



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

FRSIC Issue No. 9 [2007]

Applicable Accounting Standards for MSC Status Company

The issue:

In accordance with the announcement made by the Malaysian Accounting Standards Board ("MASB"), Private Entity Reporting Standards ("PERS") can only be adopted by private entities in preparing their financial statements.

A private entity is defined as a private company, incorporated under the Companies Act 1965, that -

- is not itself required to prepare or lodge any financial statements under any law administered by the Securities Commission or the Bank Negara Malaysia; and
- is not a subsidiary or associate of, or jointly controlled by, an entity which is required to prepare or lodge any financial statements under any law administered by the Securities Commission or the Bank Negara Malaysia.

Our company is a private company incorporated under the Companies Act, 1965 and was conferred the Multimedia Super Corridor ("MSC") Malaysia-status in year 2005. An MSC-status company was given certain exemption to comply with the Exchange Control Act, 1953 ("ECA").

However, it was noted that the general permission was given subject to the condition, among others, that the Company shall submit its audited annual financial statements to Jabatan Pentadbiran Pertukaran Asing ("JPPA") of Bank Negara Malaysia ("BNM") within 3 months after the end of every financial year.

On the other hand, there are other types of companies which are required to file audited financial statements to BNM under the ECA.

The issue is whether there are needs for MSC-status company or other companies (principally small and medium enterprise) to prepare their financial statements in accordance with Financial Reporting Standards ("FRS"), as the purpose for the submission is principally for the BNM to control the foreign exchange transaction.

Current accounting practice as observed by the Submitter:

None.

Reasons for the FRSIC to address the issue:

If the above interpretation is correct, it may affect a lot of Small and Medium-sized Enterprise

("SME") if they are required to prepare their financial statements in accordance with FRS. It may also place undue burden for SME to comply with the FRS due to the lack of resources to understand FRS.

FRS should be applied to those companies with public accountability, such as bankers, insurers and so on. Thus, the above mentioned companies shall be exempted from complying with FRS if they submit their audited financial statements in accordance with Exchange Control Act, 1953.

Submitter's proposal or recommendation to address the issue:

FRS should be applied to those companies with public accountability, in addition to those criteria announced by MASB. Thus, the above mentioned companies shall be exempted from complying with FRS if they submit their audited financial statements in accordance with Exchange Control Act, 1953.

MASB should clarify the clauses on the type of companies that are allowed to prepare their financial statements in accordance with PERS.

Submitted on:

22 March 2007

Corresponding FRSIC Consensus:

FRSIC Consensus 2 - Applicable Accounting Standards for MSC Status Company [To view, click on the Consensus title]