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THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

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CHARTING PROGRESS

Malaysian Institute of Accountants

Johan Idris,
MIA Vice-President

Datuk Mohd Nasir Ahmad
MIA President

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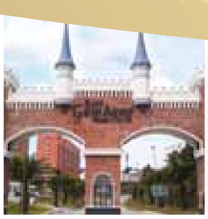
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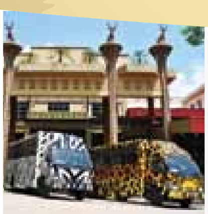
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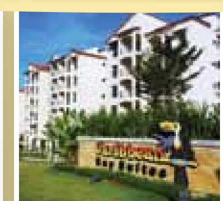
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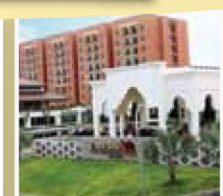
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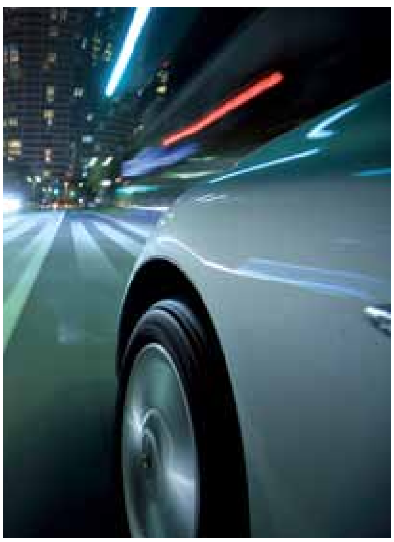

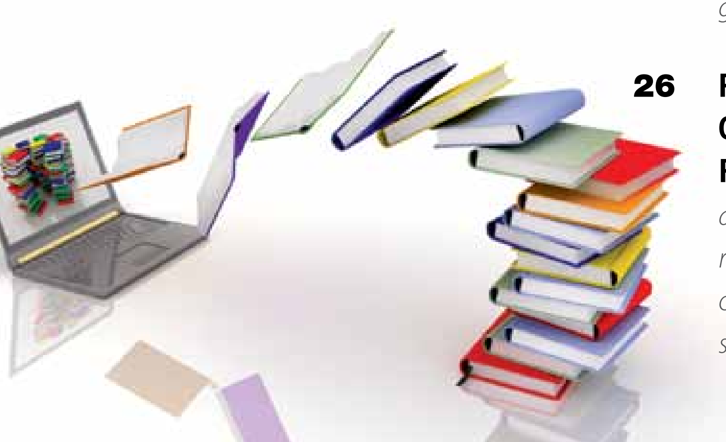

MALAYSIAN INSTITUTE OF ACCOUNTANTS

Vision and Mission

MIA'S VISION

- To be a globally recognised and renowned Institute of Accountants committed to nation building.

MIA'S MISSION

- To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders.

Section 6 of the Accountants Act 1967 (the Act) states that the functions of the Institute shall be:

- To determine the qualifications of persons for admission as members;
- To provide for the training and education; by the Institute or any other body, of persons practising or intending to practice the profession of accountancy;
- To approve the MIA Qualifying Examination (QE) and to regulate and supervise the conduct of that Examination;
- To regulate the practice of the profession of accountancy in Malaysia;
- To promote, in any manner it thinks fit, the interest of the profession of accountancy in Malaysia;
- To render pecuniary or other assistance to members or their dependents as it thinks fit with a view to protecting or promoting the welfare of members; and
- Generally to do such acts as it thinks fit for the purpose of achieving any of the aforesaid objectives.

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Chasing the Cs – Capacity, Competency, Credibility

Talent is the prevailing theme for this issue of *Accountants Today,* which is hardly surprising. The reputation and credibility of the accountancy profession and the demand for accounting services – especially compliance and assurance – rests on the perception of our quality, which in turn depends on the calibre of our talent.

As such, in this issue we take a look at the many ways and approaches which the Institute is taking to build capacity and competency, both internally and externally among students, graduates and members.

First up, on the cover, we feature our new MIA Vice-President, KPMG Partner Johan Idris who is an experienced audit practitioner and expert in the energy and natural resources sector. Johan's appointment is not only an effort to bring in "new blood" and augment the talent and resources available to the Institute, but is also critical to MIA's succession plan to ensure continuity of leadership and seamless implementation of our vision and mission. As a youthful and successful accountant who is locally trained and qualified, he is also an inspiring role model for other aspiring accountants, especially members of Generation Y.

Turn to page 8 to find out how he plans to contribute to the ongoing development of the Institute and its members, especially in addressing the issues surfaced by the 2012 World Bank Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC).

Meanwhile, our President Datuk Mohd Nasir Ahmad will be relinquishing his presidency soon after a successful two-year term. He tells *Accountants Today* what were the milestones and highlights of his tenure, and what is still left to be accomplished. According to Datuk Nasir, the goalposts of progress are constantly shifting regardless of how much is achieved, and there will always be work to be done. Although he is giving up the MIA presidency, he hopes to continue contributing to the profession in other capacities, especially through the new and influential Committee to Strengthen the Accountancy Profession (CSAP) established by the Ministry of Finance.

Both Johan and Datuk Nasir emphasised the importance of building up quality talent to meet escalating expectations and fill shortages, and we cannot talk about talent without discussing education. Relevant and effective accountancy education is imperative if Malaysia wants to build a talent pool of world-class accounting professionals. Recognising this, MIA recently organised the National Accounting Educators Symposium (NAES) which focused on the numerous issues and challenges facing accountancy educators. Find out more about the anticipated impact of Hala Tuju 3 and the national education blueprint on accountancy education. How will ongoing reforms and education reviews benefit students and employers? How can accountancy skills and knowledge be delivered more effectively and prepare students for the real life workplace?

Only by looking at all the interconnected strands that affect education and talent development can we positively affect quality. It is our hope that all members from different sectors can work together and collaborate with stakeholders to find positive, practical and effective solutions to enhancing the quality and supply of talent. Only with sufficient talent and resources can we implement strategies to raise our standards in line with global benchmarks and thus, ensure the profession's reputation for excellence and merit, which in turn will lend credibility and comfort to our capital and financial markets. ■

EDITOR

LETTERS TO THE EDITOR ///// A key element in the world of publishing is what readers have to say. We want to hear from you on just about anything that appears in each issue of ***Accountants Today***. Why not drop us a line now? e-mail: communications@mia.org.my

Charting progress

Nazatul Izma

Enhancing the accounting profession is a work in progress, but MIA under the stewardship of President Datuk Mohd Nasir Ahmad has moved ahead on its journey of transformation. As Datuk Nasir reaches the end of his two-year term, he reminisces about what has been achieved and the work that remains to be done

Open communication and engagement are keys to harmony and progress.

This has been Datuk Mohd Nasir Ahmad's philosophy during his two-year term as MIA President, which will end in mid July 2013. "Personally, I am quite satisfied with the progress and developments during my term. I tried to further enhance engagement with the relevant stakeholders, the members and the Council. This builds rapport and credibility, and I trust that MIA managed to become more visible and more accepted among our members and the accountancy profession."

Datuk Nasir was also happy that he received excellent co-operation from members and stakeholders during his term. "Subsequently, we managed to resolve some of the pressing issues and improve some of the processes," such as the audit licensing issue and the structures impeding efficiency. MIA even managed to get support from members to approve the fee increase, which is one of MIA's significant achievements under his leadership. "I thank members for understanding the need for the fee increase."

Meanwhile, his unconventional background in entrepreneur development and his industrial, board and management experience also gave him a different vantage on the concerns facing the auditing and accountancy profession. "The experience I gathered from industry and my previous tenure as CEO have guided me to see things from a different perspective and appreciate members' issues in a different light. This would not have been possible if I were an audit practitioner myself. Maybe my solutions are slightly different."

THROWN IN THE DEEP END

Since Datuk Nasir's appointment as MIA President came at the time when the Malaysian accountancy profession came under stakeholders' scrutiny, he had to hit the ground running. "The minute I came in, we were already discussing the World Bank's Report on Observance of Standards and Codes - Accounting and Auditing (ROSC), issued in 2012. The ROSC report raised issues such as refining the structure of MIA and addressing the quality of graduates, the supply side and the quality of members. PEMANDU was reviewing the profession as well. For continuity I followed through these issues which were already on the table, as something had to be done for the betterment of the profession."

The wide scope of these issues means that there are no quick fixes, although the low-hanging fruits have already been plucked. "I wished we could have solved these faster, but the reality is that these are big issues that will require time, discussion and innovation. These involve various stakeholders and will take a longer period to resolve. These are the big issues which I couldn't solve but I am happy to say that there has been some progress."

As a matter of fact, the profession has risen in visibility and its role in business and the economy has been acknowledged to the extent that the Ministry of Finance in March 2013 set up a new high powered Committee known as the Committee to Strengthen the Accountancy Profession (CSAP) - to address the strategic challenges facing the accountancy profession in Malaysia and recommend the appropriate strategies and measures to advance the profession. The CSAP, chaired by the Audit Oversight Board (AOB) Chairman and former MIA President Nik Mohd. Hasyudeen Yusoff (representing the Securities Commission), comprises representatives from different agencies and regulators such as the Ministry of Finance, Bank Negara Malaysia, Companies Commission of Malaysia, Accountant General's Department and of course the Malaysian Institute of Accountants. "The CSAP is at a whole new different level. Rather than focusing on MIA alone, it will be taking a more macro stance from a bird's eye view. Although I am stepping down as MIA President, I am glad that I will

"This is the challenge of leadership at MIA. One cannot run away from members' expectations and the gap between what the Institute thinks is good for members and what members think is good for them. So one has to understand the issues and provide solutions."

continue to have the opportunity to solve some of the major outstanding issues facing the profession through the Committee."

What happens though to his role in CSAP when he relinquishes his MIA presidency? Technically, Datuk Nasir should also cease to serve as a CSAP member since representation is by the MIA President, and not in a personal capacity. However, Datuk Nasir will still remain in CSAP to ensure continuity since the MIA Council, was unanimous in passing a resolution to allow him to continue as the MIA representative. That, one can say, is a true vote of confidence.

On the surface, CSAP may seem redundant, since it is essentially addressing some of the key issues and critical reforms already surfaced by MIA, such as those addressed by MIA's proposal to amend the Accountants Act 1967. The difference, according to Datuk Nasir, is that previously these were handled internally at MIA level but now these initiatives will be further taken up by the CSAP which is empowered to formulate and execute a country action plan for the accountancy profession to address the concerns brought up by the World Bank in the ROSC report. However, the reformative works that MIA has already started such as accountancy education reviews will continue, said Datuk Nasir.

LAST WORDS

His advice to his successor is to continue focusing on the main thrusts of the accountancy profession, which is to enhance the competency of graduates and members and raise overall standards. "On the supply side, pay attention to education and raising the quality and professionalism of potential members and graduates. On the demand side, work on improving the perception of audit quality and the profession's reputation, and continue with external engagements to raise the visibility of the profession."

"This is the challenge of leadership at MIA. One cannot run away from members' expectations and the gap between what the Institute thinks is good for members and what members think is good for them. So one has to understand the issues and provide solutions." The President's role is to build bridges across the expectation and knowledge gaps in order to remedy the weaknesses and uplift the reputation of the accountancy profession, and this is no small feat. ■

Championing the Profession

In Bahasa Malaysia, the name Johan literally means 'champion' and carries connotations of leadership. In appointing Johan Idris as the new Vice-President of the Malaysian Institute of Accountants (MIA), the Institute has high hopes that Johan will exemplify his name by helping to steer the profession to excellence.

Nazatul Izma

Two of the most current buzzwords in business today are talent management and succession planning. The mania for talent can't be helped; the talent shortage is acute, and talent can make or break organisations.

While talent at all levels is in demand, able and experienced leaders are especially sought after to ensure continuity and sustainability of vision. Viewed in this light, the appointment of Johan Idris, a Partner at KPMG as the MIA Vice-President on 29 March 2013 is part and parcel of MIA's efforts towards an orderly succession plan. Not only will Johan augment the leadership ranks, he is expected to play a significant role in the Institute's endeavour to enhance the profession's overall standards and reputation.

HOME-GROWN ACCOUNTANT

One of a cohort of high-achieving accountants in their forties, Johan's appointment positions him as a role model for younger accountants, especially the Generation Y.

Role models are inspirational and key to attracting young people to the profession, said Johan in a recent interview. He himself was "attracted to the accountancy profession because he had great lecturers and role models." Other exemplars are the accountant CEOs of multinational corporations (MNCs) and large government-linked corporations (GLCs) – such as Khazanah's Tan Sri Azman Mokhtar, AmBank's Tan Sri Azman Hashim, and newly-appointed Minister Datuk Seri Abdul Wahid Omar, to name a few.

"We need to project good heroes and role models," said Johan. Equally important is to demonstrate the diversity of accountants and the many roles they can play in order to attract younger talent".

Johan heads KPMG's Audit Practice, as well as the Energy and Natural Resources line of business and was previously the CSR (Corporate Social Responsibility) Partner. Backed by his expertise in energy, Johan also serves as the Project Leader of Extractive Industries for the Malaysian Accounting Standards Board (MASB).

At the same time, Johan's distinctive background makes him especially relevant as a role model for local graduates. Unlike many other audit practitioners who hold foreign professional qualifications or degrees, Johan is proud to call himself a home-grown accountant. He is a product of Universiti Putra Malaysia's (UPM) accountancy programme and an alumnus of the second batch of UPM graduates to qualify professionally through MICPA (the Malaysian Institute of Certified Public Accountants).

FOCUS ON TALENT, QUALITY

Talent and quality issues resonate strongly with Johan, in his role as a senior accountant in public practice and now, as the MIA Vice-President. The two issues are umbilically linked – improve the quality, integrity and professionalism of talent and this will directly impact the quality of accountancy services available and enhance the profession's reputation. Improving quality and reputation will in turn improve public perception of the profession and assurance standards, thereby improving audit fees, which are rather low.

Audit fees are also an area of concern that Johan wants to help address through his MIA role, he said. Low audit fees affect margins even as compliance standards escalate and audit firms must ramp up resources to meet compliance requirements imposed by regulators such as the Audit Oversight Board and MIA and to ensure that our capital and financial markets are globally competitive.

As such, among Johan's priorities at MIA will be to help improve the quality and relevance of talent, especially among local graduates, and to raise audit quality in order to uplift the standard of assurance and the profession's reputation. Accordingly, Johan chairs MIA's Practice Review Committee, which reviews the work of public practice firms and educates them to ensure that they are complying with internationally accepted accounting and auditing standards, thus improving quality of assurance. At the same time, said Johan, "MIA must try to educate not only auditors but also the boards of directors and preparers who are all part of the financial ecosystem. This is part and parcel of capacity building."

While MIA has a key role to play, capacity building for the profession must begin earlier on, at schools and universities. Students must acquire the needed competencies even before they enter the workforce. "English is critical in order to communicate, to articulate and convey ideas. While Bahasa is unifying, English is the language of commerce," says Johan. Teachers and lecturers are instrumental in nurturing students, and Malaysia must cherish its academics in order to improve the quality of accounting education at local institutions.

"Hala Tuju 3 and (the Malaysian Education Blueprint 2013) for academic reform are commendable, but to amplify this, focus on improving the quality of academics," said Johan. Speaking metaphorically, he said, "Teachers and academics are crucial. It's like cooking. If you have the best ingredients – i.e. facilities, and students – but the chef or teacher is lousy, your food is lousy. Let us pay teachers well and restore them to a position of honour and respect like in the old days."

Johan also encouraged academics to acquire industrial and commercial experience and to conduct accountancy research projects that would benefit the profession and marketplace. For example, academics could work on research into the impact of IASB/IFRS standards in the Malaysian context, which would support the local standard-setter MASB when it defends Malaysia's stance on issues affecting local business and sectors, such as fair valuation of biological assets, leasing and revenue recognition.

Throwing ideas around, Johan said perhaps consolidating accounting faculties at selected institutions might be a means to optimise resources, rather than establishing dozens of accounting faculties across the country, which may dilute quality. The country might consider establishing a centre for excellence in accounting education which promotes global best practices and is staffed by leading academics, supported by leading practitioners. Most likely, this would encourage accounting professionals from practice and commerce to share their expertise since they could focus on teaching at selected institutions, instead of diffusing and diluting their efforts. This would strengthen the linkages which are urgently needed between universities and business, and make accountancy education much more relevant to the marketplace.

