



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

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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,

**CONSULTATION PAPER: *PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS***

The Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Consultation Paper *Public Sector Specific Financial Instruments* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the standard. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**DATO' HAJI CHE PEE SAMSUDIN**  
Chairman of Public Sector Accounting Committee  
MALAYSIAN INSTITUTE OF ACCOUNTANTS

## Part I: Preliminary Views and Specific Matters for Comment

**Preliminary View – Chapter 2**

Definitions are as follows:

- (a) Monetary authority is the entity or entities, including the central bank or a department(s) of the central (national) government, which carry out operations usually attributed to the central bank.
- (b) Reserve assets are those external assets held by monetary authorities that are readily available for balance of payments financing needs, intervention in the currency markets to affect exchange rates and maintaining confidence in the currency and the economy.

Do you agree with the IPSASB's Preliminary View – Chapter 2?

We agree with the proposed definitions above and support IPSASB's approach to align the accounting definition with Government Finance Statistics (GFS) to avoid unintended departures.

**Preliminary View – Chapter 3-1**

Definition is as follows:

- (a) Currency in Circulation is physical notes and coins with fixed and determinable values that are legal tender issued by, or on behalf of the monetary authority, that is, either that of an individual economy or, in a currency union to which the economy belongs.

Do you agree with the IPSASB's Preliminary View – Chapter 3-1?

We generally agree with IPSASB's Preliminary View – Chapter 3-1 above. However, in the Malaysian context, it should be noted that commemorative notes and coins are legal tender issued by the Central Bank of Malaysia. It is accepted as a medium of exchange in Malaysia. Both commemorative notes and coins serve the same purpose and function as other notes and coins. Commemorative notes and coins are also classified as currency in circulation (i.e., as liability at face value) in the financial statements of the Central Bank of Malaysia. As such, we propose the following definition to be expanded as follows:

*"Currency in Circulation is physical notes and coins (including commemorative notes and coins) with fixed and determinable values that are legal tender issued by, or on behalf of the monetary authority, that is, either that of an individual economy or, in a currency union to which the economy belongs."*

**Preliminary View – Chapter 3-2**

- (a) Notes and coins (currency) derive value because they are legal tender and accepted as a medium of exchange and therefore serve the same purpose and function in the economy. As the purpose and function of notes and coins is the same, the IPSASB's view is the accounting treatment should be consistent for both (as noted in paragraph 3.12), with the recognition of a liability when issued.

Do you agree with the IPSASB's Preliminary View – Chapter 3-2?

We agree with IPSASB's Preliminary View – Chapter 3-2 above.



### **Specific Matters for Comment – Chapter 3-1**

When the monetary authority assesses that a present obligation does not exist as a result of the issuance of currency, because of the absence of a legal or non-legally binding obligation (approach 1), it results in the recognition of revenue (approach 2), please explain your view and your thoughts on what is the appropriate financial statement in which to recognize revenue:

- i. Statement of financial performance; or
- ii. Statement of net assets/equity?

Please provide the reasons for your support of your preferred option, including the conceptual merits and weaknesses; the extent it addresses the objectives of financial reporting and how it provides useful information to users.

We are of the view that a monetary authority would always have a present obligation as a result of the issuance of currency. Accordingly, we do not agree that revenue should be recognised when a present obligation does not exist.

### **Preliminary View – Chapter 4**

Definitions are as follows:

- (a) Monetary gold is tangible gold held by monetary authorities as reserve assets.
- (b) Tangible gold is physical gold that has a minimum purity of 995 parts per 1000.

Do you agree with the IPSASB's Preliminary View – Chapter 4?

We agree with IPSASB's Preliminary View – Chapter 4 above.

### **Specific Matters for Comment – Chapter 4-1**

Should entities have the option to designate a measurement basis, based on their intentions in holding monetary gold assets (as noted in paragraphs 4.5-4.6)?

Please provide the reasons for your support for or against allowing an option to designate a measurement basis based on intentions.

We agree that entities should have the option to designate a measurement basis, based on their intentions in holding monetary gold assets. The monetary authority would have its internal policy with regard to the management of monetary gold assets. In the Malaysian context, paragraph 68 of the Central Bank Act 2009 states that "*the Bank shall hold and manage the foreign reserves in accordance with the policies and guidelines established by the Board*". Monetary gold is considered as foreign reserve as stated in paragraph 67(2) of the same Act.

### **Specific Matters for Comment – Chapter 4-2**

Please describe under what circumstances it would be appropriate to measure monetary gold assets at either:

- i. Market value; or
- ii. Historical cost?

Please provide reasons for your views, including the conceptual merits and weaknesses of each measurement basis; the extent to which each addresses the objectives of financial reporting; and how each provides useful information.

If you support measurement based on intentions as discussed in SMC 4-1, please



indicate your views about an appropriate measurement basis for each intention for which monetary authorities may hold monetary gold, as discussed in paragraph 4.5 (i.e., intended to be held for its contribution to financial capacity because of its ability to be sold in the global liquid gold trading markets, or intended to be held for an indeterminate period of time).

We are of the view that market value reflects the worth of monetary gold as reserve assets that monetary authority held as of the reporting date. This is consistent with the objective and purpose of holding such reserve assets, i.e., for its ability to be sold and store value. Historical cost, on the other hand, reflects the economic substance of those monetary gold held to support currency in circulation. As these monetary gold are held to support currency in circulation and ability to sell those monetary gold are rather limited, information on the market value is of no relevance. As such, historical cost better reflects the economic that the monetary gold is used for its operating capacity.

Accordingly, our view on the appropriate measurement basis for each intention are as follows:

- (a) Intention 1: Intended to be held for its contribution to financial capacity because of its ability to be sold in the global liquid gold trading markets – market value
- (b) Intention 2: Intended to be held for an indeterminate period of time – historical cost

#### **Preliminary View – Chapter 5-1**

Definitions are as follows:

- (a) The IMF Quota Subscription is the amount equal to the assigned quota, payable by the member on joining the IMF, and as adjusted subsequently.
- (b) SDR Holdings are International reserve assets created by the IMF and allocated to members to supplement reserves.
- (c) SDR Allocations are obligations which arise through IMF member's participation in the SDR Department and that are related to the allocation of SDR Holdings.

Do you agree with the IPSASB's Preliminary View – Chapter 5-1?

We agree with IPSASB's Preliminary View – Chapter 5-1 above.

#### **Preliminary View – Chapter 5-2**

The IPSASBs view is that:

- (a) The IMF Quota Subscription satisfies the Conceptual Framework definition of an asset and should be recognized, with initial measurement at historical cost. Subsequent measurement may be at historical cost when the translated value of the quota subscription equals the cumulative resources contributed to the IMF, when it does not it should be measured at net selling price.
- (b) SDR holdings satisfy the Conceptual Framework definition of an asset and should be recognized, with measurement at market value.
- (c) SDR allocations satisfy the Conceptual Framework definition of a liability and should be recognized, with measurement at market value.

Do you agree with the IPSASB's Preliminary View – Chapter 5-2?

We agree with the IPSASB's Preliminary View – Chapter 5-2.