

ACCOUNTING FOR ASSETS UNDER ACCRUAL ACCOUNTING

KONVENSYEN STRATEGIK PENGURUSAN ASET KERAJAAN (KONSPAK) 2014

TARIKH: 17 SEPTEMBER 2014 (RABU)

MASA: 12.00 TENGAHARI

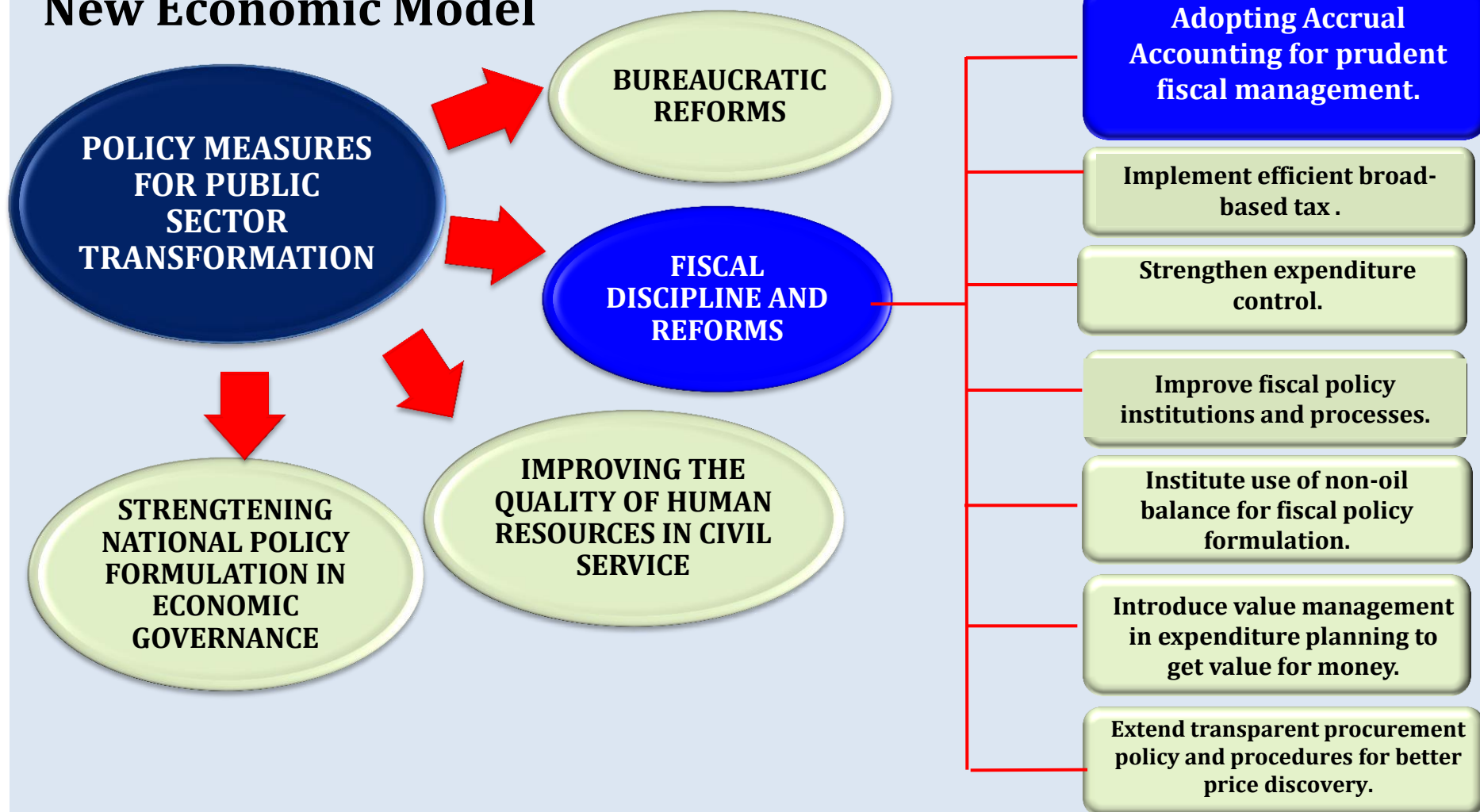
TEMPAT: PWTC, KUALA LUMPUR

JABATAN AKAUNTAN NEGARA MALAYSIA



BACKGROUND

New Economic Model





WHY ACCRUAL ACCOUNTING?

How Can Accrual Accounting Benefit the Public Sector in Malaysia?

