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Audit Quarterly
Roundup

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Quarterly Roundup is a compilation of some of the key developments related to accounting, auditing, and local regulatory requirements that have occurred during the third quarter of 2020. This publication also provides links to locations where additional information can be found on the topics discussed.

Local headlines

- MASB publishes Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16)
- MASB publishes amendments to Insurance Standards and defers the effective date of the Amendment to MFRS 101
- MIA announces the issuance of the Conforming Amendments to the IAASB International Standards as a result of the Revised IESBA Code
- Bursa Malaysia amends Main Market and ACE Market Listing Requirements in relation to new issues of securities and other areas

International headlines

- IASB issues 'Investor Update' newsletter
- ISA 540 (Revised) Implementation Working Group issues illustrative examples for auditing expected credit loss (ECL) accounting estimates
- IFAC sets up a webpage for COVID-19 audit consideration
- Deloitte publishes IAS 34 compliance checklist 2020
- Deloitte publishes IFRS compliance, presentation, and disclosure checklist 2020

Appendices

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

Local headlines

MASB publishes Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16)

On 30 September 2020, MASB issued the Interest Rate Benchmark Reform—Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16). The Amendments were word-for-word Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) issued by the IASB.

This is the second part of the two-phase project on Interest Rate Benchmark Reform undertaken by the IASB. The first set of amendments (Phase 1) was published by IASB in September 2019 and was then adopted by MASB in October 2019.

The Interest Rate Benchmark Reform—Phase 2 amends some specific requirements in MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts*, and MFRS 16 *Leases*; with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The Amendments provides a practical expedient where a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The Amendments shall apply for annual reporting periods beginning on or after 1 January 2021, retrospectively in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, without the need to restate comparative information. Restatement of prior periods is permitted if, and only if, it is possible without the use of hindsight. Earlier application is permitted.

For further details, you may refer to the following:

- [MASB Press Release](#);
- [MASB Notice of Issuance](#);
- [IASB Press Release](#);
- [IFRS in Focus – IASB issues 'Interest Rate Benchmark Reform \(Amendments to IFRS 9, IAS 39, IFRS 7\)'](#); and
- [IFRS in Focus – IASB issues 'Interest Rate Benchmark Reform — Phase 2 \(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16\)'](#).

MASB publishes amendments to Insurance Standards and defers the effective date of Amendment to MFRS 101

On 17 August 2020, MASB issued the following pronouncements:

- Amendments to MFRS 17 *Insurance Contracts*
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 *Insurance Contracts*)
- Classification of Liabilities as Current or Non-current—Deferral of Effective Date (Amendments to MFRS 101 *Presentation of Financial Statements*)

The above pronouncements are word-for-word the respective pronouncements issued by IASB.

Amendments to MFRS 17 Insurance Contracts

MFRS 17 *Insurance Contracts* was issued in August 2017. In response to many of the concerns and challenges raised by companies implementing MFRS 17, the Amendments were issued to continue supporting the implementation by reducing costs and making it easier for companies to explain their results when they apply the Standard. The Amendments were designed to minimise the risk of disruption to implementation already underway and do not change the fundamental principles of the Standard or reduce the usefulness of information for investors.

Amendments to MFRS 17 also defers the effective date of MFRS 17 by two years, to annual reporting periods beginning on or after **1 January 2023**. The decision to defer the effective date will enable companies to implement the new Standard in a timely manner which MASB considers to be beneficial for investors, preparers, and other stakeholders.

Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)

The Amendments to MFRS 4 extends the expiry date for the temporary exemption from applying MFRS 9 *Financial Instruments* by two years to annual periods beginning on or after **1 January 2023**. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of MFRS 17, which replaces MFRS 4.

Classification of Liabilities as Current or Non-current—Deferral of Effective Date (Amendments to MFRS 101 Presentation of Financial Statements)

The Amendments defers the effective date by one year for Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 *Presentation of Financial Statements*).

The said MFRS 101 amendments were issued by MASB on 16 March 2020, effective for annual reporting periods beginning on or after 1 January 2022. However, in response to the COVID-19 pandemic, the effective date is now deferred to **1 January 2023** to provide companies with more time to implement any classification changes resulting from the amendments.

There were no changes to the [original amendments](#) other than the deferral of the effective date.

For further details, you may refer to the following:

- [MASB Press Release](#);
- [MASB Notice of Issuance](#);
- [IFRS in Focus — IASB defers effective date for 'Classification of Liabilities as Current or Non-current'; and](#)
- [IFRS in Focus – IASB issues amendments to IFRS 17 Insurance Contracts](#).

