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Malaysian Public Sector Accounting Standards

MPSAS 42

Social Benefits

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MPSAS 42 – SOCIAL BENEFITS

Acknowledgment

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Objective

1. The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits as defined in this Standard. The information provided should help users of the financial statements and general purpose financial reports assess:
 - (a) The nature of such social benefits provided by the entity;
 - (b) The key features of the operation of those social benefit schemes; and
 - (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
2. To accomplish that, this MPSAS establishes principles and requirements for:
 - (a) Recognizing expenses and liabilities for social benefits;
 - (b) Measuring expenses and liabilities for social benefits;
 - (c) Presenting information about social benefits in the financial statements; and
 - (d) Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

Scope

3. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for social benefits.**
4. **This Standard applies to a transaction that meets the definition of a social benefit. This Standard does not apply to cash transfers that are accounted for in accordance with other Standards:**
 - (a) **Financial instruments that are within the scope of MPSAS 41, *Financial Instruments* (or MPSAS 29, *Financial Instruments: Recognition and Measurement* prior to an entity adopting MPSAS 41);**
 - (b) **Employee benefits that are within the scope of MPSAS 25, *Employee Benefits*; and**
 - (c) **Insurance contracts that are within the scope of the relevant international or national accounting standard dealing with insurance contracts.**

Paragraphs AG1–AG3 provide additional guidance on the scope of this Standard.

- 4A. Collective services and individual services (as defined in MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*) are not social benefits. Guidance on determining whether a provision arises for these transactions is provided in MPSAS 19.

Definitions

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

Social benefits are cash transfers provided to:

- (a) **Specific individuals and/or households who meet eligibility criteria;**
- (b) **Mitigate the effect of social risks; and**
- (c) **Address the needs of society as a whole.**

Paragraphs AG4–AG8 provide additional guidance on this definition.

Social risks are events or circumstances that:

- (a) **Relate to the characteristics of individuals and/or households – for example, age, health, poverty and employment status; and**
- (b) **May adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income.**

Paragraphs AG9–AG10 provide additional guidance on what is encompassed by social risks.

General Approach

Recognition of a Liability for a Social Benefit Scheme

6. **An entity shall recognize a liability for a social benefit scheme when:**
 - (a) **The entity has a present obligation for an outflow of resources that results from a past event; and**
 - (b) **The present obligation can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reports as set out in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.**

Outflow of Resources

7. A liability must involve an outflow of resources from the entity for it to be settled. An obligation that can be settled without an outflow of resources from the entity is not a liability.
8. There may be uncertainty associated with the measurement of the liability. The use of estimates is an essential part of the accrual basis of accounting. Uncertainty regarding the outflow of resources does not prevent the recognition of a liability unless the level of uncertainty is so large that the qualitative characteristics of relevance and faithful representativeness cannot be met. Where the level of uncertainty does not prevent the recognition of a liability, it is taken into account when measuring the liability.

Past Event

9. The past event that gives rise to a liability for a social benefit scheme is the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment. The satisfaction of eligibility criteria for each social benefit payment is a separate past event.

Paragraphs AG11–AG14 provide additional guidance on the recognition of a liability.

Recognition of an Expense for a Social Benefit Scheme

10. **An entity shall recognize an expense for a social benefit scheme at the same point that it recognizes a liability.**
11. An entity shall not recognize an expense for a social benefit scheme where a social benefit payment is made prior to all eligibility criteria for the next payment being satisfied. Rather, an entity shall recognize a payment in advance as an asset in the statement of financial position, unless the amount becomes irrecoverable, in which case it shall recognize an expense.

Measurement of a Liability for a Social Benefit Scheme

Initial Measurement of the Liability

12. **An entity shall measure the liability for a social benefit scheme at the best estimate of the costs (i.e., the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.**
13. An entity's best estimate of the costs (i.e., the social benefit payments) that the entity will make takes into account the possible effect of subsequent events on those social benefit payments.
14. When the liability in respect of a social benefit scheme is not expected to be settled before twelve months after the end of the reporting period in which the liability is recognized (i.e., the next social benefit payment will not be made for more than twelve months), the liability shall be discounted using the discount rate specified in paragraph 19.
15. Paragraphs AG15–AG18 provide additional guidance on measuring the liability.

Subsequent Measurement

16. **The liability for a social benefit scheme shall be reduced as social benefit payments are made. Any difference between the cost of making the social benefit payments and the carrying amount of the liability in respect of the social benefit scheme is recognized in surplus or deficit in the period in which the liability is settled.**
17. **Where a liability is discounted in accordance with paragraph 14, the liability is increased and interest expense recognized in each reporting period until the liability is settled, to reflect the unwinding of the discount.**
18. **Where a liability has yet to be settled, the liability shall be reviewed at each reporting date, and adjusted to reflect the current best estimate of the costs (i.e., the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.**

Discount Rate

19. **The rate used to discount a liability in respect of a social benefit scheme shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the social benefit liability.**
20. Paragraph AG18 provides additional guidance on the discount rate to be used.

Measurement of an Expense for a Social Benefit Scheme

21. **An entity shall initially measure the expense for a social benefit scheme at an amount equivalent to the amount of the liability measured in accordance with paragraph 12. Where the entity makes a social benefit payment prior to all eligibility criteria for the next payment being satisfied, it shall measure the payment in advance or expense recognized in accordance with paragraph 11 at the amount of the cash transferred.**

Disclosure

22. **The objective of the disclosures under the general approach, together with the information provided in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and statement of cash flows, is for entities to give users of the financial statements a basis to assess the effect that social benefits may have on**

the financial position, financial performance and cash flows of the entity. Paragraphs 23–25 specify requirements on how to meet this objective.

23. **An entity shall disclose information that:**
- (a) **Explains the characteristics of its social benefit schemes; and**
 - (b) **Explains the demographic, economic and other external factors that may affect its social benefit schemes.**
24. To meet the requirements of paragraph 23, an entity shall disclose:
- (a) Information about the characteristics of its social benefit schemes, including:
 - (i) The nature of the social benefits provided by the schemes (for example, social retirement benefits, unemployment benefits, child benefits).
 - (ii) Key features of the social benefit schemes, such as a description of the legislative framework governing the schemes, a summary of the main eligibility criteria that must be satisfied to receive the social benefits, and a statement about how additional information about the scheme can be obtained.
 - (iii) A description of how the schemes are funded, including whether the funding for the schemes is provided by means of a budget appropriation, a transfer from another public sector entity, or by other means. If a scheme is funded (whether in full or in part) by social contributions, the entity shall provide:
 - a. A cross reference to the location of information about those social contributions and any dedicated assets (where this information is included in the entity’s financial statements); or
 - b. A statement regarding the availability of information on those social contributions and any dedicated assets in another entity’s financial statements and how that information can be obtained.
 - (iv) A description of the key demographic, economic and other external factors that influence the level of expenditure under the social benefit schemes. This description may be presented in aggregate where the same demographic, economic and other external factors impact a number of social benefit schemes in a similar manner.
 - (b) The total expenditure on social benefits recognized in the statement of financial performance, analyzed by social benefit scheme.
 - (c) A description of any significant amendments to the social benefit schemes made during the reporting period, along with a description of the expected effect of the amendments. Amendments to a social benefit scheme include, but are not limited to:
 - (i) Changes to the level of social benefits provided; and
 - (ii) Changes to the eligibility criteria, including the individuals and/or households covered by the social benefit scheme.

In making the disclosures required by this paragraph, an entity shall have regard to the requirements of paragraphs 45–47 of MPSAS 1, *Presentation of Financial Statements*, which provide guidance on materiality and aggregation.

25. If a social benefit scheme satisfies the criteria in paragraph 28 to permit the use of the insurance approach, a statement to that effect.

Insurance Approach

Recognition and Measurement

26. **Where a social benefit scheme satisfies the criteria in paragraph 28, an entity is permitted, but not required, to recognize and measure the assets, liabilities, revenue and expenses associated with that social benefit scheme by applying, by analogy, the requirements of the relevant international or national accounting standard dealing with insurance contracts¹.**

Paragraph AG19 provides additional guidance on the accounting standards dealing with insurance contracts that may be applied, by analogy, in accounting for social benefits.

