Deloitte.

Accounting Quarterly Roundup

December 2022

MAKING AN IMPACT THAT MATTERS since 1845

This Quarterly Roundup is a compilation of key developments related to the financial reporting standards that occurred in the second, third, and fourth quarter of 2022. We provide a roundup of recent changes in the Malaysia financial reporting framework and local regulatory requirements which we believe are important to accounting professionals. This quarterly update also includes a high-level overview of new and revised financial reporting requirements for the financial reporting periods that ended on 31 December 2022.

Section 1: Malaysian Financial Reporting Standards

- Summary of new and revised pronouncement issued as at 31 December 2022
- Key considerations for each new and revised pronouncement
- Significant agenda decisions from the IFRS Interpretations Committee[1]

Section 2: Other Financial Reporting Matters

- Deloitte publishes 'iGAAP in Focus — Financial reporting: Closing out 2022'
- Deloitte publishes 'A Closer Look — Investor demand for corporate reporting in line with the Paris Agreement on climate change'
- IASB issues November 2022 'Investor Update' newsletter
- Application of MPSAS 40 *Public Sector Combinations and* Amendments to Government Accounting Standard 3 *Consolidated Revenue Accounts*
- Bursa Malaysia enhances sustainability reporting framework with new climate change reporting
- MIA releases latest version of the *MIA By-Laws (on Professional Ethics, Conduct and Practice)*
- MIA publishes article on MPERS — Common Issues on Consolidation
- MIA Council issues MIRS 2030
- JC3 issues the TCFD Application Guide for Malaysian Financial Institutions

Section 3: Accounting of Current Economic Environment

- Hyperinflationary economies — updated IPTF watch list available
- ESMA statement on the implications of Russia's invasion of Ukraine
- Financial reporting — Reporting on periods ending on or after 30 June 2022 — Inflation in Turkey
- Financial reporting considerations related to the Russia-Ukraine war
- Investor demand for corporate reporting in line with the Paris Agreement on climate change
- ISSB exposure draft of general requirements of sustainability reporting
- ISSB exposure draft of climate-related disclosures

Section 4: Appendices

- A - Abbreviations
- B - Effective dates of other local pronouncements
- C - Compilation of IFRS Interpretations Committee agenda decisions issued in the past 12 months

[1] Agenda decisions are not issued by MASB, but entities in Malaysia applying MFRSs shall assess the relevance of Agenda Decisions vis-à-vis the laws and regulations in Malaysia.

Section 1: Malaysian Financial Reporting Standards

01

The summary of new and revised pronouncements is updated for financial reporting periods that ended on 31 December 2022. This listing can be used to perform a quick check so that the new financial reporting requirements such as new and revised accounting standards and interpretations, and amendments to standards and interpretations, have been fully considered in the reporting close process. The information below can also be used to assist with disclosure requirements under paragraph 30 of MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires entities to disclose any new MFRSs that are in issue but not yet effective, and which are likely to impact the entity.

Summary of new and revised pronouncements issued as of 31 December 2022 and its effective dates

MFRS	New and revised pronouncements Title	Effective date*
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant, and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9	Effective immediately upon issuance
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 – Comparative Information	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Key
*Annual reporting periods beginning on or after

Impact and key consideration of each new and revised pronouncement

The following sets out information on the impact of the above pronouncements and relevant key accounting considerations.

Amendments to MFRSs - Annual Improvements to MFRS Standards 2018 – 2020

The Annual Improvements comprise four amendments to the MFRSs:

a. MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* – Subsidiary as a First-time Adopter

Paragraph D16(a) of MFRS 1 allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. This amendment extends this relief to the cumulative translation differences for all foreign operations. The subsidiary can now elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to MFRS.

Key consideration:	The election is to measure the cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements **based on the parent's date of transition to MFRS**. This means that the subsidiary will be required to perform a "cumulative catch up" from that date onwards to its own date of transition to MFRS to determine the impact of its adoption to MFRS.

b. MFRS 9 *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

This amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of MFRS 9 in assessing whether to derecognise a financial liability when there is an exchange between an existing borrower and the lender of debt instruments with substantially different terms (including a substantial modification of the terms of an existing financial liability or part of it). An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Key consideration:	The amendment clarifies that the entity includes only fees paid or received between the entity (the borrower) and the lender in the '10 per cent' test. Entities will need to ensure that the identification of the parties in which the fees are paid or received are between the entity and the lender, and not those that are collected on behalf of a third party by the entity or the lender (e.g. legal fees collected by lender on behalf of the lender's lawyers).

c.Illustrative Examples accompanying MFRS 16 *Leases* – Lease Incentives

This amendment removes the illustration of the reimbursement of leasehold improvements by the lessor from the example to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The example does not clearly explain the conclusion if the reimbursement would meet the definition of a lease incentive in MFRS 16.

Key consideration:	Where previous reference was made to the Illustrative Example to account for a certain reimbursement relating to leasehold improvements, entities should reassess if the reimbursement meets the definition of a lease incentive. If it is determined that the reimbursement is a payment for work carried out for the benefit of the lessor, such payments do not meet the definition of lease incentive and is accounted for applying other applicable standards. Judgement should be exercised to evaluate the nature of the leasehold improvements in respect of whether they represent an asset of the lessee or the lessor.

d. MFRS 141 *Agriculture* – Taxation in Fair Value Measurements

In 2008, the MASB removed from MFRS 141 the requirement to use a pre-tax discount rate when measuring fair value. However, at that time, it did not remove from MFRS 141:22 the requirement to use pre-tax cash flows when measuring fair value. To resolve this conflict, the MASB has now removed the requirement in MFRS 141 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in MFRS 141 with the requirements of MFRS 13 to use internally consistent cash flows and discount rates which enable preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

Key consideration:	Entities shall now apply judgement to determine if a pre-tax or post-tax cash flows and the corresponding pre-tax or post-tax discount rate would be more appropriate for its fair value measurement. Additionally, entities are to ensure consistency in the application i.e. when a pre-tax cash flow is used, a pre-tax discount rate is used and vice versa when a post-tax basis is used.

