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News

Discussion

MFRS News

Annual Improvements to MFRS Standards 2015–2017 Cycle

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MFRS News is your monthly update on all things relating to Malaysian Financial Reporting Standards. We'll bring you up to speed on topical issues, provide comment and points of view and give you a summary of any significant developments.

In this issue we will look at the 'Annual Improvements to MFRS Standards 2015–2017 Cycle' published by the MASB

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MASB publishes 'Annual Improvements to MFRS Standards 2015–2017 Cycle'

The Malaysian Accounting Standards Board (MASB) has published 'Annual Improvements to MFRS Standards 2015–2017 Cycle' making amendments to four Standards.

Background

This publication sets out the amendments made by the Malaysian Accounting Standard Board (MASB). The amendments are part of the Annual Improvements to MFRS Standards.

The Annual Improvements provide a mechanism for dealing efficiently with a collection of minor amendments to MFRS Standards. A summary of the issues addressed are shown in the table.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

Comment

We welcome the changes. We note however that the amendments to MFRS 112 do not include requirements on how to determine whether payments on financial instruments classified as equity are distributions of profits. This means that it is likely that challenges will remain when determining whether to recognise the income tax effects on a payment in profit or loss or in equity.

Standards affected

Standard affected	Subject	Summary of amendment
MFRS 3 'Business Combinations'	Previously held interests in a joint operation	The amendment clarifies that when an entity obtains control of a joint operation, it accounts for this transaction as a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition-date fair value. The logic behind the amendment is that obtaining control results in a significant change in the nature of, and economic circumstances surrounding, the interest held.
MFRS 11 'Joint Arrangements'	Previously held interests in a joint operation	In contrast to the clarifications to MFRS 3, an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation.
MFRS 112 'Income Taxes'	Income tax consequences of payments on instruments classified as equity	The amendments to MFRS 112 clarify that the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
MFRS 113 'Borrowing Costs'	Borrowing costs eligible for capitalisation	MFRS 123.14 specifies how to determine the amount of borrowing costs eligible for capitalisation when an entity borrows funds generally and uses them to obtain a qualifying asset. MFRS 123 requires an entity, when determining the funds that it borrows generally, to exclude 'borrowings made specifically for the purpose of obtaining a qualifying asset'. The MASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale. The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally. The amendments are to be applied prospectively (ie only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalise borrowing costs retrospectively may exceed the potential benefits.

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