



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

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Ms. Stephanie Fox  
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International Federation of Accountants  
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Dear Stephanie

**CONCEPTUAL EXPOSURE DRAFT 2 - CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: ELEMENTS AND RECOGNITION IN FINANCIAL STATEMENTS**

The Accountant General Office of Malaysia ("AG Office") and the Malaysian Institute of Accountants ("MIA") are pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements.

**General Comments:**

We support the IPSASB's effort in developing a conceptual framework for public sector entities. We are of the view that the conceptual framework should be aligned with the International Accounting Standards Board ("IASB") conceptual framework except for areas that are specific to public sector. The conceptual framework will then support the development of relevant International Public Sector Accounting Standards ("IPSASs") and Recommended Practice Guidelines ("RPGs"). Such approach will assist the users' understanding of general purpose financial reports (GPFRs) who read financial reports across public and private sectors.

Generally, in many parts of the world and specifically in Malaysia, both preparers and auditors of the GPFRs are converse with the International Financial Reporting Standards ("IFRS"). The move to accrual accounting by the Government of Malaysia in 2015 is likely to result in the migration of accountants from private to public sector as they are cognisant with IFRS. The alignment of IPSAS and IFRS would ease mobility of accountants between the two sectors.

The Preface to International Public Sector Accounting Standards issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. Similar to the above, the alignment of IPSAS and IFRS would ease the consolidation of GBEs when preparing the consolidated financial statements of public sector entities.

### **Specific Comments:**

We agree with the Specific Comments raised in the Exposure Draft other than Specific Matter for Comment 6 as detailed below.

### **Specific Matter for Comment 6**

- (a) Do you agree with the terms net assets and net financial position and the definitions? If not, how would you modify the terms and/or definitions?
- (b) Do you agree with the decision to define ownership contributions and ownership distributions as elements? If not, why not?
- (c) If you agree with the decision to define ownership contributions and ownership distributions as elements, do you agree with the definitions of ownership contributions and ownership distributions? If not, how would you modify them?
- (d) Ownership interests have not been defined in this Conceptual Framework. Do you think they should be?

The Exposure Draft sets out how net assets and net financial position are represented by the elements. Based on our understanding of the relationship, the deferred inflows and deferred outflows will be presented below net assets which will then arrive at net financial position. Based on all the elements defined in the Exposure Draft, the relationship between the elements can be represented as follows:

$$\text{Assets} + \text{Deferred Outflows} - (\text{Liabilities} + \text{Deferred Inflows}) = \text{Ownership Contributions} + \text{Accumulated Surplus/Deficit} - \text{Ownership Distribution}$$

We believe net assets should be an element of financial statements which consists of ownership contributions, accumulated surplus/deficit and ownership distributions. As these are part of net assets, both ownership contributions and ownership distributions are no longer the elements of financial statements.

Yours sincerely,



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**DATUK MOHD NASIR AHMAD**  
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