

Introduction

- IN 1 This document sets out amendments made by the Malaysian Accounting Standards Board (MASB). The amendments are part of Annual Improvements to MFRS Accounting Standards.
- IN 2 Annual improvements provide a mechanism for the MASB to efficiently issue a collection of minor amendments to the Accounting Standards. Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards.
- IN 3 Table 1 lists the amended Accounting Standards and accompanying guidance and the subjects of the amendments.

Table 1—Summary of amendments

Accounting Standard	Subject of amendments
MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	Hedge accounting by a first-time adopter
MFRS 7 <i>Financial Instruments: Disclosures</i>	Gain or loss on derecognition
<i>Guidance on implementing MFRS 7 Financial Instruments: Disclosures</i>	Introduction
	Disclosure of deferred difference between fair value and transaction price
	Credit risk disclosures
MFRS 9 <i>Financial Instruments</i>	Derecognition of lease liabilities
	Transaction price
MFRS 10 <i>Consolidated Financial Statements</i>	Determination of a ‘de facto agent’
MFRS 107 <i>Statement of Cash Flows</i>	Cost method

MFRS 1

First-time Adoption of Malaysian Financial Reporting Standards

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MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* is issued by the MASB in respect of its application in Malaysia.

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

Annual Improvements to MFRS Accounting Standards—Volume 11 *sets out the amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.*

The following MFRSs (which are effective after 1 January 2023) have amended MFRS 1 and are listed here for ease of reference:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to MFRS 112 *Income Taxes*) added paragraph 39AH, amended paragraph B1 and paragraph B14 and added its heading, in Appendix B.
- *Lack of Exchangeability* (Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates*) amended paragraphs 31C and D27 and added paragraph 39AI.
- MFRS 18 *Presentation and Disclosure in Financial Statements* amended paragraphs 1, 3, 4, 4A, 5, 22, 32, D30 and E2 and Appendix A and added paragraphs 32(za) and 39AJ.
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures* amended paragraphs 4B and D2.

Paragraph 39AK is added. For ease of reading, this paragraph has not been underlined.

Effective date

...

39AK *Annual Improvements to MFRS Accounting Standards—Volume 11 [Annual Improvements to IFRS Accounting Standards—Volume 11 issued by IASB in July 2024] amended paragraphs B5–B6. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is*

permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Appendix B

Exceptions to the retrospective application of other MFRSs

Paragraphs B5–B6 are amended. New text is underlined and deleted text is struck through.

Hedge accounting

...

- B5 An entity shall not reflect in its opening MFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with MFRS 9 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of MFRS 9). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with MFRSs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of MFRS 9, provided that it does so no later than the date of transition to MFRSs.
- B6 If, before the date of transition to MFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the qualifying criteria ~~conditions~~ for hedge accounting in paragraph 6.4.1(b)–(c) ~~of MFRS 9~~, the entity shall apply paragraphs 6.5.6 and 6.5.7 of MFRS 9 to discontinue hedge accounting. Transactions entered into before the date of transition to MFRSs shall not be retrospectively designated as hedges.

MFRS 7

Financial Instruments: Disclosures

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MFRS 7 *Financial Instruments: Disclosures* is issued by the MASB in respect of its application in Malaysia.

Amendments to MFRS 7 *Financial Instruments: Disclosures*

Annual Improvements to MFRS Accounting Standards—Volume 11 *sets out the amendments to MFRS 7 Financial Instruments: Disclosures. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.*

The following MFRSs (which are effective after 1 January 2023) have amended MFRS 7 and are listed here for ease of reference:

- *Supplier Finance Arrangements* (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*) added paragraph 44JJ, amended paragraph B11F in Appendix B, added paragraph IG18A in Guidance on implementing MFRS 7 and moved some text from paragraph IG18 to form part of the newly added paragraph IG18A.
- MFRS 18 *Presentation and Disclosure in Financial Statements* amended paragraphs 3, 8, 20, 21, 24C, 24E, 24F, 24G, B5, B7 and B46 and added paragraphs 19A–19B and their related subheading, and paragraph 44KK.
- *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures*) added paragraphs 20B, 20C, 20D, 44LL and 44MM and amended paragraphs 11A and 11B.

Paragraph 44NN is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

...

44NN *Annual Improvements to MFRS Accounting Standards—Volume 11* [Annual Improvements to IFRS Accounting Standards—Volume 11 issued by IASB in July 2024] amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is

permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Appendix B

Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

Derecognition (paragraphs 42C–42H)

...

Gain or loss on derecognition (paragraph 42G(a))

- B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs 72–73 of MFRS 13~~paragraph 27A~~.

Amendments to Guidance on implementing MFRS 7 *Financial Instruments: Disclosures*

This Implementation Guidance accompanies, but is not part of MFRS 7 *Financial Instruments: Disclosures*.

Paragraphs IG1, IG14 and IG20B are amended; these amendments are not reproduced in this document. The Amendments to Guidance on implementing MFRS 7 *Financial Instruments: Disclosures* is available at <http://www.masb.org.my>.

MFRS 9

Financial Instruments

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MFRS 9 *Financial Instruments* is issued by the MASB in respect of its application in Malaysia.