27. Where an entity elects not to apply by analogy the requirements of the relevant international or national accounting standard dealing with insurance contracts, the entity shall recognize and measure the liabilities and expenses associated with that social benefit scheme, and include disclosures in the financial statements, in accordance with paragraphs 6–25 of this Standard.
28. An entity may recognize and measure the assets, liabilities, revenue and expenses associated with a social benefit scheme by applying, by analogy, the requirements of the relevant international or national accounting standard dealing with insurance contracts where:
- (a) The social benefit scheme is intended to be fully funded from contributions; and
 - (b) There is evidence that the entity manages the scheme in the same way as an issuer of insurance contracts, including assessing the financial performance and financial position of the scheme on a regular basis.

Paragraphs AG20–AG25 provide additional guidance on determining whether these criteria have been satisfied.

Disclosure

29. **The objective of the disclosures under the insurance approach, together with the information provided in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and statement of cash flows, is for entities to give users of the financial statements a basis to assess the effect that social benefits may have on the financial position, financial performance and cash flows of the entity. Paragraphs 30 and 31 specify requirements on how to meet this objective.**
30. **Where an entity recognizes and measures the assets, liabilities, revenue and expenses associated with a social benefit scheme by applying, by analogy, the requirements of the relevant international or national accounting standard dealing with insurance contracts, the entity shall disclose:**
- (a) **The basis for determining that the insurance approach is appropriate;**
 - (b) **The information required by the relevant international or national accounting standard dealing with insurance contracts; and**
 - (c) **Any additional information required by paragraph 31 of this Standard.**

¹ In the insurance approach section of this Standard, the term “the relevant international or national accounting standard dealing with insurance contracts” refers to MFRS 17, *Insurance Contracts* and national standards that have adopted substantially the same principles as MFRS 17.

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31. To meet the requirements of paragraph 30(c) of this Standard, an entity shall disclose:
- (a) Information about the characteristics of its social benefit schemes, including:
 - (i) The nature of the social benefits provided by the schemes (for example, social retirement benefits, unemployment benefits, child benefits); and
 - (ii) Key features of the social benefit schemes, such as a description of the legislative framework governing the scheme, a summary of the main eligibility criteria that must be satisfied to receive the social benefit, and a statement about how additional information about the scheme can be obtained; and
 - (b) A description of any significant amendments to the social benefit schemes made during the reporting period, along with a description of the expected effect of the amendments. Amendments to a social benefit scheme include, but are not limited to:
 - (i) Changes to the level of social benefits provided; and
 - (ii) Changes to the eligibility criteria, including the individuals and/or households covered by the social benefit scheme.

In making the disclosures required by this paragraph, an entity shall have regard to the requirements of paragraphs 45–47 of MPSAS 1, *Presentation of Financial Statements*, which provide guidance on materiality and aggregation.

Reporting on the Long-Term Sustainability of an Entity’s Finances

32. Entities with social benefits are encouraged, but not required, to prepare general purpose financial reports that provide information on the long-term sustainability of the entity’s finances. Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity’s Finances*, provides guidance on the preparation of such reports.

Transitional Provisions

General Approach

33. **In accounting for a social benefit scheme that is recognized and measured, and about which disclosures are made, in accordance with the general approach (see paragraphs 6–25), an entity shall apply this Standard retrospectively, in accordance with MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.**

Insurance Approach

34. **An entity shall apply the transitional provisions in the relevant international or national accounting standard dealing with insurance contracts in accounting for a social benefit scheme that is recognized and measured, and about which disclosures are made, in accordance with the insurance approach (see paragraphs 26–31).**

Effective Date

35. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2029. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2029, it shall disclose that fact.**

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- 35A. **Paragraph 4A was added by *Collective and Individual Services (Amendments to MPSAS 19, Provisions, Contingent Liabilities and Contingent Assets)*. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2029. Earlier application is encouraged.**
36. When an entity adopts the accrual basis MPSASs of accounting as defined in MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of MPSAS.

Application Guidance

This Appendix is an integral part of MPSAS 42, Social Benefits

Scope (see paragraphs 3–4)

- AG1. This Standard is applied in accounting for transactions and obligations that meet the definition of a social benefit in paragraph 5 of this Standard. This Standard does not address transactions that are addressed in other MPSAS, such as employee pensions (which are accounted for in accordance with MPSAS 25, *Employee Benefits*) and concessionary loans such as student loans (which are accounted for in accordance with MPSAS 41, *Financial Instruments* (or MPSAS 29, *Financial Instruments: Recognition and Measurement* prior to an entity adopting MPSAS 41)).
- AG2. Similarly, this Standard does not apply to insurance contracts, even if the risk covered by the insurance contract is a social risk as defined in paragraph 5 of this Standard. Insurance contracts are accounted for in accordance with the relevant international or national accounting standard dealing with insurance contracts.
- AG3. This Standard does not apply to collective and individual services. The definition of social benefits only includes cash transfers, not the provision of services. This Standard does not apply to cash transfers to individuals and households that do not address social risks, for example emergency relief.

Definitions (see paragraph 5)

Guidance on the Definition of Social Benefits

- AG4. Social benefits are cash transfers (including transfers in the form of cash equivalents, for example debit cards) provided to individuals and/or households. Services provided by a public sector entity are not social benefits. In some jurisdictions, a public sector entity may provide vouchers that allow individuals and/or households to access services, or may reimburse individuals and/or households for costs incurred in accessing services. The economic substance of these transactions is that the public sector entity is paying for the provision of the services; such transactions do not, therefore, meet the definition of a social benefit. Where a public sector entity provides vouchers or reimbursements, the individual and/or household has no discretion over the use of the benefit. By contrast, social benefits provide cash transfers that may be used indistinguishably from income coming from other sources.
- AG5. Some jurisdictions may provide cash transfers in the form of cash equivalents that have limited restrictions on the use of the cash transfer. For example, a government may provide a debit card that can be used to purchase any item except alcohol and tobacco products. Such limited restrictions do not contravene the principle that social benefits provide cash transfers that may be used indistinguishably from income coming from other sources. Debit cards with limited restrictions are cash transfers, not the provision of services by a government.
- AG6. Social benefits are only provided when eligibility criteria to receive a social benefit payment when it is next paid are met. For example, a government may provide unemployment benefits to ensure that the needs of those whose income during periods of unemployment would otherwise be insufficient are met. Although the unemployment benefit scheme potentially covers the population as a whole, unemployment benefits are only paid to those who are

unemployed, i.e. those who meet the eligibility criteria. In some cases, eligibility criteria may relate to citizenship or residence, for example where a public sector entity pays a universal basic income to all adult residents.

- AG7. The assessment of whether a benefit is provided to mitigate the effect of social risks is made by reference to society as a whole; the benefit does not need to mitigate the effect of social risks for each recipient. An example is where a government pays a social retirement benefit to all those over a certain age, regardless of income or wealth, to ensure that the needs of those whose income after retirement would otherwise be insufficient are met. Such benefits satisfy the definition criteria that they are provided to mitigate the effect of social risks.
- AG8. Social benefits are organized to ensure that the needs of society as a whole are addressed. This distinguishes them from benefits provided through insurance contracts, which are organized for the benefit of individuals, or groups of individuals. Addressing the needs of society as a whole does not require that each social benefit covers all members of society; in some jurisdictions, social benefits are provided through a range of similar benefits that cover different segments of society. A social benefit that covers a segment of society as part of a wider system of social benefits meets the requirement that it addresses the needs of society as a whole.

Guidance on the Definition of Social Risks

- AG9. Social risks relate to the characteristics of individuals and/or households—for example, age, health, poverty and employment status. The nature of a social risk is that it relates directly to the characteristics of an individual and/or household. The condition, event, or circumstance that leads to or contributes to an unplanned or undesired event arises from the characteristics of the individuals and/or households. This distinguishes social risks from other risks, where the condition, event, or circumstance that leads to or contributes to an unplanned or undesired event arises from something other than the characteristics of an individual or household.
- AG10. For example, unemployment benefits are social benefits because the condition, event, or circumstance covered by the unemployment benefit arises from characteristics of the individuals and/or households – in this case a change in an individual’s employment status. By contrast, aid provided immediately following a natural disaster is not a social benefit. The condition, event, or circumstance that leads to or contributes to an unplanned or undesired event is an active fault line, and the risk is that a possible natural disaster causes damage. Because the risk relates to geography rather than individuals and/or households, this risk is not a social risk.

