

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

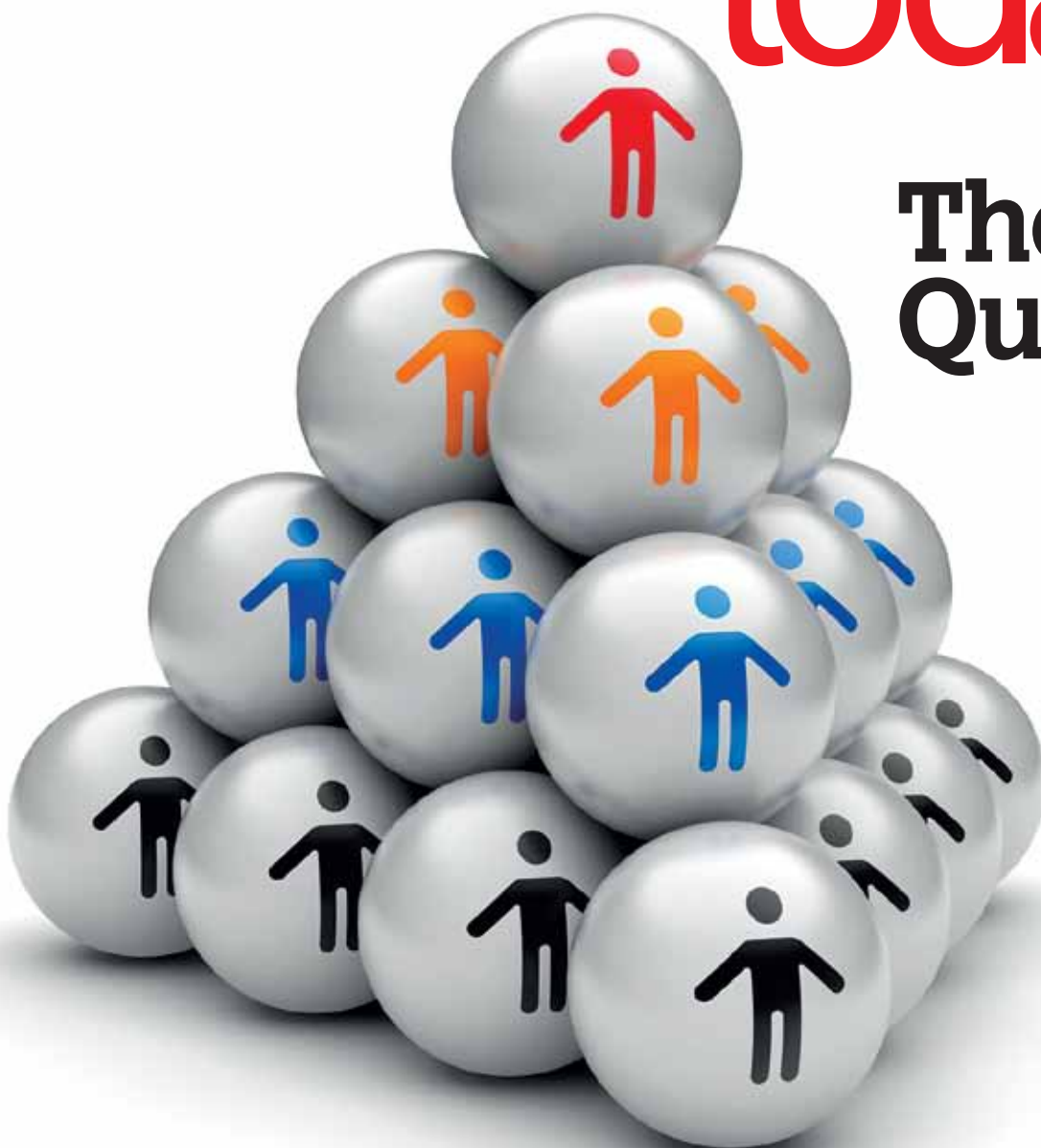
accountants today

September / October 2013
Vol. 26 No. 5

The Talent Question

Attracting and retaining talent continues to be a major challenge for public practice firms. How can they overcome talent issues in order to enhance audit quality and value?

- +** How to zoom up the career ladder or upskilling for success
- +** Audit exemption and the way forward



MALAYSIAN INSTITUTE OF ACCOUNTANTS



**MIAconference
2013**

MIA INTERNATIONAL ACCOUNTANTS CONFERENCE

26-27 November 2013

Kuala Lumpur Convention Centre

see page 18



Proud winner of



NATIONAL CONFERENCE AWARD FOR EXCELLENCE

The Wait is Over

It's finally here!

Presenting, our latest financial management solution, **Century Financials Version 8.2.**

With support for HTML 5, Web 3.0 and all the latest mobile platforms including Blackberry, IOS, Android to name a few, Version 8.2 allows you to have visibility of your financial information at your fingertips. Compile reports intelligently, approve your payments on your mobile device and stay updated through mobile notifications which give you access to business insights even when you are on the move.

Developed on our home-grown architecture; "coreplex"; financial framework validated by IBM; Version 8.2 harnesses the power of modern technology to facilitate your daily business operations, timely decision making, accurate reporting and at the same time secures your business information. Its "Simplified, Clarified and Economised".

Caring
Credible
Committed



Tel : +603 7962 7888
Website : www.censof.com

driving business solutions

censof

Interested in knowing more about Version 8.2 and coreplex? Give us a call.

2014

BUDGET COMMENTARY
AND TAX INFORMATION

The economic scenario

The General Elections are over and it is time for businessmen to settle down to the serious business of making money! The opportunities are aplenty for the smart entrepreneur but risks also abound of the unwary. The bulls are expecting the Bursa Malaysia to reach new heights whilst the bears are predicting a global stock market collapse in 2013. Who shall we believe?

All of these developments should translate into further plans and changes in the coming Budget 2014 which is expected to be presented by the Prime Minister in October 2013. To bring some insights and perspectives to our fellow professionals, the **Malaysian Institute of Accountants (MIA)**, **The Malaysian Institute of Certified Public Accountants (MICPA)** and **The Chartered Tax Institute of Malaysia (CTIM)**, will once again jointly publish the 2014 annual Budget Commentary & Tax Information booklet for our members.

Order the 2014 Budget Commentary and Tax Information

Do not miss this opportunity to get your hands on this highly sought after booklet! Not only is this booklet an excellent source of information on the 2014 Budget proposals, it is an outstanding repository of tax facts which every practitioner can access within a page away.

A complimentary copy each of the booklet will be given to all members of MIA, MICPA and CTIM but members are encouraged to purchase additional copies of the booklet for their staff and for distribution to their clients and business associates. For a fee, interested firms may personalise the booklet by overprinting the firm's name in a space on the first page of the booklet.

Members who wish to purchase additional copies of the **2014 Budget Commentary & Tax Information** are requested to complete the Order Form below and return it with the appropriate remittance to the **MIA office**.

Order Form – 2014 Budget Commentary & Tax Information

	Price Per Copy	No. of Copies	Total (RM)
Less than 100 copies	RM10.50		
100 – 499 copies (10% discount)	RM9.50		
500 – 999 (15% discount)	RM9.00		
1000 copies and above (20% discount)	RM8.40		
Sub-total			
Over print of firm's name (black and white) – only for bulk order of 200 copies and above Artwork to be received by MIA before September 6, 2013 (CLOSED)			RM120.00
Over print of firm's name (colour) – only for bulk order of 200 copies and above Positive films / PDF file (colour in CMYK and bleed of 5mm on all sides) measuring 210mm x 148mm (cropped mark at 4 corners) and colour proof to be received by MIA before September 6, 2013 (CLOSED)			To be advised – cost reimbursement basis
<input type="checkbox"/> Postage & packing: Within Malaysia – RM4.00 per copy Outside Malaysia – different rates depending on location			
<input type="checkbox"/> Delivery by courier – different rates depending on location			
TOTAL			

- Cheques in Ringgit Malaysia should be crossed and made payable to **MICPA-MIA-CTIM Budget Commentary** (for payments made on or before December 31, 2013 only).

In the event that the Budget Day is postponed to a date after October 2013, delivery of the Budget booklet will be deferred accordingly.

