L.N. 41 of 2024

ACCOUNTANCY PROFESSION ACT (CAP. 281)

Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) (Amendment) Regulations, 2024

IN EXERCISE of the powers conferred by article 8(1)(a) of the Accountancy Profession Act, the Minister responsible for finance, on the recommendation of the Accountancy Board, has made the following regulations:-

Citation and commencement. S.L. 281.05.

1. (1) The title of these regulations is the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) (Amendment) Regulations, 2024, and these regulations shall be read and construed as one with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, hereinafter referred to as the "principal regulations".

(2) These regulations shall come into force within two (2) months from the date of their publication in the Gazette.

Amends regulation 3 of the principal regulations.

2. In regulation 3(1) of the principal regulations the definition "the Act" shall be substituted by the following new definition:

"Cap 281. "the Act" means the Accountancy Profession Act;

Amends regulation 4 of the principal regulations.

3. In the proviso to regulation 4 of the principal regulations, the words "ending on or prior to 31st December 2015," shall be substituted by the words "beginning on or before 1st January 2015,".

Amends regulation 5 of the principal regulations.

4. Regulation 5 of the principal regulations shall be amended as follows:

(a) sub-regulation (1) thereof shall be amended as follows:

(i) in sub-paragraph (ii) of paragraph (a) thereof the word "total" shall be deleted;

(ii) in sub-paragraph (ii) of paragraph (b) thereof the word "total" shall be deleted.

(b) in paragraph (b) of sub-regulation (2) thereof the

word "total" shall be deleted;

(c) in sub-regulation (3) thereof the word "total" shall be deleted.

Amends the Schedule to the principal regulations.

5. The Schedule to the principal regulations shall be amended as follows:

(a) in paragraph 1.2 of Section 1 thereof the words "and cash flows (in relation to the latter where applicable, that is for medium-sized entities) of the entity" shall be substituted by the words "and (where applicable, that is for medium-sized entities) cash flows of the entity";

(b) Section 3 thereof shall be amended as follows:

(i) sub-paragraph (c) of paragraph 3.2 thereof shall be substituted by the following new paragraph:

"(c) the ability to generate cash and cash equivalents, as regards medium-sized entities only";

(ii) in paragraph 3.4 thereof the words "Where the period considered by management in making its assessment of the entity's ability to continue as a going concern has been limited to a period of less than twelve months from the balance sheet date, that fact shall be disclosed." shall be substituted by the words "The period considered by management in making its assessment of the entity's ability to continue as a going concern shall not be less than twelve months from the balance sheet date.";

(iii) in sub-paragraph (a) of paragraph 3.5 thereof the word "at" shall be substituted by the word "by";

(iv) immediately before paragraph 3.21 thereof the words "The elements of financial statements" shall be substituted by the words "*The elements of financial statements*";

(v) in paragraph 3.36 thereof the numbers "3.36" shall be substituted by the numbers "3.35" wherever they occur;

(c) Section 4 thereof shall be amended as follows:

(i) paragraph 4.1 thereof shall be amended as follows:

- the proviso to paragraph 4.1 thereof shall be substituted by the following new proviso:

"Provided that medium-sized entities shall prepare additional statements as provided for in paragraphs 4.30 and 4.33 of these Principles:";

- immediately after the proviso thereof, as amended, there shall be added the following new proviso:

"Provided further that in respect of the statements referred to in paragraphs 4.1(a) and (b), 4.30 and 4.33, an entity may use titles for the statements other than those used in these Principles.";

(ii) in sub-paragraph (b) of paragraph 4.6 thereof the words "were the amounts able to be determined" shall be substituted by the words "had the amounts been able to be determined";

(iii) in sub-paragraph (f) of paragraph 4.8 thereof the numbers "17.18" shall be substituted by the numbers "17.17";

(iv) in paragraph 4.16 thereof the words and numbers "paragraphs 4.16 and 4.17" shall be substituted by the words "paragraphs 4.17 and 4.18";

