Appendix B Illustrative Financial Statements

Federal Government of Malaysia
Statement of Financial Performance
As at 31 December 20X2

By Nature

	Notes	20X2	20X1
Revenue			
Taxation revenue	3	xx	xx
Non-taxation revenue	3	xx	xx
Federal territories revenue		xx	xx
Other revenue			
Total Revenue		xx	xx
Expenses			
Wages, salaries and employee benefits	4	xx	xx
Supplies and consumables used	4	xx	xx
Low value asset		xx	xx
Grant and transfer expense		xx	xx
Other expenses		xx	xx
Depreciation and amortization expense	4	xx	xx
Impairment of assets	4	xx	xx
Rental expense		xx	xx
Cost of goods sold		xx	xx
Repair and maintenance of property, plant and equipment		xx	xx
Finance costs	4	xx	xx
Total Expenses		xx	xx
Surplus or deficit for the year		xx	xx

By Function

	Notes	20X2	20X1
Revenue			
Taxation revenue		xx	xx
Non-taxation revenue	3	xx	xx
Revenue from exchange transactions	3	xx	xx
Transfers from other government entities		xx	xx
Other revenue			
Total Revenue		xx	xx
Expenses			
General public services		xx	xx
Defence		xx	xx
Education		xx	xx
Health		xx	xx
Housing and community amenities		xx	xx
Recreational, cultural and religion		xx	xx
Economic affairs		xx	xx
Environmental protection		xx	xx
Other expenses		xx	xx
Finance costs	4	xx	xx
Total Expenses		xx	xx
Surplus or deficit for the year		xx	xx

Appendix B Illustrative Financial Statements (continued)

Federal Government of Malaysia
Statement of Financial Position
As at 31 December 20X2

	Notes	20X2	20X1
ASSETS			
Current assets			
Cash and cash equivalents	5	xx	xx
Recoverable from taxes and transfers	6	xx	xx
Receivables	7	xx	xx
Inventories	8	xx	xx
Other financial assets		xx	xx
Other receivables		xx	xx
Total current assets		xx	xx
Non-current assets			
Recoverable from taxes and transfers	6	xx	xx
Receivables	7	xx	xx
Investments in controlled entities	9	xx	xx
Investments in jointly controlled entities	10	xx	xx
Investments in associates	11	xx	xx
Other financial assets	12	xx	xx
Property, plant and equipment	13	xx	xx
Heritage Asset	xx	xx	xx
Investment properties	14	xx	xx
Intangible assets	15	xx	xx
Other receivables		xx	xx
Total non-current assets		xx	xx
TOTAL ASSETS		xx	xx
LIABILITIES			
Current liabilities			
Payables under exchange transaction	16	xx	xx
Taxes and transfers payable	17	xx	xx
Provisions	18	xx	xx
Borrowings	19	xx	xx
Pension plan and gratuity	20	xx	xx
Other financial liabilities		xx	xx
Public trust account			
Deposits			
Total current liabilities		xx	xx
Non-current liabilities			
Borrowings	19	xx	xx
Pension plan and gratuity	20	xx	xx
Other financial liabilities		xx	xx
Public trust account		xx	xx
Deposits			
Total non-current liabilities		xx	xx
TOTAL LIABILITIES		xx	xx
Net assets		xx	xx
NET ASSETS/ EQUITY			
Accumulated surplus / (deficit) of general fund		xx	xx
Accumulated surplus / (deficit) of government trust account			
Other reserves		xx	xx
Total Net Assets/Equity		xx	xx

Appendix B Illustrative Financial Statements (continued)

Federal Government of Malaysia
Statement of Changes in Net Assets or Equity
As at 31 December 20X2

	Acc. Surplus / (Deficit) or Contributed Fund			Total Net Assets / Equity
	General Fund	Government Trust Accounts	Other reserves*	
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 20X1				
Changes in net assets/equity for 20X1				
Items directly recognised in equity	xx	xx	xx	xx
Surplus or deficit for the year	xx	xx	xx	xx
Total recognised revenue and expense for the period	xx	xx	xx	xx
Balance as at 31 December 20X1 carried forward	xx	xx	xx	xx
Balance as at 31 December 20X1 brought forward	xx	xx	xx	xx
Changes in net assets/equity for 20X2				
Items directly recognised in equity	xx	xx	xx	xx
Surplus or deficit for the year	xx	xx		xx
Total recognised revenue and expense for the period	xx	xx	xx	xx
Balance as at 31 December 20X2	xx	xx	xx	xx

* The separate disclosure of other reserves on the face of the Statement of Net Assets/Equity will be dependent on the materiality and applicability of their balances.

Appendix B Illustrative Financial Statements (continued)

Federal Government of Malaysia
Cash Flow Statement
As at 31 December 20X2

	Notes	20X2	20X1
CASHFLOWS FROM OPERATING ACTIVITIES:			
Receipts			
Taxation		xx	xx
Sale of goods and services		xx	xx
Grants		xx	xx
Interest received		xx	xx
Other receipts		xx	xx
Payments			
Employee costs		xx	xx
Superannuation		xx	xx
Suppliers		xx	xx
Interest paid		xx	xx
Trust paid		xx	xx
Other payments		xx	xx
Net cash flows from operating activities	24	xx	xx
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		xx	xx
Proceeds from sale of property, plant and equipment		xx	xx
Proceeds from sale of investments		xx	xx
Purchase of foreign currency securities		xx	xx
Net cash flows from investing activities		xx	xx
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		xx	xx
Repayment of borrowings		xx	xx
Distribution/dividend to government		xx	xx
Net cash flows from financing activities		xx	xx
Net increase (decrease) in cash and cash equivalents		xx	xx
Cash and cash equivalents at beginning of the year		xx	xx
Cash and cash equivalents at end of the year		xx	xx

Appendix B Illustrative Financial Statements (continued)

The following illustrative notes do not necessarily represent the final presentation adopted by the FGOM and are subject to changes.

Note 1: Basis of Preparation

(a) Reporting Period and Entity

In accordance with Section 3 of the Financial Procedure Act, 1957 [*Act 61*], the reporting period for the financial statements and the budget of the Federal Government of Malaysia ('FGOM') is the financial year from 1 January to 31 December. The reporting entity includes all federal ministries, federal departments and responsibility centres of FGOM[1].

The financial statements are presented in Malaysian Ringgit.

(b) Statement of Compliance

The financial statements are prepared on an accrual basis.

These financial statements are prepared in accordance with the Financial Procedure Act, 1957 [*Act 61*] and with the Malaysian Public Sector Accounting Standards (MPSAS). The financial statements have been prepared under the historical cost convention except as disclosed in the Summary of Significant Accounting Policies.

These financial statements were authorised for issue jointly by the Secretary General to the Treasury and the Accountant General on [*the date when the financial statements where authorised for issue*].

(c) Judgements and Estimations

The preparation of the financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Where these judgements significantly affect the amounts recognised in the financial statements they are described in Note 26 to the financial statements.

[1] Description on reporting entity may change if FGOM decides to prepare Consolidated Financial Statements, which consolidates all controlled entities, associates, and jointly controlled entities (MPSAS 6, MPSAS 7 and MPSAS 8).

