



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

28 February 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

EXPOSURE DRAFTS 48 TO 52 *INTERESTS IN OTHER ENTITIES*

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 Drafts ("ED") 48 to 52 *Interests in Other Entities*.

We generally support the proposals in the five EDs. We agree with the Specific Matter for Comments ("SMC") raised in the EDs except as set out below.

ED 49 *Consolidated Financial Statements*

Specific Matter for Comment 3

Do you agree with the proposal to withdraw the exemption in IPSAS 6, *Consolidated and Separate Financial Statements* (December 2006) for temporarily controlled entities? If you agree with the withdrawal of the exemption please give reasons. If you disagree with the withdrawal of the exemption please indicate any modifications that you would propose to the exemption in IPSAS 6 (December 2006). Please provide a reason for your response.

We do not agree with the proposal in ED49 *Consolidated Financial Statements* to require temporarily controlled entities to be consolidated. The benefits of financial reporting should justify the costs of providing the information. Taking into account the cost-benefit constraint, we believe that the costs to be incurred to consolidate temporarily controlled entities may not justify its benefits if the entities are acquired and held exclusively with a view to resale within twelve months from acquisition. Moreover, consolidating such entities may not faithfully represent the decision or intention of realising the future economic benefits through sale instead of obtaining variable benefits through involvement in such entities.

IPSAS 6 at present requires the investment in such entities to be accounted for in accordance with IPSAS 29, *Financial Instruments: Recognition and Measurement*; we continue to believe that the fundamental qualitative characteristics of relevance and faithful representation could still be

achieved by recognising and measuring the investment in such entities at fair value.

We also propose that the IPSASB consider adopting the principles contained in the International Financial Reporting Standards ("IFRS") 5 *Non-Current Assets Held for Sale and Discontinued Operations* relating to subsidiaries acquired with a view to resale.

Provided that the sale is expected to be completed within a year from the acquisition date, IFRS 5 allows subsidiaries acquired exclusively with a view to resale to be presented as a disposal group classified as held for sale, hence allowing a short-cut method of consolidation to be applied. The method, described in IFRS 5 IG Example 13, allows the subsidiary to be treated as a disposal group measured at fair value less costs to sell. This would avoid the burden of full consolidation on a line-by-line basis as well as a full fair value exercise on all identified assets acquired and liabilities assumed in the acquisition of the subsidiary.

If the approach in IFRS 5 is adopted, the assets and liabilities of the temporarily controlled entities will be shown separately from other assets and liabilities in the statement of financial position. The results of the temporary controlled entities, as well as the gain or loss on their measurement at fair value will be presented as a single amount in the statement of financial performance, separately from the continuing operations. We believe such presentation on temporarily controlled entities would be useful and more relevant to users in assessing the timing, amount and uncertainty of future cash flows.

We noted the concerns of the IPSASB regarding the exemption currently allowed under IPSAS 6, particularly in situations where the entities are held for more than a couple of years. We are of the view that the exemption from consolidation should be applied if, and only if, both criteria in IPSAS 6 Paragraph 21 are met. If the criteria are no longer met subsequently, the exemption from consolidation shall cease immediately.

ED 52 *Disclosure of Interests in Other Entities*

Specific Matter for Comment 1

Do you agree the proposed disclosures in this draft Standard? If not, why? Are there any additional disclosures that would be useful for users of financial statements?

The proposed disclosures would, to some extent, duplicate the risk disclosures in IPSAS 30 *Financial Instruments: Disclosures*. We do not agree with the proposed disclosure requirements for interests in structured entities that are not consolidated except for those disclosures that are also required by IPSAS 30 since the ability to direct the relevant activities of, and the exposure to variable benefits from, unconsolidated structured entities are limited. We believe that the costs to be incurred to provide such disclosures would not justify its benefits.

We hope our comment would contribute to the IPSASB deliberation in finalising the EDs. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2279 9200 or by email at rasmimi@mia.org.my.

Yours sincerely,



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