GOVERNMENT OF MALAYSIA

Malaysian Public Sector Accounting Standards

MPSAS 33

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

November 2023

MPSAS 33 – FIRST-TIME ADOPTION OF ACCRUAL BASIS MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS (MPSASs)

Acknowledgement

The Malaysian Public Sector Accounting Standard (MPSAS) 33 is based on International Public Sector Accounting Standard (IPSAS) 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board, published by the International Federation of Accountants (IFAC) in 2018 and is used with permission of IFAC.

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MPSAS 33—FIRST-TIME ADOPTION OF ACCRUAL BASIS MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS (MPSASs)

History of MPSAS

This version includes amendments resulting from MPSASs issued up to December 2022.

MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)* was issued in November 2015.

Since then, MPSAS 33 has been amended by the following MPSASs:

- *Improvements to MPSASs 2023* (issued December 2022)
- MPSAS 40, *Public Sector Combinations* (issued October 2021)

Table of Amended Paragraphs in MPSAS 33

Paragraph Affected	How Affected	Affected By
7	Deleted	Improvements to MPSASs 2023 December 2022
8	Deleted	Improvements to MPSASs 2023 December 2022
39	Amended	Improvements to MPSASs 2023 December 2022
62A	New	MPSAS 40 October 2021
62B	New	MPSAS 40 October 2021
62C	New	MPSAS 40 October 2021
86	Amended	MPSAS 40 October 2021
129	Amended	MPSAS 40 October 2021
130	Amended	MPSAS 40 October 2021
132	Amended	MPSAS 40 October 2021
154A	New	MPSAS 40 October 2021
154B	New	Improvements to MPSASs 2023 December 2022

MPSAS 33 —FIRST-TIME ADOPTION OF ACCRUAL BASIS MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS (MPSASs)

CONTENTS

Malaysian Public Sector Accounting Standard 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* is set out in paragraphs 1–154. All the paragraphs have equal authority. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* should be read in the context of its objective and the *Preface to Malaysian Public Sector Accounting Standards*. MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to provide guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis MPSASs, in order to present high quality information:

    (a) That provides transparent reporting about a first-time adopter's transition MPSASs;

    (b) That provides a suitable starting point for accounting in accordance with accrual basis MPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and

    (c) Where the benefits are expected to exceed the costs.

Scope

2. **An entity shall apply this MPSAS when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis MPSASs.**

3. This MPSAS applies when an entity first adopts accrual basis MPSASs and during the transitional period allowed in this MPSAS. It does not apply when, for example, a first-time adopter:

    (a) Stops presenting financial statements in accordance with prescribed requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with accrual basis MPSASs;

    (b) Presented financial statements in the previous reporting period in accordance with prescribed requirements and those financial statements contained an explicit and unreserved statement of compliance with accrual basis MPSASs; or

    (c) Presented financial statements in the previous reporting period that contained an explicit and unreserved statement of compliance with accrual basis MPSASs, even if the auditors modified their audit report on those financial statements.

4. This Standard shall be applied from the date on which a first-time adopter adopts accrual basis MPSASs and during the period of transition. This Standard permits a first-time adopter to apply transitional exemptions and provisions that may impact fair presentation. Where these transitional exemptions and provisions are applied, a first-time adopter is required to disclose information about the transitional exemptions and provisions adopted, and progress towards fair presentation and compliance with accrual basis MPSASs.

5. At the end of the transitional period a first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the other accrual basis MPSAS in order to assert compliance with accrual basis MPSASs as required in MPSAS 1, *Presentation of Financial Statements*.

6. This MPSAS does not apply to changes in accounting policies made by an entity that already applies MPSASs. Such changes are the subject of:

   (a) Requirements on changes in accounting policies in MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*; and

   (b) Specific transitional requirements in other MPSASs. The transitional provisions in other MPSASs apply only to changes in accounting policies made by an entity that already applies accrual basis MPSASs; they do not apply to a first-time adopter's transition to MPSASs, except as specified in this MPSAS.

7. [Deleted]

8. [Deleted]

Definitions

9. **The following terms are used in this Standard with the meanings specified:**

<u>Date of adoption of MPSASs</u> is the date an entity adopts accrual basis MPSASs for the first time, and is the start of the reporting period in which the first-time adopter adopts accrual basis MPSASs and for which the entity presents its first transitional MPSAS financial statements or its first MPSAS financial statements.

<u>Deemed cost</u> is an amount used as a surrogate for acquisition cost or depreciated cost at a given date.

<u>First MPSAS financial statements</u> are the first annual financial statements in which an entity complies with the accrual basis MPSASs and can make an explicit and unreserved statement of compliance with those MPSASs because it adopted one or more of the transitional exemptions in this MPSAS that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs.

<u>First-time adopter</u> is an entity that adopts accrual basis MPSASs for the first time and presents its first transitional MPSAS financial statements or its first MPSAS financial statements.

<u>Opening statement of financial position</u> is a first-time adopter's statement of financial position at the date of adoption of MPSASs.

<u>Period of transition</u> is the period during which a first-time adopter applies one or more of the exemptions in this MPSAS before it complies with the accrual basis MPSASs, and before it is able to make an explicit and unreserved statement of such compliance with MPSASs.

<u>Previous basis of accounting</u> is the basis of accounting that a first-time adopter used immediately before adopting accrual basis MPSASs.

<u>Transitional MPSAS financial statements</u> are the financial statements prepared in accordance with this MPSAS where a first-time adopter cannot make an explicit and unreserved statement of compliance with other MPSASs because it adopted one or more of the transitional exemptions in this MPSAS that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs.

Terms defined in other MPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Date of Adoption of MPSASs

10. The date of adoption of MPSASs is the date that an entity adopts accrual basis MPSASs for the first time. It is the start of the reporting period in which the first-time adopter adopts accrual basis MPSASs and for which it presents its first transitional MPSAS financial statements or its first MPSAS financial statements. If a first-time adopter takes advantage of the exemptions in this MPSASs that affect fair presentation and compliance with accrual basis MPSASs (see paragraphs 36–62) in producing its first transitional MPSAS financial statements, it can only make an explicit and unreserved statement of compliance with accrual basis MPSASs when the exemptions that provided the relief have expired, and/or when the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable MPSASs (whichever is earlier). Financial statements shall not be described as complying with MPSASs unless they comply with all the requirements of all the applicable MPSASs.

First MPSAS Financial Statements

11. An entity's first MPSAS financial statements are the first annual financial statements in which the first-time adopter can make an explicit and unreserved statement in those financial statements of compliance with accrual basis MPSASs. If a first-time adopter does not adopt the exemptions in this MPSAS that affect fair presentation and compliance with accrual basis MPSASs (see paragraphs 36– 62), its first financial statements following the adoption of accrual basis MPSASs will also be its first MPSAS financial statements.

Previous Basis of Accounting

12. The previous basis of accounting is the basis of accounting that a first-time adopter used immediately before adopting accrual basis MPSASs. This might be a cash basis of accounting, an accrual basis of accounting, a modified version of either a cash basis or an accrual basis of accounting, or another prescribed basis.

Transitional MPSAS Financial Statements

13. An entity's transitional MPSAS financial statements are the annual financial statements in which an entity transitions to accrual basis MPSASs and adopts certain exemptions in this MPSAS that affect the fair presentation of the financial statements and its ability to assert compliance with

accrual basis MPSASs. If a first-time adopter adopts the exemptions in this MPSASs that affect fair presentation and compliance with accrual basis MPSASs (see paragraphs 36–62), it will not be able to make an explicit and unreserved statement of compliance with other accrual basis MPSASs until the exemptions that provided the relief in this MPSAS have expired and/or when the relevant items are recognized, measured and/or the relevant information has been presented and/or disclosed in accordance with the applicable MPSASs (whichever is earlier). Financial statements shall not be described as complying with MPSASs unless they comply with all the requirements of all the applicable MPSASs.

14. An entity's transitional MPSAS financial statements are those financial statements, where the entity transitions from another accounting basis such as when it:

   (a) Prepared its most recent previous financial statements in accordance with the MPSAS, *Financial Reporting Under the Cash Basis of Accounting*;

   (b) Presented its most recent previous financial statements:

      (i) In accordance with prescribed requirements that are not consistent with MPSASs in all respects;

      (ii) In conformity with MPSASs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with MPSASs;

      (iii) Containing an explicit statement of compliance with some, but not all, MPSASs, including the adoption of the exemptions provided in this MPSAS that affect fair presentation and compliance with accrual basis MPSASs (see paragraphs 36–62);

      (iv) In accordance with prescribed requirements inconsistent with MPSASs, using some individual MPSASs to account for items for which prescribed requirements did not exist; or

      (v) In accordance with prescribed requirements, with a reconciliation of some amounts to the amounts determined in accordance with MPSASs;

   (c) Prepared financial statements in accordance with MPSASs for internal use only, without making them available to external users;

   (d) Prepared a reporting package in accordance with MPSASs for consolidation purposes without preparing a complete set of financial statements as defined in MPSAS 1, *Presentation of Financial Statements*; or

   (e) Did not present financial statements for previous periods.

Recognition and Measurement

Opening Statement of Financial Position on Adoption of MPSASs

15. **A first-time adopter shall prepare and present an opening statement of financial position at the date of adoption of MPSASs. This is the starting point for its accounting in accordance with accrual basis MPSASs.**

Accounting Policies

16. **On the date of adoption of accrual basis MPSASs, a first-time adopter shall apply the requirements of the MPSASs retrospectively except if required, or otherwise permitted, in this MPSAS.**

17. **A first-time adopter shall use the same accounting policies in its opening statement of financial position and throughout all periods presented, except as specified in paragraphs 36–134. The accounting policies shall comply with each MPSAS effective at the date of adoption of MPSASs, except as specified in paragraphs 36–134.**

18. A first-time adopter that takes advantage of the exemptions in paragraph 36–134 will be required to amend its accounting policies after the exemptions that provided the relief have expired and/or when the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable MPSASs (whichever is earlier).

19. A first-time adopter shall apply the versions of accrual basis MPSASs effective at the date of adoption of MPSASs. A first-time adopter may apply a new MPSAS that is not yet mandatory if that MPSAS permits early application. Any new MPSASs that become effective during the period of transition shall be applied by the first-time adopter from the date it becomes effective.

20. Except as described in paragraphs 36–134, a first-time adopter shall, in its opening statement of financial position:

    (a) Recognize all assets and liabilities whose recognition is required by MPSASs;

    (b) Not recognize items as assets or liabilities if MPSASs do not permit such recognition;

    (c) Reclassify items that it recognized in accordance with the previous basis of accounting as one type of asset, liability or component of net assets/equity, but are a different type of asset, liability or component of net assets/equity in accordance with MPSASs; and

    (d) Apply MPSASs in measuring all recognized assets and liabilities.

21. The accounting policies that a first-time adopter uses in financial statements may differ from those that it used at the end of its comparative period under its previous basis of accounting. The resulting adjustments arise from transactions, other events or conditions before the date of adoption of MPSASs. Therefore, a first-time adopter shall recognize those adjustments to the

opening balance of accumulated surplus or deficit in the period in which the items are recognized and/or measured (or, if appropriate, another category of net assets/equity). The first-time adopter shall recognize these adjustments in the earliest period presented.

22. The transitional exemptions and provisions in other MPSAS apply to changes in accounting policies made by an entity that already applies accrual basis MPSASs. The transitional exemptions and provisions in this MPSAS applies to a first-time adopter that prepares and presents its annual financial statements on the adoption of, and during the transition to accrual basis MPSASs.

Exceptions to the Retrospective Application of MPSASs

23. **A first-time adopter's estimates in accordance with MPSASs at the date of adoption of MPSASs, shall be consistent with estimates made in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were inconsistent with the requirements in MPSASs.**

24. This MPSAS prohibits retrospective application of some aspects of accrual basis MPSASs. A first-time adopter may receive information after the date of adoption of MPSASs about estimates that it had made under its previous basis of accounting. In accordance with paragraph 23, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with MPSAS 14, *Events after the Reporting Period*.

25. A first-time adopter may need to make estimates in accordance with MPSASs at the date of adoption of MPSASs or during the period of transition that were not required at that date under the previous basis of accounting. To achieve consistency with MPSAS 14, *Events after the Reporting Period*, those estimates in accordance with MPSASs shall reflect conditions that existed at the date of adoption of MPSASs or at the date during the period of transition. In particular, estimates determined at the date of adoption of MPSASs or during the period of transition of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date. For non-financial assets, such as property, plant and equipment, estimates about the asset's useful life, residual value or condition reflect management's expectations and judgment at the date of adoption of MPSASs or the date during the period of transition.

26. Paragraphs 23–25 apply to the opening statement of financial position. They also apply to a comparative period where an entity elects to present comparative information in accordance with paragraph 78, in which case the references to the date of adoption of MPSASs are replaced by references to the end of that comparative period.

Fair Presentation and Compliance with MPSASs

27. **A first-time adopter's first MPSAS financial statements shall fairly present the financial position, financial performance, and cash flows of the entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and**

expenses set out in MPSASs. If a first-time adopter takes advantage of the exemptions in paragraphs 36–62, these exemptions will affect the fair presentation of the financial statements and the first-time adopter's ability to assert compliance with accrual basis MPSASs, until the exemptions that provided the relief have expired and/or when the relevant items are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier).

28. **A first-time adopter shall claim full compliance with MPSASs only when it has complied with all the requirements of the applicable MPSASs effective at that date, subject to paragraph 11. If a first-time adopter adopts one or more of the exemptions in paragraph 36–62, the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs will be affected. An entity's whose financial MPSASs statements shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with MPSASs unless they comply with all the requirements of MPSASs, and shall be qualified as accrual basis MPSAS complaint financial statements.**

29. In accordance with paragraph 29 of MPSAS 1, *Presentation of Financial Statements*, fair presentation is achieved in virtually all circumstances by compliance with applicable MPSASs. For a first-time adopter to claim full compliance with MPSASs, all the requirements of the applicable MPSASs needs to be complied with to ensure that information is presented in a manner that meets the qualitative characteristics, subject to paragraph 11.

30. The exemptions in paragraphs 36–62 provide relief from the recognition, measurement, presentation and/or disclosure requirements in MPSASs on the date of adoption of MPSASs and during the period of transition. A first-time adopter may elect to adopt these exemptions, but shall consider that applying these exemptions will affect the fair presentation of its financial statements and its ability to assert compliance with accrual basis MPSASs in accordance with paragraphs 27 and 28 until the exemptions that provided the relief have expired and/or when the relevant items are recognized, measured, and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable MPSASs (whichever is earlier). Before making use of such exemptions, a first-time adopter shall consider all the relevant facts and circumstances and the potential effect on its financial statements.

31. **A first-time adopter shall assess whether the transitional exemptions adopted affect the fair presentation of the financial statements and the first-time adopter's ability to a compliance with accrual basis MPSASs.**

32. For example, a first-time adopter adopts the three year transitional relief period for the recognition and measurement of traffic fines because insufficient data is available about the value of fines issued, fines written off, the compromises reached with offenders etc. The relief period is not applied to any other class of non-exchange revenue. The revenue received from fines is not material in relation to the financial statements as a whole. The entity concludes that, by adopting the transitional exemption and provisions, fair presentation and compliance with MPSASs will

not be affected. As a result, the first-time adopter will still be able to achieve fair presentation and assert compliance with accrual basis MPSASs at the date of adoption of accrual basis MPSASs or during the period of transition.

