



GOVERNMENT OF MALAYSIA

Federal Government Accrual Accounting Manual

INTANGIBLE ASSETS

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ISSUED BY

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Version No.	Effective Date	Approval	Details of Changes	
			Section Reference	Description of Changes

12.0 INTANGIBLE ASSETS

Introduction

12.1 This chapter covers the following matters:

- Specific types of intangible assets
- Initial recognition and measurement
- Measurement subsequent to initial recognition
- Disclosures

12.2 An intangible asset is an identifiable non-monetary asset without physical substance. It shall be initially recognized as an asset if:

- (a) It meets the definition of an intangible asset;
- (b) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- (c) Cost or fair value of the asset can be measured reliably.

Specific types of intangible assets

License fee for software

12.3 License fee for software is the cost incurred to acquire license to allow for usage of software.

Types of software	Initial recognition and measurement
Software integrated with hardware	Recognized as part of property, plant and equipment.
Standalone software	Recognized as intangible asset.

The license fee for software may include the initial acquisition cost and any maintenance or betterment cost.

12.4 License fee for software shall be capitalized as intangible asset and yearly maintenance fee shall be expensed off. Enhancement (upgrade) of the system shall be capitalized.

Research and development

12.5 Internally generated intangible assets are generated through research and development.

12.6 Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Examples of research activities include:

- (a) Activities aimed at obtaining new knowledge;
- (b) The search for, evaluation and final selection of, applications of research findings or other knowledge;
- (c) The search for alternatives for materials, devices, products, processes, systems, or services; and
- (d) The formulation, design, evaluation, and final selection of possible alternatives for new or improved materials, devices, products, processes, systems, or services.

12.0 INTANGIBLE ASSETS (CONTINUED)

- 12.7 Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Examples of development activities are:
- (a) The design, construction, and testing of pre-production or pre-use prototypes and models;
 - (b) The design of tools, jigs, moulds, and dies involving new technology;
 - (c) The design, construction, and operation of a pilot plant or operation that is not of a scale economically feasible for commercial production or use in providing services;
 - (d) The design, construction, and testing of a chosen alternative for new or improved materials, devices, products, processes, systems, or services; and
 - (e) Website costs and software development costs.
- 12.8 Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred as entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits or service potential.
- 12.9 An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:
- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - (b) Its intention to complete the intangible asset and use or sell it;
 - (c) Its ability to use or sell the intangible asset;
 - (d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
 - (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
 - (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Patent

- 12.10 A patent is a set of exclusive rights granted to an inventor or their assignee in exchange for the public disclosure of the invention. An invention is a solution to a specific technological problem, and may be a product or a process. Patents are a form of intellectual property.
- 12.11 Patents with finite useful will be amortized over its useful life excluding its residual value. Patents with infinite useful life will be recognized at cost at acquisition and is not amortized. However, patent with infinite useful life is still tested for impairment yearly.

12.0 INTANGIBLE ASSETS (CONTINUED)

Initial recognition and measurement

- 12.12 Depending on the acquisition method of the intangible asset, initial recognition and measurement of these intangible assets will differ, as follows:

Acquisition method	Initial recognition and measurement	Examples
Exchange transaction	Measured at transacted amount, which would be the cost of acquisition	License fee for software Patents
Non exchange transaction	Measured at fair value	Patents
Internally generated	Measured at cost	Research and development

Subsequent measurement

- 12.13 The subsequent measurement for intangible assets differs as follows:

Types of intangible assets acquired	Subsequent measurement	Chapter reference
With finite useful lives	Cost model. Measured at cost less amortization and impairment.	The policy is similar with property, plant and equipment, as detailed in Chapter 5 – Property, plant and equipment.
	Revaluation model. Measured at fair value at the date of revaluation less amortization.	
With indefinite useful lives	Shall not be amortized, but impairment is required annually and whenever there is an indication that the intangible asset may be impaired.	The detailed policy on impairment is in Chapter 14 – Impairment of Assets.

