MALAYSIAN INSTITUTE
OF ACCOUNTANTS

FREQUENTLY-ASKED QUESTIONS (FAQs) ON MALAYSIAN PRIVATE ENTITIES REPORTING STANDARD

Malaysian Private Entities Reporting Standards (MPERS) was issued by the Malaysian Accounting Standards Board (MASB) on 14 February 2014. MPERS is effective for private entities for financial period beginning on or after 1 January 2016 with early application being permitted.

Below are some of the implementation questions that the staff of the Institute received in relation to MPERS. The answers to the questions have been prepared by the staff of the Institute and are not necessarily the views of the Institute.

Auditors and preparers are expected to use professional judgement in determining if the questions and answers are both appropriate and relevant to their circumstances.

Introduction

The MPERS is based on the International Accounting Standards Board (IASB)'s *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs) revised in May 2015 except for the amendments made in the following sections:

(a) Section 1 *Private Entities;*
(b) Section 9 *Consolidated and Separate Financial Statements; and*
(c) Section 34 *Specialised Activites.*

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General

Q1. Which entity should use MPERS framework for the preparation of its financial statements?

The MASB has revised the Private Entity definition with the coming into operation of the Companies Act 2016 and Interest Schemes Act 2016, both on 31 January 2017.

A private entity is a private company as defined in section 2 of the Companies Act 2016 that:

(a) is not itself required to prepare or lodge any financial statements under any law administered by the Securities Commission or Bank Negara Malaysia; and
(b) is not a subsidiary or associate of, or jointly controlled[1] by, an entity which is required to prepare or lodge any financial statements under any law administered by the Securities Commission or Bank Negara Malaysia.

Notwithstanding the above, a private company that is itself, or is a subsidiary or associate of, or jointly controlled by, an entity that is a management company as defined in section 2 of the Interest Schemes Act 2016 is not a private entity.

The above definition of private entity shall be applied for the financial statements with annual periods ending on or after 31 January 2017[2].

[1] The meaning of 'subsidiary', 'associate' and 'jointly controlled' are as respectively defined and explained in MFRS 10 *Consolidated Financial Statements*, MFRS 128 *Investments in Associates and Joint Ventures* and MFRS 11 *Joint Arrangements*.
[2] An entity may only be treated as a private entity in relation to such annual periods or interim periods throughout which it is a private entity.

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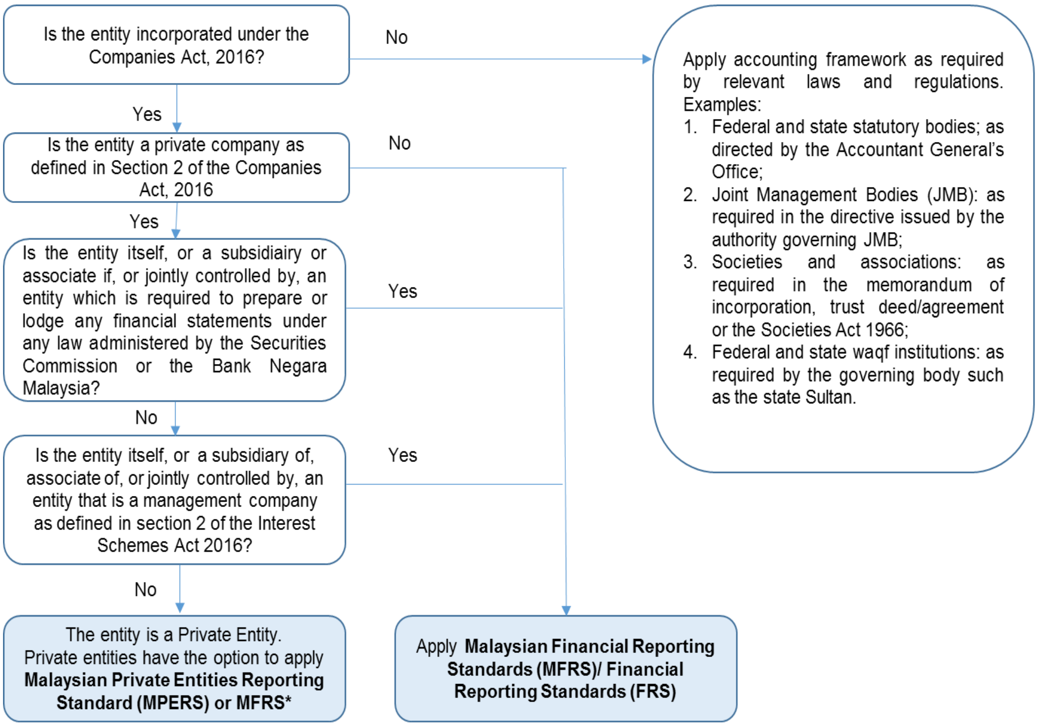
The decision tree below helps an entity to decide which accounting framework should be used for its preparation of financial statements.



