

**Deloitte.**

Audit Quarterly  
Roundup

March 2020



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The Quarterly Roundup is a compilation of some of the key developments related to accounting, auditing, and local regulatory requirements that have occurred in the first quarter of 2020. This publication in its softcopy also provides links to locations where additional information can be found.

### **Local headlines**

- MASB publishes a media release on COVID-19: MFRS 9 *Financial Instruments*: Expected Credit Loss Considerations
- MASB publishes Classification of Liabilities as Current or Non-current
- MIA issues FAQs on auditing related to COVID-19
- MIA releases a textbook focusing on MFRS application for Islamic finance transactions
- Effective date of Companies Amendment Act 2019

### **International headlines**

- IASB issues statements on IFRS 9 and COVID-19
- IASB decides on deferral of IFRS 17 effective date
- Deloitte publishes expected credit loss accounting considerations related to COVID-19
- SME Implementation Group (SMEIG) publishes Q&A on the IFRS for SMEs
- Deloitte publishes accounting considerations related to COVID-19
- Deloitte sets up new IAS Plus resource page on accounting consideration related to COVID-19

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# Local headlines

## **MASB publishes a media release on COVID-19: MFRS 9 Financial Instruments: Expected Credit Loss Considerations**

In its media release on 25 March 2020, MASB reassures its constituents that the principle-based nature of the Malaysian Financial Reporting Standards (MFRS) Framework requires and allows for judgement in addressing the accounting challenges arising from COVID-19. As the COVID-19 situation continues to evolve, MASB recognises that this situation has given rise to a high degree of uncertainty, which would significantly influence financial reporting judgements made during this period, including the application of MFRS 9 in measuring expected credit losses.

For further details, you may refer to the following:

- [COVID-19: MFRS 9 ECL Considerations](#)

## **MASB publishes *Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)***

The MASB has issued narrow-scope amendments to MFRS 101 *Presentation of Financial Statements* to clarify how to classify debt and other liabilities as current or non-current. The amendments are word-for-word *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) issued by the IASB on 23 January 2020.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debts a company might settle by converting it into equity. The amendments clarify, not change existing requirements, and so, are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa. This could affect a company's loan covenants.

Key highlights of the amendments are:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendments shall apply to financial statements for annual periods beginning on or after 1 January 2022, with earlier application permitted.

For further details, you may refer to the following:

- [MASB Press Release](#);
- [MASB Notice of Issuance](#);
- [Amendments to MFRS 101](#);
- [IASB Press release](#); and
- [IFRS in Focus – Amendments to IAS 1](#)

### **MIA issues FAQs on auditing related to COVID-19**

MIA has issued a series of FAQs on auditing with regard to COVID-19. The FAQs address questions on audit-related matters that the staff of MIA has received from auditors, in respect to the impact of the COVID-19 outbreak.

The FAQs are categorised as follows:

01. General considerations in an audit
02. Group audits
03. Going concern
04. Subsequent events
05. Auditor's report

For further details, you may refer to the following:

- [MIA Circular No. 29/2020](#)

### **MIA releases a textbook focusing on MFRS application for Islamic finance transactions**

The MIA, led by the MIA Islamic Finance Committee and the Malaysian Accountancy Research and Education Foundation has launched the first Islamic Finance (IF) textbook in the market that focuses on IF from the perspective of MFRS. The launch of this book is part of MIA's efforts to strengthen the IF accounting practices and to advance Malaysia's leadership in IF. This IF accounting textbook is intended to bridge the gap in knowledge on applying MFRS for IF transactions within the IF sector, namely Islamic banks, Takaful entities, and Islamic Fund Management companies.

There are 15 chapters in the textbook which cover topics from the background and overview of IF development in Malaysia, to application of MFRS on assets, liabilities, income, expenses, and equity of Islamic banks, Takaful entities, and asset management companies.

For further details, you may refer to the following:

- [MIA Islamic Finance Textbook](#)

### **Effective date of Companies Amendment Act 2019**

On 15 January 2020, the SSM announced that the following legislations have been gazetted and are now effective:

- Companies (Amendment) Act 2019; and
- Companies (Company Auditor and Liquidator Fees) Regulations 2020

Generally, the amendments to the Companies Act 2016 (the "Act") are not meant to introduce new requirements, or to override the existing provisions in the Act. Instead, the amendments to the Act are made to clarify the requirements relating to certain provisions of the Act. This is to facilitate proper implementation and compliance with the said requirements. The provisions in the Act that have been amended are Sections 4, 66, 72(5), 84, 93, 247, 253(2), 304, 340, 386, 409, 433, and 580A.