STARTING OUT IN AUDIT

Despite the myriad of challenges facing the audit profession and opportunities available in commerce and more recently, financial shared services, Johan recommends that junior accountants start out in audit to benefit from the intensive structured training and exposure and the accelerated learning curve.

He himself benefited from intense and diverse exposure at KPMG, including overseas stints. His industry experience spans over 20 years in Malaysia and in the USA, and his expertise encompasses both audit and non-audit engagements within the local and international context. He worked on various assignments including multinational companies (companies in the Fortune 500 list) as well as several public-listed companies on Bursa Malaysia.

LOOKING AHEAD

Asked what he would like to help the profession to achieve during his term at MIA, Johan said that: "Ultimately, we want to achieve an improved score on the Report on Observance of Standards and Codes - Accounting and Auditing (ROSC), which was issued by the World Bank in 2012. But that will take some time."

In the meantime, the Institute has the highest hopes that Johan will live up to his name in steering the profession to new levels of excellence. ■

MIND THE GAP

WHERE IS ACCOUNTANCY EDUCATION IN MALAYSIA HEADING? HOW CAN ACCOUNTANCY EDUCATION IN MALAYSIA BECOME MORE RELEVANT AND EFFECTIVE TO BRIDGE THE WIDENING GAP BETWEEN GRADUATES AND INDUSTRY?

Majella Gomes

One of the key priorities for the Malaysian Institute of Accountants (MIA) is to work with all stakeholders to develop capacity and talent which is relevant and highly skilled in order to advance the accountancy profession.

As such, it is vital to engage universities to ensure that accountancy educators and industry are on the same page. At the recent MIA National Accounting Educators Symposium (NAES) held on 13 and 14 May 2013 MIA President Datuk Mohd Nasir Ahmad said, "Universities are an important source of the professionals we will require in the future, but there is an urgent need to upkeep the skills of the profession."

As MIA's signature event for those involved in accounting education, the aim of NAES is to "help institutions of higher learning attain world-class standards in educating and developing accountants who are resilient, skilled, knowledgeable, creative, innovative, competitive and intellectually rigorous. It is also to explore solutions to challenges that face the profession, and to understand the steps taken by regulators to enhance it," noted Datuk Nasir.

THE QUALITY ISSUE

Ensuring the high quality of graduates and accountancy talent is imperative, said Datuk Nasir. As part of its efforts, MIA is conducting an ongoing review to address all questions about possible shortfalls in the quality of its training programmes. Collaboration and stakeholder engagement are essential because educational improvement is a work in progress involving numerous interested quarters. MIA has established several collaborative efforts with the Ministry of Higher Education (MOHE) to ensure the quality of professional accounting education is maintained in institutions of higher learning.

Dr. Aishah Abu Bakar, Director, Academic Development Management Division from the Department of Higher Education said the Ministry of Higher Education recognised the need for continuous and higher education to develop the pool of intellectual capital. "We are looking at improving the quality of teaching, Research & Development, and developing a culture of lifelong learning," to deliver improved standards in accountancy education.

Frankly, she admitted that the current methods of delivering knowledge require a paradigm shift if educators are to continue being effective. "The new generation of students demand new methods," she continued. "We are looking at students who are digital natives who have different needs and different ideas. While surveys have shown that they are generally satisfied with what they have, many feel that their careers offer limited chances for learning."

To improve student satisfaction, educators have to understand and balance what students want with the need to produce market-ready finance professionals who could effectively meet future market needs, stressed Dr. Aishah.

THE MALAYSIAN EDUCATION BLUEPRINT 2013

A highlight of NAES was the discussion of the Malaysian Education Blueprint 2013 as well as Hala Tuju 3, the dedicated initiative to improving the quality of accountancy talent produced by institutes of higher education. In her overview of the blueprint, Dr. Takiah Mohd Iskandar, Chair of the Hala Tuju 3 Committee said that its aim was essentially to produce technically competent, ethical and well-rounded graduates, including accountancy graduates. "Ultimately, the Blueprint sees every student having knowledge, technical and leadership skills, bilingual proficiency, ethics, spirituality and a national identity."

> ***Ultimately, the Blueprint sees every student having knowledge, technical and leadership skills, bilingual proficiency, ethics, spirituality and a national identity.***

HALA TUJU 3

Dr. Takiah assessed the timeline and results of the Hala Tuju programme in enhancing accountancy education. Hala Tuju 1 saw public university accounting programmes coming under review in 2001. In 2006, Hala Tuju 2 reviewed the results of Hala Tuju 1 and made recommendations. The programme was enhanced to take into account international accounting standards and the needs of various stakeholders. Hala Tuju 2 also saw the inclusion of mandatory industrial training. Today, under Hala Tuju 3, MIA and MOHE are collaborating on ongoing monitoring and enforcement of the quality of accounting education in Malaysia. Describing it as the only benchmark in Malaysia for standards in accounting education, she said that Hala Tuju 3 essentially had six objectives: improving unsatisfactory soft skills, communication, critical thinking, and application of knowledge, ethics and competitiveness.

Members of the forum (L-R): Dr. Takiah, Dr. Suseela, Dr. Aishah, Ng and Datuk Nasir.

It is urgent to nurture a participative and open environment in the Malaysian classroom, which is notorious for student passivity. If lecturers want students to communicate better, they would have to "let go" and allow students to speak more. "A lot can be achieved if lecturers know how to facilitate this," said Dr. Aishah. "We should be helping students to articulate their queries better."

However, these are root issues that need to be addressed early in life, even before students reach university. Dr. Aishah pointed out despite MOHE launching other blueprints that support Hala Tuju 2, the core issues were far from being addressed. "The feedback we have received so far on the Hala Tuju programmes says that the curriculum is adequate but frankly, we find our students still lacking the 'soft' skills necessary for the profession," she remarked. "There have been calls to move away from assessing students to more concerted efforts at achieving effectiveness."

Commenting on this shortfall in soft skills especially among Generation Y students, Patrick Ng, Partner, PwC Malaysia remarked that it may stem from "Gen Y students having too many options without clear career objectives. As a result, they are unable to focus on the key skills that would give them the edge in certain professions and are easily distracted. They want to do everything whereas skills such as report writing require time and focus to master."

The cornucopia of options available to Gen Y seems to be a hindrance more than a help, since they realise that many doors are open to them and they can change paths mid-stream. "Students these days are just less committed," admitted Dr. Takiah. "Their attitudes have changed considerably."

A QUESTION OF MATURITY

The need for speed is also affecting quality. Aspiring accountants used to work and get experience before sitting for exams but these days, it is common to see students taking exams before getting any experience. "So their thinking and critical skills are less developed," opined Datuk Nasir. "Students need to understand what work ethics, for instance, is all about."

These days, there are also graduates who become lecturers without accumulating any industry experience.

"When you want to impart knowledge, the teachers have to have the necessary skills and knowledge to impart. Accounting is a professional vocation. How do you teach a professional course without professional exposure? Lecturers should spend their sabbaticals on attachment with accounting firms, so that they can keep up with market trends. They need to train continuously to meet expectations as well," asserted Datuk Nasir.

STIMULATING FREE SPEECH, CRITICAL THINKING

It is urgent to nurture a participative and open environment in the Malaysian classroom, which is notorious for student passivity. If lecturers want students to communicate better, they would have to "let go" and allow students to speak more. "A lot can be achieved if lecturers know how to facilitate this," said Dr. Aishah. "We should be helping students to articulate their queries better."

"Everyone should learn to develop a point of view and how to articulate it," agreed Patrick Ng. "Students have to learn to speak up, to formulate an opinion and to get your message across. If you don't speak up at work, nobody will know what you know."

Firms should also step forward to offer innovative experiences simulating the workplace which can expose students to the real world and help them become more relevant. Dr. Aishah noted the example of a university in Indonesia which featured corporate-sponsored rooms which actually recreated the work environment for students to practice their skills in. "Instead of expecting students to come to them, they went to the students," she said. "These

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MIA INTERNATIONAL ACCOUNTANTS CONFERENCE • THE ANNUAL CONFERENCE WITH AN INTERNATIONAL FLAVOUR

industry players sponsored work spaces in the university so that students could get an idea of what to expect when they entered the real world. In addition, at least one lecture of the course was delivered by a practitioner. Because there was this kind of direct industrial input, the course content remained relevant and up to date."

This industry-academic link has existed for some time. "In public universities, they have at least one deputy vice-chancellor looking after industrial relations, so this kind of thing is not exactly new," said Datuk Nasir. "We need to create an environment that encourages interaction; people – and students in particular – need to see before they understand. Professionals, especially retired professionals, should teach." Dr. S. Suseela Devi, Associate Professor of Universiti Malaya's Faculty of Business & Accountancy echoed this sentiment, emphasising that recruiting professionals to teach was an excellent idea appreciated by students.

"It offers a different experience for students," she said, referencing her own experience in university lecture halls. "They find it more interesting, and easier to relate to. But the mindset of lecturers needs a major shift as well. They may find it difficult to change from a position of lecturing to one of facilitating learning. It's actually a case of having to shift perspectives. University students have gone through a lifetime of rote learning and memorisation; they find it hard to give an opinion. It does take some getting used to." Expressing concern over students' general inability to think, Dr. Takiah felt that this shortfall needed to be concertedly addressed before any improvement could be noted in the quality of graduates.

Technology could also be stifling soft skill development. "Young people are losing the ability to speak, because of technology," remarked Datuk Nasir. "They may be technologically advanced but technology may be eroding their ability to communicate effectively!"

BRANDING MALAYSIAN ACCOUNTING EDUCATION

The idea of initiating a "Malaysian Brand" of accounting education was also floated, but it was generally felt that a great deal more has to be achieved before establishing a "brand". Ng felt that although it was good to have a sovereign brand, work needs to continue now based on the resources that are available.

To strengthen graduate quality, he encouraged students to pursue personal branding through professional qualifications. "If students want to pursue professional qualifications like ACCA, MICPA, CPA or others, I'd see this as very positive," he said. "It encourages diversity, and gives different perspectives. This is very helpful in an increasingly globalised world. It also promotes flexibility and agility." It generally makes graduates very marketable in and beyond their own environments, provided they exhibit the necessary skills.

EXPECTATIONS

While it was generally felt that there should be more collaborative effort between regulatory bodies and universities to improve competency assessment, this should not be taken as a shortcut to fulfilling professional competency requirements. Ultimately, universities provide only limited exposure and experiences, which could mean a disadvantage for those accountancy graduates who do not pursue professional courses. "Students have to go out into the real world to experience the environment," said Dr. Suseela. "They have to put their learning to work; exposure is imperative. They need to perform at higher levels before being recognised as professionals so there is a need for robust assessment. We didn't have the capacity or mechanisms when all this was first instituted, but now we do."

Students have to go out into the real world to experience the environment.

In tandem with developing a quality "Brand," all parties should work towards developing assessment that is recognised internationally, so that those lacking professional qualifications need not feel inferior to those who do. Datuk Nasir divulged that MIA was already in the process of coming up with a format for this as part of its CARE (Chartered Accountant's Relevant Experience) programme. "This will take the form of a six-month assessment to be made by employers of graduates," he said, emphasising that this assessment was a concerted effort to involve other stakeholders, and that similar initiatives in the future should be consistent and cohesive. ■

MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Malaysian Institute of Accountants (MIA) is the national accountancy body that regulate and develop the accountancy profession in Malaysia. Established under the Accountants Act 1967, it represents more than 29,000 members who are currently making their strides in business across all industries in Malaysia as well as abroad. MIA is committed to building and maintaining the credibility of the accountancy profession via continuous education and professional development; professional standards and practices; as well as surveillance and enforcement activities.

MIA is a firm believer in having a strong and talented team to drive and support the Institute in heightening its competitiveness globally. To meet these aspirations, we are looking for the best talents to join our team in the following positions:

DIRECTOR, MEMBER DEVELOPMENT & EDUCATION

Responsibilities:

- Assume the role of strategic thinker and anchor in bringing together the Membership Services, Education and Professional Development departments to generate and enhance cross department collaboration as well as teamwork for improved results.
- Create, develop and drive strategic plans to achieve financial and non-financial targets of the division.
- Manage team members effectively by providing leadership, direction, guidance, counseling, mentoring and coaching.
- Assess, review and enhance effectiveness and efficiency of the division's relevant systems, processes and policies.

Requirements:

- Degree and/or professional qualifications in Accountancy/Finance/Business Administration or equivalent.
- At least 12 years relevant working experience, with 5 years in senior management position.
- Possess in depth knowledge and understanding of the accountancy profession, and preferably with some exposure in the education industry.
- Has excellent business acumen and analytical skills.
- Excellent communications and interpersonal skills with the ability to engage, build rapport and collaborative working relationships with internal and external parties.
- Possess excellent leadership capabilities and people management skills.
- Results driven, innovative, proactive and assertive.

DIRECTOR, SURVEILLANCE & ENFORCEMENT

Responsibilities:

- Lead and drive the Institute's surveillance and enforcement functions (consists of Practice Review, Financial Statements Review & CPE Compliance and Enforcement Departments) in safeguarding public interest.
- Create, develop and drive strategic plans to achieve targets of the division.
- Manage team members effectively by providing leadership, direction, guidance, counseling, mentoring and coaching.
- Assess, review and enhance effectiveness and efficiency of the division's relevant systems, processes and policies.

Requirements:

- Degree and/or professional qualifications in Accountancy or equivalent.
- At least 12 years relevant working experience, with 5 years in senior management position.
- Possess in depth knowledge and understanding of the accounting & auditing standards, relevant acts & regulations (i.e. Accountants Act, Companies Act, Contract Act, Evidence Act, etc.) and issues affecting the accountancy profession.
- Member of MIA and reputable/recognized professional body (MICPA, ACCA, CIMA, CPA Australia, ICAEW, etc.)
- Excellent communications and interpersonal skills with the ability to engage, build rapport and collaborative working relationships with internal and external parties.
- Possess excellent leadership capabilities and people management skills.
- Has high level of integrity, accountability and professionalism.

If you have what it takes to deliver the above, please submit your application with a detailed CV (to state your qualifications, working experience & current/last drawn salary) and a recent passport-sized photograph (non-returnable) not later than **21 June 2013** to:

Human Capital Department
MALAYSIAN INSTITUTE OF ACCOUNTANTS
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
email: hc@mia.org.my website: www. mia.org.my

Framework-Based Teaching for Financial Reporting Standards

Going forward, accountancy education must embed a keen understanding of the accounting conceptual framework which aids understanding and application of the International Financial Reporting Standards (IFRS), or Malaysian Financial Reporting Standards (MFRS), the local equivalent. Meanwhile, students must be guided to apply the principles of professional scepticism and good judgement in scenarios where there are exceptions to the conceptual rules. Only then can effective accountants be produced.

Majella Gomes

Have accountancy educators found a solution to the current weaknesses of accountancy education in framework-based teaching, an approach that aims to assist accounting educators in their efforts to enhance students' understanding of accounting standards?

Framework-based teaching is intended to not only enhance students' understanding of the subject matter, but to develop their ability to make the necessary judgements when applying financial reporting standards, expounded Dr. Nurmazilah Dato' Mahzan, Deputy Dean (Undergraduate), Faculty of Business and Accountancy, University Malaya, speaking on Framework-Based Teaching for Financial Reporting Standards at the recent National Accounting Educators Symposium (NAES) 2013.

Revising education is particularly important to ensure that accountancy learning is relevant in an age when the profession is becoming more and more complex to navigate. "The International Accounting Standards Board (IASB) has acknowledged that standards are getting more complicated," said Dr. Nurmazilah. "Frankly, it is not easy to teach everything that needs to be taught in just three or four years. But we do recognise that all standards have some basic concepts."

"Of course, there are some exceptions to the basic concept rule," she continued. "Framework-based IFRS teaching explains why some of those concepts are not maximised, and relates IFRS requirements to the conceptual framework. Furthermore, it opens up discussion among students and encourages a more critical approach." The conceptual framework includes the objectives of financial reporting and enables auditors to make informed decisions. Students need to first understand why and how financial statements are constructed and presented, she added.