- Costing data of output enables more effective evaluation of alternatives to achieve the outcomes – **Cost Savings**
- Information on assets facilitate unlocking of values – **Revenue Generation**
- Assets listing provide a database for infrastructure management leading to better maintenance of assets – **Better Service Delivery**

Accountability

- Accounting for consumption of resources
- Improve performance and financial management of each agency

Sustainability

- Facilitate revenue management by each agency
- Promotes intergenerational equity of public policies
- Completeness of accountability of resources

Better Measure of Policies Effect

- More effective measure in complimenting results framework of OBB
- Better accountability of executive government

Organizational Efficiency and Effectiveness

- Compliment results framework of OBB
- Costing of outputs and measured against outcomes

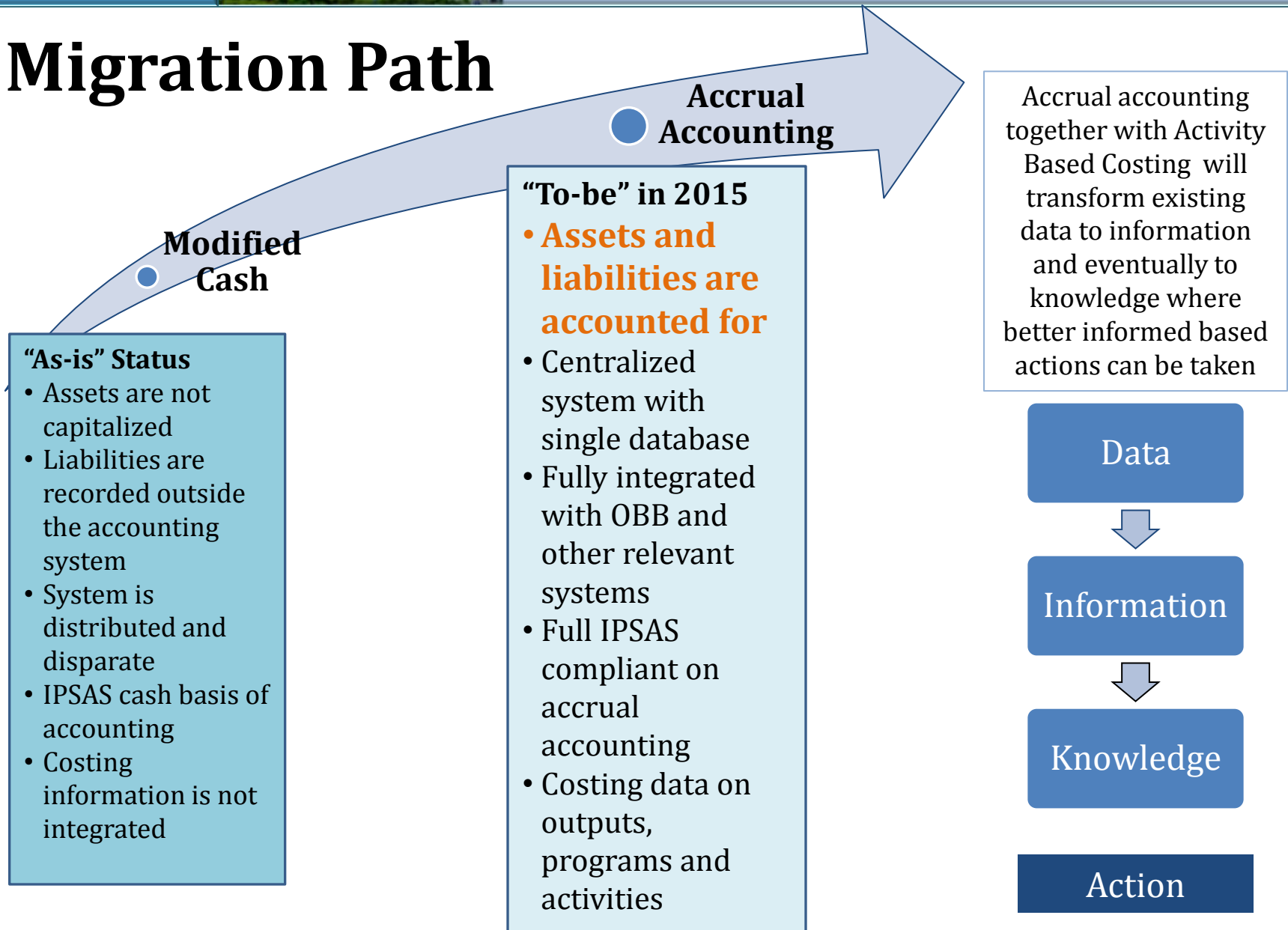
Promote Greater Integrity

- Curbs teeming and lading of expenditure
- Promotes transparency
- Minimizes year-end shopping
- Compatibility with developed economies

