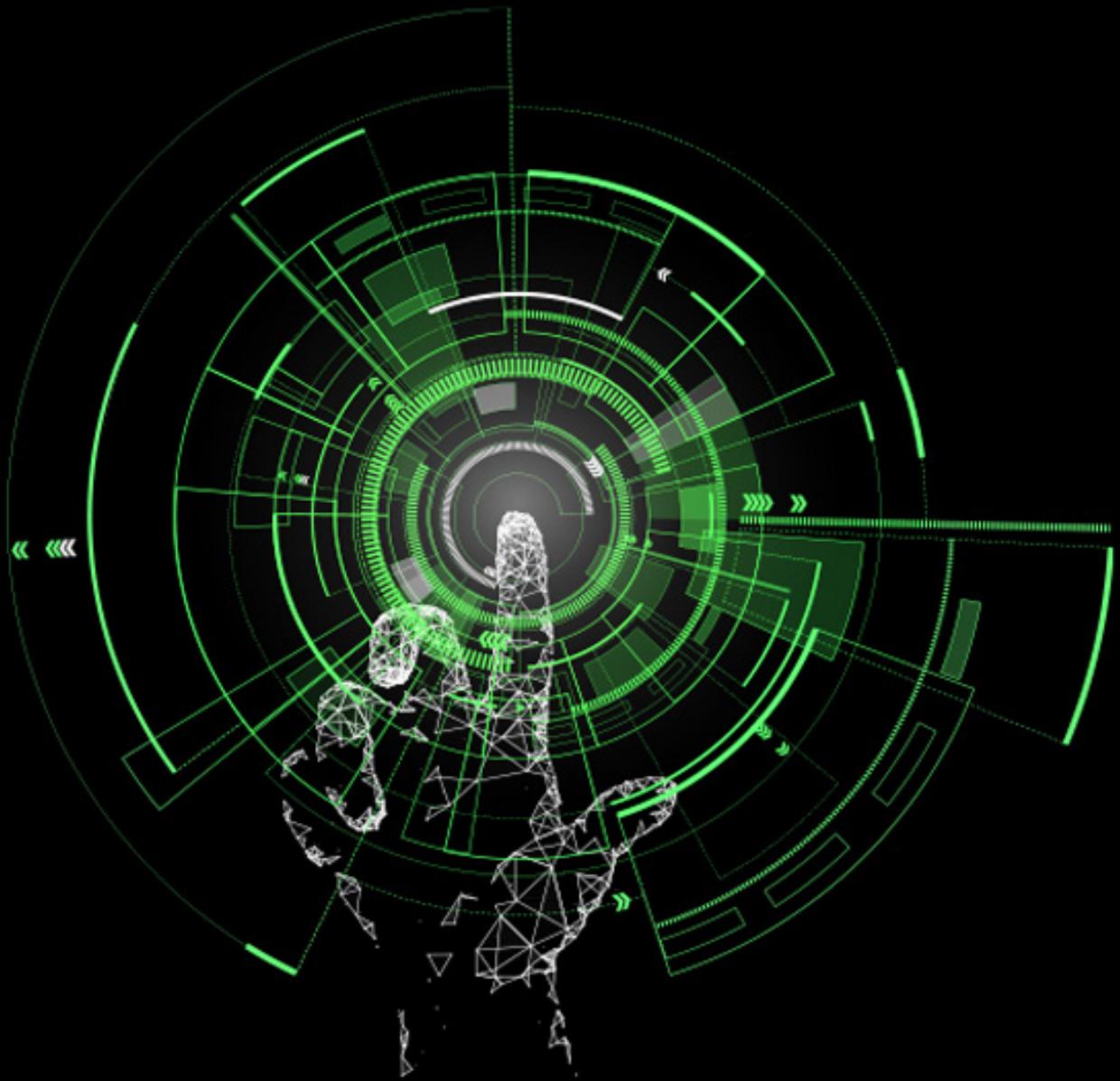


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# Audit Quarterly Roundup

March 2021



**MAKING AN  
IMPACT THAT  
MATTERS**  
*since 1845*

Quarterly Roundup is a compilation of some of the key developments related to accounting, auditing, and local regulatory requirements that have occurred during the first quarter of 2021. This publication also provides links to where additional information can be found on the topics discussed.