MIA announces the issuance of the Conforming Amendments to the IAASB International Standards as a result of the Revised IESBA Code

On 28 July 2020, MIA announced the issuance of the Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code.

As a result, AAPG 1 *Auditors' report on financial statements prepared in accordance with the Malaysian Financial Reporting Standards (MFRS) framework and Companies Act 2016* and AAPG 2 *Auditors' report on financial statements prepared in accordance with Malaysian Private Entities Reporting Standard (MPERS) and Companies Act 2016*, have been updated accordingly.

These conforming amendments are effective as of **1 August 2020** with an early adoption being permitted.

For further details, you may refer to the following:

- [MIA Circular 80/2020](#) (accessible by MIA members only)

Bursa Malaysia amends Main Market and ACE Market Listing Requirements in relation to new issues of securities and other areas

On 13 August 2020, Bursa Malaysia amended the Main Market and ACE Market Listing Requirements, to enhance the disclosure requirements in connection with new issues of securities, as well as to address gaps for greater shareholder protection and confidence.

Key highlights of the amendments

Enhancing the requirements for new issue of securities, with amendments to:

- a. Enhance the presentation of announcements and circulars by clustering information under key areas;
- b. enhance the contents of announcements and circulars – value add disclosures for better informed decision making. The enhanced disclosures include:
 - i. details of equity fund-raising exercises in the past 12 months before the announcement of the new issue of securities, if the listed issuer is embarking on a new issue of securities for fund-raising purposes;
 - ii. particulars of corporate placees; and
 - iii. additional details on proceeds utilised for investment purposes (i.e. how the proceeds will be utilised pending identification of investments) and proceeds utilised for working capital purposes; or if none, a negative statement to the effect; and
- c. imposed a limit not exceeding 50% of the total number of a listed issuer's issued shares ("50% limit"), to an exercise or conversion of convertible equity securities, to mitigate the dilution effect to shareholders.

Addressing gaps and enhancing board integrity for greater shareholder protection and confidence:

- a. If an immediate announcement of a material loan or borrowing is made under paragraph 9.03 of the Main Market Listing Requirements or the ACE Market Listing Requirements, and the relevant loan documents contain conditions, covenants or restrictions placed on a controlling shareholder, disclosure of specified information is required in the immediate announcement.
- b. Enhancing the regularisation framework governing the financial condition of a listed issuer by including the appointment of a judicial manager pursuant to the Companies Act 2016 as a triggering criterion.
- c. Strengthening the definition of independent directors by:
 - i. extending the prescribed cooling-off period to a non-independent non-executive director; and
 - ii. lengthening the cooling-off period from 2 years to 3 years for, among others, an officer, adviser or transacting party of prescribed transactions, of a listed issuer or its related corporation.

Effective date

The Listing Requirements amendments are effective immediately from **13 August 2020** onwards, except for the amendments below where grace period are given to ensure listed issuers have sufficient time to comply with the amended Listing Requirements:

No.	Amendments	Effective date(s)
1	Imposition of the 50% limit to an exercise or conversion of convertible equity securities	Corporate exercises involving convertible equity securities announced on or after 1 October 2020
2	Enhanced definition of independent directors	Any independent director appointed on or after 1 October 2020 must comply with the enhanced independent definition

For further details, you may refer to:

- [Amendments to Main Market Listing Requirements;](#)
- [Appendix 1 – Full text of Main Market Listing Requirements amendments;](#)
- [Appendix 2 – Questions and Answers on Main Market Listing Requirements amendments;](#)
- [Amendments to ACE Market Listing Requirements;](#)
- [Appendix 1 – Full text of ACE Market Listing Requirements amendments;](#) and
- [Appendix 2 – Questions and Answers on ACE Market Listing Requirements amendments.](#)

International headlines

IASB issues 'Investor Update' newsletter

The IASB has issued the latest edition of its newsletter 'Investor Update', which profiles recently introduced IFRS Standards and other changes to the pipeline as well as how those changes may affect companies and performance.

This edition discusses, among other things, the recent amendment to IFRS 16 *Leases* to add a practical expedient to help lessees account for COVID-19-related rent concessions and why the IASB is looking into the presentation of supply chain finance arrangements.

For further details, you may refer to the following:

- [IASPlus News](#);
- [IASB Press Release](#); and
- [Investor Update Newsletter](#).