The amendments are generally adopted from the amendments to IFRSs – Annual Improvements to IFRS Standards 2018 – 2020 as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 3 - Reference to the Conceptual Framework

The amendments update MFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also added to MFRS 3 a requirement that, for obligations within the scope of MFRS 137, an acquirer applies MFRS 137 to determine if at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IC Int. 21 *Levies*, the acquirer applies IC Int. 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the MASB adds to MFRS 3 an explicit statement, that an acquirer does not recognise contingent assets acquired in a business combination.

Key consideration:	Acquirers would need to carefully consider whether a present obligation exists as a result of past events based on guidance in MFRS 137 or IC Int. 21. This will affect the corresponding goodwill that would be recognised from the acquisition of business within MFRS 3.

The amendments are generally adopted from the amendments to IFRS 3 - Reference to Conceptual Framework issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 116 - Property, Plant, and Equipment – Proceeds before Intended Use

There has been diversified treatment on proceeds from selling items produced by property, plant, and equipment before it is available for its intended use. In this amendment, the MASB decided to amend MFRS 116 to prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with MFRS 102.

Clarification is also made to the meaning of 'testing if an asset is functioning properly' by specifying this as assessing the technical and physical performance of the asset to see if it is capable of being used in the production or supply of goods or services, for rental to others, or administrative purposes.

Key consideration:

- Consider if an entity's existing accounting policy requires revision to align with the amendments which prohibits from deducting from the cost of an item of property, plant, and equipment, any proceeds from selling items produced before that asset is available for use. These may require significant judgement.
- An entity applies the amendments retrospectively, but only to items of property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The amendments are generally adopted from the amendments to IAS 16 - Property, Plant, and Equipment – Proceeds before Intended Use as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 137 - Onerous Contracts – Cost of Fulfilling a Contract

Before this, MFRS 137 did not provide any guidance on which the costs an entity should consider when assessing if a contract is onerous, which resulted in varied practices. In this amendment, the MASB amended MFRS 137 by specifying that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract).

Key consideration: Consider if existing contracts currently assessed as not being onerous, under the current accounting requirements, may potentially be onerous when the amendments take effect. These amendments are to be applied to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments are generally adopted from the amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 4 - Extension of the Temporary Exemption from Applying MFRS 9

The amendments to MFRS 4, to extend the temporary exemption from applying MFRS 9, was issued on 17 August 2020 and was effective immediately. This exemption permits, but does not require, an insurer meeting certain criteria to apply MFRS 139 rather than MFRS 9 for annual periods beginning before 1 January 2023.

The amendments are generally adopted from the amendments to IFRS 17 – Insurance Contracts as issued by the IASB.

For more information: IFRS in Focus Newsletter

MFRS 17 *Insurance* Contracts

MFRS 17 Insurance Contracts has been issued to replace MFRS 4. The new standard, which supersedes MFRS 4 *Insurance Contracts,* establishes the requirements for recognition, measurement, presentation, and disclosure of insurance contracts.

Scope

An entity shall apply MFRS 17 to:

- Insurance contracts, including reinsurance contracts it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply MFRS 15 to these contracts, provided certain criteria are met.

Level of aggregation

MFRS 17 requires entities to identify portfolios of insurance contracts which are subject to similar risks and managed together. Each portfolio shall be divided into a minimum of three groups:

- A group of contracts that are onerous at initial recognition, if any;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- A group of the remaining contracts in the portfolio, if any.

An entity is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio falls into different groups only because law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

a. The beginning of the coverage period of the group of contracts;
b. The date when the first payment from a policyholder in the group becomes due; and
c. For a group of onerous contracts, when the group becomes onerous.

Measurement

The standard measures insurance contracts either under the general model or a simplified version called the Premium Allocation Approach.

The general model is defined such that at initial recognition, an entity shall measure a group of contracts at the total of:

- The amount of fulfilment cash flows ("FCF"), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and
- The contractual service margin ("CSM").

An entity shall include all the future cash flows within the boundary of each contract in the group. The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing, and uncertainty of those future cash flows.

On subsequent measurement, the carrying amount shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or if the coverage period of each contract in the group is one year or less.

Presentation

The new standard is expected to result in significant changes to presentation in the statement of financial performance. It requires more granular and detailed disclosures in financial statements given the high degree of judgement in the standard.

Effective date and transition

On 17 August 2020, the MASB issued the Amendments to MFRS 17, which includes deferral of MFRS 17's effective date to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if MFRS 9 has also been applied. Other amendments to MFRS 17 are discussed below. Three possible approaches are introduced for transition to MFRS 17, including Full Retrospective Approach, Modified Retrospective Approach, and Fair Value Approach.

Key consideration:	• Establish a project implementation plan to determine transitional impacts upon initial application. • Consider the extent to which substantial changes to processes, IT systems, and internal controls would be as a result of both the new measurement model and new disclosure requirements. • Consider how the actuarial valuation and financial reporting systems and data warehouses can be adapted to comply with MFRS 17 calculations. • Consider whether the reporting timeframes need to be extended or reviewed to accommodate the complex calculations and disclosures required by the new standard. • Consider the need for change management and the related communication required for analysts and regulators during the transition period and for subsequent reporting. • Consider the need of access to additional granular data. E.g. cash flows, discount rates, and risk adjustments (including forward looking projections and past projections). • Consider the need of business strategy changes to produce a stronger, less volatile, and growing business as profit drivers change. • Consider the potential tax impact arising from the application.

