presentation of Financial Instruments.....	400
14.7.2 Disclosures about Financial Instruments .....	400
14.8 Comparison with the MFRS Framework .....	401
14.9 Borrowing Costs.....	401
<b>CHAPTER 15: Other Financial Instruments Issues .....</b>	<b>403</b>
15.1 Introduction – Scope of Section 12 .....	405
15.1.1 Contracts to Buy or Sell Non-Financial Items .....	405
15.1.2 Non-Financial Contracts with Net Settlement in Cash .....	406
15.2 Recognition Principles .....	407
15.2.1 Derivatives .....	407
15.2.2 Financial Risks .....	408

**Table of Contents**

15.3 Measurement Principles .....	408
15.3.1 Initial Measurement .....	408
15.3.2 Subsequent Measurement.....	408
15.4 Understanding Derivatives and Basic Derivative Accounting.....	409
15.4.1 Forward Contracts.....	409
15.4.2 Futures Contracts .....	418
15.4.3 Swap Contracts.....	422
15.4.4 Option Contracts .....	423
15.4.5 Summary of Accounting for Derivatives .....	426
15.5 Measurement of Other Complex Instruments .....	426
15.5.1 Investments in Convertible Securities and Other Complex Instruments .....	426
15.5.2 Financial Guarantee Contracts .....	426
15.6 Hedging and Hedge Accounting .....	434
15.6.1 Basic Principles of Hedging.....	434
15.6.2 What is Hedge Accounting?.....	435
15.6.3 Conditions for the Specified Hedge Accounting Treatments .....	435
15.6.4 Identification of a Hedge .....	436
15.6.5 Fair Value Hedge Accounting .....	437
15.6.6 Cash Flow Hedge Accounting.....	443
15.6.7 Hedge of Net Investment in a Foreign Operation .....	461
15.6.8 Assessing Hedge Effectiveness.....	462
15.7 Disclosures .....	466
15.8 Comparison with the MFRS Framework .....	466
<b>CHAPTER 16: Leases .....</b>	<b>467</b>
16.1 Nature and Definitions .....	469
16.1.1 Scope of Section 20 <i>Leases</i> of MPERS .....	469
16.2 Classification of Leases.....	470
16.2.1 Applying Substance over Form.....	470
16.2.2 Indicators of Finance Lease .....	470
16.3 Lessee Accounting .....	471
16.3.1 Accounting for Finance Leases by Lessees .....	471
16.3.2 Accounting for Operating Leases by Lessees .....	478
16.3.3 Leases of Lands and Buildings .....	480
16.3.4 Leases with Interest Rate Variation Clause .....	482

**Table of Contents**

16.3.5	Outsourcing Arrangements.....	485
16.3.6	Disclosures in the Lessees' Financial Statements .....	485
16.4	Lessor Accounting.....	487
16.4.1	Accounting for Finance Leases by Lessors.....	487
16.4.2	Accounting for Operating Leases by Lessors .....	491
16.4.3	Disclosures in the Lessors' Financial Statements .....	493
16.5	Finance Leases by Manufacturers or Dealers .....	494
16.5.1	Allocating the Income Elements .....	494
16.5.2	When Artificially Low Interest Rate is Quoted.....	495
16.6	Sale and Leaseback Transactions .....	496
16.6.1	Sale and Leaseback is a Finance Lease.....	496
16.6.2	Sale and Leaseback is an Operating Lease .....	498
16.7	Issues in Lease Accounting.....	501
16.7.1	Evaluating the Substance of Transactions Involving the Legal Form of a Lease.....	501
16.7.2	Determining whether an Arrangement Contains a Lease.....	504
16.8	Current Developments in Lease Accounting.....	506
16.8.1	Background to the New IFRS 16 .....	506
16.8.2	Lessee Accounting Model.....	506
16.8.3	Lessor Accounting Model .....	509
16.9	Comparison with the MFRS Framework .....	510
<b>CHAPTER 17: Income Tax.....</b>		<b>511</b>
17.1	Introduction.....	513
17.2	Differences between Accounting Profit and Taxable Profit .....	515
17.2.1	Timing Differences.....	515
17.2.2	Permanent Differences .....	521
17.3	Comprehensive Tax Allocation .....	523
17.3.1	Assessing Cumulative Timing Differences.....	523
17.3.2	The Dual Computation Technique .....	527
17.4	Section 29 <i>Income Tax</i> of MPERS .....	535
17.5	Recognition and Measurement of Current Tax .....	535
17.5.1	Recognition of Current Tax.....	535
17.5.2	Measurement of Current Tax.....	536
17.6	Recognition and Measurement of Deferred Tax .....	536
17.6.1	The Balance Sheet Liability Method.....	536
17.6.2	Taxable Temporary Differences and Deductible Temporary Differences.....	542
17.6.3	Temporary Differences arising on Initial Recognition.....	543

