MPSAS 33: First-time Adoption of MPSAS

Sarawak State Government

Agenda

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- Introduction
- Accounting Principles
- First Time Adoption of MPSAS
- Presentation of Financial Statements

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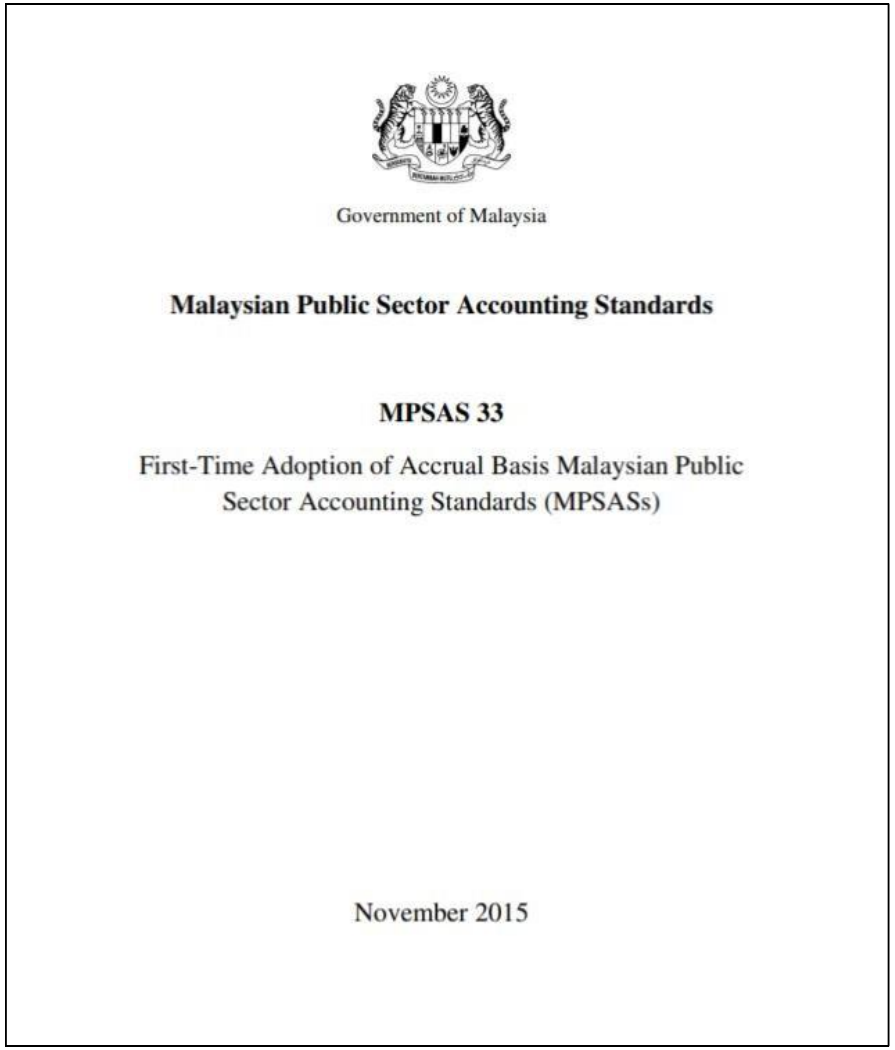
MPSAS 33
First-Time Adoption of Accrual Basis Malaysia Public Sector Accounting Standards (MPSASs)

- An entity shall apply this MPSAS when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis MPSASs.
- This MPSAS applies when an entity first adopts accrual basis MPSASs and during the transitional period allowed in this MPSAS.