*Private entities that have applied FRSs shall apply either MFRS or the MPERS for annual periods beginning on or after 1 January 2018.

Q2. When is the first financial statements that is required to be prepared under MPERS framework?

For financial statements with annual periods beginning on or after 1 January 2016, private entities shall comply with either:

- Malaysian Private Entities Reporting Standard (MPERS) in their entirety; or
- Malaysian Financial Reporting Standards (MFRS) in their entirety.

Private entities that have applied FRSs shall apply either MFRS or the MPERS for annual periods beginning on or after 1 January 2018.

We illustrate below the first financial statements that should be prepared in accordance with MPERS framework in a number of scenarios.

Annual period beginning	Annual period ending	Accounting framework before the adoption of MPERS	First MPERS financial statements
1 January 2016	31 December 2016	Private Entity Reporting Standards (PERS)	31 December 2016
1 July 2016	30 June 2017	PERS	30 June 2017

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Q3. MPERS introduces the concept of 'undue cost or effort'. When can an entity use this concept?

Paragraphs 2.14A to 2.14D provide further guidance on the concept of 'undue cost or effort'. These paragraphs were included in the 2015 Amendments to the Malaysian Private Entities Reporting Standard (effective from 1 January 2017 with early application permitted).

Paragraph 2.14A states that "an undue cost or effort exemption is specified for some requirements in the Standard. This exemption shall not be used for other requirements in this Standard".

The 'undue cost or effort' exemption is available in the following sections of MPERS:

(a) Section 11 *Basic Financial Instruments;*
(b) Section 12 *Other Financial Instrument Issues;*
(c) Section 14 *Investment in Associates;*
(d) Section 15 *Investment in Joint Ventures;*
(e) Section 16 *Investment Property;*
(f) Section 17 *Property, Plant and Equipment;*
(g) Section 18 *Intangible Assets other than Goodwill;*
(h) Section 19 *Business Combinations and Goodwill;*
(i) Section 21 *Provisions and Contingencies;*
(j) Section 22 *Liabilities and Equity;*
(k) Section 28 *Employee Benefits;*
(l) Section 29 *Income Tax;* and
(m) Section 34 *Specialised Activities.*

For details, please refer to Appendix 1.

As such, unless allowed under any of the above requirements, an entity shall not use 'undue cost or effort' exemption as a basis of not complying with the requirements in MPERS.

An entity shall also take note that 'undue cost or effort' exemption is a hierarchy test and does not tantamount to granting an accounting policy choice. For example, paragraph 16.7 of MPERS requires investment property to be measured at fair value at each reporting date where the fair value can be measured reliably without undue cost or effort. Otherwise, the investment property shall be accounted using the cost model under Section 17 of MPERS. This exemption should not be interpreted as the standard is granting an entity an accounting policy choice to measure the investment property at fair value or cost.

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Q4. What is 'undue cost or effort' and how does an entity apply this judgment?

Paragraphs 2.14A to 2.14D of MPERS provide further guidance in relation to the concept of 'undue cost or effort'. These paragraphs were included in the *2015 Amendments* to the Malaysian Private Entities Reporting Standard (effective from 1 January 2017 with early application permitted).

Paragraphs 2.14B to 2.14C included in the *2015 Amendments* to the Malaysian Private Entities Reporting Standards provide guidance on 'undue cost or effort' as follows:

- Considering whether obtaining or determining the information necessary to comply with a requirement would involve undue cost or effort depends on the entity's specific circumstances and on management's judgement of the costs and benefits from applying that requirement. This judgement requires consideration of how the economic decisions of those that are expected to use the financial statements could be affected by not having that information. Applying a requirement would involve undue cost or effort by a private entity if the incremental cost (for example, valuers' fees) or additional effort (for example, endeavours by employees) substantially exceed the benefits that those that are expected to use the private entity's financial statements would receive from having the information. An assessment of undue cost or effort by a private entity in accordance with this Standard would usually constitute a lower hurdle than an assessment of undue cost or effort by a non-private entity because private entities are not accountable to public stakeholders.

