



Snapshot

by Capital Markets & Accounting Advisory Services

March 2024

New MFRS effective on or after 1 January 2024

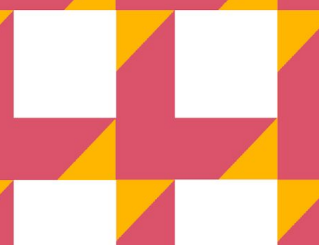
Introduction

In this Snapshot, we discuss some of the key provisions surrounding the following new standard and amendments (effective on or after 1 January 2024) which entities with 31 December 2024 year end applying for the first time:

- Amendments to MFRS 101 on the following:
 - Classification of liabilities as current or non-current
 - Non-current liabilities with covenants
- Amendments to MFRS 107 and MFRS 7 on supplier finance arrangements
- Amendments to MFRS 16 on sale and leaseback

Companies with 31 December 2024 year end need to apply the above amendments to their interim financial statements as well.

This publication gives an overview of the impact of the changes, helping companies understand how are they affected. Accordingly, it is a useful read for preparers, users and auditors of MFRS financial statements.



New MFRS effective on or after 1 January 2024

Amendments to MFRS 101 *Presentation of Financial Statements*

There are two amendments to MFRS 101. The first amendments on 'classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 *Financial Instruments: Presentation* does not impact the current or non-current classification of the convertible instrument.

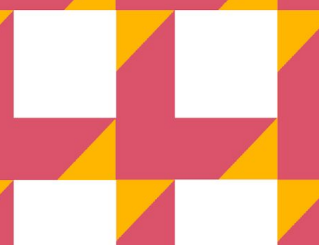
The second amendments on 'non-current liabilities with covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date. Read our [Snapshot](#) to find out more about the amendments and how it may affect entities with liabilities that are subject to covenants.

Amendments to MFRS 107 and MFRS 7 on supplier finance arrangements

The amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures* on supplier finance arrangement ("SFA") was issued in response to investors demand for greater transparency on the SFA. Investors said that they need additional information about SFA in the financial statements to be able to assess how these arrangements affect a company's liabilities, cash flows and liquidity risk.

Accordingly, these amendments require additional disclosures on SFA. Entities may need to implement new processes and controls to gather complete and accurate information in order to meet the new disclosure requirements.

Read our [Snapshot](#) and [Pwc In depth](#) to find out more on the amendments.



New MFRS effective on or after 1 January 2024 (continued)

Amendments to MFRS 16 on sale and leaseback

In a sale and leaseback transaction, one entity (the seller-lessee) transfers an asset to another party (the buyer-lessor) and leases back the right to use of that same asset. The narrow-scope amendments to MFRS 16 *Leases* explain how a seller-lessee accounts for a sale and leaseback after the date of the transaction.

These amendments deal with situations where the transfer of the asset by the seller-lessee satisfies the control test of MFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale of the asset, however the lease payments do not meet the definition of the lease payments in MFRS 16, e.g. lease payments are variable based on the usage of the asset or sales made by the lessee.

Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. Read our [Snapshot](#) to find out more about the amendments.

Do you need further information on this topic?

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