Disclosure requirements

- 12.14 Intangible assets are reported under the heading Non-current asset in the statement of financial position.
- 12.15 For research and development cost or other intangible assets which are expensed, the expense is reported in the statement of financial performance.

12.0 INTANGIBLE ASSETS (CONTINUED)

12.16 The following disclosures are required for Intangible Asset:

- (a) Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used;
- (b) The amortization methods used for intangible assets with finite useful lives;
- (c) The gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period;
- (d) The line item(s) of the statement of financial performance in which any amortization of intangible assets is included;
- (e) A reconciliation of the carrying amount at the beginning and end of the period showing:
 - (i) Additions, indicating separately those from internal development and those acquired separately;
 - (ii) Assets classified as held for sale or included in a disposal group classified as held for sale
 - (iii) Increases or decreases during the period resulting from revaluations
 - (iv) Impairment losses recognized in surplus or deficit during the period
 - (v) Impairment losses reversed in surplus or deficit during the
 - (vi) Any amortization recognized during the period;
 - (vii) Net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
 - (viii) Other changes in the carrying amount during the period.

References

- MPSAS 31 - Intangible Assets

12.0 INTANGIBLE ASSETS (CONTINUED)

Scenario A - Non-monetary exchange of intangible assets

A health agency exchanged a drug patent it owns (Patent A) with an outside party for another drug patent (Patent B). Patent A's carrying amount as at the date of transaction was RM100,000 and its fair value was RM1,000,000. The transaction is assumed to have commercial substance.

Journal entries

- 1) To record the exchange of Patent A for Patent B

The exchange of patents is a non-monetary exchange the entity has taken. The entity should recognize Patent B's value at the fair value of the patent given up.

	Amount (RM)	Accounting Code
DR Intangible asset (Patent B)	1,000,000	A2339100
CR Intangible asset (Patent A)	100,000	A2339100
CR Gain on exchange	900,000	H0284901

12.0 INTANGIBLE ASSETS (CONTINUED)**Scenario B - Recognition of license fee**

An entity decides to acquire a software. The entity acquires the license to use the software which amounts to RM25,000. Subsequent to that, to enable continued usage of the software, the entity is required to pay a yearly maintenance fee amounting to RM3,000. After 3 years, the entity decides to upgrade the software to include more features which are necessary to the entity's operations. The entity is required to pay an one-off payment of RM9,000 for the upgrade of the software.

Journal entries

- 1) To record the acquisition of software

The one off payment paid to acquire the software, is capitalized as an asset classified as intangible asset. In addition, the obligation to pay that arises is credited as account payable.

	Amount (RM)	Accounting Code
DR Intangible asset (software)	25,000	A2339102
CR Account payable	25,000	L0139100

- 2) To record the payment of yearly maintenance fee

The yearly maintenance fee paid to enable continued usage of the software, is expensed off and not capitalized as asset. In addition, the obligation to pay that arises is credited as account payable.

	Amount (RM)	Accounting Code
DR Operating expense	3,000	B0229108
CR Account payable	3,000	L0129100

- 3) To record the upgrade of software

The one-off payment paid to upgrade the software is capitalized as asset as the expense will bring about future benefits in the future. In addition, the obligation to pay is credited as account payable.

	Amount (RM)	Accounting Code
DR Intangible asset (software)	9,000	A2339102
CR Account payable	9,000	L0139100

12.0 INTANGIBLE ASSETS (CONTINUED)**Scenario C – Recognition of research and development costs incurred**

An entity developed a new system to schedule court cases more effectively that will result in increased service delivery. Prior to 1 March 20X3, the expenditure incurred for the research and development of the system was RM300. After 1 March 20X3, the expenditure incurred for the development of the system was RM700. The total expenditure for the year ended 20X3 is RM1,000. The entity is able to demonstrate that the newly developed system met the criteria for recognition as an intangible asset as at 1 March 20X3.