Name (Mr/Mrs/Ms): _____

Designation: _____

Company: _____

Address: _____

Postcode: _____

Tel: _____ Fax: _____

E-mail: _____

Jointly published by:



Malaysian Institute of Accountants



MALAYSIAN INSTITUTE OF ACCOUNTANTS

Dewan Akauntan

2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur

Tel: 03-22799200 Fax: 03-2274 4338

Email: budgetbooklet@mia.org.my Website: www.mia.org.my

Contents

SEPTEMBER / OCTOBER 2013



editor's note

5 CRACKING THE TALENT CHALLENGE

governance

6 CHARTING PROGRESS

cover story

14 THE TALENT QUESTION *Attracting and retaining talent continues to be a major challenge for public practice firms. How can they overcome talent issues in order to enhance audit quality and value?*

MIA Conference 2013

18 HOW TO ZOOM UP THE CAREER LADDER OR UPSKILLING FOR SUCCESS

special report

22 MIA BAGS TOP RAWR AWARDS FOR EXCELLENCE IN BUSINESS CONFERENCE

accounting+auditing

24 HONOURING THE MASTERS OF THE GAME *The revamped National Awards for Management Accounting (NAfMA) aims to honour management accountants who are at the top of their game in creating sustainable value for their organisations.*

26 PROFESSIONAL SKEPTICISM AND TONE FROM THE TOP – THE KEYS TO BUILDING SUSTAINABLE AUDIT QUALITY *Practice review is a useful process for detecting and rectifying areas for improvement among member firms as Malaysia strives to enhance audit quality in line with global standards.*



34 AUDIT EXEMPTION AND THE WAY FORWARD

36 FRAUD: IS IT WORTH IT? *Small and medium practices can profit from offering the appropriate fraud detection services.*

38 INSOLVENCY: RECENT FEDERAL COURT DECISIONS *A review of recent Federal Court decisions relating to insolvency practice.*

tax

40 WHAT IS AN INDUSTRIAL BUILDING?

46 TAX INCENTIVES AVAILABLE FOR SMALL AND MEDIUM ENTERPRISES

management+business

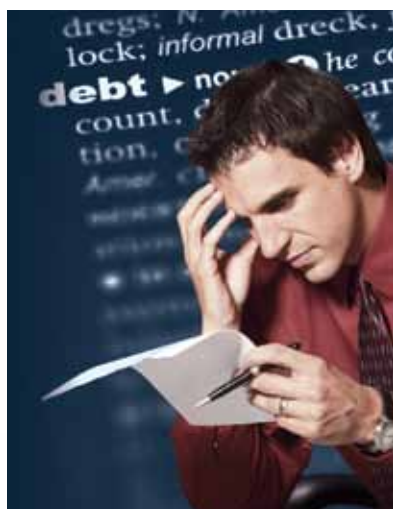
50 MANAGING HOUSEHOLD DEBT *How can Malaysians better manage their household debt to optimise their money?*

promoting accounting excellence

54 MIA-SUNWAY TES ACCOUNTING QUIZ UNEARTH'S YOUNG TALENT *To try and expand the Malaysian accounting talent pool, it is critical to engage students early and inspire them to choose accounting as a vocation. Recently, MIA joined forces with Sunway TES to organise a state-level accounting quiz for secondary schools in order to capture student interest.*

56 NOTICE

58 BOOK REVIEW





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.

Accountants Today is the official publication of the Malaysian Institute of Accountants (MIA) and is distributed to all members of the Institute. The views expressed in this magazine are not necessarily those of the MIA or its Council. Contributions including letters to the Editor and comments on articles appearing in the magazine are welcomed and should be sent to the Editor as addressed below. All material without prejudice appearing in *Accountants Today* are copyright and cannot be reproduced in whole or in part without written permission from the Editor.

Editor, *Accountants Today*, Dewan Akauntan,
2 Jalan Tun Sambanthan 3, Brickfields,
50470 Kuala Lumpur, Malaysia

Tel: +603-2279 9200, Fax: +603-2274 1783
e-mail: communications@mia.org.my
web: www.mia.org.my

accountants today

MIA Council

ACCOUNTANT GENERAL

Datuk Wan Selamah Wan Sulaiman

DEPUTY ACCOUNTANT GENERAL, CORPORATE

(Nominee of the Accountant General in MIA Council)

Dato' Rosini Abdul Samad

PRESIDENT

Johan Idris

VICE-PRESIDENT

Datuk Zaiton Mohd Hassan

COUNCIL MEMBERS

Assoc. Prof. Dr. Mohamat Sabri Hassan

Dr. Nurmazilah Dato' Mahzan

Prof. Dr. Rozainun Ab Aziz

Assoc. Prof. Dr. Nor Aziah Abu Kasim

Ken Pushpanathan

Ooi Thiam Poh, Alex

Yeo Tek Ling

Mohamed Raslan Abdul Rahman

Dato' Abdul Rauf Rashid

Mohd Noh Jidin

Mustapa Kamal Mohd Razali

Eugene Wong Weng Soon

Zahrah Abd Wahab Fenner

Ahmad Zahirudin Abdul Rahim

Chan Wan Siew, Paul

Dealananathan Joseph Lourdes

Heng Ji Keng

Kua Choo Kai, Simon

Leong Kah Mun

Lim Thiam Kee, Peter

Dr. Mohd Nordin Mohd Zain

Dato' Narendra Kumar Jasani

Soo Hoo Khoo, Yean

CHIEF EXECUTIVE OFFICER

Ho Foong Moi

CHIEF OPERATING OFFICER

Datin SK Yap

REGISTRAR

Sudirman Masduki

publisher

Malaysian Institute of Accountants

Dewan Akauntan

2 Jalan Tun Sambanthan 3,

Brickfields, 50470 Kuala Lumpur

Tel: +603-2279 9200

Fax: +603-2274 1783, 2273 1016

e-mail: mia@mia.org.my

web: www.mia.org.my

publishing consultant

Executive Mode Sdn Bhd (317453-P)

Tel: +603-7118 3200, 3205, 3230

Fax: +603-7118 3220

e-mail: executivemode@executivemode.com.my

web: www.executivemode.com.my

printer

BHS Book Printing Sdn Bhd (95134-K)

Lot 17-22 & 17-23, Jalan Satu, Bersatu Industrial Park

Cheras Jaya, 43200 Cheras, Selangor DE

Tel: +603-9076 0816, 9076 0825, 9074 7558

Fax: +603-9076 0785, 9074 7573

e-mail: bhsprint@tm.net.my

Editorial Advisory Board

Johan Idris

Datuk Zaiton Mohd Hassan

Editor

Ho Foong Moi

Corporate Communications

Iszudin Mohd Amin, Head

Thane Meyyappan, Manager

P. Mohana Poopathi, Executive

Nurul Nadira Muhammad Shaharudin, Executive

Writers

Nazatul Izma

Majella Gomes

Advertising Sales & Subscription

Corporate Communications Team

email: communications@mia.org.my

MIA Regional Offices

REGION

CHAIRMAN

Northern Region (Perlis, Kedah & Penang)

Tel: 04-261 3320

Fax: 04-261 3321

Johor

Johor Bahru

Tel: 07-227 0369

Azizan Zakaria

Fax: 07-222 0391

Sarawak

Kuching

Tel: 082-418 427

Tuan Haji Wan Idris Wan Ibrahim

Fax: 082-417 427

Sabah

Kota Kinabalu

Tel: 088-261 291

Winson Chong Kan Hiung

Fax: 088-261 290

Cracking the talent challenge

Like it or not, there is no escaping the reality that talent is the key to the long-term viability of the accountancy profession.

Today, attracting and retaining talent are major challenges for the profession. The acute shortage of high quality talent is a major risk to our future sustainability. As the organisation entrusted with developing the profession in Malaysia, MIA is committed to finding innovative and effective methods to grow our talent pool.

In order to solve a problem, we need to understand it first. One of the highlights of the recent Public Practice Forum was a discussion on attracting and retaining talent for professional firms, which we have headlined in our cover story on 'The Talent Question'. What are the major pull and push factors? How can public practice firms recruit and retain talent effectively? How should human resource frameworks be tweaked to accommodate the diverse needs of women and Generation Y? Is there room for work-life balance in the deadline-oriented environment of public practice? Hopefully, the points to ponder raised in this issue will provide insights for your own talent situation.

Learning and education are critical factors in enhancing the quality of talent to match industry needs. MIA's flagship and award-winning event – the MIA International Accountants Conference 2013 – will be staged from 26 - 27 November 2013. Delegates will be exposed to invaluable knowledge over these two days that can accelerate your learning curve and make you more valuable to employers and clients. Discover more about the content on offer and the intensive masterclasses following

from 28 – 29 November in "Upskilling for Success".

For the benefit of all our members, we feature the abridged version of the President's Address delivered at the recent 27th MIA Annual General Meeting. Johan Idris, the new MIA President, spoke at length on the roles of the Institute in safeguarding trust and integrity at the Annual General Meeting. Read on to grasp Johan's thoughts on developing the profession in sync with the Institute's objectives. Johan welcomes feedback and wants to hear from members, so do drop him a line at communications@mia.org.my.