- Assessing whether a requirement would involve undue cost or effort on initial recognition in the financial statements, for example at the date of the transaction, should be based on information about the costs and benefits of the requirement at the time of initial recognition. If the undue cost or effort exemption also applies subsequent to initial recognition, for example to a subsequent measurement of an item, a new assessment of undue cost or effort should be made at that subsequent date, based on information available at that date.

Based on the guidance above, an entity shall assess the 'undue cost or effort' requirements based on:

i. Entity specific circumstances;
ii. Management's judgement of the costs and benefits from applying that requirement which should consider:
    a. How the economic decision of the users of financial statements will be affected by not having that information (see Question 6);
    b. There is undue cost or effort involved if the incremental cost or additional effort substantially exceeds the benefits of the information to the users of financial statements.
iii. Information available at the time of the assessment (either at initial recognition or subsequent measurement).

Whilst there is no 'bright line' test and what is 'undue cost or effort' entails the exercise of judgment, this does not mean that the hurdle to use this exemption is low. Entities

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need to demonstrate why they qualify to use this exemption. Paragraph 2.14D of MPERS requires an entity to disclose the 'undue cost or effort' exemption used by the entity and the reasons why applying the requirement would involve 'undue cost or effort'.

Q5. An entity does not need to comply with certain requirements in MPERS if it is 'impracticable' to do so. What is 'impracticable'? Is the assessment of 'impracticable' similar to 'undue cost or effort'? How would the 'undue cost or effort' exemption be different if it is used together with 'impracticable' exemption?

In MPERS, applying a requirement is 'impracticable' when the entity cannot apply it after making every reasonable effort to do so. While paragraph 2.14C states that "applying a requirement would involve undue cost or effort by a private entity if the incremental cost (for example, valuers' fees) or additional effort (for example, endeavours by employees) substantially exceed the benefits that those that are expected to use the private entity's financial statements would receive from having the information".

The 'impracticable' exemption is available in the following sections of MPERS:
1. Section 3 *Financial Statement Presentation;*
2. Section 9 *Consolidated and Separate Financial Statements;*
3. Section 10 *Accounting Policies, Estimates and Errors;*
4. Section 14 *Investments in Associates;*
5. Section 21 *Provisions and Contingencies;*
6. Section 26 *Share-based Payment;*
7. Section 27 *Impairment of Assets;*
8. Section 34 *Specialised Activities;* and
9. Section 35 *Transition to the MPERS.*

For details, please refer to Appendix 2.

It should be noted that the requirements where 'impracticable' exemption is available are different from those requirements where 'undue cost or effort' is available.

Q6. How does an entity assess the cost and benefit consideration?

Paragraphs 2.13 and 2.14 of MPERS state that:

- "The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is substantially a judgemental process. Furthermore, the costs are not necessarily borne by those who enjoy the benefits, and often the benefits of the information are enjoyed by a broad range of external users.

- Financial reporting information helps capital providers make better decisions, which results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. Individual entities also enjoy benefits, including improved access to capital markets, favourable effect on public relations and perhaps lower costs of capital. The benefits may also include better management decisions

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because financial information used internally is often based at least partly on information prepared for general purpose financial reporting purposes".

Module 2 Concepts and Pervasive Principles issued by IFRS Foundation: Training Material for the IFRS for SMEs states there are several types of costs and benefits to consider from the perspective of providers of financial information and users of the financial statements. As such, the International Accounting Standards Board (IASB) concluded that the cost-benefit trade-off should be assessed from the viewpoint of the information needs of the users of an entity's financial statements.

For instance, an entity may incur staff cost in collecting, processing and verifying financial information on property, plant and equipment. However, information produced for the property, plant and equipment helps users of the financial statements such as investors, lenders and creditors to make an informed decision with more confidence with regard to the operating capacity of the entity.

Q7. How does an entity define 'operating expenditure'?

Operating expenditure is not used or defined in MPERS. Reference should be made to paragraph 5.11 of MPERS where it requires an entity to present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant. It further provides the following:

Analysis by nature of expense

(a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs) and are not reallocated among various functions within the entity.

