

Disclaimer

The MASB's primary role is to develop accounting and financial reporting standards. It is the MASB's operating procedure that generally precludes the MASB or its staff from giving advice to any individuals or corporations or individual cases nor to act as an arbitrator regarding any issue. Resolution of matters concerning the application of the accounting standards should be addressed and discussed with the respective independent accountants, or auditors.

Likewise the MASB's resources do not allow for it to respond to students' individual requests for help in completing their assignments.

Below are some of the questions that the staff frequently receive from preparers, auditors and users with regard to the implementation of the MFRS Framework. The answers to the following questions have been prepared by the MASB staff and are not necessarily the Board's views.

FAQ dated 24 March 2016

(1) Transitioning Entities

Entities that satisfy the criteria in 2(a) and 2(b) are herein called Transitioning Entities (TEs).

(1) MFRS framework

Entities Other Than Private Entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate.

(2) Entities subject to the application of MFRS 141 and / or IC Interpretation 15

(a) *An entity that would otherwise be subject to the application of MFRSs as its financial reporting framework and thereby be subject in particular to the application of MFRS 141 Agriculture and/or IC Interpretation 15 may in the alternative apply the Financial Reporting Standards (FRSs) as its financial reporting framework.*

(b) *An entity that consolidates or equity accounts another entity that has chosen to apply FRSs as its financial reporting framework may itself choose to apply FRSs as its financial reporting framework.*

(3) Effective date of MFRS framework for TE

TEs that have in the alternative chosen to apply FRSs shall comply with MFRSs for annual periods beginning on or after 1 January 2018.

Please click [here](#) for the Notice of Issuance regarding TE.

(A) Changes in business activities - disposal of agriculture business in 2011

A reporting entity, Company A, disposed of its agriculture business in 2011. Therefore, as at 1 January 2012, it is not a TE. Can Company A be regarded as a TE on the basis that it met the criteria for TE in 2011 as otherwise it would be required to apply MFRS 141 Agriculture for its 2011 comparatives?

In this scenario, Company A would not satisfy the criteria to be a TE because on 1 January 2012 it is not within the scope of MFRS 141. It would then have to apply the MFRS Framework for its financial statements for annual period beginning on 1 January 2012 including the comparative periods.

(B) Changes in business activities - acquisition of agriculture business in 2012

A reporting entity, Company B, a non-TE, will adopt the MFRS framework with effect from 1 January 2012, as properly laid out in its 2011 statutory accounts under the note on basis of preparation.

If during the 3rd Quarter of 2012 Company B acquires some plantation lands and then engages in plantation activities, say, oil palm cultivation, can Company B revert back to the FRS Framework?

In this scenario, Company B would satisfy the criteria to be a TE and hence it would have the option to apply the FRS framework in its 2012 statutory accounts.

(C) TE Assessment Period

- (i) **With reference to the staff FAQ No. 3(B) “Changes in business activities - acquisition of agriculture business in 2012”, is the TE assessment made on a continuous basis – for example if Company Q, a property developer, has fulfilled the criteria of TE in 2012 but cannot fulfil the criteria in 2013 – will Company Q be required to apply MFRSs in 2013?**

A TE that has chosen to apply FRSs as its financial reporting framework for its 2012 annual statutory financial statements need not reassess whether it satisfies the TE criteria in 2013.

This is consistent with the intent of the transitioning arrangement which is to avoid the need of subjecting entities to changes in accounting policies for the subject matter of IFRIC 15 and IAS 41 while it is anticipated that further changes to these, when effected, could require entities to revert to their prior policies.

- (ii) **Company R is not a TE during the financial year 2012 and therefore applies MFRSs in preparing its financial statements for financial year ended 31 December 2012.**

Company R meets the TE criteria in 2013 (e.g. enters into agreements for construction of real estate, accordingly, in the scope of IC Interpretation 15 *Agreements for the Construction of Real Estate*), is Company R allowed to apply FRSs as its reporting framework for the financial year ending 31 December 2013?

Yes. Company R has the option to apply FRSs as its reporting framework for the financial year ending 31 December 2013.

This is consistent with the rationale to provide transitional period for entities subject to the application of MFRS 141 Agriculture and / or IC Interpretation 15 pending the outcome of the IASB projects on revenue and agricultural activities.

Update as at 16 December 2014: See FAQ 3(C)(iii) Non-reversion to FRSs

- (iii) **According to MASB’s announcement dated 2 September 2014, entities that have applied MFRSs shall not revert to apply FRSs. The MASB’s announcement included the following:**

A Non-Private Entity that has in the alternative applied FRSs as its financial reporting framework shall disclose when it will first present financial statements in accordance with MFRSs. The entity that has applied MFRSs shall not revert to apply FRSs even if it meets the criteria to do so.

The entity referred to above would cover TE only. So, a non-TE that meets the definition of a TE later (before 1 January 2017) can still avail itself to the FRS Framework in line with FAQ 3(C)(ii) *Transitioning Entities — TE Assessment Period*. Would this be the correct reading of the MASB’s announcement?