"Lecturers must be aware of the need for students to be able to make judgement calls, it has to start in basic areas first, then progress to more complex situations."

DR. NURMAZILAH DATO' MAHZAN, Deputy Dean (Undergraduate), Faculty of Business and Accountancy, University Malaya.

WHAT IT IS AND HOW IT WORKS

The IASB's conceptual framework sets out agreed concepts for IFRS financial reporting such as the objective of general purpose financial reporting; qualitative characteristics; elements of financial statements; recognition; measurement; and presentation and disclosure. What framework-based teaching provides is a cohesive understanding of IFRSs, together with a basis for judgement in applying IFRSs. It also helps users to keep abreast of IFRS knowledge and competencies. "When discussion is brought back to the Framework, students can see how it relates to the standard," Dr. Nurmazilah explained further. "It helps them make their own judgements, and apply principles to economic conditions. They can better understand the flow of standards and concepts, and discussion sequences."

A principle-based standard begins with recognition, she said, then progresses to measurement and closes with presentation and disclosure. "There are usually no exceptions in principle-based standards but in certain business models, exceptions may have to be applied," she confirmed. "It is recognised that in some emerging economies, for instance, some standards like fair value measurement cannot be applied. Professional judgement is required, plus a thorough understanding of the principles."

"Therefore, what we are looking to do is encourage the development of skepticism among students," said Dr. Nurmazilah. Touching on what is expected in discussions with students, she emphasised that lecturers may not want to go in-depth but it was important to go as far as possible because this will help students apply their knowledge when they are in a work environment.

REAL WORLD SIMULATIONS

The crux of the issue is that educators have to prepare students for the real world. She suggested creating scenarios in the classroom where students would be required to "make the call" – i.e., decide based on the facts they have, and through applying the principles and concepts that they have learned in theory. "Lecturers must be aware of the need for students to be able to make judgement calls," she said. "It has to start in basic areas first, then progress to more complex situations." In response to whether framework-based teaching actually helps students understand IFRS and exercise professional judgement, she cited the example of the University of Cape Town in South Africa which has applied this method since 2005. "The University's students who learned under this system are more employable today," she said.

FRAMEWORK-BASED TEACHING – THE PROCESS

Since IASB uses the Framework to set IFRSs, it is logical to use Framework-based teaching to prepare students to make judgements. Auditors and regulators assess these judgements, and investors, lenders and other stakeholders also consider these decisions and information when making their own conclusions. Dividing the focus of the teaching into three stages, she said that Stage 1 would entail explaining economics and relating information to requirements. This will create awareness of estimates and other judgements, and will have to be reinforced with classroom discussion. A more comprehensive understanding of estimates and judgements involved in applying IFRSs will develop in Stage 2, to be reinforced in Stage 3 by developing the necessary competence to make these calls.

Dr. Nurmazilah also covered the assessment focus areas for Stages 1, 2 and 3. In Stage 1, the focus should be on assessing basic knowledge and understanding of the main concepts, selected main principles and awareness of basic estimates and judgements. Assessment in Stage 2 should be of the understanding of estimates and other judgements in applying IFRS, and Stage 3 should encompass assessment of competence in making estimates and judgements that are necessary in the application of IFRSs. Integrated case studies may be used at this stage, especially for unfamiliar items. Urging educators to thoroughly understand the concepts, she said, "Are we ready to adopt this in our teaching? Educators will have to come up with viable solutions to enable this to be put into practice."

MALAYSIA-CENTRIC TEACHING MATERIALS NEEDED

However, are these case studies easily available? Dr. Nurmazilah noted that it is urgent to address the matter of sufficient teaching materials. She mentioned a number of publications and websites that could assist in this but emphasised that educators need to collaborate and share resources if the new methods were to work. "There are abundant reference materials available," she said. "But not all of it is relevant. Perhaps what will work best is examples that we formulate ourselves, that reflect the local environment, and which local audiences can relate to. These should encapsulate the basic concepts." However, she conceded that this was time-consuming and challenging – although the rewards would certainly be worth the effort. "It is our responsibility as educators to work together and develop relevant material," she concluded. "That is the only way we will be able to achieve what we have set out to do." ■

MFRS in motion

KPMG PARTNER THONG FOO VUNG DISCUSSED SOME KEY CURRENT DEVELOPMENTS AND UPDATES TO THE CHALLENGING FINANCIAL REPORTING STANDARDS RELATING TO ACCOUNTING OF SUBSIDIARIES, JOINT ARRANGEMENTS AND FAIR VALUE.

Majella Gomes

As the International Financial Reporting Standards (IFRS) continue to be fine-tuned, it is vital to constantly stay abreast of changes, updates and new developments to these IFRSs as well as their Malaysian equivalent – the Malaysian Financial Reporting Standards (MFRS). At the recent National Accounting Educators Symposium (NAES) 2013, KPMG Partner Thong Foo Vung highlighted the changes introduced by MFRS 10 (Consolidated Financial Statements), MFRS 11 (Joint Arrangements), MFRS 12 (Disclosure of Interests in Other Entities), and MFRS 13 (Fair Value Measurement).

KEY DEVELOPMENTS

"Most listed companies will have started using MFRS 10 from the first quarter of 2013," Thong said. "MFRS 10 replaces FRS 127 and IC 12, using one single control model. MFRS 11 replaces FRS 131, while MFRS 12 consolidates the disclosure requirements of subsidiaries, associates and joint arrangements as well as for structured entities or special purpose vehicles. Practitioners should be aware that there are now more disclosures under MFRS 12. Meanwhile, MFRS 13 forces accountants to go beyond the conventional debits and credits, and to be on the lookout for inputs governing measurement and disclosures of fair value."

DETERMINING CONTROL AND SUBSTANTIVE RIGHTS UNDER MFRS 10

Speaking on consolidation, Thong noted that MFRS 10 focuses on the determination of control, primarily on power over relevant activities and also exposure or rights to variability of returns.

Besides power, Thong's presentation covered substantive and protective rights in MFRS 10, together with examples of practical application of the standard and how it relates to real-world situations. "MFRS 10 introduces the new concept of relevant activities and substantive rights," he said.

He clarified that when an assessment is made, only substantive rights would be considered. Using an SPV (special purpose vehicle) as an example, he said that voting rights were irrelevant because the SPVs are usually run in accordance to a trust deed.

One of the implementation issues highlighted was on de facto power. MFRS 10 now provides more guidance on de facto power. For example, an entity may hold less than 50% of the shares in a listed company, yet may be able to control it because the other shareholders are widely dispersed and passive.

"MFRS 10 introduces the new concept of relevant activities and substantive rights," he said. "The standard makes it clear whether it is a matter of substantive or protective rights."

He clarified that when an assessment is made, only substantive rights are counted. Using an SPV as an example, he said that voting rights were irrelevant because SPVs are usually held by a trustee.

ACCOUNTING FOR JOINT ARRANGEMENTS - MFRS 11

Moving on to MFRS 11, he said that under Joint Arrangements, there was no more proportionate consolidation. Under FRS 131, Jointly-Controlled Operations (JCOs) used line-by-line accounting whereas under MFRS 11, there would be line-by-line accounting of the underlying assets and liabilities of Joint Operations (JOs). Jointly-Controlled Entities (JCEs) used equity accounting or proportionate consolidation under FRS 131; under MFRS 11, Joint Ventures only use equity accounting.

Accounting for Joint Arrangements also takes into consideration what constitutes a Joint Venture (JV) or a Joint Operation (JO). A Joint Venture's consolidated financial statements will use the equity method of MFRS 128 to account for its interest in a Joint Venture. Whereas in the company level financial statements, it may use cost model or MFRS 9 Financial Instruments or MFRS 139 Financial Instruments: Recognition and Measurement to measure the investment in the joint venture. A Joint Operation, on the other hand, recognises its own assets, liabilities and transactions, including its share of revenue and expenses, in both its consolidated and separate financial statements. Questions that need to be asked when determining whether an entity is a JV or JO involve queries about its structure, legal form, contractual arrangement and other relevant facts and circumstances. For instance, if the arrangement is structured through a vehicle that is not separated from the parties, it will be considered as a JO.

In a nutshell if the Joint Arrangement gives the parties rights to the assets and obligations of the arrangement, it is a JO, not a JV.

MORE ON FAIR VALUE

Under MFRS 13 Fair Value Measurement, fair value considers principles of the exit price, unit of account, condition and location, most advantageous market, market participants, orderly transaction and highest/best use. "MFRS 13 covers both financial and non-financial assets," Thong said. "The use of 'highest and best use' is different from how fair value used to be viewed. It is imperative that highest and best use is applied when doing fair valuation of non-financial assets. Sometimes the current use of the asset may not provide the highest and best use."

'Highest and best use' isn't always obvious from the outset, he cautioned. "There are still contentious areas here," he admitted. "For instance, in the case of biological assets, is the land more valuable as a plantation, or would it be more valuable if it was used for residential or commercial purposes? Sometimes the concept may create an anomaly. The highest and best use of the land may result in the entire fair value being ascribed to the land and there will be no fair value to the trees or building on the land. The matter was being debated at the International Financial Reporting Interpretations Committee (IFRIC). However, the issue could not be resolved and was referred to the IASB for clarification."

Practitioners should be aware that there are now more disclosures under MFRS 12. Meanwhile, MFRS 13 forces accountants to go beyond the conventional debits and credits, and to be on the lookout for inputs governing measurement and disclosures of fair value."

THONG FOO VUNG,
Partner KPMG

ONGOING IASB PROJECTS

Meanwhile, the International Accounting Standards Board (IASB) is continuing to work on key projects. These include the controversial lease accounting, revenue and financial instruments standards.

Touching on accounting education, Thong conceded that accounting standards weren't getting any easier for accounting educators and students. ■

Stephen Oong, addressing the audience at the NACRA 2013 launching ceremony.

Enhancing Corporate Reporting

NACRA 2013 AIMS TO BOOST THE QUALITY AND COMPARABILITY OF MALAYSIAN CORPORATE AND FINANCIAL REPORTING IN LINE WITH GLOBAL DISCLOSURE STANDARDS.

Nazatul Izma

Organisations are invited to submit their entries for the upcoming National Annual Corporate Report Awards 2013 (NACRA 13), the prestigious annual competition aimed at enhancing the quality of corporate reporting and Malaysia's international reputation in the investing community.

The submission deadline for NACRA 2013 is Friday, 28 June 2013.

NACRA 2013 is jointly organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).

RAISING THE BAR

"The role of NACRA has been and will always be dedicated to recognising and highlighting the importance of excellent corporate reporting in order to sustain a strong and competitive capital market," said Stephen Oong, Chairman of the NACRA 2013 Organising Committee. Excellent corporate reporting is essential to ensure that Malaysian companies and capital markets are globally comparable and competitive.

While the purpose of NACRA remains essentially unchanged since inception in 1990, the judging criteria have been reviewed and enhanced each year to reflect changes in line with global best practices and standards in annual corporate reporting, noted Loh Lay Choon, Chairman of the NACRA 2013 Adjudication Committee. NACRA criteria are also intended to encourage the disclosure of material and relevant information beyond statutory requirements which enable improved decision-making, she added.

NACRA 2013 is also significant because it "will mark the adjudication of many annual reports of companies and organisations which are first-time adopters of the new Malaysian Financial Reporting Standards (MFRS) Framework which is fully compliant with the International Financial Reporting Standards (IFRS)," said Loh.

Meanwhile, Oong urged participants to emphasise independent assurance to provide added comfort and confidence for investors. "Although high quality annual reports may be equated with high quality management, there must be a form of assurance as to the reliability and sufficiency of the information presented. Where accurate information is present, stakeholders and market players will be at ease to make decisions that drive momentum in the capital markets," he explained.

WINNING CRITERIA

Members of the adjudication panel for NACRA 2013 – drawn from various sectors including commerce and industry, public accounting and securities, academic, environmentalists, and advertising and communication firms - offered some insights into what elements differentiated a winning annual report from others.

Speaking on CSR or corporate social responsibility reports, Ng Kean Kok, noted that there are some key concerns. Chief is credibility. "One question that always comes out is how thorough and credible and reliable is the CSR report?"

Don't gloss over flaws and weaknesses. Transparency and openness enhance credibility. "Does the report include bad news as well as good news? Does the report address the company's greatest challenges?" Ng disclosed that the UK's recent Annual Corporate Reporting Awards polled users on what would make reporting more credible, and the highest number of respondents said it was bad news. 'Providing a balance between positive and negative news enables balanced assessment. But it is also important to disclose the steps you intend to take to remedy the bad news. It assures investors when you talk about how you are going to address the challenges you have faced and currently face."

Enlarge the scope of reporting. "The good news is that the trend in evidence in the past few years is that many companies have gone beyond simple community affairs reporting, addressing past criticism that companies tend to confine reports to charitable giving."

Ng Kean Kok

Aisha Rashid

Megat Iskandar Shah

Improve disclosure and details on CSR practices and policies, especially quantitative data and analysis as opposed to narrative. "Companies tend to provide volumes and volumes of words but users are looking for more data. Show data in comparable format e.g. trend analysis, improvements over past years." Talk about future prospects. "Does the report present future goals? This can be improved further."

Integration is also important to improve the usefulness and relevance of CSR reporting to investors and decision-makers. "Help users and readers to be able to tie in vision and mission policy and CSR reporting with traditional business statements and financial reporting. It would be good if reports could demonstrate a link between the firm's business strategies, risk management, corporate social responsibility and financial performance," urged Ng.

While it is not mandatory, independent third-party assurance and use of a global reporting standard such as the Global Reporting Initiative (GRI) also add to credibility of CSR reports.

Meanwhile, Aisha Rashid, expounded on the design aspect of winning annual reports. One key element is the cover design and how it relates to the theme of the annual report. "Does the cover design and the theme encapsulate the corporate vision, mission and values?" She noted that the winning design for 2012 presented by Maybank Berhad carried the theme of 'Humanising'. This was relevant because this is the direction that the world is going. "Business in the 21st century is about people, meeting people's needs and enhancing their well-being."

"Rein in your designers and creative consultancy", she advised. "Creative license must be tempered with the significance of the statutory document."

In terms of design and layout, the text, photos and graphics must be arranged with neatness. Fonts should be appropriate for a business document and of a readable size. Humorously, Aisha recommended a 11 or 12 point font since "many users of annual reports are like me, 60 going on 30 and we are too vain to use glasses."

Photos should be recent, not stock photos from the corporate library. "Make an effort to take recent hi-res photos, not photos taken with handphone cameras. Take photos with people in them, since adjudicators relate to these and business is about people. Corporate Communication departments should plan their photo sessions early to avoid having to use old stock photos as the deadlines loom closer."

Other tips include using professionally done graphics, matte art paper and high-quality printers. "Art paper is passe, though cheap. We have seen annual reports with jagged edges and bindings that fall apart. Remember that the annual report is the face of your business, so make the effort to invest in it."

The overall impact you want, said Aisha, is an annual report that makes the adjudicators go: "Wow! Too often, we look at an annual report and we moan 'oh no, not again!'"

Speaking on the presentation of accounting information, Megat Iskandar Shah said that from the adjudicator's perspective, the key criteria are readability, ease of understanding and assessment, and the interconnectivity of the information.

Companies should be aware of defensive and offensive strategies in terms of presenting accounting information. "Defensive strategy means that companies must be in compliance with approved accounting standards and statutory disclosure requirements such as those found in the Companies Act. Offensive strategy refers to voluntary disclosures beyond compliance."

Megat noted that it is important for companies to try and differentiate themselves. He elaborated that most of the companies that participate already produce a high quality directors' report and set of financial statements. "So it is about going into the level of detail to differentiate which one is better than the other," he said.

"Tailored statutory disclosures" could also be a means of differentiation. For example, material provisions and reserves transfer note typically use standard wording, but some companies may go the extra mile by cross-referencing it to the specific footnotes within the financial statements or detailing material changes in accounting policies, methods of valuation or significant acquisitions and disposals.

David Foo Kar Ching

Loh Lay Choon

Additionally, best-in-class preparers ensure completeness of content within the set of financial statements. As an example, adjudicators sometimes find "a lot of missing information" in relation to complying with the requirements of MFRS 7 Financial Information: Disclosures. "Ensuring completeness of significant accounting policy notes and complying with the various accounting standards are important attributes in order to achieve top marks," said Megat.