Analysis by function of expense

(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.

Paragraph 7.4 of MPERS defines operating activities for cash flow classification purpose only as "the principal revenue-producing activities of the entity and other activities that are not investing and financing activities". Hence, such definition may not be suitable in other context.

Even though this term is not used or defined in MPERS, an entity shall ensure the amount disclosed is representative of activities that would normally be considered to be "operating". It would be misleading and impair the comparability of financial statements if items of an operating in nature were excluded from the results of operating activities, even if that had been industry practice.

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For example, it would be inappropriate to exclude items related to operating activities of the company such as inventory write downs because they are incurred irregularly or are unusual or items such as depreciation because they do not involve cash flows.

As such, operating expenditure shall include expenditure incurred by an entity in its operating activities such as staff salaries and wages, cost of sales, and depreciation.

Section 4 *Statement of Financial Position*

Q8. With reference to paragraph 4.2 of MPERS in relation to the minimum line items that should be presented in the statement of financial position, does the standard allow an entity to present additional line items or aggregation of similar items?

Para 4.3 of MPERS states that "an entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position".

Paragraph 4.9 pf MPERS clearly states that "this Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 4.2 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
(b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position".

As such, an entity is allowed to:

(a) Include additional line items or aggregate similar items;
(b) Amend the descriptions of items;
(c) Amend the sequencing of items or aggregation of similar items;

so that such presentation is relevant.

Section 11 *Basic Financial Instruments*

Q9. Paragraph 11.13 of MPERS requires an entity to measure financial asset or financial liability at the present value of the future payments discounted at a market rate of interest if an arrangement constitutes a financing transaction. How do we determine market interest rate?

Paragraph 11.13 of MPERS states that "an arrangement constitutes a financing transaction if payment is deferred beyond normal business terms, for example, providing interest-free credit to a buyer for the sale of goods, or is financed at a rate of interest that is not a market rate, for example, an interest-free or below market interest rate loan made to an employee".

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Market interest rate is however, not defined in MPERS, except that paragraph 11.13 requires the market rate of interest to reflect the rate of a similar debt instrument as determined at initial recognition. As such, the market rate of interest to be used shall reflect the characteristics of the financial asset or liability being measured such as type of instrument, risk profile and maturity.

For example, an entity sold to a customer an item on a three-year interest-free credit. The entity's credit term is normally stated at six months. This example illustrates that the transaction includes a financing arrangement as payment is deferred beyond the company's normal business terms. As such, an entity shall measure the financial asset, being the receivables at the present value of the future payments discounted at a rate of similar receivables in the market.

Section 12 *Other Financial Instrument Issues*

Q10. How does an entity account for guarantees of repayment provided to a lender in respect of the borrowings of a subsidiary?

Paragraph 11.3 of MPERS states that "a financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity". A financial guarantee is a contractual right of the lender (the bank) to receive cash from the guarantor (the entity), and a corresponding contractual obligation of the guarantor to deliver cash to the lender, if the borrower (the subsidiary) defaults.

It is assumed that the entity chooses to apply the requirements in Sections 11 and 12 of MPERS in full for all of its financial instruments (as required by paragraph 11.2).

Section 11 further provides that basic financial instruments as set out in paragraphs 11.8 to 11.10 shall to be accounted for in accordance with Section 11. The guarantee provides the bank with a contingent right to cash. As the right is contingent on a future unknown event, the condition in paragraph 11.9(d) is not satisfied. In addition, the amount is neither fixed nor variable on the basis of a single quoted or observable interest rate. Accordingly, it does not meet the conditions in paragraph 11.9(a).

As the financial guarantee is not a basic financial instrument because it does not satisfy all the conditions in paragraph 11.9, it shall be accounted for in accordance with Section 12 *Other Financial Instruments Issues*. Section 12 requires such instrument to be recognised initially at its fair value. At the end of each reporting date, the instrument shall be measured at fair value and changes in fair value shall be recognised in profit or loss.

Following the issuance of this FAQ, in relation to such matters, members should make reference to this FAQ rather than the illustration provided in Note 33.2 of *MIA Illustrative MPERS Financial Statements, with Commentaries* published in 2016.

Section 16 *Investment Property*

Q11. Section 16 requires an entity to measure its investment properties at fair value. Is it a must for an entity to engage professional valuers to value their investment properties?

