



MINISTRY OF FINANCE
ACCOUNTANT GENERAL'S DEPARTMENT OF MALAYSIA

SAGA GOVERNMENT AGENCIES CONFERENCE 2023 (SeGAC 2023)

**SESSION 3: Comprehensive Application Systems – A
Look at Adoption & Compliance of MPSAS**

ADOPTION AND COMPLIANCE OF MPSAS





Outline

THE MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS (MPSAS)

THE APPLICABILITY OF MPSAS

THE APPLICATION OF MPSAS TO THE FEDERAL STATUTORY BODIES

COMPLIANCE TO MPSAS



THE MALAYSIAN PUBLIC SECTOR ACCOUNTING STANDARDS (MPSAS)

The MPSAS is primarily drawn from the International Public Sector Accounting Standard (IPSAS) which based on 2018 Handbook of International Public Sector Accounting Pronouncements of the International Public Sector Accounting Standards Board, published by the International Federation of Accountants (IFAC).

2018 Handbook of International Public Sector Accounting Pronouncements

IPSAS

40 standards

Not Adopted

IPSAS 10 - Financial Reporting in Hyperinflationary Economies

IPSAS 15 - Financial Instruments: Disclosure & Presentation

IPSAS 18 - Segment Reporting

Yet to be Adopted

IPSAS 39 - Employees Benefits

MPSAS

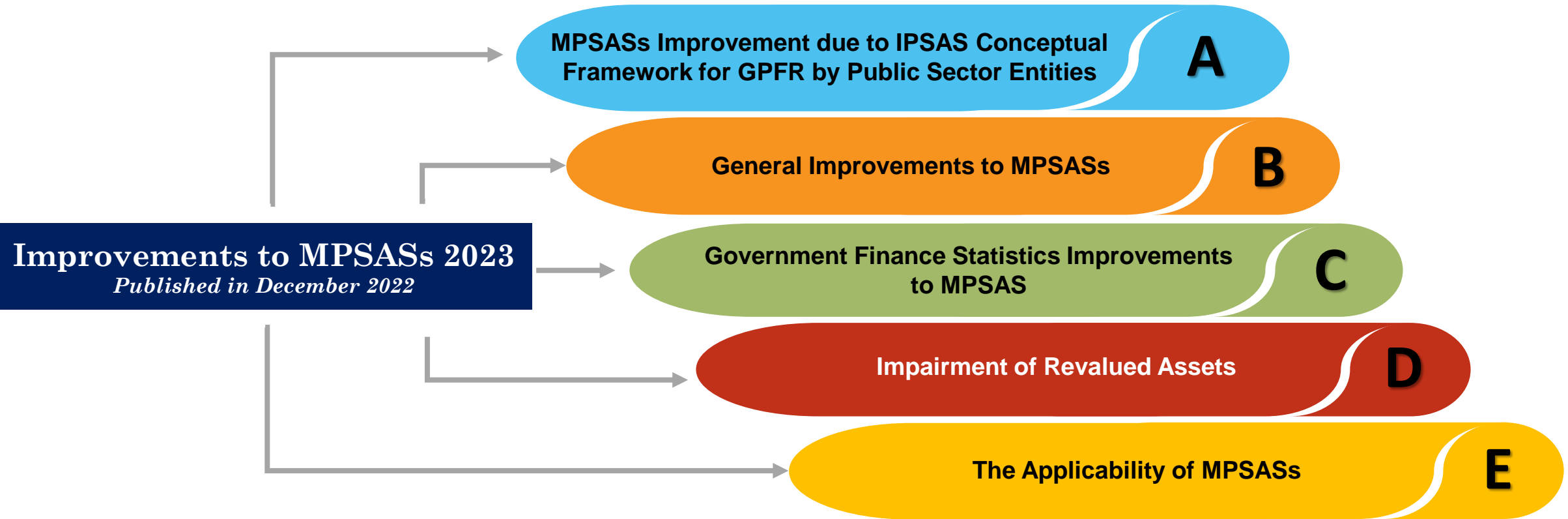
36 standards





Improvements to MPSASs 2023

The purpose of updating the Malaysian Public Sector Accounting Standards (MPSAS) is to align with the *2018 Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB). This improvements is to bridge the gap between MPSASs and IPSASs.