In terms of offensive strategy, more and more companies are disclosing "statement of value added." Some provide further analysis and breakdowns, narrative, analytical review comments; all these are differentiating. "NACRA winners are providing bespoked and applicable information rather than repeating standard disclosure statements," said Megat.

Presentation should also emphasise ease of readability, said Megat. "There should be appropriate presentation of all line items. Most companies use standard classifications, but just make sure it is easy to read. In addition, rewording the progressively legal language used in accounting standards to a more easy to read version will definitely help to make these more useful."

Megat also suggested for preparers to be meticulous in cross-referencing information to ensure that all accounting disclosure is consistent. "As a reviewer, I would check the cross-references first."

Echoing Aishah, Megat said that: "We also look for the wow factor – a good first impression usually means it is easier to read." Advising preparers on disclosure of corporate information, David Foo Kar Ching said that it is important to tell a story beyond providing data only. Preparers should also be meticulous in checking that they don't omit mandatory information. Perhaps, they could also be creative in how they present mandatory corporate information instead of presenting the same format year after year.

Importantly, all corporate information should be useful to the reader in providing greater insights and facilitating comprehension and decision-making. For example, when presenting industry trends, "don't just pluck figures and be brief. Explain what is happening in the industry."

When talking about mandatory and voluntary board committees, go beyond the bare bones of composition, dates and attendance. "Explain the rationale behind the composition of these board committees, their objectives, their achievements and their value. If you are talking about board remuneration, tell investors why these directors are being paid this much and what they achieved. When it comes to the audit committee, talk about methodology and standards and analyse how the audit expenses are being spent."

Be honest and transparent. "Don't just relate bad news but tell us the factors contributing to this situation. Why did this happen? What is the next step? How will you mitigate this?"

Always assess the usefulness and value of information to readers. For example, some annual reports devote hundreds of pages to product coverage but fail to explain the value of the product to the company.

In presenting corporate and organisational charts, explain the roles of each position and how they fit into the organisation, said Foo.

In ending, Foo said that companies should reexamine their motives behind CSR and ensure that there are linkages and value to their business. "It is important to describe the objectives and value of what we are doing in CSR in relation to its impact on your business. You must measure and disclose the efforts that you put into your CSR projects. Put in a timeframe for CSR projects and disclose how much you have achieved and what you want to achieve – perhaps through KPIs (key performance indicators). Is the value created by CSR activity and projects sustainable? If you are doing philanthropic work, explain the values and returns to the company."

Finally, companies were advised to refer to official publications to improve their reporting. For example, MASB Chairman Mohammad Faiz Azmi recommended that companies publishing a Bahasa version of their annual report refer to the MASB disclosure draft on Bahasa Malaysia terminology for financial reporting. Meanwhile, preparers were also referred to the Bursa Corporate Guidance Guide to enhance compliance and reporting.

THE WAY FORWARD

Audience members at the launch of NACRA 2013 on 16 May 2013 at Bursa Malaysia asked why the contest focused on CSR reporting rather than integrated reporting (IR) or sustainability reporting, which are key new trends in global financial disclosure. "IR will be the next evolution in financial reporting. While Malaysia is not prepared yet for IR, we welcome companies that are ready to move on in terms of evolving to this next stage."

Bursa officials were also asked about the prospects of establishing a Bursa Malaysia Sustainability Index. Bursa Malaysia Chief Regulatory Officer Selvarany Rasiah said that the Sustainability Index was in the pipeline and Bursa was currently in meetings with index constructors and regulators. To ensure the success of a sustainability index, it is imperative that companies be prepared and qualify according to stringent sustainability criteria. "We will focus on capacity building to ensure company participation, but participation will be voluntary and not mandatory," said Selvarany. ■

NACRA 2013 KEY FACTS

NACRA 2013 is open to all organisations incorporated or registered in Malaysia, both listed and non-listed, as well as public sector and other organisations established in Malaysia.

NACRA comprises five categories of awards, namely:

- Overall Excellence Awards for Best Annual Reports of the year;
- Industry Excellence Awards for Companies Listed on the Main Market and the ACE Market
- Corporate Social Responsibility Reporting Awards
- Presentation Awards for Best Annual Report in Bahasa Malaysia and Best Designed Annual Report; and
- Special Award for Non-listed Organisations.

Oong reminded organisations that entrance was not automatic; they must submit their entries and pay the participation fee in order to have their annual reports adjudicated. Participation fees (inclusive of a standard table at the NACRA Awards Presentation Dinner) are as follows:

- Companies listed on the Main Market RM6,800
- Companies listed on the ACE Market RM3,800
- Non-listed companies, Public Sector and other Malaysian organisations RM3,800

Certificates of Merit will be presented to each of the finalist companies in recognition of the high quality of their annual reports, and as a token of encouragement to achieve higher levels of excellence in corporate reporting. The closing date for registration and submission of entries is Friday, 28 June 2013. The NACRA Awards Presentation Dinner will be held on 21 November 2013.

For more information on NACRA 2013, email *nacra@micpa.com.my* or contact 03-2698 9622

Preparation and Fair Presentation of Financial Statements – Who is responsible?

THE RESPONSIBILITY FOR THE PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS SOLELY RESTS WITH THE DIRECTORS OF THE COMPANY, WHILE THE DUTY OF THE AUDITORS IS TO FORM OPINIONS ON THE FINANCIAL STATEMENTS.

MIA Professional Standards and Practices

Recent observations have highlighted that there are still varied perspectives among the stakeholders of financial statements on who is responsible for the preparation and fair presentation of financial statements. The purpose of this article is to reiterate the roles and responsibilities of the directors of a company (directors) and the auditors in relation to the financial statements as provided under the Companies Act 1965 (Act), the approved auditing standards in Malaysia and Bursa Malaysia listing requirements.

DIRECTORS' RESPONSIBILITIES

Under the Act, the responsibility for the preparation and presentation of financial statements rests with the directors. The duties and responsibilities of directors are clearly stated in the Act. The directors are responsible for the management of their companies and have a fiduciary duty to act in the best interest of their companies. In addition, the Act also requires a public company and its subsidiary to have in place a system of internal control to safeguard the assets of the company and to ensure all transactions are properly authorised and recorded to enable the preparation of true and fair financial statements.

Besides the Act, the Bursa Malaysia listing requirements also set out the requirements that must be complied with by a listed issuer and its directors with regard to corporate governance. It requires the establishment of the audit committee among the directors, whose main functions are reviewing the annual financial statements and quarterly financial results, evaluating the audit process (both internal and external audits) and reviewing related party transactions.

AUDITORS' RESPONSIBILITIES

Under the Act, auditors are required to report whether the financial statements give a true and fair view of the company's affairs in accordance with the approved accounting standards (in case of a listed issuer, the Malaysian Financial Reporting Standards) and the requirements of the Act.

An auditor conducts an audit of financial statements of a company in accordance with approved auditing standards in Malaysia known as International Standards on Auditing (ISAs). An audit is conducted on the premise that directors have acknowledged and understand they have the responsibility:

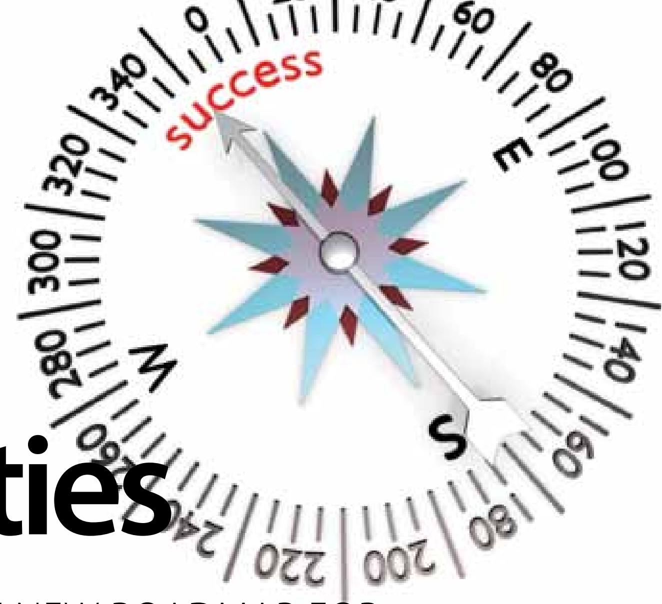
(a) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
(a) For such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
(a) To provide the auditor with:
    i. Access to all information of which directors are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    ii. Additional information that the auditor may request from directors for the purpose of the audit; and
    iii. Unrestricted access to persons within the company from whom the auditor determines it necessary to obtain audit evidence.

The ISAs further state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.

Further, the MIA By-Laws prohibit an auditor of a public interest entity to be involved in any accounting-related function of the company, including, but not limited to the preparation of the company's financial statements which would otherwise affect the auditor's independence.

CONCLUSION

In conclusion, the responsibility for the preparation and fair presentation of the financial statements solely rests with the directors of the company while the duty of the auditors is to form opinions on the financial statements. ■



Roadmap for Private Entities

WHAT CAN SMEs AND SMPs EXPECT FROM THE NEW ROADMAP FOR PRIVATE ENTITIES REPORTING STANDARDS 2016 ISSUED BY THE MALAYSIAN ACCOUNTING STANDARDS BOARD?

MIA Professional Standards and Practices

According to the Roadmap for Private Entities Financial Reporting Framework issued recently by the Malaysian Accounting Standards Board (MASB), private entities that meet specified criteria will have to use the Financial Reporting Standards for Small and Medium-sized Entities (FRS for SMEs) beginning on or after 1 January 2016.

The FRS for SMEs, which was issued as MASB ED 72 for public comments in 2010, is virtually identical with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) in July 2009.

Datuk Ali Abdul Kadir, Chairman of the Financial Reporting Foundation, the oversight body of the MASB said, "An international language of disclosure and transparency is a goal worth pursuing on behalf of users, such as capital providers, of larger SMEs financial statements who seek comparable financial information to make well-informed decisions. The increasing worldwide acceptance of financial reporting using IFRS for SMEs have led the MASB to give a lot of thought in making this milestone decision."

However, he added that, "The MASB did not jump on the bandwagon for the sake of joining the crowd. IFRS for SMEs, which is a set of simplified IFRSs built on an IFRS foundation, is designed specifically for SMEs and is internationally recognised."

Based on a recent report by the IASB, over 80 jurisdictions have either adopted the IFRS for SMEs or stated a plan to adopt it within the next three years. Therefore, Malaysia would be in the mainstream of financial development with this move.

BENEFITS OF THE NEW ROADMAP

The changeover is timely in order to bring Malaysian SMEs abreast of global developments and to ensure that local accounting standards are aligned with global standards. The MASB has long acknowledged the need to consider replacing or updating the PERS Framework which in many aspects have not kept pace with the changing business environment as it was developed in 2006 based on the 2003 version of certain International Accounting Standards (IASs) issued by the International Standards Committee, the predecessor of the IASB.

MIA as the regulator and professional membership body for the accountancy profession welcomes the new framework because the changeover offers multiple benefits, said MIA President Datuk Mohd Nasir Ahmad.

The roadmap is designed to elevate SMEs which are of vital importance to the economy. MASB's Chairman, Mohammad Faiz Azmi in the board's press release noted that national statistics indicated that SMEs represent over 97% of the total business establishments in Malaysia, contributing about 32% to the nation's gross domestic product. It is clear that promoting a viable SME sector is essential in the nation's focus towards broadening and sustaining the growth momentum.

The framework will also improve the comparability of financial statements with other jurisdictions and enhance the competitiveness of Malaysian capital markets. Datuk Nasir added that the new standards will enhance the transparency of the SMEs' financial position, facilitating investment and lending. Improved comparability will enable SMEs to leverage on the experiences of other jurisdictions. "The move to the new framework will also better prepare SMEs to transition to MFRS Framework when the need arises. Malaysia will also be able to minimise the current knowledge gap of accountants that apply PERS and those that apply the MFRS Framework," he said.

STRATIFICATION FOR SMEs

A key salient feature of the framework is the stratification criteria. According to a recent press release from the MASB on the roadmap, the financial reporting framework for private entities uses size threshold based on annual revenue of RM500,000 as the differentiator.

Given that the threshold for compliance will be RM500,000 in annual revenues, MASB estimated that fewer than 100,000 entities would need to apply the FRS for SMEs. Meanwhile, private entities with annual revenue of less than RM500,000 shall apply PERS.

However, Datuk Nasir queried if the estimated number of qualifying SMEs at fewer than 100,000 is realistic. "RM500,000 annual revenue is only about RM42,000 per month. Based on my experience in entrepreneur development, I think the number could be more than 100,000 SMEs."

Affected companies should also note that there are other provisions in relation to the application of FRS for SMEs. For example, a private entity is mandatorily required to apply the FRS for SMEs only if it meets the prescribed threshold criteria for previous two consecutive years.

Datuk Nasir also warned that although the mandatory effective date of the FRS for SMEs is 1 January 2016, the new requirements are also applicable to the comparative financial period. "Therefore, management would have to commence the impact assessment of the FRS for SMEs at the date of transition so that they would have the knowledge to perform a gap analysis to identify the necessary system or process changes needed to capture the required information as at the date of transition."

Given that the threshold for compliance will be RM500,000 in annual revenues, MASB estimated that fewer than 100,000 entities would need to apply the FRS for SMEs. Meanwhile, private entities with annual revenue of less than RM500,000 shall apply PERS.

Companies should also anticipate added investment. "Management should be prepared to invest in their human resources and systems infrastructure and establish an appropriate implementation plan to ensure a smooth transition to the new Framework," said Datuk Nasir.

SMPs

Where SMPs are concerned, they should work on creating awareness among their clients and encourage them to prepare early for the transition to the new Framework.

SMPs should also begin to build the capacity and capabilities of their audit professionals on the FRS for SMEs requirements. Review and revision to their audit work programmes to cater to the new Framework should also be commenced soonest possible, advised Datuk Nasir.

MIA is committed to helping its members make a smooth transition to the new standards. Specifically, MIA will collaborate with MASB to carry out awareness workshops nationwide and provide CPE training on a continuous basis for the benefit of members, said Datuk Nasir.

Training and awareness building will be critical for preparers using the new standards because of the knowledge gap between the current PERS and the new IFRS-based standards.

It goes without saying that the new standards will be more complex for adopters. "Generally, PERS is a simpler set of standards as FRS for SMEs is an IFRS-based framework. In this regard, accounting principles used in FRS for SMEs are more complex than PERS. Furthermore, revisions to the IFRS for SMEs will be made once every three years. We foresee FRS for SMEs will follow the revisions pattern of IFRS for SMEs," explained Datuk Nasir. ■

EXAMPLES OF DIFFERENCES BETWEEN PERS AND FRS FOR SMEs

Categories	FRS for SMEs	PERS
Consolidated & separate financial statements	Consolidated financial statements shall include all subsidiaries and parents	A subsidiary is excluded from consolidation when: - Control is temporary - Operates under severe long-term restriction
Foreign currency translation	- Requires identification of functional currency	- No requirements to identify the functional currency
	- Presentation currency may be in any currency	- Silent on the requirement to present financial statements in RM
Intangible assets	- Development recognised as expense when incurred - All intangible assets have finite useful life and presumed to be 10 years if useful life is undeterminable	Development costs are recognised as an asset if satisfied requirements and amortised over its useful life
Property, plant and equipment	Revaluation model is not permitted	Revaluation is allowed
Investment property	- Fair value through PL if, without undue cost or effort - If not fair value: Cost-depreciation-impairment model	- Treat as a property under MASB 15; or - Account as long-term investment measured at cost or revalued amount
Borrowing costs	All to be expensed	Expense in period incurred or capitalised on qualifying asset
Financial instruments		
Classification	- Basic financial instruments - Other financial instruments	- Current asset - Long-term asset
Initial recognition	- Basic: Transaction price - Other: Fair value	Cost
Subsequent measurement	- Basic: Amortised cost - Fair value Other: - Fair value	Current asset: - Market value - Lower of cost and market value Long-term asset: - Cost - Revalued amounts - Lower of cost and market value
Hedging	Only the following risks can apply hedge accounting: - Interest rate - Foreign exchange - Price	No hedging requirements

*Note: The list above provides some examples and is not meant to be exhaustive.

