ACCOUNTANT GENERAL'S DEPARTMENT

INTERPRETATION OF ACCOUNTING POLICIES

Revised 2019

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Interpretation of Accounting Policies

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Introduction **1.** This policy document outlines the accounting policies of the Malaysian Government which need to be complied with by all federal ministries and departments. The accounting policies are drawn up to assist users in the application of the Malaysian Public Sector Accounting Standards (MPSASs). MPSASs are accrual basis accounting standards issued by Accountant General's Department of Malaysia which are drawn up primarily from the International Public Sector Accounting Standards(IPSASs) Issued by IFAC. The only divergences are when IPSASs contradict with local legislations, in that situation, local legislation shall prevail.			
2. Accounting Policies Accounting policies are the specific principles, bases, conventions, rules, and practices applied by an entity in preparing and presenting financial statements.	**MPSAS 3**		
3. General **3.1 Components of Financial Statements** The components of Financial Statements shall consist of: (a) Statement of Financial Position (b) Statement of Financial Performance (c) Statement of Changes in Net Assets/Equity (d) Cash Flow Statement (e) Statement of Budget Performance and (f) Notes to the accounts	**MPSAS 1**		
3.2 Accounting Entity The accounting entities for the Federal Government to which this policy applies		**Reporting Structure** Every controlling officer shall prepare its own financial statements.	Approved by

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shall consist of: a. All Federal Ministries and b. All Federal Departments		For federal ministry which has more than one controlling officers, consolidated financial statements shall be prepared for the ministry. Every ministry shall submit its financial statements to the Accountant General's Department for the preparation of the Federal Government financial statements. Ministries and departments include commissions under them.	JKP on 7/5/2013
3.3. Reporting Period Reporting period for the Federal Government is the year ending 31 December.	**MPSAS 1**		
3.4 Accounting Basis The accounting basis shall be Accrual Basis of Accounting and on historical cost convention unless specified otherwise.			
3.5 Going Concern Assumption It is based on the assumption that the entity will continue in operations and able to meet its statutory obligations for the foreseeable future	**MPSAS 1**		
3.6 Application of Materiality An item is material if it's omission from, or misstatement in, the financial statements could influence a user's judgments made on the basis of the statements. Materiality depends on the nature or size of the item, or a combination of both.	**MPSAS 1**		
3.7 Consistence of Presentation The presentation and classification of items in the financial statements shall be retained from one period to the next unless: (a) It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to	**MPSAS 1**		

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the criteria for the selection and application of accounting policies in MPSAS 3; or (b) An MPSAS requires a change in presentation.			
3.8 Comparative Information Comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.	**MPSAS 1**		
3.9 Current/Non-current Distinction An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position. For each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date	**MPSAS 1**		
4. Consolidated Fund The concept of Consolidated Fund will be maintained under the accrual basis of accounting but the three accounts under the Consolidated Fund will be treated as follow: (a) Consolidated Revenue Account shall be closed and the balance as at the date of implementation shall be transferred to the Accumulated Surplus/Deficit in the Statement of Financial Position under Net Assets/Equity, (b) Consolidated Loan Account shall be closed and the balance as at the date of implementation shall be transferred to the Accumulated Surplus/Deficit in the Statement of Financial Position under Net Assets/Equity.			

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(c) All Balances of government trust accounts shall be shown as trust reserves and as a single line item in the Statement of Financial Position under Net Assets/Equity. Balances of public trust accounts and deposits shall be shown as liabilities and as a single line item in statement of financial position.			
5. Assets Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity An item is recognized as an asset in an entity's financial statements if: (a) the asset meets the definition of an asset and (b) the amount can be measured reliably	**MPSAS 1**		
5.1 Cash and Cash Equivalents Cash and cash equivalents consists of Cash at Bank, Current Account (including 3/12 Imprest) and Deposits (not exceeding three months), Cash in Hand (Petty cash) and Cash in Transit.	**MPSAS 2**		
5.2 Recoverable From Taxes and Transfers Recoverable from taxes and transfer and the corresponding taxation revenue are recognized at the time the debt to the Government arises. It shall be initially measured at transaction amount (fair value of the consideration) and subsequently at amortized cost (i.e. the amount measured at initial recognition, minus principal repayments received, minus/plus cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility). Estimate of tax receivable based on prior year experience be made and accrued at the end of financial year.	**MPSAS 23** **MPSAS 28** **MPSAS 29** **MPSAS 30**		

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5.3 Receivables Receivables shall be recognized when goods are transferred, services are rendered and when the invoices are raised. Trade Receivables shall be measured at transaction amount (fair value of the consideration) initially and subsequently at amortized cost and minus any provision for doubtful debts.	**MPSAS 9** **MPSAS 23** **MPSAS 28** **MPSAS 29** **MPSAS 30**	**Measurement (Opening Balance of Account Receivables)** When determining the opening balance of account receivables, it shall include those revenues which have been earned and the amount can be measured reliably. For example, when the invoices are raised and assessment bill issued.	Approved by JKP on 11/2/2014
5.4 Inventories Inventories are assets: (a) In the form of materials or supplies to be consumed in the production process; (b) In the form of materials or supplies to be consumed or distributed in the rendering of services; (c) Held for sale or distribution in the ordinary course of operations; or (d) In the process of production for sale or distribution. Inventory shall be measured initially at cost or, if acquired through a non-exchange transaction, at fair value as at date of acquisition. Inventories are subsequently recorded at the lower of cost and net realizable value. For Inventories held for distribution for public benefit (held for distribution at no charge or for nominal charge e.g. medical supplies at public hospitals) are recorded at the lower of cost and current replacement cost. Cost of inventories, comprising all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition are calculated using Weighted Average method, First In First Out (FIFO), First Expired First Out (FEFO) or other suitable method. When inventories are sold, exchange or distributed, the amounts are recognize as an expense in the period in which the related revenue is recognized.	**MPSAS 12** **MPSAS 27**	Entity shall operate Periodic Inventory System or other inventory system as agreed by Accountant General's Department. Periodic verification is required to provide evidence of the existence and condition of inventories. Under the Periodic Inventory System: (a) Inventory account and cost of goods sold are non-existent until the physical count at the end of the year. (b) Inventory account is used to record purchases. (c) When inventories are sold, exchange or distributed, the amounts are recognize as an expense **Threshold For Inventory** All consumables shall be expensed off. However for inventories which have value of RM 1 million or more per responsible centre as at end of preceding three financial years, these inventories shall be capitalized. **Costs of inventories** Ministry shall use the same cost formula for all inventories having similar nature and use to the entity. For inventories with different nature or use (for example, certain commodities used in one segment and the same type of commodities used in another segment), different cost formulas may be justified. A difference in geographical location of inventories, by itself, is not sufficient to justify the use of different cost formulas.	Approved by JKP on 11/2/2014 Approved by JKP on 11/2/2014 Approved by JKP on 12/11/2015