Appendix B Illustrative Financial Statements (continued)

Note 1: Basis of Preparation (continued)

Note 2: Accounting Policies

(a) Changes in accounting policies

FGOM has elected to prepare the financial statements in accordance with the accrual basis of accounting effective [*1 January 20X2*] and, similarly, adopted all standards and interpretations[2] issued by FGOM Accounting Standards Advisory Board that are effective and applicable for the financial year beginning [*1 January 20X2*], as follows:

[*To list all standards and, if any, interpretations effective and applicable for the first time during the financial year*]

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards and interpretations. All standards and interpretations adopted by FGOM requires retrospective applications other than:

[*To include as appropriate where the FGOM elects not to apply the transitional provisions*]

A summary of the impact of the above new standards and interpretations and the effects on the financial statements of FGOM is set out in Note [ ] to the financial statements.

(b) Standards that are not yet effective and have not been early adopted

New standards that are mandatory for FGOM's financial statements beginning on or after [*1 January 20X3*], which FGOM has not early adopted, are as follows:

[*To list all standards and, if any, interpretations that have been issued but is not yet effective and have not been early adopted*]

[2] To be removed if FGOM Accounting Standards Advisory Board issues no interpretation.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with the items that are considered to be material to the financial statements.

(i) Income

Taxation revenue

FGOM provides many services and benefits that do not give rise to revenue. Further, payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits, since there is no relationship between paying tax and receiving services and transfers from FGOM. Such revenue is received through the exercise of the powers through various laws enacted by the Parliament.

FGOM takes advantage of the transitional provision in [state], as described in Note 2(a) to the financial statements in respect of all taxation revenue. During the transitional period, taxation revenue is accounted for on cash basis.

Upon expiry of the abovementioned transitional provision, taxation revenue is recognised at the time the debt to FGOM arises, as follows:

Revenue Type	Revenue Recognition Point
Income tax	Recognised by reference to the earning of assessable income by the taxpayers
Customs and excise duty	When goods become subject to duty, i.e. movement of dutiable goods across customs boundary
Consumption tax (sales tax)	When the services are provided at point of sale

[Note: The list above is non-exhaustive. To list all major types of taxes and the corresponding revenue recognition point]

Revenue earned through operations

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised by reference to the stage of completion of the transaction.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(i) Income (continued)

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Dividend income

Dividend income from investments is recognised when FGOM's rights as a shareholder to receive payment have been established.

Rental income

Rental income is recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Donated or subsidised assets

Where an asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income in the statement of financial performance.

(ii) Expenses

General

Expenses are recognised in the period to which they relate.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(ii) Expenses (continued)

Borrowing costs

Borrowing costs consist of interest and other costs that FGOM incurred in connection with the borrowing of funds, and are accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine the borrowing costs for each period.

[**Note:** *Please choose either of the following*]

[*Benchmark treatment*]

Borrowing costs are recognised in surplus or deficit in the period they are incurred.

[*Allowed alternative treatment*]

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. All other borrowing costs are recognised in surplus or deficit in the period they are incurred. FGOM takes advantage of the transitional provision in MPSAS 5, as described in Note 2(a) to the financial statements; where only those borrowing costs incurred after 1 July 2001[3] that meet the criteria for capitalisation have been capitalised.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to FGOM.

[3] Being the effective date of MPSAS 5. To tailor accordingly depending on the effective date of the localized standard to be determined by FGOM Accounting Standards Advisory Board.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(iii) Employee Benefits

Defined benefit retirement plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. FGOM's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on FGOM bonds. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to FGOM, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in FGOM. An economic benefit is available to FGOM if it is realisable during the life of the plan, or on settlement of the plan liabilities.

All movements in these liabilities, including actuarial gains and losses, are recognised in full in the statement of financial performance in the period in which they occur.

Defined contribution retirement plans

A defined contribution retirement plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (e.g. the Employees Provident Fund Board and *Lembaga Tabung Angkatan Tentera*) and will have no legal or constructive obligation to pay further amounts. The obligations for contributions to defined contribution retirement plans are recognised as an employee benefit expense in the surplus or deficit in the period during which services are rendered by employees.

Other employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the statement of financial performance when they accrue to employees. Employee entitlements to be settled within twelve months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(iii) Employee Benefits (continued)

Termination benefits

Termination benefits are recognised in the statement of financial performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within twelve months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

(iv) Foreign Currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into Malaysian Ringgit, the functional currency of FGOM, at the exchange rate applicable at the fair value date. The associated foreign exchange gains or losses follow the fair value gains or losses to the statement of financial performance.

(v) Taxes Receivable and Repayable

Taxes receivable are initially assessed at nominal amount or face value; that is, the receivables reflect the amount of tax owed. These receivables are subsequently adjusted for penalties and interest as they are charged, and tested for impairment. Interest and penalties charged on taxes receivable are presented as tax revenue in the statement of financial performance.

Taxes repayable represent refunds due to taxpayers and are recognised at their nominal value. They are subsequently adjusted for interest once account and refund reviews are complete.

Taxes receivable and taxes repayable are offset if a legally enforceable right exists to set off, and the taxes relate to the same taxation authority (i.e. the Inland Revenue Board and Royal Malaysian Customs).

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(vi) Financial Instruments

Financial assets

Financial assets are designated into the following categories:
- loans and receivables;
- available for sale;
- held-to-maturity; and
- designated as fair value through surplus and deficit.

This designation is made by reference to the purpose of the financial instruments, policies and practices for their management, their relationship with other instruments and the reporting costs and benefits associated with each designation. The maximum loss due to default on any financial asset is the carrying value reported in the statement of financial position.

Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (see Note 2(c)(ii) to the financial statements in respect of the accounting policy for borrowing costs). Loans and receivables issued with duration of less than twelve months are recognised at their nominal value, unless the effect of discounting is material. In addition, the difference between the loan proceeds of a concessionary loan and the fair value (based on market terms) is treated as an expense in surplus or deficit on initial recognition. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses and foreign exchange gains and losses are recognised in the statement of financial performance.

Financial assets held for trading and financial assets designated as fair value through surplus or deficit are recorded at fair value with gains or losses recognised in the statement of financial performance.

A financial asset is designated as fair value through surplus or deficit if acquired principally for the purpose of trading in the short term. It may also be designated into this category if the accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with related liabilities or is part of a group of financial assets that is managed and evaluated on a fair value basis. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the statement of financial performance. Transaction costs are expensed as they are incurred.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(vi) Financial Instruments (continued)

Financial assets (continued)

Available for sale financial assets are initially recorded at fair value plus transaction costs. Subsequently, such instruments are recorded at fair value by reference to the quoted market price, with any resultant fair value gains or losses recognised in net asset / equity. Instruments which are unquoted and whose fair value cannot be reliably measured are subsequently carried at cost. Impairment losses are recognised in the statement of financial performance. At derecognition, the cumulative fair value gain or loss previously recognised in net asset / equity is recognised in the statement of financial performance.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits.

Fair values of quoted investments are based on current bid prices. Regular way purchases and sales of all financial assets are accounted for at trade date. If the market for a financial asset is not active, fair values for initial recognition and, where appropriate, subsequent measurement are established by using valuation techniques, as set out in the notes to the financial statements. At each balance date an assessment is made whether there is objective evidence that a financial asset or group of financial assets is impaired.