Regular readers will notice that MIA features content on improving audit quality in every issue. This is because the audit profession is a major provider of assurance services to business; and quality assurance is essential to ensuring credibility and confidence in the capital markets. For MIA, Practice Review is an important mechanism to ensure that all firms are benchmarked to international audit quality standards. In response to escalating expectations for audit quality, MIA has revised its framework for Practice Review and adopted a new risk-based approach. Our feature on Practice Review tells in brief how you and your firm can improve audit quality and deliver value and the highest standards of assurance and comfort to users and clients.

As always, we hope that *Accountants Today* will be useful in providing clarity on the pressing issues affecting our members and the profession. Happy reading! ■

EDITOR

MIA'S 27th Annual General Meeting

THREE NEW COUNCIL MEMBERS ELECTED AND ANNOUNCEMENT ON RESULTS FOR RESOLUTIONS AND MOTIONS

FOLLOWING the conclusion of the Institute's 27th Annual General Meeting (AGM) on 28 September 2013, the Malaysian Institute of Accountants (MIA) is pleased to announce the election of three new members to the Council.

Mr. Heng Ji Keng, Dr. Mohd Nordin Mohd Zain and Mr. Peter Lim Thiam Kee were elected to the Council under Section 8(1)(g) of the Accountants Act 1967, replacing Dato' Raymond Liew Lee Leong, Subramaniam A.V. Sankar and Sam Soh Siong Hoon who had retired from the Council.

At the meeting, three (3) resolutions proposed by the MIA Council were approved and carried.

Resolution 1 and Resolution 2 : that the final examinations of Universiti Sains Islam Malaysia (USIM) and Universiti Tunku Abdul Rahman (UTAR) for the Degree of Bachelor of Accounting (Honours) be recognised by MIA and the third resolution, Resolution 3 resolved that :

- (a). the Membership and Council Rules 2001 to be further amended to cater for the introduction of electronic balloting for election of members to Council;
- (b). the introduction of the use of electronic means for matters relating to the holding of the AGM; and;
- (c). revision of the relevant time frames relating to the holding of AGM to allow the implementation of the approved changes to the proxy forms.

On the two motions, i.e. Motion 1 and Motion 2, which were proposed by an MIA member, both motions were withdrawn by the proposer as the issues presented are interconnected with Resolution 3. The MIA Council has agreed to update members on the progress of the implementation of electronic balloting every six (6) months. For more details about this year's resolutions and motions, please visit www.mia.org.my

JOHAN IDRIS, the new President of the Malaysian Institute of Accountants (MIA), spoke at length on the roles of the Institute in safeguarding trust and integrity at MIA's 27th Annual General Meeting.

In his maiden address to more than 300 members, he also shared his thoughts about progressing the profession together using the platforms and goals which have been set by the Institute. He is also passionate about working closely with the MIA Council Members, various strategic stakeholders, members and the Institute's management team to seamlessly carry on and strengthen the Institute's ongoing initiatives.

In addition, he looks forward to listening to a wider and more diverse range of voices from members to improve the profession and also find ways on how MIA can better serve its members. Whether junior or senior, in business or in practice, in academia or in the public sector, our members are the key to success for MIA. Two-way communication is the key to the progress and development of the profession. Members are encouraged to write in to communications@mia.org.my to reach out to the MIA President

Below is an abridged version of the MIA President's address delivered on 28 September 2013.



CHARTING PROGRESS

MIA PRESIDENT'S ADDRESS AT THE 27th AGM

It has been a very great honour for me to be elected as MIA President and to chair the Malaysian Institute of Accountants' (MIA) 27th Annual General Meeting. When I began my term as the Institute's President on 22 July this year, my priority was – and still is – to continue pursuing the following goals set by the Institute to elevate the profession:

- To emphasise MIA's role and responsibilities to members and stakeholders, and to identify areas where members could come in to provide support and at the same time benefit as significant players in the accountancy field.
- To enhance the levels of competency, transparency, governance and accountability in the accountancy profession, as the profession is the dominant provider in the governance and financial reporting chain.
- To promote capacity building and excellence in the profession with key stakeholders;

- To increase membership and satisfy growing demand for qualified accountants;
- To ensure MIA continues to promote its members' interests and continuously develop them to be ethical and competent accountants who are able to uphold the profession's reputation and protect the public interest.

To achieve this, collaboration and engagement will be critical. I look forward to working closely with our Council Members, various strategic stakeholders, members and the Institute's management team to seamlessly carry on and strengthen the Institute's ongoing initiatives. In addition, I would like to listen to a wider and more diverse range of voices from members. Tell us how we can improve the profession and our services to you. Whether junior or senior; in business or in practice; in academia or in public sector; our members are the key to MIA's success.

BALANCING BETWEEN REGULATING THE PROFESSION AND CARING FOR THE WELFARE OF MEMBERS

It is important to bear in mind that MIA has a dual role to play in accordance with the Accountants Act 1967, i.e. as a regulator as well as a professional body.

At the last AGM, we had been reminded that playing both roles effectively was a daunting task since it involved the juggling of competing interests. So came the need to explore the possible ways of facilitating both roles effectively. Therefore it was crucial to revisit the perspective in which MIA should correctly be placed.

Because MIA is a creation of the Act, specifically the Accountants Act 1967, it is this Act that needs changes. However, the changes to the Act are not entirely within MIA's control and power as any changes would eventually need to be tabled and passed in Parliament, after going through stringent vetting and approval processes which involve the Accountant-General's Department, the Ministry of Finance and the Attorney-General's Chambers.

However, we are empowered to recommend the needed changes according to members' expectations. Subsequent to the last AGM, the MIA Council has proposed some recommendations to amend the Act, of course in continuous consultation with the Accountant-General's Department. One of the key recommendations was to review the overall structure and purpose of MIA to assess our effectiveness.

This recommendation for structural change was in line with the World Bank's Report on Observance of Standards and Codes (ROSC) released in February 2012 which called for, among others, the improvement of the governance structure of MIA.

The ROSC gave rise to the setting up of the Committee to Strengthen the Accountancy Profession (CSAP) established by the Ministry of Finance in March this year. The mandate of CSAP is to formulate and recommend strategies and measures to strengthen the profession and to improve the contribution of the profession toward enhancing the competitiveness of this country.

The MIA Council felt that the profession's voice ought to be heard by CSAP and so, following the ROSC findings, the MIA Council had formed a special Task Force to specifically look into governance-related issues. The Task Force comprised six (6) Council Members, half of whom are elected Council Members.

The Task Force had looked into several aspects relating to MIA's governance and had come up with several recommendations to identified governance-related issues. The said recommendations were approved by the MIA Council and then incorporated in a discussion paper titled the Proposed New Governance Framework for the Accountancy Profession which was circulated to all MIA members for feedback and comments.

I wish to highlight that the feedback received from mem-



bers was valuable for our consideration in forming the basis of MIA's proposal to the CSAP.

As I mentioned earlier, the Act had entrusted the MIA with dual roles i.e. the professional role and the regulatory role. In addressing the governance-related issues, the proposed new governance framework was modelled based on three guiding principles i.e. stakeholders' interest, independence and objectivity and also conflict of interest.

Among the main highlights of the proposed new governance framework is the formation of a separate entity to carry out the regulatory functions, independent from the MIA Council, which would then be left to carry out the professional functions. This independent entity, to be known as the MIA Regulatory Board, comprising of representatives from the MIA Council would constructively communicate its activities to the MIA Council.

The proposed new governance framework would also see a reduction in the composition of the Council, with a change in the ratio of elected members to appointed members, whereby the majority of the Council Members would comprise the elected ones. This would be in line with the motion that was

approved during the last AGM which proposed that the MIA Council constitute a majority of elected members.

The new governance framework also looked into strengthening and 'liberalising' the composition of the statutory committees i.e. the Investigation Committee, the Disciplinary Committee and the Disciplinary Appeal Board, which would see the formation of more than one panel of each statutory committee and the inclusion of lay persons to enhance the transparency of the investigative and disciplinary processes.

Once the main governance issues including the issue of the composition of the Council members has been resolved, it will pave the way to look into other related issues, including the need to have all retiring Council Members remain in office until the AGM that the Council Members are to retire at.

MEMBERS DEVELOPMENT

Let's move on now to education and continuing development, which is a priority for MIA in its professional role. In line with MIA's goal to continuously develop members to be ethical and competent accountants, MIA has kept its members up to date with recent developments via our dedicated e-news and circulars. Technical guidance was provided in many areas including:

- Accounting guidance (FRSIC Consensus & Special Matter Guidance);
- Auditing and assurance guidance (Recommended Practice Guides & Auditing Practice Note); and
- Quick Wins (such as letter of financial support and debtors' circularisation letter).

MIA has also provided technical assistance in response to the technical queries received. During the financial year, the MIA received and resolved more than 200 technical inquiries through various mediums.