The Standard is generally adopted from the IFRS 17 *Insurance Contract* as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 17 - Insurance Contracts

Targeted amendments made to the following aspect of MFRS 17:

- Deferral to 1 January 2023 of the effective date of MFRS 17 and the fixed expiry date for the temporary exemption in MFRS 4 from applying MFRS 9.
- Scope exclusion for credit card contracts and similar contracts and optional scope exclusion for loan contracts with insurance coverage limited to the loan amount.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including guidance for insurance acquisition cash flows recognised in a business combination.
- Application of MFRS 17 in interim financial statements – Allocation of CSM attributable to investment-return service and investment-related service.
- Risk mitigation option using instruments other than derivatives.
- Recovery of losses from underlying insurance contracts through reinsurance contracts held.
- Presentation in the statement of financial position.
- Transition issues: classification of contracts acquired in their settlement period and guidance on the restatement of the risk mitigation option applied in prior periods.
- Minor application issues.

Key consideration:

Apart from taking into consideration the initial application considerations highlighted above, entities should also consider the additional accounting implication and/or applicability of the additional amendments and the related pre-application disclosures in financial statements prior to its effective date.

These would include the entity's preliminary assessment of the potential financial impact it expects from its initial application.

The amendments are generally adopted from the amendments to IFRS 17 – Insurance Contracts as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current

In March 2020, the MASB issued amendments to MFRS 101 titled Classification of Liabilities as Current or Non-current with an effective date for annual reporting periods beginning on or after 1 January 2022. The amendments:

- Clarifies the classification of liabilities as current or non-current, is based on rights that are in existence at the end of the reporting period.
- Specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- Explains that rights are in existence if covenants are complied with at the end of the reporting period.
- Introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

Due to pressures of COVID-19 that could delay the implementation of any changes in classification resulting from the application of these amendments, on 17 August 2020, the Board defers the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2023. The Board did not make any other changes to the amendments. Earlier application of the amendments will continue to be permitted.

In response to feedback and enquiries from some stakeholders, the IFRS Interpretations Committee published a tentative agenda[1] decision about how an entity applies the IAS 1 amendments to certain fact patterns. Respondents to that tentative agenda decision provided information about situations the Board did not specifically consider when developing the 2020 amendments.

In response to the comments by the respondents, the Board has issued an amendment to amend MFRS 101 with respect to classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least 12 months is subject to the entity complying with conditions after the reporting period. Please refer to Amendments to MFRS 101 Non-current Liabilities with Covenants in the latter page of this publication.

The effective date of Amendments to MFRS 101 has been deferred to 1 January 2024, however, earlier application is permitted

Key consideration:	• Consider whether existing classification of liabilities requires reclassification to align with the amendments. • Take note of the deferral of effective date. • Keep abreast of latest update from MASB on the proposed amendments.

The amendments are generally adopted from the amendments to IAS 1 - Classification of Liabilities as Current or Non-current as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 101 and MFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments change the requirements in MFRS 101 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to MFRS 101 are made to explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added.

To support the amendments, the MASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in MFRS Practice Statement 2.

Key consideration:	Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. With the introduction of the concept of 'material accounting policy', entities would need to apply judgement to consider if a particular accounting policy under its circumstances would be considered as material. Although not mandatory to apply, entities are encouraged to refer to MFRS Practice Statement 2, as it provides guidance on how to make those judgements on material accounting policies disclosures.

The amendments are adopted from the amendments to IAS 1 - Disclosure of Accounting Policies as issued by the IASB. To support the amendments, the IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

For more information: IFRS in Focus Newsletter

Key

[1]Agenda decisions are not issued by MASB, but entities in Malaysia applying MFRSs shall assess the relevance of Agenda Decisions vis-à-vis the laws and regulations in Malaysia.

Amendments to MFRS 108 - Definition of Accounting Estimates

Before the amendments, MFRS 108 included definitions of accounting policies, and a change in accounting estimates, but entities found it difficult to distinguish between accounting policies and accounting estimates. The combination of a definition of one item (accounting policies) with a definition of a change in another item (change in accounting estimates) obscured the distinction between both items. To make the distinction clearer, the Board decided to replace the definition of a change in accounting estimates with a definition of accounting estimates.

MFRS 108 is amended to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The MASB also clarifies that a change in accounting estimates that result from new information or new developments is not the correction of an error. In addition, the effects of a change in input or a measurement technique used to develop accounting estimates are changes in accounting estimates if they do not result from the correction of prior period errors.

Key consideration:	Identifying accurately if a change is arising from a change in accounting estimates or accounting policy is critical as the former entails a prospective accounting application while the latter is to be applied retrospectively.

The amendments are generally adopted from the amendments to IAS 8 - Definition of Accounting Estimates as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 112 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Before this amendment, it was not clear if MFRS 112 required recognition of deferred taxes for the offsetting of temporary differences arising from simultaneous recognition of asset and liability or if the initial recognition exemption can be applied. That exemption prohibits an entity from recognising deferred tax assets and liabilities on initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit.

In this amendment, the MASB amends MFRS 112 to provide a further exception from the initial recognition exemption. An entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. This is applicable to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented. The amendments also apply to transactions that occur on or after the beginning of the earliest comparative period presented.