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis MPSASs during the Period of Transition

33. **A first-time adopter may adopt the exemptions in paragraphs 36–62. These exemptions will affect the fair presentation of a first-time adopter's financial and its ability to assert compliance with accrual basis MPSASs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter shall not apply these exemptions by analogy to other items.**

34. **Notwithstanding the exemptions provided in paragraphs 36–62 a first-time adopter is encouraged to comply in full with all the requirements of the applicable MPSASs as soon as possible.**

35. **To the extent that a first-time adopter applies the exemptions in paragraph 36–62, it is not required to apply any associated presentation and/or disclosure requirements in the applicable MPSASs until the exemptions that provided the relief have expired or the relevant items are recognized and/or measured in the financial statements in accordance with the applicable MPSASs (whichever is earlier).**

Three Year Transitional Relief for the Recognition and/or Measurement of Assets and/or Liabilities

Recognition and/or Measurement of Assets and/or Liabilities

36. **Where a first-time adopter has not recognized assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of MPSASs:**

    (a) **Inventories (see MPSAS 12, *Inventories*);**

    (b) **Investment property (see MPSAS 16, *Investment Property*);**

    (c) **Property, plant and equipment (see MPSAS 17, *Property, Plant and Equipment*);**

    (d) **Defined benefit plans and other long-term employee benefits (see MPSAS 25, *Employee Benefits*);**

    (e) **Biological assets and agricultural produce (see MPSAS 27, *Agriculture*);**

    (f) **Intangible assets (see MPSAS 31, *Intangible Assets*);**

(g) **Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see MPSAS 32, *Service Concession Arrangements: Grantor*); and**

(h) **Financial instruments (see MPSAS 29, *Financial Instruments; Recognition and Measurement*).**

37. **Where a first-time adopter applies the exemption in paragraph 36(d), it shall recognize the obligation and any related plan assets at the same time.**

38. **Where a first-time adopter has recognized the assets and/or liabilities included in paragraph 36 under its previous basis of accounting, it is not required to change its accounting policy(ies) in respect of the measurement of these assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of MPSASs.**

39. Subject to paragraphs 36 and 38, a first-time adopter is not required to change its accounting policy(ies) in respect of the recognition and/or measurement of assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of MPSASs. The transitional exemptions in paragraphs 36 and 38 are intended to allow a first-time adopter a period to develop reliable[1] models for recognizing and/or measuring its assets and/or liabilities during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of such assets and/or liabilities that do not comply with the provisions of other MPSASs.

40. **Subject to the provisions of paragraphs 36 and 38, a first-time adopter shall only change its accounting policies during the period of transition to better conform to the accounting policies in accrual basis MPSASs, and may retain its existing accounting policies until the exemptions that provided the relief have expired or when the relevant items are recognized and/or measured in the financial statements in accordance with the applicable MPSASs (whichever is earlier). A first-time adopter may change its accounting policy in respect of the recognition and/or measurement of assets and/or liabilities on a class-by-class or category-by-category basis where the use of classes or categories is permitted in the applicable MPSAS.**

41. **To the extent that a first-time adopter applies the exemptions in paragraphs 36 and 38 which allows a three year transitional relief period to not recognize and/or measure financial assets, it is not required to recognize and/or measure any related revenue in terms of MPSAS 9, *Revenue from Exchange Transactions*, or other receivables settled in cash or another financial asset in terms of MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.**

[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Recognition and/or Measurement of Non-Exchange Revenue

42. **A first-time adopter is not required to change its accounting policy in respect of the recognition and measurement of non-exchange revenue for reporting periods beginning on a date within three years following the date of adoption of MPSASs. A first-time adopter may change its accounting policy in respect of revenue from non-exchange transactions on a class-by-class basis**.

43. The transitional provision in paragraph 42 is intended to allow a first-time adopter a period to develop reliable models for recognizing and measuring revenue from non-exchange transactions in accordance with MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers),* during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of revenue from non-exchange transactions that do not comply with the provisions of MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. The transitional provision in paragraph 42 allows a first-time adopter to apply MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, incrementally to different classes of revenue from non-exchange transactions. For example, a first-time adopter may be able to recognize and measure property taxes and some other classes of transfers in accordance with MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, from the date of adoption of MPSASs, but may require three years to fully develop a reliable model for recognizing and measuring income tax revenue.

Other Exemptions

MPSAS 5, Borrowing Costs

44. **Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets, and elects to account for borrowing costs in terms of the allowed alternative treatment, it is not required to capitalize any borrowing costs on qualifying assets for which the commencement date for capitalization is prior to the date of adoption of accrual basis MPSASs, until the exemption that provided the relief has expired and/or when the relevant assets are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

45. Paragraph 36 allows a first-time adopter to not, recognize and/or measure assets in accordance with MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets,* and MPSAS 32, *Service Concession Arrangements: Grantor,* for a period of up to three years from the date of adoption of MPSASs. During this period, a first-time adopter may need to consider the requirements of those MPSASs at the same time as the capitalization of borrowing costs where it applies the allowed alternative method. Where a first-time adopter takes advantage of the transitional exemption period for the recognition and/or measurement of assets in accordance with MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets*, and MPSAS 32, *Service Concession Arrangements: Grantor*, it is not required to capitalize borrowing costs incurred on qualifying assets prior, or during the period of transition. Only when the

exemptions that provided the relief have expired, and/or when the relevant assets are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier) will a first-time adopter be allowed to capitalize borrowing costs incurred on the qualifying assets in accordance with the allowed alternative treatment.

MPSAS 13, Leases

46. **Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize assets, it is not required to apply the requirements related to finance leases until the exemption that provided the relief has expired, and/or when the relevant assets are recognized in accordance with the applicable MPSASs (whichever is earlier).**

47. This MPSAS allows a first-time adopter a period of up to three years from the date of adoption of MPSASs to not recognize assets in accordance with MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets,* and MPSAS 32, *Service Concession Arrangements: Grantor*,. During this period, a first-time adopter may need to consider the recognition requirements of those MPSASs at the same time as considering the recognition of finance leases in this MPSAS. Where a first-time adopter takes advantage of the exemption in accordance with MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets,* and MPSAS 32, *Service Concession Arrangements: Grantor*, it is not required to recognize finance lease assets and/or liabilities until the exemptions that provided the relief have expired, and/or when the relevant assets are recognized in accordance with the applicable MPSASs (whichever is earlier).

MPSAS 19, Provisions, Contingent Liabilities and Contingent Assets

48. **Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure property, plant and equipment, it is not required to recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption for MPSAS 17, *Property, Plant and Equipment*, has expired, and/or the relevant asset is recognized and/or measured in accordance with MPSAS 17, *Property, Plant and Equipment,* (whichever is earlier).**

49. This MPSAS allows a first-time adopter a period of up to three years from the date of adoption of MPSASs to not recognize and/or measure property, plant and equipment. MPSAS 17, *Property, Plant and Equipment*, requires an entity to include as part of the cost of an item of property, plant and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Where a first-time adopter takes advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of property, plant and equipment, a first-time adopter is not required to apply the requirements related to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is

located until the exemption that provided the relief has expired, and/or when the relevant asset is recognized and/or measured in accordance with MPSAS 17, *Property, Plant and Equipment*, (whichever is earlier). The liability shall be measured as at the date of adoption of MPSASs, or where a first-time adopter has taken advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of an asset, the date on which the exemption that provides the relief has expired and/or the asset has been recognized and/or measured in accordance with the applicable MPSASs.

50. **Where a first-time adopter takes advantage of the exemption in paragraph 48, it shall recognize and/or measure the obligation and any related asset at the same time.**

MPSAS 20, Related Party Disclosures

51. **A first-time adopter is not required to disclose related party relationships, related party transactions and information about key management personnel for reporting periods beginning on a date within three years following the date of adoption of MPSASs.**

52. **Notwithstanding the transitional provision in paragraph 51, a first-time adopter is encouraged to disclose information about related party relationships, related party transactions and information about key management personnel that is known at the date of adoption of MPSAS.**

MPSAS 34, Separate Financial Statements, MPSAS 35, Consolidated Financial Statements and MPSAS 36, Investments in Associates and Joint Ventures

53. **Where a first-time adopter has not recognized its interests in controlled entities, associates or joint ventures under its previous basis of accounting, it is not required to recognize and/or measure its interests in other entities as a controlled entity, associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of accrual basis MPSAS.**

54. Subject to paragraph 53, a first-time adopter is not required to change its accounting policy in respect of the recognition and/or measurement of its interests in controlled entities, associates or joint ventures for reporting periods beginning on a date within three years following the date of adoption of MPSASs. The transitional exemption in paragraph 53 is intended to allow a first-time adopter a period to identify and appropriately classify its interests in other entities as either controlled entities, associates or joint ventures during the period of transition. The first-time adopter may apply accounting policies for the recognition and/or measurement of its interests in controlled entities, associates or joint ventures that do not comply with the provisions of other MPSASs.

MPSAS 35, Consolidated Financial Statements.

55. **Subject to paragraph 53, a first-time adopter shall present consolidated financial statements following the adoption of accrual basis MPSASs. A first-time adopter presenting consolidated financial statements is, however, not required to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of MPSASs.**

56. On adoption of MPSASs, an entity may have controlled entities with a significant number of transactions between controlled entities. Accordingly, it may be difficult to identify some transactions and balances that need to be eliminated for the purpose of preparing the consolidated financial statements of the economic entity. For this reason, paragraph 55 provides relief for a period of up to three years to fully eliminate balances, transactions, revenue and expenses between entities within the economic entity.

57. **Notwithstanding the transitional exemption in paragraph 55, a first-time adopter is encouraged to eliminate those balances, transactions, revenue and expenses that are known on the date of adoption of MPSASs to comply in full with the provisions of MPSAS 35, *Consolidated Financial Statements*, as soon as possible.**

58. **Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 55, it shall not present financial statements as consolidated financial statements until:**

  (a) **The exemptions that provided the relief have expired; and**

  (b) **Its interests in other entities have been appropriately recognized and/or measured as controlled entities, associates or joint ventures; or**

  (c) **Inter-entity balances, transactions, revenue and expenses between entities within the economic entity are eliminated (whichever is earlier).**

MPSAS 36, Investments in Associates and Joint Ventures

59. **When a first-time adopter applies the equity method on adoption of MPSAS 36, *Investments in Associates and Joint Ventures,* the investor is not required to eliminate its share in the surplus and deficit resulting from upstream and downstream transactions between the investor and its associate or joint venture for reporting periods beginning on a date within three years following the date of adoption of MPSASs.**

60. On adoption of MPSASs, a first-time adopter may be an investor in one or more associates or joint ventures with a significant number of upstream and downstream transactions between the investor and the investee. Accordingly, it may be difficult to identify some upstream and/or downstream transactions in which the investor's share in the associate's or joint venture's surplus or deficit needs to be eliminated in applying the equity method. For this reason, paragraph 59 provides the investor relief with a period of up to three years to fully eliminate its share in the associate's or joint venture's surplus or deficit resulting from upstream and/or downstream transactions.

61. **Notwithstanding the transitional exemption in paragraph 59, a first-time adopter is encouraged to eliminate its share in the associate' and joint venture's surplus and deficit resulting from upstream and downstream transactions that are known on the date of adoption of MPSASs, to comply in full with the provisions of MPSAS 36, *Investments in Associates and Joint Ventures*, as soon as possible.**

62. **Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 59, it shall not present financial statements in which investments in associates or joint ventures are accounted for using the equity method until:**

    (a) **The exemptions that provided the relief have expired; and**

    (b) **The interest in other entities have been appropriately recognized and/or measured as an associate or joint venture; or**

    (c) **Its share in the associate's surplus and deficit resulting from upstream and downstream transactions between the investor and the investee are eliminated (whichever is earlier).**

MPSAS 40, Public Sector Combinations

62A. **Where a first-time adopter applies the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets and/or liabilities, the first-time adopter may be a party to a public sector combination during that three year transitional relief period. The first-time adopter is not required to recognize and/or measure the assets and/or liabilities associated with the public sector combination, until the exemption that provided the relief has expired and/or when the relevant assets and/or liabilities are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

62B. **Where a first-time adopter applies the exemption in paragraph 62A it shall not recognize goodwill in respect of an acquisition. The first-time adopter shall recognize the difference between (a) and (b) below in net assets/equity:**

    (a) **The aggregate of:**

        (i) **Any consideration transferred;**

        (ii) **Any non-controlling interests in an acquired operation; and**

        (iii) **Any previously held equity interests in an acquired operation.**

    (b) **The net amounts of any identifiable assets acquired and the liabilities assumed.**

62C. **MPSAS 40, *Public Sector Combinations*, is applied prospectively. Consequently, a first-time adopter does not adjust any amounts of goodwill recognized as a result of a public sector combination that occurred prior to the application of MPSAS 40, *Public Sector Combinations*.**

Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis MPSASs during the Period of Adoption

63. **A first-time adopter is required, or may elect, to adopt the exemptions in paragraphs 64–134. These exemptions will not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis MPSASs during the period of transition in accordance with paragraphs 27 and 28 while they are applied. A first-time adopter shall not apply these exemptions by analogy to other items.**

Using Deemed Cost to Measure Assets and/or Liabilities

64. **A first-time adopter may elect to measure the following assets and/or liabilities at their fair value when reliable cost information about the assets and liabilities is not available, and use that fair value as the deemed cost for:**

    (a) **Inventory (see MPSAS 12, *Inventory*);**

    (b) **Investment property, if the first-time adopter elects to use the cost model in MPSAS 16, *Investment Property*;**

    (c) **Property, plant and equipment (see MPSAS 17, *Property, Plant and Equipment*);**

    (d) **Intangible Assets, other than internally generated intangible assets (see MPSAS 31, *Intangible Assets*), that meets:**

        (i) **The recognition criteria in MPSAS 31, *Intangible Assest*, (excluding the reliable measurement criterion); and**

        (ii) **The criteria in MPSAS 31, *Intangible Assest,* for revaluation (including the existence of an active market);**

    (e) **Financial Instruments (see MPSAS 29, *Financial Instruments: Recognition and Measurement*); or**

    (f) **Service concession assets (see MPSAS 32, *Service Concession Arrangements: Grantor*).**

65. Deemed cost can only be determined where the acquisition cost of the asset and/or the liability is not available. Deemed cost assumes that the entity had initially recognized the asset and/ or the liability at the given date. Subsequent depreciation or amortization is based on that deemed cost on the premise that the acquisition cost is equal to the deemed cost. For example, a first-time adopter may elect to measure property, plant and equipment at deemed cost at the date of adoption of MPSASs because cost information about the item of property, plant and equipment was not available on that date, and use fair value as its deemed cost at that date. Any subsequent depreciation is based on the fair value determined at that date and starts from the date that the deemed cost has been determined.

66. The use of deemed cost is not considered a revaluation or the application of the fair value model for subsequent measurement in accordance with other MPSASs.

67. **A first-time adopter may elect to use the revaluation amount of property, plant and equipment under its previous basis of accounting as deemed cost if the revaluation was, at the date of the revaluation, broadly comparable to:**

    (a) **Fair value; or**

    (b) **Cost or depreciated cost, where appropriate, in accordance with MPSASs adjusted to reflect, for example, changes in a general or specific price index.**

68. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for property, plant and equipment by measuring it at fair value at one particular date because of a specific event:

    (a) If the measurement date is at or before the date of adoption of MPSASs, a first-time adopter may use such event-driven fair value measurements as deemed cost for MPSASs at the date of that measurement.

    (b) If the measurement date is after the date of adoption of MPSASs, but during the period of transition where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the event-driven fair value measurements may be used as deemed cost when the event occurs. A first-time adopter shall recognize the resulting adjustments directly in accumulated surplus or deficit when the asset is recognized and/or measured.

69. In determining the fair value in accordance with paragraph 67, the first-time adopter shall apply the definition of fair value and guidance in other applicable MPSASs in determining the fair value of the asset in question. The fair value shall reflect conditions that existed at the date on which it was determined.