In addition, there have been more than 30 articles published on matters relating to accounting, auditing, taxation, public practice and regulatory. MIA also conducted several outreach programmes to enhance members' technical knowledge and competencies, including:

- Complimentary Merger and Affiliation Seminars (including accounting and auditing technical updates) in eight (8) locations;
- Technical updates during members' engagement sessions in five (5) locations;
- Forum on FRS for SMEs in four (4) locations; and
- Various forums on clarified ISAs and value of audit.

MIA is frequently requested to improve its technical support delivery as the environment becomes more complex. While the technical guidance and assistance necessary to address the needs of members in the practice and corporate sectors are readily made available by MIA, to keep members abreast of new developments, more initiatives will be implemented emphasising on accounting standards and compliance requirements.

In line with Malaysia's vision of becoming more business-friendly and competitive and to meet members' expectations, MIA's goal is to expedite the audit licensing process. MIA submitted a proposal on its action plan to the Accountant-General's Department in July 2012, with the ultimate outcome of taking control of the licensing processes gradually, whilst ensuring high professional standards and regulators' confidence in MIA.

To achieve this outcome, the recommended action plans have been divided into two (2) phases, to reflect the intended objectives and expected timeframe:

- **Phase 1:** *Uplift the quality of candidates and improve the transparency of the licensing processes, which will take 1-2 years; and*
- **Phase 2:** *Build support infrastructure and manage the interview process (2-3 years).*

I wish to highlight that in May 2013, the Jawatankuasa Pengawas under the supervision of the Accountant-General's Department agreed on these following changes in the interview guidelines, which are:

- Candidates are allowed to re-attempt the audit interviews for a single module if the candidate fails that module marginally; and
- Otherwise, the waiting period for the next interview session is six (6) months, regardless of how many modules a candidate fails.

MIA will continue to engage with the Accountant-General's Department on the other proposed changes to expedite the audit licensing process.

Furthermore, MIA supported members throughout the audit licensing process by:

- conducting coaching sessions for members who failed the audit license interview two times or more;
- increasing the number of interviews to reduce the backlog of audit license applications;
- conducting audit license interview seminars to enhance the passing rate;
- improving the audit license application criteria; and
- improving the auditor / liquidator license renewal process.

The Institute invests significant resources to promote member development to raise quality and build a sustainable talent pipeline to meet industry demands. Much of these resources are ploughed back into professional development and continuing professional education programmes to upgrade member competencies. Our goal is to ensure that members are relevant and fit-for-purpose in any market. MIA carefully designs programmes which are tailored for the major membership categories: Professional Accountants in Business (PAIBs) who form the largest group at 67% of membership, members in Public Practice who make up the second largest segment at 23% and members in the Public Sector as well as Academia at 10%.

With regards to accepting MIA membership as proof of competency, I wish to highlight that the current process that the Government has in place is to safeguard the competency and credibility of the profession. Moving forward, MIA will work more closely with the Accountant-General's Department and other Regulators on areas of improvement.

What has been deliberated and shared here today are our efforts thus far to implement the motions that have been approved in last year's AGM. Although not all motions have been fully implemented due to the regulatory infrastructure as well as developments in the accountancy environment and circumstances beyond our control, MIA will continue to seek innovative means to fulfil its responsibilities as the key body in the accountancy profession.

RESOLUTIONS

MIA has also taken into account members' requests to enhance the Institute's membership and council infrastructure and improve information dissemination and decision-making by using ubiquitous technology in tune with a digitalised and fast-moving business environment. Thus, the Council is also putting forth another resolution regarding amendments to the MIA (Membership and Council) Rules 2001. The main objectives of the amendments are:

- (a) to introduce electronic balloting for purposes of electing members to the Council, which shall be made mandatory and replace the current conventional method of balloting;
- (b) to allow the use of electronic means (e.g.: electronic mails) for purposes of circulation and submission of forms and documents relating to the holding of the AGM, such as proxy forms, nomination forms; and
- (c) to change certain time frames relating to the holding of the AGM to allow for motions to be listed in the proxy forms circulated to members.

The change in the time frames will accommodate the approved motion during last year's AGM which proposed for the proxy forms to reflect options "For", "Against" and "Vote Withheld" for every resolution and/or motion that will be deliberated/voted by members.

As for the motions that we have received this year, I am happy to note that the two motions are in line with the resolution put forward by the Council i.e. to embrace the use of technology by implementing electronic balloting or electronic voting. I do note that there was an approved motion in 2004 which proposed for MIA to implement electronic voting, but unfortunately the said motion could not be implemented immediately due to certain constraints, including the need for a secure and reliable IT infrastructure and the readiness of the members to use electronic media for voting purposes.

The third resolution put forward today will be the first step in implementing the use of electronic means including the

introduction of electronic balloting for election of members to Council. Once legal hurdles are tackled, we can focus on securing the IT infrastructure. IT has been an enabler; over the past few years we have managed to increase the number of members that are accessible through electronic means.

Last but not least, the issue of accountancy education is central to MIA. It is imperative that the profession works to improve the quality of accountancy education in order to elevate talent and therefore the quality of accountancy services as a whole.

Key to this is quality accreditation. Later today we will be discussing the recognition of a couple of universities, according to the Council's resolutions which have been circulated. I wish to assure you that the accreditation of these universities has gone through a due, robust and comprehensive process benchmarked against the 'HALA TUJU 2' REPORT and the Institute's Accreditation Guidelines.

FINANCIAL STANDING

I am pleased to note that the Institute is in robust shape financially, thanks to prudent financial management. Our aim is to optimise our financial resources for the benefit of members and the profession. For the year under review, the Institute recorded a surplus before tax of RM1.3million, mainly attributed to a significant increase in income from events and conferences as well as administrative savings.

A key measure which was initiated during the year under review was the increase in the annual subscriptions from RM250 to RM350 which has already taken effect from 1 July 2013. On behalf of MIA, may I say that I am extremely grateful to our members for approving the said increase. The extra funds will go a long way towards expanding our programmes and services to members, which will ultimately help all of us to become more competent and deliver better quality services.

ENHANCING AUDIT QUALITY

MIA remains focused on enhancing audit quality. Why? Audit quality is key to the profession's reputation and to building confidence in Malaysia's capital markets. As such, MIA will continue to prioritise audit quality issues.

To improve audit quality, we must keep ourselves updated on the application of the new or revised standards of auditing and assurance and accounting knowledge among public practitioners. There is no short-cut. While the Institute has crafted intensive engagement and training programmes to raise quality, anchored by the annual practice review programme, members must play their part by supporting and participating in these programmes. Without investing in these training programmes members will not improve on quality.

Firms are advised to stop undercutting one another and to adhere to recommended minimum audit fees in order to ensure acceptable audit quality. For many Malaysian audit firms, their mindset is that audit is a volume game. They take on more jobs



than they can handle in order to meet their revenue targets and charge low fees which in turn result in low margins. Firms cannot bite off more than they can chew, otherwise they will choke. MIA advocates charging better audit fees to achieve better audit quality. Without this the accountancy profession would have a tough time in attracting and retaining talent.

It is a vicious cycle. The issue of talent attraction and retention is a leading risk for audit firms, but could be circumvented if firms charged adequate fees which translate into giving better remuneration and staff benefits that helps retention of talent as we are truly a global profession.

While auditing standards provide a strong foundation for high quality audits, audit/auditors are only one of the key components influencing overall audit quality. Other significant components of the financial reporting supply chain such as corporate management, directors and regulators play an equally important role in influencing audit quality. Thus, it is critical to create awareness and buy-in among stakeholders on the importance of enhancing audit quality.

To do this, we encourage preparers and boards of directors

to improve and get involved in the quality of financial reporting. This will facilitate the role of auditors, while we continue to create awareness of these issues and deliver tailored content to boards and professional accountants on financial reporting standards. Strong Audit Committees that ask tough questions to management help to improve accountability and greater governance for Audit Committees in discharging their duties consistent with global best practices.

Looking ahead, MIA hopes to encourage Malaysian corporations to embrace Integrated Reporting (IR) as it is the next big thing after IFRS. IR is in line with global trends for enhanced disclosure in four areas, which are financial reporting, sustainability reporting, risks and capital management and human and social capital, all of which shall enable investors to make more informed decisions.

For members working in business, we held regular forums including several industry-specific focus group discussions relating to issues as diverse as optimising the finance function, board governance and Islamic finance reporting.

Academics are key to improving quality since they are training the next generation of accountants. MIA's National Accounting Educators Symposium (NAES) is the annual signature forum aimed at members in academia. The NAES encourages accounting academics in Malaysia's higher learning institutions to produce best-in-class certified accountants who are relevant to business.