General Approach (see paragraphs 6–21)

Recognition of a Liability for a Social Benefit Scheme

- AG11. In accordance with paragraph 9 of this Standard, the past event that gives rise to a liability for a social benefit scheme is the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment. Being alive at the point at which the eligibility criteria are required to be satisfied may be an eligibility criterion, whether explicitly stated or implicit. Other ongoing eligibility criteria may be relevant for some social benefit schemes. For example, many unemployment benefits are only payable while the individual remains resident in the jurisdiction; residence is an ongoing eligibility criterion. For a liability to be recognized, a beneficiary must satisfy the eligibility criteria (to receive a social benefit payment) at, or prior to, the reporting date, even if formal validation of the eligibility criteria occurs less frequently.

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AG12. Where a beneficiary has not previously satisfied the eligibility criteria for the next payment, or there has been a break in satisfying the eligibility criteria, a liability is recognized at the point that the eligibility criteria for the next payment are first satisfied or when all the eligibility criteria are satisfied again. Examples may include:

- (a) Reaching retirement age (in the case of a social retirement benefit)
- (b) The death of a partner (in the case of a survivor benefit);
- (c) Becoming unemployed (in the case of an unemployment benefit without a waiting period); and
- (d) Being unemployed for a specified period (in the case of an unemployment benefit with a waiting period).

An entity will recognize a liability where beneficiaries satisfy the eligibility criteria (to receive a social benefit payment) at, or prior to, the reporting date. Where a beneficiary satisfies the eligibility criteria for a social benefit payment prior to the point at which the next social benefit payment will be made, but after the reporting date, no liability is recognized, as there is no present obligation as at the reporting date.

AG13. Where a beneficiary has previously satisfied the eligibility criteria, and there has been no break in satisfying those criteria, a liability for social benefits is recognized each time the criteria are satisfied.

AG14. Whether being alive is a separate eligibility criterion will depend on the characteristics of each individual social benefit scheme. For some schemes, separate consideration of being alive is not required as it is indirectly addressed by another eligibility criterion. For example:

- (a) An unemployment benefit may only be payable to those who have become unemployed and are available for work (which implicitly includes being alive).
- (b) Being alive may not be an eligibility criterion for the recipient of the social benefit. A child benefit may be paid to the parents or guardian of the child; the payment of the benefit may be dependent on the child being alive, and not on the status of the parent or guardian.
- (c) Benefits may be transferred to a survivor following the death of the beneficiary.

An entity needs to consider how being alive affects the recognition of each particular social benefit scheme, taking all relevant factors into consideration.

Measurement of a Liability for a Social Benefit Scheme

AG15. In accordance with paragraph 12 of this Standard, an entity shall measure the liability for a social benefit scheme at the best estimate of the costs (i.e., the social benefit payments) that the entity expects to make in fulfilling the present obligation represented by the liability. Satisfaction of the eligibility criteria for each social benefit payment is a separate past event, and the liability for each payment is measured separately. The maximum amount to be recognized as a liability is the costs the entity expects to incur in making the next social benefit payment. This is because social benefit payments beyond this point are future events for which there is no present obligation.

AG16. In measuring the liability, an entity takes into account the possibility that beneficiaries may cease to be eligible for the social benefit prior to the next point at which eligibility criteria for the next payment are required (implicitly or explicitly) to be satisfied. Examples include:

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- (a) The death of the beneficiary (where no survivor benefits are payable);
- (b) Commencing employment (in the case of an unemployment benefit); and
- (c) Exceeding the maximum period for which a social benefit is provided (where an unemployment benefit is provided for a limited period).

The extent to which such events affect the measurement of the liability will depend on the terms of the scheme. For example, an unemployment benefit is payable on the 15th of each month, and the reporting date is December 31. If the payment to be made on January 15 relates to unemployment up to December 15, then at the time the eligibility criteria for the next social benefit payment are met, the amount due will be known and is recognized at the reporting date. No adjustment for beneficiaries subsequently ceasing to be eligible is required.

However, if the payment on January 15 relates to unemployment between December 16 and January 15, measurement of the liability to be recognized at the reporting date is based on an estimate of the extent to which eligibility criteria for a payment have been satisfied.

AG17. Because a liability cannot extend beyond the point at which eligibility criteria for the next payment will be next satisfied, liabilities in respect of social benefits will usually be short-term liabilities. Consequently, prior to the financial statements being authorized for issue, an entity may receive information regarding the eligibility of beneficiaries to receive the social benefit. MPSAS 14, *Events After the Reporting Date*, provides guidance on using this information.

AG18. Because a liability for a social benefit scheme will usually be a short-term liability, the time value of money may not be material. Nevertheless, this Standard requires an entity to discount the liability in those cases where the liability is not expected to be settled within twelve months of the reporting date and the impact of discounting is material. MPSAS 25, *Employee Benefits*, provides additional guidance on the discount rate to be used.

Insurance Approach (see paragraphs 26–28)

AG19. In the insurance approach section of this Standard, the term “the relevant international or national accounting standard dealing with insurance contracts” refers to IFRS 17, *Insurance Contracts*, and national standards that have adopted substantially the same principles as IFRS 17. MFRS 17 has adopted principles for accounting for insurance contracts that, when applied by analogy to social benefit schemes that satisfy the criteria to use the insurance approach, will provide information that meets users’ needs and satisfies the qualitative characteristics. This may not be the case for other accounting standards dealing with insurance contracts. For example, the MASB has described MFRS 4, *Insurance Contracts*, as an “interim Standard that permits a wide range of practices and includes a “temporary exemption”, which explicitly states that an entity does not need to ensure that its accounting policies are relevant to the economic decision-making needs of users of financial statements, or that those accounting policies are reliable.”² MFRS 4, and national standards that are consistent with the principles of MFRS 4 may not provide information that meets users’ needs and satisfies the qualitative characteristics. Consequently, an entity may not recognize and measure the assets, liabilities, revenue and expenses associated with a social benefit scheme by applying, by analogy, the requirements of standards that have not adopted substantially the same principles as MFRS 17.

² Exposure Draft ED/2013/7 *Insurance Contracts*

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Guidance on Determining Whether a Social Benefit Scheme is Intended to be Fully Funded from Contributions

AG20. A social benefit scheme is intended to be fully funded from contributions when:

- (a) The legislation or other arrangement governing the social benefit scheme provides for the scheme to be funded by contributions or levies paid by or on behalf of either the potential beneficiaries or those whose activities create or exacerbate the social risks which are mitigated by the social benefit scheme, together with investment returns arising from the contributions or levies; and
- (b) One or both of the following indicators (individually or in combination) is satisfied:
 - (i) Contribution rates or levy rates are reviewed (and, where appropriate, adjusted in line with the scheme’s funding policy), either on a regular basis or when specified criteria are met, with the aim of ensuring that the revenue from contributions or levies will be sufficient to fully fund the social benefit scheme; and/or
 - (ii) Social benefit levels are reviewed (and, where appropriate, adjusted in line with the scheme’s funding policy), either on a regular basis or when specified criteria are met, with the aim of ensuring that the levels of social benefits provided will not exceed the level of funding available from contributions or levies.

In subparagraphs (i) and (ii) above, reviews are undertaken on a regular basis when they are performed at a frequency appropriate for the specific scheme. While annual reviews are common, less frequent—or more frequent—reviews will be appropriate for some schemes.

AG21. In some circumstances, a public sector entity may be required to make contributions to a social benefit scheme on behalf of those individuals and/or households who could not afford to do so. Such contributions may be made by the entity administering the scheme or some other entity. Where the contributions relate to specified individuals and/or households (which in some cases will require the contributions to be credited against the individuals’ contribution accounts), the contributions made by the public sector entity are to be considered as contributions for the purposes of determining whether a social benefit scheme is intended to be fully funded from contributions in accordance with paragraph 28(a). Where a public sector entity makes contributions to fund the deficit on a social benefit scheme, the contributions are not related to specified individuals and/or households, and are not considered as contributions for the purposes of determining whether a social benefit scheme is intended to be fully funded from contributions in accordance with paragraph 28(a).

AG22. In assessing whether a social benefit scheme is intended to be fully funded from contributions, an entity considers substance over form. For example, where a social benefit scheme is in deficit for a period but the scheme has an ability to adjust the future contribution rates and/or benefits payable such that the deficit is addressed, the scheme may still satisfy the criteria to be accounted for under the insurance approach.