Amendments to MFRS 9 *Financial Instruments*

Annual Improvements to MFRS Accounting Standards—Volume 11 *sets out the amendments to MFRS 9 Financial Instruments. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.*

The following MFRSs (which are effective after 1 January 2023) have amended MFRS 9 and are listed here for ease of reference:

- MFRS 18 *Presentation and Disclosure in Financial Statements* amended paragraphs 5.6.5, 5.6.7, 5.7.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.7.2 and B4.1.2A and added paragraph 7.1.11.
- *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures*) added paragraphs 7.1.12–7.1.13 and 7.2.47–7.2.49 and the heading before paragraph 7.2.47.

Chapter 2 Scope

Paragraph 2.1(b)(ii) is amended. Paragraph 2.1(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

2.1 This Standard shall be applied by all entities to all types of financial instruments except:

...

- (b) rights and obligations under leases to which MFRS 16 Leases applies. However:
 - (i) finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;

- (ii) lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraphs paragraph 3.3.1 and 3.3.3 of this Standard; and

...

Chapter 5 Measurement

Paragraph 5.1.3 is amended. Paragraphs 5.1.1–5.1.2 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

5.1 Initial measurement

- 5.1.1 Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
- 5.1.1A However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.1.2A.
- 5.1.2 When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).
- 5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at the amount determined by applying their transaction price (as defined in MFRS 15) if the trade receivables do not contain a significant financing component in accordance with MFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of MFRS 15).

Chapter 7 Effective date and transition

Paragraphs 7.1.14 and 7.2.50 and the subheading before paragraph 7.2.50 are added. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined.

7.1 Effective date

...

- 7.1.14 *Annual Improvements to MFRS Accounting Standards—Volume 11* [*Annual Improvements to IFRS Accounting Standards—Volume 11* issued by IASB in July 2024] amended paragraph 2.1(b)(ii), paragraph 5.1.3 and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

...

7.2 Transition

...

Transition for *Annual Improvements to MFRS Accounting Standards—Volume 11*

- 7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by *Annual Improvements to MFRS Accounting Standards—Volume 11* to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

Appendix A

Defined terms

The last paragraph of Appendix A is amended. New text is underlined and deleted text is struck through. Footnotes to the text are not reproduced.

...

The following terms are defined in paragraph 11 of MFRS 132, Appendix A of MFRS 7, or Appendix A of MFRS 13 ~~or Appendix A of MFRS 15~~ and are used in this Standard with the meanings specified in MFRS 132, MFRS 7, or MFRS 13 ~~or MFRS 15~~:

- (a) credit risk;
- (b) equity instrument;
- (c) fair value;
- (d) financial asset;
- (e) financial instrument; and
- (f) financial liability;⁵
- ~~(g) transaction price.~~

MFRS 10

Consolidated Financial Statements

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MFRS 10 *Consolidated Financial Statements* is issued by the MASB in respect of its application in Malaysia.

Amendments to MFRS 10 *Consolidated Financial Statements*

Annual Improvements to MFRS Accounting Standards—Volume 11 *sets out the amendments to MFRS 10 Consolidated Financial Statements. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.*

The following MFRSs have amended MFRS 10 and are listed here for ease of reference:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to MFRS 10 and MFRS 128) (which the effective date has been deferred) amended paragraphs 25–26, added paragraph B99A in Appendix B and added paragraph C1C in Appendix C.
- MFRS 18 *Presentation and Disclosure in Financial Statements* (which is effective after 1 January 2023) added a footnote to ‘MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*,’ in paragraph C2.

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Assessing control

...

Relationship with other parties

- B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor’s behalf (ie they are ‘de facto agents’). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.
- B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has, ~~or those that direct~~

~~the activities of the investor have, the ability to direct that party to act on the investor's behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The In these circumstances, the investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.~~

- B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:
- (a) the investor's related parties.
 - (b) a party that received its interest in the investee as a contribution or loan from the investor.
 - (c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor's prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).
 - (d) a party that cannot finance its operations without subordinated financial support from the investor.
 - (e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.
 - (f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

Appendix C

Effective date and transition

Paragraph C1E is added. For ease of reading, this paragraph has not been underlined.

Effective date

...

- C1E *Annual Improvements to MFRS Accounting Standards—Volume 11* [*Annual Improvements to IFRS Accounting Standards—Volume 11* issued by IASB in July 2024] amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

MFRS 107

Statement of Cash Flows

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MFRS 107 *Statement of Cash Flows* is issued by the MASB in respect of its application in Malaysia.

Amendments to MFRS 107 *Statement of Cash Flows*

Annual Improvements to MFRS Accounting Standards—Volume 11 *sets out the amendments to MFRS 107 Statement of Cash Flows. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.*

The following MFRSs (which are effective after 1 January 2023) have amended MFRS 107 and are listed here for ease of reference:

- *Supplier Finance Arrangements* (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*) added paragraphs 44F–44H and their related heading and paragraphs 62–63 and amended the heading before paragraph 53.
- MFRS 18 *Presentation and Disclosure in Financial Statements* amended paragraphs 6, 10, 12, 14, 16–18, 20, 31, 32, 35, 46 and 47, added paragraphs 33A, 34A–34D, and 64 and deleted paragraphs 33 and 34.

Paragraph 37 is amended. New text is underlined and deleted text is struck through.

Investments in subsidiaries, associates and joint ventures

- 37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity method or at cost ~~method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

Paragraph 65 is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

...

- 65 *Annual Improvements to MFRS Accounting Standards—Volume 11* [Annual Improvements to IFRS Accounting Standards—Volume 11 issued by IASB in July 2024] amended paragraph 37. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.