



GOVERNMENT OF MALAYSIA

Malaysian Public Sector Accounting Standards

Preface to Malaysian Public Sector Accounting Standards

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**PREFACE TO MALAYSIAN PUBLIC SECTOR
ACCOUNTING STANDARDS**

History of the Preface

The *Preface* to Malaysian Public Sector Accounting Standards was issued in March 2013.

In December 2022, the Accountant General's Department amended the *Preface*.

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PREFACE TO MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS

Introduction

1. This Preface to the Malaysian Public Sector Accounting Standards (MPSASs) spells out the role of the Accountant General's Department (AGD) in issuing MPSASs and explains the scope and authority of the MPSASs. The Preface should be used as a reference for interpreting Exposure Drafts, Recommended Practice Guidelines and Standards developed and issued by the AGD.
2. The AGD has established a governance structure responsible for development, adoption and implementation of high quality accrual accounting standards and guidance for the public sector.

Objective of Accountant General's Department

3. One of the main objectives of AGD is to enhance public accountability and transparency, by developing high-quality accounting standards for use by public sector entities in Malaysia in the preparation of general purpose financial statements.
4. In pursuit of this objective, AGD supports the convergence of national accounting standards with the International Public Sector Accounting Standards issued by International Federation of Accountants (IFAC) where appropriate and also promotes the acceptance of its standards.

Governance Structure

5. The AGD has been given the responsibility to be the main driver for the implementation of accrual accounting in the public sector which includes developing the accounting policies and standards.
6. Thus, the AGD established two committees that is the Government Accounting Standards Advisory Committee (GASAC) and the Accrual Accounting Steering Committee to among others oversee, confirm and approve the development, adoption and implementation of MPSASs.
7. The GASAC is headed by the Deputy Accountant General of Malaysia and its members comprises of representatives from AGD, State Treasury, Ministry of Finance Malaysia, Auditor General's Department of Malaysia, Institution of Higher Learning, Malaysian Institute of Accountants, Malaysian Accounting Standards Board (MASB), professional accounting bodies, local authorities and statutory bodies. The Accrual Accounting Steering Committee (ACSC) is responsible for approving the MPSASs which have been deliberated and endorsed at GASAC meetings. ACSC is headed by the Accountant General of Malaysia and its members comprise of senior directors of AGD and Chief Accountants of Federal ministries.

Scope and Authority of Malaysia Public Sector Accounting Standards

8. The AGD develops and issues the following publications:
- MPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities.
 - Recommended Practice Guidelines (RPGs) to provide guidance on good practice that public sector entities are encouraged to follow.

Scope of the Standards

9. The AGD develops MPSASs which apply to the accrual basis of accounting and sets out requirements dealing with transactions and other events in the general purpose financial reports. General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.
10. The MPSASs are designed to apply to public sector entities¹ that meet all the following criteria:
- (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;
 - (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
 - (c) Do not have a primary objective to make profits.
- 10A. The MPSASs are designed to apply to the general purpose financial reports of all public sector entities other than commercial public sector entities. Public sector entities include the Federal Government, State Governments and Local Governments, unless otherwise stated. However, if the public sector entities are required by law to apply standards other than MPSAS, such mandatory requirement of the law shall prevail.
11. Any limitation of the applicability of specific MPSASs is made clear in those standards. MPSASs are not meant to apply to immaterial items.
12. The AGD has adopted the policy that all paragraphs in MPSASs shall have equal authority. Paragraphs in bold indicate the main principles and paragraphs in plain type are explanations and examples of the main principles. An individual MPSAS should be read in the context of the objective stated in that MPSAS and this Preface.

¹ Paragraph 1.8 of The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities issued by IPSASB which identifies a wide range of public sector entities.

² Services encompasses goods, services and policy advice, including to other public sector entities.

MPSASs for Accrual Basis

13. The AGD develops and issues MPSASs that are drawn primarily from International Public Sector Accounting Standards (IPSASs) published by International Federation of Accountants (IFAC) with the permission of IFAC. Thus MPSASs are converged with IPSASs. In undertaking that process, the AGD has to a very large extent, maintained the accounting treatment and original text of the IPSASs unless there is a significant public sector issue and local legislation which warrant a departure.

Moving From the Cash Basis to Accrual Basis

14. The AGD attempts to facilitate compliance with accrual based MPSASs through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual based MPSAS or provide relief from certain requirements when initially applying an MPSAS.
15. Having decided to adopt accrual accounting in accordance with MPSASs, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity reports in full accordance with all accrual based MPSASs.

Authority of the Malaysian Public Sector Accounting Standards

16. In Malaysia there are various regulations which govern the issue of general purpose financial reports by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions.
17. The AGD believes that the adoption of MPSASs, together with disclosure of compliance with these regulations, will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to strengthen public finance management leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.
18. The AGD strongly encourages the adoption of MPSASs by all public sector entities except commercial public sector entities towards enhancing the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making towards achieving enhancement of the quality of public services.