MALAYSIAN INSTITUTE
OF ACCOUNTANTS

15 January 2020

Mr John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear John,

EXPOSURE DRAFT 69 PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS: AMENDMENTS TO IPSAS 41, *FINANCIAL INSTRUMENTS*

The Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft 69 Public Sector Specific Financial Instruments: Amendments to IPSAS 41, *Financial Instruments* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Deputy Executive Director of Professional Practices and Technical at +603 2722 9277 or by email at rasmimi@mia.org.my.

Yours sincerely,
MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR NURMAZILAH DATO' MAHZAN
Chief Executive Officer

Specific Matter for Comment

Specific Matter for Comment 1

Do you agree with the proposed amendments to IPSAS 41, *Financial Instruments*? If not, what changes would you make to the proposals?

Definition of monetary authorities

We generally agree with the proposed amendments to IPSAS 41, *Financial Instruments*. However, we noted that there is no definition of monetary authorities in the standard. A definition of monetary authorities would enable an entity to determine whether it is a monetary authority or not and accordingly, apply relevant guidance on the accounting of gold bullion and monetary gold.

Application of IPSAS 12, *Inventories* on unissued currency

We also propose the last sentence of paragraph B.1.2.1 to be removed as follows:

B.1.2.1 Definition of a Financial Instrument: Currency as Legal Tender

...

When laws and regulations or similar requirements enforceable by law, such as a banking act, set out the requirements and responsibilities of an entity to exchange outstanding currency, a "contract" exists for the purposes of this Standard. A financial liability is created when an entity issues currency to the counterparty as, at this point, two willing parties have agreed to the terms of the arrangement. Prior to currency being issued, there is no transaction between willing parties. Unissued currency does not meet the definition of a financial instrument. ~~An entity applies paragraph 13 of IPSAS 12, Inventories, in accounting for any unissued currency.~~

We agree that unissued currency does not meet the definition of a financial instrument. We also believe that unissued currency should not be accounted for by applying IPSAS 12 as paragraph 2(d) of IPSAS 12 states that "an entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for all inventories except:

...d) Work-in-progress of services to be provided for no or nominal consideration directly in return from the recipients".

In this case, unissued currency is a work-in-progress of the monetary authority in providing a service of currency circulation.

In addition, as noted in the IPSASB Consultation Paper, *Public Sector Financial Instruments* that was issued in 2016, the Government Finance Statistics (GFS) Manual provides guidance that the cost of producing the physical notes and coins is recorded as government expenditure[1].

[1] Paragraph 3.13 of IPSASB Consultation Paper, *Public Sector Financial Instruments*

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