70. **If reliable market-based evidence of fair value is not available for inventory, or investment property that is of a specialized nature, a first-time adopter may consider the following measurement alternatives in determining a deemed cost:**

    (a) **For inventory, current replacement cost; and**

    (b) **For investment property of a specialized nature, depreciated replacement cost.**

Using Deemed Cost to Measure Assets Acquired Through a Non-Exchange Transaction

71. **A first-time adopter may elect to measure an asset acquired through a non-exchange transaction at its fair value when reliable cost information about the asset is not available, and use that fair value as its deemed cost.**

Using Deemed Cost for Investments in Controlled Entities, Joint Ventures and Associates (MPSAS, 34, Separate Financial Statements)

72. **Where a first-time adopter measures an investment in a controlled entity, joint venture or associate at cost in its separate financial statements, it may, on the date of adoption of MPSASs, elect to measure that investment at one of the following amounts in its separate opening statement of financial position:**

    (a) **Cost; or**

    (b) **Deemed cost. The deemed cost of such an investment shall be its fair value (determined in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement*), at the first-time adopter's date of MPSASs in its separate financial statements.**

73. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for an investment in a controlled entity, joint venture or associate by measuring it at its fair value at one particular date because of a specific event. In such instances, a first-time adopter applies paragraph 72(a) and (b).

Date at which Deemed Cost can be Determined

74. **The date at which deemed cost is determined may vary depending on whether the first-time adopter takes advantage of the exemptions that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. When the first-time adopter takes advantage of the exemption, deemed cost can be determined at any date during this period, or on the date that the exemption expires (whichever is earlier), and shall be recognized in accordance with paragraph 76. If a first-time adopter does not adopt the exemption, deemed cost shall be determined at the beginning of the earliest period for which the first-time adopter presents MPSAS financial statements.**

75. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities, it may determine a deemed cost for that asset and/or liability at any point of time within the three year transitional relief period.

76. **When a deemed cost is determined during the period in which a first-time adopter takes advantage of the exemption that provides a three year transitional exemption not to recognize and/or measure an asset and/or liability, a first-time adopter shall recognize the adjustment against the opening accumulated surplus or deficit in the year in which the deemed cost of the asset and/or liability is recognized and/or measured.**

MPSAS 1, Presentation of Financial Statements

Comparative Information

77. **A first-time adopter is encouraged, but not required, to present comparative information in its first transitional MPSAS financial statements or its first MPSAS financial statements presented in accordance with this MPSAS. When a first-time adopter presents comparative information, it shall be presented in accordance with the requirements of MPSAS 1, *Presentation of Financial Statements*.**

78. **Where a first-time adopter elects to present comparative information, the transitional MPSAS financial statements or the first MPSAS financial statements presented in accordance with this MPSAS shall include:**

    (a) **One statement of financial position with comparative information for the preceding period, and an opening statement of financial position as at the beginning of the reporting period prior to the date of adoption of accrual basis MPSAS;**

    (b) **One statement of financial performance with comparative information for the preceding period;**

    (c) **One statement of changes in net assets/equity with comparative information for the preceding period;**

    (d) **One cash flow statement with comparative information for the preceding period;**

    (e) **A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and**

    (f) **Related notes including comparative information, and the disclosure of narrative information about material adjustments as required by paragraph 142.**

79. **Where a first-time adopter elects to not present comparative information, its transitional MPSAS financial statements following the adoption of accrual basis MPSASs or its first MPSAS financial statements presented in accordance with this MPSASs shall include:**

    (a) **One statement of financial position, and an opening statement of financial position at the date of adoption of accrual basis MPSAS;**

    (b) **One statement of financial performance;**

    (c) **One statement of changes in net assets/equity;**

    (d) **One cash flow statement;**

    (e) **A comparison of budget and actual amounts for the current year as a separate**

additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and

(f) **Related notes and the disclosure of narrative information about material adjustments as required by paragraph 142.**

80. **Where a first-time adopter takes advantage of the exemptions in paragraphs 36–62 which allow a three year transitional relief period to not recognize and/or measure an item, comparative information for the year following the date of adoption of MPSASs shall be adjusted only when information is available about the items following their recognition and/or measurement during the relief period.**

81. MPSAS 1, *Presentation of Financial Statements*, requires an entity to present comparative information in respect of the previous period for all amounts reported in the financial statements. Where a first-time adopter takes advantage of the exemption that provides a three year transitional exemption to not recognize and/or measure an item, it shall, during the period of transition present comparative information for an item recognized and/or measured during that period only, if information is available about the item for the comparative period. The first-time adopter shall apply the requirements in MPSAS 1, *Presentation of Financial Statements*, after it has adjusted its first MPSAS financial statements.

Non-MPSAS Comparative Information

82. A first-time adopter may present comparative information in accordance with its previous basis of accounting. In any financial statements containing comparative information in accordance with the previous basis of accounting, the first-time adopter shall label the information prepared using the previous basis of accounting information as not being prepared in accordance with MPSASs, and disclose the nature of the main adjustments that would be required to comply with MPSASs.

83. Where a first-time adopter presents non-MPSAS comparative information in its first MPSAS or first transitional MPSAS financial statements following its adoption of accrual basis MPSASs, the transitional exemptions and provisions provided in this Standard shall not be applied to the non-MPSAS comparative information presented in the first MPSAS financial statements or first transitional MPSAS financial statements.

Non-MPSAS Historical Summaries

84. A first-time adopter may elect to present historical summaries of selected data for periods before the first period for which it presents financial statements in accordance with MPSASs. This MPSAS does not require such summaries to comply with the recognition and measurement requirements of MPSASs. In any financial statements containing historical summaries in accordance with the previous basis of accounting, the first-time adopter shall label the previous basis of accounting information prominently as not being prepared in accordance with MPSASs, and disclose the nature of the main adjustments that would be required to comply with MPSASs. The first-time adopter need not quantify those adjustments.

MPSAS 4, The Effects of Changes in Foreign Exchange Rates

85. **On the date of adoption of MPSASs a first-time adopter need not comply with the requirements for cumulative translation differences that exist at that date. If a first-time adopter uses this exemption:**

    (a) **The cumulative translation differences for all foreign operations are deemed to be zero at the date of adoption of MPSASs; and**

    (b) **The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of adoption of MPSASs and shall include later translation differences.**

86. **A first-time adopter shall apply the requirement to treat any goodwill (see MPSAS 40, *Public Sector Combinations*), arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation, as assets and liabilities of the foreign operation, prospectively on the date of adoption of MPSASs.**

87. In applying the transitional exemption in paragraph 85, a first-time adopter shall not restate prior years for the acquisition of a foreign operation acquired prior to the date of adoption of MPSASs, and accordingly shall, where appropriate, treat goodwill and fair value adjustments arising on acquisition as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustment functional currency or are non-monetary foreign currency items, which are reported using the exchange rate at the date of the acquisition.

MPSAS 5, Borrowing Costs

88. **A first-time adopter is encouraged, but not required, to apply the requirements of MPSAS 5, *Borrowing Costs*, retrospectively where it adopts or changes its accounting policy to the benchmark treatment.**

89. **Where a first-time adopter adopts or changes its accounting policy to the benchmark treatment it is allowed to designate any date before the date of adoption of MPSASs and apply MPSAS 5, *Borrowing Costs*, prospectively on or after that designated date.**

90. **Where a first-time adopter changes its accounting policy to the allowed alternative treatment, any borrowing costs incurred both before and after date of adoption of MPSASs on qualifying assets for which the commencement date for the capitalization is prior to the date of adoption of MPSASs, shall be recognized retrospectively in accordance with the allowed alternative treatment.**

IPSAS 10, Financial Reporting in Hyperinflationary Economies

Severe Hyperinflation

91. [Deleted]

92. [Deleted]

93. [Deleted]

94. [Deleted]

MPSAS 13, Leases

95. **A first-time adopter shall on the date of adoption of MPSAS, classify all existing leases as operating or finance leases on the basis of circumstances existing at the inception of the lease, to the extent that these are known on the date of adoption of MPSASs.**

96. **If, however, the lessee and the lessor have agreed to change the provisions of the lease between the date of inception of the lease and the date of adoption of accrual basis MPSASs in a manner that would have resulted in a different classification of the lease at the date of adoption, the revised agreement shall be regarded as a new agreement. A first-time adopter shall consider the provisions of the new agreement at the date of adoption of accrual basis MPSASs in classifying the lease as an operating or finance lease.**

IPSAS 18, Segment Reporting

97. [Deleted]

MPSAS 21, Impairment of Non-Cash-Generating Assets

98. **A first-time adopter shall apply the requirements in MPSAS 21, *Impairment of Non-Cash Generating Assets*, prospectively from the date of adoption of MPSASs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets,* and MPSAS 32, *Service Concession Arrangements: Grantor*, it applies MPSAS 21, *Impairment of Non-Cash Generating Assets,* when the exemption that provided the relief has expired, and/or the relevant assets are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

99. **On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall assess whether there is any indication that**

the non-cash-generating assets recognized and/or measured are impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of MPSASs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognized and/or measured (whichever is earlier).

100. A first-time adopter shall apply the requirements of MPSAS 21, *Impairment of Non-Cash Generating Assets***,** prospectively. This means that on the date of adoption of accrual basis MPSASs, or if the first-time adopter has adopted transitional relief relating to the recognition and/or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any non-cash-generating assets included in the opening statement of financial position, are impaired.

MPSAS 25, Employee Benefits

101. **A first-time adopter shall recognize and/or measure all employee benefits on the date of adoption of MPSASs, except for defined benefit plans and other long-term employee benefits where it takes advantage of the exemption in paragraph 36.**

Defined Benefit Plans and Other Long-Term Employee Benefits

102. **On the date of adoption of MPSASs, or where a first-time adopter takes advantage of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall determine its initial liability for defined benefit plans and other long-term employee benefits at that date as:**

(a) **The present value of the obligation at the date of adoption of MPSASs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), by using the Projected Unit Credit Method;**

(b) **Minus the fair value, at the date of adoption of MPSASs, or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier) of plan assets (if any) out of which the obligations are to be settled directly; and**

(c) **Minus any past service cost that shall be recognized in later periods as an expense on a straight-line basis over the average period until the benefits become vested.**

103. **If the initial liability in accordance with paragraph 102 is more or less than the liability that was recognized and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the firs-time adopter shall recognize that**

increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.

104. The effect of the change in the accounting policy to MPSAS 25, *Employee Benefits***,** includes any actuarial gains and losses that arose, if any, in earlier periods, even if they fall outside the corridor specified in MPSAS 25, *Employee Benefits*. Under its previous basis of accounting, a first-time adopter may not have recognized and/or measured any liability, in which case the increase in the liability will represent the full amount of the liability minus the fair value, at the date of adoption of MPSASs or where a first-time adopter takes advantage of the three year transitional relief period, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), of any plan assets in accordance with paragraph 102(b) and any past service cost to be recognized in later periods in accordance with paragraph 102(c). This increased liability is recognized in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.

105. **A first-time adopter shall not separate the cumulative actuarial gains and losses from the inception of the defined benefit plan(s), until the date of adoption of MPSASs into a recognized and unrecognized portion. All cumulative actuarial gains and losses shall be recognized in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.**

106. A first-time adopter is not permitted to separate cumulative actuarial gains and losses into recognized and unrecognized portions on adoption of MPSAS 25, *Employee Benefit*. All cumulative actuarial gains and losses shall be recognized in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured. This requirement does however not preclude a first-time adopter electing to recognize only parts of its actuarial gains and losses in accordance with paragraphs 105–107 of MPSAS 25, *Employee Benefit*, in subsequent reporting periods.

107. A first-time adopter shall disclose information on experience adjustments in accordance with paragraph 141(p) of MPSAS 25, *Employee Benefit*, prospectively on the date of adoption of MPSASs.

MPSAS 26, Impairment of Cash-Generating Assets

108. **A first-time adopter shall apply the requirements in MPSAS 26, *Impairment of Cash-Generating Assets,* prospectively from the date of adoption of MPSASs, except in relation to those assets where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure assets. When a first-time adopter takes advantage of the exemption that provides a three year transitional relief period in MPSASs 16, *Investment Property*, MPSAS 17, *Property, Plant and Equipment*, MPSAS 27, *Agriculture*, MPSAS 31, *Intangible Assets,* and MPSAS 32, *Service Concession Arrangements: Grantor* it applies MPSAS 26, *Impairment of Cash-Generating Assets*, when the exemption that provided the relief has expired, and/or the relevant assets are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

109. **On the date that the transitional exemption that provided the relief has expired, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall assess whether there is any indication that the cash-generating assets recognized and/or measured are impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of MPSASs, or in opening accumulated surplus or deficit in the reporting period in which the transitional exemption expires, and/or the relevant assets are recognized and/or measured (whichever is earlier).**

110. A first-time adopter shall apply the requirements of MPSAS 26, *Impairment of Cash-Generating Assets***,** prospectively. This means that on the date of adoption of accrual basis MPSASs, or if the first-time adopter has adopted the transitional relief relating to the recognition and/or measurement of assets, only when the three year transitional exemption expires, and/or when the relevant assets are recognized and/or measured in the financial statements (whichever is earlier), will a first-time adopter be required to assess whether there is an indication that any cash-generating assets included in the opening statement of financial position, are impaired.

MPSAS 28, Financial Instruments: Presentation

111. **On the date of adoption of MPSASs, a first-time adopter shall evaluate the terms of the financial instrument to determine whether it contains both a liability component and a net asset/equity component. If the liability component is no longer outstanding on the date of adoption of MPSASs, the first-time adopter need not separate the compound financial instrument into a liability component and a net asset/equity component.**

112. MPSAS 28, *Financial Instruments: Presentation*, requires an entity to split a compound financial instrument at inception into separate liability and net asset/equity components. If the liability component is no longer outstanding, retrospective application of MPSAS 28, *Financial Instruments: Presentation*, involves separating two portions of net assets/equity. The first portion is in accumulated surplus and deficit and represents the cumulative interest accreted on the liability component. The other portion represents the original net asset/equity component. However, this MPSASs allows a first-time adopter to not separate these two portions if the liability component is no longer outstanding at the date of adoption of MPSASs.