Key consideration:	Consider if existing accounting policy requires revision to align with the amendments and the need to recognise related deferred tax assets and deferred tax liabilities arising from simultaneous recognition of asset and liability.

The amendments are generally adopted from the amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 17 – Initial Application of MFRS 9 and MFRS 17 – Comparative Information

Many insurance entities have elected to apply the temporary exemption that allows them to defer the adoption of MFRS 9 *Financial Instruments* until they apply MFRS 17. However, the two Standards have different requirements with respect to the comparative information presented on initial application. MFRS 17 requires entities to present at least one restated comparative period, while MFRS 9 permits (but does not require) the restatement of comparative periods. MFRS 9 prohibits entities from applying MFRS 9 to financial assets derecognised before the date of initial application of MFRS 9.

For entities that apply MFRS 17 and MFRS 9 at the same time, the amendment relates to financial assets for which comparative information presented on initial application of MFRS 17 and MFRS 9 has not been restated for MFRS 9 (including financial assets that have been derecognised in the comparative period). Applying the amendment, an entity is permitted to present comparative information about such financial assets as if the classification and measurement requirements of MFRS 9 had been applied to the financial assets. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of MFRS 9.

The amendment is also available for entities that have applied MFRS 9 before they apply MFRS 17. For these entities, the classification overlay applies to financial assets that have been derecognised in the comparative period and permits an entity to apply the redesignation requirements of MFRS 17 based on how the entity expects the asset would have been designated at the initial application of MFRS 17.

The amendment is effective at the time an entity first applies MFRS 17.

Key consideration:	Consider whether to apply the classification outlay or not as it is optional on an instrument-by-instruments basis.

The amendments are generally adopted from the amendments to IFRS 17 Initial Application of IFRS 9 and IFRS 17 - Comparative Information as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to MFRS 16 - Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in MFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

As part of the amendments, the MASB amended an Illustrative Example in MFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying MFRS 15, is a lease liability.

Key consideration:	Consider if existing accounting policy requires revision to align with the amendments in circumstances where a seller-lessee may have recognised a gain on the right-of-use asset it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in MFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. The adoption of the amendments would require a retrospective adjustment and would result in potential reversal of previously recognised gain. The amendments apply to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied MFRS 16.

The amendments are generally adopted from the amendments to IFRS 16 Lease Liability in a Sale and Leaseback as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current

The amendment specifies that only covenants that an entity is required to comply with on or before the end of the reporting period, affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The MASB also specifies that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Key consideration:	• Consider if there is any implication on classification assessment and to make reference to MAIG 2 when necessary. • Consider if additional disclosure is needed to align with the amendments.

The amendments are generally adopted from the amendments to IAS 1 – Non-current Liabilities with Covenants as issued by the IASB.

For more information: iGAAP in Focus Newsletter

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

In November 2014, the MASB issued the narrow-scope amendment to clarify that in a transaction involving an associate or joint venture, the extent of gain or loss to be recognised depends on whether the assets sold or contributed constitute a business. However, in December 2015, the MASB issued amendments to defer the effective date of the November 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded.

The amendments are generally adopted from the amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture as issued by the IASB.

For more information: IFRS in Focus Newsletter

Significant agenda decisions from the IFRS Interpretations Committee

The IFRS Interpretations Committee has published a number of agenda decisions providing guidance on the appropriate accounting for specific transactions. Agenda decisions often include information to help companies in applying IFRS Standards. They do so by explaining how the applicable principles and requirements in the Standards apply to the submission. The objective of including explanatory material in Agenda Decisions is to improve consistency in the application of the Standards.

Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Standard(s), reflecting the explanatory material in an agenda decision. Explanatory material may provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Standards. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision.

MFRSs are word-for-word IFRSs issued by IASB. Accordingly, the conclusion made in agenda decision based on IFRSs is also applicable to entities in Malaysia applying MFRS. Entities in Malaysia need to take note that there may be some Agenda Decisions that are case specific to a jurisdiction and hence, are not relevant in the Malaysian context. Therefore, entities in Malaysia applying MFRSs shall assess the relevance of Agenda Decisions vis-à-vis the laws and regulations in Malaysia. Some of the matters addressed that might apply more widely are discussed below.

Lessor Forgiveness of Lease Payments

The Committee received a request about a lessor's application of IFRS 9 (MFRS 9) and IFRS 16 (MFRS 16) in accounting for a particular rent concession. The rent concession is one for which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract.

In the fact pattern described in the request:

- Lessor agrees to provide a rent concession on an operating lease.
- Lessor legally releases the lessee from its obligations to make specified lease payments recognised as an operating lease receivable.

The submitter asked:

- **How the lessor applies expected credit loss model to the lease receivable before the rent concession?**

The Committee concluded that the measurement of expected credit losses shall include consideration of the lessor's expectations of forgiving lease payments recognised as part of that receivable.

- **Does the lessor apply the derecognition requirements in IFRS 9 (MFRS 9) or the lease modification requirements in IFRS 16 (MFRS 16)?**

The Committee concluded that the lessor accounts for the rent concession described in the request on the date it is granted by applying:

a. the derecognition requirements in IFRS 9 (MFRS 9) to forgiven lease payments that the lessor has recognised as an operating lease receivable; and
b. the lease modification requirements in IFRS 16 (MFRS 16) to forgiven lease payments that the lessor has not recognised as an operating lease receivable.

Key consideration:	• The specific facts and circumstances should be critically assessed to determine the appropriate accounting treatment of lessor potential forgiveness of lease payments. • Consider if additional disclosures are needed to enable users of financial statements to understand the impact of the forgiveness of lease payments.