ISA 540 (Revised) Implementation Working Group issues illustrative examples for auditing expected credit loss (ECL) accounting estimates

On 31 August 2020, the International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group issued illustrative examples for auditing expected credit loss (ECL) accounting estimates to assist the auditor in understanding how ISA 540 (Revised) may be applied to:

- IFRS 9 Impairment (ECL) – Credit card
- IFRS 9 Impairment (ECL) – Significant increase in credit risk
- IFRS 9 Impairment (ECL) – Macroeconomic inputs and data

The illustrative examples illustrate accounting estimates with varying characteristics and degrees of complexity which applies to a selection of requirements of ISA 540 (Revised). However, not all requirements are addressed in each of the examples, nor do they cover all parts of those selected requirements.

These examples do not constitute an authoritative pronouncement of IASB, nor do they amend, extend, or override the ISAs or other IAASB's International Standards. It is not meant to be exhaustive and reading these examples is not a substitute for reading the ISAs.

For further details, you may refer to the following:

- [ECL - Illustrative examples](#).

IFAC sets up a webpage for COVID-19 audit considerations

IFAC has a webpage on the Summary of COVID-19 Audit Considerations which covers some of the key audit challenges and implications from COVID-19 and highlights various resources which are available on the dedicated IFAC COVID-19 website. It is, however, not an exhaustive list or intended to cover all the practical and technical issues in an audit in the current environment. References and quotes are given from numerous international standards. As not all aspects of those international standards are discussed, readers should refer to the respective international standards for the full requirements.

Auditors are advised to exercise significant professional judgment and professional skepticism in addressing the audit implications of COVID-19 and remain focused on their ethical responsibilities and the public interest.

For further details, you may refer to the following:

- [Summary of COVID-19 Audit Considerations](#).

Deloitte publishes IAS 34 compliance checklist 2020

The checklist summarises the requirements of IAS 34 *Interim Financial Reporting*, formatted to allow the recording of a review of interim financial statements, with a place to indicate yes, no, or not-applicable for each item. The checklist addresses the requirements of IAS 34 as of 30 April 2020.

Although this workbook may be used to assist generally in considering compliance with the requirements of IAS 34, it is not a substitute for an understanding of IAS 34 and the exercise of professional judgement.

For further details, you may refer to the following:

- [IASPlus News](#).

Deloitte publishes IFRS compliance, presentation and disclosure checklist 2020

The checklist summarises the recognition, measurement, presentation, and disclosure requirements set out in IFRSs in issue as of 30 April 2020.

For further details, you may refer to the following:

- [IASPlus News](#).

Appendix A: Effective dates of MFRSs as of 30 September 2020

Effective for annual periods beginning on or after 1 January 2020

MFRS	Title
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards [Note 1]
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139, and MFRS 7	Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020

MFRS	Title
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 January 2022

MFRS	Title
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 – 2020 [Note 2]
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

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. Amendments to References to the Conceptual Framework in MFRS Standards:

- Amendments to MFRS 2 *Share-Based Payment*;
- Amendment to MFRS 3 *Business Combinations*;
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*;
- Amendment to MFRS 14 *Regulatory Deferral Accounts*;
- Amendments to MFRS 101 *Presentation of Financial Statements*;
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates, and Errors*;
- Amendments to MFRS 134 *Interim Financial Reporting*;
- Amendment to MFRS 137 *Provisions, Contingent Liabilities, and Contingent Assets*;
- Amendment to MFRS 138 *Intangible Assets*;
- Amendment to IC Interpretation 12 *Service Concession Arrangements*;
- Amendment to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- Amendment to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*;
- Amendment to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*; and
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

02. 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

IASB IFRSs

Effective for annual periods beginning on or after 1 January 2020

IFRSs	Title
IFRSs	Amendments to References to the Conceptual Framework in IFRS Standards [Note 1]
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020

IFRSs	Title
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 January 2022

MFRS	Title
Amendments to IFRSs	Annual Improvements to MFRS Standards 2018–2020 [Note 2]
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

Note:

01. Amendments to References to the Conceptual Framework in IFRS Standards:

- Amendments to IFRS 2 *Share-Based Payment*;
- Amendment to IFRS 3 *Business Combinations*;
- Amendments to IFRS 6 *Exploration for and Evaluation of Mineral Resources*;
- Amendment to IFRS 14 *Regulatory Deferral Accounts*;
- Amendments to IAS 1 *Presentation of Financial Statements*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates, and Errors*;
- Amendments to IAS 34 *Interim Financial Reporting*;
- Amendment to IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*;
- Amendment to IAS 38 *Intangible Assets*;
- Amendment to IFRIC 12 *Service Concession Arrangements*;
- Amendment to IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- Amendment to IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*;
- Amendment to IFRIC 22 *Foreign Currency Transactions and Advance Consideration*; and
- Amendments to SIC 32 *Intangible Assets - Web Site Costs*

02. Comprise amendments to four IFRSs:

- (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 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 third quarter of 2020. 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

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



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