THE APPLICABILITY OF MPSAS

Preface to MPSAS

*Public sector entities include the **Federal Government, State Governments and Local Governments**, unless otherwise stated. However, if the public sector entities are required by law to apply standards other than MPSAS, such mandatory requirement of the law shall prevail.*

The MPSASs are designed to apply to the general purpose financial reports of all **Public Sector Entities other than commercial public sector entities** that meet all the following criteria:

Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth

Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees

Do not have a primary objective to make profits.

Improvements to MPSASs 2023
Published in December 2022



The Characteristics of Public Sector

*IPSAS - Conceptual Framework (CF) for General Purpose
Financial Reporting by Public Sector Entities*

The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors. Consequently the performance of such entities can be only partially evaluated by examination of financial position, financial performance and cash flows

The Volume and Financial Significance of Non-Exchange Transactions

Relationship to Statistical Reporting

The Nature and Purpose of Assets and Liabilities in the Public Sector

The Importance of the Approved Budget

The Regulatory Role of Public Sector Entities

The Nature of Public Sector Programs and the Longevity of the Public Sector



THE APPLICATION OF MPSAS TO THE FEDERAL STATUTORY BODIES

STATUTORY BODIES (ACCOUNTS AND ANNUAL REPORTS) ACT 1980 [ACT 240]

P.A 3.2

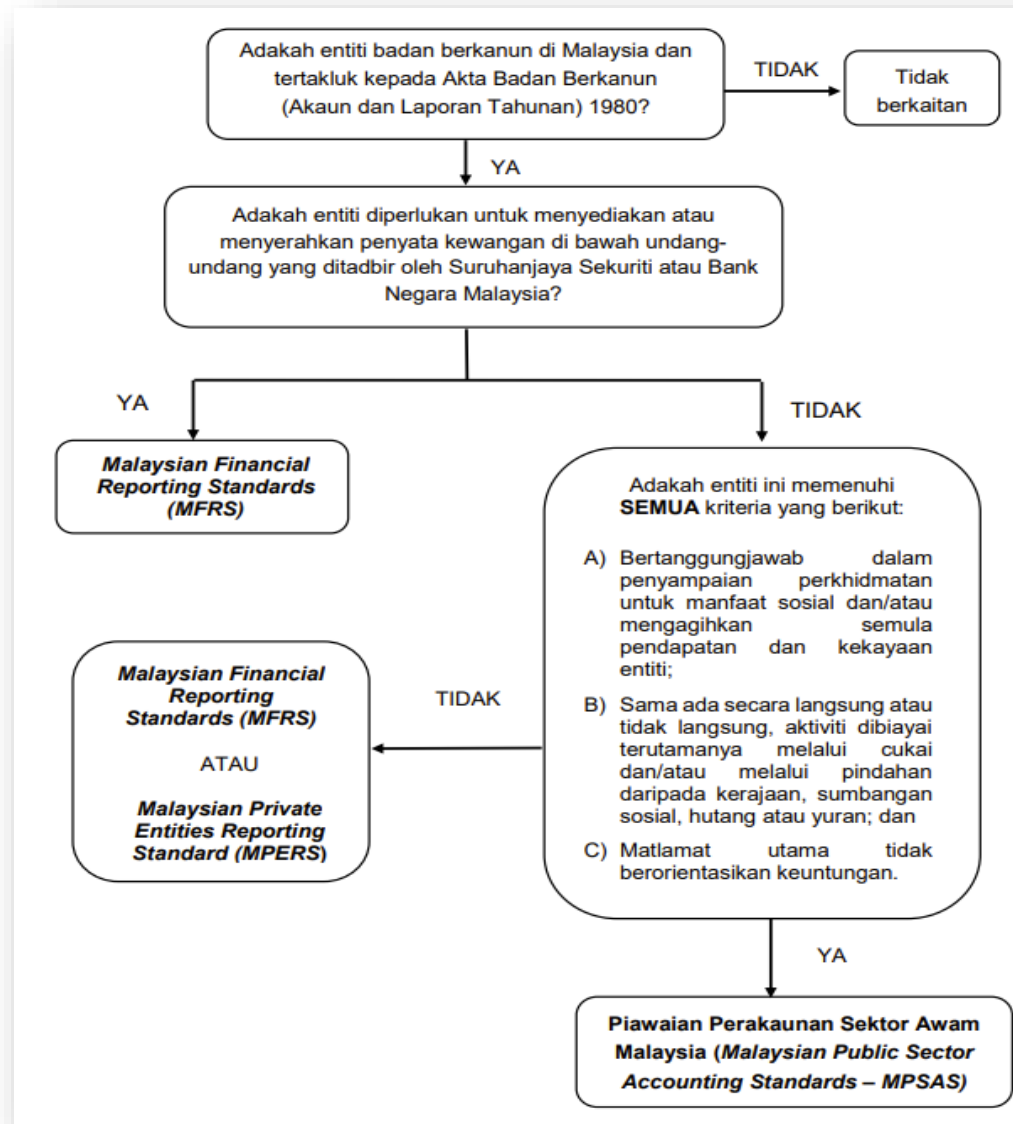
Penyediaan dan Pembentangan Laporan Tahunan dan Penyata Kewangan Badan Berkanun Persekutuan