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Amounts written-down to the net realizable value or current replacement cost are to be expensed in the period where the write-down is made.		During transitional period, for ministry and department using Material Management Module of the 1GFMAS, cost of inventories are calculated using Weighted Average method. However for ministry and department maintaining own inventory system, they are allowed to use other cost formula such as First In First Out (FIFO), First Expired First Out (FEFO) or other suitable method in calculating the cost of inventories. **Recognition of Inventory** Only inventory in the central and main store of the responsibility Centre shall be recognized as inventory. Inventory which has been issued to the sub-store and others sub-sub store such as medicine issued to the hospital ward shall not be accounted as part of the inventory.	Approved by JKP on 10/6/2014 Approved by JKP on 3/9/2014
5.5 Prepayments Prepayments shall be recognized as current asset at transacted cost. Subsequently, no requirement for re-measurement but the amount is transferred to expenses or other class of asset, where appropriate, when the related goods or services have been received.	**MPSAS 28** **MPSAS 29** **MPSAS 30**	Advance payment to contractors shall be accounted as prepayment.	Approved by JKP on 7/5/2013
5.6 Other financial assets Other Financial assets consist of Financial Assets At fair value through surplus or deficit (held for trading), Loans and receivables, Held-to maturity Investment and available for sale financial assets; (a) **Financial Assets at fair value through surplus or deficit** (held for trading) shall be initially measured at fair value and subsequently measured at fair value with changes in fair value recognized in surplus or deficit. (b) **Loans and receivables** shall be initially measured at fair value plus transaction cost and subsequently measured at amortized cost less impairment losses.	**MPSAS 28** **MPSAS 29** **MPSAS 30**	Financial assets held for trading are financial assets acquired or incurred principally for the purpose of selling, are part of a portfolio with evidence of short-term profit-taking, For example, shares and bonds. Loan and receivables are financial assets with fixed or determinable payments which are not listed in an active market. For example, Loan to State and Statutory Body.	Approved by JKP on 11/2/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
(c) Held-to maturity investment shall be initially measured at fair value plus transaction cost and subsequently measured at amortized cost less impairment losses. **(d) Available for sale financial assets** shall be initially measured at fair value plus transaction cost and subsequently measured as follow: (i) Fair value; or (ii) Cost less impairment (only for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured; or (iii) Recognized all cumulative changes in fair value in a separate component of net assets/equity until subsequent derecognition or impairment, when the entity shall transfer that cumulative gain or loss to surplus or deficit. Such impairment losses shall not be reversed through surplus or deficit.		"Held-to-maturity investments" are financial assets with fixed or with determinable payments and fixed maturity which the entity has to be willing and able to hold till maturity. For example bonds. Available for sale financial assets are those non-derivatives financial assets that are designated as available for sale or are not classified as (a), (b) and (c) in paragraph 5.6. For example, investment in share. **Concessionary Loan** All concessionary loan receivables and payables including bilateral Loan and multilateral Loan received from foreign government and international financial institution shall be accounted at amortized cost.	Approved by JKP on 12/11/2015
5.7 Investment in Controlled Entities Reporting Entity for Federal Government only consists of Federal Government ministries and departments, therefore Investment in controlled entities would be initially accounted as investment at cost, using the equity method or as a financial asset and subsequently carried at cost, using the equity method or as a financial asset, and assessed for impairment where there is evidence of impairment.	**MPSAS 6**	Investment in controlled entities shall be accounted using equity method. Federal Statutory Body and Company Limited By Guarantee (CLBG) shall not be accounted as investment in controlled entity using equity method. All funds including seed funds/grants given shall be expensed off and receipts received from the Federal Statutory Body and CLBG shall be accounted as revenue.	Approved by JKP on 3/9/2014 Approved by JKP on 21/03/2015 Approved by JKP on 21/03/2016
5.8 Investment in Jointly Controlled Entities Reporting Entity for Federal Government only consists of Federal Government ministries and departments, therefore Investment in Jointly controlled entities would be initially accounted as investment at cost, using the equity method or as a financial asset and subsequently carried at cost, using the equity method or as a financial asset, and assessed for impairment where there is evidence of impairment.	**MPSAS 8**	Investment in Jointly Controlled Entities which are not controlled entities shall be accounted as available-for-sale financial asset and measured at fair value.	Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
5.9 Investment in Associates Reporting Entity for Federal Government only consists of Federal Government ministries and departments, therefore Investment in Associate would be initially accounted as investment at cost, using the equity method or as a financial asset and subsequently carried at cost, using the equity method or as a financial asset, and assessed for impairment where there is evidence of impairment.	**MPSAS 7**	Investment in Associates which are not controlled entities shall be accounted as available-for-sale financial asset and measured at fair value.	Approved by JKP on 3/9/2014
5.10 Property, Plant and Equipment and Investment Property **(a) Property, Plant and Equipment (PPE)** Property, plant, and equipment are tangible items that: (i) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (ii) Are expected to be used during more than one reporting period. PPE shall be initially recognized as an asset at cost if, and only if: (i) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and (ii) The cost or fair value of the item can be measured reliably. Asset acquired through a non-exchange transaction shall be measured at its fair value at date of acquisition. Military assets shall be disclosed as a single line item in the Statement of Financial Position. Capitalization threshold for Property, Plant and Equipment (PPE) is RM2,000 per item subject to review from time to time. This capitalization threshold is also applicable to Investment Property and Intangible Assets. Assets below RM2,000 or low value assets shall be expensed off but recorded in the assets register for record and control purposes.	**MPSAS 17** **MPSAS 13** **MPSAS 21** **MPSAS 26**	**Military assets** All the assets acquired or received by MINDEF for military purposes shall be classified as military assets. **Capitalization Threshold** Assets with value below RM 2,000 per item shall be expensed off. Information about low value assets shall be captured by 1GFMAS and to be rendered to the Treasury's Assets Management System (*Sistem Pengurusan Aset*) for record and control purposes. **Heritage Asset** *Definition* Heritage assets are assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets): (a) Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price; (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;	Approved by JKP on 11/2/2014 Approved by JKP on 7/5/2013 Approved by JKP on 7/5/2013

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Replacement cost for part of an asset that increases the economic benefits, service potential and life span of an asset shall be capitalized with a corresponding derecognition of the parts that are replaced. Repair and maintenance expenses shall not be capitalized. Subsequently, PPE shall be measured using Cost model or Revaluation model: **(i) Cost Model** Carried at cost, less accumulated depreciation and any accumulated impairment losses. **(ii) Revaluation Model** Carried at revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is to be credited directly to revaluation surplus or expensed in surplus or deficit.		(c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes. Some heritage assets have future economic benefits or service potential other than their heritage value, for example, an historic building being used for office accommodation. In these cases, they may be recognized and measured on the same basis as other items of property, plant, and equipment. *Recognition and Measurement* Heritage asset shall be recorded in the accrual ledger if it is gazetted under National Heritage Act 2005. If cost is available, it shall be measured at cost. If it is impractical to determine the cost, it shall be measured at nominal cost of RM1. **Componentization of Asset** Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item shall not be depreciated separately but shall be grouped in determining the depreciation charge. This applied only to opening balance of assets. For newly acquired assets the componentization shall be considered and applied when appropriate. **Ownership of Government Asset on Third Party Land** For example, Government Building sitting on third party land shall be accounted for as property, plant, and equipment or lease asset if ownership or control exists over the building. In order to determine whether ownership or control exists, following criteria need to be assessed: (a) Legal ownership of the asset based on legal form per agreement and in absence of such agreement, (b) Evaluate control over the building. Control exists where	Approved by JKP on 7/5/2013 Approved by JKP on 7/5/2013

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		government has the power to obtain future economic benefit or service potential associated with the building and able to restrict the access of party to the benefit. (c) Risk and rewards attached to the building. Risk is defined as possibilities of losses from idle capacity, technological obsolescence or changes in value due to changes in economic conditions and reward is defined as economic life and gain from appreciation in value or realization of residual value. If risk and rewards are transferred to the government, then government has control over the asset. (d) If payments were made for the land, (i) If risk and rewards transferred to government (ii) Period of payment (one off, periodic or perpetual)	
		Life Asset Some life assets are used government in carried out their operation in which future benefits or service potential are obtained, these life asset shall be accounted for as property, plant and equipment. For example, dogs belong to the narcotic division of the police force which help them to catch drug traffickers shall be accounted for as property, plant and equipment. If life assets are used for agriculture activities, i.e. transformation of living animals or plants for sale or into agriculture produce, these assets should be accounted for as biological asset and agriculture produce. A life asset shall be accounted for as inventory if it is: (a) To be consumed or used as part of the operation of a ministry (b) In the form of supplies to be consumed or distributed in the rendering of services; or (c) in the process of production for sale and distribution.	Approved by JKP on 7/5/2013
		Asset Seized under Bankruptcy Act 1967 and Company Act 1965 These assets shall be disclosed in the notes to the account.	Approved by JKP on 7/5/2013

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		Measurement (Opening Balance of Assets) (a) To be measured at Actual Cost if historical records are available; (b) To be measured at Depreciated Cost, or (c) To be Measure at Deemed Cost.	Approved by JKP on 11/2/2014
		Deemed cost means fair value of an asset determined at any date during the exemption period or on the date that the exemption expires (whichever is earlier).	Approved by JKP on 11/2/2014
		Assets Under Construction –PFI Assets under construction financed through PFI shall be capitalized as assets under construction during construction period and the corresponding entries shall be crediting finance lease liability.	Approved by JKP on 11/2/2014
		Assets Under Construction to be Transferred to Third Party When Completed For those development projects under the SPPII which are carried out by the ministry but the assets will be transferred to third party when completed, during construction period, assets under construction shall be capitalized. When such assets under construction are completed and transferred to third party, there shall be expensed off.	Approved by JKP on 11/2/2014
		Reclassification of Assets under construction Assets under construction shall be reclassified as PPE when completed and Certificates of Project Completion (*Sijil Perakuan Siap Kerja*) issued. Retention money deducted as required by the contract shall be accounted as follows: Debit PPE Credit Retention money payable	Approved by JKP on 11/2/2014
		Lands Belonging to Mission Schools Lands belonging to the Mission Schools' shall not be recognized as government assets.	Approved by JKP on

