

MPSAS 1: Accounting Principles

Sarawak State Government



Agenda



Day 1

Introduction

Accounting Principles

First Time Adoption of
MPSAS

Presentation of Financial
Statements

Day 2

Property, Plant and
Equipment

Intangible Assets

Day 3

Inventories

Agriculture

Investment Properties

Other Receivables

Impairment of Asset

Day 4

Public Private Partnership

Lease Accounting

Day 5

Investments

Grants

Provisions, Contingencies
and Commitments

Day 6

Revenue

Construction Contract

Employee Benefits

Borrowing Cost

Day 7

Financial Instrument

Day 8

Policies, Estimates &
Errors

Events After Reporting

Related Party Disclosures

General Government
Sector

Trust Accounts and Trust
Fund

MPSAS 1

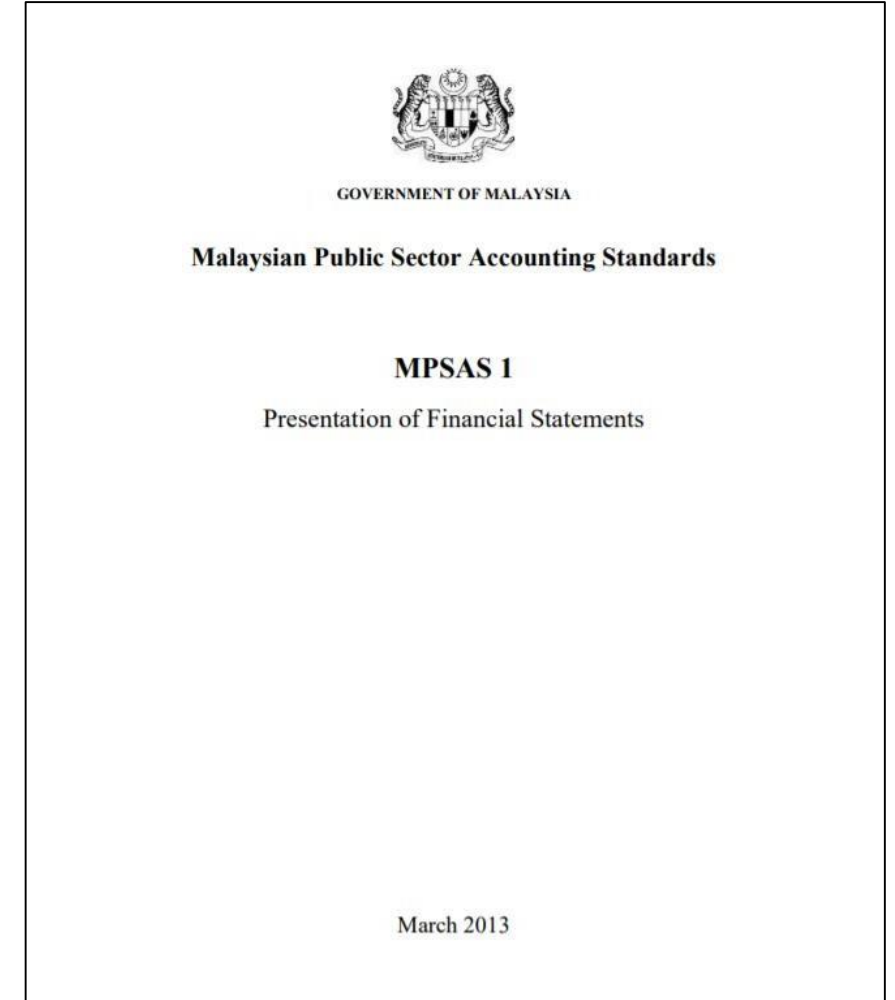
Presentation Of Financial Statements



Appendix A

- This guidance summarizes the qualitative characteristics of financial reporting.
- Qualitative characteristics are the attributes that make the information provided in financial statements useful to users.

Effective Date : 1 January 2017



Accounting Policies

Presentation of financial statements requires an entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics

**Understand-
ability**



Relevance



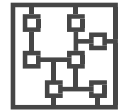
Materiality



Reliability



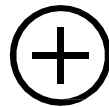
**Faithful
Representation**



**Substance Over
Form**



Neutrality



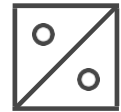
Prudence



Completeness



Comparability



*Constraint on Relevant
and Reliable
Information*

Timeliness



**Balance
between Benefit
and Cost**



**Balance
between
Qualitative
Characteristics**





Understandability, Relevance and Materiality



Understandability

- Information is understandable when users might reasonably be expected to comprehend its meaning
- Users are assumed:
 - To have a reasonable knowledge of the entity's activities and environment
 - Willing to study the information

Complex information should not be excluded from the financial statements just because it may be difficult to understand



Relevance

- Information is relevant to users if can be used to:
 - Assist in evaluating past, present, or future events; or in confirming, or correcting, past evaluations
- In order to be relevant, information must also be timely.



