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News

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MFRS News

Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

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MFRS News is your monthly update on all things relating to Malaysian Financial Reporting Standards. We'll bring you up to speed on topical issues, provide comment and points of view and give you a summary of any significant developments.

In this issue we will look at the long-term interest in associates and joint ventures (amendments to MFRS 128).

The Malaysian Accounting Standards Board (MASB) has published amendments to MFRS 128 'Investments in Associates andJoint Ventures' clarifying that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using MFRS 9 'Financial Instruments'. This includes long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The Amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition.

Background

MFRS 9 excludes interests in associates and joint ventures accounted for in accordance with MFRS 128. However, some stakeholders expressed an opinion that it was not clear whether that exclusion applies only to interests in associates and joint ventures to which the equity method is applied or whether it applies to all interests in associates and joint ventures.

Main issues addressed by the amendments to MFRS 128

In the amendments to MFRS 128, the MASB clarifies that the exclusion in MFRS 9 applies only to interests accounted for using the equity method. Therefore, a company applies MFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and which, in substance, form part of the net investment in those associates and joint ventures.

The MASB has also published an example that illustrates how entities apply the requirements in MFRS 9 and MFRS 128 to long-term interests in an associate or joint venture.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted.

The amendment is significant as it means holdings in debt-type instruments issued by an associate or joint venture and which form part of the holder's net investment in the associate or joint venture, will be subject to MFRS 9's impairment requirements.

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