

Companies to face pressure in FRS 139 compliance

The standard, which relates to the recognition and measurement of financial instruments, will take effect from Jan 1, 2010

by LEE CHERNG WEE

LOCAL companies preparing to comply with the financial reporting standard 139 (FRS 139) early next year is expected to face pressure when preparing their results for the first quarter of 2010 (1Q10) for submission to regulators, said Deloitte Malaysia's executive director Dr Nordin Zain.

"Companies need to identify the gaps of data capture systems and new skill set. They have to make sure the systems and human resources are in place," he said during the "Managing IFRS in Critical Times" seminar yesterday.

FRS 139, a standard related to recognition and measure-



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Photo: Shiddiqin Zan

ment of financial instruments, will take effect in Malaysia from Jan 1, 2010.

This will be followed by the compliance with the full set of International Financial Reporting Standards (IFRS) in 2012.

Nordin advises companies not to under-estimate the amount of work needed to prepare pro-forma financial statements.

"Companies also need to simulate the impact of implementing FRS139 and conduct stress tests," he said.

According to Nordin, small companies normally take 12 months to comply with the FRS139 while bigger companies take about 18 months.

"We have less than six months to the deadline. We don't have much clue about the state of readiness of local companies as there is limited study," he said.

Nordin was one of the speakers in the "Managing IFRS in Critical Times" seminar, organised by Deloitte and Securities Industry Development Corporation (SIDC) yesterday.

Some large companies have complied with the FRS139 ahead of the deadline. In May, Malaysia Airlines System Bhd (MAS) delayed the release of its 1Q results by two weeks due to the early adoption of the FRS 139.

The adoption saw the airline recording a paper loss of RM640.2 million from its fuel hedges as its derivative contracts are now being marked to market prices.

"Companies have to verify the accuracy of the results before releasing it. Do communicate with investors earlier as they don't want any surprises," he said.

Nordin also recommended companies to conduct balance sheet remediation by engaging professionals to prepare the balance sheet and then compare it with the company's own balance sheet.