Public sector accounting issues are also in the spotlight as governments try to improve their efficiency and transparency and curb corruption and poor governance. The Institute co-organised the National Public Sector Accountants Conference 2013, which aimed to keep finance/accounting leaders and professionals in the public sector abreast of the latest developments, such as the migration from cash-based accounting to accrual accounting.

Apart from events, MIA channels news and analysis on key issues and developments through our dedicated e-news, circulars and the *Accountants Today* magazine. I would like to say that communications is a two-way street. Please do read the content that MIA publishes and respond to it. The Institute produces and disseminates content to help upgrade our members' calibre. Likewise, we need your feedback to improve.

REVISITING THE PRACTICE REVIEW FRAMEWORK

In pursuing the cause of its members, another area that has always been at the heart of MIA is regarding the practice review framework (PRF). As previously highlighted by our former President, in strengthening the framework, the Institute has revisited the PRF to ensure that it is in harmony with the prescribed professional standards and the applicable legal and regulatory requirements. A practice review dialogue with practitioners was held to discuss this matter and the Council had approved the said framework which would be reflected in the amended By-Laws of the Institute that are targeted to be effective

tive in January 2014.

One major area which I wish to highlight in the revised framework is the adoption of a new approach in the review selection method, whereby the firms selected for review shall no longer be based on a random approach, but based on a risk-based approach, whereby the risk of the firms shall be assessed and be the main determining factor in being selected for review.

The new framework shall also incorporate the introduction of remedial measures for firms which fail the first-time review. Essentially, practitioners who are in need of training will be required to attend training and educational courses, which will be conducted and approved by MIA.

Some other key take-aways from the revised framework are as follows:

- Practice review inspection activities identified certain key factors in a quality audit such as 'tone at the top' quality control and proper documentation. 'Tone at the top' means that the audit engagement partner must be hands-on and substantially involved in the audit process to fully discharge his responsibility.
- Firms must enforce a quality control system which emphasises on professional scepticism and 'tone at the top'.
- Auditors must be capable of objective thinking, exercising

professional skepticism and good judgment as the global audit landscape moves towards the implementation of more principle-based standards and places greater reliance on judgment.

- Getting audits right from the start, by inculcating independence and professional scepticism to build sustainable audit quality.

Currently we have 1,363 audit firms registered with MIA, of which a total of 731 firms were notified of a first-time review while another 84 firms were notified of a follow-up review.

ENHANCING INTERNATIONAL AND REGIONAL RECOGNITION

Building a regional reputation for quality and credibility is vital in a market that is becoming increasingly liberalised and borderless. The Institute recognises that international engagement is important to influence and heighten global recognition of the Malaysian accountancy profession.

I am proud to note that MIA has been exemplary in IFAC compliance. As an IFAC member, MIA has consistently been complying with IFAC standards and recommended best practices. This includes complying with the Statements of Membership Obligation (SMO) issued by IFAC, which among

Personal Financing-i

HABIB JEWELS VOUCHERS

WORTH UP TO

RM425,000

TO BE WON

Apply for Bank Islam Personal Financing-i from **15 July - 14 October 2013**.
You could be one of the winners today!

For more info, log on to www.bankislam.com.my

To apply for Bank Islam Personal Financing-i, please :

Visit your nearest Bank Islam branch or SMS to : BIPF<space>NAME<space>LOCATION and send to **32728** (example : BIPF Amirul Bangi)



[facebook.com/bankislamfb](https://www.facebook.com/bankislamfb)

Terms and Conditions apply

PF 0002

03-26 900 900

www.bankislam.com.my



Pioneering Change

others, includes obligations to adopt and implement the IFAC Code of Ethics for Professional Accountants and other standards and pronouncements issued by IFAC. As a result of our compliance with the SMO and consistent high-quality reporting, MIA has earned the privilege of reporting to IFAC on a bi-annual basis instead of annually as was done previously. This privilege is extended to only a small number of IFAC member countries and MIA is proud to be part of this elite circle.

At the regional ASEAN level, MIA is honoured to have been appointed by the Government to represent the country at the ASEAN MRA (Mutual Recognition Agreement) Meeting on Accountancy Services. We will continue to do our best to promote mutual recognition agreements at the bilateral and regional level in order to advance the state of the accountancy profession within ASEAN and to prepare the Malaysian accountancy profession for impending regional integration into the ASEAN Economic Community by 2015.

CAPACITY BUILDING

MIA supports the Government's Economic Transformation Programme (ETP). One of the keystones of transformation is talent enhancement to fuel development and progress and mitigate the talent crunch. The Institute has implemented key capacity-building programmes designed to create a sustainable talent pipeline and meet industry needs for professional accountancy services. It has also taken steps to improve the quality of accountancy education at local institutions of higher education to meet industry expectations and ensure business relevance.

MIA is conducting reviews of accountancy programmes at the local institutions of higher education in order to improve the quality and relevancy of content and ensure graduates' readiness to enter the job market. In future, we will explore the possibility of increasing university-industry linkages to encourage practitioners and professional accountants to share their experiences and expose students to the realities of the workplace. The Institute also hopes to encourage the consolidation, centralisation and professional accreditation of accountancy education programmes at universities to control and enhance the quality of teaching and graduates to bridge the industry-academia mismatch.

The ongoing Chartered Accountants' Relevant Experience (CARE) Programme is going strong and has successfully produced new professional accountants. As at 30 June 2013, there are 2,991 registered CARE mentees for the programme, and 1,293 of them have become MIA members.

To improve the quality and relevance of accountancy higher education, the Malaysian Qualifications Agency (MQA) and MIA established a Joint Technical Committee in April this year. The objective is to ensure that higher education providers (HEP) seeking accreditation demonstrate that their accounting degree programmes meet and comply with the required quality standards set by both MIA and MQA.



Diversity is becoming an asset for companies as we strive to tap unconventional talents that could add value. Some of the world's best companies are moving away from hiring conventions, looking at people's behaviour, skills and accomplishments that match their culture and requirements, rather than qualifications and experience alone. During the year under review, the Institute launched the Aspiring Accountant Programme (AAP) for Non-Accounting Graduates which aims to tap non-traditional sources of talent to fulfil industry demand for qualified accountants. Led by MIA and supported by accounting firms and learning partners, the programme was introduced as part of the ETP. While this is what we do presently, we believe this may not be enough to create a talent pool. Rather, we must tap talent direct from the source, which is secondary schools; talent attraction for accounting must start from there. We must focus on talent attraction of the best and brightest in class. We need to understand them and what makes them tick in taking up the accounting profession. This is one of the top agenda of MIA.

MIA CONFERENCE 2013

The highlight of our event calendar, the MIA International Accountants (MIA) Conference 2013, will be held from 26 to 27 November this year at the Kuala Lumpur Convention Centre. The conference's theme of "Managing Value Accelerating Growth" is particularly relevant, especially for accountants who have to wear the hats of strategy, finance, compliance and governance in the modern corporate organisation. I strongly urge you and your staff who are MIA members, and also non-members, to attend the Conference. In just two short days of compressed content, you can accelerate learning and pick up useful insights on professional development and career reinvention to face a fast liberalising and increasingly competitive world.

This year we are privileged to have IFAC President, Warren Allen as one of our key speakers. Mr. Allen will be talking about the latest developments and trends affecting the accountancy profession and the business world. This is a chance to gain

insights direct from the horse's mouth so to speak as Mr. Allen predicts the future directions for the accounting profession and explains how accountants can make an impact in a riskier and borderless world.

But the Conference hasn't just attracted the commitment of outstanding business leaders as speakers as well as IFAC recognition. I am also proud to inform you that the MIA Conference has won the 'National Conference for Excellence' in the Business Events category at the inaugural RAWR (Recognising Award Winning Results) Awards 2013 which was held on 18 September 2013.

This event was co-organised by the Malaysia Convention & Exhibition Bureau (MyCEB) and the Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS) to recognise excellence, leadership, professional standards, innovation and best practices.

On behalf of MIA we wish to thank all of you for making the MIA Conference a STAR event which is recognised by the Conference industry. We hope to continue our winning streak, so do help us by participating actively and giving us feedback for improvement.

MOVING INTO OUR NEW HOME IN 2016

As MIA expands its horizons, we will be moving to a new up-and-coming environment which will help us to provide members with a better image/profile, modern infrastructure, security and technological enablers. MIA plans to move into our new premises at The Vertical, Bangsar South. Construction and development work is ongoing and we expect to move in by 2016.