MPSAS 29, Financial Instruments: Recognition and Measurement

Designation of Financial Instruments on the Date of adoption of MPSASs during The Period of Transition

113. **A first-time adopter may designate a financial asset or financial liability as a financial asset or financial liability at fair value through surplus or deficit that meet the criteria for designation in MPSAS 29, *Financial Instruments: Recognition and Measurement*, in accordance with paragraph 114. A first-time adopter shall disclose the fair value of financial assets and financial liabilities designated into each category at the date of designation, their classification and carrying amount.**

114. **MPSAS 29,** ***Financial Instruments: Recognition and Measurement,*** **permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provide it meets certain criteria) to be designated as a financial asset or financial liability at fair value though surplus or deficit. Despite this requirement, exceptions apply in the following circumstances:**

   (a) **A first-time adopter is permitted to make an available-for-sale designation at the date of adoption of MPSASs.**

   (b) **A first-time adopter is permitted to designate, at the date of adoption of MPSASs, any financial asset or financial liability as at fair value through surplus or deficit provided the asset or liability meets the criteria in paragraph 10(b)(i), 10(b)(ii) or 13 of MPSAS 29,** ***Financial Instruments: Recognition and Measurement,*** **at that date.**

Derecognition of Financial Assets and Financial Liabilities

115. **Except as permitted by paragraph 116 a first-time adopter shall apply the derecognition requirements in MPSAS 29,** ***Financial Instruments: Recognition and Measurement*****, prospectively for transactions occurring on or after the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemptions not to recognize financial instruments, the date on which the exemptions that provided the relief have expired and/or the financial instruments are recognized (whichever is earlier). For example, if a first-time adopter derecognized non-derivative financial assets or non-derivative financial liabilities in accordance with its previous basis of accounting as a result of a transaction that occurred before the date of adoption of MPSASs, it shall not recognize those assets and liabilities in accordance with MPSAS 29,** ***Financial Instruments: Recognition and Measurement,*** **unless they qualify for recognition as a result of a later transaction or event.**

116. **Notwithstanding the provision in paragraph 115, a first-time adopter may apply the derecognition requirements in MPSAS 29,** ***Financial Instruments: Recognition and Measurement,*** **retrospectively from a date of the first-time adopter choosing, provided that the information needed to apply MPSAS 29,** ***Financial Instruments: Recognition and Measurement,*** **to financial assets and financial liabilities derecognized as a result of past transactions was obtained at the time of initially accounting for these transactions.**

Hedge Accounting

117. **As required by MPSAS 29,** ***Financial Instruments: Recognition and Measurement*** **, a first-time adopter shall at the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the exemption that provided the relief has expired and/or the relevant financial instruments are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier):**

   (a) **Measure all derivatives at fair value; and**

(b) **Eliminate all deferred losses and gains arising on derivatives that were reported in accordance with its previous basis of accounting as if they were assets or liabilities.**

118. **A first-time adopter shall not reflect in its opening statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement,* (for example, many hedging relationships where the hedging instrument is a cash instrument or written option; or where the hedged item is a net position). However, if a first-time adopter designated a net position as a hedged item in accordance with its previous basis of accounting, it may designate an individual item within that net position as a hedged item in accordance with MPSASs, provided that it does so no later than the date of adoption of MPSASs or where it takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

119. **If, before the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments the date on which the exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier), a first-time adopter had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in MPSAS 29, *Financial Instruments: Recognition and Measurement,* the first-time adopter shall apply paragraphs 102 and 112 of MPSAS 29, *Financial Instruments: Recognition and Measurement,* to discontinue hedge accounting. Transactions entered into before the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure financial instruments, the date when the transitional exemption expires and/or the relevant financial instruments are recognized and/or measured in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement,* (whichever is earlier), shall not be retrospectively designated as hedges.**

Impairment of Financial Assets

120. A first-time adopter shall apply the impairment requirements prospectively from the date of adoption of MPSASs, except in relation to those financial assets where it takes advantage of the exemptions in paragraphs 36, 38 and 42 which allow a three year transitional relief period to not recognize and/or measure financial instruments. When a first-time adopter adopts the three year transitional relief period provided, it applies the impairment provisions when exemption that provided the relief has expired, and/or the relevant financial instruments are recognized and/or measured in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement,* (whichever is earlier).

121. **A first-time adopter shall on the date of adoption of MPSASs, or when the exemptions that provided the relief have expired, and/or when the relevant financial instruments are recognized and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with the applicable MPSAS (whichever is earlier), assess at that date whether there is any indication that the financial instrument recognized and/or measured in the statement of financial position, is impaired. Any impairment loss incurred shall be recognized in opening accumulated surplus or deficit in the period in which the financial instrument is recognized and/or measured**.

122. A first-time adopter shall apply the impairment requirements prospectively. This means that on the date of adoption of MPSAS 29, *Financial Instruments: Recognition and Measurement***,** when the exemptions that provided the relief have expired, and/ or when the relevant financial instruments are recognized and/or measured, a first-time adopter shall be required to assess whether there is an indication that the financial instrument is impaired. Any impairment loss shall be recognized in opening accumulated surplus or deficit on the date of adoption of MPSASs, or in the opening accumulated surplus or deficit of the reporting period in which the exemptions that provided the relief have expired, and/or the relevant financial instruments are recognized and/or measured (whichever is earlier).

MPSAS 30, Financial Instruments: Disclosure

123. **Where the first-time adopter elects to present comparative information in accordance with paragraph 78, it is not required to present information about the nature and extent of risks arising from financial instruments for the comparative period in its transitional MPSAS financial statements or its first MPSAS financial statements.**

124. **A first-time adopter shall apply the requirements in MPSAS 30, *Financial Instruments: Disclosure*, prospectively from the date of adoption of MPSASs, or when the exemptions that provided the relief have expired, and/or when the relevant financial instrument is recognized and/or measured in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement* ,(whichever is earlier).**

MPSAS 31, Intangible Assets

125. **A first-time adopter shall recognize and/or measure an internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in MPSAS 31, *Intangible Assets*, even if the first-time adopter has, under its previous basis of accounting, expensed such costs. A deemed cost may not be determined for internally generated intangible assets.**

126. As required by paragraph 20, a first-time adopter is required to recognize all assets for which recognition is required by MPSASs. A first-time adopter shall therefore recognize any internally generated intangible asset if it meets the definition of an intangible asset and the recognition criteria in MPSAS 31, *Intangible Assets***,** irrespective of whether such costs were expensed under its previous basis of accounting.

MPSAS 32, Service Concession Arrangements

Initial Measurement of Related Liability

127. **Where a first-time adopter elects to measure service concession assets using deemed cost, the related liabilities shall be measured as follows:**

  (a) **For the liability under the financial liability model, the remaining contractual cash flows specified in the binding arrangement and the rate prescribed in MPSAS 32; *Service Concession Arrangements*;or**

  (b) **For the liability under the grant of a right to the operator model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.**

128. **A first-time adopter shall recognize and/or measure any difference between the value of the service concession asset and the financial liability under the financial liability model in paragraph 127 in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.**

MPSAS 34, Separate Financial Statements, MPSAS 35, Consolidated Financial Statements and MPSAS 36, Investments in Associates and Joint Ventures

129. **If a controlled entity becomes a first-time adopter later than its controlling entity, except for the controlled entity of an investment entity, the controlled entity shall, in its financial statements, measure its assets and liabilities at either:**

  (a) **The carrying amounts determined in accordance with this MPSAS that would be included in the controlling entity's consolidated financial statements, based on the controlled entity's date of adoption of MPSASs, if no adjustments were made for consolidation procedures and for the effects of the public sector combination in which the controlling entity acquired the controlled entity; or**

  (b) **The carrying amounts required by the rest of this MPSAS, based on the controlled entity's date of adoption of MPSASs. These carrying amounts could differ from described in (a):**

    (i) **When the exemptions in this MPSAS result in measurements that depend on the date of adoption of MPSASs.**

    (ii) **When the accounting policies used in the controlled entity's financial statements differ from those in the consolidated financial statements. For example, the controlled entity may use as its accounting policy the cost model in MPSAS 17, *Property, Plant and Equipment*, whereas the economic entity may use the revaluation model.**

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

130. **However, if a controlling entity becomes a first-time adopter later than its controlled entity (or associate or joint venture) the controlling entity shall, in its consolidated financial statements, measure the assets and liabilities of the controlled entity (or associate or joint venture) at the same carrying amounts as in the financial statements of the controlled entity (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the public sector combination in which the controlling entity acquired the controlled entity (or associate or joint venture), subject to the exemptions that may be adopted in terms of this MPSAS. Similarly, if a controlled entity becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, subject to the exemptions that may be adopted in this MPSAS, except for consolidation adjustments**.

MPSAS 35, Consolidated Financial Statements

131. **A first-time adopter that is a controlled entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at the date of adoption of accrual basis MPSASs, and measure its investment in each controlled entity at fair value through surplus or deficit at the date of adoption of accrual basis MPSASs.**

MPSAS 37, Joint Arrangements

132. **Where a first-time adopter accounted for its investment in a joint venture under its previous basis of accounting basis using proportionate consolidation, the investment in the joint venture shall be measured on the date of adoption as the aggregate of the carrying amount of the assets and liabilities that the entity previously proportionately consolidated, including any purchased goodwill arising from acquisition transactions (see MPSAS 40, *Public Sector Combinations*).**

133. **The opening balance of the investment determined in accordance with paragraph 132 is regarded as the deemed cost of the investment at initial recognition. A first-time adopter shall test the investment for impairment as at the date of adoption, regardless of whether there is any indication that the investment may be impaired. Any impairment loss shall be adjusted to the accumulated surplus or deficit at the date of adoption.**

134. **If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, the first-time adopter shall assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the first-time adopter shall recognize a corresponding liability. If the first-time adopter concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognize the corresponding liability but it shall adjust accumulated surplus or deficit at the date of adoption. The first-time adopter shall disclose this fact, along with its cumulative**

unrecognized share of losses of its joint ventures as at the date of adoption of accrual basis MPSASs.

Disclosures

135. **A first-time adopter with financial statements that comply with the requirements of this MPSAS while taking advantage of the transitional exemptions and provisions that affect fair presentation and its ability to assert compliance with accrual basis MPSASs, shall make an explicit and unreserved statement of compliance with this MPSAS in the notes to the financial statements. This statement shall be accompanied by a statement that the financial statements do not fully comply with accrual basis MPSASs.**

136. **Where a first-time adopter takes advantage of the transitional exemptions in this MPSAS, the first-time adopter shall disclose:**

   (a) **The extent to which it has taken advantage of the transitional exemptions that affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs; and/or**

   (b) **The extent to which it has taken advantage of the transitional exemptions that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis MPSASs.**

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

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

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

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

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

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

138. **Where a first-time adopter takes advantage of the transitional exemption to not eliminate some balances, transactions, revenue and expenses, and/or where it applies the three year transitional relief for the recognition and/or measurement of its interest in controlled entities, associates or joint ventures in paragraph 55, it shall disclose the nature of the balances, transactions, revenue and expenses and/or upstream or downstream transactions that have been eliminated during the reporting period.**

139. **Where a first-time adopter is not able to present consolidated financial statements because of the transitional exemptions and provisions adopted in paragraphs 58 or 62, it shall disclose:**

(a) **The reason why the financial statements, investments in associates or interests in joint ventures could not be presented as consolidated financial statements; and**

(b) **An indication by when the first-time adopter will be able to present consolidated financial statements.**

140. **The disclosure requirements of paragraphs 135 and 139 will assist users to track the progress of the first-time adopter in conforming its accounting policies to the requirements in the applicable MPSASs during the period of transition**.

Explanation of Transition to MPSASs

141. **A first-time adopter shall disclose:**

(a) **The date of adoption of MPSASs; and**

(b) **Information and explanations about how the transition from the previous basis of accounting to MPSASs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.**

Reconciliations

142. **A first-time adopter shall present in the notes to its transitional MPSAS financial statements or its first MPSAS financial statements:**

(a) **A reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of MPSASs; and**

(b) **A reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of MPSASs.**

A first-time adopter that has applied a cash basis of accounting in its previous financial statements is not required to present such reconciliations.

143. The reconciliation presented in accordance with paragraph 142 shall provide sufficient detail, both quantitative and qualitative, to enable users to understand the material adjustments to the opening statement of financial position and, where applicable, the opening statement of financial performance presented in accordance with accrual basis MPSAS. Where narrative explanations are included in other public documents issued in conjunction with the financial statements, a cross reference to those documents shall be included in the notes.

144. If an entity becomes aware of errors made under its previous basis of accounting, the reconciliations required by paragraph 142 shall distinguish the correction of those errors from changes in accounting policies.

145. **If an entity did not present financial statements for previous periods, its transitional MPSAS financial statements or its first MPSAS financial statements shall disclose that fact.**

146. **Where a first-time adopter takes advantage of the exemptions in paragraph 36–43 which allow a three year transitional relief period to not recognize and/or measure items, it shall present as part of the notes, a reconciliation of items that have been recognized and/or measured during the reporting period when these items were not included in the previous reported financial statements. The reconciliation shall be presented in each period when new items are recognized and/or measured in accordance with this MPSAS.**

147. The reconciliation presented in accordance with paragraph 146 provides sufficient detail to enable users to understand which items have been recognized and/or measured during the reporting period where the first-time adopter adopts one of more of the exemptions that provide a three year transitional relief period to not recognize and/or measure an item. The reconciliation explains the adjustments to the previously reported statement of financial position and, where applicable, the previously reported statement of financial performance in each period when new items are recognized and/or measured in accordance with this MPSAS.

Disclosure where Deemed Cost is used for Inventory, Investment Property, Property, plant and Equipment, Intangible Asset, Financial Instruments or Service Concession Asset

148. **If a first-time adopter uses fair value, or the alternative in paragraphs 64, 67 or 70, as deemed cost for inventory, investment property, property, plant and equipment, Intangible assets, financial instruments, or service concession assets, its financial statements shall disclose:**

    (a) **The aggregate of those fair values or other measurement alternatives that were considered in determining deemed cost;**

    (b) **The aggregate adjustment to the carrying amounts recognized under the previous basis of accounting; and**

    (c) **Whether the deemed cost was determined on the date of adoption of MPSASs or during the period of transition.**

Disclosures Where Deemed Cost is Used for Investments in Controlled Entities, Joint Ventures and Associates

149. **If a first-time adopter uses fair value as deemed cost in its opening statement of financial position for an investment in a controlled entity, joint venture or associate in its separate financial statements, its separate financial statements shall disclose:**

(a) **The aggregate deemed cost of those investments for which deemed cost is fair value; and**

(b) **The aggregate adjustment to the carrying amounts reported under the previous basis of accounting.**

150. **The disclosure requirements required in paragraph 148 and 149 shall be disclosed in each period when new items are recognized and/or measured until the exemptions that provided the relief have expired and/or when the relevant assets are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

Exemptions from Disclosure Requirements in MPSASs during the Period of Transition

151. **To the extent that a first-time adopter takes advantage of the exemption that provides a three year relief period to not recognize and/or measure items, it is not required to apply any associated presentation and/or disclosure requirements related to such items as required in MPSAS 1, *Presentation of Financial Statements*, and/or the applicable MPSASs until such time as the exemptions that provided the relief have expired and/or when the relevant items have been recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).**

152. **Notwithstanding the transitional provision in paragraph 151, a first-time adopter is encouraged to disclose the information required by MPSAS 1, *Presentation of Financial Statements,* and/or the applicable MPSAS as soon as possible.**

Transitional Provisions

153. **Where a first-time adopter has adopted the existing transitional provisions in other accrual basis MPSASs, it shall continue to apply those transitional provisions until they expire and/or the relevant items are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier). If the first-time adopter elects to adopt the transitional exemptions in this MPSAS, the relief period applied in adopting accrual basis MPSASs, may not be longer than the relief period provided in this MPSAS.**

Effective Date

154. **A first-time adopter shall apply this Standard if its first MPSAS financial statements are for a period beginning on or after January 1, 2017. Earlier application is permitted.**

154A. **Paragraphs 86, 129, 130 and 132 were amended and paragraphs 62A–62C were added by MPSAS 40, *Public Sector Combinations*, issued in October 2021. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2023 it shall disclose that fact and apply MPSAS 40, *Public Sector Combinations*, at the same time.**

154B. **Paragraphs 7 and 8 were deleted by *Improvements to MPSASs 2023 (The Applicability of MPSASs)*, issued in December 2022. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2024. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2024, it shall disclose that fact**

Appendix A

Amendments to Other MPSASs

[Deleted]

Implementation Guidance

This guidance accompanies, but is not part of, MPSAS 33, First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs).

IG1. The purpose of this Implementation Guidance is to illustrate certain aspects of the requirements of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*.

Date of Adoption of MPSASs

IG2. The date of adoption of MPSASs is the date an entity adopts accrual basis MPSAS for the first time in preparing its financial statements.

IG3. Prior to the adoption of this MPSAS, a first-time adopter shall have adequately prepared for its transition to accrual basis MPSASs. The guidance provided in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* issued by the Accountant General's Department may assist a first-time adopter with planning the conversion to accrual basis MPSASs. The relief provided in this MPSAS shall therefore not be seen as a complete roadmap for the adoption of accrual basis MPSASs, but rather the end stage of the adoption process.