**More
Efficient and
Effective
Fiscal
Management**



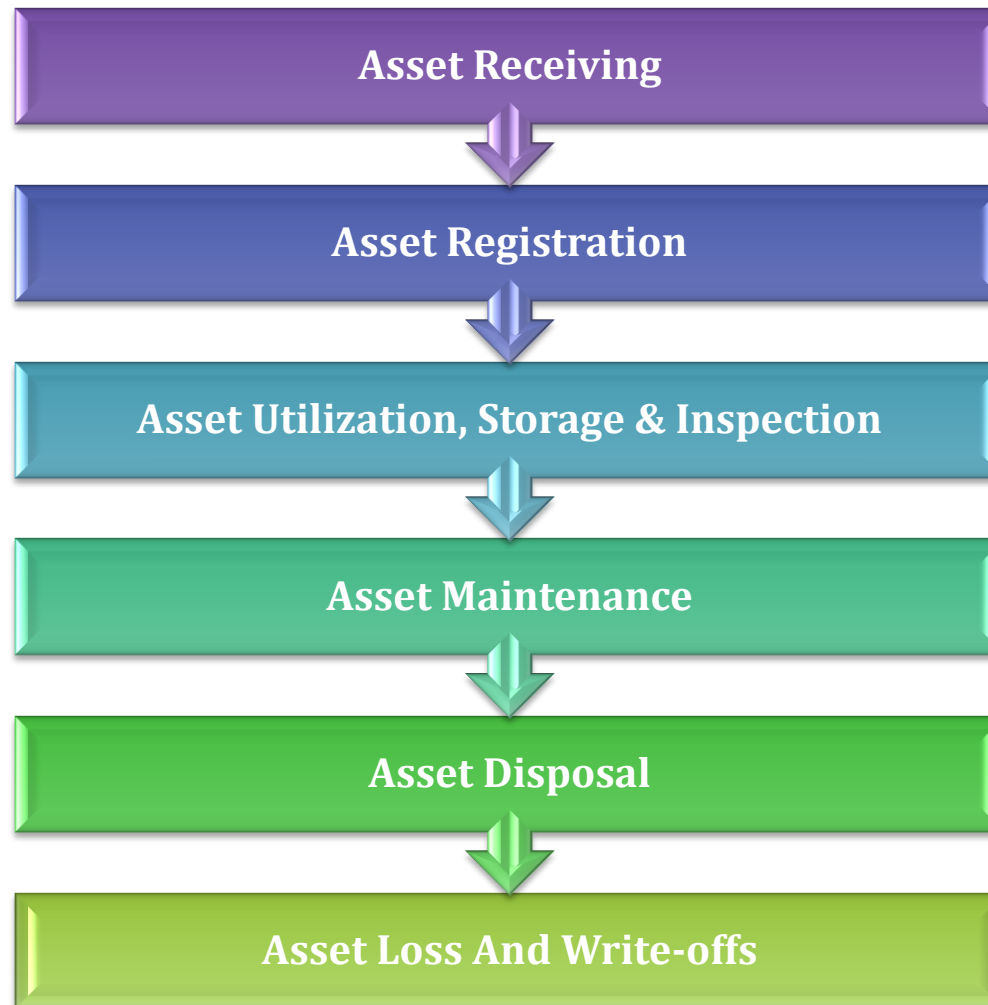
Migration Path





ASSET MANAGEMENT PROCEDURES

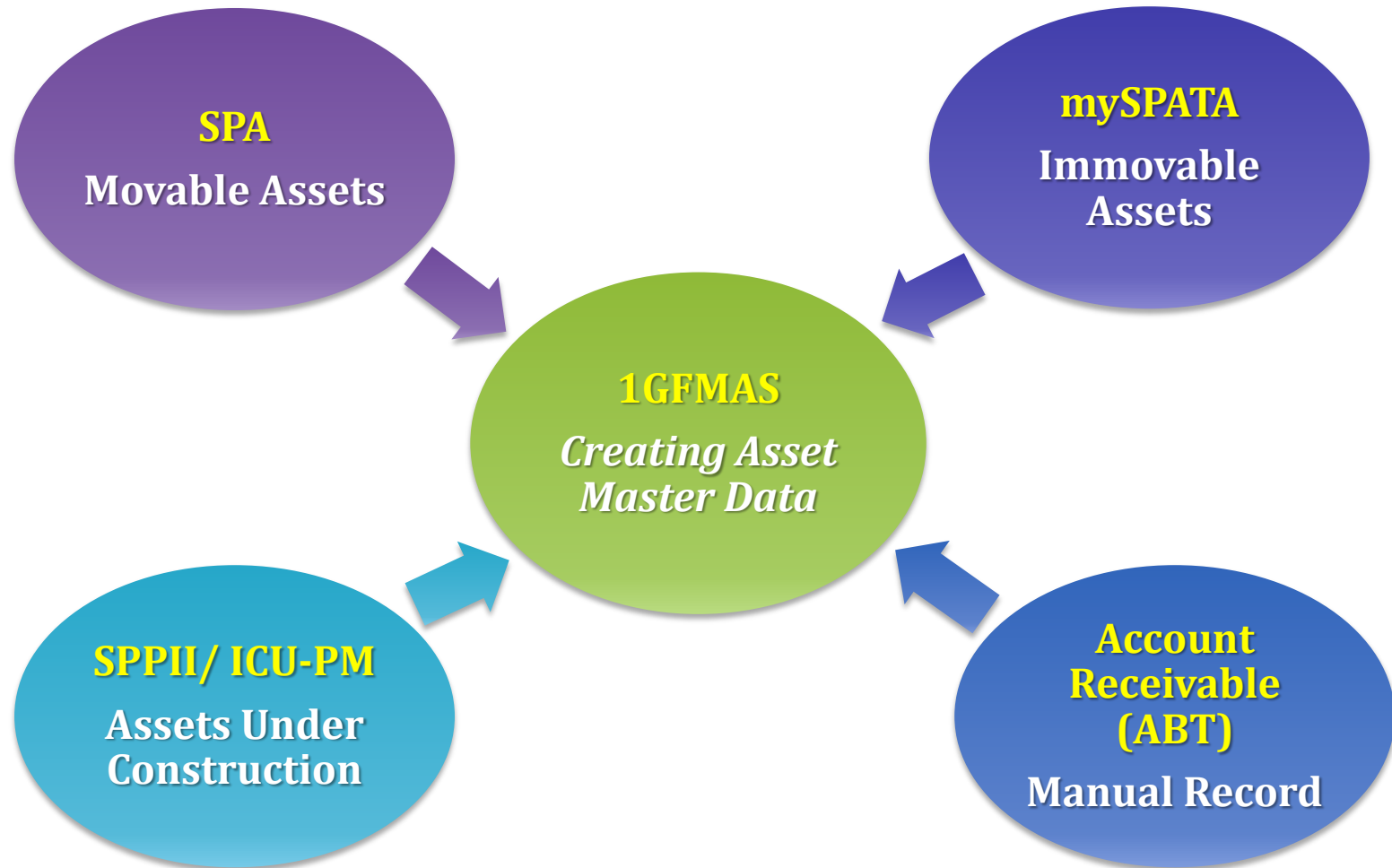
CURRENT METHOD



- *Treasury Circular 5/2007*
- *General Circular 1/2009*

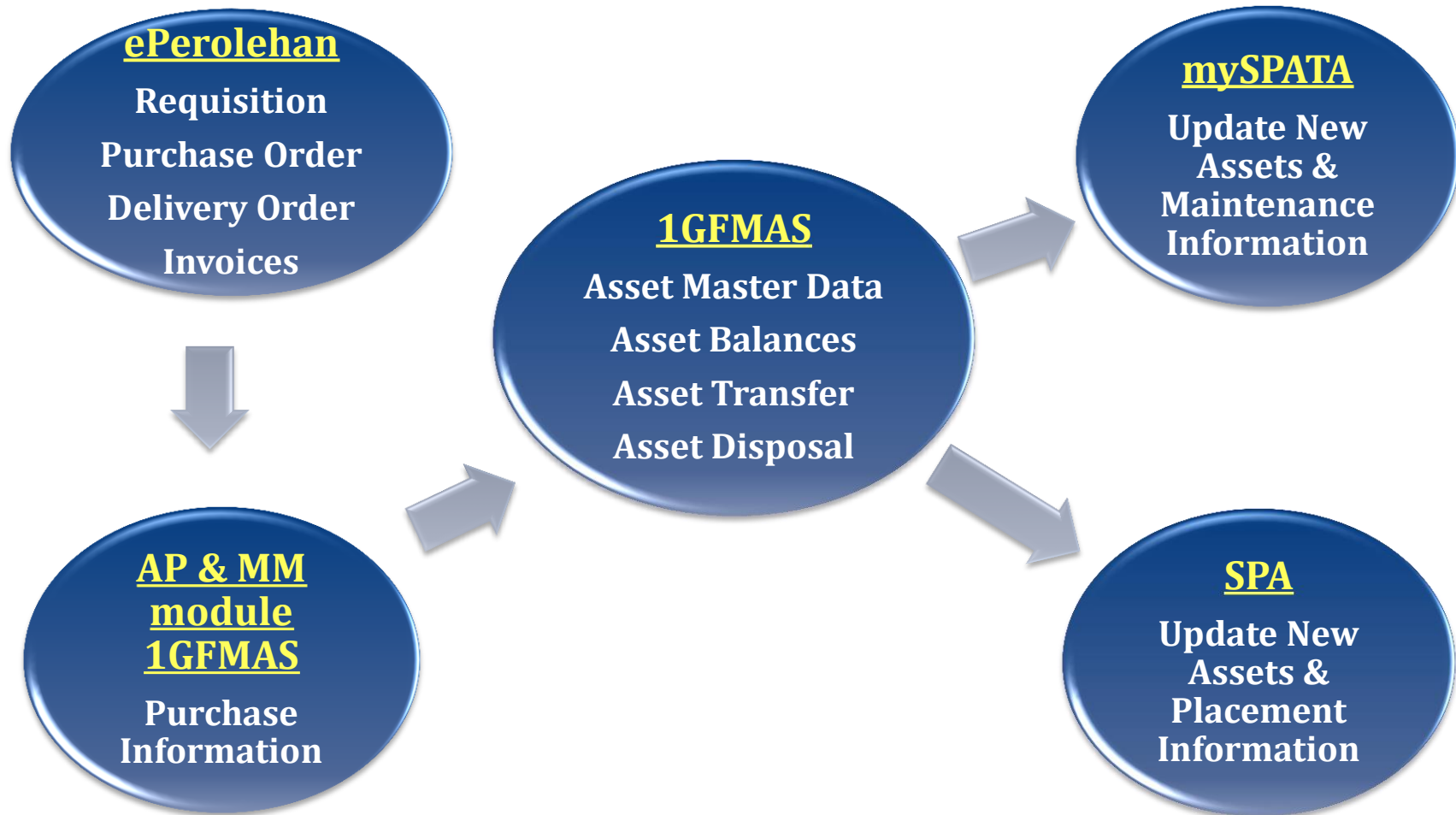


FUTURE ASSET MANAGEMENT 2015 – OPENING BALANCE





FUTURE ASSET MANAGEMENT 2015 – ONWARDS





DEFINITION OF ASSET

- Assets are **resources controlled by an entity** as a result of past events
- and from which **future economic benefits or service potential** are expected to flow to the entity
- Current and non-current, tangible and intangible, PPE, financial, inventories, biological

(MPSAS 1)





PPE is tangible asset:

- (a) Use for the production, sale of goods, rendering of services and for administrative purposes;**
- (b) Use for more than one reporting period.**

(MPSAS 17)

PROPERTY, PLANT & EQUIPMENT (PPE)