For more information: October 2022 Agenda Decision

Principal versus agent: Software reseller

In the recent meeting in April 2022, the Committee considered feedback on the tentative agenda decision published in November 2021 about whether, in applying IFRS 15 (MFRS 15), a reseller of software licences is a principal or agent.

In the fact pattern described in the request:

a. The reseller has a distribution agreement with a software manufacturer that:
   - gives the reseller the right to grant (sell) the manufacturer's standard software licences to customers;
   - requires the reseller to provide pre-sales advice to each customer—before the sale of the software licences—to identify the type and number of software licences that would meet the customer's needs; and
   - provides the reseller with discretion in pricing the software licences for sale to customers.

b. If the customer decides:
   - to buy no software licences, it pays nothing. The reseller and the customer do not enter into an agreement.
   - to buy a specified type and number of software licences, the reseller negotiates the selling price with the customer, places an order with the software manufacturer on behalf of the customer (and pays the manufacturer), and invoices the customer for the agreed price.

c. The software manufacturer provides the customer with the software licences ordered—issued in the customer's name—via a software portal and with the key necessary for activation. The software manufacturer and the customer enter into an agreement specifying the customer's right to use the software, a warranty covering the software's functionality and the term of the licence.

d. If the reseller advises the customer to order an incorrect type or number of software licences (that fails to meet the customer's needs), the customer may not accept the licences. The reseller is unable to return unaccepted licences to the software manufacturer or sell them to another customer.

The Committee observed that the conclusion as to whether the reseller is a principal or agent depends on the specific facts and circumstances, including the terms and conditions of the relevant contracts. The reseller would apply judgement in making its overall assessment of whether it is a principal or agent—including considering the relevance of the indicators to the assessment of control and the degree to which they provide evidence of control of the standard software licences before they are transferred to the customer—within the context of the framework and requirements set out in paragraphs B34–B38 of IFRS 15 (MFRS 15).

The Committee also observed that the reseller would disclose (a) material accounting policy information in accordance with IAS 1 *Presentation of Financial Statements* (MFRS 101 *Presentation of Financial Statements*), and (b) information required by IFRS 15 (MFRS 15), including about its performance obligations (paragraph 119) and the judgements made in applying IFRS 15 (MFRS 15) that significantly affect the determination of the amount and timing of revenue from contracts with customers (paragraph 123).

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for a reseller to determine whether—in the fact pattern described in the request—it is a principal or agent for the standard software licences provided to a customer. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Key consideration:	• The specific facts and circumstances should be critically assessed to perform the principal versus agent assessment and these may require significant judgement when indicators are mixed. • Consider if additional disclosure needed to enable users of financial statements to understand the impact of the software reseller contract on revenue recognition and the underlying judgements made in deriving the accounting treatment applied.

For more information: IFRIC Updates April 2022

Software-as-a-Service arrangements

The Committee has published two agenda decisions (one in 2019, the other in 2021) clarifying how arrangements in respect of a specific part of cloud technology, the Software-as-a-Service (SaaS), should be accounted for by the customer.

The 2019 agenda decision concludes that a SaaS arrangement, that conveys to the customer only the right to receive access to the supplier's application software in the future, is a service contract (rather than a software lease or the acquisition of a software intangible asset).

The 2021 agenda decision goes further by addressing how a customer should account for the costs of configuring or customising the supplier's application software in a SaaS arrangement that is determined to be a service contract. It concludes that:

- Often, the configuration and customisation costs do not result in an intangible asset of the customer. Instead, the customer recognises the costs as an expense when the configuration or customisation services are received. If the customer pays the supplier before receiving those services, the prepayment is recognised as an asset.
- In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset. For example, this may be the case if the arrangement results in additional code from which the customer has the power to obtain the future economic benefits and restrict others' access to those benefits. The customer recognises an intangible asset if the additional code is 'identifiable' and meets the recognition criteria in IAS 38 *Intangible Assets* (MFRS 138 *Intangible Assets*).
- When the configuration and customisation activities do not give rise to an intangible asset, and if the configuration or customisation services are performed by the supplier of the application software (or its subcontractor) and the services received are not distinct from the right to receive access to the supplier's application software, the customer recognises the costs as an expense over the term of the SaaS arrangement. However, if the configuration or customisation services are performed by a third-party supplier and the services received are distinct from the right to receive access to the supplier's application software, the customer recognises the costs as an expense when the third-party supplier configures or customises the application software.

Key consideration:	• Every SaaS arrangement is unique. Significant judgement and deep understanding of certain technical aspects of the arrangements are needed to analyse and determine the appropriate accounting treatment of configuration and customisation costs incurred in implementing SaaS arrangements. This is especially when assessing whether the 'identifiable' criteria is met in accordance with IAS 38 (MFRS 138). • Where a change in accounting policy is required to apply the conclusions reached by the Committee, an entity must account for the change applying IAS 8 (MFRS 108), i.e. the comparative is restated.

For more information: A Closer Look

Costs necessary to sell inventories

In June 2021, the Committee published an agenda decision about the costs an entity includes as the 'estimated costs necessary to make the sale' when determining the net realisable value of inventories. In particular, the agenda decision addresses if an entity includes all costs necessary to make the sale or only those that are incremental to the sale.

The Committee concluded that the requirement in IAS 2 *Inventories* (MFRS 102 *Inventories*) to estimate the cost necessary to make the sale does not limit such costs to only those that are incremental. When applying IAS 2 (MFRS 102), an entity would instead estimate the costs necessary to make the sale in the ordinary course of business.

