



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

FRSIC Issue No. 23 [2008]

Expenses Permitted to be Written Off against the Share Premium Account under Section 60 of the Companies Act, 1965

The issue:

Section 60 sub-section (2) of the Companies Act, 1965 states that : -

"Where a company issues shares for which a premium is received by the company whether in cash or in the form of other valuable consideration a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account call the `share premium account' and the provisions of this Act relating to the reduction of the share capital of a company shall subject to this section apply as if the share premium account were paid up share capital of the company."

It should be noted that the Act provides relief from compliance with Section 60 (2) under the circumstances set out in Section 60 sub-sections (4), (5) and (6).

Although the share premium account is treated as though it is part of the paid-up share capital of a company, it is permitted to apply the balance in the share premium account in the manner specified under Section 60 sub-section (3).

A review of the applications under Section 60 sub-section (3) paragraphs (a) to (f) would indicate that the permitted applications do not involve the reduction of the capital of a company including paragraph (e) which states:-

"in writing off –

- i) preliminary expenses of the company; or*
- ii) the expenses of, or the commission or brokerage paid or discount allowed on, any duty, fee or tax payable on or in connection with, any issue of shares of the company;"*

Under normal circumstances where a company is incorporated and issues new shares at a premium, the determination of the type of expenses permitted to be written off against the share premium account posed no problems.

However, guidance has been sought on the permitted expenses in the case of a company which is undertaking a corporate restructuring exercise which involves the issue of financial instruments, such as ICULS, RCULS, and etc. in addition to the issue of new shares at a premium and the listing of the entire share capital on a stock exchange.

The Committee is requested to provide guidance on the expenses permitted to be written off against the share premium account.

Current accounting practice as observed by the Submitter:

The following are examples of the expenses incurred Pursuant to Issuance of Shares and others financial instruments to the Public in connection with a Listing on a Stock Exchange.

Professional Fees:

- Main Adviser (if applicable)
- Reporting Accountants
- Solicitors
- Researcher (if applicable)
- Independent Valuer (if applicable)
- Public Relation

Fees paid to the Regulatory Authorities:

- Securities Commission's perusal fee
- Bursa Malaysia Securities Berhad
 - Perusal fee
 - Initial listing fee
 - Annual listing fee
- Prospectus registration fee
- Prospectus lodgment fee
- Prospectus translation fee

Other Expenses Incurred

- Incorporation of new company
- Issuing house fee
- Printing and advertising fees
- Brokerage fee
- Underwriting commission
- Placement commission
- Mailing expenses
- Stamp duty for share sale
- Real Property Gain Tax for acquisition/disposal of asset(s) (real property)
- Stamping fee of the agreement(s)
- Analyst briefing expenses
- IPO launch expenses

Companies which had issued new shares had written off some or all of the above expenses against the share premium account as they deemed fit.

Reasons for the FRSIC to address the issue:

The above listed expenses which have been written off against share premium account may not be permitted to be written off with the Companies Act 1965 requirement.

Some of the expenses listed above which are not exhaustive deemed to be incurred for purposes others than for a new issue of shares. As such FRSIC is requested to provide some guidance on the matters to enhance compliance with the Companies Act, 1965.

Submitter's proposal or recommendation to address the issue:

None.

Submitted on:

11 January 2008

Corresponding FRSIC Consensus:

FRSIC Consensus 13 - Expenses Permitted to be Written Off against the Share Premium Account under Section 60 of the Companies Act, 1965 [To view, click on the [Consensus title](#)]