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Integrated Reporting

The International Integrated Reporting Council (IIRC) is a global coalition of business, investors, regulators, standard setters, the accounting profession, and NGOs. This coalition is driving forward developments in corporate reporting – responding to further shifts in thinking and behaviour in order to shape a new reporting model for the 21st Century. This initiative will have a profound and beneficial impact for businesses, investors, capital markets and economies.

The accounting profession will have a large role to play in this evolution of reporting, ensuring it becomes more relevant and meaningful to providers of financial capital and other stakeholders. Integrated reporting (IR) is an opportunity for accountants to enhance the profession's relevance by helping organisations reveal more about how they create and sustain value over time.

IR is a market-led evolution in corporate reporting. It enhances the communication between organisations and their stakeholders, ensuring that investors have greater insights into the business model and future outlook and prospects, thereby encouraging long-term thinking and transparency. As highlighted in the recent IFAC report, Investor Demand for Environmental, Social, and Governance (ESG) Disclosures, short-termism in the markets can create volatility and contribute to financial instability that erodes long-term value. To make decisions, providers of financial capital need to have an understanding of, and confidence in, the business model, as well as greater visibility over how the business creates value over time. A better relationship between business and its stakeholders, once Integrated Reporting becomes more widespread, will help to promote a more resilient global economy, and greater market-stability through longer term investments.

The composition of the market value of a business has changed substantially over the last 40 years, demonstrating that we live in a more complex business environment today. Research conducted by Ocean Tomo demonstrates that in 1975, 83% of a company's market value could be traced to tangible assets in financial statements. Today, only around 20% of a company's market value can be accounted for by its tangible assets.

All businesses rely on a variety of capitals for their success, including relationships with customers and the supply chain, the ability to innovate, as well as access to public infrastructure. Increasingly, as the businesses in our Pilot Programme are telling us, when businesses manage all relevant capitals such as intellectual, human, natural, and social and relationships capitals, there is a concurrent shift in focus towards future outlook and the creation of value.

An organisation should be held fully accountable for its use of investor funds and this information clearly has a crucial bearing on any decisions providers of financial capital make. Integrated reporting builds on, and complements, rather than replaces the need for financial and corporate social responsibility reporting.

The IIRC Pilot Programme, which is made up of a Business Network with over 90 world-renowned businesses such as Microsoft, Unilever, and the Big Four accounting firms, and over 50 investor organisations, has been driving forward this market-led evolution. The participants' feedback to the IIRC their experiences whilst on the road to IR and thereby help shape the International IR Framework. The Framework establishes the fundamental concepts, guiding principles, and content elements that will underpin the preparation of an integrated report (see graphic).

Until the 15 July 2013 deadline, the IIRC will be calling on all stakeholders to submit feedback on the Consultation Draft of the Framework. Please visit *www.theiirc.org/consultationdraft2013* and respond to the Draft to ensure the Framework is robust, allowing businesses to speak the language of resilient business. ■

IIRC invites you to help shape the future

The drive from businesses and investors is coming together to help develop a new corporate reporting model for the future. The International Integrated Reporting Council (IIRC) is asking you to help shape this future by contributing to the Consultation Draft of the International Integrated Reporting (IR) Framework. This market-led initiative will have a profound and beneficial impact for businesses, investors, capital markets, and the economy.

On 16 April 2013, the IIRC commenced on a 90-day consultation period of the International IR Framework – the comment deadline is 15 July 2013. During this time the IIRC is calling on all stakeholders to read, critique, and challenge the Framework – feeding back their thoughts through the website *www.theiirc.org/consultationdraft2013*. Although the official version of this Consultation Draft is in English, there are approved translations in Arabic, Chinese, French, Italian, Japanese, Portuguese, Russian, and Spanish on the IIRC website.

A series of consultation questions have been included in the Consultation Draft – answers to these questions, and any other comments, will be important to the IIRC when reviewing the Draft Framework. Submissions are requested in English.

The IIRC plans to issue the initial version of the framework in December 2013 and to update it periodically as Integrated Reporting evolves.

Don't miss your chance to comment on the Consultation Draft and impact the future of corporate reporting! Make your views count.

Accounting for impairment of financial assets

THE IASB HAS RELEASED ITS LONG-AWAITED REVISED PROPOSALS ON ACCOUNTING FOR IMPAIRMENT OF LOANS AND OTHER FINANCIAL ASSETS, MOVING TO AN EXPECTED LOSS MODEL.

In early March 2013, the International Accounting Standards Board (IASB) issued its long-awaited revised proposals on accounting for impairment of financial assets. The proposals aim to address concerns about 'too little, too late' provisioning for loan losses and would accelerate recognition of losses by requiring provisions to cover both already-incurred losses and some losses expected in the future.

Andrew Vials, KPMG's global IFRS financial instruments leader, said: "The proposals are a step change in accounting for impairment and are likely to have a significant impact on banks and similar financial institutions."

The new model would apply to financial assets that are recognised on the balance sheet, such as loans or bonds, and measured either at amortised cost or at fair value with gains and losses recognised in other comprehensive income. It would also apply to certain loan commitments and financial guarantees. Chris Spall observed: "This is a welcome change because most banks' credit systems treat these exposures in a similar way."

Accounting for impairment has been hotly debated by standard setters on both sides of the Atlantic. Regrettably, the initial commitment of the IASB and the Financial Accounting Standards Board (FASB) to work together on joint proposals ended last year. In December 2012, the FASB issued its own proposals, which are quite different from the IASB's.

Vials said: "This is a big disappointment. The Boards have indicated that they plan to discuss jointly the comments received on their respective proposals, and we encourage them to do so with the aim of arriving at a single solution. However, the deadlines for providing responses to the exposure drafts are different, making it difficult for constituents to give informed feedback based on full consideration of both models."

The IASB proposals introduce a new 'expected loss' impairment methodology that would reflect deterioration in the credit quality of financial assets such as loan portfolios. The proposed model would require recognition of lifetime expected credit losses for financial assets whose credit risk has deteriorated significantly since initial recognition and a 12-month expected loss allowance for other financial assets.

Chris Spall, partner in KPMG's International Standards Group, continued: "Estimating impairment is an art, rather than a science, involving difficult judgements about whether loans will be paid as due and, if not, how much will be recovered and when. The proposed model widens the scope of these judgements. It introduces a new threshold for determining whether there has been a significant deterioration in credit quality – which in turn is used to assess whether a loan should have an allowance to cover losses in the next 12 months, or to cover all expected losses over its life. These new rules would give rise to challenges, as new judgements would have to be made by preparers, reviewed by auditors and understood by users of financial statements, including prudential and securities regulators."

The new model would apply to financial assets that are recognised on the balance sheet, such as loans or bonds, and measured either at amortised cost or at fair value with gains and losses recognised in other comprehensive income. It would also apply to certain loan commitments and financial guarantees. Chris Spall observed: "This is a welcome change because most banks' credit systems treat these exposures in a similar way."

The proposals would introduce extensive new disclosures. Andrew Vials said: "Although focused relevant disclosures are essential for users to understand the entity's exposure to credit risk and the critical judgements that it has made in preparing the accounts, some will see the proposals as adding to the perceived 'disclosure overload' that troubles many preparers and users."

Most banks are likely to see a significant impact, and would be likely to need additional systems and processes to collect the necessary information.

Spall encouraged companies, in particular banks, not to delay assessing the impact of the proposals on their business: "Credit risk is at the heart of a bank's business and the proposed model is expected to have far-reaching implications for their credit systems and processes. Banks may face significant implementation issues."

Corporates would also be affected, but the impact on short-term trade receivables is likely to be small. ■

Show me the MONEY!

LUCRATIVE EMPLOYMENT OPPORTUNITIES FOR FINANCE AND ACCOUNTING PROFESSIONALS ARE APLENTY IN THE FINANCIAL SHARED SERVICES (FSS) SECTOR.

Celia Alphonsus

New career opportunities for accounting and finance professionals are blooming in the burgeoning financial shared services (FSS) sector in Malaysia. Salaries aren't anything to sneeze at either. According to Michael Warren, Director of the Shared Services and Outsourcing Cluster at MDeC, salaries in FSS average RM6,500 a month.

Warren assured finance professionals that if they are "equipped with the right skills – the technical knowledge, the executive skillset, language fluency, and a great attitude – they can command premium salaries and develop exciting careers that go beyond number-crunching."

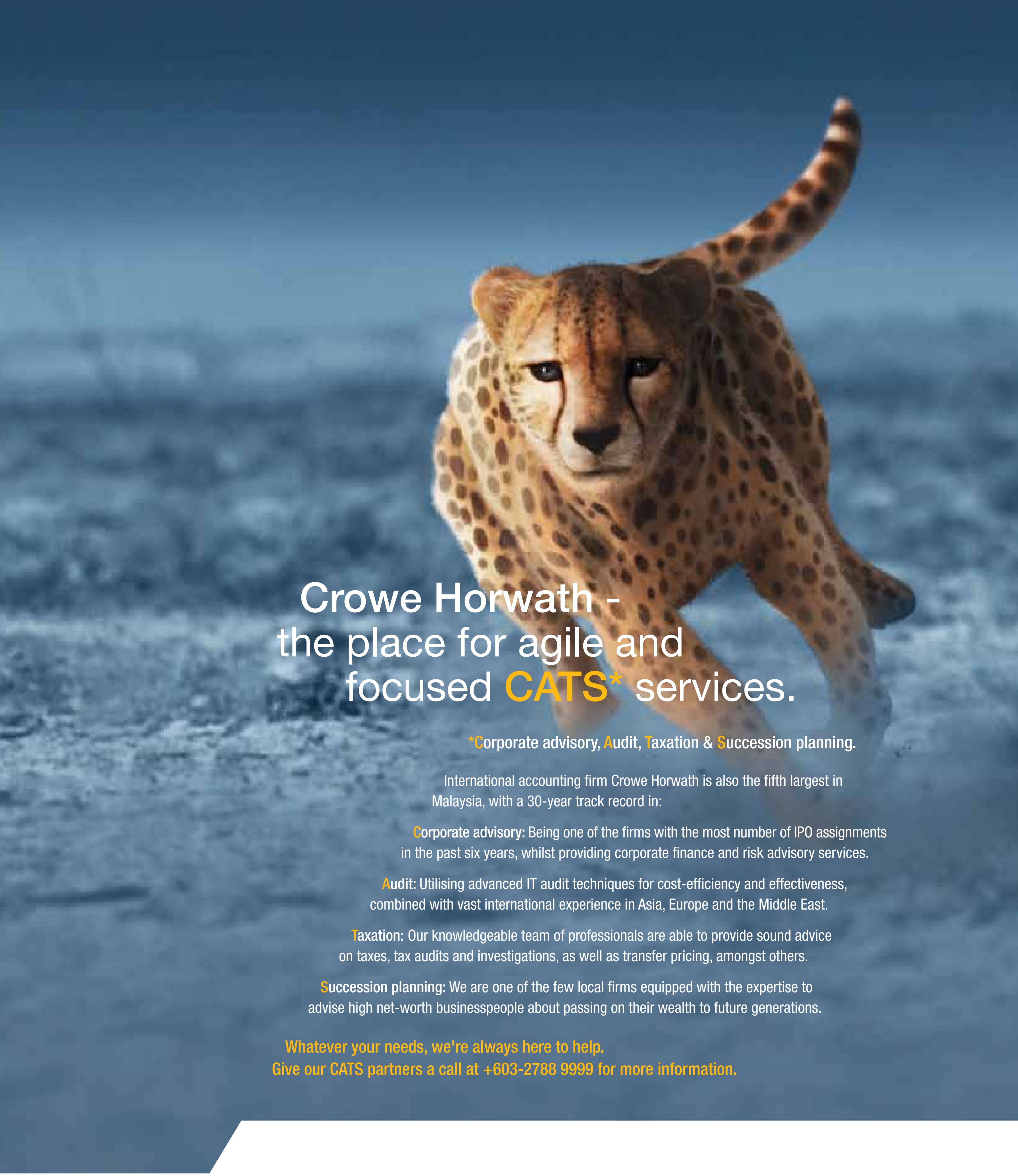
NEW AVENUES OPENING

Shortage of talent coupled with growing demand means the sector is competing with traditional employers in public practice and corporate to hire accounting and finance professionals at all levels.

In fact, FSS is emerging as a viable career path for fresh accounting graduates. "In the past, fresh graduates and even their lecturers and professors believed that the most valuable experience is to obtain audit exposure in the audit firms. Today with the set-up of FSS, the opportunities range from basic transactional accounting, such as accounts payable processing, performing balance sheet reconciliations, and business controls, to higher complexity accounting such as interpretation of accounting guidance against specific arrangements/contracts," said Toh Beng Siew, Head of Accounting at IBM's Asia Pacific Accounting Centre.

Warren said that as more shared services centres are being established, "there is a trend of (demand) moving from entry-level positions to an increasing demand for middle and senior roles."

At middle and senior levels, FSS executives are expected to behave like business partners to their clients and are likely to wield strategic and decision-making influence. "Today's professionals in the F&A SSO sector are frontline executives who are required to collaborate extensively across business units and actively drive further business success. They are exposed to both the corporate and commercial sides of business and will be able to influence business decision-making," elaborated Warren.



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Growth and exposure can also be borderless for talent with the right skillsets. "With the growth of the financial shared services industry, many roles across the finance and accounting spectrum have opened up to provide services regionally as well as globally. These roles include financial reporting, business analysis, product cost analysis, master data stewardship, financial systems/project management and continuous improvement roles," said Jason Crimson, Director at Kimberly-Clark Regional Services, who assured FSS finance executives of exciting times ahead.

DEMAND OUTSTRIPPING SUPPLY

FSS finance executives enjoy excellent demand in the Malaysian market and beyond, buoyed by strategic government policy and incentives supporting this vital subsector of shared services. Toh noted that: "shared services is earmarked to create higher value and higher skills jobs to support the government's Economic Transformation Programme to transform Malaysia into a knowledge-based economy. With the concerted efforts by the Malaysian authorities to grow these opportunities in Malaysia, the demand for accounting and finance professionals has increased tremendously in recent years."

"Accountants and finance professionals are pivotal players in the financial shared services ecosystem," emphasised Warren. "Globally, shared services centres will be the second leading source of employment for accountants, behind public practice firms. In MSC Malaysia, out of a total of 33 new investments that chose Malaysia as their SSO base in 2012, four companies are doing F&A activities, creating 2,621 new jobs in 2012 and 3,818 jobs by 2015. In total, approximately 35,000 jobs would have been created by 2013 under the finance shared services subsector in MSC Malaysia," he explained.

As the sector expands, demand for talent will boom further. "There is a significant demand for such professionals in line with the expected organic growth within the current financial shared services set-up as they continue to increase their scope of services and scale upwards; coupled with the expected increase in newly set-up financial shared services in Malaysia," said Crimson.

DNA OF THE NEW F&A PROFESSIONAL

F&A professionals will need to reengineer their DNA and enhance their skillsets to fulfill the requirements of their expanding roles, especially as they climb the career ladder.

Technical proficiency is a must. "They must be able to apply the increasingly complex accounting rules, regulations and requirements to the business they support. The most basic level of skills required to meet our globalised environment is proficiency in communications and business acumen," Toh stressed.

Aside from technical proficiency, communication skills and analytic thinking appears to be crucial for today's F&A professional. Acquiring languages other than English – such as Mandarin, Korean and Japanese will give the up-and-coming F&A professional an edge as well as demand rises from these markets for FSS.

"The typical skillsets required include excellent communication skills, business analysis skills, sound process management capabilities as well as a continuous improvement mindset. In addition, people management and leadership capabilities are becoming increasingly important," said Crimson.

F&A professionals will also need business advisory acumen and a deep understanding of their organisation's business and the environment in which it operates. "Great accounting professionals today," said Toh, "are not just record keepers, but are sought after as trusted business advisors who provide pro-active advice to the business in line with the rapid changes it faces."

Warren said that MDeC works with shared services operators to identify the skillsets needed. To build capacity and quality, MDeC offers a series of up-skilling training programmes for employees of MSC-status companies. Among the programmes offered based on the skillsets needed are financial modelling, financial management models for data analysis and decision-making, data management for business analysis, budgeting models, enterprise reporting and financial statement consolidation.