**Table of Contents**

17.7	Recognition of Deferred Tax Assets.....	544
17.7.1	Deductible Temporary Differences and Net Deferred Tax Assets .....	547
17.7.2	Recognition of Tax Losses .....	549
17.8	Tax Effects of Items Recognised Outside Profit or Loss .....	552
17.9	Tax Effects of Assets measured at Fair Value through Profit or Loss .....	553
17.9.1	Investment Property .....	553
17.9.2	Biological Assets.....	555
17.9.3	Equity Investments.....	555
17.10	Fair Value Adjustments in a Business Combination & Goodwill .....	555
17.10.1	Tax Effects on Acquisition of Land-Based Companies .....	555
17.10.2	Other Fair Value Adjustments .....	557
17.11	Measurement of Current and Deferred Taxes .....	560
17.11.1	Tax Rates and Tax Laws that have been Enacted.....	560
17.11.2	When Different Rates Apply to Different Levels of Taxable Profits .....	561
17.11.3	Expected Manner of Recovery of Assets or Settlement of Liabilities .....	565
17.12	Presentation and Offsetting .....	565
17.12.1	Presentation of Income Taxes in the Financial Position .....	565
17.12.2	Presentation of Tax Expenses (Income) in Comprehensive Income.....	566
17.13	Disclosures .....	566
17.14	Comparison with the MFRS Framework .....	569
<b>CHAPTER 18: Employee Benefits.....</b>		<b>571</b>
18.1	Nature and Types of Employee Benefits .....	573
18.2	Short-term Employee Benefits .....	574
18.2.1	Wages and Salaries.....	574
18.2.2	Compensated Absences.....	574
18.2.3	Profit-sharing and Bonus Plans .....	576
18.3	Post-Employment Benefits.....	577
18.3.1	Funded versus Unfunded Benefit Plans .....	577
18.3.2	Contributory versus Non-Contributory Benefit Plans.....	578
18.4	Accounting for Defined Contribution Plans.....	578
18.5	Accounting for Defined Benefit Plans.....	579
18.5.1	Recognition .....	580
18.5.2	Measurement of Defined Benefit Liability (Asset) .....	580