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
			11/2/2014
		Accounting for Government Buildings In Putrajaya Government properties in Putrajaya consisting of lands, buildings and infrastructure. Such properties shall be accounted as finance lease assets and finance lease liabilities. The buildings shall be accounted by the ministries. Lands and infrastructures shall be recorded centrally (Prime Minister Department).	Approved by JKP on 10/6/2014
		Opening Balance of PPE - Fund If Ministry and department are unable to determine the fund for the purchased of a PPE when determining the opening balance of an asset, they shall classify such PPE as an asset belonging to the General Fund.	Approved by JKP on 12/11/2015
		Acquisition of Land from Third Party Land acquired from third party whereby "Borang K" has been submitted to the Land Office shall be accounted as asset of the Ministry/Department. "Borang K" is the notice given to the Land Office about the government acquisition of land from the third party and subsequently, the Land Office will issue the land title to the Federal Land Commissioner.	Approved by JKP on 12/11/2015, revised approval by JKP on 19/02/2019
		Federal Road Accounting Policy As per **Appendix A**	Approved by JKP on 21/03/2016
		Valuation Of Federal Reserve Land for Opening Balance And Day-2 Land reserved for federal purpose in the state shall be measured at cost if cost of acquisition is available or at nominal value of RM1 if	Approved by JKP on

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		acquired through non-exchanged transaction. Land reserved for federal purpose in the Federal Territory shall be measured at fair value (valuation by JPPH). **Classification of Property, Plant and Equipment and Estimated Useful Life** The classification of Property, Plant and Equipment, and its useful life as per **Appendix B-1.** **Classification of Heritage Asset** The classification of heritage asset as per **Appendix B-2**	11/02/2014, revised approval by JKP on 19/02/2018
(b) Investment Properties Investment Properties(IP) shall be initially recognized as an asset at cost when and only when: (i) it is probable that future economic benefits or service potential associated with the investment property will flow to the entity; and (ii) the cost or fair value of the item can be measured reliably. Where an IP is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. IP shall be subsequently measured using Fair Value Model or Cost model: (i) **Fair Value Model** Measure at fair value unless the fair value is not reliably determinable on a continuous basis. Gain or loss arising from the change in the fair value is recognized in the surplus or deficit for the period in which it arises. A property interest held by lessee under an operating lease may be classified and accounted for as IP if it meets the definition of	**MPSAS 16** **MPSAS 13** **MPSAS 17**	**Classification of Investment Property and Estimated Useful Life** The classification of Investment Property and its useful life as per **Appendix B-3** **Capitalization Threshold** Assets with value below RM 2,000 per item shall be expensed off. Information about low value assets shall be captured by 1GFMAS and to be rendered to the Treasury's Assets Management System (*Sistem Pengurusan Aset*) for record and control purposes.	Approved by JKP on 19/02/2018 Approved by JKP on 12/09/2019

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
IP and the use of fair value model is mandatory. (ii) **Cost Model** Measure at cost less accumulated depreciation and accumulated impairment losses.			
(c) Depreciation and Impairment (i) **Depreciation** Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of PPE and those IP value measured at cost less any estimated residual value, over its remaining useful life. For freehold land, it is not necessary to depreciate but for leasehold land, it shall be amortized over the lease period. The depreciation charge for the period is recognized in surplus or deficit. (ii) **Impairment** Where an asset's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss is recognized. The main reason for holding some assets is to generate cash. For these assets the recoverable amount is the higher of the amount that could be recovered by sale (after deducting the costs of sale) or the amount that will be generated by using the asset through its useful life. Some assets do not generate cash and for those assets, depreciated replacement cost is used. Losses resulting from impairment are reported in the statement of financial performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease. **(d) Disposal** Gains or losses arising from disposal of PPE and IP are recognized in the statement of financial performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to	**MPSAS 17** **MPSAS 21** **MPSAS 26** **MPSAS 17**	**Fully Depreciated Assets** Movable assets which are fully depreciated and still in use at the time of migration to accrual accounting are not required to be accounted as opening balance in the accrual ledger. Disposal of such assets after migrating to accrual accounting shall be accounted as miscellaneous revenue. If enhancement is made to a fully depreciated asset which is not accounted in the accrual ledger, a new asset Identification Number shall be created to account this enhancement in the accrual ledger. However for immovable assets which are fully depreciated at the time of conversion to accrual accounting, if those assets are still in use, the useful life and the residual value and of the assets need to be reviewed. The determination of any residual value and remaining useful life is a matter of judgement and differs based on the different kind of assets. For example: significant assets like military vehicles may have been used for 10 years, however should there be periodic expenditure incurred which extends its useful life. Change(s) in the useful life shall be accounted for as a change in an accounting estimate and shall be accounted prospectively in accordance with MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. **Assets Useful Life** The useful life for the opening balance of the asset and new acquired asset shall be the maximum useful life as stated in the Accounting Policy Issued by JANM. The maximum useful life of this asset shall be defaulted in the 1GFMAS.	Approved by JKP on 07/05/2013 Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
accumulated surpluses or deficits.		The Ministry/Department can change asset's useful life after the opening balance has been migrated to 1GFMAS. The change in useful life shall be accounted as change in accounting estimate and shall be accounted prospectively. However, Ministry/Department may change useful life of the new acquired asset at the point the asset identification number is being created and such change isn't change in accounting estimate. All changes to the assets' useful life must be approved by the Asset Management Committee of the respective Ministry/Department. Immovable assets which are fully depreciated at the time of conversion to accrual accounting if accounted in accrual ledger shall be measured at Depreciated Replacement Cost.	
5.11 Agriculture (Biological assets and Agriculture Produce) Biological asset or agricultural produce shall be recognized when and only when: (a) The entity controls the asset as a result of past events; (b) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and (c) The fair value or cost of the asset can be measured reliably. Biological asset shall be initially measured at fair value less costs to sell. If fair value cannot be measured reliably, measured at cost. Subsequently it shall be measured at fair value less costs to sell. If cost was used at initial recognition, and fair value still cannot be measured reliably, it shall be measured at cost less any accumulated depreciation and any accumulated impairment losses. Agricultural produce shall be initially measured at fair value less costs to sell, at the point of harvest. It shall be accounted for as inventories.	**MPSAS 12** **MPSAS 17** **MPSAS 27**	**Classification of Agriculture asset and Estimated Useful Life** The classification of agriculture asset and its useful life as per **Appendix B-4**	Approved by JKP on 19/2/2018
5.12 Intangible Assets An intangible asset is an identifiable non-monetary asset without physical substance. It shall be initially recognized as an asset if: (a) it meets the definition of an intangible asset;	**MPSAS 31**	**Classification of Intangible Asset and Estimated Useful Life** The classification of intangible asset and its useful life as per **Appendix B-5**	Approved by JKP on 19/2/2018

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<tr><th>Accounting Policy</th><th>References</th><th>Interpretation/ Implementation Guidance</th><th>Revised/ Approved</th></tr>
<tr><td>(b) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
(c) cost or fair value of the asset can be measured reliably.

Intangible Assets shall be measured initially at:
(a) cost of an intangible asset in an exchange transaction,
(b) cost to internally generate an intangible asset, or
(c) fair value of an intangible asset acquired through a non-exchange transaction.

Subsequently intangible assets are measured as follow:

(a) Intangible assets with finite useful lives
(i) Cost model (cost less amortization and impairment); or
(ii) Revaluation model

(b) Intangible assets with indefinite useful lives
Shall not be amortized, but is required to test for impairment annually and whenever there is an indication that the intangible asset may be impaired.

License fee for software
License fee for software shall be capitalized as intangible asset and yearly maintenance fee shall be expensed off. Enhancement (upgrade) of the system shall be capitalized.</td><td></td><td>Capitalization Threshold
Assets with value below RM 2,000 per item shall be expensed off. Information about low value assets shall be captured by 1GFMAS and to be rendered to the Treasury's Assets Management System (Sistem Pengurusan Aset) for record and control purposes.</td><td>Approved by JKP on 12/09/2019</td></tr>
<tr><td>6. Liabilities

Liability is defined as the "present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential."