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Although there is no specific requirement in the Standard that requires an entity to engage professional valuers to value their investment properties, an entity often engages a professional valuer to derive the fair value of properties. An entity should refer to paragraphs 11.27 to 11.32 of MPERS for guidance in estimating the fair value of an asset.

Paragraph of 16.10(b) of MPERS states that "an entity shall disclose the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, that fact shall be disclosed".

Section 19 *Business Combinations and Goodwill*

Q12. Prior to the adoption of MPERS, an entity recognised "negative goodwill" (i.e. the excess over cost of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities) as a reserve in equity. Following the adoption of MPERS, can this reserve still be retained in equity?

Paragraph 19.24 of MPERS states that "if the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities recognised in accordance with paragraph 19.14 exceeds the cost of the business combination (sometimes referred to as 'negative goodwill'), the acquirer shall: (a) reassess the identification and measurement of the acquiree's assets, liabilities and provisions for contingent liabilities and the measurement of the cost of the combination; and (b) recognise immediately in profit or loss any excess remaining after that reassessment".

Paragraph 35.10 of MPERS gives an exemption for an entity in preparing its first financial statements not to apply Section 19 to business combinations that were effected before the date of transition. As such, if an entity elects to apply the exemption in paragraph 35.10(a), the reserve can still be retained in equity.

On the other hand, if the entity elects not to apply the exemption in paragraph 35.10(a), the entity should apply paragraph 19.24 retrospectively. Paragraph 35.8 of MPERS states that "the accounting policies that an entity uses on adoption of this Standard may differ from those that it used for the same date using its previous financial reporting framework. The resulting adjustments arise from transactions, other events or conditions before the date of transition to this Standard. Consequently, an entity shall recognise those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to this Standard".

Q13. Prior to adoption of MPERS, an entity acquired a subsidiary and the goodwill from the acquisition was recognised. However, the goodwill has never been amortised under the previous accounting framework. Should the amortisation commence from the acquisition date or from the date of transition to MPERS?

Paragraph 19.23 of MPERS states that "after initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses: (a) an entity shall follow the principles

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in paragraphs 18.19-18.24 for amortisation of goodwill. If the useful life of goodwill cannot be established reliably, the life shall be determined based on management's best estimate but shall not exceed ten years; (b) an entity shall follow Section 27 *Impairment of Assets* for recognising and measuring the impairment of goodwill". However, paragraph 35.10 of MPERS gives an exemption for an entity in preparing its first financial statements not to apply Section 19 to business combinations that were effected before the date of transition. As such, if an entity elects to apply the exemption in paragraph 35.10(a), the amortisation shall commence from the date of transition to MPERS.

On the other hand, if the entity elects not to apply the exemption in paragraph 35.10(a), the entity should apply paragraph 19.23 retrospectively. Accordingly, the amortisation should commence from the date of acquisition.

Q14. Prior to adoption of MPERS, an entity's accounting policy is to amortise goodwill over its estimated useful life of 20 years. As at the date of transition of MPERS, the remaining useful life of the goodwill was 5 years. Is the entity required to restate the amortisation charges prior to the date of transition to MPERS?

Paragraph 19.23 states that "after initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses: (a) an entity shall follow the principles in paragraphs 18.19-18.24 for amortisation of goodwill. If the useful life of goodwill cannot be established reliably, the life shall be determined based on management's best estimate but shall not exceed ten years; (b) an entity shall follow Section 27 *Impairment of Assets* for recognising and measuring the impairment of goodwill".

However, paragraph 35.10 of MPERS gives an exemption for an entity in preparing its first financial statements not to apply Section 19 to business combinations that were effected before the date of transition. As such, if an entity elects to apply the exemption in paragraph 35.10(a), it shall not restate the amortisation of goodwill prior to the date of transition.

On the other hand, if the entity elects not to apply the exemption in paragraph 35.10(a), the entity should apply paragraph 19.23 retrospectively. Accordingly, the entity should restate the amortisation from the date of acquisition.