18.5.3	Present Value of Defined Benefit Obligations and Current Service Cost .....	581
18.5.4	Recognition and Measurement: Plan Assets .....	584
18.5.5	Determining the Amounts to be Recognised in Profit or Loss.....	586
18.5.6	Determining the Amounts to be Recognised in Other Comprehensive Income.....	589
18.6	Other Long-Term Employee Benefits .....	595
18.7	Insured Benefits.....	595
18.8	Termination Benefits .....	596
18.9	Disclosures .....	597
18.9.1	Short-Term Employee Benefits.....	597
18.9.2	Defined Contribution Plans.....	597
18.9.3	Defined Benefit Plans.....	597
18.10	Comparison with the MFRS Framework .....	602
<b>CHAPTER 19:</b>	<b>Share-Based Payment Transactions .....</b>	<b>603</b>
19.1	Nature and Types of Share-Based Payment Transactions.....	605
19.2	Recognition Principle.....	606
19.3	Equity-Settled Share-Based Payment Transactions .....	606
19.3.1	Grant Date .....	607
19.3.2	Measurement of Fair Value of Instruments Granted.....	607
19.3.3	Transactions in which Services are Received .....	608
19.3.4	Transactions with Vesting Conditions.....	608
19.3.5	Treatment of Reload Feature .....	614
19.3.6	Treatment after Vesting Date.....	615
19.3.7	Modifications of the Terms and Conditions, Cancellations and Settlements.....	615
19.3.8	Options Granted by a Group Entity .....	617
19.4	Cash-Settled Share-Based Payment Transactions .....	619
19.5	Share-Based Payments with Cash Alternative .....	621
19.6	Unidentifiable Goods or Services.....	623
19.7	Disclosures .....	624
19.8	Comparison with the MFRS Framework .....	625
<b>CHAPTER 20:</b>	<b>Provisions and Contingencies .....</b>	<b>627</b>
20.1	Nature and Definitions .....	629
20.2	Section 21 <i>Provisions and Contingencies</i> of MPERS .....	630
20.2.1	Recognition of a Provision.....	631
20.2.2	Initial Measurement of a Provision .....	634
20.2.3	Subsequent Measurement of a Provision .....	639

20.3	Application of the Recognition and Measurement Principles.....	640
20.3.1	Future Operating Losses .....	640
20.3.2	Onerous Contracts.....	641
20.3.3	Provision for Restructuring .....	641
20.4	Contingent Liabilities.....	643
20.4.1	Disclosure of Contingent Liabilities .....	643
20.5	Contingent Assets .....	644
20.5.1	When it is Virtually Certain .....	644
20.5.2	Disclosure of Contingent Assets .....	644
20.6	Disclosure Requirements .....	645
20.7	Related IC Interpretations .....	647
20.7.1	IC Int 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> .....	647
20.7.2	IC Int 21 <i>Levies</i> .....	649
20.8	Comparison with the MFRS Framework .....	650
<b>CHAPTER 21:</b>	<b>Government Grants .....</b>	<b>651</b>
21.1	Nature and Definitions .....	653
21.2	Recognition and Measurement of Government Grants.....	654
21.2.1	Recognition Criteria .....	654
21.2.2	Measurement of Grants .....	654
21.3	Grants Related to Income .....	654
21.4	Non-Monetary Government Grants .....	656
21.5	Grants Related to Assets .....	657
21.6	Grants that Become Repayable .....	658
21.7	IC Int 110 — Government Assistance — No Specific Relation to Operating Activities .....	660
21.8	Disclosures .....	660
21.9	Comparison with the MFRS Framework .....	661
<b>CHAPTER 22:</b>	<b>Events after the End of the Reporting Period .....</b>	<b>663</b>
22.1	Nature and Definitions .....	665
22.2	Date of Authorisation for Issue .....	666
22.3	Accounting for Adjusting Events .....	666
22.4	Accounting for Non-Adjusting Events .....	667
22.4.1	Example on Disclosure of Non-adjusting Events .....	668