Journal entries

- 1) To record the research and development costs incurred prior to the date where the criteria for recognition as an intangible asset is met at 1 March 20X3

Prior to 1 March 20X3, the research and development cost incurred is expensed off and is not capitalized as asset. The expense is recognized as operating expense and the offsetting credit entry is accounts payable.

	Amount (RM)	Accounting Code
DR Operating expense	300	B0227799
CR Account payable	300	L0127700

- 2) To record the development costs incurred after the date where the criteria for recognition as an intangible asset is met at 1 March 20X3

After 1 March 20X3, the development cost incurred is capitalized and is recognized as intangible asset.

	Amount (RM)	Accounting Code
DR Intangible asset (computer system)	700	A2339301
CR Account payable	700	L0139300

12.0 INTANGIBLE ASSETS (CONTINUED)**Scenario D - Patent with finite useful life and committed residual value**

Entity A acquires a patent over a formula for a vaccine, from Entity B to secure Entity A's ability to provide free vaccinations to its constituents at a cost of RM250,000. The vaccine protected by the patent is expected to be a source of service potential for at least 15 years. Entity A has a commitment from Entity C to purchase that patent in five years for 60 per cent of the fair value of the patent at the date it was acquired, and Entity A intends to sell the patent in five years. The patent would be amortized over its five-year useful life to Entity A with a residual value equal to 60 per cent of the patent's fair value at the date it was acquired.

Journal entries

- 1) To record the acquisition of the patent

The total cost of acquiring the patent is capitalized as intangible asset and the offsetting credit entry is the account payable.

	Amount (RM)	Accounting Code
DR Intangible asset (patent)	250,000	A2339107
CR Account payable	250,000	L0139100

- 2) To record the amortization of the patent

The amortization expense is arrived at by dividing the amortization amount by the finite useful life. Amortization amount is $RM100,000 = RM250,000 - (RM250,000 \times 60\%)$. Amortization expense is $RM20,000 = RM100,000/5$. The above journal entry is recorded annually for 5 years until the end of the patent's useful life.

	Amount (RM)	Accounting Code
DR Amortization expense	20,000	B6139107
CR Accumulated amortization	20,000	A6139107

12.0 INTANGIBLE ASSETS (CONTINUED)**Scenario E - Patent with indefinite useful life**

Entity A acquires an asset, the patent over a formula for a vaccine, from Entity B to secure Entity A's ability to provide free vaccinations to its constituents which amounts to RM250,000. It is expected that the formula will need to be slightly modified every 10 years to maintain its efficacy. There is evidence to support ongoing renewal of the patent. A contract with Entity B stipulates that Entity B will maintain the efficacy of the formula continuously, and evidence supports its ability to do so. The costs to renew the patent and maintain the efficacy of the formula are expected to be insignificant and will be paid to the Entity B when the improvements are made. An analysis of product lifecycle studies, and demographic and environmental trends, provides evidence that the patent will provide service potential to Entity A by enabling it to deliver its vaccination program for an indefinite period. Accordingly, the patent would be treated as having an indefinite useful life.

Journal entries

- 1) To record the acquisition of patent

The total cost of acquiring the patent is capitalized as intangible asset and the offsetting credit entry is the account payable. The accounting treatment for the acquisition of patent with finite useful life and indefinite useful life are same. However, patent with indefinite useful life need not be amortized.

	Amount (RM)	Accounting Code
DR Intangible asset (patent)	250,000	A2439107
CR Account payable	250,000	L0139100

The expenses incurred on the ongoing renewal of the patent is to be expensed off to the current year surplus or deficit.