IG4. A first-time adopters' date of adoption will therefore to be-the start of the reporting period in which it elects to adopt accrual basis MPSASs for which it presents its transitional MPSAS financial statements or its first MPSAS financial statements. For example, an entity elects to adopt accrual basis MPSASs from January 1, 20X1 for its reporting period ending December 31,20X1. The date of adoption of MPSASs will be January 1, 20X1.

Transitional MPSAS Financial Statements

IG5. On the date of adoption of MPSASs, a first-time adopter may elect to adopt one of more of the exemptions included in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* Some of the exemptions included in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis MPSASs (Appendix A lists the transitional exemptions and provisions that a first-time adopter is required to apply and/or can illustrates whether fair presentation and the first-time adopter's ability to as elect to apply on adoption of accrual basis MPSASs and accrual basis MPSASs will be affected).

IG6. As a first-time adopter is not able to make an explicit and unreserved statement of compliance with accrual basis MPSASs following the adoption of the exemptions provided in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, the financial statements presented for the first reporting period following the adoption of accrual basis MPSASs, will be referred to as the "transitional MPSAS financial statements".

IG7. For example, if the first-time adopter adopts the transitional exemption that provides relief for the recognition of certain items of property, plant and equipment when adopting accrual basis MPSASs on January 1, 20X1, it would not be able to make an explicit and unreserved statement of compliance with accrual basis MPSASs at the end of its first reporting period, i.e. December 31, 20X1. The financial statements prepared for the first reporting period, will therefore be referred to as the "first transitional MPSAS financial statements".

IG8. The financial statements presented during the period of transition until the exemptions that provided the relief have expired, and/or when the relevant items are recognized and/or measured in the financial statements in accordance with the applicable MPSASs, will be referred to as the "transitional MPSAS financial statements".

Basis of Preparation When Preparing Transitional MPSAS Financial Statements

IG9. As stated in paragraph 27 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, a first-time adopter that elects to adopt one or more of the exemptions included in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, may not be able to make an explicit and unreserved statement of compliance with accrual basis MPSASs as required by MPSAS 1, *Presentation of Financial Statements*. During the period of transition, this fact shall be highlighted to the users of financial statements in presenting the "basis of preparation" in the financial statements.

IG10. As an illustration, if a first-time adopter elected to adopt the transitional exemption that allows it three years in which to recognize and/or measure investment property, the following explanation may be provided in the "basis of preparation" paragraph in the period of transition:

> *Basis of preparation*
>
> The financial statements have been prepared in accordance with accrual basis Malaysian Public Sector Accounting Standards (MPSASs). MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, allows a first-time adopter a period of up to three years to recognize and/or measure certain assets and/or liabilities.
>
> In its transition to accrual basis MPSASs, Public Sector Entity X took advantage of this transitional exemption for investment property. As a result, it is unable to make and explicit an unreserved statement of compliance with accrual basis MPSASs in preparing its transitional MPSAS financial statements for this reporting period. Public Sector Entity X intends to recognize and/or measure its investment property by 20X3.

First MPSAS Financial Statements

IG11. A first-time adopter's first MPSAS financial statements will be the first set of financial statements that it presents in which it makes an explicit and unreserved statement of compliance with accrual basis MPSASs.

IG12. A first-time adopter will not be able to prepare its first MPSAS financial statements until the exemptions in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, that provided relief which affected fair presentation and compliance with MPSAS, have expired, or when the relevant items are recognized, measured and/or the relevant information has been presented and/or disclosed in accordance with the applicable MPSASs (whichever is earlier).

IG13. Following from the example in IG5, the transitional exemptions that provided the relief for the recognition of certain items of property, plant and equipment expire after three years, i.e. December 31, 20X3. If it is assumed that the entity has not adopted any other transitional exemptions in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, that affect fair presentation and compliance with MPSASs, and that it recognizes and/or measures the items of property, plant and equipment during the transitional period, a first-time adopter will present its first MPSAS financial statements for the period ending December 31, 20X3.

IG14. If a first-time adopter has not adopted any of the exemptions in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs), that* affect fair presentation and its ability to claim compliance with accrual basis MPSASs, its first accrual financial statements will also be its first MPSAS financial statements.

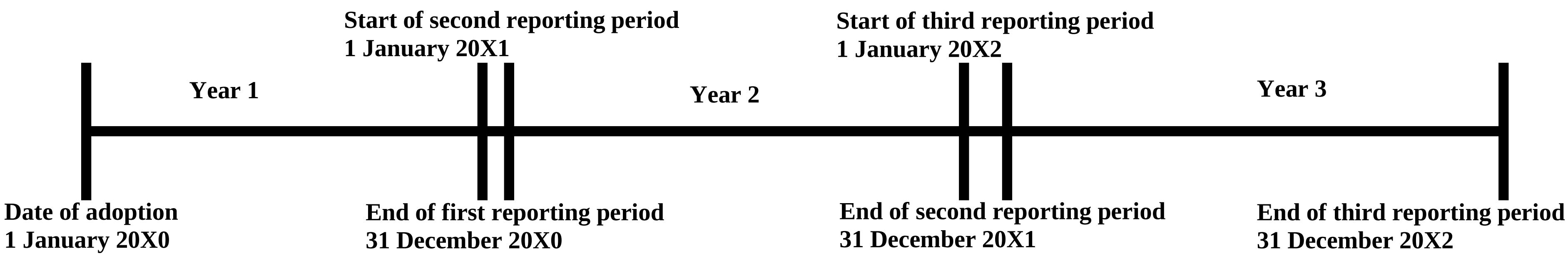
To illustrate:

Timeline –First Time Adoption MPSAS (assuming that entity elects to apply the three year transitional relief for the recognition and/or measurement of certain assets)

An entity adopts accrual basis MPSASs on 1 January 20X0 by applying MPSAS 33, *First Time Adoption of Accrual Basis MPSASs.*

The first-time adopter elects to apply the three year relief for the recognition of property, plant and equipment. Assume that it does not adopt of any other relief periods. It also elects not to present comparative information.

The first-time adopter recognizes all property, plant and equipment by 31 December 20X2.



<u>Year 1 (ending 31 December 20X0) –First Transitional MPSAS Financial Statements</u>

Cannot assert compliance with accrual basis MPSASs

Present the following statements:

***opening statement of financial position as at 01/01/20X0**
***statement of financial position as at 31/12/20X0 *statement of financial performance for 31/12/20X0 *statement of changes in net assets as at 31/12/20X0 *cash flow statement for 31/12/20X0**
***statement of comparison of budget and actual information for 31/12/20X0**

(depending on the policy chosen for presentation of information the first-time adopter may include an additional column in the annual financial statements)

Present the following in the notes:
***reconciliation of changes from its previous basis of accounting (reflect adjustments related to the adoption of all MPSASs besides MPSAS 17)**

Note: If the first-time adopter elected to present comparative information, the following statements shall have been presented:

***opening statement of financial position as at 01/01/19X0**
***statement of financial position as at 31/12/19X0 and 31/12/20X0**
***statement of financial performance for 31/12/10X0 and 31/12/20X0**
***statement of changes in net assets as at 31/12/19X0 and 31/12/20X0**
***cash flow statement for 31/12/19X0 and 31/12/20X0**
***statement of comparison of budget and actual information for 31/12/19X0 and 31/12/20X0**

<u>Year 2 (ending 31 December 20X1) –Transitional MPSAS Financial Statements</u>

Cannot assert compliance with MPSASs

Present the following statements for <u>both</u> 31/12/20X1 <u>and</u> 20X0:

***statement of financial position**
***statement of financial performance**
***statement of changes in net assets**
***cash flow statement**

Present the statement of comparison of budget and actual information for 31/12/20X1 <u>only</u> (depending on policy chosen for presentation of info information the first-time adopter may include an additional column in the annual financial statements)

<u>Year 3 (ending 31 December 20X2) –First MPSAS Financial Statements</u>

Can assert compliance with MPSASs

Present the following statements for <u>both</u> 31/12/20X2 <u>and</u> 20X1:

***statement of financial position**
***statement of financial performance**
***statement of changes in net assets**
***cash flow statement**

Present the statement of comparison of budget and actual information for 31/12/20X2 <u>only</u> (depending on policy chosen for presentation of info information the first-time adopter may include an additional column in the annual financial statements)

Present the following in the notes:

***reconciliation of adjustments made to recognize property, plant and equipment**

Estimates

IG15. Paragraph 23 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* requires that a first-time adopter's estimates in accordance with MPSASs at the date of adoption of MPSASs shall be consistent with estimates made at the end of its comparative period in accordance with the previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. An entity may receive information after the date of adoption of MPSASs about estimates that it had made under the previous basis of accounting. In accordance with paragraph 24, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with MPSAS 14, *Events After the Reporting Period*.

IG16. For example, assume that a first-time adopter's date of adoption1, 20X4 of MPSASs is January 1, 20X4 and new information on July 15, 20X4 requires the revision of an estimate made in accordance with the previous basis of accounting at December 31, 20X3. The first-time adopter shall not reflect that new information in its opening statement of financial position (unless the estimates require adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the first-time adopter shall reflect that new information in surplus or deficit for the year ended December 31, 20X4.

Transitional Exemptions that Provide Three Year Relief for the Recognition and/or Measurement of Assets and/or Liabilities

IG17. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* provides a first-time adopter a period of up to three years relief in which it is allowed to not recognize and/or measure certain assets and liabilities. Where a first-time adopter takes advantage of this exemption, it will have to consider and analyse title deeds, contracts and other similar arrangements in accounting for, and classifying these assets in accordance with the applicable MPSAS.

IG18. For example, assume that a first-time adopter controls a wide range of property, plant and equipment when it adopts accrual basis MPSASs on January 1, 20X1. If the first- time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure the property, plant and equipment, it may recognize and/or measure the property, plant and equipment during the period of transition from January 1, 20X1 until December 31, 20X3. If the property, plant and equipment is recognized for example, on April 1, 20X2, the first-time adopter shall adjust the opening accumulated surplus or deficit on January 1, 20X2. As required by paragraph 142 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* the first-time adopter shall, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at December 31, 20X1 (i.e. the opening balance as at January 1, 20X2) for the property, plant and equipment that was recognized on April 1, 20X2.

IG19. Where a first-time adopter has taken advantage of the three year relief period, it shall not derecognise any of the assets and/or liabilities that were recognized under its previous basis of accounting unless it is to comply with an MPSAS requirement. Any adjustments to the assets and/or liabilities recognized under its previous basis of accounting shall be adjusted during the period of transition against the opening accumulated surplus of deficit in the period in which the adjustment is made.

Accounting for Finance Leases Assets and Finance Lease Liabilities

IG20. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize its finance lease assets, it will also not be able to comply with the recognition requirements relating to the finance lease liabilities, until the transitional exemptions related to the finance leased assets have expired, or the finance leased assets have been recognized in accordance with MPSAS 13, *Leases*.

IG21. For example, assume that a first-time has a motor vehicle that is subject to a finance lease agreement on the date of adoption of accrual basis MPSASs on January 1, 20X1. The first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize the motor vehicle. The motor vehicle is recognized on December 31, 20X3 when the exemption expires. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* requires the first-time adopter to only recognize the corresponding finance lease liability for the motor vehicle on December 31, 20X3, i.e. on the date that the finance lease asset (the motor vehicle) is recognized.

Recognition of Provisions Included in the Initial Cost of an Item of Property, Plant and Equipment

IG22. MPSAS 17, *Property, Plant and Equipment*, recognizes that in some cases, the construction or commissioning of an item of property, plant and equipment will result in an obligation for an entity to dismantle or remove the item of property, plant and equipment and restore the site on which the asset is located. An entity is required to apply MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets,* in recognising and measuring the resulting provision to be included in the initial cost of the item of property, plant and equipment.

IG23. MPSAS 33 *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* provides an exemption for the recognition of this liability. A first-time adopter is allowed to not recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located, until such time as the exemption for MPSAS 17, *Property, Plant and Equipment,* expires and/or the relevant asset is recognized and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with MPSAS 17, *Property, Plant and Equipment*, (whichever is earlier).

IG24. For example, an entity adopts accrual basis MPSASs on January 1, 20X1 and takes advantage of the exemption in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector*

Accounting Standards (MPSASs), hat provides a three year transitional relief period to not recognize a government owned nuclear power station. The first-time adopter determines a deemed cost for the asset on June 30, 20X3 and recognizes the asset on that date at RM1,000,000. The first-time adopter determines that it has a decommissioning obligation under MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, of RM500,000 at the date of adoption of MPSASs. The obligation amounts to RM550,000 on June 30, 20X3 when the asset is recognized.

IG25. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, requires the first-time adopter to only recognize and/or measure its obligation relating to the dismantling and restoring of the site on June 30, 20X3, i.e. the date on which the asset is recognized. The liability will be measured at RM550,000 which reflects the first-time adopter's obligation on the date that the asset is recognized. The first-time adopter shall, as part of the notes to the financial statements, provide a reconciliation to the accumulated surplus or deficit as at December 31, 20X2 (i.e. the opening balance as at January 1, 20X3) for the recognition of the obligation and the related asset that was recognized on June 30, 20X2.

Borrowing Costs Incurred on Qualifying Assets

IG26. Paragraph 90 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, requires that, where a first-time adopter elects to account for borrowing costs in accordance with the allowed alternative treatment, it is required to apply the requirements in MPSAS 5, *Borrowing Costs*, retrospectively, for any borrowing costs incurred on qualifying assets before the date for adoption of MPSASs.

IG27. Paragraph 44 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, provides an exemption to this requirement by allowing a first-time adopter to commence capitalization of borrowings costs incurred on qualifying assets after the recognition of an asset where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period for the recognition of assets.

IG28. For example, a first-time adopter adopts the allowed alternative treatment in accounting for borrowing costs incurred on qualifying assets. The date of adoption of MPSASs is January 1, 20X1. The first-time adopter determines that the borrowing cost incurred prior to the adoption of MPSASs on January 1, 20X1 amounts to RM500,000 and that borrowing costs incurred at the end following two reporting periods amounted to RM20,000 and RM30,000. In addition, the first-time adopter adopts the exemption that provides three year transitional relief from the recognition of property, plant and equipment and as a result, recognizes the item of property, plant and equipment at the end of the second reporting period at RM1,000,000.

At the end of 20X2, the item of property, plant and equipment recognized on the statement of financial position will be RM1,030,000 (RM1,000,000 + RM30,000). Borrowing costs incurred prior to the recognition of the item of property, plant and equipment, i.e. RM500,000 and RM20,000 shall not be included as part of the cost of the qualifying asset.

Presenting Comparative Information

IG29. Paragraph 78 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* encourages, but does not require an entity to present comparative information in its transitional MPSAS financial statements or its first MPSAS financial statements in accordance with this MPSAS. The decision to present comparative information affects not only the extent of the information presented, but also the date of adoption of MPSASs.

Date of Adoption of MPSASs

IG30. To illustrate: The end of a first-time adopter's first accrual basis reporting period is December 31, 20X5. The first-time adopter decides to present comparative information in those financial statements for one year only (see paragraph 78 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* Therefore, its date of adoption of MPSASs is the beginning of the comparative period i.e. January 1, 20X4 (or equivalently December 31, 20X3).