RETENTION CHALLENGE

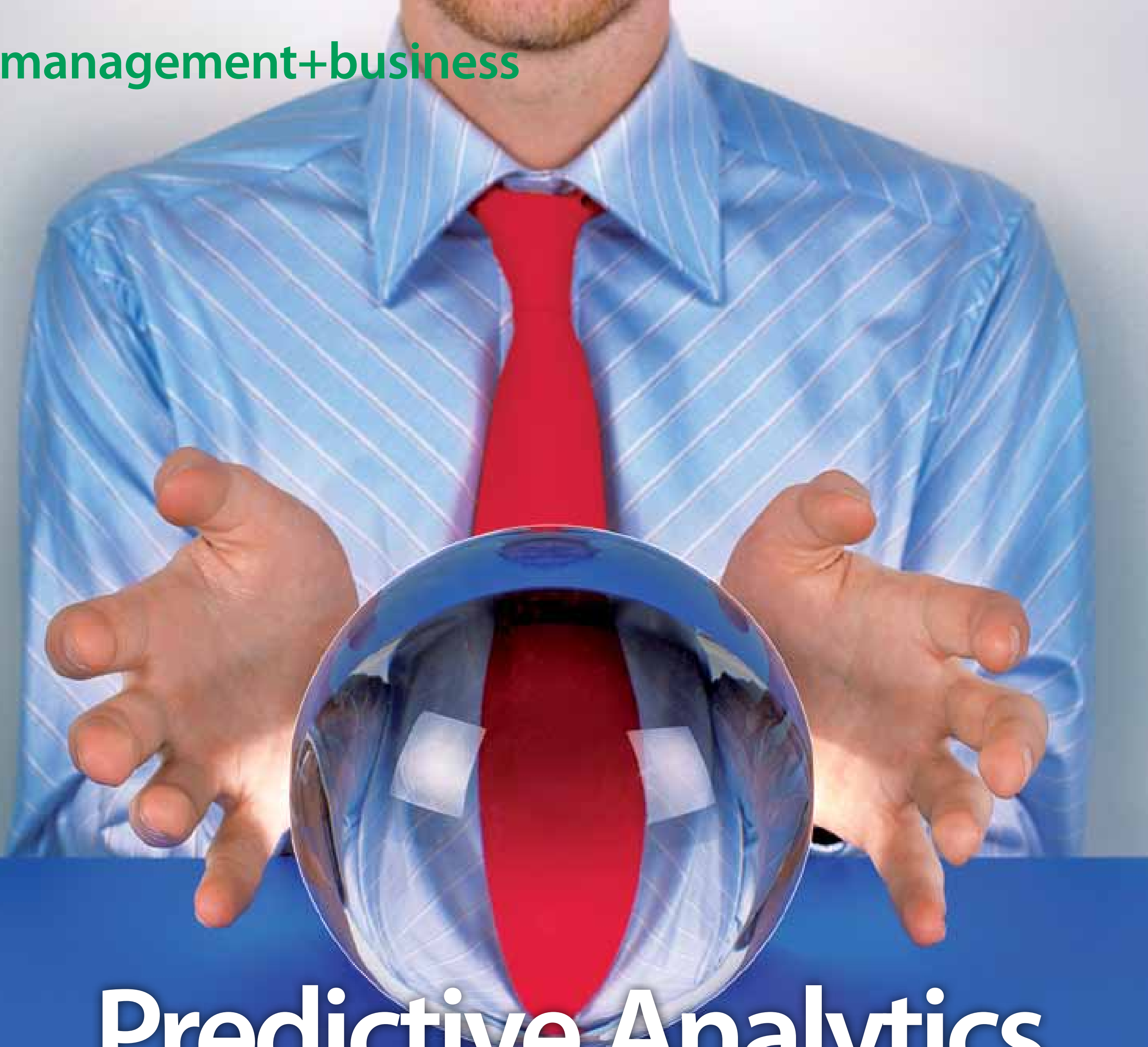
A rising concern though is that because the demand is high there is a tendency to job-hop. When people move on too fast, they don't stay long enough to learn the ropes which could affect quality.

"This is an industry-wide concern that must be addressed to ensure that the high standards of the profession are maintained across the country." Toh urged professionals "to work through the initial learning curve and proceed through the stages of development, rather than move quickly on to another job." ■

HOW MDeC SUPPORTS FSS

MDeC currently runs several initiatives "to support the growth of the talent pipeline and strengthen the positioning of Malaysia as a high value location for F&A SSO activities." These include:

- Establishing a formal working group for the F&A SSO industry that meets quarterly as a platform for all the stakeholders to understand the challenges and how to address them in order to grow the industry,
- Providing a training platform to encourage industry players to train their employees in order to move up the value chain and carry out knowledge driven activities,
- Partnering with professional bodies like MIA, ACCA and CPA Australia to promote financial shared services among their members locally and abroad,
- Promoting the SSO as a career of choice among school and university students through roadshows and student engagements.



Predictive Analytics

ORGANISATIONS CAN TURN OPERATIONAL DATA INTO VALUABLE ACTIONABLE INSIGHTS BY USING PREDICTIVE ANALYTICS AND GOING BEYOND CONVENTIONAL BUSINESS INTELLIGENCE.

Patricia Francis

In today's volatile business environment, it is vital for organisations regardless of size to be prepared to realign their strategic decision-making with speed and certainty in order to determine success. Numbers and good information play a pivotal role in creating measurable options for making the right decisions and taking rapid actions to remain competitive.

However, having gathered as much good information as possible, the process of analysing, interpreting and making the right strategic decisions can be quite challenging as these cannot be based on mere intuition. The time is thus ripe for analytical procedures such as Business Intelligence (BI) to take centre stage.

Traditionally, BI has been used to discover insightful trends in data to replace "gut feel" decisions with "fact-based" decisions. Most times, BI is done by extracting, aggregating and presenting data in structured formats such as reports, dashboards and advanced visualisation tools.

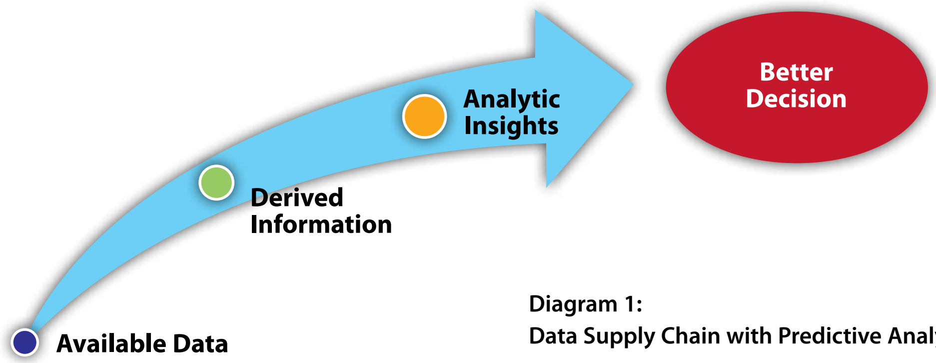


Diagram 1:
Data Supply Chain with Predictive Analytics

Although BI has helped companies learn from mistakes and leverage on their successes to sustain competitive advantage, improve business performance, increase visibility into key income generators and align initiatives to achieve business strategies via enhanced analytical capabilities, BI's weakness is that it only focuses on past performance.

Thus, it is hardly surprising that the push towards predictive analytics within the BI realm is relentless. Unlike traditional BI practices, which are more backward-looking in nature, predictive analytics approaches and techniques are forward-looking and focused on helping companies glean actionable intelligence based on historical data.

With more organisations maturing in their use of BI, many BI suites have started to include full suites of analytics, ranging from report-driven analytics based on data for past performance to predictive analytics used for forecasting future performance.

A Gartner survey showed that although most users are still focused on past measurements, the trend is changing; there is a significant growth in organisations' interest in the use of advanced analytics such as predictive intelligence.

According to *www.enterpriseappstoday.com*, Research Vice-President at Gartner, Rita Sallam, said: "Those that can do advanced analytics such as predictive analytics on top of big data will grow 20% more than their peers. The explosion of data volume, as well as its variety and velocity, will enable new, high-value advanced analytic use cases that drive growth and productivity."

WHAT ARE PREDICTIVE ANALYTICS?

Predictive analytics can be defined as a process of statistical analysis used to determine the future pattern, behaviour pattern and trend by using data mining techniques that utilise computing horsepower to execute complex calculations, according to *www.expertstown.com.*

In layman terms, predictive analytics is simply a forward-looking process of using technology and past data to learn how to anticipate and predict future behaviours of individuals, events and occurrences by detecting relationships and patterns within data using statistics, advanced mathematics and artificial intelligence.

Predictive analytics is nothing but the next step in BI that deals mainly with forecasting, to develop business practices that predicts or "read the minds" of customers or clients. It forecasts behaviour and results in order to predict outcomes and guide specific decisions using techniques that have been used for decades and algorithms on data sets.

The reality is that the use of predictive analytics provides the ability to translate the breadth and depth of existing available data and to derive the information required to enable translation into valuable insights in a way that extends beyond simple reporting or dashboarding applications to lead to better decision-making.

TYPES OF PREDICTIONS THAT CAN BE MADE WITH PREDICTIVE ANALYTICS

Most times, predictive analytics optimises website behaviour and marketing surveys to increase customer responses, conversions and acceptance. Organisations such as Google, Tesco and Caesars Entertainment are well recognised for their ability to predict market trends, customer behaviours and workforce staffing requirements and turn these into top-line growth and/or bottom line savings.

Amongst the types of predictions and trigger questions that can be generated from predictive analytics are:

1. *Predict risk* – How risky is this customer's acceptance on price? How should we price our services?
2. *Predict fraud* – How likely is a claim being fraudulent? What should we do to hinder it?
3. *Predict opportunity* – What represents the best opportunity to maximise revenue and branding? When should we promote our products?
4. *Predict cancellation* - How likely is it that this trip will be cancelled? What should we do about it?
5. *Predict likely interest* – This customer likes Asian cuisine. Would he like Asian fusion?
6. *Predict lifetime value* – How much would the value of this plan be? How can we increase it?
7. *Predict and identify cross-sell opportunities* – This customer purchased a Prada handbag. Can we also sell her Prada shoes?
8. *Predict occurrences* - Who is likely to re-enter a hospital? What treatment is to be prescribed?

Why use predictive analytics?

Amongst the benefits of predictive analytics are to:

- Improve and optimise business processes
- Minimise risk
- Increase capability to respond to market transformations
- Identify, build and grow high net-worth customers
- Better understand customer behaviour
- Improve forecasting of future trends
- Easier fraud detection
- Identification of new revenue opportunities.

Other than these benefits, business analysts and professional accountants in business can use predictive analytics to identify new opportunities for growth, highlight improvement processes in their organisations and target areas for corrective actions and strategy adaptations. Predictive analytics can help any organisation select the appropriate actions and best decisions to improve performance and achieve sustainable organisational success.

"Predictive analytics is a tool that professional accountants should use to help their organisations better understand likely future performance outcomes," said Roger Tabor, Chair of the PAIB Committee. "Professional accountants in business should be able to assist their organisations in making the most of predictive analytics and forward-looking indicators of performance to improve strategy and performance management enterprise-wide."

Knowing that predictive analytics is able to turn operational data into valuable actionable insights, it is undeniably important for finance leaders and analysts to look into this area in order to achieve significant business results and triumph over fierce competition.

Having said these, one point to note is that predictive analytics doesn't guarantee an outcome because it is not about absolutes but only churns out probabilities! If applied correctly, predictive analytics can enable companies to identify and respond to new opportunities more quickly. Predictive analytics is said to have the ability to simplify data in order to amplify its value.

Remember, if BI tells you what has happened, predictive analytics tells you what to do!

MERGING PREDICTIVE ANALYTICS WITH DATA MINING

Predictive analytics can be combined with data mining to build or create a predictive model to try to best predict the probability of an outcome. It is used extensively in analytical customer relationship management to produce customer-level models that describe the likelihood that a customer will take a particular action. The actions are usually related to sales, marketing and customer retention. **(Diagram 2)**

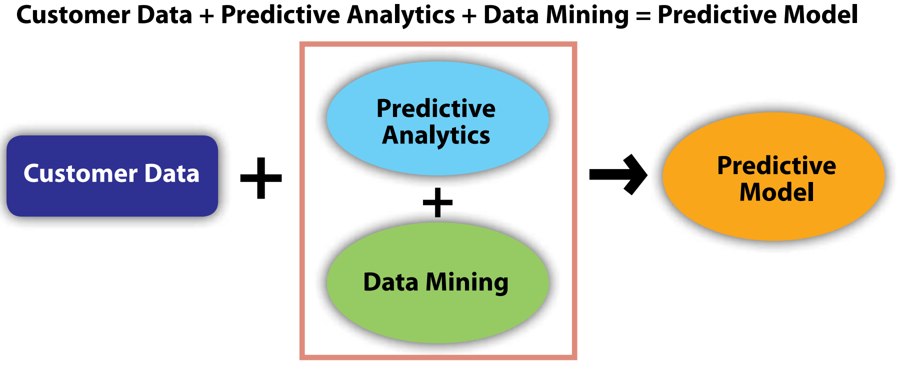


Diagram 2: A Predictive Model is built from Customer Data

Although predictive analytics and data mining both apply sophisticated mathematics to data in order to solve business problems, there are a number of key differences between them:

Data Mining	*Predictive Analytics*
Refers to an analytic toolset that automatically searches for useful patterns in large data sets	Is an analyst-guided (not automatic) discipline that uses data patterns to make forward-looking predictions, or to make complex statements about customers by evaluating multiple data patterns.
Searches for clues.	Delivers answers that guide you to a "what next" action.
Data mining is often one stage before in developing a predictive model.	Predictive analytics is extensive data mining and complex mathematics with an intuitive approach.
Automated data mining techniques can isolate the most valuable data variables within a vast field of possibilities.	The analyst uses variables and the patterns represented to build a mathematical model that "formalises" these relationships and predicts future behaviour consistently.

REAL-LIFE BENEFITS OF PREDICTIVE ANALYTICS

Predictive analytics has been widely used to solve problems and devise real-life solutions in diverse faculties such as government, economics, businesses and even science. FICO, a predictive analytics solution provider, cites the following as some successes where predictive analytics was deployed:

Financial institutions:

A large credit card issuer saw a USD6 million profit boost for every million active accounts by using predictive analytics to assign an optimal credit line for each customer.

Insurance:

A large Brazilian insurer grew net profits by 130% using predictive analytics in its underwriting to reduce risk and grow revenue from profitable customers.

Telecommunications:

A major global carrier saved USD70 million and decreased net bad debt by 25% in its first year of using an analytics-based collections solution. Collectors can pinpoint which accounts will repay the most.

Retail:

A mid-size specialty retailer generated an additional USD250,000 in revenue per campaign and increased retention, using an analytics-based marketing solution to target customers and find the right marketing mix.

Healthcare:

A major commercial player saw more than USD20 million in annual savings using an analytics-based fraud solution to detect provider fraud and abuse, overpayment, and policy and system errors.

Government:

One state government detected nearly USD4 million in fraudulent workers' compensation claims, without increasing workload, during its first year of using an analytics-based fraud solution.

USING PREDICTIVE ANALYTICS IN THE REAL WORLD

Predictive Analytics World stated that the best way to learn Predictive Analytics is from concrete case studies.

- US President Barack Obama's team used predictive analytics to campaign and influence voters in the 2012 presidential election. The president is said to have won the re-election with the help of the science of mass persuasion, a very particular, advanced use of predictive analytics, which is the technology that produces a prediction for each individual customer, patient or voter. The technology's purpose is to predict for each individual and act on each prediction.

- Instead of predicting who would vote for Obama or Romney or who would turn out to vote at all, Obama's team predicted who would be convinced to vote Obama if (and only if) contacted. In other words, they predicted which voters to contact during the campaign, and they predicted the ability to influence the voters' said behaviour.

- P&G uses predictive analytics for everything from projecting the growth of markets and market share to predicting when manufacturing equipment will fail, and it uses visualisation to help executives see which events are normal business variations and which require intervention. "We focus the business on what really matters," said Guy Peri, director of business intelligence for one of Procter & Gamble's business units, according to Predictive Analytics World. Peri said that P&G is "using advanced analytics to be more forward looking and to manage by exception."