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Appendix 1

'Undue cost or effort' exemption is available for the following requirements in MPERS:

No.	Reference in MPERS	Requirements
1.	2.47	An entity measures basic financial assets and basic financial liabilities, as defined in Section 11 *Basic Financial Instruments*, at amortised cost less impairment except for investments in non-convertible preference shares and non-puttable ordinary or preference shares that are publicly traded or whose fair value can otherwise be measured reliably without **undue cost or effort**, which are measured at fair value with changes in fair value recognised in profit or loss.
2.	11.4	Section 11 requires an amortised cost model for all basic financial instruments except for investments in non-convertible preference shares and non-puttable ordinary or preference shares that are publicly traded or whose fair value can otherwise be measured reliably without **undue cost or effort**.
3.	11.14	At the end of each reporting period, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal: (a) debt instruments that meet the conditions in paragraph 11.8(b) shall be measured at amortised cost using the effective interest method. Paragraphs 11.15-11.20 provide guidance on determining amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (ie net of impairment—see paragraphs 11.21-11.26) unless the arrangement constitutes, in effect, a financing transaction (see paragraph 11.13). (b) commitments to receive a loan that meet the conditions in paragraph 11.8(c) shall be measured at cost (which sometimes is nil) less impairment. (c) investments in non-convertible preference shares and non-puttable ordinary or preference shares shall be measured as follows (paragraphs 11.27-11.32 provide guidance on fair value): (i) if the shares are publicly traded or their fair value can otherwise be measured reliably without **undue cost or effort**, the investment shall be measured at fair value with changes in fair value recognised in profit or loss; and (ii) all other such investments shall be measured at cost less impairment. Impairment or uncollectability must be assessed for financial assets in (a), (b) and (c)(ii). Paragraphs 11.21-11.26 provide guidance.
4.	12.8	At the end of each reporting period, an entity shall measure all financial instruments within the scope of Section 12 at fair value and recognise changes in fair value in profit or loss, except as follows: (a) some changes in the fair value of hedging instruments in a designated hedging relationship are required to be recognised in other comprehensive income by paragraph 12.23; and (b) equity instruments that are not publicly traded and whose fair value

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No.	Reference in MPERS	Requirements
		cannot otherwise be measured reliably without **undue cost or effort** and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, shall be measured at cost less impairment.
5.	12.9	If a reliable measure of fair value is no longer available without **undue cost or effort** for an equity instrument, or a contract linked to such an instrument that if exercised will result in the delivery of such instruments, that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that the instrument was reliably measurable without **undue cost or effort** is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until it is able to determine a reliable measure of fair value without **undue cost or effort**.
6.	14.10	At each reporting date, an investor shall measure its investments in associates at fair value, with changes in fair value recognised in profit or loss, using the fair value measurement guidance in paragraphs 11.27-11.32. An investor using the fair value model shall use the cost model for any investment in an associate for which fair value cannot be measured reliably without **undue cost or effort**.
7.	15.15	At each reporting date, a venturer shall measure its investments in jointly controlled entities at fair value, with changes in fair value recognised in profit or loss, using the fair value measurement guidance in paragraphs 11.27-11.32. A venturer using the fair value model shall use the cost model for any investment in a jointly controlled entity for which fair value cannot be measured reliably without **undue cost or effort**.
8.	16.3	A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property using this section if, and only if, the property would otherwise meet the definition of an investment property and the lessee can measure the fair value of the property interest without **undue cost or effort** on an ongoing basis. This classification alternative is available on a property-by-property basis.
9.	16.4	Mixed use property shall be separated between investment property and property, plant and equipment. However, if the fair value of the investment property component cannot be measured reliably without **undue cost or effort**, the entire property shall be accounted for as property, plant and equipment in accordance with Section 17.
10.	16.7	Investment property whose fair value can be measured reliably without **undue cost or effort** shall be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. If a property interest held under a lease is classified as investment property, the item accounted for at fair value is that interest and not the underlying property. Paragraphs 11.27-11.32 provide guidance on determining fair value. An entity shall account for all other investment property using the cost model in Section 17.