AG23. The reference in paragraph AG20(a) to “those whose activities create or exacerbate the social risks which are mitigated by the social benefit scheme” is intended to cover those social benefit schemes such as an accident insurance scheme that:

- (a) Are funded by levies on, for example, motorists or employers in particular industries; and
- (b) Provide coverage against social risks to the wider population.

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Guidance on Determining Whether an Entity is Managing a Scheme in the Same Way as an Insurer

- AG24. An entity is managing a social benefit scheme in the same way as an insurer would manage an insurance portfolio when the social benefit scheme has, with the exception of its legislative rather than contractual origins, the characteristics of an insurance contract. The social benefit scheme should confer the rights and obligations on parties similar to that of an insurance contract.
- AG25. In determining whether it is managing a social benefit scheme in the same way as an insurer would manage an insurance portfolio, an entity considers the following indicators:
- (a) Does the entity consider itself bound by the scheme in a similar manner to an insurer being bound by an insurance contract? For example, there may be evidence that the entity considers that it can amend the terms of the scheme for existing participants in a manner that an insurer could not (such as where the entity can make retrospective changes to the scheme). In such cases, the entity will not be bound in a similar manner to an insurer, and the social benefit scheme will not have the characteristics of an insurance contract. An entity will be bound by the scheme in a similar manner to an insurer where its ability to amend the scheme for existing participants is limited to:
 - (i) Circumstances prescribed by the legislation that establishes the scheme (equivalent to a contractual term permitting changes in specific circumstances); or
 - (ii) When a government is setting new contribution or levy rates (where a trade-off between the contributions and prospective benefits is part of the process of determining an appropriate rate).
 - (b) Are assets relating to the social benefit scheme held in a separate fund, or otherwise earmarked, and restricted to being used to provide social benefits to participants? If an entity does not separately identify amounts relating to social benefits, this will provide evidence that the entity considers the contributions as a form of taxation. The social benefit scheme will not have the characteristics of an insurance contract. There will also be practical difficulties with applying the measurement requirements of the relevant international or national accounting standard dealing with insurance contracts if the assets associated with a social benefit scheme are not separately identified.
 - (c) Does the legislation that establishes the social benefit give enforceable rights to participants in the event that the social risk occurs? Insurance contracts give such rights to policyholders. If the social benefit scheme does not also include such rights, then any social benefits provided by the entity will have a discretionary nature, meaning that the social benefit scheme will not have the characteristics of an insurance contract. For rights to be enforceable, a participant would need to have the right to challenge—in a court of law, via an arbitration or dispute resolution process or similar mechanism—decisions by the entity. The decisions that may be challenged include, but are not limited to, those regarding whether an event is covered by a scheme, the level of social benefits payable by a scheme, and the duration of any social benefits payable by a scheme.
 - (d) An entity assesses the financial performance and financial position of a social benefit scheme on a regular basis where it is required to report internally on the financial performance of the scheme, and, where necessary, to take action to address any under-performance by the scheme. The assessment is expected to involve the use of actuarial reviews, mathematical modelling, or similar techniques to provide information for internal decision-making on the different possible outcomes that might occur.

MPSAS 42 – Social Benefits

- (e) Is there a separate entity established by the government, which is expected to act like an insurer in relation to a social benefit scheme? The existence of such an entity provides evidence that the entity is managing a scheme in the same way as an insurer would manage an insurance portfolio. However, it is not a requirement for applying the insurance approach that a separate entity has been established. Relevant international and national accounting standards dealing with insurance contracts apply to insurance contracts, not just to insurance companies.

Amendments to Other MPSAS

Amendments to MPSAS 1, *Presentation of Financial Statements*

Paragraphs 88, 94, and 112–115 are amended and paragraph 153M is added. New text is underlined and deleted text is struck through.

...

Structure and Content

...

Statement of Financial Position

...

Information to be Presented on the Face of the Statement of Financial Position

88. **As a minimum, the face of the statement of financial position shall include line items that present the following amounts:**

(a) **Property, plant, and equipment;**

...

(j) **Taxes and transfers payable;**

(ja) **Social benefits liabilities;**

(k) **Payables under exchange transactions;**

...

...

Information to be Presented either on the Face of the Statement of Financial Position or in the Notes

...

94. The detail provided in subclassifications depends on the requirements of MPSASs and on the size, nature and function of the amounts involved. The factors set out in paragraph 91 also are used to decide the basis of subclassification. The disclosures vary for each item, for example:

(a) Items of property, plant and equipment are disaggregated into classes in accordance with MPSAS 17, *Property, Plant and Equipment*;

...

(d) Taxes and transfers payable are disaggregated into tax refunds payable, transfers payable, and amounts payable to other members of the economic entity;

(da) Social benefits liabilities are disaggregated into separate social benefit schemes where these are material;

(e) Provisions are disaggregated into provisions for employee benefits and other items; and

(f) Components of net assets/equity are disaggregated into contributed capital, accumulated surpluses and deficits, and any reserves.

MPSAS 42 – Social Benefits

...

Statement of Financial Performance

...

Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes

...

112. The first form of analysis is the nature of expense method. Expenses are aggregated in the statement of financial performance according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits, and advertising costs), and are not reallocated among various functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Employee benefits costs	X	
<u>Social benefits expenses</u>	<u>X</u>	
Depreciation and amortization expense	X	
Other expenses	X	
Total expenses	X	(X)
Surplus		X

113. The second form of analysis is the function of expense method and classifies expenses according to the program or purpose for which they were made. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involves considerable judgment. An example of a classification using the function of expense method is as follows:

Revenue		X
Expenses:		
<u>Social benefits expenses</u>		<u>(X)</u>
Health expenses		(X)
Education expenses		(X)

MPSAS 42 – Social Benefits

Other expenses	(X)
Surplus	X

114. The expenses associated with the main functions undertaken by the entity are shown separately. In this example, the entity has functions relating to the provision of social benefits, health and education services. The entity would present expense line items for each of these functions.

115. **Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortization expense, social benefits expense and employee benefits expense.**

...

Effective Date

...

153M. Paragraphs 88, 94 and 112–115 were amended by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply these amendments at the same time as it applies MPSAS 42.

...

MPSAS 42 – Social Benefits

Implementation Guidance

...

Public Sector Entity—Statement of Financial Position

As at December 31, 20X2

(in thousands of Ringgit Malaysia)

	20X2		20X1
ASSETS			
...			
LIABILITIES			
Current liabilities			
Payables	X		X
Short-term borrowings	X		X
Current portion of long-term borrowings	X		X
Short-term provisions	X		X
<u>Social benefits</u>	<u>X</u>		<u>X</u>
Employee benefits	X		X
Superannuation	X		X
	X		X
Non-current liabilities			
Payables	X		X
Long-term borrowings	X		X
Long-term provisions	X		X
<u>Social benefits</u>	<u>X</u>		<u>X</u>
Employee benefits	X		X
Superannuation	X		X

MPSAS 42 – Social Benefits

	20X2		20X1
	X		X
Total liabilities	X		X
Net assets	X		X
Net assets/equity			
...			
Non-controlling interest	X		X
Total net assets/equity	X		X

Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Function)

(in thousands of Ringgit Malaysia)

	20X2		20X1
Revenue			
...			
Expenses			
General public services	(X)		(X)
Defense	(X)		(X)
Public order and safety	(X)		(X)
Health	(X)		(X)
Education	(X)		(X)
<u>Social benefits</u>	<u>(X)</u>		<u>(X)</u>
<u>S</u> Other social protection	(X)		(X)
Housing and community amenities	(X)		(X)

MPSAS 42 – Social Benefits

	20X2		20X1
Recreational, cultural and religion	(X)		(X)
Economic affairs	(X)		(X)
Environmental protection	(X)		(X)
Other expenses	(X)		(X)
Finance costs	(X)		(X)
Total Expenses	(X)		(X)

Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2

(Illustrating the Classification of Expenses by Nature)

(in thousands of Ringgit Malaysia)

	20X2		20X1
Revenue			
...			
Expenses			
Wages, salaries, and employee benefits	(X)		(X)
<u>Social benefits</u>	<u>(X)</u>		<u>(X)</u>
Grants and other transfer payments	(X)		(X)
Supplies and consumables used	(X)		(X)
Depreciation and amortization expense	(X)		(X)
Impairment of property, plant, and equipment*	(X)		(X)
Other expenses	(X)		(X)
Finance costs	(X)		(X)
Total Expenses	(X)		(X)
...			