(v) in the first paragraph numbered as 8 of item 4.22 of Section 4 thereof the numbers "10.15" shall be substituted by numbers "10.17";

(vi) paragraph 4.22 thereof shall be amended as follows:

- the first paragraphs numbered as 12, 13 and 14 thereof shall be substituted by the following new paragraphs:

"12. Interest payable and similar charges (with a separate indication of the amount payable to the subsidiaries);

13. Profit or loss before tax for the period and, or year;

14. Tax on profit or loss before tax;";

- immediately after point 14 thereof as amended, there shall be added the following new point:

"15. Profit or loss after tax for the period and, or year";

(vii) in the second paragraph numbered 10 of item 4.22 thereof the numbers "10.15" shall be substituted by the numbers "10.17";

(viii) in paragraph (h) of paragraph 4.25 the words "other provisions." shall be substituted by the words "other provisions:" and immediately after there shall be added the following new proviso:

"Provided that if an entity elects not to deliver to the Registrar its profit and loss account in terms of the first proviso of sub-article (2) of article 183 of the Companies Act, this disclosure shall be made at least in the notes.";

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(ix) in paragraph 4.34 thereof the words "'cash at bank and in hand'." shall be substituted by the words ""cash held at call with banks and in hand".";

(x) in sub-paragraph (c) of paragraph 4.38 thereof the words "investing or financing." shall be substituted by words "investing or financing activities.";

(xi) in paragraph 4.39 thereof the words "cash flows and relate to the acquisition" shall be substituted by the words "cash flows related to the acquisition";

(d) Section 5 thereof shall be amended as follows:

(i) in paragraph (b) of item 5.5 thereof the numbers "3.21 – 3.36" shall be substituted by the numbers "3.21 – 3.35";

(ii) the sub-title "*Accounting Policies*" in paragraph 5.10 thereof shall be deleted;

(iii) in sub-paragraph (c) of paragraph 5.15 thereof the numbers and letter "5.15(b)" shall be substituted by numbers and letter "5.14(b)";

(e) Section 6 thereof shall be amended as follows:

(i) immediately after sub-paragraph (c) of paragraph 6.1 thereof there shall be added the following new paragraph:

"For avoidance of doubt, this provision is deemed to compliment and not modify the definition of "revenue" set out in regulation 5(2)(b).";

(ii) in paragraph 6.4 thereof the words "gross inflows of economic benefits include amounts collected" shall be substituted by the words "gross inflows of economic benefits exclude amounts collected";

(f) Section 7 thereof shall be amended as follows:

(i) sub-paragraph (a) of paragraph 7.1 thereof shall be substituted by the following new sub-paragraph:

"(a) are held for use in the production or supply of goods or services, for rental to others (unless they meet the definition of investment property in paragraph 8.1), or for administrative purposes; and"

(ii) item 7.30 thereof shall be amended as follows:

- in sub-paragraph (a) thereof the words "debited or credited to equity; and" shall be substituted by the words "debited or credited to equity;";

- in sub-paragraph (b) thereof the words "that would have been necessary)." shall be substituted by the words "that would have been necessary);";

- immediately after paragraph (b), as amended, there shall be added the following new paragraph:

"(c) the bases of the valuation, including the significant assumptions underlying the valuation models and techniques.";

(iii) in paragraph 7.32 thereof the numbers and letter "7.26(*f*)" shall be substituted by "7.27(f)", and the numbers and letter "4.7(*a*)" shall be substituted by the numbers and letter "4.8(a)";

(iv) paragraph 7.33 thereof shall be amended as follows:

- in sub-paragraph (a) thereof, immediately after the words "made during the year;" there shall be added the word "and";

- sub-paragraph (b) thereof shall be substituted by the following new sub-paragraph:

"(b) whether an independent valuer was involved.";

- sub-paragraph (c) thereof shall be deleted;

(g) Section 9 thereof shall be amended as follows:

(i) paragraph 9.1 thereof shall be amended as follows:

- sub-paragraph (a) thereof shall be substituted by the following new sub-paragraph:

"(a) Investments in subsidiaries, associates and joint ventures as defined in Section 10; and";

- sub-paragraph (b) thereof shall be substituted by the following new sub-paragraph:

"(b) Finance leases as defined in Section 14;";

- paragraphs (c) to (g) thereof shall be deleted;

(ii) the sub-title to paragraph 9.16 thereof shall be substituted by the following new sub-title:

"*Measurement of financial assets and financial liabilities at recognition*";

(iii) paragraph 9.16 thereof shall be substituted by the following new item:

9.16 When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value, in addition to in the case of a financial

asset or financial liability not classified as held for trading subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

An arrangement involving a financial asset or a financial liability constitutes, in effect, a financing transaction if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If an arrangement constitutes a financing transaction, an entity shall measure the financial asset or financial liability at initial recognition at the present value of future payments discounted at a market rate of interest for a similar debt instrument. Accordingly, an entity shall measure all of its financial instruments at initial recognition at cost (equivalent to transaction price and fair value), comprising purchase price and for instruments that are not held for trading subsequently measured at fair value, transaction costs that are directly attributable to the acquisition of the instrument. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.";

(iv) paragraph 9.17 thereof shall be amended as follows:

- in sub-paragraph (c) thereof immediately after the words "reliably measured" there shall be added the words "and derivatives that are linked to and must be settled by delivery of such equity instruments";

- immediately after sub-paragraph (c) thereof, as amended, there shall be added the following new sub-paragraphs:

"Notwithstanding the above and paragraph 9.29, an entity may, at initial recognition, irrevocably designate any financial asset or any financial liability as measured at fair value through profit or loss ("FVTPL") when doing so results in more relevant information, because either:

(i) it eliminates or significantly

reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis.

Provided that an entity that prepared its financial statements under the requirements of these regulations for financial years ended on or before 31st December 2022, is allowed to apply the irrevocable designation referred to above solely to financial instruments initially recognised on 1st January 2023 or thereafter.

Provided further that when pursuant to the entity's accounting policy choice, financial assets classified as held for trading and available-for-sale financial assets are not subsequently measured at fair value, each category shall be measured at cost or amortised cost using the effective interest method, whichever is applicable taking cognisance of the debt or equity nature of the instrument. For avoidance of doubt, the application of cost or amortised cost using the effective interest method is not an accounting policy choice.";

- The words "Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements. All financial assets except those measured at fair value through profit or loss are subject to review for impairment (*vide* paragraph 9.21). After initial recognition, an entity shall measure derivative instruments that are assets at their fair values. The carrying amount of quoted

financial assets that are classified as current assets and are not measured at fair value, is the lower of cost and fair value less costs to sell." shall be substituted by the words "Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements. All financial assets except those classified as held for trading and subsequently measured at fair value are subject to review for impairment (*vide* paragraphs 9.21-9.28). After initial recognition, an entity shall measure derivative instruments that are assets at their fair values. The carrying amount of quoted financial assets that are classified as current assets and are not measured at fair value, shall be the lower of cost and fair value less costs to sell.";

(v) in sub-paragraph (b) of paragraph 9.19 thereof immediately after the words "Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established." there shall be added the words "For the purpose of recognising foreign exchange gains and losses under Section 18, a monetary available-for-sale financial asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such a financial asset, exchange differences resulting from changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in equity. For available-for-sale financial assets that are not monetary items under Section 18 (such as, equity instruments), the gain or loss that is recognised in equity includes any related foreign exchange component.";

(vi) in paragraph 9.23 thereof the words "The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed." shall be substituted by words "On the date the impairment is reversed, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.";

(vii) in paragraph 9.24 thereof the words "because its fair value cannot be reliably measured" shall be deleted;