APPENDICES**Appendix A.1 List of MPSAS to Be Adopted (with effective date on or after 01 January 2017)**

MPSAS	
MPSAS 1	Presentation of Financial Statement
MPSAS 2	Cash Flow Statements
MPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
MPSAS 4	The Effect of Changes in Foreign Exchange Rate
MPSAS 5	Borrowing Costs
MPSAS 9	Revenue From Exchange Transactions
MPSAS 11	Construction Contracts
MPSAS 12	Inventories
MPSAS 13	Leases
MPSAS 14	Events After the Reporting Date
MPSAS 16	Investment Property
MPSAS 17	Property, Plant and Equipment
MPSAS 19	Provisions, Contingent Liabilities and Contingent Assets
MPSAS 20	Related Party Disclosures
MPSAS 21	Impairment of Non-Cash-Generating Assets
MPSAS 22	Disclosure of Financial Information about the General Government Sector
MPSAS 23	Revenue From Non- Exchange Transactions (Taxes & Transfers)
MPSAS 24	Presentation of Budget Information in Financial Statement
MPSAS 25	Employee Benefits
MPSAS 26	Impairment of Cash-Generating Assets
MPSAS 27	Agriculture
MPSAS 28	Financial Instruments: Presentation
MPSAS 29	Financial Instruments: Recognition and Measurement
MPSAS 30	Financial Instruments: Disclosures
MPSAS 31	Intangible Assets
MPSAS 32	Service Concession Arrangements: Grantor
MPSAS 33	First-time Adoption of Accrual Basis MPSASs
MPSAS 34	Separate Financial Statements
MPSAS 35	Consolidated Financial Statements
MPSAS 36	Investments in Associates & Joint Ventures
MPSAS 37	Joint Arrangements
MPSAS 38	Disclosure of Interest in Other Entities

List Of Acronyms

Acronym	Description
AGD	Accountant General's Department
AUC	Asset under construction
BSN	Bank Simpanan Nasional
CR	Credit
CDS	Central Depository Securities
CGU	Cash Generating Unit
DR	Debit
EIR	Effective Interest Rate
FELDA	The Federal Land Development Authority
FIFO	First In First Out
EFT	Electronic Fund Transfer
FGOM	Federal Government of Malaysia
FPA	Financial Procedure Act
F.V.	Fair Value
GGS	General Government Sector
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standards
JANM	Jabatan Akauntan Negara Malaysia
MGS	Malaysian Government Securities
MoF	Ministry of Finance Malaysia
MPSAS	Malaysian Public Sector Accounting Standards
PFC	Public Financial Corporations sector
PFI	Private Finance Initiative
PNFC	Public Non-Financial Corporations sector
PPE	Property, plant and equipment
PPP	Public Private Partnership
RM	Ringgit Malaysia
U.S.	The United States of America
USD	American Dollar

Glossary

Accounting basis is the accrual, modified accrual, modified cash or cash basis of accounting.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the entity in preparing and presenting financial statements.

Accrual basis is the accounting basis under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Active market is a market in which: a) the items traded are homogeneous; b) willing buyers and sellers can normally be found at any time; and c) prices are available to the public.

Actual amounts (for budgetary purposes) are presented as part of the comparison schedule as well as a basis of a reconciliation schedule, resulting from the execution of the budget. For the purposes of MPSAS 24 – Presentation of budget information in financial statements, they include actual expenses and obligations that are comparable to the final budget presented.

Actuarial gains and losses comprise: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and b) the effects of changes in actuarial assumptions.

Amortization is the systematic allocation of the amortizable amount of an intangible asset over its estimated useful life.

Appropriation is an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.

Assets are resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Assets used to deliver goods and services in accordance with the Entity's objectives, but which do not directly generate net cash inflows, are often described as having a service potential.

Associate is an entity in which an investor has significant influence and that is neither a controlled entity nor a joint venture of the investor.

Betterment: The cost incurred to enhance the service potential of asset is a betterment. Service potential may be enhanced when there is an increase in the previously assessed service capacity, associated operating costs are lowered, the useful life is extended or the quality of output is improved. The cost incurred in the maintenance of the service potential of an asset is a repair, not a betterment.

Borrowing costs are interest and other expenses incurred by an entity in connection with borrowings.