* In a statement of financial performance in which expenses are classified by nature, an impairment of property, plant, and equipment is shown as a separate line item. By contrast, if expenses are classified by function, the impairment is included in the function(s) to which it relates.

MPSAS 42 – Social Benefits

Amendments to MPSAS 2, *Cash Flow Statements*

Paragraph 22 is amended and paragraph 63G is added. New text is underlined and deleted text is struck through.

...

Presentation of a Cash Flow Statement

...

Operating Activities

...

22. Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity. Examples of cash flows from operating activities are:

(a) Cash receipts from taxes, levies, and fines;

...

(d) Cash receipts from royalties, fees, commissions, and other revenue;

(da) Cash payments to beneficiaries of social benefit schemes;

(e) Cash payments to other public sector entities to finance their operations (not including loans);

....

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to construct or acquire assets held for rental to others and subsequently held for sale as described in paragraph 83A of MPSAS 17, *Property, Plant, and Equipment* are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

...

Effective Date

63G. Paragraph 22 was amended by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply this amendment at the same time as it applies MPSAS 42.

...

Illustrative Examples

These examples accompany, but are not part of, MPSAS 2, Cash Flow Statements.

Cash Flow Statement (For an Entity Other Than a Financial Institution)

Direct Method Cash Flow Statement (paragraph 27(a))

Public Sector Entity—Consolidated Cash Flow Statement for Year Ended December 31, 20X2

MPSAS 42 – Social Benefits

(in thousands of Ringgit Malaysia)	20X2		20X1
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
...			
Payments			
Employee costs	(X)		(X)
Superannuation	(X)		(X)
Suppliers	(X)		(X)
<u>Social benefits</u>	<u>(X)</u>		<u>(X)</u>
Interest paid	(X)		(X)
Other payments	(X)		(X)
Net cash flows from operating activities	X		X

...

Notes to the Cash Flow Statement

...

(C) Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

(in thousands of Ringgit Malaysia)	20X2		20X1
Surplus/(deficit)	X		X
Non-cash movements			
Depreciation	X		X
...			
Increase in borrowings	X		X
<u>Increase in social benefits liabilities</u>	<u>X</u>		<u>X</u>
Increase in provisions relating to employee costs	X		X
...			
Increase in receivables	(X)		(X)
Net cash flows from operating activities	X		X

Indirect Method Cash Flow Statement (paragraph 27(b))

Public Sector Entity—Consolidated Cash Flow Statement for Year Ended December 31, 20X2

(in thousands of Ringgit Malaysia)	20X2		20X1
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit)	X		X
Non-cash movements			

MPSAS 42 – Social Benefits

Depreciation	X		X
Amortization	X		X
Increase in provision for doubtful debts	X		X
Increase in payables	X		X
Increase in borrowings	X		X
<u>Increase in social benefits liabilities</u>	<u>X</u>		<u>X</u>
Increase in provisions relating to employee costs	X		X
(Gains)/losses on sale of property, plant and equipment	(X)		(X)
(Gains)/losses on sale of investments	(X)		(X)
Increase in other current assets	(X)		(X)
Increase in investments due to revaluation	(X)		(X)
Increase in receivables	(X)		(X)
Net cash flows from operating activities	X		X

Amendments to MPSAS 19, Provisions, Contingent Liabilities and Contingent Assets

Paragraphs 1, 12, 19, and 77 are amended, paragraph 111I is added and paragraphs 7–11, 99 and 104 are deleted. New text is underlined and deleted text is struck through.

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for provisions, contingent liabilities, and contingent assets, except:**
 - (a) ~~Those provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits~~Social benefits within the scope of MPSAS 42, Social Benefits;

...

Social Benefits

7. ~~For the purposes of this Standard, “social benefits” refer to goods, services, and other benefits provided in the pursuit of the social policy objectives of a government. These benefits may include:~~

- (a) ~~The delivery of health, education, housing, transport, and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and~~
- (b) ~~Payment of benefits to families, the aged, the disabled, the unemployed, veterans, and others. That is, governments at all levels may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.~~

MPSAS 42 – Social Benefits

8. In many cases, obligations to provide social benefits arise as a consequence of a government's commitment to undertake particular activities on an ongoing basis over the long term in order to provide particular goods and services to the community. The need for, and nature and supply of, goods and services to meet social policy obligations will often depend on a range of demographic and social conditions, and are difficult to predict. These benefits generally fall within the social protection, education, and health classifications under the International Monetary Fund's Government Finance Statistics framework, and often require an actuarial assessment to determine the amount of any liability arising in respect of them.

9. For a provision or contingency arising from a social benefit to be excluded from the scope of this Standard, the public sector entity providing the benefit will not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of the benefit. This exclusion would encompass those circumstances where a charge is levied in respect of the benefit, but there is no direct relationship between the charge and the benefit received. The exclusion of these provisions and contingent liabilities from the scope of this Standard reflects the Committee's view that both (a) the determination of what constitutes the obligating event, and (b) the measurement of the liability require further consideration before proposed Standards are exposed. For example, the Committee is aware that there are differing views about whether the obligating event occurs when the individual meets the eligibility criteria for the benefit or at some earlier stage. Similarly, there are differing views about whether the amount of any obligation reflects an estimate of the current period's entitlement, or the present value of all expected future benefits determined on an actuarial basis.

10. Where an entity elects to recognize a provision for such obligations, the entity discloses the basis on which the provisions have been recognized and the measurement basis adopted. The entity also makes other disclosures required by this Standard in respect of those provisions. MPSAS 1 provides guidance on dealing with matters not specifically dealt with by another MPSAS. MPSAS 1 also includes requirements relating to the selection and disclosure of accounting policies.

11. In some cases, social benefits may give rise to a liability for which there is:

- (a) Little or no uncertainty as to amount; and
- (b) The timing of the obligation is not uncertain.

Accordingly, these are not likely to meet the definition of a provision in this Standard. Where such liabilities for social benefits exist, they are recognized where they satisfy the criteria for recognition as liabilities (refer also to paragraph 19). An example would be a period-end accrual for an amount owing to the existing beneficiaries in respect of aged or disability pensions that have been approved for payment consistent with the provisions of a contract or legislation.

Other Exclusions from the Scope of the Standard

12. This Standard does not apply to executory contracts unless they are onerous. Contracts to provide social benefits entered into with the expectation that the entity will not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits, are excluded from the scope of this Standard.

...

Definitions

...

Provisions and Other Liabilities

19. Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:

- (a) Payables are liabilities to pay for goods or services that have been received or supplied, and have been invoiced or formally agreed with the supplier ~~(and include payments in respect of social benefits where formal agreements for specified amounts exist);~~ and

...

Application of the Recognition and Measurement Rules

...

Onerous Contracts

77. Paragraph 76 of this Standard applies only to contracts that are onerous. ~~Contracts to provide social benefits entered into with the expectation that the entity does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits, are excluded from the scope of this Standard.~~

...

Disclosure

...

99. ~~Where an entity elects to recognize in its financial statements provisions for social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits, it shall make the disclosures required in paragraphs 97 and 98 in respect of those provisions.~~

...

104. ~~The disclosure requirements in paragraph 100 do not apply to contingent liabilities that arise from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods or services provided, directly in return from the recipients of those benefits (see paragraphs 1(a) and 7–11 for a discussion of the exclusion of social benefits from this Standard).~~

...

Effective Date

...

111L. Paragraphs 1, 12, 19, and 77 were amended and paragraphs 7–11, 99 and 104 were deleted by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply these amendments at the same time as it applies MPSAS 42.

...

Amendments to MPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

Paragraph 2 is amended and paragraph 124G is added. New text is underlined and deleted text is struck through.

...

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for revenue from non-exchange transactions. This Standard does not apply to:

- (a) ~~▲ a public sector combination that is a non-exchange transaction; and~~
- (b) Contributions to social benefit schemes that are accounted for in accordance with paragraphs 26–31 of MPSAS 42, *Social Benefits* (the insurance approach).

...

Effective Date

...

124G. Paragraph 2 was amended by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply this amendment at the same time as it applies MPSAS 42.

...

Amendments to MPSAS 24, *Presentation of Budget Information in Financial Statements*

Paragraph 48 is amended and paragraph 54E is added. New text is underlined.

...

Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements

...

48. Differences between the actual amounts identified consistent with the comparable basis, and the actual amounts recognized in the financial statements, can usefully be classified into the following:

- (a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis. For example, where the budget is prepared on the cash basis or modified cash basis and the financial statements are prepared on the accrual basis;
- (b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements; and
- (c) Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared.

There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget. For example, social benefits as defined in MPSAS 42, *Social Benefits*, are limited to cash transfers. The GFS classification of social benefits is wider, and includes some individual services provided by governments.

...

Effective Date

...

54E. Paragraph 48 was amended by MPSAS 42, *Social Benefits* issued in May 2026. An entity

MPSAS 42 – Social Benefits

shall apply this amendment at the same time as it applies MPSAS 42.

...

Illustrative Examples

These examples accompany, but are not part of, MPSAS 24, Presentation of Budget Information in Financial Statements.

Statement of Comparison of Budget and Actual Amounts

For Government XX for the Year Ended December 31, 20XX

BUDGET ON CASH BASIS

(Classification of Payments by Functions)

Note: The budget and the accounting basis is different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.

(in Ringgit Malaysia)	Budgeted Amounts		Actual Amounts on Comparable Basis	³ Difference: Final Budget and Actual
	Original	Final		
RECEIPTS				
...				
PAYMENTS				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
<u>Social Benefits</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
S Other social protection	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)
Housing and community amenities	(X)	(X)	(X)	(X)
Recreational, cultural and religion	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)

³ The "Difference..." column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included

MPSAS 42 – Social Benefits

...

Encouraged Note Disclosure: Biennial Budget on Cash Basis—For Government B for the Year Ended December 31, 20XX

(in Ringgit Malaysia)	Original Biennial Budget Year	Target Budget for 1st Year	Revised Budget in 1st Year	1st Year Actual on Comparable Basis	Balance Available for 2nd Year	Target Budget for 2nd Year	Revised Budget in 2nd Year	2nd Year Actual on Comparable Basis	<i>⁴Difference: Budget and Actual over Budget Period</i>
RECEIPTS									
PAYMENTS									
Health	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Public order and safety	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
<u>Social Benefits</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
S Other social protection	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Housing, community amenities	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Recreational, cultural, religion	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
NET RECEIPTS/ (PAYMENTS)	X	X	X	X	X	X	X	X	X

⁴ This column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

MPSAS 42 – Social Benefits

Amendments to MPSAS 28, *Financial Instruments: Presentation*

Paragraph 60G is added and paragraph AG23 is amended. New text is underlined and deleted text is struck through.

...

Effective date

60G. Paragraph AG23 was amended by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply this amendment at the same time as it applies MPSAS 42.

Application Guidance

...

Definitions (paragraphs 9–12)

Financial Assets and Financial Liabilities

...

AG23. Statutory obligations can be accounted for in a number of ways:

- Obligations to pay income taxes are accounted for in accordance with the relevant international or national accounting standard dealing with income taxes.
- Obligations to provide social benefits are accounted for in accordance with ~~MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*~~ and ~~MPSAS 19~~ MPSAS 42, *Social Benefits*.
- Other statutory obligations are accounted for in accordance with MPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

Amendments to MPSAS 33, *First-time Adoption of Accrual Basis Malaysian Public Sector Accounting Standards (MPSASs)*

Paragraph 36 is amended and paragraphs 134A, 134B and 154G are added. New text is underlined and deleted text is struck through.

...

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

...

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

Recognition and/or Measurement of Assets and/or Liabilities

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

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

MPSAS 42 – Social Benefits

- (b) Investment property (see MPSAS 16, *Investment Property*);
- (c) Property, plant and equipment (see MPSAS 17, *Property, Plant and Equipment*);
- (d) Defined benefit plans and other long-term employee benefits (see MPSAS 25, *Employee Benefits*);
- (e) Biological assets and agricultural produce (see MPSAS 27, *Agriculture*);
- (f) Intangible assets (see MPSAS 31, *Intangible Assets*);
- (g) Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see MPSAS 32, *Service Concession Arrangements: Grantor*); ~~and~~
- (h) Financial instruments (see MPSAS 41, *Financial Instruments*); and
- (i) Social benefits (see MPSAS 42, *Social Benefits*).

...

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

...

MPSAS 42, *Social Benefits*

134A. On the date of adoption of MPSASs, or where a first-time adopter takes advantage of the three year transitional exemption, the date on which the exemption expires, or when the relevant liabilities are recognized and/or measured in the financial statements (whichever is earlier), a first-time adopter shall determine its initial liability for a social benefit scheme at that date in accordance with MPSAS 42, *Social Benefits*.

134B. If the initial liability in accordance with paragraph 134A is more or less than the liability that was recognized and/or measured at the end of the comparative period under the first-time adopter's previous basis of accounting, the first-time adopter shall recognize that increase/decrease in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.

...

Effective Date

...

154G. Paragraph 36 was amended and paragraphs 134A and 134B were added by MPSAS 42, *Social Benefits*, issued in May 2026. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2029. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2029 it shall disclose that fact and apply MPSAS 42 at the same time.

...

Implementation Guidance

This guidance accompanies, but is not part of, MPSAS 33, First-time Adoption of Accrual Basis MPSASs.

MPSAS 42 – Social Benefits

...

Presentation and Disclosure

...

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

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

...

		Transitional exemption provided						
		NO	YES					
		Deemed cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
<u>MPSAS 42, Social Benefits</u>			√ <u>liabilities for social benefits not recognized under previous basis of accounting</u>	√ <u>liabilities for social benefits recognized under previous basis of accounting</u>				

MPSAS 42 – Social Benefits

Implementation Guidance

This guidance accompanies, but is not part of, MPSAS 42, Social Benefits.

IG1. The purpose of this Implementation Guidance is to illustrate certain aspects of the requirements of MPSAS 42, *Social Benefits*.

Scope of MPSAS 42, *Social Benefits*

IG2. The following diagram illustrates the scope of MPSAS 42, *Social Benefits* and the boundaries between social benefits and other transactions.

Category	Grants, Contributions and Other Transfers	Emergency Relief	Collective Services	Individual Services	Social Benefits	Employee Benefits	Contracts for Insurance	Contracts for Goods and Services
Examples	Grants to other public sector entities Grants to charities	Emergency relief Planning and preparation activities	Defense Street lighting	Education Healthcare	Social retirement benefits Unemployment benefits Income support	Employee pensions Healthcare Salaries	Vehicle insurance Private medical insurance	Purchase of goods Payment for services
Exchange or Non-Exchange Transaction?	Both	Non-Exchange	Non-Exchange	Non-Exchange	Non-Exchange	Exchange	Exchange	Exchange
Provided as cash transfers to specific individuals/households	Sometimes	Sometimes	No	No	Yes	Sometimes	No	No
Provided to specific individuals/households who meet eligibility criteria?	Sometimes	Sometimes	No	Sometimes	Yes	Yes	No	No
Mitigates effect of social risks?	No	No	No	Sometimes	Yes	Yes	No	No
Addresses needs of society as a whole?	Sometimes	No	Yes	Yes	Yes	No	No	No

Recognition and Measurement of Liabilities and Expenses in MPSAS 42, *Social Benefits*

- IG3. **Where a social retirement benefit is paid monthly in arrears, will the liability at the reporting date be the same as the amount paid in the following month?**
- IG4. The liability at the reporting date is unlikely to be exactly the same as the amount paid the following month. The extent of the difference will depend on the circumstances of the social retirement benefits. Factors that will affect the extent of the difference include the following:
- (a) Timing differences. The payment in the month following the reporting date may include payments that do not form part of the liability at that reporting date. For example, an entity prepares its financial statements as at December 31. If social retirement benefits are paid on the 15th of each month, the payment made on January 15 may include payments made to individuals who reached retirement age between January 1 and January 15. The payments to these individuals will not form part of the liability as at December 31, because, at that date, those individuals had not met the eligibility criteria.
 - (b) Incomplete information. The information which is used to calculate payments may be incomplete, and consequently the payment in the following month may not exactly match the liability at the reporting date. For example, payments are usually calculated a number of days prior to the payment being made. Changes in circumstances notified after that date are not reflected in the payment, but are adjusted in subsequent periods.
- IG5. In considering the liability to be recognized as at the reporting date, entities may find it helpful to refer to the discussion of materiality in MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.
- IG6. **How do breaks in meeting the eligibility criteria for a social benefit scheme affect the recognition and measurement of the liability?**
- IG7. For a social benefit scheme that has ongoing eligibility criteria (other than being alive, where this is an eligibility criterion) an individual may alternate between periods when they meet the eligibility criteria for the next social benefit payment, and periods when they do not meet those eligibility criteria. In these circumstances, each instance of an individual satisfying the eligibility criteria is recognized and measured separately.
- IG8. For example, an entity prepares its financial statements as at December 31. As at that date, an individual was unemployed, and eligible to receive unemployment benefits. Consequently, the entity has a present obligation to the individual at the reporting date. The individual finds temporary employment on January 10 and ceases to be eligible for the unemployment benefits. This employment ends on January 24, when the individual once more becomes eligible for unemployment benefits. Only the first period of unemployment might be included in the liability at the reporting date, as the eligibility criteria for the subsequent period were not satisfied until after that reporting date.