(viii) in paragraph 9.29 thereof immediately after the words "Financial liabilities that are designated as hedged

items are subject to the hedge accounting requirements." the following words shall be added:

"For avoidance of doubt, when pursuant to the entity's accounting policy choice, financial liabilities classified as held for trading (excluding derivatives) are not subsequently measured at fair value, these liabilities shall be measured at amortised cost using the effective interest method.";

(ix) in paragraph 9.36 thereof, after the words "or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability." there shall be added the words "The entity shall assess the terms of the instrument to determine whether it contains both a liability and an equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments in accordance with the requirements of this paragraph. The entity shall allocate the initial recognition amount between the liability and equity component by assigning to the equity component the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component in accordance with the requirements of paragraph 9.16.";

(h) Section 10 thereof shall be amended as follows:

(i) in paragraph 10.1 thereof the numbers "22.14" shall be substituted by the numbers "22.19";

(ii) in sub-paragraph (b) of paragraph 10.3 thereof the words "of which it is a shareholder or member under a statute or an agreement" shall be deleted;

(iii) in paragraph 10.11 thereof immediately after the words "jointly controlled entities at cost" there shall be added the words ", comprising its purchase price and any directly attributable cost";

(iv) in paragraph 10.14 thereof the numbers "10.22" shall be substituted by the numbers by "10.24";

(v) paragraph 10.30 thereof shall be substituted by the following new paragraph:

"10.30 For investments in subsidiaries,

associates and jointly controlled entities accounted for under the equity method, an investor shall present and disclose its share of the profit or loss of the investees separately on the face of the income statement.";

(i) in sub-paragraph (b) of item 11.1 of Section 11 thereof the words "from other rights and obligations." shall be substituted by the words "from other rights and obligations:" and immediately after there shall be added the following new proviso:

"Provided that for the purposes of this section, cryptographic assets and tokens shall not be considered as intangible assets.";

(j) Section 12 thereof shall be amended as follows:

(i) in sub-paragraph (b) of paragraph 12.1 thereof the words "measured under the cost model in accordance with paragraph 8.5 of these Principles" shall be deleted.

(ii) in paragraph 12.23 thereof the words "individual items of income or expenditure, emanating" shall be substituted by the words "individual items of income or expenditure emanating";

(k) Section 14 thereof shall be amended as follows:

(i) in paragraph 14.12 thereof the numbers "11.12 - 11.15" shall be substituted by the numbers "11.12 - 11.16";

(ii) in paragraph 14.25 thereof the numbers "14.2" shall be substituted by the numbers "14.23";

(l) in paragraph 15.4 of Section 15 thereof, the words "The cost of an item of self-constructed inventory is its cost at the date when the construction or development is complete.", shall be substituted by the words "The cost of a self-constructed inventory item is its cost at the date when the construction or development is complete.";

(m) in sub-paragraph (b) of paragraph 16.21 of Section 16 thereof the word "paragraph" shall be substituted by the word "paragraphs";

(n) in paragraph 17.19 of Section 17 thereof the numbers and letters "17.18(a), 17.18(b), 17.19(a) and 17.19(b)(ii)" shall

be substituted by the numbers and letters "17.18(a), 17.18(b)(i) and 17.18(b)(ii) respectively.";

(o) in paragraph 18.18 of Section 18 thereof the numbers "18.16" shall be substituted by the numbers and letter "18.16(a)";

(p) Section 20 thereof shall be amended as follows:

(i) paragraph 20.5 thereof shall be substituted by the following new item:

"20.5 An entity shall disclose the name and registered office of that entity which draws up the consolidated financial statements of the smallest body of entities of which it forms part as a subsidiary.";

(ii) in sub-paragraph (b) of paragraph 20.6 thereof immediately after the words "of guarantees of any kind" there shall be added the words "with an indication of the total for each category";

(iii) sub-paragraph (a) of paragraph 20.10 thereof shall be substituted by the following new sub-paragraph:

"(a) the amount of the emoluments granted in respect of the financial year by reason of their responsibilities; and"

(q) Section 21 thereof shall be amended as follows:

(i) in paragraph 21.1 thereof immediately after the words "of these Principles." there shall be added the following words: "This Section shall also be applied to any transaction or other event that meets the definition of a business combination.";

(ii) paragraph 21.2 thereof shall be substituted by the following new paragraph:

"21.2 A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business combination is the bringing together of

separate entities or businesses into one reporting entity. The result of nearly all business combinations is that one entity, the acquirer, obtains control of one or more other separate businesses, individually referred to as "the acquiree". The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. Control is defined in paragraph 10.3 of these Principles.";

(iii) in paragraph 21.4 thereof, the words "All business" shall be substituted by the words "Save as provided for in paragraph 21.18, all business";

(iv) in paragraph 21.12 thereof the words "in accordance with paragraph 12.11 – 12.13 of these Principles." shall be substituted by the words "in accordance with paragraphs 12.11 – 12.13 of these Principles.";

(v) paragraph 21.18 thereof shall be substituted by the following new paragraph:

"21.18 The book values of shares held in the capital of an entity included in the consolidation may be set off against the corresponding percentage of capital of the acquiree, provided that the entities in the business combination are ultimately controlled by the same party both before and after the business combination, and that control is not transitory:

Provided that the requirements in paragraphs 21.18 and 21.19, shall also apply in the case of a combination of businesses under common control:

Provided further that if the business combination under common control has not resulted in the acquirer holding shares in the capital of an entity, the acquirer may apply paragraph 21.18 in its financial statements and:

(a) the consideration paid shall be used as a substitute for the book values of shares held in the capital of the acquiree; and

(b) the percentage ownership of net assets shall be used as a substitute for

the percentage of capital:

Provided further that entities electing to apply paragraph 21.18 to business combinations under common control shall not apply paragraph 21.4 to such business combinations.";

(vi) paragraph 21.19 thereof shall be substituted by the following new paragraph:

"21.19 Any difference arising under paragraph 21.18 shall be added to or deducted from consolidated reserves, as appropriate. For the avoidance of doubt, the terms consolidated reserves and equity are interchangeable in this respect.";

(vii) in paragraph 21.20 thereof immediately after the words "the acquirer shall disclose the following" there shall be added the words "in the consolidated financial statements";

(viii) in paragraph 21.22 thereof the numbers and letter "4.7(c)" shall be substituted by the numbers and letter "4.8(c)";

(ix) in paragraph 21.23 thereof the words "The application of the method described in 21.18" shall be substituted by the words "When an entity applies the method described in paragraph 21.18";

(r) Section 22 thereof shall be amended as follows:

(i) in paragraph 22.1 thereof, the words "An entity which controls one or more entities is required to prepare consolidated financial statements." shall be deleted;

(ii) paragraph 22.2 thereof shall be amended as follows:

- the words "Entities that prepare consolidated financial statements may apply this Section if, and only if, the group does not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent:" shall be substituted by the words "Entities that are required, or that elect, to prepare consolidated financial statements may only apply these regulations if the

group does not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent:".

- in sub-paragraph (a) thereof the word "total" shall be deleted; and

- the proviso thereof shall be deleted;

(iii) in paragraph 22.17 thereof the numbers "4.25" shall be substituted by the numbers "4.23";

(s) in the title of Section 23 the words "**Section 23: Discontinued operations and assets held for sale**" shall be substituted by the words "**Section 23: Discontinued operations and non-current assets held for sale**".

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Ippubblikat mid-Dipartiment tal-Informazzjoni (doi.gov.mt) — Valletta — ***Published by the Department of Information (doi.gov.mt) — Valletta***
Mitbugħ fl-Istamperija tal-Gvern fuq karta FSC — ***Printed at the Government Printing Press on FSC certified paper***

Prezz/*Price*
€0.72