22.5	Identification of Adjusting and Non-Adjusting Events .....	668
22.6	Dividends Declared and Other Issues .....	669
22.6.1	Dividends Declared After the End of the Reporting Period.....	669
22.6.2	When Going Concern is Doubtful.....	669
22.6.3	Significant Events which Occurred During the Reporting Period .....	669
22.6.4	Significant Events which Occurred after Issuance of the Financial Statements .....	669
22.7	Comparison with the MFRS Framework .....	670
<b>CHAPTER 23: Liabilities and Equity .....</b>		<b>671</b>
23.1	Scope of Section 22 <i>Liabilities and Equity</i> .....	673
23.2	Classification of an Instrument as Liability and Equity .....	673
23.2.1	Substance over Form Consideration .....	373
23.2.2	Puttable Instruments.....	374
23.2.3	Some Exceptions.....	375
23.2.4	Examples of Financial Liabilities.....	376
23.3	Classification of Compound Instruments by an Issuer.....	676
23.3.1	Separating the Components.....	676
23.3.2	Conversion of a Convertible Instrument at Maturity .....	678
23.3.2	Conversion of a Convertible Instrument at Maturity .....	678
23.3.3	Effect of Transaction Costs .....	678
23.3.4	Conversion before Maturity .....	681
23.3.5	Bonds issued with Free Warrants or Options .....	682
23.3.6	Shares issued with Free Warrants or Options.....	684
23.3.7	Irredeemable Convertible Bonds.....	685
23.4	Measurement of Equity .....	687
23.4.1	Debt to Equity Swap .....	687
23.5	Legal Requirements Governing Share Capital — Companies Act 2016 .....	689
23.5.1	Rationale for Changing to a No Par Value (NPV) Share Regime.....	689
23.5.2	Types and Nature of Shares.....	691
23.5.3	Issue of Shares at a Discount .....	692
23.5.4	Power of Directors to Allot Shares or Grant Rights.....	693
23.6	The Accounting Procedures for Issuance of Ordinary Shares .....	693
23.6.1	Issue of Shares at Fair Value for Cash Consideration .....	693
23.6.2	Shares Issued in a Transaction .....	698
23.6.3	Share Issue Expenses .....	699

23.7	Power of Company to Alter its Share Capital .....	700
23.7.1	Share Split and Share Consolidation.....	701
23.7.2	Bonus Issue and Capitalisation of Profits.....	701
23.7.3	Conversion of Shares .....	702
23.8	Capital Reduction and Return of Capital .....	703
23.8.1	Capital Reduction by Court Order .....	703
23.8.2	Other Capital Reductions by Private or Public Companies .....	704
23.9	Transitional Provisions to the NPV Share Regime .....	704
23.10	Treasury Shares .....	706
23.11	Issuance and Redemption of Preference Shares.....	708
23.11.1	Non-Redeemable Preference Shares .....	708
23.11.2	Redeemable Preference Shares .....	708
23.11.3	Accounting — Classification of Redeemable Preference Shares .....	712
23.11.4	Convertible Preference Shares .....	715
23.11.5	Intragroup Preference Shares .....	718
23.12	Distributable versus Non-Distributable Reserves .....	719
23.13	Distribution of Profits under the Companies Act 2016 .....	720
23.13.1	Distribution out of Profits.....	720
23.13.2	Solvency Requirement for Distribution .....	721
23.13.3	Requirements on Distribution in MPERS .....	721
23.14	Solvency Test and Solvency Statement.....	726
23.14.1	Solvency Test .....	726
23.14.2	Solvency Statement .....	727
23.15	Presentation and Disclosure Requirements on Equity .....	728
23.15.1	Presentation of the Statement of Changes in Equity .....	728
23.15.2	Disclosure of Share Capital and Other Equity Items .....	728
23.16	Comparison with the MFRS Framework .....	730
<b>CHAPTER 24: Business Combinations and Goodwill.....</b>		<b>731</b>
24.1	Introduction .....	733
24.1.1	Scope of Section 19 of MPERS .....	733
24.2	Identifying a Business .....	733
24.3	Identifying a Business Combination .....	736
24.4	Application of the Acquisition Method.....	739