PROPERTY PLANT & EQUIPMENT



- *RECOGNITION*

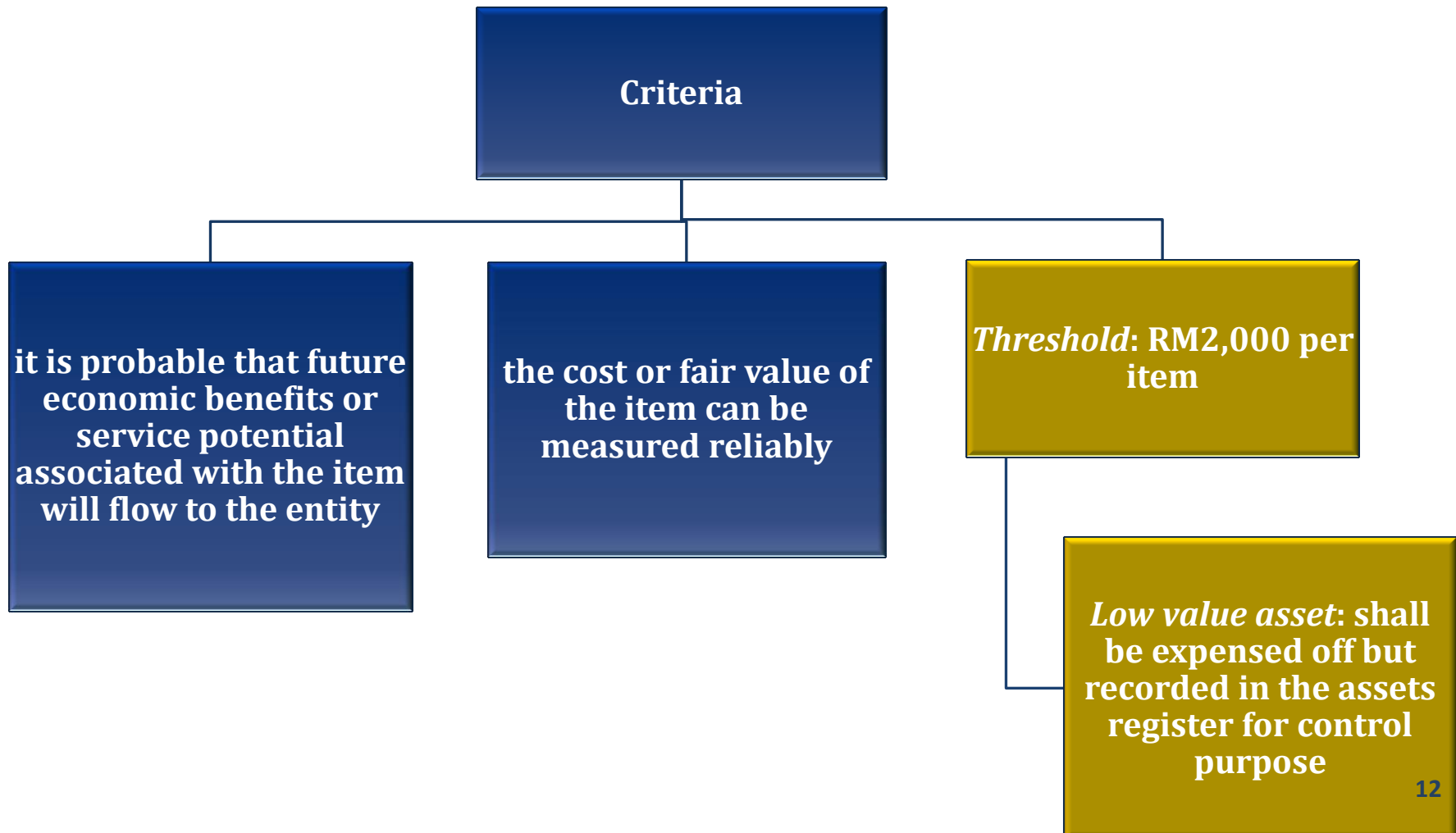
- *INITIAL MEASUREMENT*

- *SUBSEQUENT MEASUREMENT*

- *DERECOGNITION*



PROPERTY PLANT & EQUIPMENT: RECOGNITION





PROPERTY PLANT & EQUIPMENT: INITIAL MEASUREMENT

When acquired

Exchange transaction
Measured at **cost**

COMPONENT OF COST

**Purchase
Price**

**Purchase Price + Import
Duty + Handling Cost –
Trade Discount/Rebate**

**Installation
Cost**

**Others
Cost**

**All related cost to bring
the asset to its present
location and condition**

**Non-Exchange
Transaction**
measured at its **fair value**
at date of acquisition

e.g. Donation.