Key consideration:	Determining which costs are necessary requires judgement by considering specific facts and circumstances and nature of inventory.

For more information: IFRS – Costs Necessary to Sell Inventories (IAS 2)

Supplier financing arrangements

In December 2020, the IFRS Interpretations Committee published an agenda decision on supply chain financing arrangements that explains the requirements in IFRS Standards that an entity applies to such arrangements. Feedback on the draft agenda decision suggested that the information an entity is required to provide about this form of financing falls short of meeting user information needs. The Board considered this feedback and decided to address the issue by proposing amendments to IAS 7 *Statement of Cash Flows* (MFRS 107 *Statement of Cash Flows*) and IFRS 7 *Financial Instruments: Disclosures* (MFRS 7 *Financial Instruments: Disclosures*). An exposure draft ED/2021/10 Supplier Finance Arrangements [Proposed amendments to IAS 7 (MFRS 107) and IFRS 7 (MFRS 7)] has been published by the Board in November 2021.

The proposed amendments were as follow:
- To amend IAS 7 (MFRS 107) to introduce a disclosure objective requiring entities to provide information in the notes that enable users of financial statements to assess the effects of supplier finance arrangements on their liabilities and cash flows.
- It specified the qualitative and quantitative disclosures an entity would need to provide to meet the proposed disclosure objective.
- The term 'supplier finance arrangements' would not be defined and instead the proposed amendments describe the characteristics of an arrangement for which an entity would be required to provide the proposed information.
- Amendments are proposed to IFRS 7 (MFRS 7) to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.
- The amendments would be applied retrospectively [applying IAS 8 (MFRS 108).

The ED does not propose an effective date. Earlier application is proposed to be permitted.

Key consideration:	• As the proposed amendments do not define the term 'supplier finance arrangement', the key features of the arrangement would need to be critically assessed whether the characteristics as described in the proposed amendments is present, to determine whether such arrangement would be considered as a 'supplier finance arrangement'. • Keep abreast of latest update from IASB on the proposed amendments and prepare for additional collation of information that is required for the additional disclosures as proposed.

For more information: IFRS in Focus

Demand deposits with restrictions on use arising from a contract with a third party

In a recent meeting in March 2022, the Committee considered feedback on the tentative agenda decision published in September 2021 about whether an entity includes a demand deposit as a component of cash and cash equivalents in the statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party.

In the fact pattern described in the request, the entity:

- Holds a demand deposit whose terms and conditions do not prevent the entity from accessing the amounts held in it (that is, were the entity to request any amount from the deposit, it would receive that amount on demand).
- Has a contractual obligation with a third party to keep a specified amount of cash in that separate demand deposit and to use the cash only for specified purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

In the tentative agenda decisions, the Committee concluded that restrictions on use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7 (MFRS 107). The entity shall present the demand deposit as cash and cash equivalents in its statement of financial position. When relevant to an understanding of its financial position, the entity would disaggregate the cash and cash equivalents line item and present the demand deposit subject to contractual restrictions on use separately in an additional line item. In terms of disclosure, the entity shall disclose, together with commentary by management, 'the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group'.

After considering feedback on the tentative agenda decision, the Committee decided to finalise the tentative agenda decision.

Key consideration:	• The restriction on use clause should be critically assessed to determine if it would result in a change of nature of the deposit and that it no longer meets the definition of cash under IAS 7 (MFRS 107). • Consider if additional disclosure is needed to enable users of financial statements to understand the impact of the restrictions on the entity's financial position. • Keep abreast of the latest update from IASB on the finalisation of the tentative agenda decision.

For more information: [IFRIC Updates March 2022]

Section 2: Other financial reporting matters

02

Deloitte publishes 'iGAAP in Focus — Financial reporting: Closing out 2022'

This iGAAP in Focus discusses issues that may be relevant for years ended on or after 31 December 2022 in view of the current economic and geopolitical environment, and highlight areas of regulatory focus and changes in accounting standards applicable to this year-end.

For further details, please refer to the following: iGAAP in Focus — Financial reporting: Closing out 2022 Closer Look

Deloitte publishes 'A Closer Look — Investor demand for corporate reporting in line with the Paris Agreement on climate change' '

This publication is an update to 'A Closer Look' that was first published in December 2020 and addresses output of the November 2021 COP26 conference in Glasgow and further expressions from stakeholders of their expectations in respect of climate-related information in financial statements, examining perceived information gaps and how they might be addressed under current IFRS Accounting Standards.

For further details, please refer to the following:
A Closer Look — Investor demand for corporate reporting in line with the Paris Agreement on climate change

IASB issues the November 2022 'Investor Update' newsletter

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

This issue features:
- In profile — Enitan Adebonojo, Senior Forensic Equity Analyst and Executive Director at CFRA
- Spotlight — Key conclusions from the Third Agenda Consultation
- We need your views — Open consultations
- Stay up to date
- Resources for investors — Recent webcasts and webinars
- IASB updates and podcasts

For further details, please refer to the following: Investor Update Newsletter

Bursa Malaysia enhances sustainability reporting framework with new climate change reporting

On 26 September 2022, Bursa Malaysia Securities Berhad ("Bursa Malaysia" or the "Exchange") announced the enhanced sustainability reporting requirements in the Main Market Listing Requirements ("Main LR") and the ACE Market Listing Requirements ("ACE LR") with the aim to elevate the sustainability practices and disclosures of listed issuers.

There have been significant developments in the sustainability landscape, particularly in the climate change front, in recent years. Responding to these, the Exchange has enhanced the sustainability reporting requirements in the Listing Requirements to ensure their continued relevance and to propel listed issuers to adopt international best practices.