**Table of Contents**

24.4.1	Identifying the Acquirer .....	739
24.4.2	Determining the Acquisition Date.....	741
24.4.3	Measuring the Cost of Combination .....	742
24.4.4	Allocating Cost of Combination to Net Assets Acquired.....	751
24.5	Goodwill on Combination.....	756
24.5.1	Measurement of Non-Controlling Interest at Acquisition Date .....	756
24.6	Negative Goodwill — Excess of Net Assets Acquired over Cost.....	760
24.7	Business Combination Achieved in Stages (Step-Acquisition) .....	762
24.7.1	Previously Held Interest is a Simple Equity Investment.....	762
24.7.2	Previously Held Interest is an Associate or a Joint Venture.....	764
24.8	Changes in Stakes after the Acquisition Date .....	768
24.9	Measurement Period.....	771
24.9.1	Measurement Period Adjustments.....	771
24.9.2	Adjustments After the Measurement Period .....	772
24.10	Disclosures Requirements.....	772
24.11	Comparison with the MFRS Framework .....	774
<b>CHAPTER 25:</b>	<b>Basic Consolidation and Separate Financial Statements .....</b>	<b>775</b>
25.1	Nature and Definitions .....	777
25.2	Scope of Section 9 of MPERS .....	778
25.2.1	Exemption from Presenting Consolidated Financial Statements .....	779
25.2.2	Exclusion of Subsidiaries from Consolidation.....	779
25.3	Application of the Control Criterion.....	779
25.3.1	Control by Operation of Law or by Agreement with Other Investors .....	779
25.3.2	Potential Voting Rights.....	780
25.3.3	Control of Special Purpose Entities .....	780
25.4	Principles of Group Accounts .....	782
25.4.1	Basic Concepts of Group Accounts.....	782
25.5	Consolidation Procedures.....	783
25.5.1	Elimination of Intragroup Investment.....	783
25.5.2	Other Intragroup Balances .....	783
25.5.3	Preference Shares in a Subsidiary .....	783
25.5.4	Intragroup Transactions and Unrealised Profits .....	785
25.5.5	Subsidiary that has a Different Reporting Date .....	802
25.5.6	Uniform Accounting Policies.....	802
25.5.7	Allocating Losses to Non-Controlling Interest .....	802

**Table of Contents**

25.6	Separate Financial Statements.....	804
25.6.1	Accounting Policy Choice.....	804
<b>CHAPTER 26:</b>	<b>Advanced Consolidation and Disclosures .....</b>	<b>807</b>
26.1	Complex Group Structures.....	809
26.1.1	Indirect Interests .....	809
26.1.2	Recognition of Goodwill in Indirect Subsidiaries.....	811
26.1.3	Direct and Indirect Interests in a Subsidiary .....	821
26.2	Decrease in Stake without Loss of Control.....	829
26.2.1	Relative Change in Stake .....	829
26.2.2	Partial Disposal with Retention of Control .....	833
26.3	Disposals of Subsidiaries and Loss of Control .....	836
26.3.1	Sale of Total Shareholding .....	838
26.3.2	Partial Disposal with Retention of a Simple Equity Investment.....	843
26.3.3	Partial Disposal with Retention of an Associate or a Joint Venture .....	846
26.3.4	Disposal Involving Realisation of Other Reserves .....	850
26.4	Disclosure Requirements .....	855
26.4.1	Disclosure Requirements .....	855
26.5	Comparison with the MFRS Framework .....	859
<b>CHAPTER 27:</b>	<b>Joint Ventures and Associates .....</b>	<b>861</b>
27.1	Principles of Investments in Joint Arrangements.....	863
27.1.1	Nature and Definitions .....	863
27.2	Jointly-Controlled Operations and Assets .....	866
27.2.1	Rights to Assets and Obligations for Liabilities.....	866
27.3	Jointly-Controlled Entities .....	868
27.3.1	Measurement — Accounting Policy Choice .....	868
27.4	Principles of Investments in Associates .....	869
27.4.1	Nature and Definitions .....	869
27.4.2	Measurement — Accounting Policy Choice .....	870
27.5	The Equity Method of Accounting .....	870
27.5.1	Components of Carrying Amount of Investment .....	871
27.5.2	Comprehensive Income with Associates or Joint Ventures .....	873
27.5.3	Notional Fair Value Adjustments and Goodwill on Acquisition .....	879
27.5.4	Indirect Interest in an Associate or a Joint Venture .....	882