Major Financial Asset Type	Designation
Trade and other receivables	Loans and receivables
Loans to staff	Loans and receivables
Subscription paid to international organisations	Available for sale
Investments in foreign debt securities	Held-to-maturity

[**Note:** *The list above is non-exhaustive. To list all major types of financial assets and the respective designation*]

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(vi) Financial Instruments (continued)

Financial liabilities

Financial liabilities held for trading and financial liabilities designated as fair value through surplus or deficit are recorded at fair value with any gains or losses recognised in the statement of financial performance. A financial liability is designated as fair value through surplus or deficit if acquired principally for the purpose of trading in the short term. It may also be designated into this category if the accounting treatment results in more relevant information because it either eliminates or significantly reduces an accounting mismatch with related assets or is part of a group of financial liabilities that is managed and evaluated on a fair value basis. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the statement of financial performance. Transaction costs are expensed as they are incurred.

Other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method (see Note 2(c)(ii) to the financial statements in respect of the accounting policy for borrowing costs). Financial liabilities entered into with a duration of less than twelve months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the statement of financial performance as is any gain or loss when the liability is derecognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in surplus or deficit over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and FGOM, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Major Financial Liability Type	Designation
Trade and other payables	Designated at amortised cost
Borrowings	Designated at amortised cost
Guarantees issued	Financial guarantee contract

[**Note:** *The list above is non-exhaustive. To list all major types of financial liabilities and the respective designation*]

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(vii) Inventories

Inventories are recorded at the lower of cost and net realisable value. Inventories held for distribution for public benefit purposes are recorded at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value at the date of acquisition.

Cost of inventories, comprising all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition, are calculated using a weighted average method[4].

(viii) Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration the asset is recognised initially at fair value, where fair value can be reliably determined, and as income in the statement of financial performance.

Revaluations are carried out for certain classes of property, plant and equipment to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by class of asset.

FGOM takes advantage of the transitional provision in MPSAS 17, as described in Note 2(a) to the financial statements in respect of the recognition of certain classes of property, plant and equipment. For classes of property, plant and equipment previously acquired that have been capitalised in the current financial year, the effects of the initial recognition have been adjusted to the opening balance of accumulated surpluses or deficits.[5]

[4] To tailor accordingly depending on the choice of cost formula. MPSAS 12 allows the use of first-in-first-out ('FIFO') or weighted average cost formulas in assigning cost of inventories.

[5] The applicability of this paragraph is dependent on FGOM's decision in applying the transitional provision.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(viii) Property, Plant and Equipment (continued)

Subsequent to initial recognition, classes of property, plant and equipment which have been capitalised to date are accounted for as set out below.

Class of PPE	Accounting Policy
Land and buildings	Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. When revaluing buildings, there must be componentisation to the level required to ensure adequate representation of the material components of the buildings. At a minimum, this requires componentisation to three levels: structure, building services and fit-out.
Aircraft	Aircraft (excluding specialised military equipment) are recorded at fair value less depreciation and impairment losses accumulated since the assets were last revalued.
Other plant and equipment	Other plant and equipment, which includes motor vehicles and office equipment, are recorded at cost less depreciation and impairment losses accumulated since the assets were purchased.

[**Note:** *The list above is non-exhaustive. To list all major classes of property, plant and equipment, as well as the respective accounting policies*]

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(viii) Property, Plant and Equipment (continued)

Revaluation

Classes of property, plant and equipment carried at revalued amounts are revalued at least every five years[6] or whenever the carrying amount differs materially to fair value.

Items of property are revalued to fair value for the highest and best use of the item on the basis of the market value of the item, or on the basis of market evidence, such as discounted cash flow calculations. If no market evidence of fair value exists, an optimised depreciated replacement cost approach is used as the best proxy for fair value. Where an item of property is recorded at its optimised depreciated replacement cost, this cost is based on the estimated present cost of constructing the existing item of property by the most appropriate method of construction, less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. Where an item of property is recorded at its optimised depreciated replacement cost, the cost does not include any borrowing costs.

To the extent that a revaluation gain reverses a revaluation loss previously charged to the statement of financial performance for the asset class, the revaluation gain is credited to the statement of financial performance. Otherwise, revaluation gains are credited to a revaluation reserve for that class of asset. To the extent that there is a balance in the revaluation reserve for the asset class, any revaluation loss is debited to the reserve. Otherwise, revaluation losses are reported in the statement of financial performance.

Disposal

Gains or losses arising from disposal of property, plant and equipment are recognised in the statement of financial performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to accumulated surpluses or deficits.

[6] To tailor accordingly depending on FGOM's policy. In accordance with MPSAS 17 para 44, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(viii) Property, Plant and Equipment (continued)

Impairment

Where an asset's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss is recognised. The main reason for holding some assets is to generate cash. For these assets the recoverable amount is the higher of the amount that could be recovered by sale (after deducting the costs to sell) or the amount that will be generated by using the asset through its useful life. Some assets do not generate cash and for those assets, depreciated replacement cost is used. Losses resulting from impairment are reported in the statement of financial performance, unless the asset is carried at a revalued amount in which case any impairment loss is deducted from the revaluation reserve.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

Class of PPE	Estimated Useful Lives
Buildings	25 to 50 years
Aircraft	12 to 30 years
Other plant and equipment	3 to 100 years

[**Note:** *The above are provided for illustrative purposes only and may not reflect the actual useful lives of assets*.]

The residual value, useful life, and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(ix) Investments in Controlled Entities, Associates and Jointly Controlled Entities

Investments in controlled entities, associates, and jointly controlled entities are stated at cost less impairment losses. On the disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the surplus or deficit.[7]

(x) Biological Assets

Biological assets managed for harvesting into agricultural produce or for transforming into additional biological assets are measured at fair value less estimated costs to sell, with any fair value gains or losses reported in the statement of financial performance. Where fair value cannot be reliably determined, the asset is recorded at cost less accumulated depreciation and accumulated impairment losses.

For biological assets and agricultural produce carried forward from previous financial year, the effects of the initial recognition during the financial year have been adjusted to the opening balance of accumulated surpluses or deficits in accordance with the transitional provision described in Note 2(a) to the financial statements.

Biological assets not managed for harvesting into agricultural produce, or being transformed into additional biological assets are reported as heritage assets in accordance with the policies for property, plant and equipment.

(xi) Investment Property

Investment property is property held primarily to earn rentals or for capital appreciation or both. It does not include property held primarily for strategic purposes or to provide a social service even though such property may earn rentals or appreciate in value – such property is reported as property, plant and equipment.

Investment properties are initially measured at transacted amounts, and subsequently measured at fair value. Gains or losses arising from fair value changes are included in the statement of financial performance.

[7] In the event where FGOM prepares Consolidated Financial Statements, this policy is applicable to the accounting of controlled entities, associates and jointly controlled entities in FGOM's Separate Financial Statements only. The accounting policies relating to the combination of controlled entity, associates and jointly controlled entities shall be disclosed in the Consolidated Financial Statements.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(xii) Intangible Assets

Intangible assets are initially recorded at cost.

