



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS



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

**FRSIC Issue No. 69 [2017]**

***Treatment for uncredited lodgement (uncleared cheque)***

**The issue:**

The issue relates to the accounting treatment for uncredited lodgement (uncleared cheque) in the financial statements.

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

The submitter observed that there are two different practices in the industry as follows:

- View 1: Uncleared cheque is treated as cash and cash equivalent  
Under this view, the debtor's obligation is considered settled in substance upon receipt of the cheque and presenting the cheque to the bank as it is an accepted mode of payment. The cheque is treated as cash in transit (akin to cash) and considered to be highly liquid as the clearance of the cheque by the bank is mainly a matter of timing arising from normal banking operations (not within the company's control), unless contrary evidence is available (e.g. bounced or forged cheque).

Supporter of this view also noted that the company has control over the cheque received and ability to make a demand on the customer's bank account. This is consistent with the view that the debtor must have separated the amount stated in the cheque in the bank from being used (to the benefit of the payee) as there is potential penalty for dishonouring the cheque or risk of being blacklisted by the bank.

This treatment is also consistent with the general practice of preparing bank reconciliation where uncredited lodgements appear as typical bank reconciling items. These bank reconciling items are tracked and investigated (for adjustments as necessary) when they are outstanding for over a certain number of days.

- View 2: Uncleared cheque remains as trade receivable  
Paragraph 17 of MFRS 139 Financial Instruments: Recognition and Measurement requires an entity to de-recognise a financial asset when and only when:
  - (a) The contractual rights to the cash flows from the financial asset expire; or
  - (b) It transfers the financial asset as set out in paragraphs 18 and 19 and the transfer qualifies for de-recognition in accordance with paragraph 20.

Proponents of this view do not consider a cheque is a cash or cash equivalent as there is no cash at the bank as at 31 December 2016. Under this view, uncleared cheque will still be treated as trade receivable until it is cleared. This is because the requirement of paragraph 17 of MFRS 139 above is considered not met as the financial asset is neither been transferred nor the right to cash flow has expired. The right to the cash flow from the financial asset will only expire at the point when the cheque is cleared by the bank.

If this view is taken, then in principle, there should be no uncredited lodgements or unrepresented cheques appearing in a bank reconciliation.

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

FRSIC Consensus will provide guidance to ensure consistency of practices on the treatment for uncredited lodgement.

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

None

**Submitted on:**

24 October 2017

**Corresponding FRSIC Consensus:**

**PROJECT WAS DISCONTINUED.**

FRSIC deliberated and decided to discontinue the issue as the issue is not prevalent. FRSIC observed that there is a declining trend in the usage of cheques as a payment method in Malaysia.