- The Animal and Plant Health Inspection Services (APHIS), an agency within the United States Department of Agriculture (USDA) that focuses on safeguarding US agriculture against the threat of pests and disease, has used predictive analytics to identify ways to enhance and streamline its inspection processes and improve animal and plant health management. Using fact-based decision-making has enabled APHIS to increase efficiency and improve service levels while operating on a strictly limited budget. ■

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Funding or assistance available for Small and Medium Enterprises

SMEs NEED BETTER FUNDING MECHANISMS IN ORDER TO OPTIMISE THEIR CONTRIBUTIONS TO THE MALAYSIAN ECONOMY

MIA Professional Standards and Practices

"In a developed nation, SMEs contribute between 40 and 60 per cent to the country's Gross Domestic Product (GDP) and 60 and 70 per cent to its employment. In Malaysia, SMEs contribute 31 per cent to the GDP and 59 per cent to employment. Indeed, the SME sector has a lot of catching up to do, as we work towards achieving developed nation status by 2020."

TAN SRI MUHYIDDIN YASSIN, Deputy Prime Minister of Malaysia at SMIDEC 2011, at the SME Innovation Showcase (Bernama, 7 June 2011)

Funding has been identified as one of the utmost obstacles that hinders the progress of Small and Medium Enterprises (SMEs). Generally, most SMEs use their own internally-generated funds or funds sourced from friends and family members to finance the operations. Only a small percentage of SMEs rely on financing from financial institutions and development banks.

The Government takes cognisance of the significant contributions of the SMEs, especially in terms of the employment opportunities generated as well as their role as economic driver to spearhead the country's sustainable economic growth in the long run and towards high income nation status by the Year 2020. In the same breath, many efforts and initiatives were initiated by the Government to support and assist the development and growth as well as the competitiveness of the SMEs especially with the liberalisation of the service sector in recent years. Based on the latest profile of SMEs per the Economic Census 2011 released in September 2012, SMEs now represent 97.3% (645,136 establishments) of the total establishments of 662,939 in the country (extracted from the SME annual report 2012).

DEFINING SMALL AND MEDIUM ENTERPRISES (SMEs)

Generally, SMEs refer to:

i. manufacturing, manufacturing-related services (MRS) and agro-based industries that comprise not more than 150 full-time employees or annual sales turnover of not more than RM25 million;

ii. services, primary agriculture and information and communications technology (ICT) with not more than 50 full-time employees or annual sales turnover of not more than RM5 million.

Malaysian SMEs are broadly grouped into three categories i.e. Micro, Small or Medium by the National SME Development Council. These groupings are based on either the number of full-time employees or on the total sales or revenue generated by a business in a year.

The use of common definitions for SMEs is to strengthen government efforts in identifying SMEs in the various categories and levels in order to create effective formulation of policies and support programmes for specific targets, make it easier to provide technical and financial assistance to SMEs and allow for better monitoring. The above definitions are adopted by all relevant stakeholders dealing with SMEs including ministries and agencies at federal and state level as well as financial institutions.

The diagram below shows the composition of Malaysian SMEs based on the number of employees and the annual sales turnover:

I.	NUMBER OF EMPLOYEES		
	Primary Agriculture	**Manufacturing (including Agro-Based) & MRS**	**Services Sector (including ICT)**
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 & 19 employees	Between 5 & 50 employees	Between 5 & 19 employees
Medium	Between 20 & 50 employees	Between 51 & 150 employees	Between 20 & 50 employees

II.	ANNUAL SALES TURNOVER		
	Primary Agriculture	**Manufacturing (including Agro-Based) & MRS**	**Services Sector (including ICT)**
Micro	Less than RM200,000	Less than RM250,000	Less than RM200,000
Small	Between RM200,000 & RM1 million	Between RM250,000 & RM10 million	Between RM200,000 & RM1 million
Medium	Between RM1 million & RM5 million	Between RM10 million & RM25 million	Between RM1 million & RM5 million

FUNDING OR ASSISTANCE SCHEMES AVAILABLE FOR SMEs

There is a wide range of financial assistance or funding such as soft loans and venture capital funds available for SMEs provided by the government authorities and agencies. Such authorities, to name a few are SME Corporation (previously known as SMIDEC) under the Ministry of International Trade and Industry, the Malaysian Industrial Development Finance Berhad (MIDF), and the Malaysian Green Technology Corporation (MGTC). The Government through its agencies offers a variety of grants and incentives to finance product, process and quality improvement, market development, skills upgrading, factory audit and acquisition of strategic technology.

THE FINANCING SCHEME ASSISTANCE AVAILABLE, *INTER ALIA* WHICH ARE NOT EXHAUSTIVE, ARE:

- **Matching Grant for Business Start-ups**
- ***Shariah* Compliant SME financing scheme**
- **Matching Grant for Product and Process Improvement**
- **Matching Grant for Certification and Quality Management System**
- **Grant for RosettaNet**
- **Soft Loan Scheme for Factory Relocation**
- **Financial assistance scheme for SMEs in the Service Sectors***
- **Matching Grant for Enhancing Product Packaging**
- **Matching Grant for Development and Promotion of *Halal* Products**
- **SME Revitalisation Fund for entrepreneurs**
- **Micro Financing and Micro Enterprise fund**
- **10MP working capital Guarantee Scheme Facility**

**Readers are advised to contact the agencies concerned to get the updated information pertaining to the financing or assistance scheme.*

FUNDING OR ASSISTANCE AVAILABLE FOR SMALL AND MEDIUM ENTERPRISES

The table below is a snapshot of the various financing schemes or assistance provided by the Ministries or government agencies, which are not exhaustive:

Programme	Market Development Grant 2013 (MDG) by MATRADE	Assistance scheme for SMEs by SME CORP	Green Technology Financing scheme by MGTC
OBJECTIVE	To assist SMEs, service providers, trade & industry associations, chambers of commerce & professional bodies in undertaking export promotional activities	To enable SMEs to be assisted through an integrated approach with guidance, including strengthening their core business, building capacity and capability, and facilitating access to financing. The Schemes are known as Business Accelerator Programme (BAP)[1] & Enrichment & Enhancement Programme (E2)[2]	To improve the supply and utilisation of Green Technology especially companies which are producers and users of green technology. The four key targeted sectors are energy, building, water and waste management and transport.
HOW	Companies can apply for a reimbursable grant on the eligible export promotional activities undertaken. The value of the grant reimbursed (maximum of RM100,000 per company) will be determined by MATRADE based on the location (by region) and the type of export promotional activities undertaken.	Applicants will receive business and technical advisory services, aimed at enhancing their business potential.	These projects must be located within Malaysia, utilising local and/or imported technology. It is a soft loan supported by the Government where the Government will bear 2% of the total interest/profit rate. In addition, the Government will provide a guarantee of 60% on the financing amount offered by the financial institutions.
WHO IS ELIGIBLE	SMEs (manufacturing and agro-based or trading companies), service providers [service companies exclude tourism and finance cum insurance and professional service providers (sole proprietor or partnership)], trade & industry associations, chambers of commerce & professional bodies, except for: i. A company that is inactive or dormant; ii. Companies that have government (federal or state government) equity and Government Linked-Companies	• Fulfill SME definition • Incorporated under Registration of Business Act 1956 or Companies Act 1965 • At least 60% Malaysian equity • At least six months in operation • Valid business license/premise • Must undergo SCORE[3] or M-CORE assessments	i. Producer company: Legally registered Malaysian-owned companies (at least 51% Malaysian shareholding) in all economic sectors ii. User company: Legally registered Malaysian-owned companies (at least 70% Malaysian shareholding) in all economic sectors
Reference	*Guidelines for Market Development Grant (MDG) 2013, can be accessed via www.matrade.gov.my*	*Can be accessed via www.smecorp.gov.my*	*GTFS Guidelines which can be accessed at www.gtfs.my*

CONCLUSION

The Government is committed to support and enhance the development of the diverse SMEs sectors which are the engine and driver of the Economic Transformation Programme and the bedrock of the country in realising its aspiration of a high income economy. Thus, it is crucial to encourage Malaysian SMEs to be competitive and innovative by rapidly growing their businesses to position themselves on a level playing field alongside their international counterparts. The funding or assistance provided is timely for SMEs in enhancing and creating their economic growth and competitiveness. ■

1. BAP is an integrated programme to develop and nurture dynamic, competitive and resilient SMEs. Assistance is provided through capacity building, advisory, technical and financial support in improving product & labelling, obtaining certification and quality management systems, branding initiatives and product innovation.

2. E2 is to provide assistance to micro enterprises to enhance their capability and sustainability, through structured advisory as well as technical and financial support in improving product & labelling, obtaining certification and quality management systems and product innovation.

3. SME Competitiveness Rating for Enhancement (SCORE) Programme is basically a diagnostic tool used to rate and enhance the competitiveness of SMEs based on their performance and capabilities.

The Business of Innovation

TEAM JORDAN'S MARK GALLAGHER TELLS HOW INNOVATION CAN DRIVE REVENUES AND PROFITS, F1-STYLE.

Celia Alphonsus

When the subject of "innovation" arises in the finance industry, often times it is a sarcastic attempt to sound politically correct when referring to "creative accounting" or "cooking the books".

There was of course no such dubiousness at The Business of Innovation forum held in Kuala Lumpur last month. Organised by The London Speaker Bureau and supported by the Malaysian Institute of Accountants (MIA), the forum showcased three well-known "innovators" from across the globe – Bill Rancic, Mark Gallagher and Dr.Michio Kaku – who shared their personal perspectives on the role of innovation in entrepreneurship, in Formula 1 (F1) racing and cutting-edge technology.

For most of us, the arena of technology is where innovation reigns but as these gentlemen shared with a rapt audience, if you are a result-oriented innovative leader you will be able to take your business, career and relationships to a higher level when you understand the role of innovation and leadership in your life.

But what if you are not a celebrity entrepreneur who sends temperatures soaring when you walk into a room? What if you are not in the glamorous world of fast cars and jet-setting around the world? What if you are not blessed with a visionary scientific mind? How then are you, in your corner of the corporate jungle going to turn the business of bean-counting into a shining example of innovation?

Gallagher shared some interesting tips on how to get into the business of winning, regardless of what business you are in. According to him, "If you want to be successful, you have got to be serious about innovation. It is the heart of leadership."

Innovation in Leadership

Head of Marketing at the highly successful, race-winning Jordan team over a ten-year period, Gallagher has been described as "head of making things happen" in Eddie Jordan's vibrant organisation. No doubt this is the result of working in Formula One for almost 30 years with half of that time spent as a senior executive within the management of Jordan Grand Prix, Red Bull Racing and Cosworth.

His role at Team Jordan has given him the chance to be at the nucleus of a gritty and high-powered sports business, connecting him with the world's top drivers and team owners and giving him a behind-the-scenes intimate understanding of what it takes to be a world-class competitor.

He has been a leader in his industry for the past 20 years - in 2012 alone, Gallagher managed to rake in USD5.6 bn in revenue. He attributes it to gleaning inspiration from the innovative qualities of others, especially from one person in particular: his mentor Bernie Ecclestone, CEO of the F1 group.

Learning from Ecclestone, Gallagher said that an integral quality of leadership is being innovative. He noted that Ecclestone changed the world of sports through an innovative proposition. "An innovation that people didn't even know they wanted!"

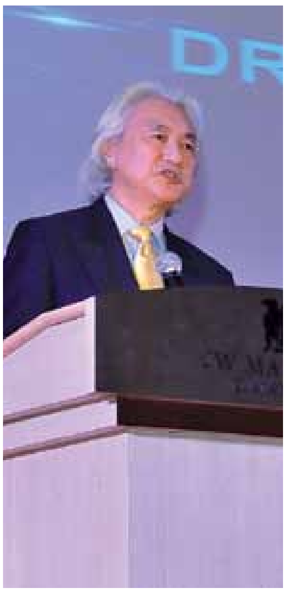
Balmy England in the 70s was very different than what it is today, well maybe not the weather but back in the day Sundays were reserved for church and roast dinners. There wasn't anything worth watching on the telly and families sat around forced to talk to each other. Ecclestone single-handedly changed all that.

He could see the potential in motor racing, his vision extending beyond the relatively unorganised racing events that were then going on in England on all other days of the week except Sunday. He approached media organisations offering them a global sporting event every Sunday at 2 p.m. He promised them a package of entertainment that people would enjoy watching and the media loved it.

Ecclestone then approached the BBC, asking them to pay for rights to air the event. One can only imagine the incredulous look of surprise registering on the faces of the folks from the BBC. "Pay for the rights to air a sporting event?"

It had never been done before and Ecclestone told them that if they didn't agree, he would offer the rights to commercial stations.

Through an innovative proposition, Ecclestone took the British motor racing industry from a dismal, badly organised event that had few followers to a global sporting event raising billions of dollars in revenue and garnering a worldwide audience.



Dr.Michio Kaku

Bill Rancic

He then took this revenue model and replicated it in other countries in Europe, creating a billion dollars in revenue per year. TV companies began to promote the event to their viewers and advertisers pounced on the bandwagon creating yet another revenue stream.

Ecclestone then took the media revenue model and applied it to race circuit owners – basically, if they don't pay for the rights to run the race at their venue, they lose the event.

Through an innovative proposition, Ecclestone took the British motor racing industry from a dismal, badly organised event that had few followers to a global sporting event raising billions of dollars in revenue and garnering a worldwide audience.

Of course, innovation in leadership doesn't come without challenges and the F1 industry had its fair share of these, especially in dealing with shifting sources of advertising revenue. However, as Gallagher pointed out, another key element of a successful business is when the leadership knows when to use innovation to change for the better.

Rancic on Innovation

DO YOU HAVE WHAT IT TAKES TO THINK OUTSIDE THE BOX?

Bill Rancic, the debonair winner of the US TV series, "The Apprentice" is an all-round true entrepreneur. Apart from founding *cigarsaroundtheworld.com* in 1995 in a 400-square foot studio apartment and expanding it into a thriving multi-million dollar national operation, Rancic has established himself in the real estate business. He also gives back to society through volunteerism and dedication to social causes. The latest feather in his cap? He has written a children's book "Beyond the Lemonade Stand" that will hit bookstores this September where all proceeds will be donated to children's charities.

He believes that there are certain characteristics that set innovators apart from mere mortals. How many of them do you possess?

- The ability to recognise an opportunity and to seize it
- You are not afraid to leave your comfort zone to try something new.
- You are never satisfied – always looking for ways to do it better, make more money etc.
- Business is not usual for you, you do things differently.
- Strategy is important to you.
- You understand the power of practical execution – actions speak louder than words.
- You are agile knowing when to adapt and to react.
- You take control of your own destiny and manage risks
- You know how to be the conductor to get the orchestra to play in harmony with you.
- You surround yourself with the right people
- You are a good decision maker, creative, you don't quit and you don't make excuses.

Mark Gallagher

Innovation to Change

For most of us, Ferrari is a brand that stands for excellence, power and is a status symbol.

According to Gallagher, from the year the brand was established (1922) it has never advertised through print or TV. Its only form of advertising was through Formula 1. However, Ferrari was making losses and they were not gaining traction in developing their customer base; in fact, they were losing it.

By the mid-1990s they decided they would pull the plug if they couldn't make it profitable.

What Ferrari did then was to "innovate to become a successful sustainable business."

How? They decided to innovate in areas that they never considered before – quality and customer service. The quality of their products was appalling and for over twenty years they remained battered and beaten.

But the status quo changed when Ferrari invested five years in innovating a quality product that suffered a total of 0 (zero) major technical failures from July 2001 to September 2006.

Their innovative change solution transformed the business into one where reliability and customer service are its hallmarks. For a company that was ready to bring the curtains down over a decade ago, Ferrari enjoyed its most successful year in business in 2012 and is continuing to focus on innovation in designing more quality products.

However, the crowning glory for innovation in leadership "is when the whole team sells the product."

Innovation in Engagement

When employees feel engaged by the leaders of the company, they feel recognised and this can unleash huge potential because they are happy and feel appreciated. In huge organisations there is a tendency for some employees to feel insignificant not realising that everyone has a role to play in the organisation.

To prevent such feelings, McLaren even ran an ad to signify the importance of everyone on the team. It showed Lewis Hamilton and Jensen Button attempting and failing miserably to put together their race car without help from the engineers.