The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on the research phase of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Intangible assets with finite lives [*e.g. computer software*] are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the statement of financial performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful life of computer software is three to five years[8]. The expected useful life and amortisation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Intangible assets with indefinite useful lives [*e.g. goodwill*] are not amortised, but are tested annually for impairment. Gains and losses arising from disposal of intangible assets are recognised in the statement of financial performance in the period in which the transaction occurs.

Intangible assets with finite lives are reviewed annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss is recognised. Losses resulting from impairment are reported in the statement of financial performance.

[8] The estimated useful life herein described is provided for illustrative purposes only and may not reflect the actual useful lives of intangible assets owned by FGOM.

Appendix B Illustrative Financial Statements (continued)

Note 2: Accounting Policies (continued)

(c) Summary of significant accounting policies (continued)

(xiii) Leases

Finance leases transfer, to FGOM as lessee, substantially all the risks and rewards incidental to the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which FGOM expects to receive benefits from their use.

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

(xiv) Other Liabilities and Provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond twelve months are recorded at the present value of their estimated future cash outflows.

(xv) Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Appendix B Illustrative Financial Statements (continued)

Note 3: Revenue

	20X2	20X1
	RM	RM
Taxation Revenue		
Income tax	x	x
Other direct taxes	x	x
Customs duties	x	x
Excise duties	x	x
Sales tax	x	x
Service tax	x	x
Levy	x	x
Miscellaneous indirect taxes	x	x
	X	X
Non-taxation Revenue		
Licenses, registration fees and permit	x	x
Service and services fees	x	x
Sales of goods	x	x
Rentals	x	x
Interest income	x	x
Dividends received from investments	x	x
Fines and penalties	x	x
Exploration of oil and gas	x	x
	X	X

All interest income earned during the financial year are attributed to financial assets measured at amortised cost.

	20X2	20X1
	RM	RM
Miscellaneous Income		
Fair value gains on investment properties (Note 14)	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	X	X
Federal Territories Revenue		
Tax revenue from Federal Territories	x	x
Non-tax revenue from Federal Territories	x	x
	X	X
Total Revenue	XX	XX

Appendix B Illustrative Financial Statements (continued)

Note 4: Expenses

The following items have been included in arriving at total expenses for the financial year:

(a) Wages, salaries and employee benefits

	20X2	20X1
	RM	RM
Salaries and wages	x	x
Allowance and fixed emoluments	x	x
Contributions to defined contribution plan	x	x
Overtime payment	x	x
Other financial benefits	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	X	X

(b) Supplies and consumables used

	20X2	20X1
	RM	RM
Transportation	X	x
Communications and utilities	X	x
Spares	X	x
Office supplies	X	x
Professional fees	X	x
[*Specify*]	*X*	*x*
[*Specify*]	*x*	*x*
	X	X

(c) Depreciation and amortisation

	20X2	20X1
	RM	RM
Depreciation expense		
Buildings	x	x
Aircrafts	x	x
Other plant and equipment	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
Total depreciation expense	x	x
Amortisation of intangible assets	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
Total depreciation and amortisation	X	X

Appendix B Illustrative Financial Statements (continued)

Note 4: Expenses (continued)

(d) Impairment of assets

	20X2	20X1
	RM	RM
Impairment of financial assets		
- Held-to-maturity	x	x
- Loans and receivables	x	x
- Available for sale	x	x
	x	x
Impairment of property, plant and equipment	x	x
Impairment of intangible assets	x	x
	X	X

(e) Finance cost

All finance cost incurred during the financial year are interest expenses arising from borrowings measured at amortised cost.

COMMENTARY

Note 4 illustrates the analysis of five different expense items only. Preparers should expand the extent by analysing all material expenses, where appropriate.

Appendix B Illustrative Financial Statements (continued)

Note 5: Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year comprises:

	20X2	20X1
	RM	RM
Cash at banks	x	x
Petty cash	x	x
Short term deposits:		
- Licensed banks	x	x
- Crown agent	x	x
- Other financial institutions	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	X	X

Cash at banks do not earn any interest. Short term deposits are made for varying periods of between [ ] months and [ ] months depending on the immediate cash requirements of FGOM, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 31 December 20X2 was [ ]% per annum (20X1: [ ]% per annum).

Cash at banks and short term deposits with licensed banks amounting to RM[ ] and RM[ ] respectively (20X1: RM[ ] and RM[ ] respectively) are monies held in trust and hence, the utilisation is restricted in accordance with the relevant laws or trust deeds.

Note 6: Recoverable from Taxes and Transfers

	20X2	20X1
	RM	RM
Current		
Taxes recoverable	x	x
Levies receivable	x	x
Fines and penalties receivable	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
Non-current		
Taxes recoverable	x	x
Levies receivable	x	x
Fines and penalties receivable	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
Total recoverable from taxes and transfers	X	X

Appendix B Illustrative Financial Statements (continued)

Note 6: Recoverable from Taxes and Transfers (continued)

In determining the recoverability of taxes and transfers, FGOM uses information derived from statistical methods about the extent to which the tax or levy payer is contesting the assessment and experience of the outcomes of such disputes, from lateness of payment, and other information obtained from credit collection actions taken. Due to the size of the tax base, the concentration of credit risk is limited and this is not a risk that is managed.

FGOM does not hold any collateral or any other credit enhancements over receivables which are past due.

All recoverable from taxes and transfers are denominated in Malaysian Ringgit.

(a) Taxes recoverable

The Inland Revenue Board ('IRB') and Royal Malaysian Customs ('RMC') administer the taxes recoverable portfolios of direct taxes and indirect taxes respectively. The recoverable amounts are calculated by forecasting the expected repayments based on analysis of historical debt data, deducting the estimate of service costs and discounting at the current market rate. If the recoverable amounts are less than the carrying amounts, the carrying amounts are reduced to the recoverable amounts.

Taxes recoverable are classified as past due when any outstanding tax is not paid by the taxpayer's due date. Due dates will vary depending on the type of tax outstanding and the taxpayer's balance date. Past due debt includes debt collected under instalment, debt under dispute, default assessments and debts of taxpayers who are bankrupt, in receivership or in liquidation. Both the IRB and RMC have debt management policies and procedures to actively manage the collection of past due debt.

The carrying amounts of taxes recoverable provide a reasonable approximation of their fair values.

The ageing analysis of taxes recoverable past due are as follows:

	20X2	20X1
	RM	RM
Less than 6 months	x	x
6 months to 1 year	x	x
1 to 2 years	x	x
More than 2 years	x	x
	X	X

COMMENTARY

Quantitative disclosures on risk exposure, as required by MPSAS 30, should be made for each type of risk arising from financial instruments. The illustration provided above uses taxes recoverable and its associated credit risk as an example.

