

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

FRSIC Issue No. 70 [2017]

Development of Affordable Housing under MFRS 15 Revenue from Contracts with Customers

The issue:

1. Affordable housing is a housing development where the price of the houses is controlled and regulated by the relevant authority to ensure social-economic stability and to promote national development. Due to the price restriction, the cost of constructing affordable housing, more often than not, exceed the amount expected to be recovered from the purchasers of affordable housing.
2. The development of affordable housing by property developers can be divided into two types:
 - (a) Development on voluntary basis – For this type of development, developers construct affordable houses as part of discharging its corporate responsibility in providing affordable homes for low income families. Local authorities do not impose any specific requirement on the number of affordable houses that need to be developed.
 - (b) Development on involuntary basis – For this type of development, the requirement to build affordable houses are imposed or made mandatory by local authorities in return for their approval on master development plan applied by developers. In this scenario, local authorities will ensure that the development of affordable housing forms part of the master development plan of the developers.
3. FRSIC Consensus 17 *Development of Affordable Housing* issued in November 2011 prescribes the accounting treatments for both voluntary and involuntary development of affordable housing. The guidance stated in FRSIC Consensus 17 is based on Financial Reporting Standard (FRS) Framework, in particular the following:
 - (a) FRS 102 *Inventories*;
 - (b) FRS 111 *Construction Contracts*;
 - (c) FRS 137 *Provision, Contingent Liabilities and Contingent Assets*; and
 - (d) IC Interpretation 15 *Agreements for the Construction of Real Estate*.

Beginning 1 January 2018, MFRS 15 *Revenue from Contracts with Customers* becomes effective for financial periods beginning on or after 1 January 2018. In addition, transitioning entities that previously applied FRS 201 *Property Development Activities* would now need to apply MFRS 15 when they move to the MFRS Framework. With this development, there is a need to determine the accounting of the development of affordable housing upon the adoption of MFRS 15.

Current accounting practice as observed by the Submitter:

Not applicable as entities are still using the FRS Framework.

Reasons for the FRSIC to address the issue:

Upon adoption of MFRS, there is a need for FRSIC to revisit the guidance stated in FRSIC Consensus 17.

Submitter's proposal or recommendation to address the issue:

FRSIC to provide guidance on this issue.

Submitted on:

24 October 2017

Corresponding FRSIC Consensus:

Following the termination of the Memorandum of Understanding between the Institute and the Malaysian Accounting Standards Board (MASB), this issue has been transferred to the MFRS Application and Implementation Committee (MAIC) of MASB.