### **Local headlines**

- MASB publishes Amendment to MFRS 16 *Leases* on COVID-19-Related Rent Concessions beyond 30 June 2021
- MASB clarifies disclosure of accounting policy information and definition of accounting estimates
- MIA issues circular on instalment series of exploring the IESBA Code by IFAC (in collaboration with IESBA)

### **International headlines**

- Deloitte publishes IFRS model financial statements 2020 — Appendix 2 — Financial instrument disclosures when applying Interest Rate Benchmark Reform — Phase 1 amendments to IFRS 9 and IAS 39 and Phase 2 amendments to IFRS 9, IAS 39, IFRS 4, and IFRS 16
- IAASB issues support material to help auditors address risk of overreliance on technology
- IASB proposes amendments to the disclosure requirements in IAS 19 and IFRS 13
- IASB proposes new Standard on Regulatory Assets and Regulatory Liabilities
- IESBA releases additional guidance on its Proposed Definitions of a Public Interest Entity
- IESBA and the Staff of UK FRC jointly release the publication, *Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes*
- IESBA releases revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards)
- IFRS Foundation publishes educational material to support companies in applying going concern requirements
- IIRC issues revisions to the International Integrated Reporting Framework to enable enhanced reporting
- IVSC issues Perspectives Paper on Challenges to Market Value

### **Appendices**

- A - Effective dates of MFRSs
- B - Effective dates of other pronouncements
- C - MAIC education materials
- D - Abbreviations

# Local headlines

## **MASB publishes Amendment to MFRS 16 *Leases* on COVID-19-Related Rent Concessions beyond 30 June 2021**

On 6 April 2021, the MASB issued COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 *Leases*). The Amendment is word-for-word COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 *Leases*) issued by the IASB.

The original amendment, COVID-19-Related Rent Concessions (Amendment to MFRS 16 *Leases*) was issued on 5 June 2020 to make it easier for lessees to account for COVID-19 related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. The amendment exempts lessees from having to consider individual lease contracts to determine if rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications.

This Amendment extends the availability of the practical expedient provided in 2020 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Amendment to MFRS 16 shall apply for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

For further details, you may refer to the following:

- [MASB Press Release](#);
- [MASB Notice of Issuance](#); and
- [IFRS in Focus — IASB publishes amendment to IFRS 16 to extend the practical relief on COVID-19-related rent concessions](#).

## MASB clarifies disclosure of accounting policy information and definition of accounting estimates

On 15 March 2021, MASB issued the following Amendments:

(a) *Disclosure of Accounting Policies*

- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS Practice Statement 2 *Making Materiality Judgements*

(b) *Definition of Accounting Estimates* (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)

The Amendments are word-for-word *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) and *Definition of Accounting Estimates* (Amendments to IAS 8) issued by the IASB.

### Amendments to MFRS 101 *Presentation of Financial Statements*

The Amendments to MFRS 101 requires entities to disclose their material accounting policy information rather than their significant accounting policies. The Amendments, among others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

The Amendments to MFRS 101 shall apply for annual reporting periods beginning on or after **1 January 2023**. Earlier application is permitted.

### Amendments to MFRS Practice Statement 2 *Making Materiality Judgements*

To support the Amendments to MFRS 101, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

### Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates, and Errors*)

The Amendments to MFRS 108 revises the definition of accounting estimates to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are required to be accounted for prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies must be applied retrospectively to past transactions and other past events.

The Amendments to MFRS 108 shall apply for annual reporting periods beginning on or after **1 January 2023**. Earlier application is permitted.

For further details, you may refer to the following:

- [MASB Press Release](#);
- [MASB Notice of Issuance](#);
- [IFRS in Focus — IASB amends IAS 1 and IFRS Practice Statement 2 with regard to the disclosure of accounting policies](#); and
- [IFRS in Focus — IASB amends IAS 8 to clarify the definition of accounting estimates](#).

**MIA issues circular on instalment series of exploring the IESBA Code by IFAC (in collaboration with IESBA)**

On 13 January 2021, MIA issued Circular No. 4/2021 to members on the instalment series of Exploring the IESBA Code, a unique and informational series developed by IFAC in collaboration with the IESBA.

This series is intended to promote awareness, adoption, and implementation of the International Code of Ethics for Professional Accountants (including International Independence Standards).

Each instalment focused on a specific aspect of the IESBA Code using real-world situations in a manner that is relatable and practical. Instalments included useful links to access relevant resources, including content in the IESBA Code.

The final instalment, “The Building Blocks Instalment” was released on 1 March 2021, which explained the “building blocks” structure of the Code and its interconnected nature. This instalment is intended to help readers better understand how to use and navigate the Code so that they can quickly identify and access the ethics and independence standards and guidance relevant to them.

For further details, you may refer to the following:

- [MIA Circular 4/2021](#) (accessible by MIA members only); and
- [MIA Circular 24/2021](#) (accessible by MIA members only).

# International headlines

## **Deloitte publishes IFRS model financial statements 2020 — Appendix 2 — Financial instrument disclosures when applying Interest Rate Benchmark Reform — Phase 1 amendments to IFRS 9 and IAS 39 and Phase 2 amendments to IFRS 9, IAS 39, IFRS 4, and IFRS 16**

This appendix to Deloitte's [IFRS model financial statements 2020](#) illustrates the disclosures resulting from the [IBOR Reform Phase 1](#) and [Phase 2](#) amendments.

For further details, you may refer to the following:

- [IASPlus News](#).

## **IAASB issues support material to help auditors address risk of overreliance on technology**

The IAASB has recently released the Non-Authoritative Support Material Related to Technology: Frequently Asked Questions (FAQ), to help auditors address the risk of overreliance on technology, whether it arises from using automated tools and techniques or from using information produced by an entity's systems.

For further details, you may refer to the following:

- [Addressing risk of overreliance on technology arising from the use of automated tools and techniques and from information produced by an entity's systems](#).

## **IASB proposes amendments to the disclosure requirements in IAS 19 and IFRS 13**

In March 2021, the IASB published the ED 2021/3 Disclosure Requirements in IFRS Standards—A Pilot Approach. The Exposure Draft sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Standards as well as new disclosure requirements for IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.

The IASB is seeking feedback by 21 October 2021 on whether those proposals would help companies and other stakeholders improve the usefulness of information disclosed in financial statements. The feedbacks will help IASB determine whether and how to use the proposed new approach in its future standard-setting activities and whether to finalise the amendments to IFRS 13 and IAS 19.

For further details, you may refer to the following:

- [IASB Work Plan](#); and
- [IFRS in Focus — IASB proposes amendments to the disclosure requirements in IAS 19 and IFRS 13](#).

### **IASB proposes new Standard on Regulatory Assets and Regulatory Liabilities**

The IASB has published proposals for a new accounting standard that would require companies subject to rate regulation to give investors better information about their financial performance.

The proposed Standard would introduce a requirement for companies to give investors such information by reporting regulatory assets and regulatory liabilities in their balance sheet, and related regulatory income and regulatory expense in their income statement.

This information would complement the information companies already provide when applying the current IFRS Standards and give investors a more complete picture. The additional information would help investors understand which fluctuations in the relationship between a company's revenue and expenses are caused by differences in timing and enable investors to make better assessments of the company's prospects for future cash flows.

The proposed Standard would replace IFRS 14 *Regulatory Deferral Accounts*. The deadline for comments is 30 June 2021.

For further details, you may refer to the following:

- [IASB Press Release](#); and
- [IASPlus News](#); and
- [IFRS in Focus — IASB proposes new Standard on Regulatory Assets and Regulatory Liabilities](#).

### **IESBA releases additional guidance on its Proposed Definitions of a Public Interest Entity**

The IESBA recently released an additional guidance "Proposed IESBA Definition of Public Interest Entity - Supplemental Guidance to Exposure Draft to Aid Local Body Considerations Regarding Adoption and Implementation" which provides additional context to the IESBA's recently proposed revisions to the definition of a public interest entity (PIE). This publication supplements the guidance material in the explanatory memorandum of the Exposure Draft (ED), Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, which was released in January 2021.

This publication will assist local regulators, national standard-setters, or other relevant local bodies in considering and planning adoption of the revised PIE definition when finalised and issued by the IESBA. The IESBA recognises that there may be refinements to the proposals as a result of the comments received on the ED.

For further details, you may refer to the following:

- [Proposed IESBA Definition of Public Interest Entity](#); and
- [MIA Circular 34/2021](#) (accessible by MIA members only).

### **IESBA and the Staff of UK FRC jointly release the publication, Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes**

On 16 January 2021, the IESBA and the Staff of UK FRC jointly released the publication, Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes.

The publication highlights ethical and auditing implications arising from government-backed business support programs which have been utilised during the COVID-19 pandemic. The guidance also sets out important ethical considerations for professional accountants who are called to assist their employing organisations or clients in applying for and using COVID-19-related funding or financial support.

The guidance is for those who prepare related financial information and disclosures, as well as for those who independently audit or provide assurance services regarding such information.