Appendix B Illustrative Financial Statements (continued)

Note 7: Receivables

	20X2	20X1
	RM	RM
Current		
Trade receivables	x	x
less: Allowance for impairment	(x)	(x)
Trade receivables, net	x	x
Staff loans	x	x
less: Allowance for impairment	(x)	(x)
Concessionary loans	x	x
less: Allowance for impairment	(x)	(x)
Interest receivable	x	x
Deposits	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
Non-current		
Staff loans	x	x
Concessionary loans	x	x
Deposits	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
Total receivables	X	X

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on [ ] day to [ ] month terms (20X1: [ ] day to [ ] month). They are recognised at fair values at initial recognition. For amounts expected to be recovered within twelve months, they are recognised at their original invoice amounts. Otherwise, they are recognised at present value of the original invoice amounts. Trade receivables are denominated in Malaysian Ringgit. The ageing analysis of trade receivables (at gross) are as follows:

	20X2	20X1
	RM	RM
Neither past due nor impaired	x	x
1 to 3 months	x	x
3 to 6 months	x	x
6 to 12 months	x	x
More than 12 months	x	x
	x	x
Impaired	(x)	(x)
	X	X

Appendix B Illustrative Financial Statements (continued)

Note 7: Receivables (continued)

(a) Trade receivables (continued)

Concentration of credit risk is limited and this is not a risk that is managed.

Trade receivables that are impaired at the end of the financial year and the movement of the allowance accounts used to record the impairment are as follows:

	20X2	20X1
	RM	RM
Collectively impaired		
Trade receivables, gross	x	x
less: Allowance for impairment	(x)	(x)
	x	x
Individually impaired		
Trade receivables, gross	x	x
less: Allowance for impairment	(x)	(x)
	x	x
Total		
Trade receivables, gross	x	x
less: Allowance for impairment	(x)	(x)
	x	x
Movement in allowance account		
At 1 January	x	x
- Charge for the financial year	x	x
- Written-off	(x)	(x)
- Reversal of impairment losses	(x)	(x)
At 31 December	x	x

(b) Staff loans

Breakdown at the end of the financial year are as follows:

	20X2	20X1
	RM	RM
Housing loan	x	x
Computer loan	x	x
Car loan	x	x
[*Specify*]	x	x
[*Specify*]	x	x
	x	x
Impaired	(x)	(x)
	X	X

Appendix B Illustrative Financial Statements (continued)

Note 7: Receivables (continued)

(b) Staff loans

The loans are recognised initially at fair value and bear interests of 4% per annum. Other than computer loan and miscellaneous staff loans, which are unsecured, all other loans are secured by way of a charge over the relevant asset in favour of FGOM. Staff loans are denominated in Malaysian Ringgit.[9]

Credit risk over the staff loans is insignificant as the outstanding amounts are recovered on monthly basis through payroll deductions.

(c) Concessionary loans

Concessionary loans are granted to State Governments and are interest free. On initial recognition, the difference between the fair value (based on market terms) and the loan proceeds is treated as an expense in surplus or deficit (Note 4 to the financial statements[10])

Note 8: Inventories

	20X2	20X1
	RM	RM
At cost		
Inventories held for sale	x	x
Military inventories	x	x
Other consumables	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
At net realisable value		
Inventories held for sale		
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x

[9] To tailor accordingly based on the risk exposure and risk management policies of FGOM.
[10] The corresponding expense item is not illustrated in Note 4

Appendix B Illustrative Financial Statements (continued)

Note 8: Inventories (continued)

	20X2	20X1
	RM	RM
At current replacement cost		
Military inventories	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x
Total inventories	X	X

Amount of inventories recognised in the surplus or deficit as cost of goods sold during the financial year was RM[ ] (20X1: RM[ ]). Write down of inventories during the year amounted to RM[ ] (20X1: RM[ ]).

Note 9: Investments in Controlled Entities

	20X2	20X1
	RM	RM
At cost	X	x
less: Impairment	(x)	(x)
	X	X

Details of controlled entities are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion of ownership** 20X2	**Proportion of ownership** 20X1
			%	%
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*

Appendix B Illustrative Financial Statements (continued)

Note 10: Investments in Jointly Controlled Entities

	20X2	20X1
	RM	RM
At cost	X	x
less: Impairment	(x)	(x)
	X	X

Details of Jointly Controlled Entities are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership 20X2	Proportion of ownership 20X1
			%	%
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*

Note 11: Investments in Associates

	20X2	20X1
	RM	RM
At cost	X	x
less: Impairment	(x)	(x)
	X	X

Details of Investment in Associates are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership 20X2	Proportion of ownership 20X1
			%	%
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*
[*Specify*]	[*Specify*]	[*Specify*]	*x*	*x*

Appendix B Illustrative Financial Statements (continued)

Note 12: Other Financial Assets

	20X2	20X1
	RM	RM
Held-to-maturity financial assets	X	x
Available-for-sale financial assets		
- Quoted equity securities	X	x
- Unquoted equity securities	X	x
	X	X

Held-to-maturity financial assets, comprising investments in debt securities, have interest rates of [ ]% to [ ]% (20X1: [ ]% to [ ]%) per annum and mature in [ ] to [ ] years.

FGOM holds investments in quoted equity securities. The fair value of quoted equity securities is determined by reference to published price quotations in an active market.

In addition, FGOM also holds non-controlling interests in non-listed entities, where it has entered into research collaboration. Due to the absence of quoted market prices and the inability to reliably estimate the fair value, investments in unquoted equity securities are measured at cost less accumulated impairment losses.

Appendix B Illustrative Financial Statements (continued)

Note 13: Property, Plant and Equipment

	Original Budget RM	**Revised Budget** RM	**Land and buildings** RM	**Specialised military equipment** RM	**Aircrafts** RM	**Other plant and equipment** RM	[*Specify*] RM	**Total** RM
Net book value								
At 1 January 20x2	x	x	x	x	X	x	*x*	xx
- Additions	x	x	x	x	X	x	*x*	xx
- Disposals	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
- Depreciation charges	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
At 31 December 20x2	X	X	X	X	X	X	*X*	XX
At 1 January 20x1	x	x	x	x	X	x	*x*	xx
- Additions	x	x	x	x	X	x	*x*	xx
- Disposals	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
- Depreciation charges	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
At 31 December 20x1	X	X	X	X	X	X	*X*	XX
At 31 December 20x2								
Cost / Valuation	x	x	x	x	X	x	*x*	xx
Accumulated depreciation	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
Net book value	X	X	X	X	X	X	*X*	XX
At 31 December 20x1								
Cost / Valuation	x	x	x	x	X	x	*x*	xx
Accumulated depreciation	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
Net book value	X	X	X	X	X	X	*X*	XX
At 1 January 20x1								
Cost / Valuation	x	x	x	x	X	x	*x*	xx
Accumulated depreciation	(x)	(x)	(x)	(x)	(x)	(x)	*(x)*	(xx)
Net book value	X	X	X	X	X	X	*X*	XX

Appendix B Illustrative Financial Statements (continued)

Note 13: Property, Plant and Equipment (continued)

(a) Assets under construction

FGOM's land building at the end of the financial year included RM[ ] (20X1: RM[ ]) which relate to expenditure for infrastructures in the course of construction.

(b) Capitalisation of borrowing costs

FGOM's land and building include borrowing costs arising from loans borrowed specifically for the purpose of the construction of infrastructure. During the financial year, the borrowing costs capitalised as cost of land and building amounted to RM[ ] (20X1: RM[ ]).

(c) Assets held under finance leases

The carrying amount of land and buildings held under finance leases (Note 19 to the financial statements) at the reporting date was RM[ ] (20X1: RM[ ]).