A summary of the enhanced requirements and their respective implementation dates are set out in Appendix 1.
Please refer to the following webpages for more information on the amended Listing Requirements as well as the updated Sustainability Reporting Guide and Toolkits:
- Amendments to the Main Market Listing Requirements
- Amendments to the ACE Market Listing Requirements
- The updated Guide and Toolkits

For details, please log into MIA e-Library and refer to **MIA Circular 50/2022** (accessible by MIA member only).

MIA releases latest version of the *MIA By-Laws (on Professional Ethics, Conduct and Practice)*

MIA has released the latest version of the *MIA By-Laws (on Professional Ethics, Conduct and Practice)* incorporating the revisions to the International Code of Ethics for Professional Accountants (Including International Independence Standards) (the Code).

As previously notified in Circulars 44/2022 and 62/2022, the revisions to the By-Laws incorporate the following pronouncements:
i. Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers
ii. Revisions to the Non-Assurance Services Provisions of the Code
iii. Revisions to the Fee-Related Provisions of the Code
iv. Quality Management-Related Conforming Amendments to the Code

These changes are effective as of 15 December 2022. Members can access the *MIA By-Laws (On Professional Ethics, Conduct and Practice)* at https://mia.org.my/by-laws/.

For details, please log into MIA e-Library and refer to **MIA Circular 64/2022** (accessible by MIA member only).

MIA publishes article on MPERS – Common Issues on Consolidation

Since the Malaysian Private Entities Reporting Standard (MPERS) became effective in Malaysia in 2015, MIA has received various accounting queries on consolidation through the technical queries facility. In this article, MIA shares a few common questions received on consolidation and the suggested guidance for reference.

For further details, please refer to the following: MIA Accountants Today

MIA Council issues MIRS 2030

The MIA Council has approved the issuance of the Malaysian Investment Reporting Standard (MIRS) 2030 on *Reporting Accountants' Report on the Statement of Capitalisation and Indebtedness included in an Investment Circular.*

MIRS 2030 provides guidance on the responsibilities of the reporting accountants when engaged to report on the Statement of Capitalisation and Indebtedness included in an investment circular issued in connection with an offer or invitation to a third party to subscribe for or purchase any securities of a corporation, a business trust, or a real estate investment trust, including any excluded offer or excluded invitation as defined under the Capital Markets and Services Act 2007.

Reporting accountants are required to comply with MIRS 2030 for reports signed after 31 January 2022. Early adoption is encouraged.

For details, please log into MIA e-Library and refer to **MIA Circular 2/2022** (accessible by MIA member only).

JC3 issues the TCFD Application Guide for Malaysian Financial Institutions

On 29 June 2022, the Joint Committee on Climate Change (JC3) released the Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions which outlines key recommendations supplemented by the relevant descriptions, guidance notes, considerations and examples that could be utilised as practical resources to facilitate the adoption of TCFD Recommendations by the Malaysian financial industry.

For further details, please refer to the following: TCFD Application Guide

Section 3: Accounting of Current Economic Environment

03

Hyperinflationary economies - updated IPTF watch list available

IAS 29 *Financial Reporting in Hyperinflationary Economies* defines and provides general guidance for assessing whether a particular jurisdiction's economy is hyperinflationary. But the IASB does not identify specific jurisdictions. The International Practices Task Force (IPTF) of the Centre for Audit Quality (CAQ) monitors the status of 'highly inflationary' countries. While it monitors the status of highly inflationary countries for the purposes of applying US GAAP, its criteria for identifying such countries are similar to those identifying 'hyperinflationary economies' under IAS 29.

For further details, please refer to the following: Hyperinflationary economies - updated IPTF watch list available

ESMA statement on the implications of Russia's invasion of Ukraine

The European Securities and Markets Authority (ESMA) has released a public statement on the implications of Russia's invasion of Ukraine on half-yearly financial reports.

The statement notes the significant challenges to business activities and effects on the global economic and financial system posed by the invasion and provides overarching messages to issuers and auditors including:

- A reminder of the main IFRS requirements which may be applicable in the context of Russia's invasion of Ukraine e.g., impairment of non-financial and financial assets, and loss of control;
- ESMA's expectations regarding disclosures in financial statements e.g., judgements made, significant uncertainties, and going concern risks;
- ESMA's expectations regarding disclosures in interim management reports e.g., direct and indirect impact of Russia's invasion of Ukraine and imposed sanctions on issuers' strategic orientation and targets, operations, financial performance, financial position and cash-flows, measures taken to mitigate the impacts, and cybersecurity risks; and
- a reminder of issuers' obligations vis-à-vis the Market Abuse Regulation.

For further details, please refer to the following: Implications of Russia's invasion of Ukraine on half-yearly financial reports

Financial reporting—Reporting on periods ending on or after 30 June 2022—Inflation in Turkey

IAS 29 requires that the financial statements of entities whose functional currency is that of a hyperinflationary economy be adjusted retrospectively for the effects of changes in a suitable general price index, with IAS 21 *The Effects of Changes in Foreign Exchange Rates* then incorporating such adjustments into the retranslation of a foreign operation into its parent's presentation currency. These requirements apply equally to annual financial statements and interim statements prepared under IAS 34 *Interim Financial Statements*.

This iGAAP in Focus addresses issues that arise in connection with the inflationary situation in Turkey and provides guidance on how to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* in that context.

For further details, please refer to the following:
iGAAP in Focus—Financial reporting—Reporting on periods ending on or after 30 June 2022—Inflation in Turkey

Financial reporting considerations related to the Russia-Ukraine War

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed.