Materiality

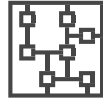
- Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements.
- Materiality depends on the nature or size of the item or error
- Provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful.

Reliable, Faithful Representation and Substance over Form



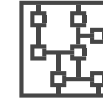
Reliability

- Reliable information is free from material error and bias, and can be relied on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.



Faithful Representation

- Information should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.



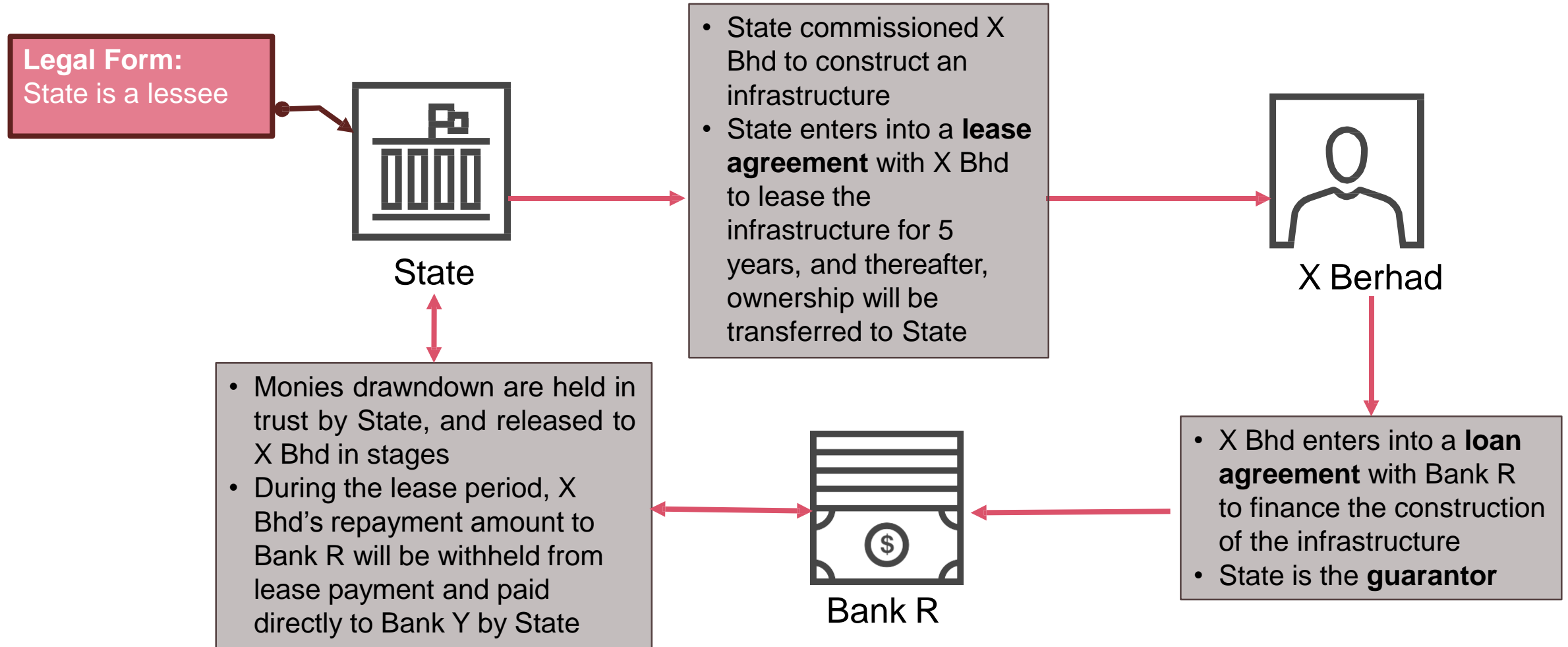
Substance over Form

- Information should be accounted for and presented in accordance with their substance and economic reality
- The substance is not always consistent with legal form