(d) Assets pledged as securities

Certain land and building with a carrying amount of RM[ ] (20X1: RM[ ]) are pledged to securities for a financing facilities extended to FGOM, as disclosed in Note 19 to the financial statements.

Note 14: Investment Properties

	20X2	**20X1**
	RM	RM
At 1 January	X	x
- Additions from acquisition	X	x
- Additions from subsequent expenditure	X	x
- Fair value gains recognised in surplus or deficit	X	x
At 31 December	X	X

Appendix B Illustrative Financial Statements (continued)

Note 14: Investment Properties (continued)

(a) Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the reporting date. Valuations are performed by accredited valuers with recent experience in the location and category of properties being valued.[11] The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields.

(b) Assets pledged as securities

Certain investment properties with a carrying amount of RM[ ] (20X1: RM[ ]) are pledged to securities for a financing facilities extended to FGOM, as disclosed in Note 19 to the financial statements.

Note 15: Intangible Assets

	Development Costs RM	**Brands** RM	[*Specify*] RM	**Total** RM
Net book value				
At 1 January 20X2	x	X	*x*	xx
- Additions	-	X	*x*	x
- Internal development	x	-	*x*	x
- Amortisation	(x)	-	*(x)*	(x)
- Impairment loss	-	(x)	*(x)*	(x)
At 31 December 20X2	X	X	*X*	XX
At 1 January 20X1	x	X	*x*	xx
- Additions	-	X	*x*	x
- Internal development	x	-	*x*	x
- Amortisation	(x)	-	*(x)*	(x)
- Impairment loss	-	(x)	*(x)*	(x)
At 31 December 20X1	X	X	*X*	XX
At 31 December 20X2				
Cost	x	x	*x*	xx
Accumulated amortisation and accumulated impairment losses	(x)	(x)	*(x)*	(x)
Net book value	X	X	*X*	XX

[11] An entity is encouraged but not required to determine fair value on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification. If there has been no such valuation performed by an independent valuer, that fact should be disclosed.

Appendix B Illustrative Financial Statements (continued)

Note 15: Intangible Assets (continued)

	Development Costs RM	Brands RM	[*Specify*] RM	Total RM
At 31 December 20X1				
Cost	x	x	*x*	xx
Accumulated amortisation and accumulated impairment losses	(x)	(x)	*(x)*	(x)
Net book value	X	X	*X*	XX
At 1 January 20X1				
Cost	x	x	*x*	xx
Accumulated amortisation and accumulated impairment losses	(x)	(x)	*(x)*	(x)
Net book value	X	X	*X*	XX

(a) Development Costs

FGOM research and development initiatives are concentrated on the development of e-Government applications, which have an average remaining amortising period of [ ] years (20X1: [ ] years). All research costs and development costs not eligible for capitalisation have been expensed to the surplus or deficit.

(b) Brands

Brands relate to the [*specify*] brand name acquired in 20X1 and [*specify*] brand name acquired during the year in respect of FGOM's tourism-related initiatives. The useful life of these brands is estimated to be indefinite.

Note 16: Payables under Exchange Transactions

	20X2 RM	20X1 RM
Trade payables	x	x
Other payables	x	x
Accruals	x	x
Interest payable	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	X	X

Appendix B Illustrative Financial Statements (continued)

Note 16: Payables under Exchange Transactions (continued)

Terms and conditions of the above financial liabilities:

- Trade payables and other payables are non-interest bearing and are normally settled on [ ]-day terms.
- Interest payable is normally settled quarterly throughout the financial year.

Note 17: Taxes Payable

	20X2	20X1
	RM	RM
Taxes payable	x	x
[*Specify*]	*x*	*x*
[*Specify*]	*x*	*x*
	x	x

Taxes repayable represent refunds due to the taxpayer as a result of assessments being filed. Refunds are issued to taxpayers once account and refund reviews are complete. The carrying value is a reasonable approximation of the fair value for taxes repayable.

Note 18: Provisions

	Unutilised Compensated Absences RM	**Legal Claims** RM	[*Specify*] RM	**Total** RM
At 1 January 20X2	x	-	*x*	xx
- Arose during the financial year	x	x	*x*	x
- Utilised	(x)	-	*x*	(x)
- Unused amounts reversed	(x)	-	*(x)*	(x)
At 31 December 20X2	X	X	*X*	XX

Appendix B Illustrative Financial Statements (continued)

Note 18: Provisions (continued)

(a) Unutilised Compensated Absences

A provision is recognised for unutilised accumulating compensated absences when compensated absences are carried forward to be used in future periods, based on the expected amount of additional payments that are expected to arise solely from the accumulation of benefits due to the employees.

(b) Legal Claims

On 30 June 20X2, a group of citizens made various claims at the High Court of Malaya against FGOM for alleged sub-standard medical care in a public hospital. At the reporting date, FGOM is in the process of negotiating a settlement agreement with the plaintiffs. The provision made represents FGOM's estimate of the settlement consideration. The settlement and compensation are expected to be concluded in 20X3.

Note 19: Borrowings

	20X2	**20X1**
	RM	RM
Current (secured)		
Finance leases (Note 21(c))	x	x
Loans:		
- Treasury bills	x	x
- Malaysian Government Securities	x	x
[*Specify*]	*x*	*x*
	x	x
Non-current (secured)		
Finance leases (Note 21(c))	x	x
Loans:		
- Malaysian Government Securities	x	x
- Market loan	x	x
- Sukuk	x	x
[*Specify*]	*x*	*x*
	x	x
Total borrowings	X	X

Appendix B Illustrative Financial Statements (continued)

Note 19: Borrowings (continued)

(a) Finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is [ ]% (20X1: [ ]%) per annum. These obligations are denominated in Malaysian Ringgit.

(b) Treasury bills

This loan is secured by a first charge over certain land and buildings (Note 13) and is repayable in full on 25 March 20X3. The average interest rate of this loan is [ ]% (20X1: [ ]%) per annum. Treasury bills are denominated in Malaysian Ringgit.

(c) Malaysian Government Securities

Malaysian Government Securities are denominated in Malaysian Ringgit, and is secured by a first charge over certain investment properties (Note 14). This loan is repayable over ten equal semi-annual instalments due between 30 June 20X3 and 31 December 20X7. The average interest rate of this loan is [ ]% (20X1: [ ]%) per annum.

(d) Market loan

This loan is denominated in United States Dollar and is secured by a first charge over certain investment properties (Note 14). This loan bears an interest of [ ]% (20X1: [ ]%) per annum, and is repayable on 31 December 20X5.

(e) Sukuk

Sukuk is secured by a first charge over certain land and buildings (Note 13) and is denominated in Malaysian Ringgit. The average profit rate of Sukuk is [ ]% (20X1: [ ]%) per annum, and is repayable on 31 December 20X4.

Appendix B Illustrative Financial Statements (continued)

Note 20: Pension Plan and Gratuity

FGOM operates a defined benefit retirement plan for pensionable employees. The employees' entitlements are defined in the Pensions Act, 1980 [*Act 227*]. The pension and gratuity obligation has been calculated by FGOM Actuary as at 31 December 20X2. A Projected Unit Credit Method is used for the valuation. This method requires the benefits payable in respect of past service to be estimated and then discounted back to the valuation date.

