



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

FRSIC Issue No. 12 [2007]

Accounting for Premium Paid for Transfer of Listing Status in a Reverse Takeover Scenario (Acquisition of the Listing Status of a Company that was not itself a Going Concern)

The issue:

Facts of the Case

Company A paid a premium for the transfer of the listing status of Company B pursuant to a reverse take-over ("RTO") exercise undertaken by Company A. The RTO includes the transfer of listing status of Company B to Company A. Company A was listed on Bursa Malaysia. The RTO was approved by shareholders and the relevant authorities.

The financial statements of Company A after the completion of the RTO exercise shows "premium paid for transfer of listing status" as intangible asset.

FRS 138 - Intangible Assets

Intangible asset is defined in FRS 138, Intangible Asset as "an identifiable nonmonetary asset without physical substance and should only be recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Para. 11 of FRS 138 states that the definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill.

Para. 12 of FRS 138 states that an asset meets the identifiability criterion in the definition of an intangible asset when it:

- (a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Question:

Does "premium paid for transfer of listing status" satisfy the criteria for recognition as intangible assets under FRS 138?

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Current accounting practice as observed by the Submitter:

Certain companies have capitalised "premium paid for transfer of listing status" of a company as intangible asset.

Reasons for the FRSIC to address the issue:

- Not stated by submitter -

Submitter's proposal or recommendation to address the issue:

"Premium paid for Transfer of Listing Status" does not satisfy the criteria for recognition as intangible assets under FRS 138. Hence, it should not be capitalised as intangible asset.

Submitted on:

8 May 2007

Corresponding FRSIC Consensus:

FRSIC Consensus 6 - Accounting for Premium Paid for Transfer of Listing Status in a Reverse Takeover Scenario (Acquisition of the Listing Status of a Company that was not itself a Going Concern) [To view, click on the Consensus title]