An item is recognized as a liability in an entity's financial statements if:
(a) The obligation meets the definition of a liability; and
(b) The amount at which the settlement will take place can be measured reliably.</td><td>MPSAS 1
MPSAS 28
MPSAS 29
MPSAS 30</td><td></td><td></td></tr>
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Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
6.1 Payable under exchange transactions Payables/accruals shall be recognized when goods or services are received or enjoyed. For goods or services received or enjoyed without issuing Purchase Order, payable or accrual shall be recognized when invoices are received. Trade Payables / Accruals shall be measured at transacted amount (fair value of the consideration) initially and subsequently at amortized cost.	**MPSAS 9** **MPSAS 28** **MPSAS 29** **MPSAS 30**		
6.2 Taxes Payable Taxes Payables/accruals shall be recognized when refunds are due to the taxpayer as a result of assessments being filed. Taxes Payables/accruals shall be measured at transacted amount (fair value of the consideration) initially and subsequently at amortized cost.	**MPSAS 23** **MPSAS 28** **MPSAS 29** **MPSAS 30**		
6.3 Grants and Fixed Charges (Promissory notes issued to international organizations) The above charges shall be recognized as a financial liability when obligation to pay exists.	**MPSAS 23**		
6.4 Grants and Fixed Charges (Domestic Grants and others) The above charges shall be recognized as a financial liability when obligation to pay exists.	**MPSAS 23**		
6.5 Provision Provision shall be recognized if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. Provision shall be measured based on the best estimate of the expenditure required to settle the present obligation at the reporting date.	**MPSAS 19**		
6.6 Borrowing Borrowing shall be recognized as financial liabilities at transacted costs and subsequently measured at amortized cost.	**MPSAS 5** **MPSAS 28** **MPSAS 29**		

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Transaction costs that are directly attributable to the financial liability are deducted from the proceeds of the loan. Such transaction cost is charged to expense and corresponding amount is added to the financial liability. Repayment of borrowing shall be recognized as a reduction in the carrying amount of the borrowings at the transacted cost.	**MPSAS 30**		
6.7 Pension Plan and Gratuity Pension and gratuity shall be recognized in the period when the employee services are received and measured based on the future obligations of the plan based on actuarial valuation which includes the recognition of service cost, interest cost, actuarial gains or losses, expected return on any plan assets and reimbursement right recognized as an asset. The amount recognized as liabilities shall be a net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. Contribution from the Federal Government and reimbursements made by the State Governments and Statutory Bodies for seconded staff, Local Authorities into the defined benefit plan are to be recognized as plan assets.	**MPSAS 25**	**Pension Liabilities and Plan assets** Pension liabilities consisting of pension, gratuity and leaves replacement payables and the related plan assets shall be disclosed in the notes to the account during the transition period (2015 to 2017). Therefore payments of pension, gratuity and leaves replacement and contributions to the plan assets during the transition period shall be expensed off.	Approved by JKP on 10/6/2014
7. Revenue Revenue is defined as "the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners." An inflow of resources from exchange and non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as revenue when, and only when: (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and (b) The fair value of the asset can be measured reliably.	**MPSAS 9** **MPSAS 23**		

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
7.1 Tax Revenue			
(a) Income Tax Tax revenues are to be recognized by reference to the earning of assessable income by the taxpayers and hence, the requirement takes into account appropriate cut-off, which would also result in the recognition of tax receivable/refundable. Income Tax Deductions received through Pay As You Earn shall be recognized as revenue at the point of received.	**MPSAS 23**	Tax deductions including deductions for individual income tax, corporate income tax and petroleum income tax shall be recognized as revenue at the point of received of the deductions. During the assessment year, if the assessment amount of tax to be paid exceeded amount of deductions through PCB, such amount shall be recognized as tax receivables. If the assessment amount of tax to be paid is less than amount of deductions through PCB, such amount shall be recognized as tax payables.	Approved by JKP on 7/5/2013
(b) Other Direct Taxes including quit rent assessment Tax revenues are to be recognized by reference to the occurrence of taxable event and hence, the requirement takes into account appropriate cut-off, which would also result in the recognition of tax receivable/refundable.	**MPSAS 23**		
(c) Customs Duties – Export and Import, Excise Duties on Imported Goods, Levy Custom duties on import and export and excise duties on imported goods are to be recognized as revenue upon movement of dutiable goods across custom boundaries and custom controlled warehouses. Levy for agriculture produce shall be recognized as revenue upon declaration. Levy for goods vehicle leaving and entering Malaysia shall be recognized as revenue as and when the levy was imposed and received.	**MPSAS 23**	Custom revenue except GST shall be recognized as revenue when payment is received and not when revenue is earned and the bill issued. This is to take advantage of the transitional provision of MPSAS 23 to give more time to the Custom Department to get ready the accrual revenue accounting system before such revenue is to be accrued when it is earned.	Approved by JKP on 11/2/2014
(d) Sales Tax on Locally Manufactured Goods and Imported Goods, Goods and Services Tax, Service Tax, Excise Duties Sales Tax on Locally Manufactured Goods and Imported Goods,	**MPSAS 23**		

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Goods and Services Tax, and Service Tax shall be recognized as revenue upon sale of goods and services (i.e. at point of sale to end user) Excise Duties on the general goods shall be recognized as revenue when the goods leave the factory. However for the vehicles produced locally, excise duty will only be recognized as revenue when the vehicles are sold and not when the vehicles leave the factory. However Excise Duty shall be accrued as receivable at the end of the fourth year after the vehicles left the factory although still not sold.			
(e) Tax Revenue (Miscellaneous Indirect Taxes) The following Indirect Taxes shall be recognized as revenue upon the occurrence of relevant taxable event: (i) Value-added tax is the undertaking of taxable activity during the taxation period by the taxpayer; (ii) Death duty is the duty imposed upon the death of a person owning taxable property; and. (iii) Property tax is imposed upon the disposal of a property.	**MPSAS 23**		
7.2 Non-Tax Revenue			
(a) Licenses, Registration Fees and Permit Revenue shall be recognized when licenses and permits are issued (usually no gap between issuance of permit and license and timing of payment).	**MPSAS 23**	Registration fees as listed below shall be recognized as revenue when payments are received as there are no gaps between registrations and timing of payments: • Births • Deaths • Adopted child • Marriage and divorce • Citizen Licenses and permits as listed below shall be recognized as revenue when payments are received as there are no gaps between issuance of permits and licenses and timing of payments:	Approved by JKP on 7/5/2013 Approved by JKP on 7/5/2013

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		• Passport • Visa • Pass for foreign workers • Other daily pass • Driving license • Auditor and liquidator	
(b) Service and Services Fees Revenue shall be recognized by reference to the stage of completion of the transaction at the reporting date when ALL of the following conditions are satisfied: (i) The amount of revenue can be measured reliably (ii) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity (iii) The stage of completion of the transaction at the reporting date can be measured reliably (iv) The cost incurred for the transaction and the costs to complete the transaction can be measured reliably Revenue shall be measured at the fair value of the consideration received or receivable.	**MPSAS 9**	Hospital charges shall be recognized as revenue when payment is received and not when the bill is issued. This is to take advantage of the transitional provision of MPSAS 23 to give more time to the hospital to get ready the accrual revenue accounting system before such revenue is to be accrued when it is earned. **Sale of Ticket/Coupon/Voucher (For examples –voucher for case search offered by the High Court)** Cash sale of ticket/coupon/voucher to be used in future specified timeframe for service to be rendered in the future shall be recognised as follows: Debit – Cash Credit – Revenue	Approved by JKP on 11/2/2014 Approved by JKP on 10/6/2014
(c) Sales of Goods Revenue shall be recognized when all the following conditions have been satisfied: (i) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; (ii) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) The amount of revenue can be measured reliably; (iv) It is probable that the economic benefits or service potential	**MPSAS 9**		

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
associated with the transaction will flow to the entity; and (v) The costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable. The amount of the cost of goods sold must be expensed to the surplus/deficit simultaneously with the recognition of revenue.			
(d) Rentals Rental earned shall be recognized as revenue on straight line basis over the lease term.	**MPSAS 9**		
(e) Interest Revenue shall be recognized on a time proportion basis that takes into account the effective yield of the asset. Revenue shall be measured at the fair value of the consideration received or receivable.	**MPSAS 9**		
(f) Dividend Revenue shall be recognized when the shareholder's or the entity's right to receive payment is established. Revenue shall be measured at the fair value of the consideration received or receivable.	**MPSAS 9**		
(g) Fines and Penalties Revenue shall be recognized when the fine/penalty is being imposed. Revenue shall be measured at the fair value of the consideration received or receivable, taking into consideration the expected timing of settlement, where there is a separation between the event and collection.	**MPSAS 23**	The following shall be recognized as revenue when fines/penalties are being imposed: • Penalty for late payment of tax imposed by Inland Revenue Board. • Penalty for late payment of assessment imposed by the relevant authorities.	Approved by JKP on 7/5/2013