Prinsip dan piawaian perakaunan yang diguna pakai oleh Badan Berkanun Persekutuan (BBP) hendaklah yang diterima umum di Malaysia seperti yang berikut:

Piawaian perakaunan yang dikeluarkan oleh Jabatan Akauntan Negara Malaysia (JANM)

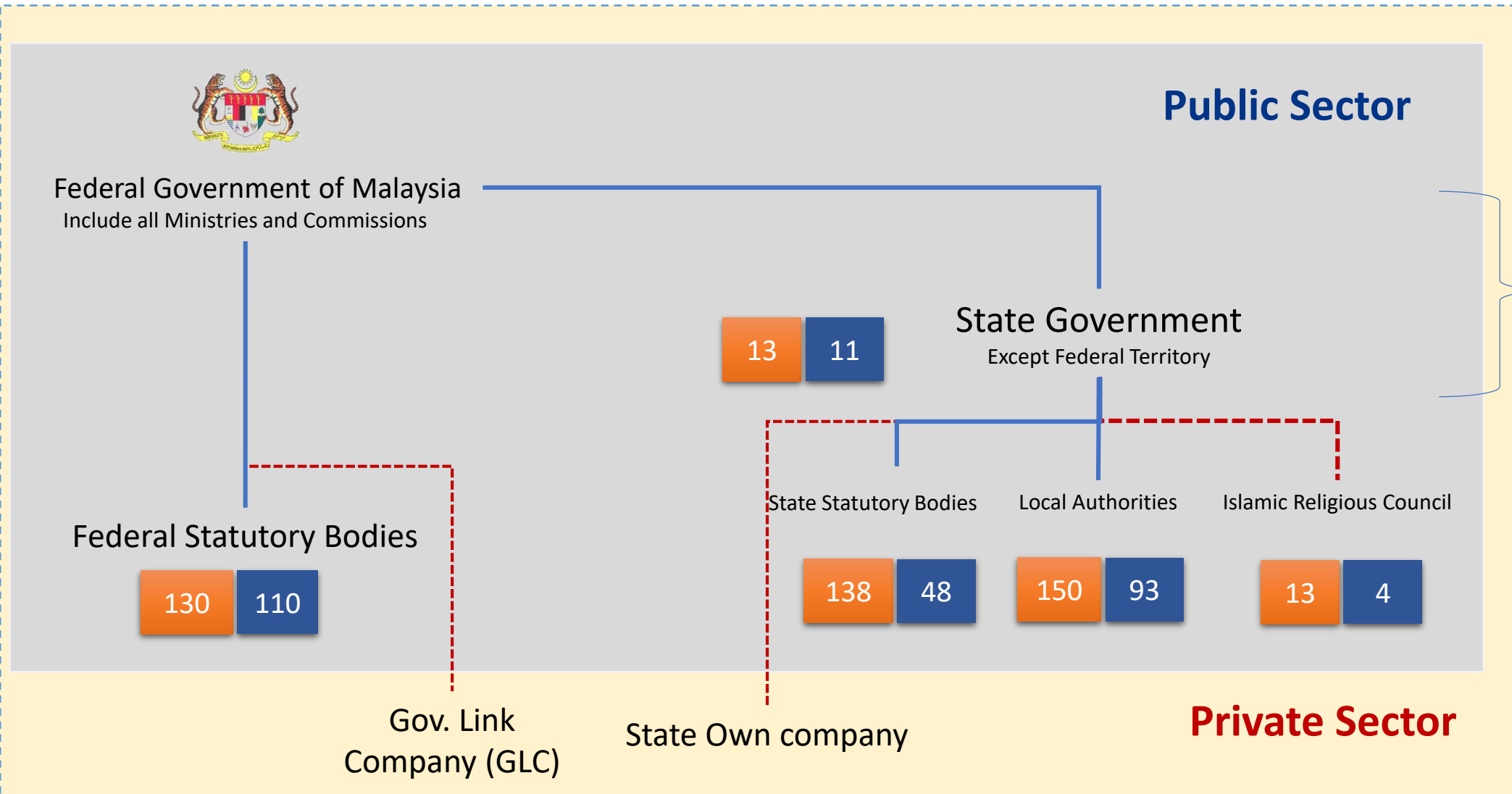
atau

Piawaian perakaunan yang dikeluarkan oleh *Malaysian Accounting Standards Board (MASB)*





Status of MPSAS Adoption in the Public Sector



- Legends:**
- No. of agencies
 - MPSAS enable

Cash Accounting/
Accrual enable

Accrual Accounting

Private Sector



COMPLIANCE TO MPSAS

An entity whose financial statements comply with MPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with MPSASs unless they comply with all the requirements of MPSASs. [MPSAS 1.28]

In the absence of an MPSAS that specifically applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy...[MPSAS 3.12]

Departure from MPSAS [MPSAS 1.31]

The management concludes that compliance with a requirement in MPSAS would be so misleading that it would conflict with the objective of financial statements set out in MPSAS 1.



Financial Statements of Economic Entity

If a member of the economic entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, **appropriate adjustments are made to that member's financial statements in preparing the consolidated financial statements to ensure conformity with the economic entity's accounting policies. [MPSAS 35.41]**

- *High level gap between MPSAS and IFRS based accounting standards*
- *Potential console adjustment*

Sector neutral standards

- Financial Statement
- Property, Plant and Equipment
- Investment Property
- Intangible Assets
- Revenue
- Impairment of Cash generating assets
- Investment in other entities
- Financial Instruments
- Inventory
- Foreign Exchange Rate
- Borrowing Cost
- Agriculture

- Earning per shares
- Share-based payments

Private sector specific standards

- Non-exchange transaction
- Non-cash generating assets
- Budget performance
- Service Concession Arrangement
- General Government Sector
- Heritage Assets, Infrastructure and Military Assets
- Service potential
- Concessionary loan
- Amalgamation

Public Sector specific standards/ issues



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