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

FRSIC Issue No. 41 [2013]
Accounting Treatment for Share Buybacks

The issue: Accounting for share buybacks.
Current accounting practice as observed by the Submitter: The Malaysian Accounting Standards Board (MASB) had prior to the establishment of the FRSIC, issued the Technical Release 1 (MASB TR1) Share Buybacks – Accounting and Disclosures. The submitter believes that preparers of financial statements would refer to the guidance contained in the MASB TR1 to account for share buybacks.
Reasons for the FRSIC to address the issue: MASB TR1 (paragraphs 37 to 41) provides guidance with regards to accounting treatment on changes in group structures when the listed subsidiary or associate buys back its own shares in the open market. The guidance was developed based on the relevant (superseded) MASB standards at that time when MASB TR1 was issued. There was concern whether the accounting treatment on reissuance of treasury shares for resale in the open market included in the MASB TR1 complies with the Companies Act 1965 (CA), particularly in a situation when there is a resale of treasury shares in the open market. Specifically, whether sub-section 67(3D) of CA 1965 that permits cost of the shares on the original purchase to be applied in the reduction of share premium when the treasury shares are distributed as share dividends is applicable in a resale of treasury share in the open market situations because that subsection is currently silent on the latter.
Submitter's proposal or recommendation to address the issue: The submitter recommends the FRSIC to issue a FRSIC Consensus providing guidance on accounting treatments on share buybacks in compliance with the relevant MFRS/FRS and the provision of the Companies Act 1965.
Submitted on: 5 April 2013

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Corresponding Guidance:

ISSUE WAS REJECTED FROM FURTHER DELIBERATION.

FRSIC has considered the issue and decided to reject the issue as there is relevant guidance in the accounting standard. Paragraph 33 of MFRS 132 Financial Instruments: Presentation states that treasury shares shall be deducted from equity. It further states that no gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments and consideration paid or received shall be recognised directly in equity.

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