**Table of Contents**

27.6	Transactions with an Associate or a Joint Venture .....	887
27.6.1	Intercompany Sales of Inventories.....	887
27.6.2	Other Intercompany Transactions .....	889
27.6.3	When there is Impairment.....	890
27.6.4	Contribution of Non-monetary Assets in Exchange for an Equity Interest .....	891
27.6.5	Other Intercompany Balances.....	892
27.7	Goodwill, Impairment Test and Bargain Purchase.....	892
27.7.1	Goodwill and Impairment Test.....	892
27.7.2	Bargain Purchase.....	893
27.8	When the Associate or Joint Venture is a Group.....	893
27.8.1	Uniform Accounting Policies.....	894
27.8.2	Year-end Date of Associate's or Joint Venture's Financial Statements.....	897
27.9	Financial Statements of an Investor without a Subsidiary.....	898
27.10	Share of Losses in Associates and Joint Ventures.....	898
27.11	Discontinuation of the Equity Method of Accounting .....	901
27.11.1	Remeasurement of Investments .....	901
27.12	Changes in Ownership Interests.....	905
27.12.1	Increase in Stake .....	905
27.12.2	Decrease in Stake .....	907
27.13	Disclosure Requirements .....	908
27.14	Comparison with the MFRS Framework .....	911
27.14.1	Joint Arrangements.....	911
27.14.2	Investments in Associates .....	911
<b>CHAPTER 28: Foreign Currency Translation .....</b>	<b>913</b>	
28.1	Foreign Currency Transactions and Operations .....	915
28.2	Functional Currency and Presentation Currency .....	916
28.2.1	Determining the Functional Currency .....	916
28.2.2	When the Indicators are Mixed .....	917
28.3	Reporting Foreign Currency Transaction in the Functional Currency .....	917
28.3.1	Initial Recognition .....	917
28.3.2	Settlement of Transactions .....	918
28.3.3	Translation at the End of the Reporting Period .....	919
28.3.4	Recognition of Exchange Differences.....	920

**Table of Contents**

28.3.5	Functional Currency that is not a Local Currency .....	921
28.3.6	Net Investment in a Foreign Operation .....	922
28.3.7	Other Requirements .....	924
28.4	Presentation Currency Other Than the Functional Currency .....	926
28.4.1	Translation to the Presentation Currency .....	926
28.5	Translation of Financial Statements of Foreign Operations.....	929
28.5.1	The Closing Rate Method .....	929
28.5.2	Inter-Company Monetary Items .....	930
28.5.3	Accounting Records Not Kept in the Functional Currency — Remeasurement .....	938
28.5.4	Integral Operations .....	941
28.5.5	Translation of Goodwill and Fair Value Adjustments .....	941
28.6	Foreign Branches, Associates and Joint Ventures .....	946
28.7	Disposal or Partial Disposal of a Foreign Operation .....	951
28.7.1	Disposal with Loss of Control, Joint Control or Significant Influence .....	951
28.7.2	Reduction in Stake in a Foreign Operation .....	957
28.8	Disclosures .....	958
28.9	Comparison with the MFRS Framework .....	959
<b>CHAPTER 29: Consolidated Statement of Cash Flows.....</b>	<b>961</b>	
29.1	Preparation of Consolidated Statement of Cash Flows .....	963
29.1.1	Treatment of Non-Controlling Interests .....	963
29.1.2	Treatment of Associates and Joint Ventures .....	964
29.1.3	Acquisitions and Disposals of Subsidiaries and Other Business Units .....	969
29.2	Consolidating Separate Cash Flows of Parent and Subsidiaries .....	979
29.3	Foreign Currency Cash Flows .....	988
29.4	Comparison with the MFRS Framework .....	1000
<b>CHAPTER 30: Related Party Disclosures.....</b>	<b>1001</b>	
30.1	Rationale for Related Party Disclosures .....	1003
30.1.1	Issues of Related Party Transactions .....	1003
30.1.2	Rationale for Disclosures .....	1004
30.2	Scope of Related Party Relationships in MPERS .....	1004
30.3	Identifying Related Parties .....	1007
30.3.1	Relationships based on Individual Interests .....	1007
30.3.2	Relationships based on Corporate Interests .....	1009
30.3.3	Relationships based on Management Authority .....	1011