In a nutshell, while innovation is at the heart of leadership and knowing when and how to steer the company is important, what fuels the success of the business is innovative engagement with employees. At the end of the day, people matter. ■

Tapping Trends

WHAT CAN WE EXPECT IN THE BUSINESS WORLD WITHIN THE NEXT 20 YEARS OR SO?

One of the most widely recognised figures in science in the world, Dr. Michio Kaku is known for his authority in two areas – Einstein's unified field theory which Kaku is attempting to complete and his prediction of trends affecting business and finance based on the latest research in science.

According to Kaku, "science is the engine of prosperity and entrepreneurs are the rocket fuel."

If you are looking for stock tips or ideas to inspire a new business, the following are the industries you may want to consider:

- ***Telecommunications*** – Kaku says that "we haven't reached our peak yet." (Maybe there is hope yet for a mobile phone that tells us where we left our keys.)
- Biotechnology – scientists are making a human body shop possible. Imagine, need a new kidney? Just grow one!
- ***Internet*** – if you are thinking people are already zoning out with their tablets and mobile phones, be afraid, very afraid. Kaku says that in the future, the internet will be in our contact lenses and all we have to do is blink. You can even listen to someone speaking another language and with a blink of an eye, you will see subtitles.

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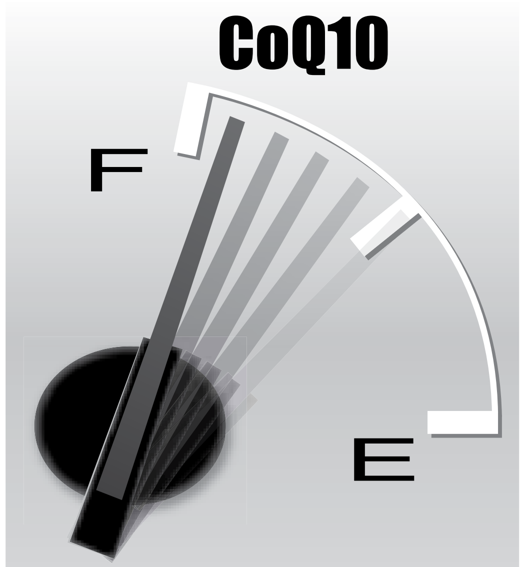

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Banking on Business Intelligence

Sharing insights and wisdom are the key roles of CFOs today as business partners for their companies. How can finance chiefs and the finance function utilise Microsoft Excel for business intelligence and analytics to create and add organisational value?

Matthew YM Chang and Elaine Chong,
Institute of Business Analytics

Today, an accountant's role has evolved from number-crunching to the more complex and demanding roles of a strategic business partner.

Even though the CFO bears ultimate responsibility for the finance department, as an architect of the future of his or her company, the CFO has to work closely with the company's other departments as a trusted adviser and process expert. CFOs are getting more frequent — and almost always, urgent — requests from other senior executives who want accurate, timely and relevant financial as well as non-financial information that can provide insights to business operations and performance.

In an interview with *Business Reporter* on *What Makes the Perfect CFO* dated 23 November 2012, a partner and chair of E&Y's CFO Program commented on the CFO's role: "A lot of the traditional finance skills such as analysis, reporting and controls are still there and still very important, but they've now moved into much more soft strategic roles, looking at being an enabler for the business rather than just a controller." In a 2012 Ernst & Young report on *The Evolving Role of Today's CFO,* the CFO of a large bank in Canada said "The highest value add of the (CFO) role is really on the analytics … being able to bring insights and wisdom to the CEO, the board and the senior executive team."

In meeting their mandates, CFOs and the accounting and finance departments rely considerably on information technology (IT) as a business intelligence enabler. They heavily utilise technologies linked to transaction processing systems, Supply Chain Management (SCM), and Enterprise Resource Planning (ERP) initiatives. These technologies have increased the availability of financial and non-financial data to help CFOs provide the necessary measures and reporting to assess essential KPIs in meeting business objectives. But technology has also led to information overload. CFOs have a tall order in making sense of the flow by dissecting and synthesising disparate pieces of information to tell meaningful stories.

Business Intelligence and Analytics

Business intelligence is a term used to describe the ideas and activities which centre around transforming raw data into meaningful and useful information – the handling of large amounts of information to help in identifying and developing opportunities. As organisations around the world embrace and gravitate towards developing sound business intelligence, a keen focus on the analytics component of business intelligence was developed as strategic decisions relied heavily on quantitative analyses which are predictive in nature.

Goods and Services Tax (GST)

A Preparatory Course for GST Consultants and Accountants

GST is a multi stage consumption tax levied on goods and services at all levels of business transactions. The main aim of the GST is to make the tax system more effective, efficient, transparent and business friendly. GST awareness and education programmes will be conducted until the GST is implemented. This course is ideal for MIA members in the Public Practice and Commerce and Industry who wish to specialise in GST.

KEY COURSE CONTENTS

- Overview of GST
- Scope of GST
- Types of supply
- Accounting for GST
- Registration, Tax Invoice and Penalties
- Transitional Rules
- Input Tax Credit
- Special Scheme and Special Transaction

WHO SHOULD ATTEND

- Accountants
- Tax Consultants/Advisors
- Auditors
- Financial Controllers
- Finance Directors
- Company Secretaries
- Business Entrepreneurs

FACILITATOR

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- 20 & 21 September 2013 (Friday & Saturday)
- 27 & 28 September 2013 (Friday & Saturday)

CONTACT

Encik Asrul / Ms Yoges
Tel : 03 22799368 / 03 22799332
Email : pd@mia.org.my

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Today, business intelligence and analytics is one of the fastest-growing parts of the software industry. The business of information management, helping organisations to make sense of their proliferating financial and non-financial data, is growing by leaps and bounds. In 2011 alone, business analytics software revenue worldwide was estimated at over USD31 billion, growing 14% over the year before. The International Data Corporation (IDC) estimates the growth trend to continue at a compound annual growth rate (CAGR) of almost 10% through 2016.

Stephen Few, a renowned author on business intelligence and analytics, in a keynote speech at a 2010 conference entitled *BI has Hit the Wall,* said this wall prevents us from doing more meaningful things with data.

This representation can easily be used to describe the things we do in our traditional accounting functions. We spend significant time and resources to collect, clean, transform, integrate, store and report on financial information. Few observed that "… the activities that actually make sense of information and use it to support better decisions have remained behind a wall that they have failed to scale and have never seriously tried to scale. For information to be useful, we must explore it, analyse it, communicate it, monitor it, and use it to predict the future."

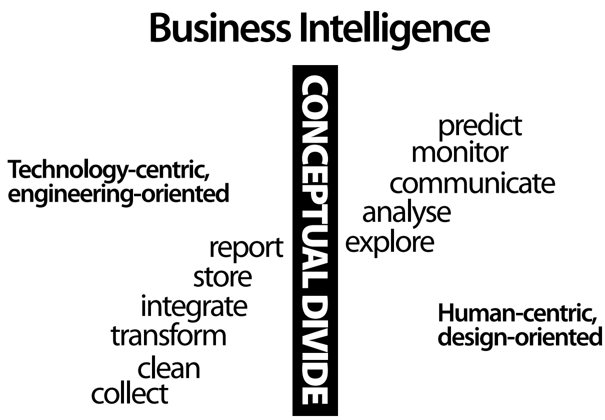


Illustration: Business Intelligence Conceptual Divide

Microsoft Excel as the Entry to Business Intelligence

Microsoft Excel can be viewed as an entry to field business intelligence and analytics. The key aspect of any venture into business intelligence is on developing new insights and understanding of the business based on data that is already on the company's system.

Most accounting systems already provide reasonably adequate data source (inputs), but inefficiencies arise when they are not in the format that is required for printed or dashboard reports (outputs). Sometimes the inputs are from two or more different sources. For example, the accounting system's ledger has historical and year-to-date results, a separate Excel file for target sales, and another set of files kept by local store managers for tracking weekly sales. Many finance professionals spend hours trying to manipulate the inputs for the desired outputs, and this inefficiency is magnified many times over for every reporting period (monthly, quarterly, annually).

For those who are better in using spreadsheets, they fall into the trap of creating very complicated formulas, nested functions and macros in an attempt to transform inputs to required outputs. Not only are such spreadsheets too difficult to understand for anybody other than the creator, the lack of documentation means that only that individual understands a working spreadsheet. That is risky business.

What we really need is a systematic way to work out the step-by-step logic that will transform the data into suitable outputs as well as retain robust sustainability techniques for changes in periodic reports and analysis – all within the realm of an easy-to-understand and well-documented format.

Logical and coherent Excel modelling methodologies have helped companies reduce report preparation time – for some at up to 80 per cent time savings. The accounting and finance department becomes more productive and can afford the time for higher value-added activities on the right-hand side of the business intelligence divide.

Making it work for you

Accounting and finance departments are spending increasingly more time and effort to generate reports on an ever-increasing volume of information. To make matters worse, these reports often do not offer better insights for decision-making as they are often rigid in their format.

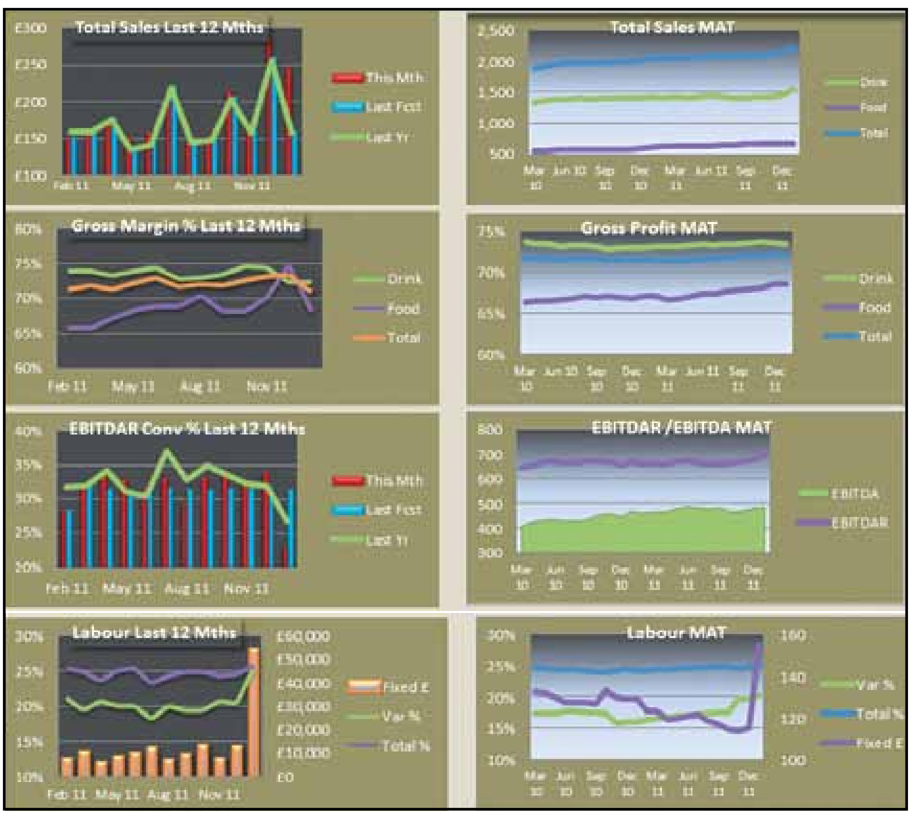
Business intelligence and analytics can provide a route through these vast quantities of information by looking firstly at the precise information requirements of the end-user. By presenting this data in a clear way, using as few pages as possible, a tool is created that becomes much more useful. Interactivity with this data enables end-users to better discern and analyse findings in real-time rather than relying on other departments to produce additional reports.

The key is undoubtedly to link the large amounts of data available to the quantitative analytical needs and reporting requirements of the end user. Once the two ends are identified, a solution can be found. Large systems can often be inflexible in this regard and changes expensive to implement. That is why most quantitative analysis and reporting requirements which are not catered by large systems are done via Microsoft Excel as a viable alternative. By utilising thoughtful modelling processes to automate much of the periodic analytical and reporting requirements, CFOs and the accounting and finance departments will likely spend more time value-adding as strategic business partners.

SITE PERFORMANCE — Site: Site 5 — Month: Jan 12 — Cum Numbers: YTD / Last 12 Months

GO TO MAIN MENU

		January					April - January				
		This Mth	Last Fcst	Var	Last Yr	Var	This Mth	Last Fcst	Var	Last Yr	Var
		£000	£000		£000		£000	£000		£000	
Sales	Drinks	200.4	112.6	78%	108.2	85%	1,325.5	1,237.1	7%	1,202.9	10%
	Food	43.5	48.2	-10%	49.7	[illegible]	574.6	530.2	8%	527.9	9%
	Total	243.9	160.8	52%	158.0	54%	1,904.4	1,767.2	8%	1,736.3	10%
Margin %	Drinks	72.2%	73.0%	-1.1%	73.8%	-1.6%	73.3%	73.0%	0.3%	73.0%	0.3%
	Food	68.1%	68.0%	0.1%	66.9%	1.2%	69.8%	68.0%	1.8%	67.5%	2.3%
	Total	71.0%	71.5%	-0.7%	71.6%	-0.7%	72.2%	71.5%	0.7%	71.4%	0.8%
Labour	Fixed	54.2	26.5	105%	13.6	[illegible]	138.1	290.8	53%	105.5	[illegible]
	Var	61.9	14.1	339%	28.0	[illegible]	390.8	154.9	[illegible]	281.3	[illegible]
	Total	37.1	40.6	-9%	40.6	9%	443.5	445.7	0%	421.4	-5%
	%	25.8%	25.2%	-0.6%	25.7%	-0.1%	23.3%	25.2%	1.9%	24.3%	1.0%
Operating Costs		18.9	24.1	-22%	30.1	37%	271.0	262.2	-3%	251.0	-8%
	%	7.7%	15.0%	7.3%	19.0%	11.3%	14.2%	14.8%	-0.6%	14.5%	0.2%
EBITDAR		56.1	50.3	12%	42.5	32%	599.9	555.7	8%	567.4	6%
Rent/Rates		28.8	19.1	51%	17.1	[illegible]	176.2	167.7	-5%	161.3	-9%
EBITDA		27.3	31.2	-12%	25.4	8%	423.7	388.0	9%	406.1	4%
Operating Profit		6.2	20.7	[illegible]	15.2	[illegible]	317.3	295.8	7%	317.2	0%
EBITDAR conv %		23.0%	31.3%	[illegible]	26.9%	-3.9%	31.5%	31.4%	0%	32.7%	-1.2%
EBITDA conv %		11.2%	19.4%	-42%	16.1%	-4.9%	22.2%	22.0%	0%	23.4%	-1.1%
Cost		1,361	1,026	33%	1,289	-6%	1,361	1,026	[illegible]	1,289	-6%
ROI		20.9%	31.6%	[illegible]	20.5%	0.4%	37.4%	45.4%	-8.0%	37.8%	-0.4%



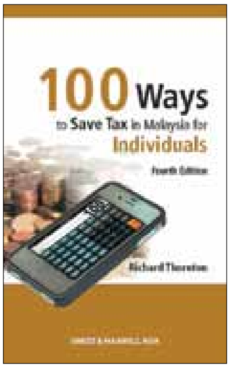
What Does It Mean?

Business analytics refers to the skills, technologies, applications and practices for continuous iterative exploration and investigation of past business performance to gain insight and drive business planning. Business analytics focuses on developing new insights and understanding of business performance based on data and statistical methods. In contrast, business intelligence traditionally focuses on using a consistent set of metrics to both measure past performance and guide business planning, which is also based on data and statistical methods.

Business analytics makes extensive use of data, statistical and quantitative analysis, explanatory and predictive modelling, and fact-based management to drive decision-making. It is therefore closely related to management science. Analytics may be used as input for human decisions or may drive fully automated decisions. Business intelligence is querying, reporting, OLAP or online analytical processing, and "alerts."

In other words, querying, reporting, OLAP, and alert tools can answer questions such as what happened, how many, how often, where the problem is, and what actions are needed. Business analytics can answer questions like why is this happening, what if these trends continue, what will happen next (prediction), and what is the best that can happen (optimisation). ■

This article was contributed by The Institute of Business Analytics who shared their expertise in business analytics and intelligence with MIA members at the recent MIA CFOs and Finance Leaders Conference 2013. For more information e-mail info@iba.com.sg.



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