Substance over Form – Illustrative Example

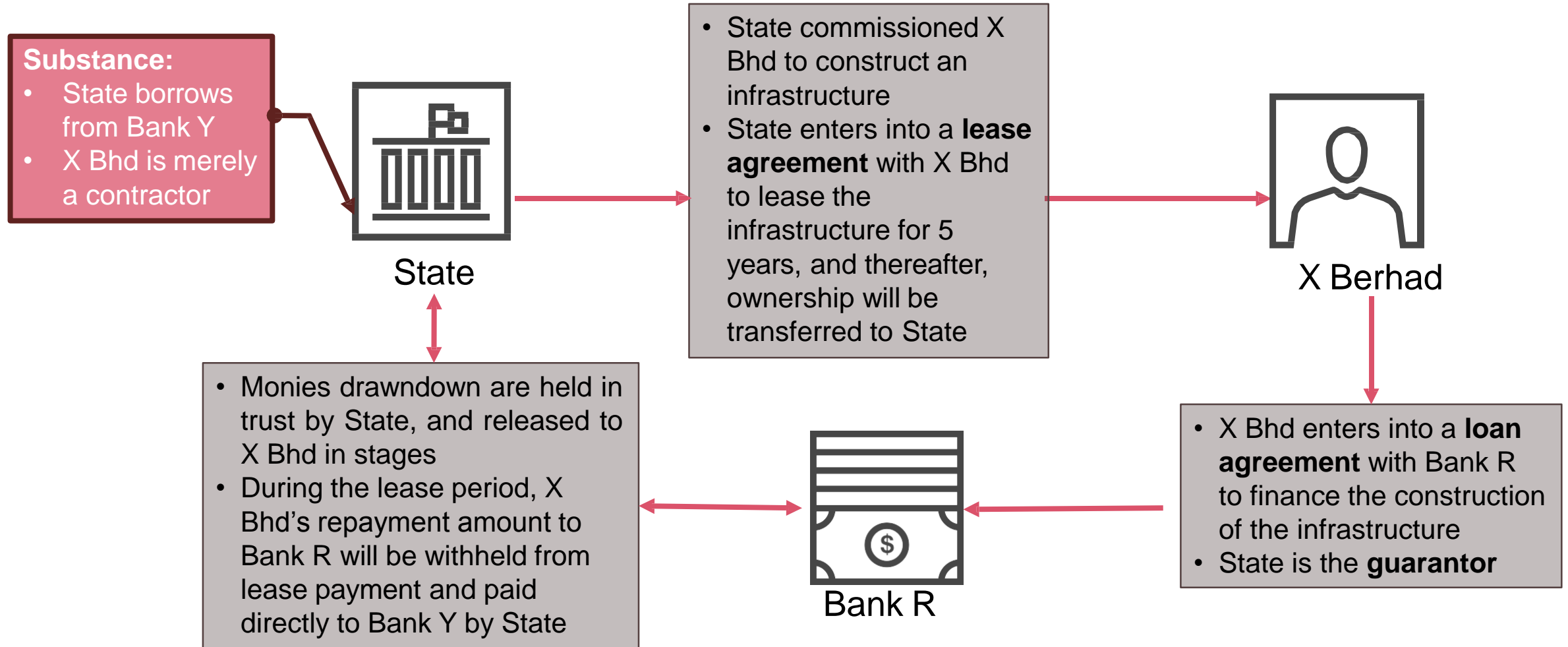
Example 1





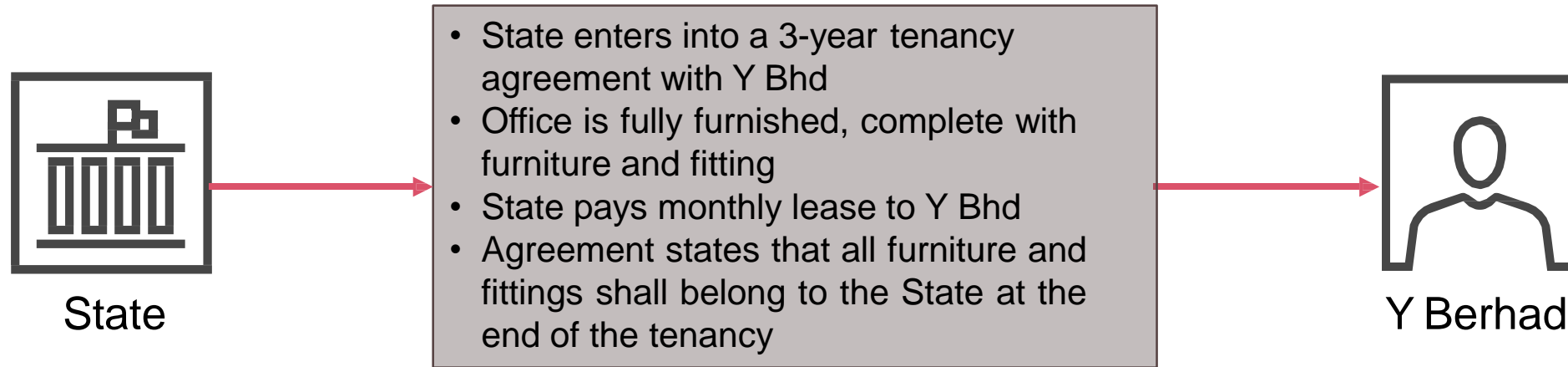
Substance over Form – Illustrative Example