When FAQ 3(C)(ii) was issued, the outcome of the IASB projects on revenue and agricultural activities were uncertain. Now that MFRS 15 Revenue from Contracts with Customers and the Bearer Plants Amendments had been issued, it would be counter-intuitive for entities that have applied MFRSs to revert to FRSs.

The non-reversion from MFRSs to FRSs is effective for financial statements with annual periods beginning on or after the MASB's announcement date of 2 September 2014.

[Note: The key differences between the FRS Framework and MFRS Framework are that in the former, (a) FRS 201₂₀₀₄ Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC Interpretation 15, and (b) there is no equivalent standard to MFRS 141.]

- (iv) Will the date of non-reversion (i.e. 2 September 2014) from MFRSs to FRSs in FAQ 3(C)(iii) be deferred as a consequence of the deferred effective of MFRS to 1 January 2018 for TE according to the MASB's announcement dated 28 October 2015?**

Given that FRSs is a temporary framework, an entity that has applied MFRSs for annual periods beginning on or after 2 September 2014 shall not revert to apply FRSs even if it meets the criteria to do so. Please click [here](#) for the Notice of Issuance dated 28 October 2015.

- (v) Is a Private Entity currently applying PERS allowed to apply the FRS framework if it qualifies as a Transitioning Entity subsequent to 2 September 2014?**

Given that the FRS framework will be withdrawn by 31 December 2017, such an Entity (hereinafter referred to as "the Entity") is encouraged to early adopt the MFRS framework. If the Entity changes from one accounting framework to another framework within a short period, it may confuse users of financial statements specifically it is a known fact that the FRS framework only serves as a temporary framework for Transitioning Entities.

Nonetheless, if the Entity still chooses to adopt the FRS framework instead of the MFRS framework, the Entity should consider disclosing the reasons for doing so and the financial effects if the financial statements have been prepared in accordance with MFRSs for the benefit of the users.

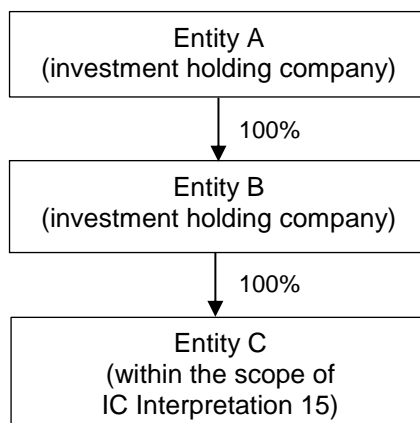
- (vi) Can an entity established after 2 September 2014 applies the FRS framework if it qualifies as a Transitioning Entity during the period covered by its first financial statements?**

Such an entity (hereinafter referred to as "the New Entity") is encouraged to early adopt the MFRS framework instead of switching from one framework to another within a short period, as explained in [draft] FAQ(3)(C)(v).

Nonetheless, if the Entity still chooses to adopt the FRS framework instead of the MFRS framework, the Entity should consider disclosing the reasons for doing so and the financial effects if the financial statements have been prepared in accordance with MFRSs for the benefit of the users.

- (D) [Deleted]**

(E) Separate financial statements and wholly-owned intermediate parent



(i) Separate financial statements

If Entity C, who is a TE, applies the FRS Framework in preparing its 31 December 2012 financial statements and Entity A avails to criteria 2(b) so as to apply the FRS Framework in preparing its consolidated financial statements, can Entity A opt for FRSs in preparing its 31 December 2012 separate financial statements since Entity A only consolidates Entity C (and Entity B) at the consolidated financial statements but not the separate financial statements?

Paragraph 3 of FRS 127 Consolidated and Separate Financial Statements requires an entity to apply the same standard when the entity elects or is required by local regulations to present separate financial statements. Therefore it follows that Entity A shall apply the FRS Framework in preparing its 31 December 2012 separate financial statements given the fact that it has chosen to apply the FRS Framework in preparing its 31 December 2012 consolidated financial statements.

(ii) Wholly-owned intermediate parent

Does Entity B satisfy criteria 2(b) above if it does not present consolidated financial statements as allowed under FRS 127 paragraph 10?

Entity B satisfies criteria 2(b) even if it chooses not to present consolidated financial statements as allowed by paragraph 10 of FRS 127. It is not the MASB's intention to require Entity B to prepare consolidated financial statements in order to be able to satisfy criteria 2(b) given the fact that Entity B satisfies the consolidation exemption criteria of FRS 127 paragraph 10.

(2) Foreign subsidiaries in non-IFRS jurisdictions

Would a locally incorporated parent company qualify as a TE in this situation:

- (a) all locally incorporated subsidiaries are not subject to the requirements of MFRS 141 Agriculture and / or IC Interpretation 15 Agreements for the Construction of Real Estate; and**
- (b) foreign subsidiaries involved in agricultural activities in a jurisdiction where IFRSs has yet to be adopted in that jurisdiction.**

The foreign subsidiaries would meet the criteria to be TEs as they would be subject to the application of MFRS 141 Agriculture in preparing their reporting package in accordance with MFRSs for consolidation purposes. Consequently, the locally incorporated parent company that consolidates these foreign subsidiaries would qualify as a TE and may choose to apply FRSs as its financial reporting framework if these subsidiaries have chosen to apply FRSs in preparing their reporting package for consolidation purposes.