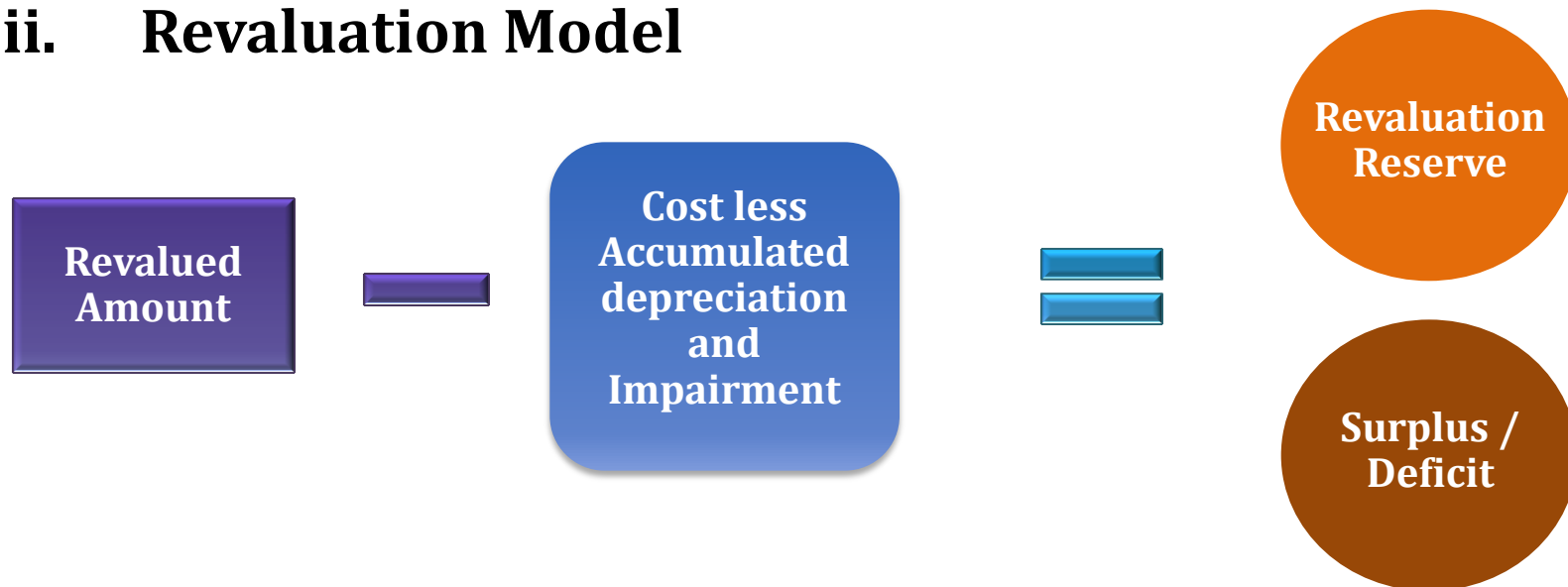


PROPERTY PLANT & EQUIPMENT: SUBSEQUENT MEASUREMENT

i. Cost Model



ii. Revaluation Model





PROPERTY PLANT & EQUIPMENT: SUBSEQUENT EXPENSES

Repair and maintenance (e.g. labor cost and consumables)

**To be
Expensed**

**To be
capitalized**

- i. Increased in future benefits and service potential
- ii. Increased in useful life
- iii. Replacement of major component





ASSET UNDER CONSTRUCTION



- An asset under construction ('AUC') is an asset an entity is **currently 'constructing'**, which is not yet being used for its final intended purpose