Example 1



Substance over Form – Illustrative Example

Example 2

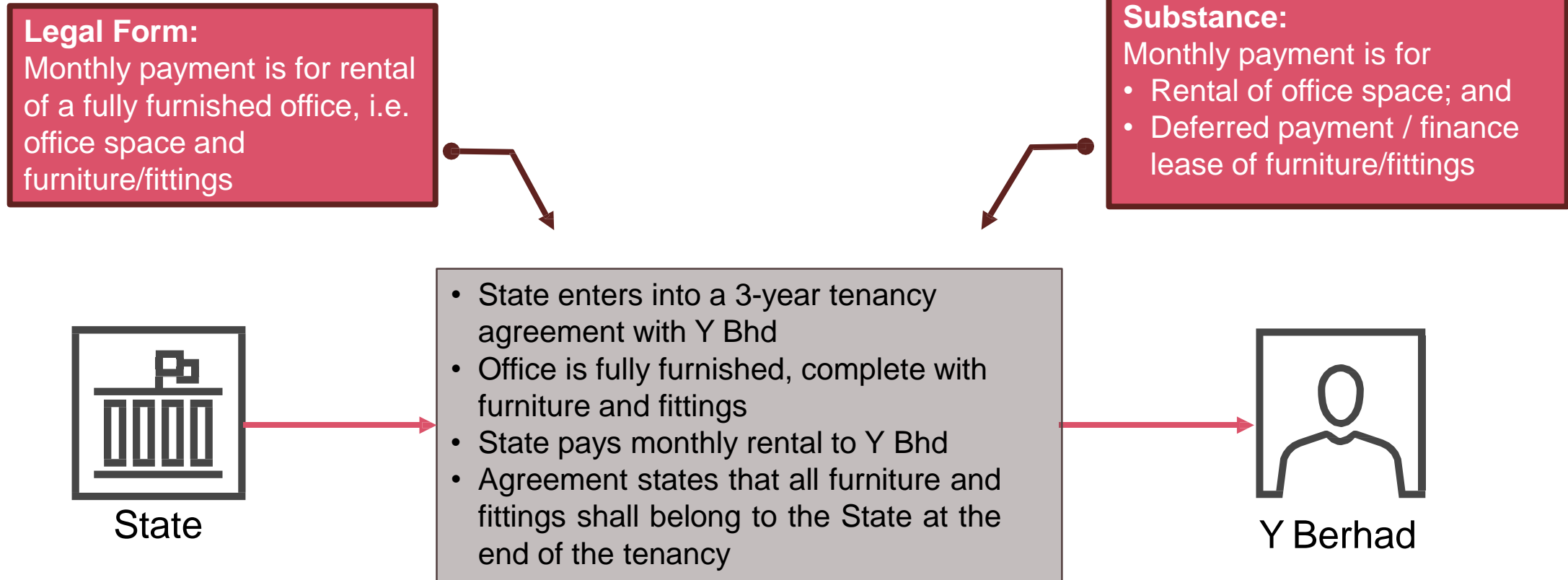


What is the substance of the arrangement above?

- A. A lease arrangement for office space with furniture and fittings
- B. A purchasing arrangement for office space with furniture and fittings
- C. An operating lease arrangement for office space and a finance lease arrangement for furniture and fittings

Substance over Form – Illustrative Example

Example 2 (Answer)



Neutrality, Prudence and Completeness



Neutrality

- Free from bias
- Not neutral if, to obtain a predetermined result, information;
 - Selected to influence decisions
 - Presented to influence judgement

Prudence

- Inclusion of a degree of caution in the exercise of judgments in making estimates required under conditions of uncertainty
- However, prudence does not allow:
 - The creation of hidden reserves or excessive provisions;
 - Deliberate understatement of assets or revenue;
 - Deliberate overstatement of liabilities or expenses

Completeness

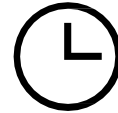
- Information in financial statements should be complete within the bounds of materiality and cost.

Comparable and Timeliness



Comparable

- Information is comparable when users are able to identify similarities and differences between that information. Comparability applies to the:
 - Comparison of financial statements of different entities; and
 - Comparison of the financial statements of the same entity over periods of time.
- It is important that financial statements show corresponding information for preceding periods
- Hence, users need to understand policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes



Timeliness

- If there is an undue delay in the reporting of information, it may lose its relevance.
- To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability.
- If reporting is delayed until all aspects are known, information may be highly reliable but of little use to users who have had to make decisions in the interim.
- To balance between relevance and reliability, need to consider how best to satisfy the decision-making needs of users.

Balance between Benefit and Cost and Balance between Qualitative Characteristic



Balance between Benefit and Cost

- A matter of judgement
- Benefits from information > cost of providing the information
- Standard setters, preparers and users of financial statements should all be aware



Balance between Qualitative Characteristics

- A matter of judgement
- Aim is to achieve an appropriate balance among characteristics
- To meet the objectives of financial statements.