Amounts recognised in the financial statements in respect of the pension and gratuity obligation is as follows:

	20X2	20X1
	RM	RM
Net benefit expense		
Current service cost	x	x
Interest cost on benefit obligations	x	x
Expected return on plan assets	x	x
Net actuarial (gains)/losses	(x)	x
Net benefit expense	x	x
Actual return on plan assets	x	x
Benefit liability		
Defined benefit obligation	x	x
Fair value of plan assets	(x)	(x)
	x	x
Unrecognised actuarial losses	(x)	(x)
Unrecognised past service cost	(x)	(x)
Benefit liability	x	x

Changes in the present value of the defined benefit obligation are as follows:

Defined benefit obligations at 1 January	x	x
Interest cost	x	x
Current service cost	x	x
Benefits paid	(x)	(x)
Actuarial losses on obligations	x	x
Defined benefit obligations at 31 December	x	x

Appendix B Illustrative Financial Statements (continued)

Note 20: Pension Plan and Gratuity (continued)

Changes in the fair value of plan assets are as follows:

	20X2	20X1
	RM	RM
Fair value of plan assets at 1 January	x	x
Expected return	x	x
Contributions by FGOM	x	x
Benefits paid	(x)	(x)
Actuarial losses	(x)	(x)
Fair value of plan assets at 31 December	x	x

In accordance with Section 12B of the Pensions Act, 1980 [*Act 227*], FGOM shall make contributions at the rate of 17.5% of the pensionable employees' salary. FGOM expects to make a total contribution of RM[ ] in 20X3.

The plan assets include properties occupied by FGOM with a fair value of RM[ ] (20X1: RM[ ]).

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions below.

The principal assumptions used for the purpose of actuarial valuations are shown below:

	20X2	20X1
	%	%
For following year		
Discount rate	x	x
Expected return on plan assets	x	x
Expected rate of salary increases	x	x
Expected rate of inflation	x	x
Beyond next year		
Discount rate	x	x
Expected return on plan assets	x	x
Expected rate of salary increases	x	x
Expected rate of inflation	x	x

Appendix B Illustrative Financial Statements (continued)

Note 20: Pension Plan and Gratuity (continued)

Historical Analysis

Amounts for the current and previous four financial years are as follows:

	20X2	**20X1**	**20X0**	**20X19**	**20X18**
	RM	RM	RM	RM	RM
Defined benefit obligation	x	x	x	x	X
Fair value of plan assets	(x)	(x)	(x)	(x)	(x)
Present value of unfunded defined benefit obligations	x	x	x	x	X
Experience adjustments on:					
- plan liabilities	x	x	x	x	X
- plan assets	x	x	x	x	X
Changes in actuarial assumptions	x	x	x	x	X

Sensitivity Analysis

The present value of the pension and gratuity obligation is sensitive to underlying assumptions such as the discount rate, inflation rates, and expected salary increases. If the discount rate was to change in isolation, this would impact the measurement of pension and gratuity obligation, as follows:

	20X2	**20X1**
	RM	RM
Discount rate: +1%	x	X
Discount rate: -1%	x	X

[*To disclose additional sensitivity analysis for changes in other assumptions that may affect the pension obligation estimates*]

Appendix B Illustrative Financial Statements (continued)

Note 21: Commitments

(a) Operating lease commitments (as lessee)

FGOM has entered into commercial leases of certain office space. These leases have an average tenure of three to six years with no renewal option or contingent rent provision included in the contracts. Minimum lease payments recognised in surplus or deficit during the financial year amounted to RM[ ] (20X1: RM[ ]).

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	20X2	20X1
	RM	RM
Not later than 1 year	x	X
Later than 1 year but not later than 5 years	x	X
Later than 5 years	x	X
	x	X

(b) Operating lease commitments (as lessor)

FGOM has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between two and eight years.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	20X2	20X1
	RM	RM
Not later than 1 year	x	X
Later than 1 year but not later than 5 years	x	X
Later than 5 years	x	X
	x	X

Appendix B Illustrative Financial Statements (continued)

Note 21: Commitments (continued)

(c) Finance lease commitments

FGOM has finance leases for certain items of plant and equipment and motor vehicles. These leases do not have terms of renewal, but some of the contracts have purchase options at nominal values at the end of the lease term.

Future minimum rentals payable under finance leases together with the present value of the net minimum lease payments at the reporting date are as follows:

	20X2	20X1
	RM	RM
Minimum lease payments:		
Not later than 1 year	x	X
Later than 1 year but not later than 5 years	x	X
Later than 5 years	x	X
Total minimum lease payments	x	X
Less: Finance charges	(x)	(x)
Present value of minimum lease payments	x	X
Present value of payments:		
Not later than 1 year	x	X
Later than 1 year but not later than 5 years	x	X
Later than 5 years	x	X
Present value of minimum lease payments	x	X
Less: Amount due within 12 months (Note 19)	(x)	(x)
Amount due after 12 months	x	X

(d) Capital commitments

Capital expenditure which have been approved and contracted for as at the reporting date are as summarised below:

	20X2	20X1
	RM	RM
Property, plant and equipment	x	X
Investment properties	x	X
Intangible assets	x	X
	x	X

Appendix B Illustrative Financial Statements (continued)

Note 22: Contingencies

(a) Contingent liability

On 30 September 20X2, a citizen commenced an action against FGOM in respect of damaged goods, allegedly caused by mishandling by the authorities. The estimated pay-out is RM[ ] should the action be successful. A trial date has not yet been set and therefore it is not practicable to state the timing of any payment. FGOM has been advised by the Attorney-General Chambers that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in the financial statements.

(b) Contingent asset

A legal claim of RM[ ] was lodged against a contractor by FGOM in respect of construction works claimed to be sub-standard. Based on the advice from the Attorney-General Chambers, FGOM is confident that the dispute will be settled in its favour.

Appendix B Illustrative Financial Statements (continued)

Note 23: Trust Accounts

Trust accounts comprises:

	Government Trust			**Sub-total**	**Public Trust**			**Sub-total**	**Total**
	[*Specify*] RM	[*Specify*] RM	[*Specify*] RM	RM	[*Specify*] RM	[*Specify*] RM	[*Specify*] RM	RM	RM
At 1 January 20x2	*x*	*x*	*x*	x	*x*	*x*	*x*	x	xx
• Government's contribution into funds held under trust	*x*	*X*	*x*	x	-	-	-	x	xx
• Public contribution into funds held under trust	*x*	-	-	x	*x*	*x*	*x*	x	xx
• Receipts (eg interests/ dividends/ticket sales/course fees)	*x*	*X*	*x*	x	*x*	*x*	*x*	x	xx
• Utilisation of funds held under trust	*(x)*	*(x)*	*(x)*	(x)	*(x)*	*(x)*	*(x)*	(x)	(xx)
At 31 December 20x2	*X*	*X*	*X*	X	*X*	*X*	*X*	X	XX
At 1 January 20x1	*x*	*X*	*x*	x	*x*	*x*	*x*	x	xx
• Government's contribution into funds held under trust	*x*	*X*	*x*	x	-	-	-	x	xx
• Public contribution into funds held under trust	*x*	-	-	x	*x*	*x*	*x*	x	xx
• Receipts (eg interests/ dividends/ticket sales/course fees)	*x*	*X*	*x*	x	*x*	*x*	*x*	x	xx
• Utilisation of funds held under trust	*(x)*	*(x)*	*(x)*	(x)	*(x)*	*(x)*	*(x)*	(x)	(xx)
At 31 December 20x1	*X*	*X*	*X*	X	*X*	*X*	*X*	X	XX

