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Get ready for MFRS 18

The new financial statements presentation and disclosure standard

Consequential amendments to other Malaysian Financial Reporting Standards

While a number of Malaysian Financial Reporting Standards were amended as a consequence of the release of MFRS 18, the most significant amendments were made to the following Malaysian Financial Reporting Standards:

- MFRS 107 'Statement of Cash Flows'
- MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- MFRS 133 'Earnings Per Share'
- MFRS 134 'Interim Financial Reporting'
- MFRS 7 'Financial Instruments: Disclosures'

Entities must apply all of these amendments when they first apply MFRS 18. However, there is some nuance to the application of MFRS 134 which is detailed below.

Amendments to MFRS 107 'Statements of Cash Flows'

In order to make the statement of cash flows more consistent and comparable, MFRS 107 was amended:

- To require all entities to use the new operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities, which will remove some reconciling items
- To remove the presentation alternatives for cash flows related to interest and dividends paid and received. Dividends paid are always classified as cash flows from financing. For entities that do not invest in assets or provide financing to customers as a main business activity, interest paid is classified as cash flows from financing activities, and interest and dividends received are classified as cash flows from investing. For entities that invest in assets or provide financing to customers as a main business activity, the general principal is that the classification of dividends and interest received, as well as interest paid, in the statement of cash flows must be determined by referring to how the corresponding income and expenses are classified in the statement of profit or loss. However, an entity must classify the total of each of these cash flows (ie dividends and interest received, as well as interest paid) in a single category in the statement of cash flows

Practical insight

When applying MFRS 18, an entity with a main business activity of investing in assets or providing financing to customers, may be required to classify dividends received, interest received and interest paid in more than one category in the statement of profit or loss. In this case, the entity must make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows.

- To require the application of MFRS 18's general requirements for financial statements (including the requirements around aggregation and disaggregation and the structure of the notes) to also be applied to the statement of cash flows. This may mean that entities need to reconsider how items in their statement of cash flows are aggregated and disaggregated, as well as how they are labelled.

Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'

MFRS 108 has been retitled to MFRS 108 'Basis of Preparation of Financial Statements', as the following requirements were removed from MFRS 101 and inserted, unamended, into MFRS 108 as opposed to being included in MFRS 18:

- Fair presentation and compliance with Malaysian Financial Reporting Standards
- Going concern
- Accrual basis of accounting
- Disclosure of selection and application of accounting policies
- Disclosure of sources of estimation uncertainty.

The revised MFRS 108 will be renamed from 1 January 2027.

Amendments to MFRS 133 'Earnings Per Share'

MFRS 133 has been amended to include the following:

- It specified that (in addition to presenting basic and diluted EPS as required by MFRS 133) entities are permitted to disclose in the notes additional amounts per share using a different measure of performance as the numerator in the earnings per share calculation. However that numerator must be the amount attributable to ordinary equity holders of the parent entity of a total or subtotal of the statement of profit or loss as set out in MFRS 18, or an MPM as defined by the new requirements of MFRS 18 (see MPM section above)
- When an entity does choose to present an additional amount per share, they should:
  - disclose the additional basic and diluted amounts per share with equal prominence
  - calculate the additional amount using the same weighted average number of ordinary shares as would be required for the usual earnings per share calculation
  - only disclose the additional amount per share in the notes (ie This cannot be presented in the primary financial statements), and
  - when the additional amount per share is based on an MPM, disclose all information that is required per the new MPM disclosures (refer to the MPM section above).

Amendments to MFRS 134 'Interim Financial Reporting'

Amendments made to MFRS 134 require:

- An entity preparing condensed interim financial statements must apply MFRS 134 and the requirements in MFRS 18, in relation to aggregation and disaggregation, as well as the requirements in MFRS 108, regarding 'Fair presentation and compliance with Malaysian Financial Reporting Standards', 'Going concern' and 'Accrual basis of accounting'
- The disclosures around MPMs (introduced by MFRS 18, and discussed in detail in the section above) should be included in interim financial statements
- The amendments to MFRS 134 are required to be applied when preparing the interim statements of the first year in which MFRS 18 is applied (see section above on transition challenges).

Amendments to MFRS 7 'Financial Instruments: Disclosures'

The following requirements were removed from MFRS 101 and inserted into MFRS 7 unamended (apart from editorial changes to reference relevant paragraphs in MFRS 132 'Financial Instruments: Presentation'), as opposed to being included in MFRS 18:

- Disclosures in relation to puttable financial instruments classified as equity instruments
- Disclosures in relation to the reclassification of puttable financial instruments classified as equity instruments or other instruments that imposes an obligation to deliver a pro rata share of net assets only on liquidation that are classified as equity instruments. For any reclassification of amounts between financial liabilities and equity for such instruments, the amount, timing and reason for such reclassifications must be disclosed.

How we can help

We hope you find the information in this article helpful in giving you some insight into aspects of MFRS 18. If you would like to discuss any of the points raised, please speak to your usual Grant Thornton contact.

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