Information Presented when a First-Time Adopter Elects to Prepare Comparative Information

IG31. Where the first-time adopter elects to prepare comparative information, it is required to apply the accrual basis MPSASs effective for periods ending on December 31, 20X5 in:

(a) Preparing and presenting its opening accrual basis statement of financial position at January 1, 20X4; and

(b) Preparing and presenting its:

(i) Statement of financial position for December 31, 20X5 (including comparative amounts for 20X4);

(ii) Statement of financial performance (including comparative amounts for 20X4);

(iii) Statement of changes in net assets/equity for December 31, 20X5 (including comparative amounts for 20X4);

(iv) Statement of cash flows for the year to December 31, 20X5 (including comparative amounts for 20X4);

(v) Disclosures (including comparative information for 20X4);

(vi) A comparison of budget and actual amounts for the year to December 31, 20X5; and:

(vii) Reconciliations in accordance with paragraph 142.

First-Time Adopter Elects to Not Prepare Comparative Information

IG32. Where a first-time adopter elects to not prepare comparative information, it is required to apply the accrual basis effective for periods ending on December 31, 20X5:

(a) Preparing and presenting its opening accrual basis statement of financial position at 1 January 20X5; and

(b) Preparing and presenting its:

(i) Statement of financial position for December 31, 20X5;

(ii) Statement of financial performance for December 31, 20X5;

(iii) Statement of changes in net assets/equity for December 31, 20X5;

(iv) Statement of cash flows for the year to December 31, 20X5;

(v) Disclosures;

(vi) A comparison of budget and actual amounts for the year to December 31, 20X5; and

(vii) Reconciliations in accordance with paragraph 142.

Adoption of Three Year Transitional Relief Period

IG33. Where the first-time adopter takes advantage of the exemptions that provide relief from the recognition and/or measurement of assets and/or liabilities, MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, requires it to only adjust comparative information for reporting periods following the date of adoption of MPSASs to the extent that reliable and relevant information is available about the items that have been recognized and/or measured.

IG34. To illustrate: The end of a first-time adopter's first accrual basis reporting period is December 31, 20X2. The first-time adopter on the date of adoption of MPSASs on January 1, 20X1, adopts the transitional exemption providing a three year relief period for the recognition of investment property. At the end of 20X3 the first-time adopter has recognized the investment property, which is included in the statement of financial position as at December 31, 20X3. Only if reliable and relevant information if available about the value of the investment property recognized during 20X3, will the first-time adopter adjust the comparative information presented (i.e., for the period ending December 31, 20X2).

Presenting Reconciliations

IG35. Paragraph 142 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, requires a first-time adopter to present a reconciliation of its closing balances reported under its previous basis of accounting, to its net assets/equity in accordance with MPSASs for the transitional MPSAS financial statements or its first MPSAS financial statements. A reconciliation is presented of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of MPSASs.

IG36. For example, a first-time adopter, which previously applied a modified-accrual basis of accounting, adopts accrual basis MPSASs on January 1, 20X4 and elects to not present comparative information as permitted in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*. The first-time adopter shall, in accordance with paragraph 142 and 143 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs*), present a reconciliation in the notes to its transitional MPSAS financial statements that provides sufficient detail to enable users to understand the material adjustments to the opening statement of financial position, and where applicable, the opening statement of financial performance as at January 1, 20X4.

IG37. Paragraph 146 further requires a first-time adopter that takes advantage of the exemptions that provide a three year transitional relief period to not recognize and/or measure items, to present a reconciliation of items that have been recognized and/or measured during the reporting period which were not recognized and/or measured in the previous financial statements.

IG38. Following from the example in IG29, a first-time adopter adopts the exemption in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),*that allows it to not recognize investment property for a period of three years. The first-time adopter applies this exemption and only recognizes the investment property at the end of year three, i.e. December 31, 20X4. As an adjustment is made to the opening balance of accumulated surplus or deficit as on January 1, 20X4 in recognizing the investment property, paragraph 146 requires the first-time adopter to present a reconciliation in its notes to the financial statements for the year ending December 31, 20X4 to allow users to understand the adjustment that was made following the recognition of the investment property.

Deemed Cost

IG39. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* allows a first-time adopter to determine a deemed cost as a substitute for acquisition cost or depreciated cost at the date of adoption of MPSASs, where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets and/or liabilities. A deemed cost may however only be determined if no cost information is available about the historical cost of the asset and/or liability. When a first-time adopter initially measures these assets on the date of adoption of MPSASs, or when the transitional exemptions that provided the first-time adopter with a three year relief period to not recognize and/or measure certain assets have expired, it recognizes the effect:

(a) As an adjustment to the opening balance of accumulated surplus or deficit in the opening statement of financial position in the period in which the deemed is determined; or

(b) In the revaluation surplus if the first-time adopter adopts the revaluation model in MPSAS 17, *Property, Plant and Equipment*, or in MPSAS 31, *Intangible Assets.*

To illustrate:

Public Sector Entity X adopted accrual basis MPSAS on January 1, 20X4 and applied deemed cost to measure investment property. In applying deemed cost, investment property was valued at RM 1,800,000 on the date of adoption. Public Sector Entity X elected to not present comparative information.

Statement of Changes in Net Assets/Equity for the Year ended December 31, 20X4

	Attributable to owners of the controlling entity		Total net assets/equity
	Accumulated surplus/deficit **RM**	Other Reserves **RM**	**RM**
Opening balance as at January 1, 20X4	210,000	10,000	220,000
Measurement of investment property at deemed cost in accordance with MPSAS 33 (see note 34)	1,500,000		1,500,000
Restated opening balance as at January 1, 20X4	1,710,000	10,000	1,720,000
Surplus for the period	5,000		5,000
Balance as at December 31, 20X4	1,715,000	10,000	1,725,000

Notes to the financial statements of Public Sector Entity X as at December 31. 20X4: Note 34 – Investment Property

	December 31, 20X4 ***RM***
Opening balance of investment property recognized under previous basis of accounting	300,000
Investment property measured at deemed cost as provided in MPSAS 33 on January 1, 20X4	1,500,000
Restated opening balance of investment property at January 1, 20X4	1,800,000
Additions	…….

Transitional exemptions adopted in MPSAS 33, First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs), on adoption of accrual basis MPSASs

Public Sector Entity X adopted accrual basis MPSAS on January 1, 20X4 and applied deemed cost in measuring investment property as reliable cost information about some investment properties was not available. As a result, Public Sector Entity X restated its opening balance of investment property with an additional value of RM1,500,000 on January 1, 20X4.

Note 54 –Reconciliation of net assets/equity and surplus or deficit on January 1, 20X4

Reconciliation of net assets/equity as on January 1, 20X4

	Net assets/equity as on January 1, 20X4
	RM
Opening balance of net assets/equity as on January 1, 20X4 reported under previous basis of accounting	*220,000*
Recognition of investment property at deemed cost (see note 34)	*1,500,000*
Restated opening balance of net assets/equity as on January 1, 20X4	***1,720,000***

Reconciliation of surplus or deficit on January 1, 20X4

	Surplus or deficit on January 1, 20X4
	RM
Surplus or deficit as at 31, December 20X3 as reported under previous basis of accounting	*210,000*
Recognition of investment property at deemed cost (see note 34)	*1,500,000*
Restated surplus or deficit as on January 1, 20X4	***1,710,000***

Determining a Deemed Cost During the Period of Transition

IG40. If a first-time adopter takes advantage of the exemption in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* that provides a three year transitional relief period to not recognize and/or measure an asset, the MPSAS requires that it may determine a deemed cost for that asset during any point of time within the three year transitional relief period.

IG41. Subsequent depreciation and amortization, if applicable, is based on that deemed cost and starts from the date of adoption of MPSASs, or when the transitional exemptions that provided the relief have expired, or when the relevant items are recognized and/or measured in accordance with the applicable MPSASs (whichever is earlier).

IG42. For example, a first-time adopter adopts MPSASs on January 1, 20X1 and adopts the exemption that provides a three year transitional relief period for the recognition of an investment property. Because the first-time adopter does not have reliable cost information about the historical cost of the investment property on the date of adoption of MPSASs it decides to determine a deemed cost for the investment property. The deemed cost for the investment property is determined during the second reporting period (i.e. 20X2) in which the first-time adopter applies the exemption. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* allows the first-time adopter to use the deemed cost determined during 20X2 in recognizing the investment property by adjusting the opening accumulated surplus and deficit on January 1, 20X2. The deemed cost as determined on January 1, 20X2 will be used in determining subsequent depreciation and in assessing impairment where the first-time adopter elects to apply the cost model as its subsequent measurement basis in applying MPSAS 16, *Investment Property*.

MPSAS 5, Borrowing Costs

IG43. An entity adopts the accrual basis MPSASs on January 1, 20X3 and adopts the allowed alternative treatment in accounting for borrowing costs. Borrowing costs directly attributable to the acquisition of the asset amounts to RM525,000, of which RM500,000 was incurred prior to the adoption of accrual basis MPSASs, while RM25,000 was incurred in the first reporting period ending December 31, 20X3. Paragraph 90 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* requires the first-time adopter to retrospectively recognize any borrowing costs incurred prior to the adoption of accrual basis MPSASs when it adopts the allowed alternative method. Therefore, RM500,000 shall be capitalized to the cost of the asset recognized in the opening statement of financial position as at January 1, 20X3.

IG44. If the entity has elected to apply the benchmark treatment, paragraph 88 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* encourages, but does not require, the first-time adopter to apply the accounting policy retrospectively. If the first-time adopter elects to apply its accounting policy prospectively, it will only expense RM25,000 in the statement of financial performance for the period ending December 31, 20X3.

MPSAS 9, Revenue from Exchange Transactions

IG45. If a first-time adopter has received amounts that do not yet qualify for recognition as revenue in accordance with MPSAS 9, *Revenue from Exchange Transactions*, (for example, the proceeds of a sale that does not qualify for recognition as revenue), the first-time adopter recognizes the amounts received as a liability in its opening statement of financial position and measures that liability at the amount received. It shall derecognize the liability and recognize the revenue in its statement of financial performance when the recognition criteria in MPSAS 9, *Revenue from Exchange Transactions,* are met.

IPSAS 10, Financial Reporting in Hyperinflationary Economies

IG46. [Deleted]

IG47. [Deleted]

MPSAS 14, Events After the Reporting Date

IG48. Except as described in paragraph IG49, a first-time adopter applies MPSAS 14, *Events After the Reporting Date* in determining whether:

(a) Its opening statement of financial position reflects an event that occurred after the date of transition; and

(b) Comparative amounts in its transitional MPSAS financial statements or its first MPSAS financial statements, where applicable, reflect an event that occurred after the end of that comparative period.

IG49. Paragraphs 23–26 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, require some modifications to the principles in MPSAS 14, *Events After the Reporting Date*, when a first-time adopter determines whether changes in estimates are adjusting or non-adjusting events at the date of adoption of MPSASs (or, when applicable, the end of the comparative period). Cases 1 and 2 below illustrate those modifications. In case 3 below, paragraphs 23–26 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* do not require modifications to the principles in MPSAS 14, *Events After the Reporting Date*.

(a) Case 1—If a first-time adopter's previous basis of accounting similar items for the date of adoption of MPSASs, using an accounting policy that is consistent with MPSASs. In this case, the estimates in accordance with MPSASs need to be consistent with estimates made for that date in accordance with previous basis of accounting, unless there is objective evidence that those estimates were in error (see MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*)). The first-time adopter reports later revisions to those estimates as events of the period in which it makes the revisions, rather than as adjusting events resulting from the receipt of further evidence about conditions that existed at the date of adoption of MPSASs.

(b) Case 2—Previous basis of accounting required estimates of similar items for the date of adoption of MPSASs, but the first-time adopter made those estimates using accounting policies that are not consistent with its accounting policies in accordance with MPSASs. In this case, the estimates in accordance with MPSASs need to be consistent with the estimates required in accordance with the previous basis of accounting for that date (unless there is objective evidence that those estimates were in error), after adjusting for the difference in accounting policies. The opening statement of financial position reflects those adjustments for the difference in accounting policies. As in case 1, the first-time adopter reports later revisions to those estimates as events of the period in which it makes the revisions.

For example, the previous basis of accounting may have required a first-time adopter to recognize and measure provisions on a basis consistent with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, except that the previous measurement was on an undiscounted basis. In this example, the first-time adopter uses the estimates in accordance with its previous basis of accounting as inputs in making the discounted measurement required by MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

(c) Case 3- Previous basis of accounting did not require estimates of similar items for the date of adoption of MPSASs. Estimates in accordance with MPSASs for that date reflect conditions existing at that date. In particular, estimates of market prices, interest rates or foreign exchange rates at the date of adoption of MPSASs reflect market conditions at that date. This is consistent with the distinction in MPSAS 14, *Events After the Reporting Date*, between adjusting events after the reporting period and non-adjusting events after the reporting period.

IG50. To illustrate: Entity A's first transitional MPSAS financial statements are for the period ending December 31, 20X5 with the first-time adopter electing to present comparative information. In terms of its previous basis of accounting the following transactions and events are noted in entity A's financial statements for December 31, 20X3 and 20X4:

(a) Estimates of accrued expenses and provisions were made at those dates;

(b) The entity accounted on a cash basis for a defined benefit pension plan; and

(c) No provision was recognized for a court case arising from events that occurred in September 20X4. When the court case was concluded on June 30, 20X5, entity A was required to pay RM1 000 and paid this on July 10, 20X5.

In preparing its transitional MPSAS financial statements, entity A concludes that its estimates in accordance with its previous basis of accounting of accrued expenses and provisions at December 31, 20X3 and 20X4 were made on a basis consistent with its accounting policies in accordance with MPSASs. Although some of the accruals and provisions turned out to be overestimates and others to be underestimates, entity A concludes that its estimates were reasonable and that, therefore, no error had occurred. As a result, accounting for those overestimates and underestimates involves the routine adjustment of estimates in accordance with MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Application of Requirements

In preparing its opening statement of financial position at January 1, 20X4 and in its comparative statement of financial position at December 31, 20X4, entity A:

(a) Does not adjust the previous estimates for accrued expenses and provisions; and

(b) Makes estimates (in the form of actuarial assumptions) necessary to account for the pension plan in accordance with MPSAS 25, *Employee Benefits*. Entity A's actuarial assumptions at January 1, 20X4 and December 31, 20X4 do not reflect conditions that arose after those dates. For example, entity A's:

   (i) Discount rates at January 1, 20X4 and December 31, 20X4 for the pension plan and for provisions reflect market conditions at those dates; and

   (ii) Actuarial assumptions at January 1, 20X4 and December 31, 20X4 about future employee turnover rates do not reflect conditions that arose after those dates—such as a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan in 20X5.

The treatment of the court case at December 31, 20X4 depends on the reason why entity A did not recognize a provision in accordance with its previous basis of accounting at that date.

Assumption 1 –The previous basis of accounting was consistent with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Entity A concluded that the recognition criteria were not met. In this case, entity A's assumptions in a assumptions in accordance with its previous basis of accounting. Therefore, entity A does not recognize a provision at December 31, 20X4.

Assumption 2 –Entity A's previous basis of accounting was not consistent with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Therefore, entity A develops estimates in accordance with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Under MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, an entity determines whether an obligation exists at the end of the reporting period by taking account of all available evidence, including any additional evidence provided by events after the reporting period. Similarly, in accordance with MPSAS 14, *Events After the Reporting Period*, the resolution of a court case after the reporting period is an adjusting event after the reporting period if it confirms that the entity had a present obligation at that date. In this instance, the resolution of the court case confirms that entity A had a liability in September 20X4 (when the events occurred that gave rise to the court case). Therefore, entity A recognizes a provision at December 31, 20X4. Entity A measures that provision by discounting the RM1 000 paid on July 10, 20X5 to its present value, using a discount rate that complies with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, and reflects market conditions at December 31, 20X4.

IG51. Paragraphs 23–26 of the MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* do not override requirements in other MPSASs that base classifications or measurements on circumstances existing at a particular date. Examples include:

(a) The distinction between finance leases and operating leases (see MPSAS 13, *Leases*); and

(b) The distinction between financial liabilities and equity instruments (see MPSAS 28, *Financial Instruments: Presentation*).