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		However, fine for traffic offence shall be recognized as revenue when payment for the fine is received and not when the fine is imposed because the amount of fines cannot be reliably measured. The reasons why amount of fines cannot be reliably measured are listed as follows: • Discount is offered from time to time for payment of fine within stipulated time period. • Confirmation from the owner of the vehicle is required to determine the person who has committed the traffic offence. • The fine is subjected to challenge in court.	
(h) Contributions and Compensation from Foreign Countries and Local Contributors Revenue shall be recognized when it is probable that the future economic benefits or service potential will flow to the entity and the fair value can be measured reliably, e.g. when the amount is pledged, memorandum of understanding.	**MPSAS 23**		
(i) Services In-kind An entity may, but is not required to, recognize services in-kind as revenue and as an asset.	**MPSAS 23**		
(j) Exploration of Oil and Gas Revenue from Exploration of Oil and Gas shall be recognized as they are earned/accrued in accordance with the substance of the relevant agreement unless, having regard to the substance of the agreement, it is more appropriate to recognize revenue on some other systematic and rational basis.	**MPSAS 9**		
7.3 Miscellaneous Receipts			
(a) Refunds of Expenditure Refund of expenditure for previous year shall be recognized as revenue at transacted cost. Refunds of expenditure for current year shall be recognized as a			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
reversal to the relevant expense or asset account at transacted cost.			
(b) Receipts from Government Agencies If revenue and cost recorded are inter-departmental transactions, it should be eliminated.			
7.4 Revenue from Federal Territories			
Tax Revenue-Land Assessment Tax revenue shall be recognized upon passing the annual levy date and hence, the requirement may result in the recognition of tax receivable and measured at transacted cost.	**MPSAS 23**		
8. Expenses Expenses are defined as "decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners."			
8.1 Emoluments (Salaries and Wages, Allowance/Fixed Benefits, Statutory Contribution for Employees, Overtime, Other Financial Benefits, Special Allowances) Salaries and Wages, Allowance/Fixed Benefits, Statutory Contribution for Employees shall be recognized in the period when the employee services are received and measured at transacted cost. For expenses not paid during the period where employee services are received, shall be accrued as appropriate.			
8.2 Supplies and Services (Travelling and Cost of Living Expenses, Transportation of Goods, Communications and Utilities, Food and Beverage, Supplies and Others, Maintenance, Professional and Other Services and Hospitality, Payments for Temporary Staff) The above supplies and services shall be recognized as expenses in the			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
period when the goods/services are consumed. Such expenses, if not paid during the period where goods/services are consumed, shall be accrued as appropriate.			
8.3 Supplies and Services (Rental Expense) Rental shall be recognized as expenses on straight line basis over the lease term, such expenses, if not paid during the period where goods/services are consumed, shall be accrued as appropriate.			
8.4 Supplies and Services (Raw Materials and Spares) Raw Materials and Spares shall be expensed off or capitalized as inventory depending on the purpose of the usage of such supplies.			
8.5 Grants and Fixed Charges (Scholarships, Sponsorship and Educational Aids) **(a) Where the assistance constitutes a loan** The above charges shall be initially recognized as Loan Receivables at fair value plus transaction cost and subsequently recognized at amortized cost **(b) Where the assistance is not a loan** The above charges shall be recognized as expenses at transacted cost when the obligation to pay is established.			
8.6 Grants and Fixed Charges (Subscription paid to international organizations) The above charges shall be expense off at transacted cost.			
8.7 Grants and Fixed Charges (Insurance Claim and Compensation) The above shall be recognized as provision when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
(c) a reliable estimate can be made of the amount of the obligation. Insurance claim and compensation shall be measured based on the best estimate of the expenditure required to settle the present obligation at the reporting date.			
8.8 Interest, Dividends and Debt Charges (Interest on Borrowings) **(a) Benchmark Treatment** Borrowing costs shall be recognized as an expense in the period in which they incurred. **(b) Allowed Alternative Treatment** Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset shall be capitalized as part of the cost of that asset. Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs shall be calculated based on effective interest method.		**Borrowing Cost (Benchmark Treatment)** All borrowing costs shall be recognized as an expense in the period in which they incurred.	Approved by JKP on 10/6/2014
8.9 Transaction Cost on Drawdown of Borrowings Transaction costs that are directly attributable to the financial liability are deducted from the proceeds of the loan. Such transaction cost is charged to expense and corresponding amount is added to the financial liability.			
8.10 Other Service Cost on Borrowings Borrowing costs shall be recognized as an expense in the period in which they incurred, Such expenses, if not paid during the period where the obligation arose, should be accrued as appropriate.			
8.11 Other Expenditure (Refund of Tax) The above shall be recognized as a reversal to an appropriate revenue account and shall be measured at transacted cost.			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
8.12 Other Expenditure (Write-offs of Loans Receivable) Where the loans receivable are not concessionary loans, write-offs of loan receivable shall be recognized as expenses when the loans and receivables are impaired. Where the loans receivable are concessionary loans, the difference between the fair value of the loan and the transaction price (loan proceeds) is treated as an expense at initial recognition. Write-offs of Loans Receivable shall be recognized as expenses when the loans and receivables are impaired.			
8.13 Other Expenditure (Write-offs of Taxes {e.g. land assessment for Government-occupied land}) The above shall be recognized as expenses when it is more likely than not that the amount will be uncollectable and the amount can be measured reliably.			
9. Consolidated Fund			
9.1 Consolidated Revenue Account Consolidated Revenue Account shall be closed. Balance in the Consolidated Revenue Account as at the date of implementation of accrual accounting shall be transferred to the Accumulated Surplus/Deficit in the Statement of Financial Position under Net Assets/Equity.			
9.2 Consolidated Loan Account Consolidated Loan Account shall be closed and the balance as at the date of implementation of accrual accounting shall be transferred to the Accumulated Surplus/Deficit in the Statement of Financial Position under Net Assets/Equity. Borrowings shall be recognized as financial liabilities at transacted costs and subsequently measured at amortized cost. The amounts are presented in the Statement of Financial Position as liabilities, and the carrying amounts represent the total loan obligations as at period end.			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
9.3 Consolidated Trust Account Accounting for government trust accounts, public trust accounts and deposits are as follows: **(a) Government Trust Account** All payment and receipt transactions shall be accounted for by applying accrual basis of accounting. The balances of government trust accounts shall be aggregated and reported as trust reserves and as a single line item in the Statement of Financial Position under Net Assets/Equity. Asset purchased including investment shall be debited as asset for the Trust Account and not debited to the trust account. Liability incurred shall be credited as liability for the Trust Account and not credited to trust account. Expense incurred shall be debited as expense for the trust account. Revenue collected shall be credited as revenue for trust account and not to revenue account. Depreciation for trust fund's asset shall be debited as an expense for the trust account and not as an expense. Assets and liabilities including cash belonging to trust account shall be clearly identified by trust account (*Fund*). Statement of Financial Performance and Financial Position shall be prepared for each of the trust accounts. All revenues, expenses, assets and liabilities of the government trust accounts shall be consolidated with revenues, expenses, assets and		All borrowing proceeds for the purpose of Government Trust Account shall be credited to the Consolidated Fund. Borrowing proceeds transfer from Consolidated Fund to Government Trust Account shall be accounted for as income in the Statement of financial performance for that particular Government Trust Account. Inter fund transfer shall be eliminated in the Federal government annual financial statements. **"Special Development Activity Private Finance Trust Account" and "Private Finance Initiative (PFI) Trust Account"** "Special Development Activity Private Finance Trust Account" and "Private Finance Initiative (PFI) Trust Account" shall be accounted as Government Trust Accounts and its' balances of the above account shall be reported as Government Trust Reserves in the Statement of Financial Position. Accounting entries to record PFI transactions are as follows: Debit Cash (General Fund) Credit PFI Borrowing (General Fund) **(To record drawdown of PFI Borrowing)** **PFI Fund** Debit Due to/Due from Credit PFI Fund **General Fund** Debit General Fund	Approved by JKP on 11/2/2014 Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
liabilities of the General Fund for the preparation of Federal Government Financial Statements.		Credit Due to/Due from **(To record fund transfer from the General Fund to the PFI Fund)** **PFI Fund** Debit Expense Credit Due to/Due from **Treasury** Debit Due to/Due from Credit Cash **(To record payment of expense from the PFI Fund)** **PFI Fund** Debit AUC/Asset Credit Due to/Due from **Treasury** Debit Due to/Due from Credit Cash **(To record payment for AUC being constructed and asset purchased)**	
		Tax Refund Fund Tax Refund Fund (TBBC) and Goods and Services Refund Fund (CBP) established under Section 10 of the Financial Procedure Act shall be accounted as Tax Payable liability under liability in the Statement of Financial Position. Accounting for Tax Refund Fund are as follows: Debit - Revenue Credit - Tax Payable (Tax Refund Fund/ Goods and Services Refund Fund) **(To record provision for tax refund)**	Approved by JKP on 10/6/2014 Revised by JKP on 19/02/2018