Carrying amount of a liability is the amount at which a liability is recognised in the statement of financial position.

Carrying amount of an asset is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Cash consists of cash on hand and demand deposits.

Glossary (continued)

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Cash-generating assets are assets held to generate a commercial return.

Cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not a correction of errors.

Change in accounting policy is a change from one basis of accounting to another basis of accounting. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is also regarded as a change in accounting policy.

Closing rate is the spot exchange rate at the reporting date – i.e. the exchange rate used to translate foreign currency monetary balances at the end of a reporting period.

Commitments are obligations to outside organisation or individuals that will become liabilities if and when the terms of contracts, agreements or legislation are met.

Consolidated financial statements are the financial statements of an economic entity presented as those of a single entity.

Construction contract is a contract or a similar binding arrangement specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function, or their ultimate purpose or use.

Constructive obligation is an obligation that derives from the Entity's actions where: a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability is: a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or b) a present obligation that arises from past events but which is not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contract: An agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable .

Contractual commitment: Represents a legal obligation to outside organization or individual as a result of contract.

Glossary (continued)

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

Controlled entity is an entity under the control of another entity (known as the controlling entity).

Controlling entity is an entity that has one or more controlled entities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Cost method is a method of accounting for an investment whereby it is recognized at cost. Revenue from the investment is recognized only to the extent that the investor is entitled to receive distributions from accumulated surpluses arising after the date of acquisition.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

Deferred revenue: Amounts received before the transactions or events that give rise to revenue occurs.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial periods.

Depreciated replacement cost is an approach where an asset's present value is determined based on cost to replace the asset's gross service potential after taking into account its accumulated depreciation over consumed service potential asset life.

Depreciation is the systematic allocation of the depreciable amount of a tangible asset over its estimated useful life.

Effective interest rate is the interest rate on a loan/financial product restated from the nominal interest rate as an interest rate with annual compound interest payable in arrears.

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. Employee benefits mean all entitlements, salaries, allowances, benefits and incentives.

Entities include federal ministries, federal departments and federal commission from FGOM.

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of event can be identified -adjusting and non-adjusting events.

Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.

Glossary (continued)

Exchange rate is the ratio for exchange of two currencies.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Financial asset is any asset that is: a) cash; b) a contractual right to receive cash or another equivalent asset from another entity; c) a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable; or d) an equity instrument of another entity.

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is a contractual obligation: a) to deliver cash or another financial asset to another entity; or b) to exchange financial instruments with another entity under conditions that are potentially unfavorable.

Financing activities are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.

Foreign currency is a currency other than the functional currency of the entity.

Foreign operation is an entity that is a controlled entity, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which the entity operates. For the entity this is considered to be the RM.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Inception of the lease is the earlier of the date on which a lessor and lessee enter into a lease agreement and the date on which the parties commit to the principal provisions of the lease. As at this date a) a lease is classified as either an operating or a finance lease; and b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.

Intangible assets are identifiable non-monetary assets without physical substance.

Interest cost is the increase during a financial period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Glossary (continued)

Inventories are assets: a) in the form of materials or supplies to be consumed in the production process; b) in the form of materials or supplies to be consumed or distributed in the rendering of services; c) held for sale or distribution in the ordinary course of operations; or d) in the process of production for sale or distribution.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment property is property (land or a building – or part thereof) held to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes; or b) sale in the ordinary course of operations.

Joint control is the agreed sharing of control over an activity by a binding arrangement.

Joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Key management personnel are defined under MPSAS as those officials who are responsible for the planning, directing and controlling activities of the reporting entity.

Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Legal obligation is an obligation that derives from: a) a contract (through its explicit or implicit terms); or b) legislation; or c) other operation of law.

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans guarantees are a type of contingent liability.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market.