This IFRS in Focus discusses some of the key impacts of the Russia-Ukraine war that entities need to consider, which include the following:

- Interruptions or stoppage of production in affected areas and neighbouring countries
- Damage or loss of inventories and other assets
- Closure of roads and facilities in affected areas
- Supply-chain and travel disruptions in Eastern Europe
- Volatility in commodity prices and currencies
- Disruption in banking systems and capital markets
- Reductions in sales and earnings of business in affected areas
- Increased costs and expenditures
- Cyberattacks

It is important that entities consider their direct and indirect exposures to the impacts of the war and consider the financial accounting and reporting implications. Entities with significant suppliers, vendors, or customers in Ukraine or Russia, as well as organisations that lend to or borrow from entities in those countries, may experience accounting challenges. Even entities that do not have direct exposure to Ukraine or Russia are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war.

For further details, please refer to the following: IFRS in Focus – Financial reporting considerations related to the Russia-Ukraine War

Investor demand for corporate reporting in line with the Paris Agreement on climate change

This publication is an update to 'A Closer Look' that was first published in December 2020 and addresses the output of the November 2021 COP26 conference in Glasgow and further expressions from stakeholders of their expectations in respect of climate-related information in financial statements, examining perceived information gaps and how they might be addressed under current IFRS Accounting Standards.

For further details, please refer to the following:
A Closer Look – Investor demand for corporate reporting in line with the Paris Agreement on climate change

ISSB exposure draft of general requirements of sustainability reporting

The Chair and Vice-Chair of the International Sustainability Standards Board (ISSB) published the exposure draft 'General Requirements for Disclosure of Sustainability-related Financial Information' that builds on the Technical Readiness Working Group (TRWG) prototype of the same name.

The main proposals in ED/2022/S1 General Requirements for Disclosure of Sustainability-Related Financial Information reflect the proposals in the prototype with some changed titles, strengthened definitions, and some changes to the order of proposals. They cover the following aspects of sustainability reporting:

- Objective
- Scope
- Core content
- General features
- Reporting entity
- Connected information
- Fair presentation
- Materiality
- Comparative information
- Frequency of reporting
- Location of information
- Sources of estimation and outcome uncertainty
- Errors
- Statement of compliance

The deadline for submitting comments on these proposals was 29 July 2022.

The ISSB has also developed a survey to support stakeholders in response to the proposals in the exposure draft as an alternative or in addition to a comment letter.

For further details, please refer to the following: ISSB exposure draft of general requirements of sustainability reporting

ISSB exposure draft of climate-related disclosures

The Chair and Vice-Chair of the International Sustainability Standards Board (ISSB) published the exposure draft 'Climate-related Disclosures' that builds on the Technical Readiness Working Group (TRWG) prototype of the same name. The resulting standard would be the first thematic standard of the ISSB.

The main proposals in ED/2022/S2 Climate-related Disclosures generally reflect the proposals in the prototype and are structured around the four Task Force on Climate-Related Financial Disclosures (TCFD) pillars of governance, strategy, risk management, and metrics and targets. Some changes were made to improve specificity and clarity with some added disclosure requirements. One noticeable change regards the internationalisation of metrics that referred to specific jurisdictions. The proposals cover the following aspects of climate-related disclosures:

- Objective
- Scope
- Governance
- Strategy
- Risk management
- Metrics and targets

The deadline for submitting comments on these proposals was 29 July 2022.

The ISSB has also developed a survey to support stakeholders in response to the proposals in the exposure draft as an alternative or in addition to a comment letter.

For further details, please refer to the following: ISSB exposure draft of climate-related disclosures

Section 4: Appendices

04

Appendix A: Abbreviations

ED	Exposure Draft
FRC	Financial Reporting Council
FSRC	Financial Statements Review Committee of MIA
GAAP	Generally Accepted Accounting Principles
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IC Int.	IC Interpretation
IFRIC Interpretation	Individual interpretations issued by the IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISSB	International Sustainability Standards Board
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
MIRS	Malaysian Investment Reporting Standard
MPSAS	Malaysian Public Sector Accounting Standards

Appendix B: Effective dates of other local pronouncements

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 last quarter of 2022. 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 *Companies Act 2016*
2 July 2020 15 December 2022 (revised)	MAIG 2 Classification by the borrower of a term loan that contains a repayment on demand clause
5 May 2021	MAIG 3 Preparation of consolidated financial statements for a group which had disposed of its only subsidiary during the financial year

Appendix C: Compilation of IFRS Interpretations Committee agenda decisions issued in the past 12 months

IFRS Interpretations Committee agenda decisions

The following is the list of IFRS Interpretations Committee agenda decisions issued in the past 12 months from December 2022.

Date	Title	Featured in
28 March 2022	TLTRO III Transactions – IFRS 9 and IAS 20	-
28 April 2022	Demand Deposits with Restrictions on Use arising from a Contract with a Third Party – IAS 7	Quarterly Roundup December 2022
30 May 2022	Principal versus Agent: Software Reseller – IFRS 15	Quarterly Roundup December 2022
21 July 2022	Transfer of Insurance Coverage under a Group of Annuity Contracts – IFRS 17	-
21 July 2022	Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity – IAS 32	-
21 July 2022	Negative Low Emissions Vehicle Credits – IAS 37	-
24 October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition	-
24 October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)	Quarterly Roundup December 2022
24 October 2022	Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21)	-

Source: Suporting Implementation from IFRS website. Details of agenda decisions issued that were not featured in our Quarterly Roundup publications may be referred to at the IFRS website.