



**GOVERNMENT OF MALAYSIA**

# **Federal Government Accrual Accounting Manual**

## **REVENUE**

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**ISSUED BY**

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All amendments made to this Federal Government Accrual Accounting Manual should be tracked. Relevant information such as the document version control reference number, dates of amendment and approval, and section(s) amended are to be recorded in the amendment schedule set out below:

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

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**FINANCIAL PERFORMANCE AND RELATED NOTES****20.0 REVENUE****Introduction**

20.1 This chapter covers the following matters:

- Types of revenue
- Recognition and measurement
- Disclosures

**Types of Revenue**

20.2 Revenue is defined by 2 main categories – exchange revenue and non-exchange revenue.

Exchange Revenue

20.3 In accordance to MPSAS 9 - exchange revenue comes from transactions where there is an exchange of approximately equal value, for example:

- The rendering of services
- The sale of goods
- Interest
- Royalties
- Dividends
- Rental

Non Exchange Revenue

20.4 In accordance to MPSAS 23 - Revenue from non-exchange transactions, non-exchange revenue is recognized when an entity receives resources and provide no or nominal consideration directly in return. For example, collection of taxes, fines and penalties.

20.5 There is a further group of non-exchange transactions where the entity may provide some consideration directly in return for the resources received but the consideration does not approximate the fair value of the resources received. In these cases, the entity determines whether there is a combination of exchange and non- exchange transaction and examines the substance of the transaction. For example, a hospital provides service for a nominal consideration, where the transaction is conducted at a subsidized price, a price not equating to the fair value of the goods sold, then that transactions falls within the definition of a non - exchange transaction.

20.6 Non exchange revenue mainly comprises of:

- Income tax
- Consumption tax
- Stamp duty
- Property tax
- Quit rent assessment
- Custom duties
- Excise duties
- Miscellaneous indirect taxes
- Fines and penalties
- Contributions and compensation from foreign countries and local contributors
- Licenses, registration fees and permits
- Public service

**20.0 REVENUE (CONTINUED)****Recognition and measurement**Exchange revenue recognition

Type of Revenue	Timing for Recognition
Rendering of services Examples: <ul style="list-style-type: none"> <li>• Housing</li> <li>• School transport</li> <li>• Management of toll roads</li> <li>• Processing of court cases</li> <li>• Admission fee</li> </ul>	(a) When the amount of revenue can be measured reliably (b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity (c) The stage of completion of the transaction at the reporting date can be measured reliably (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably
Sales of goods	(a) When the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold (c) The amount of revenue can be measured reliably (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity (e) The cost incurred or to be incurred in respect of the transaction can be measured reliably
Interest (using effective interest rate - EIR)	On a time proportion basis that takes into account the effective yield of the asset. Refer to Scenario A.2 for determination of EIR.
Royalties Examples: <ul style="list-style-type: none"> <li>• Exploration of oil and gas</li> </ul>	Based on the substance of the agreement.
Dividends	When shareholder's or the entity's right to receive payment is established.
Rentals	On straight line basis over the lease term, where FGOM acts as a lessor.

## 20.0 REVENUE (CONTINUED)

### Non exchange revenue recognition

Type of Revenue	Timing for recognition
Income tax – Examples: <ul style="list-style-type: none"> <li>• Corporate income tax</li> <li>• Individual income tax</li> <li>• Petroleum income tax</li> </ul>	Recognized by reference to the earning of assessable income by the taxpayers.  Income tax deductions received through the Pay as You Earn is recognized at the point of receipt.
Consumption tax Examples: <ul style="list-style-type: none"> <li>• Sales tax</li> <li>• Services tax</li> <li>• Goods and services tax</li> </ul>	Sales tax – Point of sale of taxable goods and services. Services tax – Point of payment receipt on taxable goods and services. Goods and services tax – Recognized upon declaration by the taxpayer.
Stamp Duty	Point of collection of the revenue.
Property Tax	Point of occurrence of taxable event.
Quit rent assessment	Point of occurrence of taxable event.
Custom duties Examples: <ul style="list-style-type: none"> <li>• Export and import duties</li> </ul>	Point of the movement of dutiable goods across custom boundaries and custom controlled warehouses.
Excise duties Examples: <ul style="list-style-type: none"> <li>• Tobacco</li> <li>• Vehicles produced locally</li> </ul>	Point of occurrence of taxable events being movement of dutiable goods.  Recognized when the vehicles are sold. If not sold after 4 <sup>th</sup> year of removal from manufacturing plant, vehicles are deemed as sold and excise duties shall be accrued as a receivable.
Miscellaneous indirect taxes Examples: <ul style="list-style-type: none"> <li>• Levies</li> </ul>	Levy for agriculture produce – Point of declaration.  Levy for vehicle leaving and entering Malaysia – Point of levy imposed and received.
Fines and penalties	(a) Point of fine/penalty being imposed: <ol style="list-style-type: none"> <li>Penalty for late payment of tax imposed by Inland Revenue Board.</li> <li>Penalty for late payment of assessment imposed by the relevant authorities.</li> </ol> (b) Traffic fine. When payment is received and not when the fine is imposed because the amount of fines cannot be reliably measured in view of the various discount/waiver.
Contributions and compensation from foreign countries and local contributors Examples: <ul style="list-style-type: none"> <li>• Gifts and donations</li> </ul>	Point of future economic benefits or service potential flows to the entity and the fair value can be measured reliably, e.g. when the amount is pledged, memorandum of understanding.
Licenses, registration fees and permit Examples: <ol style="list-style-type: none"> <li>Visa</li> <li>Passport</li> <li>Birth/Death Certificate</li> </ol>	Point of licenses and permits issued
Public Service	Where service is rendered
Confiscated goods <ul style="list-style-type: none"> <li>• Custom</li> <li>• Road Transport Department</li> <li>• Police</li> </ul>	Upon disposal of items or goods according to respective laws <ul style="list-style-type: none"> <li>• Disposal upon court decision</li> <li>• Disposal upon court decision</li> <li>• Disposal upon notice period ends</li> </ul>



















































