



Snapshot

by Capital Markets & Accounting Advisory Services (CMAAS)

July 2020

Exposure Draft on Malaysian Investment Reporting Standards 1000 - Framework for the Investment Circular (“MIRS1000”)

The Malaysian Institute of Accountants (“MIA”) has recently issued an exposure draft (“ED”) on MIRS1000 which serves to provide guidance on the participation of reporting accountants (“RA”) in public and private reporting engagements on an investment circular in connection with a securities offering. The ED is open for comments until 12 August 2020.



Objective of MIRS 1000

- Sets out the framework for the work that the RA is required to perform on investment circulars prepared for issue in connection with a capital markets transaction governed wholly or in part by capital market laws and regulations of Malaysia
- Establishes basic principles and essential procedures for the work of RA relating to investment circulars.
- Sets out a list of MIRS which will be issued covering guidance on Accountant’s Report, Pro Forma Financial Information, Prospective Financial Information and Comfort Letters all of which will be based on the framework set out in this MIRS.

Some of the key principles from MIRS 1000 are as set out below:



General Principles of RA engagements

- The RA will need to apply procedures in accordance with the [relevant MIRS and International Standards on Auditing \(“ISA”\)](#) in
 - i) Accepting the engagement
 - ii) Agreeing the terms of engagement
 - iii) Setting out the relevant quality controls
 - iv) Planning and performing the engagement
 - v) Documenting the engagement
 - vi) Reporting and issuing opinion on the engagement
- The RA will also need to comply with [MIA By-laws and other relevant ethical guidance and legal and regulatory requirements](#) as they carry out their procedures
- Generally, it is expected that the RA will involve a [partner with requisite experience](#) of dealing with investment circulars in the engagement.

Some of the key takeaways from MIRS 1000 are as set out below (continued):



Public vs private engagements

Public and private engagements are distinguished as follows:

- Public engagements are where deliverables issued by the RA are relied on by parties making an investment decision who are not privy to the terms of engagement of the RA. [Example: RA opinion in Accountant's Report and report on pro forma financial information](#)
- Private engagements are where the deliverables issued by the RA are relied on by parties making an investment decision who are privy or an addressee to the terms of engagement of the reporting accountants. [Example: Agreed-upon-procedures report on the statement of indebtedness and report on Directors' statement on sufficiency of working capital](#)



Usage of the term RA

- RA is defined in MIRS 1000 as a firm of public accountants that is registered with the Audit Oversight Board of Securities Commission Malaysia
- RA shall only be named in an investment circular if [any of their reports are included in the investment circulars](#) (ie. public engagements) and need not be named if they are involved solely in private engagements in connection with a capital market transaction.
- Accordingly, RA [need not be a member of any due diligence working group](#) ("DDWG") if their reports or deliverables are not included in an investment circular as their scope of work would not be reviewed by the said members of the DDWG.



Some of the key takeaways from MIRS 1000 are as set out below (continued):



Consent for inclusion of Reports

- Where the RA is required to give consent to the inclusion of their public reports (ie. reports in public engagements), or references to their name, in an investment circular the RA should, before doing so, consider its public report in the form and context in which it appears, or is referred to, in the investment circular as a whole by:
 - (a) comparing its public report together with the information being reported on to the other information in the rest of the investment circular and assessing whether there is any cause to believe that such other information is inconsistent with the information being reported on; and
 - (b) assessing whether is any cause to believe that any information in the investment circular is misleading.
- Should there be any inconsistencies noted, the RA should withhold its consent until the RA is satisfied that its concerns are unwarranted or until the investment circular has been appropriately amended.



Interested parties are encouraged to read the [MIRS 1000 ED](#) to assess the implications and submit their comments to MIA at ilham@mia.org.my by 12 August 2020.

<p>Do you need further information on this topic?</p>	<p>Contact: Edmund Chew Assurance Director from PwC Malaysia CMAAS Email: edmund.c.chew@pwc.com Tel: +60 (3) 2173 0567</p>
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