The Companies (Company Auditor and Liquidator Fees) Regulations 2020 provides the new fees for the approval as company auditor and liquidator, including the renewal of approval as company auditor and liquidator.

For further details, you may refer to the following:

- [Companies \(Amendment\) Act 2019](#);
- [FAQs on Companies \(Amendment\) Act 2019](#);
- [Gazette on the effective date of Companies \(Amendment\) Act 2019](#); and
- [Gazette on the effective date of Companies \(Company Auditor and Liquidator Fees\) Regulations 2020](#)

# International headlines

## IASB issues statements on IFRS 9 and COVID-19

The IASB has published a document responding to questions regarding the application of IFRS 9 Financial Instruments during the period of enhanced economic uncertainty arising from the COVID-19 pandemic. The document is intended to support the consistent application of requirements in IFRSs. Therefore, it highlights requirements within IFRS 9 Financial Instruments that are relevant for companies considering how the pandemic affects their accounting for expected credit losses; it does not change, remove nor add to, the requirements of IFRS 9.

For further details, you may refer to the following:

- [IASB Press release](#);
- [IFRS 9 and COVID-19 – Accounting for ECL](#); and
- [IASPLUS News](#)

## IASB decides on deferral of IFRS 17 effective date

At its 17 March 2020 meeting, the IASB discussed and voted on the remaining issues resulting from the feedback received on the exposure draft ED/2019/4 'Amendments to IFRS 17' which were the effective date of IFRS 17 and the expiry date of the IFRS 9 temporary exemption in IFRS 4 Insurance Contracts.

The IASB decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The Board also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9, to enable them to implement both IFRS 9 and IFRS 17 simultaneously. There will also be some additional amendments to IFRS 17 in response to the feedback from the proposals in the aforementioned exposure draft. The amendments to IFRS 17 is expected to be issued by IASB in the second quarter of 2020.

For further details, you may refer to the following:

- [IASB Press release](#); and
- [IASPLUS News](#)

## SME Implementation Group (SMEIG) publishes Q&A on the IFRS for SMEs

The Q&A addresses the application of the undue cost or effort exemption for investment property on the date of transition to the IFRS for SMEs. The Q&A concludes that additional cost or effort due to the elapse of time between the date of transition and the date of preparing the first IFRS for SMEs financial statements is not considered.

For further details, you may refer to the following:

- [IASB Press release](#); and
- [SMEIG Q&A 35.1](#)

## Deloitte publishes expected credit loss accounting considerations related to COVID-19

This publication discusses certain key IFRS accounting considerations related to the accounting for expected credit losses (ECL) that may result from the COVID-19 pandemic. The focus of this publication is for lenders and banks, though much of it will be applicable to measurement of ECL in industries other than financial services.

For further details, you may refer to the following:

- [IFRS in Focus - Expected credit loss accounting considerations related to Coronavirus Disease 2019](#)

### **Deloitte publishes accounting considerations related to the COVID-19**

This IFRS in Focus discusses certain key IFRS accounting considerations related to conditions that may result from the COVID-19 pandemic. As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand, layoffs and furloughs, and other restructuring activities. The continuation of these circumstances could result in an even broader economic downturn, which could have a prolonged negative impact on an entity's financial results.

For further details, you may refer to the following:

- [IFRS in Focus – Accounting considerations related to the Coronavirus 2019 Disease](#)

### **Deloitte sets up new IAS Plus resource page on accounting consideration related to COVID-19**

Deloitte has set up an IAS Plus resource page on accounting considerations related to COVID-19. The page includes news items and resources in connection with COVID-19 developments that highlight some of the key accounting and disclosure issues to be considered by entities that may arise as a result of COVID-19 in preparing financial statements applying IFRS Standards.

For further details, you may refer to the following:

- [COVID-19 Resource Page](#)

# Appendix A: Effective dates of MFRSs as of 31 December 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 January 2021

MFRS	Title
MFRS 17	Insurance Contracts

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

MFRS	Title
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*

# 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 MFRS 9, IAS 39, and MFRS 7	Interest Rate Benchmark Reform

### Effective for annual periods beginning on or after 1 January 2021 [Note 2]

IFRSs	Title
IFRS 17	Insurance Contracts

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

IFRSs	Title
Amendments to IAS 1	Classification of Liabilities as Current or Non-current

#### Note:

01. Amendments to References to the Conceptual Framework in MFRS 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. The IASB has decided on 17 March 2020 that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. This amendment is expected to be issued in the second quarter of 2020.

# 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 last quarter of 2019. 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

# Appendix D: Abbreviations

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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