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
		Debit - Tax Payable (Tax Refund Fund/ Goods and Services Refund Fund) Credit - Cash **(To record refund of tax)** *Transitional period* During the transitional period, TBBC and CBP shall be accounted as tax payable. The difference with actual assessment shall be disclosed in the notes to the account.	
i. **Development Fund** The balance in the Development Fund shall be aggregated with other government trust accounts and reported as trust reserves and as a single line item in the Statement of Financial Position under Net Assets/Equity. Accounting for Development Fund's transactions shall be accounted for in line with paragraph 9.3.(a). A Statement of Financial Performance and Financial Position shall be prepared for the Development Fund. ii. **Housing Loan Fund** The balance of Housing Loan Fund shall be aggregated with other government trust accounts and reported as trust reserves and as a single line item in the Statement of Financial Position under Net Assets/Equity. Accounting for Housing Loan Fund's transactions shall be accounted for in line with paragraph 9.3.(a). A Statement of Financial Performance and Financial Position shall be prepared for the Housing Loan Fund. iii. **Inter-Administration Account, Payroll Deduction Account** These are receivables and payables at subsidiary ledger level which shall be zerorised at reporting date. If not zerorised, the balance at reporting date shall be accounted for as receivables and payables at transacted amount and reported in the Statement of Financial Position.			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
iv. Gains and Loss on Currency Conversion Account These are gains and losses arising from currency conversion that are credited or charged to the "Gains and Loss on Currency Conversion Account" respectively. The balance in this account shall be zerorised to expense account or credited to revenue respectively at the end of the financial year. **v. Trade Account - Unallocated Store** These are goods/services provided between departments within the same reporting entity and hence, expenses shall be recognized based on the actual amount transacted with external parties. Inter-department profits shall be eliminated. **vi Loan Fund/Conveyance Loan Fund (except BSN)** The balance of Loan Fund/Conveyance Loan Fund shall be aggregated with other government trust accounts and reported as trust reserves and as a single line item in the Statement of Net Assets/Equity. Accounting for Loan Fund's/Conveyance Loan Fund's transactions shall be accounted for in line with paragraph 9.3.(a). A Statement of Financial Performance and Financial Position shall be prepared for the Loan Fund/Conveyance Loan Fund. **vii Conveyance loan (BSN)** Amount borrowed from BSN and amount disbursed to civil servants as shall not be recognized in the Statement of Financial Position. However the difference between interest incomes collected from borrowers and interest expenses incurred shall be treated as short-term employee benefits and charged as expense. **viii. Contingencies Fund** If it is more likely than not that a present obligation exists, it shall be recognized as a provision and measured based on the best estimate of the expenditure required to settle the present			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
obligation at the reporting date. If existence of a present obligation is unlikely, • No recognition of liability is required • The amounts set aside in this account should be aggregated with other government trust accounts and reported as trust reserves and as a single line item in the Statement of Financial Position under Net Assets/Equity. Accounting for Contingency Fund's transactions shall be accounted for in line paragraph 9.3.(a). A Statement of Financial Performance and Financial Position shall be prepared for the Contingency Fund. • If there is a contingent liability, disclose the contingent liability			
b. Public Trust Account All payment and receipt transactions shall be accounted for by applying accrual basis of accounting. The balances of public trust accounts shall be aggregated and reported as liabilities and as a single line item in the Statement of Financial Position. Financial asset purchased including investment shall be debited as asset for the Trust Account and not debited to the trust account. Non-Financial asset purchased shall be expensed off and debited to the trust account Financial Liability incurred shall be credited as liability for the Trust Account and not credited to trust account. Expense incurred shall be debited as expense for the trust account. Revenue collected shall be credited as revenue for the trust account and not to revenue account.			Approved by JKP on 11/2/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Financial assets and Financial liabilities including cash belonging to trust account shall be clearly identified by trust account (Fund). Statement of Financial Performance and Financial Position shall be prepared for each of the trust accounts. All revenues, expenses, non-financial assets and non-financial liabilities of the public trust accounts shall not be consolidated with the revenues, expenses, non-financial assets and non-financial liabilities of the General Fund. Only financial assets and financial liabilities of the public trust accounts shall be consolidated with the assets and liabilities of the General Fund for the preparation of Federal Government Financial Statements.			
i. **Private Finance Initiative (PFI)** Where PFI is a lessor and the Government leases the infrastructure under a finance lease The above shall be recognized as leased asset and finance lease liability **<u>Leased asset</u>** **Initial recognition** The infrastructure shall be capitalized as property, plant and equipment at amounts equal to the fair value of the infrastructure or, if lower, the present value of the minimum lease payments determined at inception of the lease. **Subsequent recognition** Infrastructure is to be depreciated on a systematic basis over its useful lives. **<u>Finance lease liability</u>** **Initial recognition**			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
The associated lease obligations to be recognized as finance lease payables at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments determined at inception of the lease. **Subsequent recognition** Finance lease liabilities shall be reduced based on the allocation to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.			
ii. Build-Lease-Transfer/Build-Lease-Manage-Transfer The above shall be recognized as leased asset and finance lease liability. **<u>Leased asset</u>** **Initial recognition** The infrastructure shall be capitalized as property, plant and equipment at amounts equal to the fair value of the infrastructure or, if lower, the present value of the minimum lease payments determined at inception of the lease. **Subsequent recognition** Infrastructure is to be depreciated on a systematic basis over its useful lives. **<u>Finance lease liability</u>** **Initial recognition** The associated lease obligations to be recognized as finance lease payables at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments determined at inception of the lease. **Subsequent recognition** Finance lease liabilities shall be reduced based on the allocation to each period during the lease term so as to			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
produce a constant periodic rate of interest on the remaining balance of the liability. **Management services** If the arrangement includes the provision of management services, recognized as expense in the period when the services are consumed.			
iii. Built-Operate-Transfer/Rehabilitate-Operate-Transfer The above shall be recognized as service concession asset and liability. **<u>Service Concession Asset</u>** **Initial recognition** Service concession asset shall be initially capitalized as property, plant and equipment and measured at its fair value. **Subsequent recognition** Service concession asset shall be accounted for as a separate class of asset and is to be depreciated on a systematic basis over its useful lives. **<u>Liability</u>** **Initial recognition** Where a service concession asset is recognized, a liability shall also be recognized. The liability recognized shall be initially measured at the same amount as the service concession asset (at its fair value), adjusted by the amount of other consideration (e.g. cash from the grantor to the operator, or from the operator to the grantor.) **Subsequent recognition** **Financial Liability Model** Financial liability shall be recognized and payments to the operator shall be accounted for according to their substance of			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
the service concession arrangement as a reduction in the liability, a finance charge and charges for services provided by the operator. The finance charge and charges for services provided by the operator shall be accounted as expenses. **Grant of Right to the Operator Model** Unearned revenue shall be recognized. Revenue and reduction of the liability shall be recognized according to the economic substance of the service concession arrangement. **<u>Compensation to operators (e.g. non-adjustment of toll rate)</u>** Recognized as a provision based on the best estimate of the expenditure required to settle the present obligation at the reporting date and measured based on the best estimate of the expenditure required to settle the present obligation at the reporting date.			
(iv) Government Stores Insurance Fund {*Kumpulan Wang Insurans Barang-barang Kerajaan*} As long as the Trust Deed for Government Stores Insurance Fund is in force, no change in accounting policy is required because accounting standards cannot supersede law and regulation that are in force. The amount set aside through 0.5% of the value of imported goods is to be charged as operating expenditure and Government Stores Insurance Fund reported as under the category of Public Trust Fund.			
c. Deposits All payment and receipt transactions shall be accounted for by applying accrual basis of accounting. The balances of deposits shall be aggregated and reported as liabilities and as a single line item in the Statement of Financial Position.		**Confiscated Asset** Confiscated asset shall be recorded manually by Ministry/Department. Such confiscated asset shall not be auction-off until the court case with respect of this asset is settled. At this stage, revenue is not recognised because the amount of revenue cannot be measured reliably. Revenue shall only be recognized when the sale	Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
i. **Deposits (General {including unclaimed monies})** The above shall be recognized as Financial Liability at fair value. ii. **Deposits (Adjustment {Payment to Commerce Dot Com, Cancellation of cheques/EFT}).** The above shall be recognized as liabilities until the amounts are settled. iii. **Deposits (Adjustment {Unidentified receipts}).** The above shall be recognized as a liability until the amount is adjusted upon approval of trust deeds or the nature of receipts are identified which then will be credited to respective revenue/expense/trust account.		proceed from the auction of such asset is received by the Ministry/Department. When the confiscated asset is used by Ministry/Department, the asset shall be accounted as a donation at fair value. **WTD Deposits transfer to Revenue Account** Where WTD deposit transferred to the revenue account and the deposit can be claimed thereafter by the depositor, such deposit which has been transferred to the revenue account shall reduce the WTD deposit account and the same amount shall be recognised as revenue to the general fund. Subsequently, the provision shall be made based on past history of repayment of such deposit by applying the MPSAS 19 – *Provision, Contingent Asset and Contingent Liability* as to make such deposit payment to the depositor.	 Approved by JKP on 12/9/2019
10. Others			
10.1 Leases a. **Finance Lease - Government as lessee** The above shall be recognized as Leased Asset and Finance Lease Payable as follow: **<u>Leased asset</u>** **Initial recognition** Assets acquired under finance leases shall be capitalized at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments determined at inception of the lease.		During transition to accrual accounting, for those lease payments which required more time to analyse the contracts to determine whether the lease arrangement is an operating lease or a finance lease, those lease payments shall be expensed off. **Long-term Leasing of land to third parties** Long-term Leasing of land to third party whereby present value of minimum lease payment to be received is less than fair value of the leased asset shall be accounted for as an operating lease and the related land is to be accounted for as an asset of the government.	Approved by JKP on 11/2/2014 Approved by JKP on 10/6/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
Subsequent Measurement Leased assets are to be depreciated using policies consistent with that for depreciable assets that are owned. **<u>Finance lease payable</u>** **Initial Recognition** The associated lease obligations to be recognized as finance lease payables at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments determined at inception of the lease. **Subsequent Measurement** Finance lease liabilities shall be reduced based on the allocation to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. **b. Operating Leased - Government as lessor Lease Revenue** The above shall be recognized as revenue on straight line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease revenue. **c. Operating Leased - Government as lessee** **Rental Expense** The above shall be recognized as expenses on straight line basis over the lease term, such expenses, if not paid during the period where goods/services are consumed, shall be accrued as appropriate.		**<u>SPANCO Lease Contract with Federal Government</u>** Lease payment for leasing of vehicle from SPANCO shall be expensed off during transition period but shall be accounted as lease asset and liability when 1GFMAS is enhanced to account for such asset and liability. **<u>GST For Finance Lease</u>** Payment for GST for new finance lease shall be capitalized as asset and correspondence increased in lease liability. For existing finance lease, payment of GST shall also be capitalized as asset and correspondence increased in lease liability irrespective of whether the cash outflow for GST is less than/more than 10%.	Approved by JKP on 21/03/2016 Approved by JKP on 21/03/2016
10.2 Impairment of non-financial assets			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
a. Cash-generating assets Impairment of assets shall be assessed if there is evidence of impairment. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The impairment loss shall be recognized as expense. Depreciation/amortization charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less residual value, on a systematic basis over the remaining useful life. **b. Non-cash-generating assets** Impairment of assets shall be assessed if there is evidence of impairment. If, and only if, the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The impairment loss shall be recognized as expense. Depreciation/amortization charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less residual value, on a systematic basis over the remaining useful life.		**Discount Rate** In calculating Value in Use, the discount rate to be used in discounting estimates of future cash flows shall be the current risk-free rate of interest issued by Accountant General's Department. **Purchase Price Higher than Market Value** If purchase price of an asset is higher than its market price, the asset shall be assessed for impairment and resulted impairment loss shall be recognized as an expense.	Approved by JKP on 10/6/2014 Approved by JKP on 10/6/2014
10.3 Impairment of financial assets **a. Financial assets carried at amortized cost (held to maturity/loans and receivables)** Impairment of financial assets shall be assessed if there is evidence of impairment. Amount of loss is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss shall be charged as expense. **b. Financial assets carried at cost (unquoted equity instrument not**		**Impairment of Loan** For the purpose of determining whether a loan is impaired or not, the criteria of 3 months in arrears shall mandatory trigger impairment test. The outstanding balance of this loan including instalments due and instalments not due shall be assessed for impairment. When recoverability is determined based on the cash flows to be received from the borrower, the difference between the total outstanding amount and the discounted cash flows is the amount that needs to be impaired.	Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
carried at fair value and derivative asset that is linked to and must be settled by delivery by such unquoted instrument) Impairment of financial assets shall assessed if there is evidence of impairment. Amount of loss is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Amount of loss shall be charged as expense. Such impairment losses shall not be reversed.			
10.4 Foreign currency translation **Initial recognition** For transactions, monetary items, 'non-monetary items measured at historical cost' and 'non-monetary items measured at fair value' a. Apply the spot exchange rate at the date of transaction. b. For practical reasons, AGD rate that approximates the actual rate, might be used for all transactions occurring during that period. For foreign operations, a. Assets and liabilities shall be translated at the closing rate b. Revenue and expenses translated at AGD rates at date of transactions c. Remittance to 3/12 Imprest Holder recorded at spot rate d. Resulting exchange differences shall be recognized in foreign exchange gain and loss account. Monetary items shall be subsequently translated using the closing rate. Non-monetary items measured at historical cost shall be subsequently translated using the rate at the date of transaction. Non-monetary items measured at fair value shall be subsequently		**Receivables and Receipts** When goods are transferred, services are rendered and when the invoices are raised, receivables shall be recorded using AGD exchange rate. Receipts (in foreign currency) shall be accounted using spot exchange rate (bank rate). **Payables and Payments** Payables/accruals shall be accounted using AGD exchange rate when goods or services are received or enjoyed. However for goods or services received or enjoyed without issuing Purchase Order, payable or accrual shall be accounted using AGD exchange rate when invoices are received. For good and services purchase through letter of credit, the letter of credit issued shall be accounted using AGD exchange rate. Payments for the above shall be accounted using spot exchange rate (bank rate). **Gain and Loss on Foreign currency transactions** Resulting exchange differences shall be recognized in "Foreign Exchange Gain and Loss Account". Balances in the "Foreign Exchange Gain and Loss Account" as at 31st Disember of each financial year shall be zerorized by debiting expense (if loss) or crediting revenue (if gain) in the Statement of Financial Performance.	Approved by JKP on 11/2/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
translated using the rate at the date when the fair value was determined.		**Translation Non-monetary items measured at historical cost and Non-monetary items measured at fair value** The Exchange rate to be used in translating Non-monetary items measured at historical cost and Non-monetary items measured at fair value shall be the earliest available average rate issued by Bank Negara Malaysia (1973 to 2004). With effect from the year 2005, the AG Exchange rate issued by Accountant General's Department shall be used in translating the above assets.	Approved by JKP on 10/6/2014
10.5 Related party disclosures Related party relationships where control exists shall be disclosed, irrespective of whether there have been transactions between the related parties.		**Disclosure of the Remuneration of Key Management Personnel** Every Ministry shall disclose the remuneration of the Key management personal. Key management personnel shall include officers with the rank of JUSA C and above. Key management personnel shall include officers with the rank of JUSA C and above. Example of Key management personnel includes Minister, Deputy Minister, Chief Secretary, Secretary General, Director General, Deputy Secretary and Directors. **Treatment of GST Paid by the Ministry/Department** Amount of GST paid by the Ministry and Department for good & service and asset purchased shall be expensed off or capitalized as an asset. GST paid by the Ministry and Department is not related party transaction but it is a transaction that occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.	Approved by JKP on 3/9/2014 Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
10.6 Events after reporting date Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified: (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and (b) Those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). For adjusting events after the reporting date, the amounts recognized in the financial statements shall be adjusted to reflect adjusting events after the reporting date. For non-adjusting events after the reporting date, such amounts shall not be adjusted. However, the nature and estimates of financial effects of material non-adjusting events (i.e. those which could influence the economic decisions of the users) shall be disclosed.			
10.7 Comparison with budget The entity shall present a comparison of the budget amounts and actual amounts for operating expenditure, development expenditure and revenue, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with MPSASs. Comparison of budget and actual amounts shall be presented on a comparable basis to the budget. Where the financial statements and the budget are not prepared on a comparable basis, the budgeted total revenues, total expenses, and net cash flows from operating activities, investing activities and financing activities shall be reconciled to the actual amounts presented in the financial statements.			

