

PwC Snapshots

by Capital Markets &
Accounting Advisory Services

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New MFRS effective on or after 1 January 2026

In this Snapshot, we discuss some of the key provisions of the following new amendments (effective on 1 January 2026) which entities with 31 December 2026 year end will be applying for the first time, where relevant:

- Amendments to MFRS 9 and MFRS 7 on classification and measurement of financial instruments
- Amendments to MFRS 9 and MFRS 7 on contracts referencing nature-dependent electricity
- Annual improvements to MFRS

Entities with 31 December 2026 year end also need to disclose that there are new MFRS issued but not yet effective and information relevant to assess the possible impact that their application will have on the financial statements under paragraph 30 of MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. In this Snapshot we also discuss the new amendments issued by the Malaysian Accounting Standards Board ("MASB") at the date of this publication that are effective after 1 January 2026:

- MFRS 18 'Presentation and Disclosure in Financial Statements'
- MFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to MFRS 121 on translation to a hyperinflationary presentation currency

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 1 January 2026

Amendments to MFRS 9 and MFRS 7 on classification and measurement of financial instruments

The MASB has issued narrow-scope amendments to MFRS 9 ‘Financial Instruments” and MFRS 7 ‘Financial Instruments: Disclosures’ on classification and measurement of financial instruments. These amendments:

- Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payment of principal and interest criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance targets); and
- Update the disclosures for equity instruments designated as fair value through other comprehensive income.

Read our *Snapshot* to find out more about the amendments

Amendments to MFRS 9 and MFRS 7 on contracts referencing nature-dependent electricity

The MASB has amended MFRS 9 and MFRS 7 to allow entities to better reflect nature-dependent electricity contracts in the financial statements. These amendments:

- Clarify the application of 'own-use' criteria to nature dependent electricity contracts;
- Permit hedge accounting if these contracts are used as hedging instruments; and
- Add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity's financial performance and cash flows..

Read our *Snapshot* to find out more about the amendments

New MFRS effective on 1 January 2026 (continued)

Annual improvements to MFRS

Annual improvements are limited to changes that either clarify the wording in a MFRS or correct relatively minor unintended consequences, oversights or conflicts between the requirements in MFRS. The Annual improvements issued by the MASB in 2024 are to the following standards:

- MFRS 1 ‘First-time Adoption of MFRS' – to improve consistency between MFRS 1 and MFRS 9, in relation to the requirements for hedge accounting, and to improve the understandability of MFRS 1.
- MFRS 7 ‘Financial Instruments: Disclosures' - to improve consistency in the language used in MFRS 7 with the language used in MFRS 13 'Fair Value Measurement'.
- MFRS 9 ‘Financial Instruments’ - to clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished, and to address an inconsistency between MFRS 9 and MFRS 15 'Revenue from Contracts with Customers', in relation to the term 'transaction price'.
- MFRS 10 ‘Consolidated Financial Statements’ - to clarify the requirements in relation to determining de facto agents of an entity.
- MFRS 107 ‘Statement of Cash Flows’ - to replace the term 'cost method' with 'at cost', since the term is no longer defined in MFRS.

New MFRS effective after 1 January 2026

MFRS 18 ‘Presentation and Disclosure in Financial Statements’ [Effective on or after 1 January 2027]

MFRS 18 will replace MFRS 101 ‘Presentation of Financial Statements’. This is the new standard on presentation and disclosures in financial statements with a focus on updates to the statement of profit or loss. The key new concepts introduced in MFRS 18 relate to:

- The structure of the statement of profit or loss – Requiring defined categories (i.e. operating, investing and financing) and subtotals in the statement of profit or loss;
- Required disclosures in the financial statements for certain profit or loss performance measures that are reported outside a company’s financial statements (i.e. management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation of information which apply to the primary financial statements and notes in general.

Read our *Insights* to find out more about the new standard.

New MFRS effective after 1 January 2026 (continued)

MFRS 19 'Subsidiaries without Public Accountability: Disclosures' [Effective on or after 1 January 2027]

The new standard works alongside other MFRS. An eligible subsidiary applies the requirements in other MFRS except for disclosures requirements and instead applies the reduced disclosure requirements in MFRS 19.

MFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. MFRS 19 is a voluntary standard for eligible subsidiaries.

A subsidiary is eligible if:

- It does not have public accountability; and
- It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with MFRS.

Read our *Snapshot* to find out more about the new standard.

Amendments to MFRS 121 on translation to a hyperinflationary presentation currency [Effective on or after 1 January 2027]

In December 2025, the MASB issued amendments to MFRS 121 on the translation to a hyperinflationary presentation currency. The amendments are only relevant to entities that have a presentation currency of a hyperinflationary economy, and either its own functional currency or that of its foreign operation(s) is that of a non-hyperinflationary economy. The amendments:

- Require all amounts (including comparatives) to be translated from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy using the closing rate at the date of the most recent statement of financial position.

- Include an exception for entities with a functional and presentation currency that is the currency of a hyperinflationary economy to not retranslate comparatives of foreign operation(s) with the functional currency of a non-hyperinflationary economy.

Read *PwC In brief INT2025-23* to find out more about the new standard.

Do you need further information on this topic?
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