Government of Malaysia

Malaysian Public Sector Accounting Standards

MPSAS 33

First-Time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)

November 2015

Effective Date : 1 January 2017

First-time Adoption of MPSAS

Fresh start accounting

1 Jan 202X	31 Dec 202X
MPSAS adoption date	First transitional MPSAS financial statements reporting date

- Recognise and measure all assets and liabilities in accordance with MPSASs in force at the beginning of the 1st MPSAS reporting period
- The accounting policies shall comply with each MPSAS effective at the date of adoption of MPSASs.
- The accounting policies selected must be consistently applied for similar transactions, other events, and conditions for opening balance (except where transitional exemption is given).
- On first time adoption, assets and liabilities recognized should be adjusted against accumulated surplus or deficit on the date of adoption.

Transitional exemptions affecting fair presentation and compliance

No	Exemptions that affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
1	Recognition and/or measurement of the following assets and/or liabilities: • Inventories • Investment properties • Property, plant and equipment • Defined benefit plan and other long term employee benefits • Biological assets and agriculture produce • Intangible assets • Service concession assets and related liabilities • Financial instruments	Recognise within 3 years from date of adoption
2	Recognition and/or measurement of non-exchange revenue	Changes in accounting policies can be recognised on a class-by-class basis within three (3) years from the date of adoption

Transitional exemptions affecting fair presentation and compliance (cont’d)

No	Exemptions that affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
3	MPSAS 5 Borrowing costs	The allowed alternative treatment for capitalisation of interest for qualifying assets is not adopted. The State adopts benchmark treatment where borrowing costs are expensed off.
4	MPSAS 13 Leases	Finance leases relating to relevant assets can be recognised subject to the earlier of the asset being recognised or the expiry of three (3) years following the date of adoption
5	MPSAS 19 Provisions, contingent assets and contingent liabilities	Liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located can be recognised subject to the earlier of the property, plant and equipment being recognised or the expiry of three (3) years following the date of adoption of MPSASs.

Transitional exemptions affecting fair presentation and compliance (cont'd)

No	Exemptions that affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
6	MPSAS 20 Related parties disclosures	Disclosure of related party relationships, related party transactions and information about key management personnel can be disclosed within three (3) years following the date of adoption
7	MPSAS 34 Separate financial statements, MPSAS 35 Consolidated financial statements, MPSAS 36 Investments in associates and joint ventures	Interest in other entities will be recognised and/or measure within three (3) years following the date of adoption of MPSASs by applying the equity method
8	MPSAS 35 Consolidated financial statements	For presentation of consolidated financial statements, elimination of all balances, transactions, revenue and expenses between entities within the State can be recognised within three (3) years following the date of adoption Nevertheless, MPSAS 35 exempts the State Government from presenting Consolidated Financial Statements

Transitional exemptions affecting fair presentation and compliance (cont’d)

No	Exemptions that affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
9	MPSAS 36 Investments in associates and joint ventures	Elimination of the share of surplus or deficit from upstream and downstream transaction with its associates or joint venture can be recognised within 3 years following the date of adoption.

Transitional exemptions not affecting fair presentation and compliance

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
1	Using deemed cost to measure the following assets: • Inventories • Investment properties • Property, plant and equipment • Intangible assets • Financial instruments • Service concession assets	Use fair value as deemed cost at the date of adoption when reliable cost information is not available
2	Using deemed cost to measure assets acquired through a non-exchange transaction	Use fair value as deemed cost at the date of adoption when reliable cost information is not available
3	Use deemed cost for investments in controlled entities, joint ventures and associates	Measure the investment in a controlled entity, joint venture or associate in separate opening statement of financial position at deemed cost. The deemed cost shall be its fair value (determined in accordance with MPSAS 29) at the date of adoption

Transitional exemptions not affecting fair presentation and compliance(cont’d)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
4	Date at which deemed cost can be determined	Deemed cost is determined at any date during the three (3) year transitional relief period or on the date that the exemption expires (whichever is earlier).
5	MPSAS 1 Presentation of financial statements – comparative information	No comparative information will be presented for the first MPSAS financial statements
6	MPSAS 4 The effect of changes in foreign exchange rates	Not applicable. This transitional exemption relates to the treatment of cumulative translation differences for all foreign operations.
7	MPSAS 5 Borrowing costs	No retrospective application for adoption of benchmark treatment for the accounting for borrowing costs