MPSAS 13, Leases

IG52. In accordance with paragraph 95 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs),* and paragraph 18 of MPSAS 13, *Leases*, a lessee or lessor classifies leases as operating leases or finance leases on the basis of circumstances existing at the inception of the lease, on the date of adoption of accrual basis MPSASs. In some cases, the lessee and the lessor may agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification in accordance with MPSAS 13, *Leases*, had the changed terms been in effect at the inception of the lease. If so, the revised agreement is considered as a new agreement over its term from the date of adoption of accrual basis MPSASs. However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) do not give rise to a new classification of a lease.

MPSAS 17, Property, Plant and Equipment

IG53. If a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting are acceptable in accordance with MPSASs, it accounts for any change in estimated useful life or depreciation pattern prospectively from when it makes that change in estimate (paragraphs 22 and 26 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, and paragraph 76 of MPSAS 17, *Property, Plant and Equipment))*. However, in some cases, a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with MPSASs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts accumulated depreciation in its opening statement of financial position retrospectively so that it complies with MPSASs.

IG54. A first-time adopter may elect to use one of the following amounts as the deemed cost of property, plant and equipment:

(a) Fair value at the date of adoption of MPSASs (paragraph 67 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*), in which case the first-time adopter provides the disclosures required by paragraph 148 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*; or

(b) A revaluation in accordance with its previous basis of accounting that meets the criteria in paragraph 67 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs).*

IG55. Subsequent depreciation is based on that deemed cost and starts from the date for which the first-time adopter determined the deemed cost, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize certain assets, when the exemptions providing the relief have expired, or the asset has been recognized in accordance with MPSAS 17, *Property, Plant and Equipment*, (whichever is earlier).

IG56. If a first-time adopter chooses as its accounting policy the revaluation model in MPSAS 17, *Property, Plant and Equipment*, for some or all classes of property, plant and equipment, it presents the cumulative revaluation surplus as a separate component of net assets/equity. The revaluation surplus at the date of adoption of MPSASs is based on a comparison of the carrying amount of the asset at that date with its cost or deemed cost. If the deemed cost is the fair value at the date of adoption of MPSASs or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, when the exemptions providing the relief have expired, or the asset has been recognized and/or measured in accordance with MPSAS 17, *Property, Plant and Equipment*, (whichever is earlier), the first-time adopter provides the disclosures required by paragraph 148 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*.

IG57. If revaluations in accordance with the first-time adopter's previous basis of accounting did not satisfy the criteria in paragraphs 67 or 69 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, the first-time adopter measures the revalued assets in its opening statement of financial position on one of the following bases:

(a) Cost (or deemed cost) less any accumulated depreciation and any accumulated impairment losses under the cost model in MPSAS 17, *Property, Plant and Equipment*.

(b) Deemed cost, being the fair value or an alternative when market-based evidence of fair value is not available, at the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the date at which the asset is recognized and/or measured during the period of transition, or when the transitional exemptions expire (whichever is earlier); or

(c) A revalued amount, if the entity adopts the revaluation model in MPSAS 17, *Property, Plant and Equipment*, as its accounting policy in accordance with MPSASs for all items of property, plant and equipment in the same class.

IG58. MPSAS 17, *Property, Plant and Equipment*, requires 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 to be depreciated separately. However, MPSAS 17, *Property, Plant and Equipment*, does not prescribe the unit of measurement for recognition of an asset, i.e. what constitutes an item of property, plant and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances (paragraphs18 and 59).

MPSAS 25, Employee Benefits

IG59. At the date of adoption of MPSASs, a first-time adopter applies MPSAS 25, *Employee Benefits*, in measuring defined benefits plans and other long-term employee benefits, and recognizes all cumulative actuarial gains or losses from the inception of the plan until the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier), even if its accounting policy in accordance with MPSAS 25, *Employee Benefits*, will involve leaving some later actuarial gains and losses unrecognized (see paragraph 105 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*.

IG60. A first-time adopter's actuarial assumptions at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier), are consistent with actuarial assumptions made at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*), in accordance with its previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those assumptions were in error (paragraph 23 of the MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*). Any later revisions to those assumptions are an actuarial gain or loss of the period in which the first-time adopter makes the revisions.

IG61. A first-time adopter may need to make actuarial assumptions at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*,(whichever is earlier), that were not necessary in accordance with its basis of accounting. Such actuarial assumptions do not reflect conditions that arose after the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier). In particular, discount rates and the fair value of plan assets at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the liabilities are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier), reflect market conditions at that date. Similarly, the first-time adopter's actuarial assumptions adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier), about future employee turnover rates do not reflect a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan that occurred after the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier) (paragraph 23 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*).

IG62. In many cases, a first-time adopter's transitional MPSAS financial statements or its first MPSAS financial statements will reflect measurements of employee benefit obligations at three dates (where a first-time adopter elects to present comparative information in accordance with paragraph 78 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, the end of the first reporting period, the date of the comparative statement of financial position (where the first-time adopter elects to present comparative information) and the date of adoption of MPSASs, or where the first-time adopter takes advantages of the exemptions that provide relief from the recognition of defined benefit plans and other long-term employee benefits, the date on which the exemptions expire or when the defined benefits plans and other long-term employee benefits are recognized and/or measured in accordance with MPSAS 25, *Employee Benefits*, (whichever is earlier). MPSAS 25, *Employee Benefits*, encourages the first-time adopter to involve a qualified actuary in the measurement of all material post-employment benefit obligations. To minimize costs, a first-time adopter may request a qualified actuary to carry out a detailed actuarial valuation at one or two of these dates and roll the valuation(s) forward or back to the other date(s). Any such roll forward or roll back reflects any material transactions and other material events (including changes in market prices and interest rates) between those dates (paragraph 68 of MPSAS 25, *Employee Benefits*).

MPSAS 21, Impairment of Non-Cash-Generating Assets and MPSAS 26, Impairment of Cash-Generating Assets

IG63. Paragraph 98 and 108 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, requires a first-time adopter to apply the requirements in MPSAS 21, *Impairment of Non-Cash-Generating Assets*, and MPSAS 26, *Impairment of Cash-Generating Assets*, prospectively from the date of adoption of accrual basis MPSASs, or where a first-time adopter takes advantage of the exemptions that provide a three year transitional relief period to not recognize and/or measure an asset, the date when the exemptions that provided the relief expire and/or the asset is recognized and/or measured. For example, if an entity adopts accrual basis MPSASs on January 1, 20X1 and takes advantage of the three year transitional relief period to not recognize and/or measure an item or property, plant and equipment, if would not be required to assess the item of property, plant and equipment for impairment until (a) December 31, 20X3 (i.e. the date on which the transitional exemption expire) or (b) the date following the recognition of the item of property, plant and equipment if it was recognized and/or measured during the period of transition (whichever is earlier).

IG64. The estimates used to determine whether a first-time adopter recognizes an impairment loss (and to measure any such impairment loss) at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier) are consistent with estimates made for at the end of its comparative period (if the first-time adopter elects to present comparative information in accordance with paragraph 78 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*), the first-time adopter's previous basis of accounting (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error (paragraphs 23 and 24 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*).The first-time adopter reports any later revisions to those estimates as an event of the period in which it makes the revisions.

IG65. In assessing whether it needs to recognize an impairment loss (and in measuring any such impairment loss) at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier), the first-time adopter may need to make estimates for that date that were not necessary in accordance with its previous basis of accounting. Such estimates and assumptions do not reflect conditions that arose after the date of transition, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of assets, the date on which the exemptions expire or when the assets are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier) (paragraph 25 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*).

MPSAS 28, Financial Instruments: Presentation

IG66. In its opening statement of financial position, a first-time adopter applies the criteria in MPSAS 28, *Financial Instruments: Presentation***,** to classify financial instruments issued (or components of compound instruments issued) as either financial liabilities or net asset/equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in MPSAS 28, *Financial Instruments: Presentation*, (paragraphs 13 and 35), without considering events after that date (other than changes to the terms of the instruments).

MPSAS 29, Financial Instruments: Recognition and Measurement

Recognition

IG67. A first-time adopter recognizes all financial assets and financial liabilities (including all derivatives) that qualify for recognition in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement,* and have not yet qualified for derecognition in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement,* except non-derivative financial assets and non-derivative financial liabilities derecognized in accordance with its previous basis of accounting before the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier), to which the first-time adopter does not choose to apply paragraph 116 of MPSAS 33 (see paragraphs 115 and 116 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*).

IG68. For example, a first-time adopter that does not apply paragraph 116 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, does not recognize assets transferred in a securitization, transfer or other derecognition transaction that occurred before the date of adoption of MPSASs if those transactions qualified for derecognition in accordance with its previous basis of accounting. However, if the first-time adopter uses the same securitization arrangement or other derecognition arrangement for further transfers after the date of transition to MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier), those further transfers qualify for derecognition only if they meet the derecognition criteria of MPSAS 29, *Financial Instruments: Recognition and Measurement*.

Embedded Derivatives

IG69. When MPSAS 29, *Financial Instruments: Recognition and Measurement*, requires a first-time adopter to separate an embedded derivative from a host contract, the initial carrying amounts of the components at the date when the instrument first satisfies the recognition criteria in MPSAS 29, *Financial Instruments: Recognition and Measurement*, reflect circumstances at that date (MPSAS 29, *Financial Instruments: Recognition and Measurement*, paragraph 12). If the first-time adopter cannot determine the initial carrying amounts of the embedded derivative and host contract reliably, it measures the entire combined contract as at fair value through surplus or deficit (MPSAS 29, *Financial Instruments: Recognition and Measurement*, paragraph 14).

Measurement

IG70. In preparing its opening statement of financial position, a first-time adopter applies the criteria in MPSAS 29, *Financial Instruments: Recognition and Measurement*, to identify those financial assets and financial liabilities that are measured at fair value and those that are measured at amortised cost.

Adjusting the Carrying Amount of Financial Instruments on the Date of Adoption of Accrual Basis MPSASs or During the Period of Transition

IG71. A first-time adopter shall treat an adjustment to the carrying amount of a financial asset or financial liability as an adjustment to be recognized in the opening balance of accumulated surplus or deficit at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier), only to the extent that it results from adopting MPSAS 29, *Financial Instruments: Recognition and Measurement*. Because all derivatives, other than those that are financial guarantee contracts or are designated and effective hedging instruments, are classified as held for trading, the differences between the previous carrying amount (which may have been zero) and the fair value of the derivatives are recognized as an adjustment of the balance of accumulated surplus or deficit at the beginning of the financial year in which MPSAS 29, *Financial Instruments: Recognition and Measurement,* is initially applied, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier).

Hedge Accounting

IG72. Paragraphs 117 to 119 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, deal with hedge accounting. The designation and documentation of a hedge relationship must be completed on or before the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier) if the hedge relationship is to qualify for hedge accounting from that date. Hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented.

IG73. A first-time adopter may, in accordance with its previous basis of accounting, have deferred or not recognized gains and losses on a fair value hedge of a hedged item that is not measured at fair value. For such a fair value hedge, a first-time adopter adjusts the carrying amount of the hedged item at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier). The adjustment is the lower of:

(a) That portion of the cumulative change in the fair value of the hedged item that reflects the designated hedged risk and was not recognized in accordance with its previous basis of accounting; and

(b) That portion of the cumulative change in the fair value of the hedging instrument that reflects the designated hedged risk and, in accordance with its previous basis of accounting, was either (i) not recognized or (ii) deferred in the statement of financial position as an asset or liability.

IG74. A first-time adopter may, in accordance with its previous basis of accounting, have deferred gains and losses on a cash flow hedge of a forecast transaction. If, at the date of adoption of MPSAS, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier), the hedged forecast transaction is not highly probable, but is expected to occur, the entire deferred gain or loss is recognized in net assets/equity. Any net cumulative gain or loss that has been reclassified to net assets/equity on initial application of MPSAS 29, *Financial Instruments: Recognition and Measurement*, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier) remains in net assets/equity until:

(a) The forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability;

(b) The forecast transaction affects surplus or deficit; or

(c) Subsequently circumstances change and the forecast transaction is no longer expected to occur, in which case any related net cumulative gain or loss is reclassified from net assets/equity to surplus or deficit.

If the hedging instrument is still held, but the hedge does not qualify as a cash flow hedge in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement*, hedge accounting is no longer appropriate starting from the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition and/or measurement of financial instruments, the date on which the exemptions expire or when the financial instruments are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier).

MPSAS 31, Intangible Assets

IG75. A first-time adopter's opening statement of financial position excludes all intangible assets and other intangible items that do not meet the criteria for recognition in accordance with MPSAS 31, *Intangible Assets*, at the date of adoption of MPSAS, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognized and/or measured in accordance with the applicable MPSAS (whichever is earlier) and includes all intangible assets that meet the recognition criteria in MPSAS 31, *Intangible Assets*, at that date.

IG76. The criteria in MPSAS 31, *Intangible Assets*, require an entity to recognize an intangible asset if, and only if:

(a) It is probable that the future economic benefits that are attributable to the asset will flow to the entity; and

(b) The cost of the asset can be measured reliably.

MPSAS 31, *Intangible Assets*, supplements these two criteria with further, more specific, criteria for internally generated intangible assets.

IG77. In accordance with paragraphs 63 and 66 of MPSAS 31, *Intangible Assets*, an entity capitalises the costs of internally generated intangible assets prospectively from the date when the recognition criteria are met. MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, allows an entity to recognize previously expensed intangible assets to the extent that the item meets the definition of an intangible asset, and the recognition criteria in MPSAS 31 *Intangible Assets*. Thus, if an internally generated intangible asset qualifies for recognition at the date of adoption of MPSASs, or where the first-time adopter takes advantage of the exemption that provides relief from the recognition of intangible assets, the date on which the exemptions expire and/or when the intangible assets are recognized and/or measured in accordance with the MPSAS 31, *Intangible Assets*, (whichever is earlier) the first-time adopter recognizes and/or measures the asset in its opening statement of financial position even if it had recognized the related expenditure as an expense in accordance with its pervious basis of accounting.

IG78. If the asset does not qualify for recognition in accordance with MPSAS 31, *Intangible Assets*, until a later date, its cost is the sum of the expenditure incurred from that later date.

IG79. The criteria in paragraph IG76 also apply to intangible assets acquired separately. In many cases, contemporaneous documentation prepared to support the decision to acquire the asset will contain an assessment of the future economic benefits or service potential. Furthermore, as explained in paragraph 33 of MPSAS 31, *Intangible Assets*, the cost of a separately acquired intangible asset can usually be measured reliably.

IG80. A first-time adopter may elect to use one of the following amounts as the deemed cost of intangible assets (except for internally generated intangible assets):

(a) Fair value at the date of transition at the date of adoption of MPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the date at which the asset is recognized and/or measured during the period of transition, or the date on which the exemptions expire (whichever is earlier) (paragraph 67 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*), in which case the entity gives the disclosures required by paragraph 148 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*; or

(b) A revaluation in accordance with its previous basis of accounting that meets the criteria in paragraph 67of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*.

IG81. If a first-time adopter's amortization methods and rates in accordance with its previous basis of accounting are acceptable MPSAS, its account for any change in estimated useful life or amortization pattern prospectively from when it makes that change in estimate (paragraphs 23 and 24 MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, and paragraph 103 of MPSAS 31, *Intangible Assets*)). However, in some cases, the first- time adopter's amortization methods and rates in accounting may differ from those that would be acceptable in accordance with MPSASs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the first-time adopter adjusts accumulated amortization on in its opening statement of financial position retrospectively so that it complies with MPSASs.

