



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS



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

**FRSIC Issue No. 65 [2017]**

***Identification of contract in the sale of properties to foreign buyer***

**The issue:**

Property developers are required to obtain approval from local authority if they want to sell properties to foreign buyers. Only upon approval by local authority, property developers can proceed with the sale. In a situation where the local authority disapproves the application, property developers are required to refund the 10% deposits paid by the foreign buyer. The issue highlighted is whether property developers can recognise the revenue upon entering into the sale and purchase agreement, although the local authority has yet to approve the transaction.

Some are of the view that revenue cannot be recognised until local authority approves the application. Others are of the view that revenue can be recognised on the ground that the government rarely objects to such application based on past experience. As such, the issue is whether property developer is able to meet the requirement of paragraph 9(a) which states that "the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations..." In this case, the property developer's commitment will depend on the government's action/approval. As such, there may be a condition precedent (CP) that property developers may not be able to fulfil.

**Current accounting practice as observed by the Submitter:**

Not applicable.

**Reasons for the FRSIC to address the issue:**

There is a potential divergence in practice with regard to the application of MFRS 15 in relation to sale of properties to foreign buyers.

**Submitter's proposal or recommendation to address the issue:**

FRSIC Consensus will provide guidance on the matter.

**Submitted on:**

28 February 2017

**Corresponding Guidance:**

**PROJECT WAS DISCONTINUED.**

FRSIC deliberated and decided to discontinue the issue as it is not prevalent.