



# LAWS OF MALAYSIA

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**Act 558**

## **FINANCIAL REPORTING ACT 1997**

*As at 1 September 2012*

**FINANCIAL REPORTING ACT 1997**

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**LAWS OF MALAYSIA****Act 558****FINANCIAL REPORTING ACT 1997**

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**LAWS OF MALAYSIA****Act 558****FINANCIAL REPORTING ACT 1997**

An Act to establish the Financial Reporting Foundation and the Malaysian Accounting Standards Board; to provide for their functions and powers; and to provide for matters connected therewith.

[6 March 1997, P.U. (B) 69/1997]

**BE IT ENACTED** by the Seri Paduka Baginda Yang di-Pertuan Agong with the advice and consent of the Dewan Negara and Dewan Rakyat in Parliament assembled, and by the authority of the same, as follows:

**PART I****PRELIMINARY****Short title and commencement**

1. (1) This Act may be cited as the Financial Reporting Act 1997.

(2) This Act shall come into force on such date as the Minister may, by notification in the *Gazette* appoint, and the Minister may appoint different dates for the coming into force of different provisions of this Act.

**Interpretation**

2. In this Act, unless the context otherwise requires—

“acceptable internationally recognised accounting standards” means accounting standards issued by other accounting standards issuing bodies granted recognition by the Board under section 26A;

“accounting standards” means statements of standard accounting practices used for the preparation of financial statements;

“approved accounting standards” means—

- (a) new accounting standards issued by the Board under paragraph 7(1A)(a);
- (b) existing accounting standards adopted by the Board under paragraph 7(1A)(b); and
- (c) in relation to foreign companies listed on a stock exchange in Malaysia, acceptable internationally recognized accounting standards;

“Audit Oversight Board” means the Audit Oversight Board established under section 31C of the Securities Commission Act 1993 [*Act 498*];

“Board” means the Malaysian Accounting Standards Board established under section 7;

“Central Bank” means the Central Bank of Malaysia established under the Central Bank of Malaysia Act 1958 [*Act 519*];

“foreign company” has the same meaning as in the Companies Act 1965 [*Act 125*];

“Foundation” means the Financial Reporting Foundation established under section 3;

“Fund” means the Fund established under subsection 19(1);

“issues bulletin” means a statement issued or approved by the Board under subsection 7(1A) concerning the interpretation, application or implementation of any approved accounting standards or matters relating to approved accounting standards or any matter relating to accounting practices used for the preparation of financial statements, either generally or in relation to any specific accounting principles or transactions;

“MASB approved accounting standards” means approved accounting standards other than acceptable internationally recognized accounting standards;

“Malaysian Institute of Accountants” means the body established under section 3 of the Accountants Act 1967 [*Act 94*];

“Minister” means the Minister for the time being charged with the responsibility for finance;

“principal officer”, in relation to a public listed company, means a person by whatever name called who is responsible for the conduct of the business and administration of the public listed company, and includes a non-executive chairman of the public listed company;

“Registrar of Companies” means the Registrar of Companies appointed under the Companies Act 1965;

“Securities Commission” means the Securities Commission established under the Securities Commission Act 1993.

## PART II

### THE FINANCIAL REPORTING FOUNDATION AND THE MALAYSIAN ACCOUNTING STANDARDS BOARD

#### **Establishment of the Foundation**

**3.** There is hereby established a body corporate by the name of the “Financial Reporting Foundation” with perpetual succession and a common seal, which may sue and be sued in its name and, subject to and for the purposes of this Act, may enter into contracts and may acquire, purchase, take, hold and enjoy movable and immovable property of every description and may convey, assign, surrender, yield up, charge, mortgage, demise, reassign, transfer or otherwise dispose of, or deal with, any movable or immovable property or any interest therein vested in the Foundation upon such terms as it deems fit.

### **Functions of the Foundation**

**4.** (1) The functions of the Foundation are —

- (a) to oversee the carrying out of the functions of the Board under section 7; and
- (b) to perform any other function as the Minister may prescribe by order published in the *Gazette*.

(2) Without limiting the generality of functions of the Foundation in subsection (1), the Foundation shall be responsible —

- (a) to provide its views to the Board on any matter which the Board seeks to undertake or implement in relation to the Board's functions under section 7;
- (b) to review the performance of the Board; and
- (c) for all financing arrangements for the operations of the Board, including approving the budget of the Board.

