

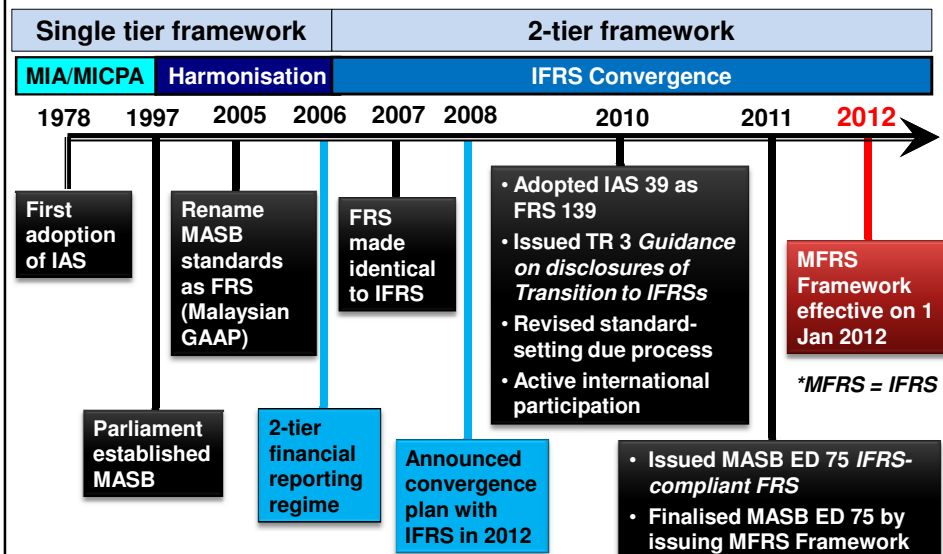
7th IFRS Regional Policy Forum

Transition to IFRS – Convergence Approach

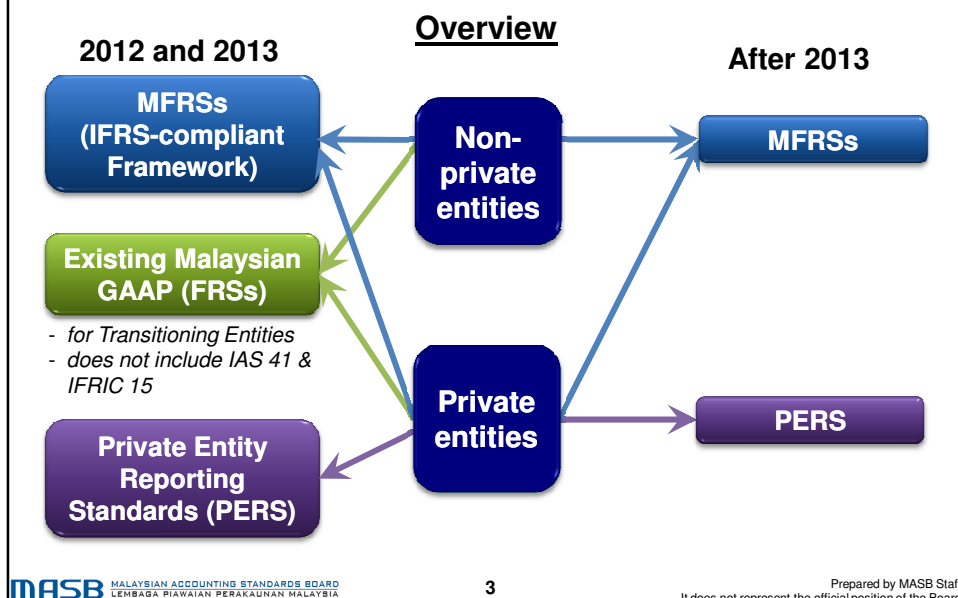
5 June 2013

Mr Mohammad Faiz Azmi
Chairman, Malaysian Accounting Standards Board

Our Financial Reporting Framework - Milestone



MASB Approved Accounting Frameworks



The MFRS Framework

- **An IFRS-compliant Framework**
Any company under MFRS Framework commits to following word-for-word IFRSs, including Interpretations
- **An important assertion**
Financial statements that have been prepared in accordance with MFRSs shall also make *an explicit and unreserved statement of compliance with IFRSs* (dual compliance assertion)
- **Who should apply MFRSs**
 - All non-private entities shall apply MFRSs **EXCEPT** Transitioning Entities (TEs)
 - TEs have the option of either applying MFRS Framework or FRS Framework
 - Private entities can choose either the PERS Framework or MFRS Framework

Transitioning Entities (TE)

- **Who are Transitioning Entities (TE)?**

- Entities within the scope of MFRS 141 *Agriculture* (=IAS 41) and/or IC 15 *Agreements for the Construction of Real Estate* (=IFRIC 15)
- Entities that consolidate / equity account / proportionately consolidate another entity that has opted for FRSs



- **What's the Transitioning Arrangement?**

- Option to continue applying existing FRSs in 2012 & 2013
- Mandatory to comply with MFRSs w.e.f. 1 Jan 2014



- **Why the Transitioning Arrangement?**

Possible imminent change to IAS 41 & IFRIC 15 by the IASB

Advantages of our Approach to IFRS Convergence

- Dual compliance assertion approach - comply with local framework and also, able to assert compliance with IFRSs
- Improve global competitiveness – level playing field with international giants
- Gaining access to more sources of capital and opportunities
- Assisting Malaysian companies who are going abroad by creating a level playing field as far as financial reporting is concerned
- Transitioning arrangement – a pragmatic approach to Transitioning Entities pending resolution of IAS 41 and IFRIC 15 by the IASB
- Taking accounting out of the investors' consideration



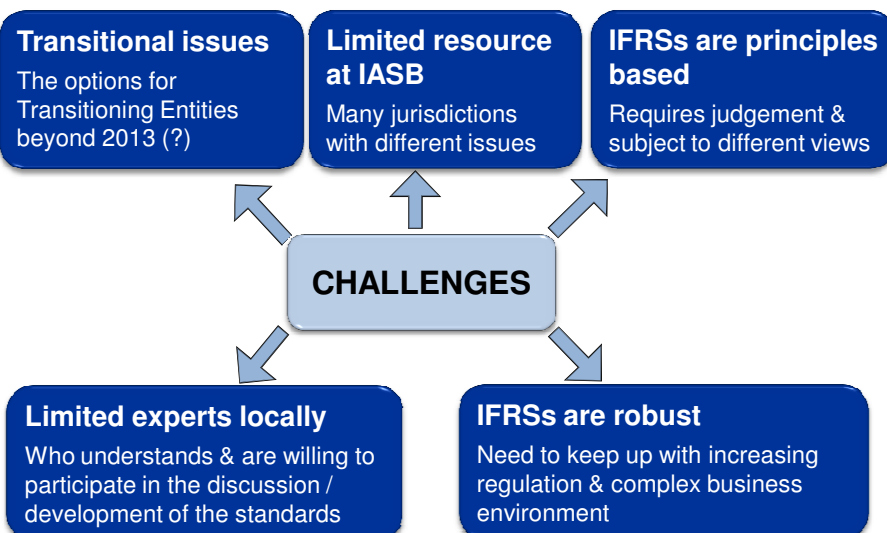
Disadvantages of our Approach to IFRS Convergence

The Transitioning arrangement:

- may not be in the best interest of capital market to be seen as having some areas of the economy under a non-IFRS Framework
- further delays in finalising views on IFRIC 15 and IAS 41, puts pressure on the local standard-setters to accept a two frameworks situation for public listed companies



Challenges



Thank you

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