Material omissions or misstatements are omissions or misstatements of items which could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Glossary (continued)

Modified cash basis is the accounting basis under which revenue and expenses are usually reported when cash is received or a payment is made, but with some exceptions. Notably, expenditures can be reported prior to the payment of cash on the basis that the cash will need to be paid out soon after the end of the financial year. Under this basis, investments in physical assets and intangibles are expensed immediately, and employee benefit liabilities are not required to be reported in the financial statements.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Net assets/equity is the residual interest in the assets of the entity after deducting all its liabilities. This is the residual measure in the statement of financial position.

Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Non-cash-generating assets are assets other than cash-generating assets.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-monetary items are items that are not monetary items.

Notes are disclosures which contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

Obligating event is an event that creates a legal or constructive obligation that results in the entity having no realistic alternative to settling that obligation.

Operating activities are the activities of the entity that are not investing or financing activities.

Operating lease is a lease other than a finance lease.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that do not fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

A financial asset is **past due** when a counterparty has failed to make a payment when contractually due.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior financial periods, resulting in the current financial period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where benefits are reduced).

Glossary (continued)

Percentage of completion method is an accounting method to account for asset under construction.

Plan assets comprise: a) assets held by a long-term employee benefit fund; and b) qualifying insurance policies.

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment.

Present value is the future amount of money that has been discounted to reflect its current value, as if it existed today.

Post-employment benefit plans are formal or informal arrangements under which the entity provides post-employment benefits for one or more employees.

Present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior financial periods.

Presentation currency is the currency in which the financial statements are presented. For the entity this is the RM.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior financial periods, arising from a failure to use or a misuse of reliable information that a) was available when financial statements for those financial periods were authorized for issue; and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Projected unit credit method is used to determine the present value of a defined benefit obligation and the related current service cost and the applicable past service costs.

Property, plant and equipment, or PPE, are tangible items that are a) held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and b) expected to be used during more than one reporting period. Property, plant and equipment should not be confused with inventories as defined above, although they may be counted and physically verified.

Provision is a liability of uncertain timing or amount.

Private finance initiatives is a form of public private partnership where the public sector is able to secure the provision of public services from the private sector.

Public private partnership is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

Related parties are parties considered to be related if one party has the ability to control, or exercise significant influence over, the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Glossary (continued)

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

Remuneration of key management personnel is any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.

Reporting date is the date of the last day of the reporting period to which the financial statements relate. In the case of the Entity, it is 31st December of each year.

Reporting period is the basic accounting period that applies to all financial recording and reporting of the Entity. The financial period begins 1st January, lasts for 12 months and ends on 31st December.

Residual value is the estimated amount that the entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Retrospective application is the application of a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement is a revision, correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

Segment is a distinguishable activity or group of activities of the entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions on the future allocation of resources.

Segment assets are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or that can be allocated to the segment on a reasonable basis.

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. These include expenses relating to the provision of goods and services to external parties, and expenses relating to transactions with other segments of the same entity.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenue is revenue reported in the entity's statement of financial performance that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity.

Glossary (continued)

Separate financial statements are those presented by a controlling entity, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct net assets/equity interest rather than on the basis of the reported results and net assets of the investees.

Service potential is the anticipated future benefits to be obtained from an asset. Assets that are used to deliver goods and services in accordance with the Entity's objectives but which do not directly generate net cash inflows are often described as embodying service potential.

Short-term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

Statement of financial performance is a financial statement that measures an entity's financial performance over a specific accounting period.

Statement of financial position is a financial statement that summarizes an entity's asset and liabilities at a specific point in time.

Spot exchange rate is the exchange rate for immediate delivery.

Termination benefits are employee benefits payable as a result of either: a) the Entity's decision to terminate an employee's employment before the normal retirement date; or b) an employee's decision to accept voluntary redundancy in exchange for these benefits.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Useful life is either: a) the period over which an asset is expected to be available for use by the Entity; or b) the number of production or similar units expected to be obtained from the asset by the Entity.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Venturer is a party to a joint venture and has joint control over that joint venture.