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
10.8 Segment reporting The entity shall disclose segment information in the note to the financial statement.			
10.9 Contingent liabilities (e.g. litigations) No recognition of liability is required, but contingent liability is to be disclosed in the financial statements.			
10.10 Accounting policies, changes in accounting estimate, errors **a. Selection of accounting policies** When MPSAS contradict with local legislations, local legislations shall prevail. **b. Changes in accounting policies** Accounting policy shall be changed only if the change is required by MPSAS or if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, and conditions of the entity's financial position, financial performance, or cash flows. Changes shall be applied retrospectively unless otherwise required under the transitional provision upon first time adoption of specific MPSASs. Changes in accounting policies shall be disclosed in the notes to the financial statements. **c. Changes in accounting estimates** Changes shall be recognized prospectively by including it in the surplus and deficit in the period of change (if the change affects the		**Maintenance of Subsidiary Accounts** Subsidiary accounts to support General Ledger balance shall be maintained in 1GFMAS except when ministry/Department has their own subsidiary system or in cases whereby the information in the subsidiary accounts cannot be revealed due the secrecy of the information, then the subsidiary accounts shall be maintained by the Ministry/Department concern. For example, subsidiary accounts to support Trust Account (to account receipt and refund of proceed from the disposal of seized property during court proceeding) shall be maintained by the Ministry of Home Affair.	Approved by JKP on 3/9/2014

Accounting Policy	References	Interpretation/ Implementation Guidance	Revised/ Approved
period only), or the period of change and future periods (if the change affects both). **d. Errors** Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.			