**Table of Contents**

30.4	Application Aspects of the Disclosure Requirements .....	1013
30.4.1	Disclosure of Parent–Subsidiary Relationship.....	1013
30.4.2	Disclosure of Key Management Personnel Compensation.....	1013
30.4.3	Disclosure of Related Party Transactions .....	1014
30.4.4	Disclosure or Outstanding Balances, Terms and Conditions .....	1014
30.5	Example on Related Party Disclosures .....	1015
30.6	Comparison with the MFRS Framework .....	1018
<b>CHAPTER 31: Specialised Activities.....</b>		<b>1019</b>
31.1	Introduction .....	1021
31.2	Accounting for Agriculture .....	1021
31.2.1	Background to Agriculture Accounting .....	1021
31.2.2	An Accounting Policy Choice in MPERS.....	1023
31.2.3	Recognition .....	1023
31.2.4	Measurement — Fair Value Model .....	1023
31.2.5	Gains and Losses from Changes in Fair Value.....	1025
31.2.6	Measurement — Cost Model .....	1030
31.2.7	Costs Incurred in the Biological Transformation.....	1030
31.2.8	Presentation and Disclosures.....	1031
31.2.9	Accounting for Plantation Operations.....	1033
31.3	Extractive Activities .....	1033
31.3.1	Accounting Issues of Extractive Industries.....	1038
31.3.2	Application of Section 34.11 of MPERS .....	1041
31.3.3	Depletion Accounting.....	1042
31.3.4	Restoration Costs .....	1043
31.4	Service Concession Arrangements.....	1043
31.4.1	What is a Service Concession Arrangement?.....	1043
31.4.2	Scope in MPERS.....	1044
31.4.3	Issues Addressed .....	1044
31.4.4	Subsequent Accounting as a Financial Asset .....	1046
31.4.5	Subsequent Accounting as an Intangible Asset.....	1049
<b>CHAPTER 32: First-Time Adoption of MPERS.....</b>		<b>1055</b>
32.1	Meaning of First-Time Adoption of a New Reporting Framework .....	1057
32.2	Opening MPERS Statement of Financial Position.....	1058
32.2.1	Changing the Format of the Financial Statements .....	1059
32.2.2	Deciding on the Accounting Policies .....	1059

**Table of Contents**

32.3	Incorporating the Effects of Remeasurements .....	1061
32.4	Exemptions and Exceptions .....	1066
32.4.1	Exemptions in Specified Areas of MPERS .....	1067
32.4.2	Prohibitions of Retrospective Application .....	1069
32.5	Explanation of the Transition to MPERS.....	1071
32.6	Comparison with the MFRS Framework .....	1074
<b>CHAPTER 33: Hyperinflation .....</b>		<b>1075</b>
33.1	Meaning of Hyperinflation.....	1077
33.2	Scope of Section 31 <i>Hyperinflation</i> of MPERS .....	1077
33.3	Measuring Units in the Financial Statements.....	1078
33.4	Restatement of Financial Statements .....	1078
33.4.1	Statement of Financial Position .....	1078
33.4.2	Statement of Comprehensive Income .....	1079
33.4.3	Statement of Cash Flows.....	1079
33.4.4	Gain or Loss on Monetary Position .....	1079
33.4.5	Restating the Opening Statement of Financial Position.....	1081
33.4.6	Comparative Figures .....	1083
33.5	Economies ceasing to be Hyperinflationary.....	1084
33.6	Disclosures .....	1084
33.7	Comparison with the MFRS Framework .....	1084
<b>Index .....</b>		<b>1085</b>