Transitional exemptions not affecting fair presentation and compliance(cont’d)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
8	MPSAS 13 Leases	Where there is no change to the provisions of the lease between the date of inception of the lease and the date of adoption of accrual basis MPSASs, classify all existing leases as operating or finance leases based on circumstances existing at the inception of the lease.
9	MPSAS 21 Impairment of non-cash generating assets	Assess whether there is indication that the non-cash generating assets recognised and/or measured are impaired subject to the earlier of the relevant assets being recognised or the expiry of three (3) years following the date of adoption and recognise impairment loss, if necessary.

Transitional exemptions not affecting fair presentation and compliance(cont'd)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
10	MPSAS 25 Employee benefits	Determine the initial liability for defined benefit plans and other long term employee benefits as: • Present value of the obligation by using Projected Unit Credit Method; • Minus the fair value of plan assets (if any) out of which the obligations are to be settled directly; and • Minus any past service cost based on earlier of the relevant liabilities being recognised or the expiry of three (3) years following the date of adoption
11	MPSAS 26 Impairment of cash-generating assets	Assess whether there is indication that the cash generating assets recognised and/or measured are impaired subject to the earlier of the relevant assets being recognised or the expiry of three (3) years following the date of adoption and recognise impairment loss, if necessary.

Transitional exemptions not affecting fair presentation and compliance(cont'd)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
12	MPSAS 28 Financial instruments: Presentation	No separation of compound financial instruments into a liability component and a net asset/equity component where the liability component is no longer outstanding on the date of adoption

Transitional exemptions not affecting fair presentation and compliance(cont'd)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
13	MPSAS 29 Financial instruments: Recognition and measurement a) Designation of financial instruments on the date of adoption of MPSAS b) Derecognition of financial assets and financial liabilities c) Hedge accounting* d) Impairment of financial assets	Designate financial assets as available-for-sale at the date of adoption of MPSASs. Prospective application of derecognition requirements in MPSAS 29 subject to the earlier of the relevant financial instruments being recognised or the expiry of three (3) years following the date of adoption . Assess whether there is indication that the financial instruments recognised and/or measured are impaired subject to the earlier of the relevant financial assets being recognised or the expiry of three (3) years following the date of adoption and recognise impairment loss, if necessary. * The transitional relief in relation to hedge accounting is not applicable for the State.

Transitional exemptions not affecting fair presentation and compliance(cont’d)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
14	MPSAS 30 Financial instruments: Disclosure	Apply the requirements of MPSAS 30 prospectively subject to the earlier of the relevant financial instruments being recognised or the expiry of three (3) years following the date of adoption
15	MPSAS 31 Intangible assets	Recognise and/or measure internally generated intangible assets that meets the definition of an intangible asset and the recognition criteria
16	MPSAS 32 Service concession arrangements	Not applicable. This transitional exemption relates to the initial measurement of related liabilities where the service concession assets is measured using deemed cost.

Transitional exemptions not affecting fair presentation and compliance(cont'd)

No	Exemptions that do not affects fair presentation and compliance with accrual basis MPSASs during the period of transition	Adopted by the State
17	MPSAS 34 Separate financial statements, MPSAS 35 Consolidated financial statements, MPSAS 36 Investments in associates and joint ventures	Not applicable. This transitional exemption relates to the measurement of assets and liabilities of controlled entity, associate or joint venture when these entities becomes first time adopter either later or earlier than the controlling entity.
18	MPSAS 35 Consolidated financial statements	Not applicable. This transitional exemption relates to the treatment of investments by a controlled entity that is an investment entity.
19	MPSAS 37 Joint Arrangements	Not applicable. This transitional exemption relates to measurement of investment in joint venture if the previous basis of accounting uses proportionate consolidation method.