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Appendix 1

No.	Reference in MPERS	Requirements
11.	16.8	If a reliable measure of fair value is no longer available without **undue cost or effort** for an item of investment property measured using the fair value model, the entity shall thereafter account for that item in accordance with Section 17 until a reliable measure of fair value becomes available. The carrying amount of the investment property on that date becomes its cost under Section 17. Paragraph 16.10(e)(iii) requires disclosure of this change. It is a change of circumstances and not a change in accounting policy.
12.	17.15	An entity shall choose either the cost model in paragraph 17.15A or the revaluation model in paragraph 17.15B as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. An entity shall apply the cost model to investment property whose fair value cannot be measured reliably without **undue cost or effort**. An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.
13.	18.8	An intangible asset acquired in a business combination shall be recognised unless its fair value cannot be measured reliably without **undue cost or effort** at the acquisition date.
14.	19.15	The acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date: (a) in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer and its fair value can be measured reliably; (b) in the case of a liability other than a contingent liability, it is probable that an outflow of resources will be required to settle the obligation and its fair value can be measured reliably; (c) in the case of an intangible asset, its fair value can be measured reliably without **undue cost or effort**; and (d) in the case of a contingent liability, its fair value can be measured reliably.
15.	21.16	If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and, unless it would involve **undue cost or effort**, an estimate of their financial effect, measured using the principles set out in paragraphs 21.7-21.11. If such an estimate would involve **undue cost or effort**, the entity shall disclose that fact and the reasons why estimating the financial effect would involve **undue cost or effort**.
16.	22.15A	An entity may renegotiate the terms of a financial liability with a creditor of the entity with the result that the entity extinguishes the liability fully or partially by issuing equity instruments to the creditor. Issuing equity instruments constitutes consideration paid in accordance with paragraph 11.38. An entity shall measure the equity instruments issued at their fair value. However, if the fair value of the equity instruments issued cannot

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No.	Reference in MPERS	Requirements
		be measured reliably without **undue cost or effort**, the equity instruments shall be measured at the fair value of the financial liability extinguished. An entity shall derecognise the financial liability, or part of the financial liability, in accordance with paragraphs 11.36-11.38.
17.	22.18A	If the fair value of the assets to be distributed cannot be measured reliably without **undue cost or effort**, the liability shall be measured at the carrying amount of the assets to be distributed. If prior to settlement the fair value of the assets to be distributed can be measured reliably without **undue cost or effort**, the liability is remeasured at fair value with a corresponding adjustment made to the amount of the distribution and accounted for in accordance with paragraph 22.18.
18.	28.19	If an entity is not able, without **undue cost or effort**, to use the projected unit credit method to measure its obligation and cost under defined benefit plans, the entity is permitted to make the following simplifications in measuring its defined benefit obligation with respect to current employees: (a) ignore estimated future salary increases (ie assume current salaries continue until current employees are expected to begin receiving post-employment benefits). (b) ignore future service of current employees (ie assume closure of the plan for existing as well as any new employees). (c) ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (ie assume all current employees will receive the post-employment benefits). However, mortality after service (ie life expectancy) will still need to be considered. An entity that takes advantage of the foregoing measurement simplifications must nonetheless include both vested benefits and unvested benefits in measuring its defined benefit obligation.
19.	29.37	An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without **undue cost or effort** that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.
20.	34.2	An entity using this Standard that is engaged in agricultural activity shall determine its accounting policy for each class of its biological assets as follows: (a) the entity shall use the fair value model in paragraphs 34.4-34.7 for those biological assets for which fair value is readily determinable without **undue cost or effort**; and (b) the entity shall use the cost model in paragraphs 34.8-34.10 for all other biological assets.
21.	34.3	An entity shall recognise a biological asset or agricultural produce when, and only when: (a) the entity controls the asset as a result of past events;

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No.	Reference in MPERS	Requirements
		(b) it is probable that future economic benefits associated with the asset will flow to the entity; and (c) the fair value or cost of the asset can be measured reliably without **undue cost or effort**.

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Appendix 2

'Impracticable' exemption is available for the following requirements in MPERS:

No.	Reference in MPERS	Requirements
1.	3.12 3.13	When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is **impracticable**. When comparative amounts are reclassified, an entity shall disclose the following: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification. If it is **impracticable** to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable.
2.	9.16	The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date unless it is **impracticable** to do so. If it is **impracticable** to prepare the financial statements of a subsidiary as of the same reporting date as the parent, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary, adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.
3.	9.29	If the investor prepares combined financial statements and describes them as conforming to the MPERS, those statements shall comply with all of the requirements of this Standard. Intercompany transactions and balances shall be eliminated; profits or losses resulting from intercompany transactions that are recognised in assets such as inventory and property, plant and equipment shall be eliminated; the financial statements of the entities included in the combined financial statements shall be prepared as of the same reporting date unless it is **impracticable** to do so; and uniform accounting policies shall be followed for like transactions and other events in similar circumstances.
4.	10.12	When a change in accounting policy is applied retrospectively in accordance with paragraph 10.11, the entity shall apply the new accounting policy to comparative information for prior periods to the earliest date for which it is practicable, as if the new accounting policy had always been applied. When it is **impracticable** to determine the individual-period effects of a change in accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.

