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IFRS adoption by 2018

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KUALA LUMPUR — Malaysia's accounting standards will fully conform to the International Financial Reporting Standard (IFRS) by 2018, said Malaysian Accounting Standard Board (MASB) chairman Mohamed Raslan Abdul Rahman.

Raslan said the Malaysian Private Entities Reporting Standard (MPERS) will thus be implemented by Jan 1, 2016, thereby setting a new milestone for financial reporting of private entities in Malaysia.

"MPERS is an adaptation of the IFRS for small- and medium-sized entities (SMEs) issued by the International Accounting Standard Board (IASB) in July 2009, which caters for the financial reporting of SMEs that typically do not have complex business transactions and instruments," Raslan said.

He added that the requirements and guidance in MPERS is sufficient for SMEs in Malaysia, as MPERS does not come with detailed application guidance in some complex areas.

Raslan was speaking at the Asian Institute of Finance and Malaysian Institute of Accountants (MIA) sharing session on 'Reflections on a Journey of an IFRS Standards Setter' yesterday.

He noted, however, that large private entities may need to refer to guidance in the Malaysian Financial Reporting Standards (MFRS) framework for their accounting requirements.

"These large private entities would be those with significant research and development activities (including IT and software development activities), and those that have capitalised borrowing costs previously and entities with a significant amount of purchased goodwill.

"They may find adopting MPERS a disadvantage because the option of capitalising development costs or borrowing costs has been removed and purchased goodwill must be subject to annual amortisation," he remarked.

Raslan said as the requirement for first-time adoption of MPERS is retrospective, it is important that private entities prepare in advance if they have to migrate to the MPERS framework or the IFRS framework in the near future.

MIA president Datuk Mohammad Faiz Azmi meanwhile cited an MIA survey, which showed that 70% of the company's auditors are ready to implement the standard in Malaysia.

"MPERS is designed to be the simplest standard as compared to the previous Private Entity Reporting Standards."

Faiz said MPERS takes its roots from IFRS and it is a lot easier for a company to go holistic from MPERS to IFRS because it is simpler, but applies the same standard.

"We are looking closely at how the im-

plementation is going to work. With the issuance of MPERS, private entities have the option to apply the MPERS or the MFRS in its entirety.”

He said MPERS will update its standard every five years and will be helpful for SMEs’ efficiency level.

Last month, MASB issued amendments to MPERS, which are equivalent to the amendments to IFRS for SMEs issued by

the IASB this May.

These amendments aim to develop and promote high quality accounting and financial reporting standards that are consistent with international best practice for the benefit of users, preparers, auditors and the Malaysian public.

In a wider context, MASB seeks to participate in and contribute to the development of a single set of financial reporting standards for international use.