For further details, you may refer to the following:

- [Ethical and Auditing Implications Arising from Government-Backed COVID-19 Business Support Schemes](#).

### **IESBA releases revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards)**

The IESBA has recently released revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) addressing the objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. This project dovetailed with the IAASB's development of ISQM 2 and Engagement Quality Reviews, which were finalised in December 2020.

The revisions provide guidance that supports ISQM 2 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity. Among other matters, the guidance:

- Elaborates on the need to identify, evaluate, and address threats to compliance with the fundamental principle of objectivity that might arise in the appointment of an individual as an EQR for a given engagement;
- Explicitly refers to and supports the requirement in ISQM 2 for a firm to establish, as a condition for eligibility, a cooling-off period of two years before an engagement partner can assume the EQR role on the same engagement; and
- Emphasises that this cooling-off requirement in ISQM 2 serves the dual objective of supporting compliance with the fundamental principle of objectivity and the high quality of engagements.

The guidance may also apply in situations where, as a safeguard to address identified threats to compliance with the fundamental ethics principles, an individual is appointed as an appropriate reviewer for work performed.

The enhanced guidance will become effective for audits and reviews of financial statements for periods beginning on or after 15 December 2022 and other applicable engagements beginning on or after 15 December 2022.

For further details, you may refer to the following:

- [Revisions to the code addressing the objectivity of an engagement quality reviewer and other appropriate reviewers](#);
- [International Code of Ethics for Professional Accountants](#);
- [ISQM 2](#); and
- [MIA Circular MF3/2021](#) (accessible by MIA members only).

### **IFRS Foundation publishes educational material to support companies in applying going concern requirements**

The IFRS Foundation has issued an educational material, 'Going concern — a focus on disclosure', which intends to support companies in its implementation of the requirements related to the preparation of financial statements using IFRS Standards on a going concern basis.

IAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. In the current stressed economic environment arising from the COVID-19 pandemic, deciding if the financial statements should be prepared on a going concern basis may involve a greater degree of judgement than usual.

For further details, you may refer to the following:

- [IASPlus News](#);
- [IFRS in Focus — IFRS Foundation publishes educational material on the requirements of IFRS Standards relevant for going concern assessment](#); and
- [IASB Press Release](#).

### **IIRC issues revisions to the International Integrated Reporting Framework to enable enhanced reporting**

On 19 January 2021, the International Integrated Reporting Council (IIRC) published revisions to the International <IR> Framework to enable more decision-useful reporting.

The revisions, the first since the <IR> Framework was originally published in 2013, are the result of extensive market consultation with 1,470 individuals in 55 jurisdictions. The consultation demonstrated that the conceptual thinking and principles of the <IR> Framework remain fit for purpose and robust, as evidenced by the 2,500 organisations in over 70 countries that use it.

However, analysis of the feedback by the IIRC's <IR> Framework Panel identified opportunities to clarify concepts, simplify guidance for report preparers, and underpin better quality integrated reports.

The revisions focus on a simplification of the required statement of responsibility for the integrated report; improved insight into the quality and integrity of the underlying reporting process; a clearer distinction between outputs and outcomes; and a greater emphasis on the balanced reporting of outcomes and value preservation and erosion scenarios.

For further details, you may refer to the following:

- [International Integrated Reporting Framework](#); and
- [MIA Circular 9/2021](#) (accessible by MIA members only).

### **IVSC issues Perspectives Paper on Challenges to Market Value**

The IVSC issues Perspective Papers from time to time, which focuses on pertinent valuation topics and emerging issues. Perspective Papers serve a number of purposes: they initiate and foster debate on valuation topics as they relate to the International Valuation Standards (IVS), they provide contextual information on a topic from the perspective of the standard setter, and they support the valuation community in their application of IVS through guidance and case studies.

Perspective Papers are complementary to the IVS and do not replace or supersede the standards. Valuers have a responsibility to read and follow the standards when carrying out valuations.

For further details, you may refer to the following:

- [Perspectives Paper: Challenges to Market Value](#); and
- [MIA Circular 17/2021](#) (accessible by MIA members only).