Appendix A

Federal Roads Accounting Policy

Federal Roads Accounting Policy (FRAP) shall be applied for the depreciation of federal roads and federal highways.

General accounting treatment

Federal roads shall be recognized as assets in accordance with the requirements for the recognition of an item of property, plant and equipment in MPSAS 17.

Road maintenance and future road capitalisation

Road maintenance cost will be charged off as expenses when incurred. Only cost that enhances the road capacity i.e. road expansion or adding of lanes will be capitalized.

Depreciation of FRAP

Depreciation of FRAP is based on condition-based method (CBM) which rely on a known correlation between the physical characteristic of the assets (for example cracking, rutting, roughness, oxidisation) and the relevant remaining useful life that reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity. Under this method, depreciable amount of federal roads assets shall be allocated on a systematic basis over their best estimates of useful life. CBM of FRAP are calculated based on actual condition of the road at the reporting date using road quality report issued by the Ministry of Work. The depreciation rate is measured by calculating the difference between the maximum quality and the actual quality reported based on road quality report.

Accumulated Depreciation (Estimation of useful life)

Full assessment of road condition will be carried out in every five (5) years to determine the residual life of the road. In this assessment, the accumulated depreciation will be revised on the fifth year to reflect the actual condition of the road. Thus, the accumulated depreciation will be adjusted according to the road quality rate for the fifth year.

Illustration of application

Federal Government constructs a new Highway line with the cost of RM286 million. During year 2, the incurred maintenance cost is RM150,000. Based on road quality report issued by Ministry of Work (KKR), the quality of the highway is as stated in the table below:

Road Quality Report:

	Road Quality		
Year	**Maximum Quality (%)**	**Actual Quality (%)**	**Depreciation rate (%)**
1	100	86	14 (*100 minus 86*)
2	100	90	10 (*100 minus 90*)
3	100	95	5 (*100 minus 95*)
4	100	90	10 (*100 minus 90*)

Year 1
Depreciation charge: RM286 million x 14% = RM40.04 million

Dr. Depreciation expense RM40.04 million
Cr. Accumulated Depreciation RM40.04 million
(Depreciation of 14% based on actual road quality of 86%)

Year 2
Depreciation charge: RM286 million x 10% = RM28.6 million

Dr. Depreciation expense RM28.6 million
Cr. Accumulated Depreciation RM28.6 million
(Depreciation of 10% based on actual road quality of 90%)

Dr. Maintenance expense RM150,000
Cr. Cash RM150,000
(Maintenance cost charged as expense if it does not increase road capacity)

Year 3 – Year 4
For year 3 and year 4 the same calculation are apply. The accumulated depreciation at the end of year 4 is RM111,540,000.

Year 5

A full assessment of road condition was performed (included assessment of residual life) and the road quality is rated at 92%. Accumulated depreciation is revise to 8% (100-92) to reflect the actual condition of the road residual life. Therefore, the accumulated depreciation amount is revised from RM111,540,000 to RM22,880,000 (8% x RM286 million) and adjustment to the accumulated depreciated amount of RM88,660,000.

Dr. Accumulated depreciation	RM88,660,000
Cr. Depreciation expense	RM88,660,000

(Being an adjustment of accumulated depreciation to reflect actual condition of the road)

Transition policy

KKR is still in the midst of implementing the road quality index. As a transition, the budget request for road maintenance by KKR will be used as the estimate for useful life of the roads. The budget request amount will be the accumulated depreciation as at the year end because that would be the amount needed to bring the roads back to its original condition. The difference between two years budget request will be the depreciation expense charged to the statement of income and expenditure.

The approved budget is not used because the approved budget is usually only 10% of the requested amount. Therefore using the approved budget won't reflect the actual condition of the federal roads.

Illustration of application

Year 0 – Road cost is RM 1,000,000
Year 1 – Requested amount is RM 200,000 but approved amount is RM 20,000
Year 2 – Road maintenance is RM 20,000 (doesn't increase road capacity)
Year 2 – Requested amount is RM 300,000

Year 0

Dr Road	RM 1,000,000
Cr Cash	RM 1,000,000

(Capitalization at cost)

Appendix A

Year 1

Dr Depreciation expense	RM 200,000
Cr Accumulated Depreciation	RM 200,000

(Accumulated depreciation of RM 200,000 based on requested budget)

Year 2

Dr Maintenance expense	RM 20,000
Cr Cash	RM 20,000

(Maintenance cost charged as expense if it does not increase road capacity)

Dr Depreciation expense	RM 100,000
Cr Accumulated depreciation	RM 100,000

(Accumulated depreciation of RM 300,000 based on requested budget. The difference between two years budget request is charged as depreciation expense)

Appendix B

Appendix B-1: Classification of Property, Plant and Equipment and its Useful Life

Category	Useful life (Years)
Land and Building	
Land	
Leasehold Land	Lease Term
Freehold Land	Infinity
Building	
Residential Building	25 - 50
Office Building	25 - 50
Other Building	25 - 50
Works and Infrastructure	
Land Transport Facilities	10 - 50
Air Transport Facilities	10 - 15
Water Transport Facilities	20 - 100
Public Park and Recreation	5 - 10
Drainage, Irrigation, and Sewerage Facilities	20 - 100
Power Generating Facilities	20 - 30
Communication and Intercommunication Facilities	2 - 10
Other Facilities	2 - 100
Machinery and Equipment	
Plant and Machinery	8 - 20
Furniture	3 - 10
Books and Publications	2 - 5
ICT Equipment and Appliances	5 - 13
Office Equipment and Appliances	3 - 10
Engineering Equipment and Appliances	3 - 20
Communication Equipment and Appliances	3 - 20
Broadcasting and Musical Equipment and Appliances	3 - 38
Medical Equipment and Appliances	5 - 20
Security Equipment and Appliances	3 - 30
Water Supply Equipment and Appliances	5 - 10
Power Supply Equipment and Appliances	5 - 10
Water Measurement and Sewerage Equipment and Appliances	5 - 10
Other Security, Sanitary and Health Equipment and Appliances	3 - 30
Lab Equipment and Appliances	3 - 40
Agriculture/Forestry/Marine Equipment and Appliances	5 - 25
Environments Equipment and Appliances	3 - 10
Sports and Recreation Equipment and Appliances	5 - 10
Kitchen Equipment and Appliances	7 - 20
Other Equipment and Appliances	3 - 40
Defence Assets	

Category	Useful life (Years)
Vehicles	
Passenger Vehicles	5 - 15
Robotic Vehicles	5 - 10
Lorry/Trucks	5 - 15
Train	10 - 20
Airplanes and Helicopters	12 - 30
Boats and Ships	5 - 20
Other Vehicles	5 - 15
Life Asset	
Animals	3 - 15
Asset under Construction	
Category same as other PPE	None
Asset under Capital Lease	
Category same as other PPE	Shorter of lease term or its useful life
Service Concessions Asset	
Category same as other PPE	Same as other PPE

Appendix B-2: Classification of Heritage Asset

Category	Useful life (Years)
Heritage Asset	
Tangible	None
Intangible	None

Appendix B-3: Classification of Investment Property and its Useful Life

Category	Useful life (Years)
Land	
Leasehold Land	Lease Term
Freehold Land	Infinity
Building	
Residential Building	25 - 50
Office Building	25 - 50
Other Building	25 - 50

Appendix B-4: Classification of Agricultural Biological Asset and its Useful Life

Category	Useful life (Years)
Animals	3 - 15
Plants	None

Appendix B-5: Classification of Intangible Asset and its Useful Life

Category	Useful life (Years)
Finite Useful Life	
Software	2 - 5
Publication	2 - 5
License	2 - 4
Operating Right	2 - 10
Patent	2 - 20
Indefinite Useful Life	
Brand	None