CONCLUSION

We are living in very challenging times and therefore cannot be complacent. The profile of the profession is constantly changing and shifting, and we are under close scrutiny, especially given our roles as financial watchdogs and providers of assurance. In such an environment, it is critical that we constantly keep ourselves up-to-date and if necessary, reinvent ourselves and our processes and protocols to ensure that we are relevant and credible and never compromise our ethics. Our profession is founded on TRUST and INTEGRITY. We can only remain relevant and strong and retain the public trust if we behave impeccably at all times. So we must be mindful of how we conduct ourselves so as not to lose that all important TRUST. ■

For the full text of the speech, visit www.mia.org.my.



HeadOffice:
33, Jalan 5/91, Taman Shamelin Perkasa
56100 Cheras, Kuala Lumpur
Tel: 03-92832255 Fax: 03-92854706
Email: info@sparkmanshop.com.my URL: www.sparkmanshop.com.my

SPARK MANS SHOP

EXCLUSIVE TAILORING

• Bangsar
03-22829369

• Bandar Utama
03-77265866

• P.J Hilton
03-79557000

• Plaza Pelangi, J.B
07-3322524

• K.K Times Square
088-486600

The Talent Question

ATTRACTING AND RETAINING TALENT CONTINUES TO BE A MAJOR CHALLENGE FOR PUBLIC PRACTICE FIRMS. HOW CAN THEY OVERCOME TALENT ISSUES IN ORDER TO ENHANCE AUDIT QUALITY AND VALUE?

Majella Gomes

Talent: what keeps it, and what drives it away? How do firms attract it, and make sure it doesn't wander off to "greener pastures" just as audit season kicks in?

Organisations have found that to settle the talent challenge in the long run, it pays to develop a proper talent pool. To do this, companies have to put an effective human resource strategy in place, or risk losing their competitive edge along with the staff that they cannot retain.

Since talent is a key question for audit firms, it is little wonder that the recent MIA Public Practitioners' Forum focused intensively on sustaining accounting talent: attracting, retaining and advancing it.

Chiew Chun Wee, ACCA Asia Pacific's Head of Policy, started the ball rolling by going through the findings of ACCA's recent survey on the talent attraction and retention of larger public practice firms in Malaysia. "The aim of public accounting firms is to provide quality audit and ensure this service adds value to the businesses they audit," Chiew said. To achieve this, the firms have to continuously identify, train and retain talent.

Unsurprisingly, retention is closely related to the level of satisfaction that young auditors derive from their work. Research has shown that job satisfaction is key to the members of Gen Y. "One of the questions asked was whether survey participants were satisfied with their career," said Chiew. "Even though 86 per cent of the respondents said they enjoyed the nature of audit work, only 45 per cent were satisfied with their current career, and we know that if the younger genera-



Panellists (L-R) Chiew, Jasani, Ng and Dr. Chua

tion is not satisfied, they will not stay in the job. So we had to find out what causes satisfaction or indifference." About half of the respondents (49%) said that they would leave their current firm in about three or four years, when polled on how long they'd stay in the job.

"The ones most likely to leave were those who had about three to five years of experience. They were looking at careers beyond audit," Chiew divulged. And when asked if their superiors will try to understand their concerns and retain them if they express intention to leave, a notable 38 per cent did not think so." Given the less than ideal satisfaction level and high inclination of staff to leave, it is therefore important to understand the factors that keep audit staff in their jobs, and factors that push them away."

Respondents indicated they liked the job security, steady career progression, steep learning curves, and good future earning potential associated with an audit profession. They also mentioned friends, colleagues, support, coaching, bosses and the exposure that being in the position brought them as key attraction factors. "They saw a steep learning curve as integral to future career development," Chiew pointed out.

With regards to push factors, the survey respondents highlighted the challenge of balancing work, life and compensation. "Many were of the opinion that audit fee levels were low in Malaysia, and that they were taken for granted and generally not valued," said Chiew. Other turn-offs cited were unrealistic deadlines and uncooperative clients.



Chiew addressing the audience

“An accountancy qualification really provides a passport to a lot of opportunities. At the same time, you wouldn’t be limited exclusively to the accounting profession. You can actually be anything you want; the training prepares you for a whole range of jobs.”

PATRICK NG, PwC’s Assurance Human Capital Partner

GENERATION WHINE

Responding to the issues, Dr. Chua Hock Hoo, Managing Partner of Cheng & Co admitted that most firms had long hours, although some have set it out in their policy that management does not encourage overtime. “We do want staff to have work-life balance but it doesn’t always work out that way,” he conceded.

Chiew remarked that one way to address this would be to have better planning to soothe out the audit peak and lull periods, and even more active involvement of senior audit engagement management.

Patrick Ng, PwC’s Assurance Human Capital Partner takes a completely different perspective on the question of work-life balance saying that he believed in work-life integration instead. He urged young professionals to work hard, drive their own successes, and learn as much as possible in the process. “They should look at intangibles as well. If you come out of an accounting firm, chances are you will be an all-rounder, and you will be in demand in the market.”

“I’d tell my kids to be accountants because they will be able to work anywhere,” Ng said. “An accountancy qualification really provides a passport to a lot of opportunities. At the same time, you wouldn’t be limited exclusively to the accounting profession. You can actually be anything you want; the training prepares you for a whole range of jobs.”

Accounting professionals – even those with less experience – have been known to be snapped up by firms at home and abroad given the talent crunch. Therefore creating a sense of belonging is key to boosting engagement and commitment to stay. PwC started an initiative called Small Working Groups which not only revolves around coaching conversations but creating camaraderie among members of a team.

He said, “This makes for easier management, and communication is more easily expedited. It also helps staff “connect” better with each other, leading to a stronger sense of affiliation. And it builds loyalty.”

Although remuneration was competitive, Ng emphasised that auditing should

not be so much about the money; it was about the experiences that the young professionals gain by working in a firm with an environment like PwC. “They take the experience with them for the rest of their lives,” he reiterated.

His views were supported by Dato’ Narendra Kumar Jasani, Managing Partner of SJ Grant Thornton Malaysia, who added that a large percentage of young accountants found auditing challenging due to the long hours, and there was still a lot to be done to close the gap of work-life balance or integration. “Some people may not think so, but there is a growing sector which is beginning to believe that while money certainly is important, levels of satisfaction need to be considered as well,” he said. “Sometimes top-down methods like counseling and coaching don’t work. We have to listen to voices from the ground.”

CHANGING TRENDS NECESSITATE DIFFERENT APPROACHES

Conceding that overtime in auditing was unavoidable, Dr. Chua said that not everyone was an ideal candidate either. “Potential employees have to be carefully vetted, then sent for training,” he said. “We try to develop well-rounded individuals who are suited to the job, but it doesn’t always happen. Young people have to find areas where they can develop; passion and productivity lead to prospects. If you’re growing professionally and the firm you’re in is also a growing company, then it’s mutually beneficial.”

Another trend that was becoming more obvious, said Jasani, was the rise of women in partnership positions.

Ng agreed, adding that women were generally academically better, more mature and professional. “More women get through our recruitment processes,” he confirmed. “Sixty per cent of managers at PwC are women. But due to society’s demands on them, combining career, marriage and parenthood can be challenging. The temptation to leave is great which is a huge loss for organisations because this is when they are at their peak.” “We want to recognise the

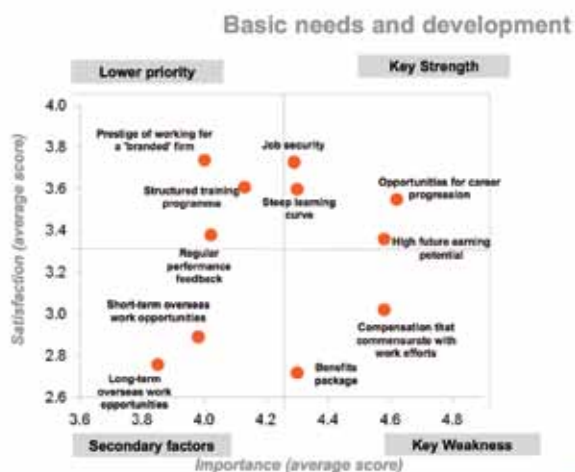


45%

satisfied with their current career
choice in external audit

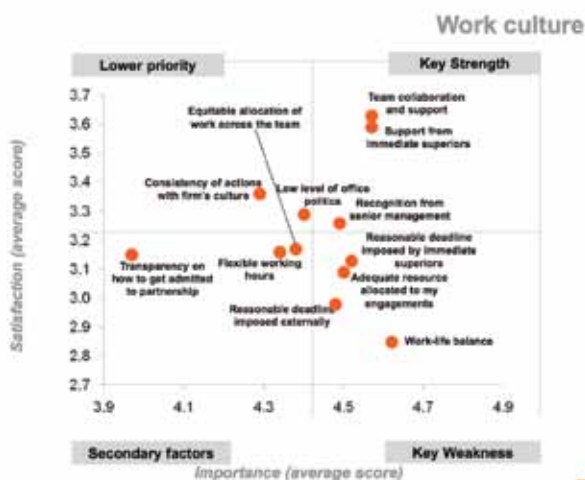
The global body for professional accountants

ACCA



The global body for professional accountants

ACC



The global body for professional accountants



The global body for professional accountants

ACC

contribution made by our women to the firm” and to this end Ng added that PwC has embarked on a variety of initiatives ranging from career breaks to flexible working arrangements and a formal programme to help women ease back into the profession.