Illustrative Examples

These examples accompany, but are not part of, MPSAS 42, Social Benefits.

Scope and Definitions

Illustrating the Consequences of Applying Paragraphs 3–5 and AG1–AG10 of MPSAS 42, Social Benefits.

IE1. The following scenarios illustrate the process for determining whether a transaction is within the scope of MPSAS 42, *Social Benefits*. These scenarios portray hypothetical situations. Although some aspects of the scenarios may be present in actual fact patterns, all facts and circumstances of a particular fact pattern would need to be evaluated when applying MPSAS 42.

Example 1–Provision of Retirement Benefits to Government Employees

IE2. Employees of Province A are entitled, under the terms of their employment contracts, to retirement benefits once they reach the age of 60. The employees are required to contribute a percentage of their salary while they are employed. The retirement benefits provided are based on the final salary of the employees, and their length of service.

IE3. The retirement benefits are cash transfers provided to specific individuals who meet eligibility criteria. The retirement benefits are intended to mitigate social risks, in that they are intended to ensure that the employees have sufficient income once they reach retirement age.

IE4. However, the retirement benefits do not address the needs of society as a whole, as they are only available to former employees of Province A. The retirement benefits are paid as compensation for employment services rendered. It follows that the retirement benefits do not meet all the elements of the definition of a social benefit. Consequently, the retirement benefits are outside the scope of MPSAS 42, *Social Benefits*. The retirement benefits are employee benefits, and are accounted for in accordance with MPSAS 25, *Employee Benefits*.

Example 2–Provision of Social Retirement Benefit

IE5. Government B pays a minimum social retirement benefit to all citizens and residents who have reached the age of 60. The social retirement benefit is governed by legislation. Individuals are required to make contributions during their working life, based on their salary. However, the social retirement benefit pays the same amount to each recipient regardless of the contributions made.

IE6. The social retirement benefits are provided as a cash transfer to specific individuals who meet eligibility criteria. It is intended to mitigate social risks by ensuring that individuals and households have sufficient income once they reach retirement age.

IE7. The social retirement benefits address the needs of society as a whole. Paragraph AG7 of MPSAS 42, *Social Benefits* notes that the “assessment of whether a benefit is provided to mitigate the effect of social risks is made by reference to society as a whole; the benefit does not need to mitigate the effect of social risks for each recipient. An example is where a government pays a social retirement benefit to all those over a certain age, regardless of income or wealth, to ensure that the needs of those whose income after retirement would otherwise be insufficient are met.”

IE8. Consequently, the social retirement benefit is within the scope of MPSAS 42, *Social Benefits*.

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Example 3–Provision of Universal Healthcare Services

- IE9. Government C provides basic healthcare services to all its citizens, and to other individuals who meet residency requirements. The healthcare services are provided free at the point of delivery.
- IE10. The healthcare services are provided to specific individuals who meet eligibility criteria. The healthcare services are intended to mitigate social risks, in that they are intended to ensure that the welfare of individuals and households is not adversely affected by ill health. In doing so, they address the needs of society as a whole.
- IE11. However, Government C is providing services rather than cash transfers. Consequently, the healthcare services are outside the scope of MPSAS 42, *Social Benefits*.

Example 4–Provision of Disability Allowances

- IE12. State Government D pays disability allowances to individuals who have a permanent disability that prevents them from working, regardless of their age. A disability allowance is only payable after a medical examiner certifies that the disability is permanent, and that the disability will prevent the individual affected from undertaking paid employment. The level of disability allowance is dependent on the individual, and is intended to cover basic needs and to allow the individual to pay for an appropriate level of care.
- IE13. The disability allowances are provided as cash transfers to specific individuals who meet eligibility criteria. The disability allowances are intended to mitigate the social risk of ill health, in that they are intended to ensure that the welfare of individuals and households is not adversely affected by disability. In doing so, they address the needs of society as a whole.
- IE14. Consequently, the disability allowances are within the scope of MPSAS 42, *Social Benefits*.

Example 5–Provision of Unemployment Benefits

- IE15. Province E pays unemployment benefits to individuals who are resident in the province and who become unemployed. The unemployment benefits are payable for a maximum of one year, and there is a two week ‘waiting period’ before the unemployment benefits are payable.
- IE16. The unemployment benefits are provided as cash transfers to specific individuals who meet eligibility criteria. The unemployment benefits are intended to mitigate social risks, in that they are intended to ensure that individuals and households have sufficient income during periods of unemployment. In doing so, they address the needs of society as a whole.
- IE17. Consequently, the unemployment benefits are within the scope of MPSAS 42, *Social Benefits*.

Example 6–Provision of Emergency Relief

- IE18. Following an earthquake that has caused significant damage in a region, Government F provides emergency relief to assist with reconstruction and with providing services such as temporary housing to those affected by the earthquake.
- IE19. Some costs will relate to providing benefits as cash transfers to specific individuals who meet eligibility criteria. Other costs will relate to the provision of assets and services, for example the reconstruction of roads damaged by the earthquake.
- IE20. The provision of assets, such as the reconstruction of roads, or services to specific individuals is not a cash transfer and consequently is outside the scope of MPSAS 42, *Social Benefits*.

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- IE21. The emergency relief provided as cash transfers does not mitigate the effects of social risks, but instead mitigates the effects of a geographical risk – the risk of earthquake. Paragraph AG10 of MPSAS 42, *Social Benefits* explains that risks that do not relate to the characteristics of individuals and/or households – for example, risks related to the characteristics of geography or climate, such as the risk of an earthquake or flooding occurring – are not social risks. Consequently, the emergency relief is outside the scope of MPSAS 42.
- IE22. Following a natural disaster, individuals and/or households may subsequently become eligible for other benefits, for example unemployment benefits. These benefits may be social benefits if they satisfy the definition of a social benefit (including the requirements that they are cash transfers and they mitigate social risks).

Example 7–Provision of Defense Services

- IE23. Government G maintains an army, navy and air force to provide defense for the country.
- IE24. These defense services are not cash transfers provided to specific individuals who meet eligibility criteria, but instead are collective services, in that:
- (a) They are delivered simultaneously to each member of the community or section of the community; and
 - (b) Individuals cannot be excluded from the benefits of collective goods and services.
- IE25. Consequently, the provision of defense services is outside the scope of MPSAS 42, *Social Benefits*.

General Approach: Recognition and Measurement

Illustrating the Consequences of Applying Paragraphs 6–21 and AG11–AG18 of MPSAS 42, Social Benefits

Example 8

- IE26. The following example illustrates the process for recognizing and measuring the liability and expense for a social retirement benefit. This example is not based on actual transactions.
- IE27. Government H provides a social retirement benefit to its citizens and permanent residents. The social retirement benefit scheme pays a fixed amount of RM250 per month to each individual who has reached the retirement age of 60. Amounts are paid in full to those individuals who satisfied the eligibility criteria in full at the end of the previous month.
- IE28. Government H prepares its financial statements as at December 31. Social retirement benefits are paid at the end of each month.
- IE29. As at December 31, 20X1, Government H recognized a liability for social retirement benefits of RM1,950,500. During 20X2, Government H paid social retirement benefits as follows:

Month(s)	Social Retirement Benefits Paid (RM)
January 20X2	1,950,500
February–December 20X2	22,258,000
Total	24,208,500

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- IE30. During January 20X3, Government H pays social retirement benefits totaling RM2,095,750.
- IE31. As at December 31, 20X2, Government H recognizes a liability for social retirement benefits payable to those who satisfied the eligibility criteria at that date. Consequently, Government H recognizes a liability of RM2,095,750, the full amount of the social retirement benefits paid in January.
- IE32. During 20X2, the total amount recognized as an expense is RM24,353,750. The breakdown of this amount is as follows:

	RM
Social Retirement Benefits paid in February 20X2 (recognized in January 20X2) to December 20X2 (recognized in November 20X2)	22,258,000
Social Retirement Benefits paid in January 20X3 (recognized in December 20X2)	2,095,750
Total	24,353,750

Example 9

- IE33. The following example illustrates the process for recognizing and measuring the liability and expense for a social retirement benefit. This example is not based on actual transactions.
- IE34. Government I provides a social retirement benefit to its citizens and permanent residents. The social retirement benefit scheme pays a fixed amount of RM100 per month (in arrears) to each individual who has reached the retirement age of 60. Amounts are pro-rated in the months in which an individual reaches the retirement age, and in the months in which an individual dies.
- IE35. Government I prepares its financial statements as at December 31. Social retirement benefits are paid at the end of each month.
- IE36. As at December 31, 20X7, Government I recognized a liability for social retirement benefits of RM2,990,656. During 20X8, Government I paid social retirement benefits as follows:

Month(s)	Social Retirement Benefits Paid (RM)
January 20X8	3,024,997
February–December 20X8	33,435,183
Total	36,460,180

- IE37. In this example, it is assumed that Government I has complete information at the date it pays social retirement benefits. Consequently, the difference between the amount paid in January 20X8 (RM3,024,997) and the liability recognized as at December 31, 20X7 (RM2,990,656) represents the pro-rated social retirement benefits paid to those who reached retirement age during January 20X8 (RM34,341).
- IE38. On January 31, 20X9, Government I pays social retirement benefits totaling RM3,053,576. There are three elements to this payment:

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	RM
Full social retirement benefits paid to those individuals eligible at December 31, 20X8 and remaining eligible at January 31, 20X9	2,979,600
Pro-rated social retirement benefits paid to those individuals eligible at December 31, 20X8 who died during January 20X9	36,420
Pro-rated social retirement benefits paid to those who reached retirement age during January 20X9	37,556
Total	3,053,576

IE39. As at December 31, 20X8, Government I recognizes a liability for social retirement benefits payable to those who satisfied the eligibility criteria at that date. Because its 20X8 financial statements are issued after the January 20X9 social retirement benefits have been paid, Government I uses the information available at that time to prepare its financial statements.

IE40. Consequently, Government I recognizes a liability of RM3,016,020. This includes the full social retirement benefits paid to those individuals eligible at December 31, 20X8 and remaining eligible at January 31, 20X9 (RM2,979,600) and the pro-rated social retirement benefits paid to those individuals eligible at December 31 who died during January 20X9 (RM36,420). The liability does not include the pro-rated social retirement benefits paid to those who reached retirement age during January 20X9 because they had not satisfied the eligibility criteria as at December 31, 20X8.

IE41. During 20X8, the total amount recognized as an expense is RM36,485,544. The breakdown of this amount is as follows:

	RM
Pro-rated social retirement benefits paid to those who reached retirement age during January 20X8 (recognized in January 20X8)	34,341
Social retirement benefits paid between February 20X8 and December 20X8 and recognized in the financial year January 1, 20X8 to December 31, 20X8	33,435,183
Full social retirement benefits paid to those individuals eligible at December 31, 20X8 and remaining eligible at January 31, 20X9 (recognized in December 20X8)	2,979,600
Pro-rated social retirement benefits paid to those individuals eligible at December 31, 20X8 who died during January 20X9 (recognized in December 20X8)	36,420
Total	36,485,544

Example 10

IE42. The following example illustrates the process for recognizing and measuring the liability and expense for an unemployment benefit. This example is not based on actual transactions.

IE43. State Government J provides unemployment benefits to its citizens and permanent residents. The unemployment benefit scheme pays monthly amounts of 50% of an individual's previous salary, to a maximum of RM500 per month (in arrears). Unemployment benefits are payable

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for a maximum of eighteen months. To be eligible to receive benefits, an individual must have been in paid employment in the State for at least 100 days in the past twelve months. Eligibility commences fourteen days after the individual last worked. Amounts are pro-rated in the months in which an individual first meets the eligibility criteria, and in the months in which an individual's eligibility comes to an end (finding paid employment, becoming self-employed, expiry of the eighteen month maximum period, moving out of the State or dying).

- IE44. State Government J prepares its financial statements as at June 30. Unemployment benefits are paid on the 15th day of each month.
- IE45. As at June 30, 20X1, State Government J recognized a liability for unemployment benefits of RM125,067. During the financial year July 1, 20X1–June 30, 20X2, State Government J paid unemployment benefits as follows:

Month	Unemployment Benefits Paid (RM)
July 20X1	129,745
August 20X1–June 20X2	1,582,131
Total	1,711,876

- IE46. In this example, it is assumed that State Government J has complete information at the date it pays unemployment benefits. Consequently, the difference between the amount paid on July 15, 20X1 (RM129,745) and the liability recognized as at June 30 20X1 (RM125,067) represents the pro-rated unemployment benefit paid to those who became eligible for unemployment benefits between July 1, 20X1 and July 15, 20X1 (RM4,678).
- IE47. On July 15, 20X2, State Government J pays unemployment benefits totaling RM132,952. There are four elements to this payment:

	RM
Unemployment benefits paid to unemployed persons eligible at June 15, 20X2 and remaining eligible at July 15, 20X2	113,120
Pro-rated unemployment benefits paid to those unemployed persons eligible at June 15, 20X2 whose eligibility had come to an end by July 15, 20X2	9,975
Pro-rated unemployment benefits paid to those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2	5,045
Pro-rated unemployment benefits paid to those unemployed persons who became eligible between July 1, 20X2 and July 15, 20X2	4,812
Total	132,952

- IE48. As at June 30, 20X2, State Government J recognizes a liability for unemployment benefits payable to those who satisfied the eligibility criteria at that date. Because its July 20X1–June 20X2 financial statements are issued after the July 20X2 unemployment benefits have been paid, State Government J uses the information available at that time to prepare its financial statements.

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- IE49. Consequently, State Government J recognizes a liability of RM128,140. This includes:
- (a) The unemployment benefits paid to those unemployed persons eligible at June 15, 20X2 and remaining eligible at July 15, 20X2 (RM113,120);
 - (b) The pro-rated unemployment benefits paid to those unemployed persons eligible at June 15, 20X2 whose eligibility had come to an end by July 15, 20X2 (RM9,975); and
 - (c) The pro-rated unemployment benefits paid to those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2 (RM5,045).
- IE50. The liability does not include the pro-rated unemployment benefits paid to those who became eligible between July 1, 20X2 and July 15, 20X2 because they had not satisfied the eligibility criteria as at June 30, 20X2.
- IE51. During the financial year July 1, 20X1–June 30, 20X2, the total amount recognized as an expense is RM1,714,949. The breakdown of this amount is as follows:

	RM
Pro-rated unemployment benefits paid in July 20X1 to those who became eligible between July 1, 20X1 and July 15, 20X1 (recognized in July 20X1)	4,678
Unemployment benefits paid in between August 20X1 and June 20X2 and recognized in the financial year July 1, 20X1–June 30, 20X2	1,582,131
Unemployment benefits paid in July 20X2 to unemployed persons eligible at June 15, 20X2, both those remaining eligible and those whose eligibility had come to an end by July 15, 20X2; and those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2 (recognized in June 20X2)	128,140
	1,714,949

MPSAS 42 – Social Benefits

Comparison with IPSAS 42

In developing IPSAS 42, *Social Benefits*, is drawn primarily from IPSAS 42 (2021). Main difference between MPSAS 42 and IPSAS 42 is as follows:

- In paragraph 4(b), IPSAS 42 refers to IPSAS 39, *Employee Benefits*, whereas MPSAS 42 refer to MPSAS 25, *Employee Benefits*, in which drawn from IPSAS 25 that has been superseded by IPSAS 39. The MPSAS is yet to adopt IPSAS 39.
- Several amendments were made in MPSAS 42 to ensure contextual relevance with Malaysia’s public sector context. Terms such as “retirement pensions”, “retirement benefits”, “state retirement pension” and “state pensions” used in IPSAS 42, were refined to “social retirement benefits” to better reflect local context. References to the retirement age of 65 and 70 were also aligned to age 60 in accordance with Malaysia’s context. In addition, examples and illustrative guidance were revised or omitted where they were not consistent with Malaysia’s social benefit framework, thereby ensuring the standard remains clear, practical, and appropriately aligned with national circumstances.