- The cost of an AUC is determined using the same cost measurement principles as above. AUC are **not depreciated** during the period of **construction**.



- When the asset is **ready for use**, the AUC will need to be **reclassified** to its appropriate category of property, plant and equipment and commence depreciation.



DEPRECIATION



Depreciation is charged on a **straight-line basis** at rates calculated to allocate the cost of an item of property, plant and equipment measured at **cost less any estimated residual value**, over its remaining useful life.



Freehold
Land



No depreciation

Leasehold
Land



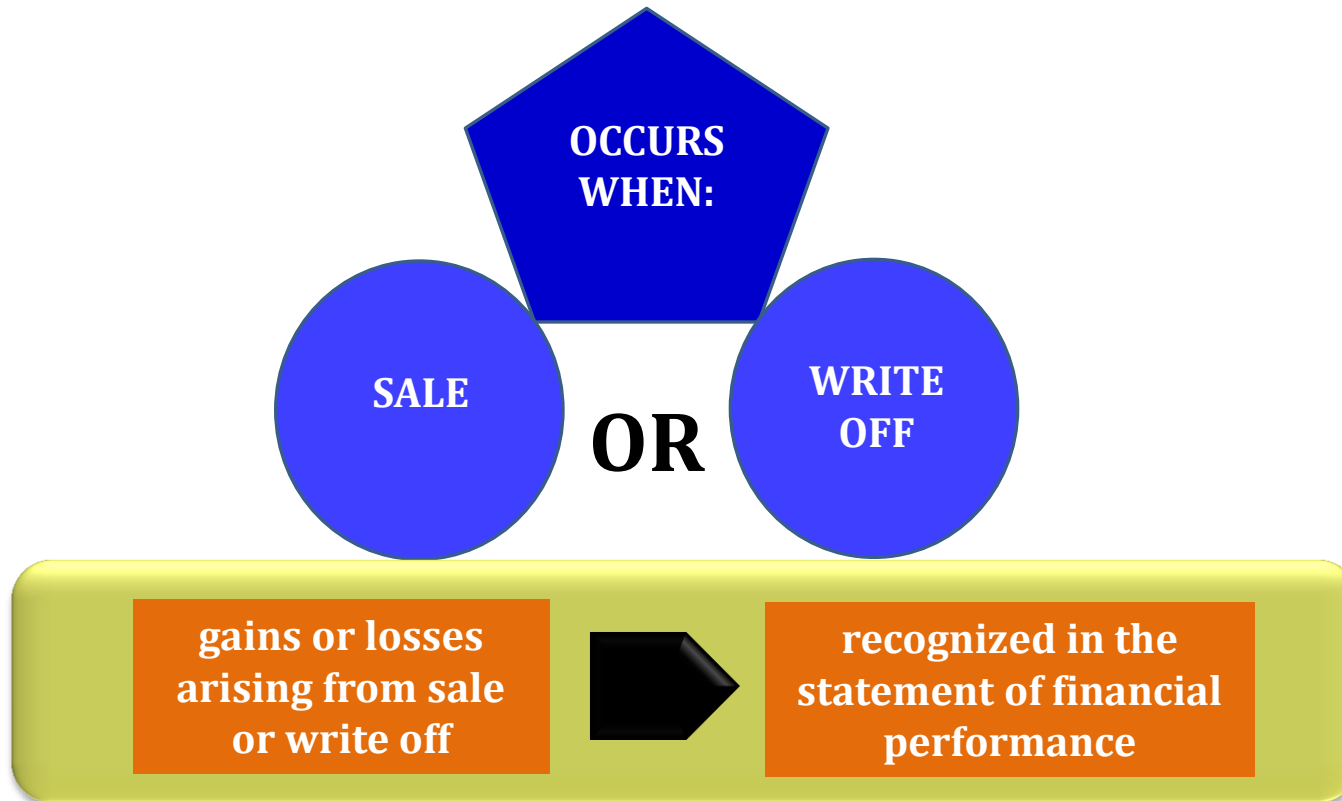
**Depreciation –
amortized over the
lease period**