MPSAS 35, Consolidated Financial Statements

IG82. If a first-time adopter did not consolidate a controlled entity in accordance with its previous basis of accounting, then, in its consolidated financial statements, the first-time adopter measures the controlled entity's assets and liabilities at the same carrying amounts as in the accrual basis financial statements of the controlled entity following its adoption of MPSASs, after adjusting for consolidation procedures and for the effects of the entity combination in which it acquired the controlled entity (paragraph 130 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*). If the controlled entity has not adopted accrual basis MPSASs in its financial statements, the carrying amounts described in the previous sentence are those that MPSASs would require in those financial statements.

Controlling Entity Adopts Accrual Basis MPSASs Before the Controlled Entity

Background

IG83. Controlling entity A presents its (consolidated) first MPSAS financial statements in 20X5. Its controlled entity B, wholly owned by controlling entity A since formation, prepares information in accordance with accrual basis MPSASs for internal consolidation purposes from that date, but controlled entity B does not present its first MPSAS financial statements until 20X7.

Application of Requirements

IG84. If controlled entity B applies paragraph 129(a) of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, the carrying amounts of its assets and liabilities are the same in both its opening MPSAS statement of financial position at January 1, 20X6 and controlling entity's A consolidated financial position (except for adjustments for consolidation procedures) and are based on controlling entity B's date adoption of MPSASs.

IG85. Alternatively, controlled entity B, in accordance with paragraph 129(b) of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, measure all its assets or liabilities based on its own date of adoption of MPSASs (January 20X6). However, the fact that controlled entity B becomes a first-time adopter in 20X7 does not change the carrying amounts of its assets and liabilities in controlling entity A's consolidated financial statements.

Controlled Entity Adopts Accrual Basis MPSASs Before the Controlling Entity

Background

IG86. Controlling entity C presents its (consolidated) transitional MPSAS financial statements MPSASs in 20X7. Its controlled entity D, wholly owned by controlling entity C since formation, presented its transitional MPSAS financial statements in 20X5. Until 20X7, controlled entity D prepared information for internal consolidation purposes in basis of accounting.

Application of Requirements

IG87. The carrying amounts of controlled entity D's assets and liabilities at January 1,20X6 are the same in both controlling entity's C (consolidated) opening accrual basis statements of financial position and controlled entity D's financial statements (except for adjustments for consolidation procedures) and are based on controlled entity D' date of adoption of MPSASs. The fact that controlling entity C becomes a first-time adopter in 20X7 does not change those carrying amounts (paragraph 129 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*).

IG88. Paragraphs 129 and 130 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, do not override the following requirements:

(a) The rest of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, in measuring all assets and liabilities for which paragraphs 129 and 130 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, are not relevant.

(b) To give all disclosures required by this MPSAS as of the first-time adopter's own transition to MPSASs.

IG89. Paragraph 129 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, applies if a controlled entity becomes a first-time adopter later than its controlling entity, for example if the controlling entity previously prepared a reporting package in accordance with accrual basis MPSASs for consolidation purposes but did not present a full set of financial statements in accordance with MPSASs. This may be relevant not only when a controlling entity reporting package complies fully with the recognition and measurement requirements of MPSASs, but also when it is adjusted centrally for matters such as review of events after the reporting date and central allocation of pension costs. However, paragraph 129 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, does not permit a controlled entity to ignore misstatements that are immaterial to the consolidated financial statements of its controlling entity but material to its own financial statements.

Presentation and Disclosure

IG90. Paragraphs 135 to 140 in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, require a first-time adopter to disclose certain information when it has taken advantage of the transitional exemptions and provisions in its adoption of accrual basis MPSASs.

To illustrate:

Notes to the financial statements for the year ending December 31, 20X2

Note 48 –Adoption of transitional exemptions and provisions in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*.

Public Sector Entity X adopted accrual basis MPSAS on January 1, 20X1 and elected to adopt the transitional exemption in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, that allows it to apply a deemed cost and a period of up to three years in which to measure land and buildings and investment property.

Public Sector Entity X took advantage of these exemptions in determining a deemed cost, and to measure its land and buildings and investment property. As a result of adopting these transitional exemptions and provisions the entity is not able to make an explicit and unreserved statement about its compliance with accrual basis MPSASs, as the adoption of these transitional exemptions affect the fair presentation of Public Sector Entity X's financial statements and its ability to assert compliance with accrual basis MPSASs.

No other transitional exemptions that affect fair presentation and compliance with accrual basis MPSASs during the period of transition were adopted or applied to any other assets and/or liabilities.

During the period under review, Public Sector Entity X restated its opening balance of investment property with an additional value of RM 1,200,000 after determining the deemed cost on June 30, 20X2 for the investment property under its control.

As at year end, Public Sector Entity X has not yet determined a deemed cost for land and buildings and has not yet measured these assets in its financial statements. Land and buildings reflect a closing balance of RM2,500,000 as at December 31, 20X2. This value was determined under Public Sector Entity X's previous basis of accounting.

Public Sector Entity X plans to apply a three year transitional exemption for measuring its land and buildings and in determining a deemed cost for these asset.

Public Sector Entity X has appointed an appraiser to value the land and has developed a model for the measurement of buildings. The progress in determining the valuations for land and buildings is in accordance with its implementation plan.

Summary of Transitional Exemptions and Provisions Included in MPSAS 33 *First-time Adoption of Accrual Basis MPSASs*

IG91. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis MPSASs

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 1, *Presentation of Financial Statements*						√ To extent that 3 year relief period was adopted		• Presenting comparative info encouraged
MPSAS 2, *Cash Flow Statements*	√							
MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*	√							
MPSAS 4, *The Effects of Changes in Foreign Exchange Rates*								• Exemption to comply with requirements for cumulative translation
MPSAS 5, *Borrowing Costs*			√ When allowed alternative is elected as accounting policy					• Encouraged to apply benchmark treatment retrospectively • Allowed alternative must be applied retrospectively

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 9, *Revenue from Exchange Transactions*	√				√ To extent that 3 year relief period was adopted for assets and/or liabilities			
MPSAS 11, *Construction Contracts*	√							
MPSAS 12, *Inventories*		√	√ Inventory not recognized under previous basis of accounting	√ Inventory recognized under previous basis of accounting				
MPSAS 13, *Leases*			√ Leased assets and/or liabilities not recognized under previous basis of accounting	√ Leased assets and/or liabilities recognized under previous basis of				

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 14, *Events After the Reporting Date*	√							
MPSAS, 16 *Investment Property*		√	√ Investment property not recognized under previous basis of accounting	√ Investment property recognized under previous basis of accounting				
MPSAS 17, *Property, Plant and Equipment*		√	√ Property, plant and equipment not recognized under previous basis of accounting	√ Property, plant and equipment recognized under previous basis of accounting				

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*			√ Only liabilities related to assets not recognized under previous basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site	√ Only liabilities related to assets recognized under previous basis of accounting to be included initial estimate of cost of dismantling/ removing item/ restoring site				
MPSAS 20, *Related Party Disclosures*						√		
MPSAS 21, *Impairment of Non - Cash-Generating Assets*								• Prospective application
MPSAS 22, *Disclosure of Financial Information About the General Government Sector*	√							

MPSAS	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
MPSAS 23, *Revenue from Non- Exchange Transactions*			√ All non-exchange revenue not recognized under previous basis of accounting	√ All non-exchange revenue recognized under previous basis of accounting	√ To extent that 3 year relief period was adopted for assets and/or liabilities			
MPSAS 24, *Presentation of Budget Information in Financial Statements*	√							

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 25, *Employee Benefits*			√ defined benefit plans and other long-term employee benefits not recognized under previous basis of accounting	√ for defined benefit and other long-term employee benefits recognized under previous basis of accounting				• Provisions on how to determine initial liability • Provision to not separate cumulative actuarial gains and losses • Prospective disclosure on experience adjustments
MPSAS 26, *Impairment of Cash-Generating Assets*			√					• Prospective application
MPSAS 27, *Agriculture*			√ Biological and agricultural activities not recognized under previous basis of accounting	√ Biological and agricultural activities recognized under previous basis of accounting				

MPSAS	Transitional exemption provided							
	NO	YES						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 28, *Financial Instruments: Presentation*								• Provisions not to separate liability and net asset/equity component under specific circumstances
MPSAS 29, *Financial Instruments: Recognition and Measurement*		√	√ For financial instruments not recognized under previous basis of accounting	√ For financial instruments recognized under previous basis of accounting				• Provisions around designation/ derecognition /hedge accounting • Apply impairment principles prospectively
MPSAS 30, *Financial Instruments: Disclosure*								• No comparative info about nature and extent of risks
MPSAS 31, *Intangible Assets*		√ Intangible assets other than internally generated I/A	√ Intangible assets not recognized under previous basis of accounting	√ Intangible assets recognized under previous basis of accounting				• Provision to recognise previously expensed internally generated intangible assets

MPSAS	**Transitional exemption provided**							
	NO	**YES**						
		Deemed cost	**3 year transitional relief for recognition**	**3 year transitional relief for measurement**	**3 year transitional relief for recognition and/or measurement**	**3 year transitional relief for disclosure**	**Elimination of transactions, balances, revenue and expenses**	**Other**
MPSAS 32, *Service Concession Arrangements: Grantor*		√ Service concession asset	√ Service concession asset and not recognized under related liability previous basis of accounting	√ Service concession asset and related liability recognized under previous basis of accounting				• Provision on how to recognize related liability
MPSAS 35, *Consolidated Financial Statements*		√			√ To appropriately classify and identify interests in other entities		√	• Provisions when controlling and/or controlled entity adopts MPSAS at different time • Exemption to not prepare financial statements as consolidated financial statements • (*Assess if investment entity on date of adoption and measure at fair value at that date*)

MPSAS	Transitional exemption provided							
	NO	YES						
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
MPSAS 36, *Investments in Associates and Joint Ventures*		√			√ To appropriately classify and identify interests in other entities		√	• Provisions when controlling entity and associate adopts MPSAS at different time • Exemption to not include investment in associate in consolidated financial statements
		√			√ To appropriately classify and identify interests in other entities		√	• Provisions when controlling entity and associate and jointly controlled entities adopt MPSAS at different time • Exemption to not include interests in joint venture in consolidated financial statements
MPSAS 37, *Joint Arrangements*								• Provisions on how to measure investment in joint venture previously accounted for using proportionate consolidation

Appendix

Differentiation between transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis MPSASs

This Appendix summarises how the transitional exemptions and provisions that a first-time adopter is required to apply in terms of this MPSAS, and those that a first-time adopter may elect to apply on adoption of accrual basis MPSASs.

As the transitional exemptions and provisions that may be elected can also affect the fair presentation and the first-time adopter's ability to assert compliance with accrual basis MPSASs as explained in paragraphs 27 to 32 of MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, the Appendix makes a distinction between those transitional exemptions and provisions that affect fair presentation and the ability to assert compliance with accrual basis MPSASs, and those that do not.

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 1 • Present comparative information		√	
MPSAS 4 • Cumulative transitional differences at the date of adoption		√	
MPSAS 5 • Allowed alternative treatment and has taken advantage of relief period • Adopt allowed alternative treatment on date of adoption –retrospective application • Adopt bench mark treatment on the date of adoption – retrospective application of costs incurred before and after date of adoption	 √	 √	 √

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 9 • Relief for recognition and/measurement of revenue related to adoption of three year relief period for recognition and/or measurement of financial instruments			√
MPSAS 12 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
MPSAS 13 • No recognition and/or measurement of finance lease liability and finance lease asset if relief period for recognition and/or measurement of assets is adopted			√
• Classification of lease based on circumstances at adoption of accrual basis MPSAS	√		

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 16 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
MPSAS 17 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√
MPSAS 19 • No recognition and measurement of liability relating to initial estimate of costs of dismantling and removing item if relief for recognition and/or measurement of assets are adopted			√
MPSAS 20 • No disclosure of related party relationships, related party transactions and information about key management personnel			√
MPSAS 21 • Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied	√		

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 25			
• Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities			√
• Determine initial liability for defined benefit and other long-term employee benefit plans on date of adoption or when relief period expired	√		
• Recognize increase/decrease on date of adoption or when relief period expires in opening accumulated surplus/deficit	√		
MPSAS 26			
• Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied	√		
MPSAS 27			
• Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets			√

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 28			
• Determine if financial instrument has liability and net asset/equity component on date of adoption	√		
• Do not separate compound financial instrument if no liability exists on date of adoption	√		
MPSAS 29			
• Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities			√
Designation			
• Designate financial asset or liability at fair value through surplus or deficit on date of adoption	√		
Impairment			
• Apply impairment provisions prospectively on date of adoption	√		

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 29 *Derecognition* • Apply derecognition provisions prospectively on date of adoption • Apply derecognition provisions retrospectively if information is available as at the date of initial accounting	√	√	
Hedge accounting • Measure derivatives at fair value • Eliminate all deferred losses and gains • Only reflect hedges that qualify for hedge accounting on date of adoption • Discontinue hedge transaction if conditions of hedge accounting on date of adoption are not met	√ √ √ √		
MPSAS 30 • No disclosure of information about nature and extent of risks		√	

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 31 • Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets • Recognize all internally generated intangible assets	√ (Recognize all internally generated intangible assets)		√ (Three year relief)
MPSAS 32 • Three year relief for recognition and/or measurement of assets and/or liabilities and changing the accounting policy to measure assets and/or liabilities • Measure liability either under financial liability model or grant of a right to the operator model on date of adoption or when asset is recognised if relief period is adopted	√ (Measure liability)		√ (Three year relief)
Applying deemed cost to assets and/or liabilities		√	
Applying deemed cost to assets acquired in a non-exchange transaction		√	
Using deemed cost for investments in controlled entities, jointly controlled entities and associates		√	
Preparing reconciliations during transitional period	√		

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 35 • Relief to recognize and/or measure interests in controlled entity • Elect to not eliminate inter-entity balances, transactions, revenue and expenses • Controlled entity becomes first-time adopter later or earlier than its controlling entity	√		√
• Not present financial statements as consolidated financial statements if three year relief for recognition and/or measurement and/or elimination option was adopted • *Assess if investment entity on date of adoption and determine fair value at that date*	√		√ √

Transitional exemption or provision	**Transitional exemptions or provisions that have to be applied**	**Transitional exemptions or provisions that may be applied or elected**	
	Do not affect fair presentation and compliance with accrual basis MPSAS	Do not affect fair presentation and compliance with accrual basis MPSAS	Affect fair presentation and compliance with accrual basis MPSAS
MPSAS 36			
• Relief to recognize and/or measure interests in controlled entity			√
• Elect to not eliminate share in associate's surplus or deficit			√
• Associate becomes first-time adopter later or earlier than its controlling entity	√		
• Not present investment in associates in consolidated financial statements if three year relief for recognition and/or measurement and/or elimination option was adopted			√
MPSAS 37			
• *Measure investment in joint venture previously accounted for using proportionate consolidation*	√		

Comparison with IPSAS 33

MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*, is drawn primarily from IPSAS 33 (2018). Main difference between MPSAS 33 and IPSAS 33 is as follows:

- Paragraph 91 to 94 are deleted because IPSAS 10, *Financial Reporting in Hyperinflationary Economies* is not adopted in Malaysia.
- Paragraph 97 is deleted because IPSAS 18, *Segment Reporting* is not adopted in Malaysia.
- In paragraph 36, 102, 104, 105, 106 and 107, IPSAS 33 refers to IPSAS 39, *Employee Benefits*, whereas MPSAS 33 refers to MPSAS 25, *Employee Benefits*, in which drawn from IPSAS 25 that has been superseded by IPSAS 39. The MPSAS is yet to adopt IPSAS 39.