# Appendix A: Effective dates of MFRSs as of 31 March 2021

## Effective for annual periods beginning on or after 1 June 2020

MFRS	Title
Amendments to MFRS 16	COVID-19-Related Rent Concessions

## Effective for annual periods beginning on or after 1 January 2021

MFRS	Title
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform – Phase 2

## Effective for annual periods beginning on or after 1 April 2021

MFRS	Title
Amendments to MFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

## Effective for annual periods beginning on or after 1 January 2022

MFRS	Title
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 –2020 [Note 1]
Amendments to MFRS 3	Reference to Conceptual Framework
Amendments to MFRS 116	Property, Plant, and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Costs of Fulfilling a Contract

## Effective for annual periods beginning on or after 1 January 2023

MFRS	Title
MFRS 17	Insurance Contracts
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

## Effective date deferred to a date to be announced by MASB

MFRS	Title
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

### Note:

01. Comprise amendments to four MFRSs:

- (a) MFRS 1 *First-time adoption of International Financial Reporting Standards* – Subsidiary as a First-time Adopter
- (b) MFRS 9 *Financial Instruments* – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities
- (c) Illustrative Examples accompanying MFRS 16 *Leases* – Lease Incentives
- (d) MFRS 141 *Agriculture* – Taxation in Fair Value Measurements

# Appendix B: Effective dates of other pronouncements as of 31 March 2021

## IASB IFRSs

### Effective for annual periods beginning on or after 1 June 2020

IFRSs	Title
Amendments to IFRS 16	COVID-19-Related Rent Concessions

### Effective for annual periods beginning on or after 1 January 2021

IFRSs	Title
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2

### Effective for annual periods beginning on or after 1 April 2021

IFRSs	Title
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

### Effective for annual periods beginning on or after 1 January 2022

IFRSs	Title
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018 – 2020 [Note 1]
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant, and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract

**Effective for annual periods beginning on or after 1 January 2023**

IFRSs	Title
IFRS 17	Insurance Contracts
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates

Effective date deferred to a date to be announced by IASB

IFRSs	Title
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**Note:**

01. Comprise amendments to four IFRSs:

- (a) IFRS 1 *First-time adoption of International Financial Reporting Standards* – Subsidiary as a First-time Adopter
- (b) IFRS 9 *Financial Instruments* – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities
- (c) Illustrative Examples accompanying IFRS 16 *Leases* – Lease Incentives
- (d) IAS 41 *Agriculture* – Taxation in Fair Value Measurements

# Appendix C: MAIC education materials

The education materials issued by MAIC may include the 'MFRS Application and Implementation Guide' (MAIG), Questions & Answers (Q&As), technical articles or guidance published in any other appropriate manner. The table below provides a summary of education materials issued by the MAIC up to first quarter of 2021. These are available on [MASB's](#) website.

Nothing in the MAIC's education materials should be construed as amending or overriding the respective MFRS as such guidance serves as a source of reference for identification of principles to resolve the issue at hand.

Date	Title
30 January 2019	Q&A on accounting for public infrastructure costs and affordable housing losses associated with property development
30 December 2019	MAIG 1 Accounting treatment for cancellation of treasury shares under the <i>Companies Act 2016</i>
4 June 2020	MAIG 2 Classification by the borrower of a term loan that contains a repayment on demand clause

# Appendix D: Abbreviations

<b>AAPG</b>	Audit and Assurance Practice Guides
<b>ED</b>	Exposure Draft
<b>FRC</b>	Financial Reporting Council
<b>FRS</b>	Financial Reporting Standards
<b>FSRC</b>	Financial Statements Review Committee of MIA
<b>FRSIC</b>	Financial Reporting Standards Implementation Committee
<b>IASB</b>	International Accounting Standards Board
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IC Int.</b>	IC Interpretation
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRIC</b>	IFRS Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>ISA</b>	International Standards on Auditing
<b>ISAE</b>	International Standard on Assurance Engagements
<b>ISQM</b>	International Standard on Quality Management
<b>ISRE</b>	International Standard on Review Engagements
<b>ISRS</b>	International Standard on Related Services
<b>IVSC</b>	International Valuation Standards Council
<b>MAIC</b>	MFRS Application and Implementation Committee
<b>MAIG</b>	MFRS Application and Implementation Guide
<b>MASA</b>	Malaysian Approved Standards on Auditing
<b>MASB</b>	Malaysian Accounting Standards Board
<b>MFRS</b>	Malaysian Financial Reporting Standards
<b>MIA</b>	Malaysian Institute of Accountants
<b>MPERS</b>	Malaysian Private Entities Reporting Standard
<b>SC</b>	Securities Commission Malaysia
<b>SSM</b>	Companies Commission of Malaysia
<b>TR</b>	Technical Release



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