“Gen Y is easily distracted because it has too many options. We acknowledge that some of the items on the Gen Y wish list is also what our older employees appreciate such as flexible working arrangements, dress down Fridays, support and access to modern technology to help them work on the move and more efficiently. We’ve taken their feedback

“It’s true that the auditing profession could do with a change in image, and this will eventually happen, but it will still take time. The profession is made up of individuals so it stands to reason that individual and personal attitudes need to change too.”

DR. CHUA HOCK HOO, *Managing Partner of Cheng & Co*

and we've even implemented them. But we shouldn't be seen as shielding Gen Y from the realities of life in practice. We're upfront about what is expected of them from the start and we continue to insist on a culture of integrity, of technical

excellence, of producing quality work and having a strong customer focus. In the end, we feel that they appreciate our honesty and transparency.

While Gen Y will have to buckle itself in and get set for a bumpy ride, the

trend where women are concerned is that organisations are becoming more accommodative, especially of parenthood. Dr. Chua said that flexible working hours were definitely an option, but attitudes towards this still require a quantum change before this can work.

“The practice is a real challenge,” he said. “It’s true that the auditing profession could do with a change in image, and this will eventually happen, but it will still take time. The profession is made up of individuals so it stands to reason that individual and personal attitudes need to change too.”

WISHFUL THINKING

What are the changes that accounting professionals want to see which could help or prolong their careers in audit? Apart from better remuneration

and accommodative working conditions which are within the control of practice firms, it is clear from responses to the ACCA survey that the auditing profession needs to rebrand itself to gain respect and recognition from clients and stakeholders. Some respondents to the ACCA survey frankly wrote that “There are no visible efforts by the accounting/auditing industry in Malaysia to improve the public’s and clients’ perception of auditors,” and “The majority of clients in Malaysia do not appreciate the importance of audit, and do not respect the auditors.”

At the end of the day, sustainable talent retention in audit also depends on the interplay between auditors and stakeholders. Companies and management should not just point their fingers at auditors and expect them to improve without cleaning

up their own house.

Perhaps all stakeholders would do well to understand the sentiments behind comments like “...unrealistic deadlines set by clients are usually impossible to meet as their efficiency and competency are not up to par,” or “incompetent, demanding clients...do not like us.” There were also hints of client interference as found in the ACCA survey, evidenced by one auditor’s remark that “I often do not feel like an independent reviewer” and another who frankly stated, “It is hard to meet the high standards set by regulators, with the quality of clients we have in Malaysia.”

Evidently, talent attraction and retention strategies in the auditing profession in Malaysia still have a long way to go before coming to full fruition. Firms that grasp the concept will be ahead of the

IntelliTax Plus 2

 **CCH**
a Wolters Kluwer business

The Tax Compliance and Planning Expert

Developed by professionals for professionals, **IntelliTax Plus 2** is a one-stop online research platform that offers a whole range of resources to tax practitioners in practice firms and corporations. With practical and analytical commentary to the latest tax updates and cases, this resource centre enables users to increase their productivity and deliver value to clients and stakeholders.

This online library comprises:

- *Malaysia Master Tax Guide Essentials Online*
- *Malaysia & Singapore Tax Cases*
- *Malaysian Revenue Legislation*
- *Malaysian Tax Treaties*
- *Malaysia Tax Tracker*



Maximise Your Tax Performance with IntelliTax Plus 2

- ✓ **Competent Decision-Making:** A wealth of organised information enables tax professionals to make faster, informed decisions on tax compliance and planning.
- ✓ **Enhanced Risk Management:** With the latest updates on tax law changes, tax professionals can identify any potential tax issues for quicker risk management.
- ✓ **Data Storage:** Intelliconnect™, the CCH online research platform, enables tax professionals to search and organise tax information.
- ✓ **Staff Development:** Our content serves as an ideal source of training materials for staff training and self-learning.

**FREE TAX
TRACKER**

Stay abreast of the latest tax developments. Email mktg@cch.com.my to receive free email updates.

Call us at **1.800.181.151** to request for a complimentary demonstration!



How to zoom up the career ladder or upskilling for success

Accountants must acquire in-demand skills and keep up with the latest developments if they want to exploit new opportunities and build their careers. The MIA International Accountants Conference 2013 delivers intense learning in a substantial two-day package which can help members increase their knowledge exponentially, and race swiftly to the top.

Business places increasing expectations upon accountants today to create and manage value and deliver growth in their primary roles as executives, key decision-makers and business support partners.

As such, it is imperative for accountants to keep developing their skills and competencies in order to fulfill the demands of business. Conversely, it goes without saying that accountants who stay in their comfort zone and refuse to learn new things will be left behind.

In tune with the country's need to upskill and grow the talent pool to fuel transformation, the Institute regularly organises professional development and continuing education programmes to help our members and the profession bridge the competency gap with business; the MIA International Conference is a one-stop event designed to deliver intense learning over just two days.

Accountants and members eager to upskill themselves are thus urged to participate in the MIA Conference 2013 (MIAC 2013), which carries the extremely current theme of 'Managing Value, Accelerating Growth'. All the content in MIAC 2013 has been carefully formulated and we have invited leading experts to share their insights and get our delegates up to speed with the latest developments and issues impacting the profession and business: regulations and legislation, big data and analytics, risk management and controls, Islamic finance, practice management, accounting and auditing stand-

ards, finance shared services and the evolution of the finance function, fraud and international taxation, to name a few.

Big data is perhaps one of the most explosive business trends ever. IT-savvy accountants who are able to make sense out of the massive volumes of data by

At the MIA Conference 2013, you can see how you can play a leading role and make yourself invaluable to companies by embedding effective internal controls to encourage whistleblowing and combat fraud.



leveraging business analytics and intelligence tools will be in huge demand going forward. According to technology thought leader Gartner, organisations which utilise advanced analytics such as predictive analytics will easily grow 20% more than their peers. See how you can acquire familiarity with analytics tools to produce outstanding intel and results, and perhaps map an explosive and lucrative career path.

Islamic finance is still producing enviable growth despite the doldrums affecting the rest of the global finance industry. There is tremendous demand for skills in *shari'ah* auditing and compliance, accounting and financial reporting for Islamic finance institutions, and treasure and asset and liability management in Islamic finance and *takaful*, all of which are compatible with the skillsets of accountants and finance professionals. Learn how you can match your skills with industry demand to build an exciting career in this blue ocean sector.

Fraud investigation and forensics is yet another emerging sector where accountants are uniquely placed to succeed. As the watchdogs of finance, evaluating and improving internal controls and monitoring financial transactions are among the core competencies of many professional accountants in business. At the MIAC 2013, you can see how you can play a leading role and make yourself invaluable to companies by embedding effective internal controls to encourage whistleblowing and combat fraud.

Themed **"Managing Value, Accelerating Growth"**, this year the Conference is targeted to attract around 2,400 accountants and senior corporate leaders from commerce and industry, public sectors, public practice and academia. The 2-day Conference will present 4 plenary and 12 concurrent sessions. Industry experts and captains, and sought after international speakers will discuss and address current issues, solutions and opportunities that are relevant to the accountancy profession. The key take away for delegates are insights on how accountants and finance professionals can further enhance their contribution towards their organisation's sustainability, value creation and business success.



**Managing Value
Accelerating Growth**



NATIONAL CONFERENCE AWARD
FOR EXCELLENCE



“ Ours is a global profession—in fact, probably the only truly global profession. We have an important role to play in stabilising the global financial system, supporting growth and development, and protecting the public interest ”

Warren Allen

President, International Federation of
Accountants will be speaking at
MIA International Accountants
Conference 2013



Congratulations to winners of the MIA Conference 2013 contest!
Each winner receives one complimentary pass to the Conference.



Low Yee Jia
Assistant Accountant
Pan-Century Edible Oils Sdn. Bhd.



Hasnidah Binti Husin
Accountant
UOA Development Bhd



Chew Kim Chye
Director
Yuen Tang Tax Services Sdn Bhd



Kelvin Ng Lian Kiat
Manufacturing Accountant
Canpac Sdn Bhd



Amirul Hafiz Mohd Nasir
Lecturer
Universiti Kebangsaan Malaysia (UKM)

Don't miss it. Sign up TODAY!

CONFERENCE PROGRAMME AT GLANCE

Note: The conference programme is tentative and subject to change.

