

Property

Property developers urged to understand and review IFRS 15

SUHAIMI YUSUF

Time needed to digest the new model and its implications

by **Elena Tunku Sherie**
FD@bizedge.com

KUALA LUMPUR: Property developers are urged to gather information and understand the terms and conditions of the newly issued International Financial Reporting Standards (IFRS) 15 to ease the transition and avoid complications.

The IFRS 15 was issued on May 28 and will be effective from Jan 1, 2017 (early adoption is permitted).

"The act is a new model that requires a new mindset. It's better to start now than later. It will take some time to digest the guide and its implications. Which is why it will only be effective in 2017," said senior partner of PwC's Global Accounting Consulting Services and member of the IFRS Interpretation Committee, Tony de Bell.

Malaysian Accounting Standards Board (MASB) chairman Datuk Mohammad Faiz Azmi said the board is hoping to issue the IFRS as a standard in Malaysia within two months, which will then make it the Malaysian Financial Reporting Standard (MFRS) 15.

"Once we issue it as MFRS, it will be a valid standard in Malaysia. By then, developers have the option of adopting the standard earlier either in 2015 or 2016. Even if they want to adopt it this year, they can. But by January 2017, they must adopt it," he said.

The MASB will meet real estate industry players including the Real Estate and Housing Developers Association (Rehda) to discuss the adoption of IFRS 15 soon.

Mohammad Faiz said the standard should not be confused with the International Financial Reporting Interpretation Committee



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(IFRIC) 15, which is an agreement on the construction of real estate. The IFRIC 15 was initially supposed to be adopted by July 1, 2010 but was deferred following concerns raised by industry players.

"It's a different standard. With IFRS 15, developers will still be able to do progressive billing. So the percentage of completion will still go on," said Mohammad Faiz.

He said the MASB and stakeholders will need to look into the unknown and impact of IFRS 15 to come up with the best solution to move forward.

"There are issues that we need to address. For example, the standard for agriculture is supposed to be issued within this month or latest next month. The problem is that the date of implementation is 2016. So if a

company has both agricultural and real estate businesses like Sime Darby Bhd, when should it adopt IFRS 15? That's what we are grappling with now," Mohammad Faiz said.

"Do we force everyone to adopt it in 2017, which would make it a year late for agriculture or adopt it early in 2016 which would not be fair to the real estate industry as it was agreed that it is only mandatory for them in 2017?"

Developers are still unsure of how to react to the standard as it is fairly new and the impact is not yet known.

"If in principle it is based on the method of profit recognition as we had done in the past, we are happy with the outcome as it means business as usual. But if it isn't then of course there is much to discuss" said Rehda president Datuk Seri Michael Yam.