(3) The Foundation shall not, by virtue of or in connection with any of its power under subsections (1) and (2), direct the Board to undertake or omit to undertake any particular project or activity or otherwise affect the exercise of the Board's power or the performance of the Board's functions under this Act.

### **Members of the Foundation**

**5.** (1) The Foundation shall consist of the following members who shall be appointed by the Minister:

- (a) the Secretary General of the Treasury or his representative;
- (b) the Governor of the Central Bank or his representative;
- (c) the Chairman of the Securities Commission or his representative;

- (ca) the Chairman of the Audit Oversight Board or his representative;
- (d) the Registrar of Companies or his representative;
- (e) the Chief Executive Officer of Bursa Malaysia Berhad or his representative;
- (f) the President of the Malaysian Institute of Accountants or his representative who shall be a council member of the Malaysian Institute of Accountants;
- (g) the Chairman of the Board;
- (h) four other members who possess knowledge and experience in matters of financial accounting and in one or more of the following fields:
  - (i) accountancy;
  - (ii) law;
  - (iii) business; or
  - (iv) finance.

(2) The Minister shall appoint a Chairman of the Foundation from amongst the persons referred to in subsection (1).

### **Meetings of the Foundation**

**6.** (1) Six members of the Foundation shall form the quorum at all meetings of the Foundation.

(2) The Chairman of the Foundation shall preside over all meetings of the Foundation.

(3) If the Chairman of the Foundation is absent from any meeting of the Foundation, the members present at the meeting of the Foundation shall elect one of the members specified in paragraphs 5(1)(a) to (f) present to preside over the meeting.

(4) Any member of the Foundation may take part in a meeting of the Foundation using teleconferencing or videoconferencing or other electronic means.

(5) A member of the Foundation who takes part in a meeting of the Foundation using teleconferencing or videoconferencing or other electronic means is deemed to have attended the meeting.

(6) Subject to subsections (2), (3), (4) and (5), the Foundation may determine the conduct of its proceedings.

### **Establishment and functions of the Board**

7. (1) There is established a body by the name of the “Malaysian Accounting Standards Board” as the standard-setting body of the Foundation whose functions shall be the determination and issuance of accounting standards for the preparation of financial statements, which are required to be prepared or lodged under any law administered by the Securities Commission, the Central Bank or the Registrar of Companies.

(1A) Without limiting the generality of functions of the Board in subsection (1), the Board shall be responsible —

- (a) to issue new accounting standards as approved accounting standards;
- (b) to review, revise or adopt as approved accounting standards, existing accounting standards;
- (c) to amend, substitute, suspend, defer, withdraw or revoke any approved accounting standards in whole or in part;
- (d) to issue, approve, review, revise, amend, substitute, suspend, defer, withdraw or revoke any issues bulletin in whole or in part;
- (e) to issue, approve, review, revise, amend, substitute, suspend, defer, withdraw or revoke any statement of principles, any technical and other releases and any other document relating

to financial reporting by whatever name called in whole or in part;

- (f) to sponsor or undertake development of possible accounting standards;
- (g) to collaborate with other national and international accounting standard-setters and monitor the development of other national and international accounting standards;
- (h) to participate in and contribute to the development of a single set of accounting standards for international use;
- (i) to conduct such public consultation as may be necessary in order to determine the contents of accounting concepts, principles and standards;
- (j) to develop a conceptual framework for the purpose of evaluating proposed accounting standards;
- (k) to make such changes to the form and content of proposed accounting standards as it considers necessary;
- (l) to monitor the operation of approved accounting standards to assess their continued relevance and their effectiveness; and
- (m) to perform any other function conferred or imposed upon it by this Act or such other function as the Minister may prescribe by order published in the *Gazette*.

(2) The Board shall, in relation to its functions under paragraph (1A)(a), (b), (c), (d), (e), (j) or (k), seek the views of the Foundation.

(3) Approved accounting standards issued or adopted under subsection (1A) may be expressed to apply in relation to —

- (a) any published accounts of a commercial, industrial or business enterprise in Malaysia and of overseas subsidiaries and associated corporations where those accounts are to be incorporated in consolidated accounts in Malaysia; and
- (b) accounting periods or interim accounting periods;

and may —

- (aa) have general or specific application;
  - (bb) differ according to differences in time or circumstance.
- (4) (*Deleted by Act A1233*).

### **Members of the Board**

**8.** (1) Subject to subsection (2), the Board shall consist of the following members who shall be appointed by the Minister:

- (a) a Chairman;
- (b) the Accountant General; and
- (c) six other members who possess knowledge and experience in matters of financial accounting and reporting and in one or more of the following fields:
  - (i) accountancy;
  - (ii) law;
  - (iii) business;
  - (iv) finance.

(2) At least five of the members appointed under subsection (1) shall be members of the Malaysian Institute of Accountants.

(3) The Minister may appoint three advisors to the Board to represent—

- (a) the Securities Commission;
- (b) the Central Bank of Malaysia; and
- (c) the Registrar of Companies.

(4) The advisors to be appointed under subsection (3) shall be appointed from amongst persons who possess knowledge and experience in the field of accountancy, law, business or finance.

(5) An advisor appointed under subsection (3) shall, unless he sooner resigns or his appointment is sooner revoked, hold office for such term as the Minister may determine.

### **Meetings of the Board**

**9.** (1) The Board shall meet as often as may be necessary for the performance of its functions.

(2) Six members of the Board shall form the quorum at all meetings of the Board.

(2A) Any member of the Board may take part in a meeting of the Board using teleconferencing or videoconferencing or other electronic means.

(2B) Any member of the Board who takes part in a meeting of the Board using teleconferencing or videoconferencing or other electronic means is deemed to have attended the meeting.

(3) The advisors to the Board shall have the right to attend meetings of the Board but shall not have a right to vote.

(4) A question arising at any meeting of the Board shall be determined by not less than six votes of the members present and voting.

(5) Subject to subsections (2), (2A), (2B), (3), (4) and (6), the Board shall have power to determine the conduct of its proceedings.

(6) The Board may invite any person to attend any meeting or deliberation of the Board for the purpose of obtaining views on any matter under discussion, but any person so attending shall have no right to vote at the meeting or deliberation.

**Disqualification****10.** Any person—

- (a) who is of unsound mind or is otherwise incapable of performing his duties;
- (b) who has been convicted and sentenced to imprisonment for a term of not less than one year;
- (c) who has been convicted of an offence involving fraud, dishonesty, or moral turpitude; or
- (d) who is a bankrupt,

shall be disqualified from being appointed as a member of the Foundation or the Board, or if he is a member of the Foundation or the Board shall cease to be such a member.

**Remuneration**

**11.** Members of the Foundation and the Board and advisors to the Board shall not be entitled to any remuneration but may be paid such honorarium and travelling and subsistence allowances as the Minister may determine.

**Term of office**

**12.** Subject to sections 10, 13 and 14, a member of the Foundation or the Board other than an *ex officio* member shall hold office for a term not exceeding three years and shall be eligible for reappointment for one successive term only.

**Resignation and revocation of appointment**

**13.** (1) A member of the Foundation or the Board may at any time resign his office by written notice addressed to—

- (a) the Minister, in the case of the Chairman; or

(b) the Chairman, in the case of any other member.

(2) The Minister may at any time revoke, without assigning any reason therefore, the appointment of a member of the Foundation or the Board if he thinks it is expedient to do so.

### **Vacation of office**

**14.** (1) A member of the Foundation or the Board ceases to hold office upon his death.

(2) A member of the Foundation or the Board shall be deemed to have vacated his office upon his failure to attend three consecutive meetings of the Foundation or the Board without leave of—

(a) the Minister, in the case of the Chairman; or

(b) the Chairman, in the case of any other member.

### **Minister's directions**

**15.** (1) The Minister may give to the Foundation or the Board directions of a general nature which are consistent with the provisions of this Act as to the performance of the functions and exercise of the powers of the Foundation or the Board and the Foundation or the Board, as the case may be, shall give effect to those directions.

(2) The Foundation and the Board shall furnish the Minister with such information relating to their activities as he may, from time to time, require.

### **Other powers and duties of the Foundation and Board**

**16.** The Foundation and the Board shall have such powers and shall perform such duties as are conferred or imposed by this Act.

**Engagement of chief executive officer and other persons**

**17.** (1) The Foundation may, either generally or in any particular matter, engage, on such terms and conditions of engagement as the Foundation may determine from time to time, any person to render such assistance as the Foundation or the Board may require or specify in connection with the performance of the functions of the Foundation or the Board, as the case may be, under this Act.

(2) The Foundation shall, on the recommendation of the Board, appoint a chief executive officer whose functions and duties shall include assisting the Board in the day to day administration of the Board and in the performance of its functions under this Act.

**Employment of officers and servants**

**18.** (1) The Foundation may from time to time employ persons who shall be paid such remuneration and allowances and shall hold their employment on such other terms and conditions as the Foundation may determine.

(2) The Foundation may make arrangements for the payment to its officers and servants, including a chief executive officer, appointed under subsection 17(2), and their dependants of such retirement benefits, gratuities or other allowances as the Foundation may determine.

**PART III****FINANCE****The Fund**

**19.** (1) There is hereby established, for the purposes of this Act, a fund to be administered by the Foundation.

(2) The Fund shall consist of—

(a) such sums as may be provided from time to time for the purposes of this Act by Parliament;

- (b) such contributions as may be made by any person including industry groups and corporations;
  - (c) such fees or other charges as may be paid to the Foundation or the Board; and
  - (d) all other sums or property which may in any manner become payable to the Foundation or the Board or vested in the Foundation in respect of any matter incidental to its functions and powers.
- (3) The Foundation may delegate its function under subsection (1) to—
- (a) any committee set up by the Foundation;
  - (b) the Board; or
  - (c) any officer of the Board.
- (4) Any delegation under subsection (3) shall not prevent the concurrent performance by the Foundation of the Foundation's function so delegated.

### **Expenditure charged on the Fund**

**20.** The Fund shall be expended for the purpose of—

- (a) paying any expenditure lawfully incurred by the Foundation or the Board including fees and costs, legal or otherwise, and the remuneration of officers and servants employed by the Foundation, including the granting of loans, superannuation allowances or gratuities;
- (b) paying any other expenses, costs or expenditure properly incurred or accepted by the Foundation or the Board in the performance of its functions or the exercise of its powers under this Act;

- (c) purchasing or hiring equipment, machinery and any other materials, acquiring land and erecting buildings and carrying out any other works and undertakings of the Foundation or the Board in the performance of its functions or the exercise of its powers under this Act;
- (d) generally, paying any expenses for carrying into effect the provisions of this Act.

### **Foundation's financial year**

**21.** The financial year of the Foundation shall begin on the first day of January and end on the thirty-first day of December in each year.

### **Investment**

**22.** The moneys of the Fund shall, in so far as they are not required to be expended by the Foundation under this Act, be invested in such manner as may be deemed suitable by the Foundation.

### **Annual report**

**23.** The Foundation shall, as soon as practicable after the end of each financial year, prepare a report on the activities of both the Foundation and the Board during that financial year and send a copy of the report to the Minister who shall cause a copy thereof to be laid before both Houses of Parliament.

### **Accounts**

**24.** (1) The Foundation shall cause proper accounts of the Fund to be kept and shall, as soon as practicable after the end of each financial year, cause to be prepared for that financial year a statement of accounts of the Foundation which shall include a balance sheet, a statement of income and expenditure and a cash flow statement.

(2) The Foundation shall cause its statement of accounts to be audited by such auditors as it may appoint.

(3) The Foundation shall as soon as practicable send a copy of the audited statement of accounts together with a copy of the auditor's report thereon to the Minister who shall cause a copy thereof to be laid before both Houses of Parliament.

### **Non-application of Act 240**

**25.** The Statutory Bodies (Accounts and Annual Reports) Act 1980 [Act 240] shall not apply to the Foundation.

### **Power to borrow**

**26.** The Foundation may from time to time, with the approval of the Minister, borrow, at such rate of interest and for such period and upon such terms as to the time and method of repayment and otherwise as the Minister may approve, any sums required by the Foundation for meeting any of its or the Board's obligations or performing any of its or the Board's functions.

## PART IIIA

### STANDARDS

#### **Other issuing bodies**

**26A.** The Board may grant recognition to other accounting standards issuing bodies if the Board is of the opinion that—

- (a) the accounting standards issuing bodies are of international standing and repute; and
- (b) the accounting standards of the accounting standards issuing bodies are acceptable for the purpose of financial statements which are required to be prepared or lodged under any law administered by the Securities Commission, the Central Bank or the Registrar of Companies by foreign companies listed on a stock exchange in Malaysia.

**Standards for foreign companies**

**26b.** Financial statement which are required to be prepared or lodged under any law administered by the Securities Commission, the Central Bank or the Registrar of Companies by foreign companies listed on a stock exchange in Malaysia shall comply in their entirety with either—

- (a) any acceptable internationally recognised accounting standards; or
- (b) MASB approved accounting standards.

**Standards for persons other than foreign companies**

**26c.** Financial statements which are required to be prepared or lodged under any law administered by the Securities Commission, the Central Bank or the Registrar of Companies by any person other than foreign companies listed on a stock exchange in Malaysia shall comply with MASB approved accounting standards only.

**Compliance with approved accounting standards**

**26d.** (1) Where financial statements are required to be prepared or lodged under any law administered by the Securities Commission, the Central Bank or the Registrar of Companies, such financial statements shall be deemed not to have complied with the requirements of such law unless they have been prepared and kept in accordance with the approved accounting standards subject to any specification, guidelines or regulations as may be issued by the Securities Commission or the Central Bank in respect of such financial statements pursuant to any laws administered by the Securities Commission or the Central Bank.

(2) Subsection (1) shall be applied by the following authorities:

- (a) the Securities Commission in respect of a corporation listed on the stock exchange or any entity supervised by the Securities Commission under the securities laws;

- (b) the Central Bank in respect of any entity supervised by the Central Bank; or
- (c) the Registrar of Companies in respect of all other entities which do not come under paragraph (a) or (b).

#### PART IV

#### GENERAL

**27.** *(Deleted by Act A1233).*

#### **Confidentiality**

**28.** Except for any of the purposes of this Act or for the purpose of any civil or criminal proceedings under any written law or for the purpose of assisting any authority or agency in the performance or exercise of its functions or power under any written law in Malaysia, the Foundation and the Board shall take all reasonable measures to protect from unauthorized use or disclosure any information given to the Foundation or the Board in confidence.

#### **Power to make regulations**

**29.** The Minister may make such regulations as may be expedient or necessary for carrying out or giving effect to the provisions of this Act.

#### **Protection against suits and legal proceedings**

**30.** (1) No action, suit, prosecution or other proceedings shall lie or be brought, instituted or maintained in any court or before any other authority against—

- (a) any member of the Foundation or the Board;
- (b) any officer or employee of the Foundation; and
- (c) any person appointed pursuant to this Act,

for or on account of, or in respect of, any act done or statement made or omitted to be done or made, or purporting to be done or made, in pursuance or in execution of, or intended pursuance or execution of, this Act, any approved accounting standard, issues bulletin, interpretation, guidance or other release or thing issued under this Act if such act or statement was done or made, or was omitted to be done or made, in good faith.

(2) In this section, the expression “officer” includes any chief executive officer or other officer appointed by the Foundation under this Act.

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**LAWS OF MALAYSIA****Act 558****FINANCIAL REPORTING ACT 1997**

## LIST OF AMENDMENTS

Amending law	Short title	In force from
Act A1233	Financial Reporting (Amendment) Act 2004	01-01-2005
Act A1427	Financial Reporting (Amendment) Act 2012	01-01-2012

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**LAWS OF MALAYSIA****Act 558****FINANCIAL REPORTING ACT 1997**

## LIST OF SECTIONS AMENDED

Section	Amending authority	In force from
2	Act A1233	01-01-2005
	Act A1427	01-01-2012
4	Act A1427	01-01-2012
5	Act A1233	01-01-2005
	Act A1427	01-01-2012
6	Act A1233	01-01-2005
	Act A1427	01-01-2012
7	Act A1233	01-01-2005
	Act A1427	01-01-2012
9	Act A1233	01-01-2005
17	Act A1233	01-01-2005
18	Act A1233	01-01-2005
Part IIIA	Act A1233	01-01-2005
26A	Act A1233	01-01-2005
26B	Act A1233	01-01-2005
26C	Act A1233	01-01-2005
26D	Act A1233	01-01-2005
	Act A1427	01-01-2012
27	Act A1233	01-01-2005
30	Act A1427	01-01-2012

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