Disclosures

A first-time adopter shall disclose:

- The date of adoption of MPSASs
- Information and explanations about how the transition from the previous basis of accounting to MPSASs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.
- an explicit and unreserved statement of compliance with this MPSAS in the notes to the financial statements. This statement shall be accompanied by a statement that the financial statements do not fully comply with accrual basis MPSASs.
- the extent to which it has taken advantage of the transitional exemptions:

a) That affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs; and/or

b) That do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs.

Disclosures

A first-time adopter shall disclose:

- To the extent that a first-time adopter has taken advantage of the transitional exemptions and provisions in this MPSAS that affect fair presentation and compliance with accrual basis MPSASs in relation to assets, liabilities, revenue and/or expenses:

a) Progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities revenue and/or expenses in accordance with the requirements of the applicable MPSAS;

b) The assets, liabilities, revenue and/or expenses that have been recognized and measured under an accounting policy that is not consistent with the requirements of applicable MPSAS;

c) The assets, liabilities, revenue and/or expenses that have not been measured, presented and/or disclosed in the previous reporting period, but which are now recognized and/or measured, and/or presented and/or disclosed;

d) The nature and amount of any adjustments recognized during the reporting period; and

e) An indication of how and by when it intends to comply in full with the requirements of the applicable MPSAS.

Disclosures

A first-time adopter shall disclose:

- If fair value as deemed cost is used for inventory, investment property, property, plant and equipment, intangible assets, financial instruments or service concession assets:

a) The aggregate of those fair values or other measurement alternatives that were considered in determining deemed cost;
b) The aggregate adjustment to the carrying amounts recognized under the previous basis of accounting; and
c) Whether the deemed cost was determined on the date of adoption of MPSASs or during the period of transition.

- In opening separate financial statements, if fair value as deemed cost is used for an investment in a controlled entity, joint venture or associate:

a) The aggregate deemed cost of those investments for which deemed cost is fair value; and
b) The aggregate adjustment to the carrying amounts reported under the previous basis of accounting.

Recognition of asset on date of adoption of MPSAS – Illustrative example

Scenario 1

Total property, plant and equipment consisting of two separate assets (i.e. asset A and asset B) are recognized as opening balance during the transition period from cash accounting to accrual accounting.

	Gross balance (RM)	Accumulated depreciation (RM)	Carrying value (RM)	Source of fund
Asset A	150,000	50,000	100,000	General fund
Asset B	75,000	25,000	50,000	Government trust account

What is the accounting entries for Asset A and Asset B for opening balance?

Recognition of asset on date of adoption of MPSAS – Illustrative example (cont'd)

Scenario 1 (Answer)

1) Asset financed through general fund (Asset A)

To recognise the opening balance of asset A (as gross and total accumulated depreciation) under general funds, the property, plant and equipment account will be debited, accumulated depreciation account credited and the accumulated surplus or deficit of the general funds account credited. The treatment applies for assets discovered to be of existence subsequent to the date of transition.

DR/CR	Account description	Amount (RM)
DR	Property, plant and equipment - general fund	150,000
CR	Accumulated depreciation – general funds	50,000
CR	Accumulated surplus or deficit - general funds	100,000

Recognition of asset on date of adoption of MPSAS – Illustrative example (cont'd)

Scenario 1 (Answer)

2) Asset financed through government trust fund (Asset B)

For asset B financed through government trust fund, the property, plant and equipment account will be debited, accumulated depreciation credited and the accumulated surplus or deficit of government trust fund credited. The treatment applies for assets discovered to be of existence subsequent to the date of transition.

DR/CR	Account description	Amount (RM)
DR	Property, plant and equipment – government trust fund	75,000
CR	Accumulated depreciation – government trust funds	25,000
CR	Accumulated surplus or deficit – government trust funds	50,000