



MALAYSIAN INSTITUTE OF ACCOUNTANTS
FINANCIAL REPORTING STANDARDS IMPLEMENTATION COMMITTEE
("FRSIC")

FRSIC Issue No. 48 [2014]

Accounting for Currencies Held for Sale in Money Services Businesses

The issue:

Accounting for currencies held for sale in money services businesses.

Current accounting practice as observed by the Submitter:

The submitter raised the following areas of concern in respect of the financial management of money services business licensees:

- i) **Recognition of currencies held for sale in money-changing and wholesale currency business**
The submitter observed that there is diversity in practice on the recognition of currencies held for sale. Some money-changing companies recognise the currencies held for sale as inventories whereas some companies recognise the currencies as cash and cash equivalent.
- ii) **Recognition of revenue for money-changing and wholesale currency business transactions at gross or net**
The submitter observed that there is diversity in practice on the recognition of revenue for money-changing and wholesale currency businesses transactions. Some companies record revenue at gross with cost of sales whereas some companies record the revenue at net, i.e. the difference between the cost and sales proceeds of currencies.

The money services business industry comprises of money-changing business, wholesale currency business and remittance business. Pursuant to the MSB Act 2011:

- a) Money-changing business is the business of entering into an exchange transaction at a rate of exchange or the business of buying or selling travellers' cheques, on behalf of an issuer of travellers' cheques, at a rate of exchange.
- b) Wholesale currency business is the business of buying or selling foreign currency with an authorized dealer, a licensee or any person outside Malaysia or importing foreign currency notes from, or exporting foreign currency notes to, any person outside Malaysia.
- c) Remittance business is business of transferring funds or facilitating the transfer of funds, whether in any form or by any means or whether there is any movement of funds or not, on behalf of an originator person in or outside Malaysia, with a view to making the funds available to a beneficiary person in or outside Malaysia and the originator person and the beneficiary person may be the same person, but excludes such other businesses, activities, systems or arrangements as the Bank may prescribe.

Reasons for the FRSIC to address the issue:

Divergence in practice amongst money services businesses.

Submitter's proposal or recommendation to address the issue:

None.

Submitted on:

5 August 2014

Corresponding Guidance: