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A Broad Analysis of United States Generally Accepted Accounting Principles and the Malaysian Accounting Standards Board Approved Accounting Standards

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ABSTRACT

In response to rapid development in the economy, the Malaysian Accounting Standards Board (MASB) was established in 1997. The board is responsible for developing accounting standards and continually improving the quality of external reporting in Malaysia. In the development process, constant reference is made to the work of national standard setters of other countries and the International Accounting Standards Committee. This paper highlights major similarities and differences between United States Generally Accepted Accounting Principles (GAAP) and Malaysia approved accounting standards, and offer some suggestions as to how Malaysia might effectively continue with the further development and restatement of its accounting standards. This study finds no significant difference in the basic accounting principles, assumptions and reporting format between U.S. GAAP and MASB standards. However, some differences in rules regarding specific accounting elements have been identified. Hence, further research is needed in order to understand differences and similarities between accounting standards of the two countries in greater detail.

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I. INTRODUCTION

Since gaining independence in 1957, there has been a significant growth in the Malaysian economy. This growth has created the need for efficient and effective accounting standards and practices. The development of the accounting profession in Malaysia started in 1958, with the formation of the Malaysian Association of Certified Public Accountants (MACPA). The early development of the accounting profession was under the influence of the British. Accounting practices in Malaysia are governed by the 1965 Companies Act, which was based on the United Kingdom (UK) Companies Act of 1948.

In 1967, the Malaysian government enacted the Accountants Act and subsequently formed the Malaysian Institute of Accountants (MIA). It is empowered with the statutory authority to regulate the accounting practices in the country. However, the MIA did not contribute to the development of the accounting profession as extensively as was originally expected until the MIA was reactivated in 1987. The reactivation has brought changes to the accounting profession, which had followed the UK model for a long time.[1] In order to meet the increasing need for accounting standards and practices, the MIA adopted International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC). The MIA reviews the IASs in terms of their relevance and conformance with Malaysian legal and regulatory requirements. In addition, the MIA issues Malaysian Accounting Standards (MASs) to satisfy the specific needs of industries.

The Financial Reporting Act of 1997 established MASB. The MASB has now taken over the standard setting function of the MIA. Their primary responsibility is to continually improve the quality of external financial reporting in Malaysia and to contribute directly to the international development of financial reporting. Initially, twenty-four IASs and MASs were adopted and given the status of approved accounting standards, and will remain in force until they are amended, rescinded or replaced by a new MASB standard.

In Malaysia, the government regulates accounting and reporting practices through statutory regulations including the 1965 Companies Act, the 1964 Accountants Act, the 1993 Securities Commission Act and the 1997 Financial Reporting Act. For example, all companies incorporated under the Companies Act are required to provide information according to minimal disclosure requirements prescribed in the Ninth Schedule of the Act for profit and loss accounts and balance sheets. The Securities Commission Act empowers the Securities Commission to streamline the operation of the securities and financial futures markets while the MASB is given the responsibility to issue accounting standards. Other statutory regulations that influence the accounting and reporting practices in Malaysia include the Kuala Lumpur Stock Exchange (KLSE) Listing Regulation, the 1983 Securities Industry Act, the 1983 Islamic Banking Act and the 1989 Banking and Financial Institutions Act. Hence, these legal environments contribute to the unique development of the profession in Malaysia constituting a mix between the UK, IASC and Islam as well as the local elements.

However, questions arise as to whether the information provided in the financial statements prepared within the Malaysian environment is able to meet the need of foreign investors in this country. In order to attract foreign investors and to gain their confidence in the local capital market, financial statements should provide adequate and reliable information about the local business environment. This is particularly important for Malaysia because of its economic relations with foreign countries. For instance, the trade amount between Malaysia and the United States has increased rapidly in the last 20 years. The United States has become Malaysia's largest trading partner, with a total trade value amounting to RM76.6 billion in 2000,or 21% of the total trade. Meanwhile, bilateral investment with the U.S. also has been growing at a fast pace. In 2000, 24 U.S. investment projects were approved in Malaysia, with the contractual investment amount reaching RM12.9 billion.[2] The U.S. remains Malaysia's top foreign investor in 2000, with Japan being the second largest. Consequently, the comparability of Malaysia's financial statements is of great concern to foreign investors, especially American investors. With growing investment and commercial ties between U.S. and Malaysia, it is time to study the accounting standards of these two countries and discuss their similarities and differences.

II. ANALYSIS OF U.S. GAAP AND MASB STANDARDS

This section presents a broad analysis of U.S. GAAP in comparison with MASB standards. The analysis covers the accounting assumptions, basic accounting principles, accounting elements and implementation constraints contained in the U.S. FASB Statement of Financial Accounting Concepts (SFAC) as well as those in the MASB-proposed conceptual framework.

A. Accounting Assumptions

U.S. GAAP is founded on certain fundamental assumptions, or basic features of financial accounting. The more important of these are: accounting entity, continuity, stable monetary unit, accrual basis, and accounting periods (FASB SFAC No. 5; Nikolai & Bazley, 2000). Additionally, a doctrine of conservatism is often added as a modifying convention. In Malaysia, these assumptions are contained in the Proposed Framework for the Preparation and Presentation of Financial Statements.[3] The following paragraphs discuss some of these important assumptions of basic accounting practices in the U.S. and Malaysia.

1. The Continuity Assumption

With respect to the continuity assumption, the MASB-proposed conceptual framework requires that financial statements be prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or materially curtail the scale of its operation. This assumption parallels U.S. GAAP.

2. The Assumption of a Stable Monetary Unit

On the assumption of a stable monetary unit, U.S. GAAP provides that financial statements in the United States are expressed in terms of U.S. dollars. Changes in the purchasing power of the dollar are not reflected in the basic financial statements. Malaysia follows essentially the same approach: the measurement unit is the Ringgit Malaysia. Changes in purchasing power of this currency are not adjusted in the basic financial statements.

3. The Accrual Basis

The accrual basis is the linchpin of U.S. GAAP. As stated in Accounting Principles Board (APB) Opinion No. 4, the determination of periodic income and financial decisions depends on the measurement of economic resources and obligations and changes in them as the changes occur. The MASB follows this statement in its requirements for the preparation of financial statements. Paragraph 31 of the MASB-proposed conceptual framework states that the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent when received or paid). They are recorded in the accounting records and reported in the financial statements of the period to which they relate. Thus, users of financial statements are informed not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future. This information is most useful to users in making economic decisions.

4. The Accounting Period Convention

The periodicity assumption implies that the economic activities of an enterprise can be divided into arbitrary time periods. The MASB, in the proposed conceptual framework, states that it is necessary to determine the relevance of each business transaction or event to one specific accounting period because of the need to divide continuing operations into arbitrary time periods. This is in line with U.S. GAAP.

5. The Doctrine of Conservatism

The doctrine of conservatism, once expressed as "to provide for all probable losses and recognize no unrealized gain" has been muted somewhat in the United States over the years. Financial Accounting Standards Board (FASB) SFAC No. 2 notes that assets and liabilities are frequently measured in the context of significant uncertainties. Historically, managers, investors and accountants have preferred that foreseeable errors in measurements be in the direction of understatement rather than overstatement. An example of the application of the U.S. doctrine of conservatism is the lower of cost or market rule for inventories. In this respect, the MASB is similar to U.S. GAAP. Another example of the application of this doctrine in Malaysia is the MASB requirement that an expected loss is to be recognized immediately as an expense when it is probable that total contract cost will exceed total contract revenue.

The discussion above shows that there are no basic differences between U.S. GAAP and MASB standards with respect to accounting assumptions. The reason may be that

MASB standards are initially adopted from IASs and MASs issued by the Councils of MIA and MACPA prior to the creation of MASB, which were then given the status of approved accounting standards (MASB, 1999). Each of these IASs and MASs is subsequently amended, rescinded or replaced by a new MASB standard. In developing its accounting standards MASB has always been in support of international harmonization of financial reporting. Consequently, the standards are developed with reference to the work of other national standard setters such as Australia, Canada, New Zealand, the United Kingdom, the United States of America and the IASC (MASB, 1999). Accordingly, MASB standards are broadly consistent with present international practice.

B. Basic Principles

In essence, the U.S. FASB framework comprises four basic principles: cost, realization, matching and full disclosure. These principles also exist implicitly in the MASB-proposed conceptual framework. The status of each of these principles is discussed in the following paragraphs.

1. Cost Principle

For reasons of objectivity, Malaysia rigorously follows the historical cost bases for valuation. This is in line with U.S. GAAP. According to the MASB-proposed conceptual framework, the application of the historical cost principle is based on the credibility provided by the going concern assumption. The framework provides four bases of measuring elements in the financial statements, i.e. historical cost, current cost, realizable value and present value. For asset valuation purposes, the application of historical cost is combined with other methods such as the use of lower of cost or net realizable value for inventories. A departure from the application of the historical cost principle is observed in MASB Standard 15, "Property, Plant and Equipment", whereby the standard allows revaluation of fixed assets, which is allowed by the U.S. Statement of Financial Accounting Standards (SFAS) No. 121 as well.

2. Realization Principle

In Malaysia, the application of the realization principle basically agrees with the U.S. conceptual framework. The general guideline simply states that income is recognized when an increase in future economic benefits that is either related to an increase in an asset or a decrease in a liability can be measured reliably (MASB Standard 9 and Proposed Framework for the Preparation and Presentation of Financial Statement).

3. Matching Principle

Under U.S. GAAP, expenses are recognized and matched against revenue within the same accounting year on the basis of: (a) associated cause and effect, (b) systematic and rational allocation and (c) immediate recognition. In Malaysia, the MASB-proposed conceptual framework is substantially in accordance with U.S. GAAP. The MASB framework requires that expenses be recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income.

4. Full Disclosure Principle

The FASB conceptual framework recognizes that it is impossible to report all relevant information in the financial statements. Full disclosure, under U.S. GAAP, requires that judgment be used in determining what information best satisfies the full disclosure principle within reasonable cost limitations. The term “full disclosure” is not mentioned explicitly in the MASB-proposed framework. The concept of “completeness” as required in the MASB-proposed conceptual framework means that information in financial statements must be complete within the bounds of materiality and cost. Malaysian-approved accounting standards also require that financial reports include five major components of financial statements: (a) a balance sheet, (b) an income statement, (c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners, (d) a cash flows statement and (e) accounting policies and explanatory notes (MASB Standard 1). Other disclosure requirements include statements of accounting policies, presentation of current assets and current liabilities (MASB Standard 1) and reporting of segment information (MASB Standard 22). These standards provide guidelines for the presentation of financial statements and minimum requirements for the content of the statements.

In terms of basic accounting principles, this study finds similarities between U.S. GAAP and MASB standards.

C. Implementation Constraints

The FASB conceptual framework is modified by three basic implementation constraints: (1) cost-benefit analysis, (2) materiality and (3) conservatism. These constraints are addressed separately in the MASB-proposed conceptual framework.

1. Cost-Benefit Analysis

Paragraph 6 of the MASB-proposed conceptual framework requires all financial statements to be prepared in accordance with approved accounting standards issued or adopted by MASB. However, an exemption from the application is allowed if the benefit of a particular disclosure exceeds its costs. The need for cost-benefit considerations in the application of any specific standard is particularly necessary for smaller entities. This is consistent with the requirements in the FASB conceptual framework with regard to cost-benefit analysis.

2. Materiality

As in U.S. GAAP, materiality is addressed explicitly in the MASB-proposed conceptual framework. It states that the relevance of the information is partly affected by materiality. Paragraph 45 of the MASB-proposed conceptual framework provides a threshold of cut-off points for materiality rather than being a primary qualitative characteristic which information must have if it is to be useful.

3. Conservatism

Under current U.S. GAAP, conservatism should be used when a degree of skepticism is warranted. For example, under U.S. GAAP, the completed contract method of accounting for long-term construction contracts is indicated when the extent of progress toward completion, contract revenue and contract costs cannot be reasonably estimated. In Malaysia, the percentage-of-completion method is prescribed to record contract revenue and costs with the need for conservatism (MASB Standard 7). This method can be applied for the recognition of contract revenues and costs when the outcome of the contract can be reliably estimated. However, when total contract cost is expected to exceed total contract revenue, the expected loss should be recognized immediately (paragraph 40, MASB Standard 7).

Based on the above discussion, it can be concluded that a consistency exists between U.S. GAAP and MASB standards in the implementation constraints.

D. Accounting Elements

Accounting elements in MASB standards refer to specific rules regarding assets, liabilities, owners' equity, revenues, expenses and income. These elements are discussed in turn in the following paragraphs.

1. Assets

Assets, under the MASB-proposed conceptual framework, are resources controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. For the purpose of this paper, assets are grouped into accounts receivables, inventories, fixed assets, intangible assets and investments. These categories of assets will be discussed in turn.

a. Accounts Receivables

Because of adherence to the matching principle and accrual basis of accounting, U.S. organizations must use the allowance approach to value doubtful receivables. In Malaysia, with the exception of financial institutions,[4] there are no approved accounting standards for the measurement of bad and doubtful debts. The practice, however, relies on the prudence consideration of MASB Standard 1, which requires the disclosure of any provisions to be made. The application of this is left to the discretion of the reporting entity. Therefore, in practice, two methods are available to value receivables: direct write-off and provision for doubtful accounts (Tan, 1997). In this regard, differences exist between U.S. GAAP and MASB standards.

b. Inventories

Inventories in Malaysia are measured at lower of cost or net realizable value (MASB Standard 2). To measure cost, Malaysia follows Western traditional cost allocation methods, including FIFO, LIFO, weighted–average and specific identification. However, U.S. GAAP adopts the lower of cost or market method. Although U.S. GAAP and MASB standards both depart from the historical cost principle, they differ between each other in the valuation method whereby U.S. practices lower of cost or market value while MASB uses lower of cost or net realizable value.

c. Fixed Assets

Under U.S. GAAP, the normal accounting basis for fixed assets is historical cost and revaluation is not allowed. However, though historical cost is applied in Malaysia, revaluation is allowed as an alternative treatment for certain assets. The disclosure requirement for fixed assets is contained in MASB Standard 1, which requires the disclosure of property, plant and equipment on the face of the balance sheet. Specifically, MASB Standard 15 deals with the definition of fixed assets, determination of costs for purchased, exchanged, or self-constructed fixed assets and subsequent expenditures for fixed assets. In addition, MASB Standard 14 deals with the determination of depreciation charges and the accounting treatment of fixed asset depreciation. MASB Standard 19 requires that the amount of borrowing costs that have been capitalized as part of the carrying amount of fixed assets be disclosed.

In the United States, ordinary repairs are charged to expense while extraordinary repairs are capitalized. The rule is simple; the application is difficult. The problem is one of finding objective criteria for measuring future benefits, if any, from extraordinary repairs. MASB Standard 15 provides that a subsequent expenditure on property, plant and equipment, including addition and repair, "… is only recognized as an asset when the expenditure improves the condition of the asset beyond its originally assessed value" (paragraph 28). The increase in future benefits can be in the form of an extension in the asset's estimated useful life, an increase in capacity, substantial improvement in the quality of output and a reduction in operating cost (paragraph 19).

d. Intangible Assets

In the United States, APB Opinion No. 17 requires that the cost of intangible assets be amortized over a period not to exceed 40 years. However, according to SFAS 142, companies can keep goodwill on the books until it has been impaired, or if it drops in value. Research and development (R&D) expenditures are expensed in the period incurred (SFAS

No. 2). In Malaysia, over the years there have been three different accounting treatments for intangible assets, namely direct write-off, capitalization on a permanent basis or capitalization and amortization of the expenditure incurred (Ng, 1994). However, according to the recently-issued MASB Standard 4, research costs should be recognized as an expense in the period in which they are incurred and should not be recognized as an asset. Development costs, on the other hand, should be recognized as an asset when all of the criteria stated in the standard are met.[5] Otherwise, the development costs should be expensed when incurred.

e. Investments

In Malaysia, the accounting method for investments is contained in IAS No. 25. The standard requires "current investments"[6] to be carried in the balance sheet at either (a) market value or (b) the lower of cost or market value, determined either on an aggregate basis or on an individual investment basis. Long-term investments, on the other hand, should be carried in the balance sheet at (a) cost or (b) revalued amount or (c) in the case of marketable securities, the lower of cost or market value determined on a portfolio basis. Market value is only applicable for current investments. If market value is used for current investments, the increase or decrease in the value should be included in (a) income or (b) a revaluation reserve account. Under U.S. GAAP, with the issuance of SFAS No. 115, fair value has become a reality in the U.S. Debt and equity securities are classified into three categories, each of which has different accounting treatments and financial statement implications: (1) held to maturity securities (debt securities that the enterprise has the positive intent and ability to hold to maturity), (2) trading securities (debt and equity securities that are bought and held principally for the purpose of selling them in the near term), and (3) available-for-sale securities (securities that may be sold in the future). In short, the accounting treatment for each class of investment is shown in Exhibit 1.

2. Liabilities

Malaysian accounting policies for liabilities generally run parallel with U.S. GAAP. According to the MASB-proposed conceptual framework, a liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits. MASB Standard 1 requires long-term liabilities such as secured loans, unsecured loans, inter-company loans and loans from associated companies to be disclosed separately, showing the nature or recipient. According to U.S. GAAP, usually only one amount of long-term liabilities is reported in the balance sheet with detailed disclosures in the notes to the financial statements.

Exhibit 1
Financial statement effects of investment classifications[7]

Classification of Investment	Balance Sheet Valuation of Investment	Other Balance Sheet and Income Statement Effect
Held to Maturity	Amortized Cost	-
Trading	Fair Value	Unrealized Holding Gains & Losses Included in Earnings
Available-for Sale	Fair Value	Unrealized Holding Gains & Losses Reported Net in a Separate Component of Shareholders' Equity

3. Owners' Equity

Under the MASB-proposed conceptual framework, owners' equity refers to residual interest in the assets of the enterprise after deducting liabilities. The framework sub-classifies owners' equity into: (1) funds contributed by shareholders; (2) retained profits; and (3) reserves capital maintenance adjustments. Under U.S. GAAP, stockholders' equity may consist of three components: (1) contributed capital, (2) retained earnings and (3) accumulated other comprehensive income. The third component of shareholders' equity, other comprehensive income, is not addressed by the MASB-proposed conceptual framework.

4. Income Determination

MASB Standard 1 and the MASB-proposed conceptual framework are consistent with U.S. GAAP with respect to income determination, as both recognize revenue on an accrual basis. The Malaysian accounting standards also conform to U.S. GAAP in regard to the full disclosure aspect of income determination. The framework requires enterprises to distinguish revenue (arising in the course of ordinary activities) from gains (arising in the course of other business activities). The classification of expenses is also similar to that of U.S. GAAP. The definition of expenses encompasses losses as well as those expenses that arise in the course of ordinary activities.

The above discussion reveals that, in general, there are similarities between U.S. GAAP and MASB standards in the treatment for accounting elements, including assets, liabilities, owners' equity, revenues, expenses and income. However, some differences exist in certain elements of assets including the accounting treatment for doubtful debts, valuation of inventories, revaluation of fixed assets, development costs of intangible assets and valuation. This finding suggests that comparisons of accounting standards of more specific items need to be made in order to further evaluate the differences and their impact, if any, on reported earnings and the financial position of companies in both countries.

III. FINANCIAL REPORTING AND ADDITIONAL DISCLOSURE

The discussion of financial reporting is in two parts. The first part focuses on the components of financial reporting and the second part focuses on the format of financial statements.

A. Components of Financial Reporting

In accordance with U.S. GAAP, all relevant information should be presented in an unbiased, understandable and timely manner for financial reporting to be effective. However, guidance in this area is not well defined. FASC No. 5 indicates that "a full set of financial statements" is necessary to meet the objective of financial reporting. This full set of financial statements should show a company's (a) financial position at the end of the period, (b) net income for the period, (c) comprehensive income for the period, (d) cash flows during the period and (e) investments by and distributions to owners during the period.

In Malaysia, the 1965 Companies Act as well as MASB standards require a profit and loss account, a balance sheet, a cash flow statement and other supplementary information for financial reporting. A complete set of financial statements in Malaysian standards includes a balance sheet, an income statement, a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners, a cash flows statement and accounting policies and explanatory notes. Hence, with respect to financial reporting components, the U.S. practice is very much the same as the Malaysian practice.

B. Format of Financial Statements

The format of the U.S. balance sheet varies with the nature and size of a business and the requirements set by regulatory bodies. A balance sheet may be prepared in one of three basic forms: (1) the account form, (2) the report form and (3) the financial position form. In Malaysia, the financial statements are structured to represent the financial position of and the transactions undertaken by an enterprise (MASB Standard 1). Non-current assets are listed first vertically, followed by current assets and current liabilities, to derive the working capital; the financial position form is applied. In the United States, income statements are presented either in single-step or multiple-step form. In Malaysia, MASB Standard 1 recommends that the income statement be presented in a multiple-step format.

In terms of the format of financial statements, results of the comparative analysis indicate that the U.S. format of the balance sheet and income statement is more flexible. Accounting standards in the U.S. allow companies to choose alternative formats of presentation; in Malaysia, however, only one standard format of financial statements is allowed for all companies.

C. Supplementary Information and Additional Disclosure

There are three principal ways by which an additional disclosure is provided in the basic financial statements: (1) parenthetical notations in the body of the statement, (2) notes to the basic financial statements and (3) separate schedules that supplement the basic financial statements. In the United States, the following types of notes are typically included by management as support of the basic financial statements:

1. A summary of significant accounting policies. Examples of disclosures of accounting policies required by APB Opinion No. 22 includes those relating to depreciation methods, amortization of intangible assets, inventory pricing methods, the recognition of profits on long-term contracts and the recognition of revenues from leasing operations.

2. Additional information supporting summary totals found on the financial statements, usually found on the balance sheet. Notes are sometimes added to provide either quantitative or explanatory information to support the statement amounts. Notes covering short-term borrowing, long-term debts and income taxes provide additional numerical information to support the statement totals. On the other hand, some of the notes that support amounts in the financial statements are primarily descriptive in nature. Employees' retirement plans and profit-sharing plans are described in such additional narrative information.

3. Information about items not included in the financial statements. Although an item might not meet the criteria for recognition in the statements, information concerning these items might be relevant to users. Contingency losses and gains are good examples of these types of items. SFAS No. 5 requires that if the incurrence of a loss is "reasonably possible", the contingency should be disclosed in the notes to the financial statements.

4. Supplementary information is required by the U.S. FASB or the Securities and Exchange Commission (SEC). The FASB and the SEC both require supplementary information that must be reported in separate schedules. For example, APB Opinion No. 28 requires interim financial reports.

According to MASB Standard 1, the following should be disclosed in the notes to the financial statements:

1. Information about the basis of the preparation of financial statements and specific accounting policies selected and applied to significant transactions and events. The accounting policy section should describe: (i) the measurement basis (or bases) used in preparing the financial statements; and (ii) each specific accounting policy that is necessary for a proper understanding of the financial statements.

2. Information required by MASB Standards that is not presented elsewhere in the financial statements, which include (i) the domicile and legal form of the enterprise, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office), (ii) a description of the nature of the enterprise's operations and its principal, (iii) the name of the parent enterprise and the ultimate parent enterprise of the group and (iv) either the number of employees at the end of the period or the average for the period.

3. Additional information, which is not presented on the face of the financial statements, but that is necessary for a fair presentation.

A comparison of supplementary information and additional disclosures of the MASB and U.S. GAAP can be found in Exhibit 2. In essence, supplementary information and additional disclosures are the same under the requirements of both the MASB and U.S. GAAP. Hence, financial statements of companies in U.S. and Malaysia are comparable in this respect.

Exhibit 2
Supplementary information and additional disclosure in MASB
in contrast to U.S. GAAP

	Supplementary information and additional disclosures	Required by U.S. GAAP	Required by MASB	Typical examples
1.	Summary of significant accounting policies	Yes	Yes	Depreciation policies
2.	Additional information to support summary totals	Yes	Yes	Inventory subsidiary schedule
3.	Information about items not included in financial statements	Yes	Yes	Gain or loss contingency
4.	Supplementary information	Yes	Yes	Quarterly reports

IV. CONCLUSION AND IMPLICATIONS

This study has made a broad comparison between U.S. GAAP and MASB standards to see whether there is any difference in the basic accounting principles, assumptions and elements which underline their financial reporting and the disclosure of financial information. Such comparison is important for users of financial statements, particularly investors, for decision-making purposes. The comparability of financial information enables users to identify the real similarities and differences in economic phenomena because these differences and similarities have not been obscured by the use of non-comparable methods of accounting. Users also require financial statements for a number of periods to establish trends of performance and financial positions of companies within a particular country or in different countries. Hence, consistency in the basis of measurement and presentation of financial effects of accounting information in the financial statements enhances comparability between companies within an industry or between companies in different countries over time.

This study finds no major differences in the basic accounting principles, assumptions and the reporting format between U.S. GAAP and MASB standards. However, the results indicate that some differences in rules regarding specific assets exist, including the measurement of doubtful debts, the concept of market for valuation of inventories and the recognition of research and development costs. Some of the areas that warrant further comparative analysis include the accounting for goodwill, fair value, financial instruments and borrowing costs. Further research is needed to provide guidance to accounting standards setters in terms of the implication on users' economic decision making.

NOTES

1. The presentation format of financial statements, for example, used the UK form of summarized profit and loss account supplemented by lengthy notes to the accounts. A vertical-format (rather than a T-account form) was used to present the balance sheet.
2. Economic Report 2000, Ministry of Finance, Percetakan Nasional Berhad.
3. MASB has released a Discussion Paper for 'A Proposed Framework for the Preparation and Presentation of Financial Statements' in 1998 for public comments. The Proposed Framework is in line with the internationally accepted practice. However it includes additional issues particularly significant to a rapidly developing economy.
4. Banks and Financial Institutions reporting are in accordance with 1989 Banking and Financial Institutions Act.
5. The criteria for recognition of development cost as an asset: (a) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (b) the technical feasibility of the product or process can be demonstrated; (c) the enterprise intends to produce and

market or use the product or process; (d) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and (e) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

6. Investment which is (a) readily realizable (e.g. listed in the stock exchange), and (b) not to be held more than one year
7. Adapted from Tanju, 1995, "Fair Value Accounting: A Step in the Right Direction", *National Public Accountant* 40, : 32-36

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