The depreciation charge for the period is **recognized in surplus or deficit**.

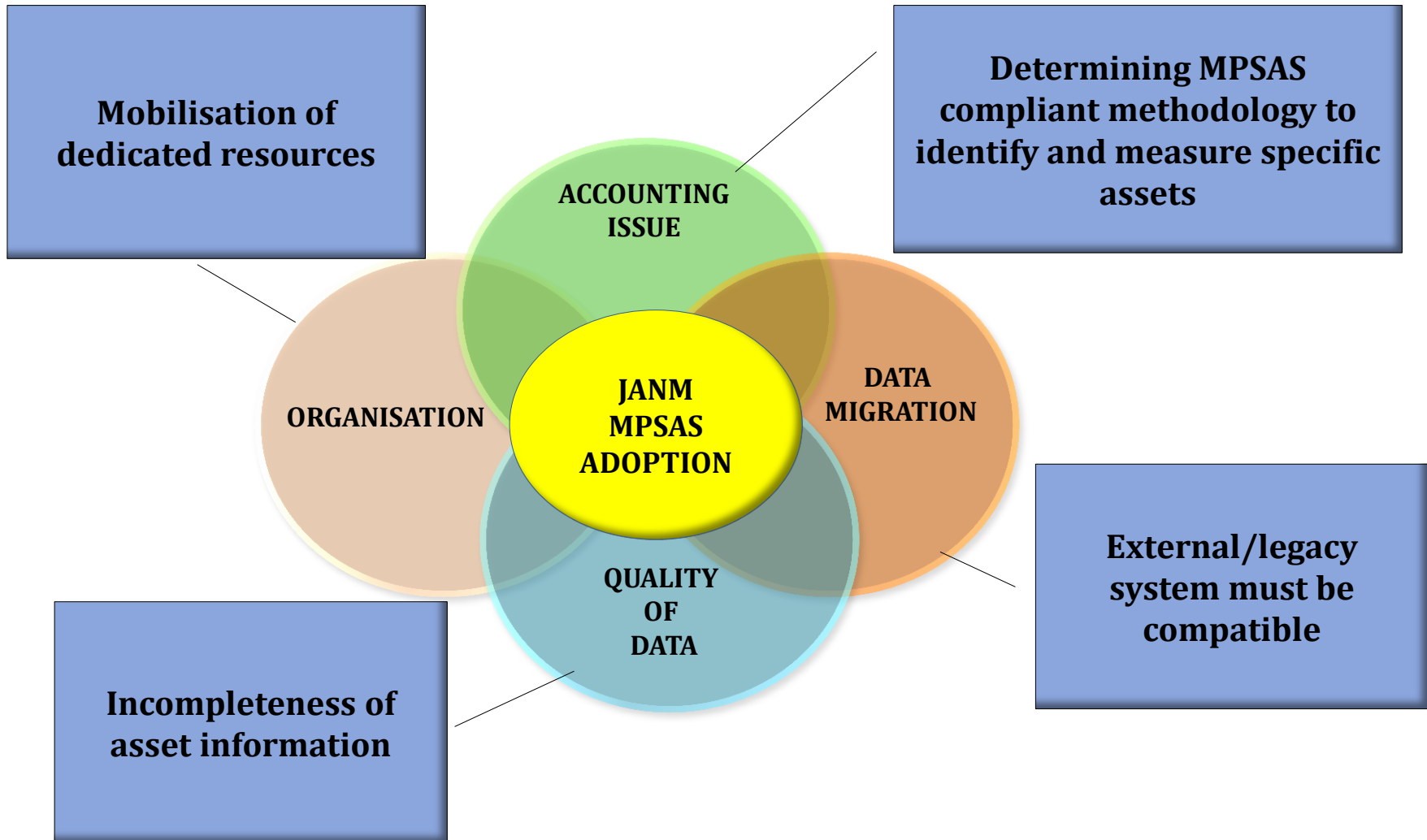


PROPERTY PLANT & EQUIPMENT: DERECOGNITION





CRITICAL SUCCESS FACTORS





THANK YOU