

**UNIVERSITI TEKNOLOGI MARA**

**THE ADOPTION OF MFRS 15  
*REVENUE FROM CONTRACTS WITH  
CUSTOMERS AND*  
ORGANISATIONAL CHANGE: A  
CASE STUDY**

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## ABSTRACT

Revenue recognition is one of the crucial key performance indicators for any organisation. Currently, the revenue recognition implementation method in Malaysia is different from what it was in the past, as the Malaysian Accounting Standards Board (MASB) has introduced MFRS 15 *Revenue from Contracts with Customers* in year 2014 to replace previous standards, such as MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related interpretations. As a result, an organisation that goes through the changes may have different experiences and may approach problems differently. According to the industry analysis, the implementation of new revenue recognition standards has a significant impact on the telecommunications industry. External pressures, such as government policy on a particular industry and the change in the standards and procedures of regulatory bodies, spark internal pressures and trigger organisations to change. This study chose Telekom Malaysia Berhad (TM) as a case study because it is one of the government-linked companies in Malaysia and a leading converged communication service providers with 2.4 million broadband customers. It investigated how TM's finance department adopted MFRS 15, focusing on the organisational change process, the forces of change at the intra-organisational level, which include internal and external pressures influencing this transition, the issues, and challenges, specifically looking at daily rules and routines in the finance department, and what actions have been taken by top management to solve the challenges. The finance department represents the group in the organisation that is mostly impacted and related to the changes of the new standard. Using an explanatory case study design and institutional theory frameworks by Dillard et al. (2004) and Burns and Scapens (2000), this study explored the issues and challenges faced at the intra-organisational level due to the new standard. In-depth interviews with TM's top management provide insights into the department's daily routines, the adaptation process, and the actions taken to address emerging challenges. In addition to guiding practitioners, this study contributes to theory by extending management accounting frameworks to financial accounting change, thereby bridging disciplinary boundaries and relevant to accounting practices. It further provides regulatory insights into the practical challenges of MFRS 15 compliance, with industry-specific lessons for telecommunications. Methodologically, the study enriches the literature by offering in-depth qualitative evidence from an emerging economy, a context often overlooked in IFRS adoption research.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Chapter Overview**

This chapter presents the background and key issues of this study. Section 1.2 outlines the background of the study, followed by Section 1.3, which discusses revenue recognition in the Malaysian context. Sections 1.4 and 1.5 highlight the study's problem statements, research questions, and objectives. Section 1.6 explains the research implementation, while Section 1.7 defines the scope of the study. Section 1.8 highlights the significance of this study from the practical and theoretical perspectives, while Section 1.9 provides the operational definitions. Section 1.10 describes the overall structure of the thesis. Finally, Section 1.11 summarises this chapter.

### **1.2 Background of Study**

Revenue is a critical source of sustenance for any organisation, supporting its financial stability, growth, and sustainability (Hashanah, 2014; Khamis, 2016). It also serves as an important performance metric that is closely scrutinised by several stakeholders. Revenue can assist an organisation in achieving great success; yet, misusing the revenue can result in the organisation's demise (Aladwan, 2019). Revenue is a key component in the calculation of profitability. It is often the top-line figure that indicates the total income generated by the company (Hashanah, 2014).

Revenue is not only a key performance indicator (Kabir & Su, 2022) but also a fundamental driver of a company's financial statements, affecting both the statement of profit or loss and the statement of financial position (Hashanah, 2014; Khamis, 2016; Aladwan, 2019). Appropriate revenue recognition ensures that reported profits reflect the company's actual financial performance accurately. In business, adapting to changing financial regulations and compliance requirements is a continuous process. One significant change that large companies must adopt, with a direct impact on their financial statements and business strategies, is the new revenue recognition standard.