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No.	Reference in MPERS	Requirements
5.	10.13	When an amendment to this Standard has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; (c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (d) an explanation if it is **impracticable** to determine the amounts to be disclosed in (b) or (c). Financial statements of subsequent periods need not repeat these disclosures.
6.	10.14	When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately: (i) for the current period; (ii) for each prior period presented; and (iii)in the aggregate for periods before those presented. (d) an explanation if it is **impracticable** to determine the amounts to be disclosed in (c). Financial statements of subsequent periods need not repeat these disclosures.
7.	10.22	When it is **impracticable** to determine the effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

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No.	Reference in MPERS	Requirements
8.	14.8	Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss and other comprehensive income of the associate: (a) *distributions and other adjustments to carrying amount…* (f) *date of associate's financial statements.* In applying the equity method, the investor shall use the financial statements of the associate as of the same date as the financial statements of the investor unless it is **impracticable** to do so. If it is impracticable, the investor shall use the most recent available financial statements of the associate, with adjustments made for the effects of any significant transactions or events occurring between the accounting period ends. (g) *associate's accounting policies.* If the associate uses accounting policies that differ from those of the investor, the investor shall adjust the associate's financial statements to reflect the investor's accounting policies for the purpose of applying the equity method unless it is **impracticable** to do so.
9.	21.15	Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable: (a) an estimate of its financial effect, measured in accordance with paragraphs 21.7-21.11; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement. If it is **impracticable** to make one or more of these disclosures, that fact shall be stated.

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No.	Reference in MPERS	Requirements
10.	26.10	An entity shall measure the fair value of shares (and the related goods or services received) using the following three-tier measurement hierarchy: (a) if an observable market price is available for the equity instruments granted, use that price. (b) if an observable market price is not available, measure the fair value of equity instruments granted using entity-specific observable market data such as: (i) a recent transaction in the entity's shares; or (ii) a recent independent fair valuation of the entity or its principal assets. (c) if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is **impracticable**, indirectly measure the fair value of the shares using a valuation method that uses market data to the greatest extent practicable to estimate what the price of those equity instruments would be on the grant date in an arm's length transaction between knowledgeable, willing parties. The entity's directors should use their judgement to apply the most appropriate valuation method to determine fair value. Any valuation method used shall be consistent with generally accepted valuation methodologies for valuing equity instruments.
11.	26.11	An entity shall measure the fair value of share options and equity-settled share appreciation rights (and the related goods or services received) using the following three-tier measurement hierarchy: (a) if an observable market price is available for the equity instruments granted, use that price. (b) if an observable market price is not available, measure the fair value of share options and share appreciation rights granted using entity-specific observable market data such as (a) for a recent transaction in the share options. (c) if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is **impracticable**, indirectly measure the fair value of share options or share appreciation rights using an option pricing model. The inputs for the model (such as the weighted average share price, exercise price, expected volatility, option life, expected dividends and the risk-free interest rate) shall use market data to the greatest extent possible. Paragraph 26.10 provides guidance on determining the fair value of the shares used in determining the weighted average share price. The entity shall derive an estimate of expected volatility consistent with the valuation methodology used to determine the fair value of the shares.
12.	27.3	If it is **impracticable** to determine the selling price less costs to complete and sell for inventories item by item, the entity may group items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area for the purpose of assessing impairment.

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No.	Reference in MPERS	Requirements
13.	34.32	Allocation of costs to individual development units shall be made in accordance with the following criteria: (a) specific identification (e.g. direct building costs); (b) relative sales values when specific identification is not possible; or (c) other appropriate methods consistently applied when allocation based on relative sales value is **impracticable**.
14.	35.11	If it is **impracticable** for an entity to make one or more of the adjustments required by paragraph 35.7 at the date of transition, the entity shall apply paragraphs 35.7-35.10 for such adjustments in the earliest period for which it is practicable to do so, and shall identify which amounts in the financial statements have not been restated. If it is **impracticable** for an entity to provide any of the disclosures required by this Standard, including those for comparative periods, the omission shall be disclosed.

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