Appendix B Illustrative Financial Statements (continued)

Note 24: Net Cash Flows from Operating Activities

	20X2	20X1
	RM	RM
Surplus for the financial year	x	X
Adjustments for:		
Depreciation of property, plant and equipment	x	X
Amortisation of intangible assets	x	X
Impairment losses on intangible assets	x	X
Change in fair value of investment properties	x	X
Interest income	(x)	(x)
Finance cost	x	X
[*Specify*]	*x*	*X*
[*Specify*]	*x*	*X*
	x	X
Changes in receivables	x	X
Changes in payables	(x)	(x)
Changes in inventories	(x)	(x)
[*Specify*]	*x*	*X*
[*Specify*]	*x*	*X*
operations	x	X
Interest received	x	X
Interest paid	(x)	(x)
Grants paid	(x)	(x)
Trust payments	(x)	(x)
[*Specify*]	*x*	*X*
[*Specify*]	*x*	*X*
Net cash flows from operating activities	X	X

Note 25: Subsequent Events

On 5 March 20X3, parts of the State of Terengganu experienced serious floods. FGOM is likely to incur significant direct costs as a result. These costs will include:

- Repairs to Government owned infrastructure;
- Provision of social assistance, either through new or existing programmes; and
- Contributions towards the replacement of infrastructure owned by state and local governments.

The financial effects of this event cannot be reliably measured at this stage. Some costs will be covered by existing insurance arrangements.

Appendix B Illustrative Financial Statements (continued)

Note 26: Significant Accounting Judgements and Estimates

The preparation of financial statements requires FGOM to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities and contingent assets at the end of the financial year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Judgements made in applying accounting policies

In the process of applying the accounting policies detailed in Note 2(c) to the financial statements, FGOM has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating leases (as lessor)

FGOM has entered into commercial leases of office space vacated by various ministries in Kuala Lumpur. FGOM has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(ii) Impairment of equity securities classified as available-for-sale financial assets

FGOM records impairment losses on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, FGOM evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. Based on the judgement that a 'significant' decline is greater than 20%, and a 'prolonged' period as greater than 12 months, none of the available-for-sale equity investments were impaired during the financial year.

[***Note:*** *The above is purely an illustration and should not be included in FGOM's financial statements without exercising the required judgement. The extent of this disclosure is dependent on the extent of judgements made in the preparation of financial statements. All material judgements with significant effects to the financial statements shall be disclosed.*]

Appendix B Illustrative Financial Statements (continued)

Note 26: Significant Accounting Judgements and Estimates (continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of plant and equipment

The costs of plant and equipment for healthcare services are depreciated on a straight-line basis over the assets' estimated economic useful lives. FGOM estimates the useful lives of these plant and equipment to be within [ ] to [ ] years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and hence, future depreciation charges could be revised.

(ii) Impairment of receivables

FGOM assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, FGOM considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(iii) Impairment of loans

For the purpose of determining whether FGOM's loan is impaired or not, specific criteria of 3 months in arrears shall mandatorily trigger impairment test. The outstanding balance of this loan including instalments due and instalments not due shall be assessed for impairment. When recoverability is determined based on the cash flows to be received from the borrower, the difference between the total outstanding amount and the discounted cash flows is the amount that needs to be impaired.

[***Note:*** *The above is purely an illustration and should not be included in FGOM's financial statements if they do not reflect the key estimations made in the preparation of financial statements. The extent of this disclosure is dependent on the extent of estimations made in the preparation of financial statements, as well as the significance of uncertainties in these estimations*.]

Appendix B Illustrative Financial Statements (continued)

Note 27: Financial Risk Management and Policies

FGOM is exposed to market, credit risk and liquidity risk. The relevant functions within the Ministry of Finance oversee the management of these risks. The policies for managing each of these risks are summarised below.

(a) Market risk

FGOM's activities expose it primarily to the financial risks of changes in interest rates, foreign exchange rates and equity markets. These risks are managed at portfolio level consistent with the policy purpose of the portfolio and risk management objectives. Detailed information on the exposure to market risk and policies for managing this risk are available in the separate financial statements prepared by the Manager for each portfolio.

FGOM's exposure to market risk reflects the combination of these portfolio management practices. While the activities of Bank Negara Malaysia collectively manage FGOM's core exposure to foreign exchange, there is no other centralised management of market or other risk.

There has been no change to the manner in which FGOM reporting entities that manage FGOM's portfolios, manage and measure risks from previous year. A variety of derivative financial instruments are used across the portfolios to manage exposure to interest rate, foreign currency and electricity sector risk including:

[*Provide examples*]

(i) Interest rate risk management

FGOM is exposed to interest rate risk as entities in FGOM borrow and invest funds at both fixed and floating interest rates. The risk is managed at the entity level in accordance with their capital objectives and risk management policies. These objectives and policies include maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts.

[*To perform sensitivity analysis on the effects of increase/decrease of interest rates*]

(ii) Foreign currency risk management

FGOM undertakes transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amounts of FGOM's foreign currency denominated financial assets and financial liabilities translated to Malaysian Ringgit at the reporting date are as follows:

[*To present currency profile of all financial assets and financial liabilities*]

[*To perform sensitivity analysis on the effects of the strengthening/weakening of Malaysian Ringgit*]

Appendix B Illustrative Financial Statements (continued)

Note 27: Financial Risk Management and Policies (continued)

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to FGOM. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. Credit risk is managed in accordance with their capital objectives and risk management policies. These objectives and policies include limits to individual and industry counterparty exposure, collateral requirements, and counterparty credit ratings.

Concentrations of credit exposure classified by credit rating, geography and industry of the counterparty are provided in the following tables. The credit exposure of financial assets that are neither past due nor impaired is not materially different to the total credit exposure of FGOM.

[*To present concentration of credit exposure of financial assets based on how they are monitored, e.g. by credit rating, geographical or industry of counterparty*]

(c) Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is managed on an individual entity basis generally by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The following table details FGOM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on:

- the undiscounted cash flows of financial liabilities based on the earliest date on which FGOM can be required to pay; and
- both interest and principal cash flows.

[*To present ageing profile of all financial liabilities*]

FGOM has access to financing facilities, of which the total unused amount at 31 December 20X2 was RM[ ] (20X1: RM[ ]). FGOM expects to meet its obligations from operating cash flows, from the results of bond tenders, and proceeds of maturing financial assets.

COMMENTARY

The financial risk management and policies described above are presented for illustration purposes only and may not reflect the actual characteristics of FGOM's financial risk management and policies. Such disclosure shall be based on the facts and circumstances surrounding an entity's exposure to risks and how such risks are being managed.