Shaping the Accountancy Profession: A Global Perspective

The Future of Corporate Reporting: How does Integrated Reporting (IR) impact your organisation?

Embracing globally recognised accounting standards for ambitious SMEs

How Blue Ocean Strategy (BOS) works in Public Sector?

Facilitating Cross Border Islamic Investments: What is Malaysia's Role?

Effectiveness of Shared Services & Outsourcing (SSO): Choose the Right SSO Models that will Impact You!

Business Analytics & Big Data: What does it mean to you and your organisation

The Internationalisation of SMEs: How Asian companies can do it?

Cross Borders Investments: Understanding the Latest Development in Asia-Pacific Tax Policy and Administration

Blowing the Whistle: Are you prepared?

Detecting Money Laundering Activities and Suspicious Transactions: Tips for Accountants!

Winning the War For Finance Talent Together

XBRL for corporate reporting in 2015: Are Malaysian ready for it?

Tax Based Erosion and Profit Shifting

2014 Economic Outlook for Asia

Insight to Creativity



ENQUIRY & REGISTRATION

Contact : Meera / Zaki | Tel: +603 2279 9200 / 360 / 250
Fax: +603 2273 5167
Email : miaconference@mia.org.my
Website : <http://miaconference.mia.org.my>

OFFICIATED BY

Y.A.B. Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak
Honourable Prime Minister of Malaysia (invited)

CONFERENCE DATE

26 & 27 November 2013

CONFERENCE VENUE

Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia

Gold Sponsor



Silver Sponsor



Big Firm Support



Supporting Professional Bodies



Supported by



Supporting Partners



Multimedia Partner



Official Publications



As borders become more porous and companies more international, there will be greater demand for accountants with international exposure and portable skills, especially in areas like international taxation. Companies will bank on their tax specialists to help them mitigate tax risks. MIAC 2013 presents updates on the latest global tax legislations and the increasingly sophisticated and collaborative approaches by tax authorities in the Asia-Pacific (including Malaysian authorities) to identifying and pursuing taxation and investment structures with the highest non-compliance risk. Tax specialists will benefit immensely from expert perspectives into macro issues and emerging trends in tax risk, tax governance and dispute management.

But these sessions will be just the tip of the knowledge iceberg at the MIAC 2013. There will be lots more on offer, and participants can learn tremendously from the international panellists and speakers.

Meanwhile, participants eager to acquire more in-depth knowledge on three of the hottest topics of the moment – analytics, XBRL and forensics – are advised to sign up for the intensive post-conference Masterclass sessions from 28 – 29 November 2013, with special rates for MIA Conference participants and MIA members.

Masterclass 1 – Powering C-Suite Decisions with Analytics and the Cloud will allow you to quickly extract, manipulate and build reports from ERP and other enterprise systems for better decisions; harness cloud computing to provide visual decision support tools anytime, anywhere; and become a strategic partner to C-suite leaders. Ultimately, accountants will be able to gain competitive advantage through faster and better decision making and transform their roles in business to become high-value business partners.

Masterclass 2 – Better Business Information Through XBRL will guide participants to implement eXtensible Business Reporting Language (XBRL) in compliance with Suruhanjaya Syarikat Malaysia (SSM) requirements, prepare XBRL reports using SSM XBRL Taxonomy and ensure quality assurance from the accounting perspective. Accountants who are well-versed in XBRL will have a headstart and gain a competitive edge, so don't miss out on this masterclass.

Digitalised and automated financial reporting based on the XBRL format to save resources and free up talent for value-added tasks is the wave of the future. The XBRL financial reporting format is expected to be implemented on a voluntary basis in 2014/2015 and will eventually be made mandatory at a date to be determined by the Registrar of SSM.

Masterclass 3 – Forensic Accounting – An Invaluable Tool in the Detection and Prevention of Fraud in Business covers all the basics of forensic accounting and demonstrates how this knowledge can be utilised to detect and prevent fraud in business. This two-day programme covers diverse aspects of forensics including anti-money laundering, forensic auditing and investigation, fraud psychology, cyber banking risks and financial statement frauds, to name a few highlights. This masterclass is ideal for accountants who are embracing new roles in corporate governance, risk management, fraud prevention and regulatory compliance in order to add value to their organisations.



Ultimately, it is MIA's goal that through learning and upskilling, accountants will be valued as key players in the business and corporate eco-system, and viewed as indispensable for their ability to deliver meaningful and sustainable business value.

MIA has the highest hopes that the content of MIAC 2013 will be able to help delegates advance in their careers by acquiring invaluable skills and knowledge. It has never been more challenging to be an accountant as our role is to help enterprise deliver satisfactory stakeholder value and consistent growth despite volatile business conditions and a shifting playing field. Ultimately, it is MIA's goal that through learning and upskilling, accountants will be valued as key players in the business and corporate eco-system, and viewed as indispensable for their ability to deliver meaningful and sustainable business value.

To find out more about MIA Conference 2013, visit <http://miaconference.mia.org.my> ■

Your Bank. Malaysia's Bank. AmBank.TM

A country is only as great as its people. At every step of the way, AmBank is there for you, to help you reach your goals.



ambankgroup.com



AmBank Group

MIA bags top RAWR Awards for Excellence in Business Conference

Malaysian Institute of Accountants (MIA), has notched another first by winning the 'National Conference for Excellence' in the Business Events category at the inaugural RAWR (Recognising Award Winning Results) Awards 2013, for its flagship event, the MIA International Accountants Conference (MIA Conference) 2012.

The Awards presentation ceremony was held on 18 September at KL Convention Centre during the RAWR 2013 Gala Dinner. The RAWR Awards is co-organised by the Malaysia Convention & Exhibition Bureau (MyCEB) and the Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS) to recognise excellence, leadership, professional standards, innovation and best practices within the Meeting, Incentive, Convention and Exhibition (MICE) or business events industry. MIA President, Johan Idris was present to receive the Award from MyCEB's CEO, Zulkefli Haji Sharif and MACEOS President, Jonathan Kan.

Speaking on the Institute's success, Johan conveyed the Institute's delight at receiving the award. "We are honoured and elated to be on the winners' list of the inaugural RAWR Awards. This Award goes to the MIA Team, especially the MIA Conference 2012 Chairperson, Datuk Mohd Nasir Ahmad. "MIA feel honoured that our contribution in the industry through the MIA Conference is being recognised. We will certainly continue this winning endeavour in the years to come by organising a value added conference which caters to the needs of the accounting and business fraternity".

The RAWR Awards covered 27 categories within the four main components of the MICE industry including Best International Conference, Best Trade Exhibition, Best Incentive Programme, Best Event and Best Environmental Initiative. ■



"MIA feel honoured that our contribution in the industry through the MIA Conference is being recognised. We will certainly continue this winning endeavour in the years to come by organising a value added conference which caters to the needs of the accounting and business fraternity".

MIA President, Johan Idris

CARE PROGRAMME - AN INVITATION TO ATTEND THE CARE LEARNING PROGRAMME



Registration forms can be downloaded at <http://care.mia.org.my/>

This offer is for **MIA members only** and is based on a first-come-first-serve basis. Sign up now to get complimentary gifts from us!

MIA Kuala Lumpur - 25 Sept 2013 (Wednesday) | 5 Oct 2013 (Saturday) | 13 Nov 2013 (Wednesday) | 7 Dec 2013 (Saturday)

MIA Penang - 20 Sept 2013 (Friday)

MIA Johor Bahru - 10 Oct 2013 (Thursday)

Time: 10:00 am – 1200 pm

For registration or enquiry, email to care@mia.org.my or contact us at +603 2279 9200.

THE ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

- REGULATED UK PROFESSIONAL BODY FOUNDED IN THE UK IN 1928
- UK RECOGNISED QUALIFYING BODY FOR STATUTORY AUDITORS
- AWARDING BODY IN THE UK QUALIFICATIONS & CREDIT FRAMEWORK (QCF)
- LEVEL 7 DIPLOMA IN PROFESSIONAL ACCOUNTANCY (QCF) EQUIVALENT TO UK MASTERS DEGREE LEVEL



AIA
THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

WWW.AIAWORLDWIDE.COM

CREATING WORLD CLASS ACCOUNTANTS

Honouring the masters of the game

THE REVAMPED NATIONAL AWARD FOR MANAGEMENT ACCOUNTING (NAfMA) AIMS TO HONOUR MANAGEMENT ACCOUNTANTS WHO ARE AT THE TOP OF THEIR GAME IN CREATING SUSTAINABLE VALUE FOR THEIR ORGANISATIONS.

Management accountants might not be as high-profile as their counterparts in audit and public practice, but there is no denying their crucial role in the sustainable success of businesses around the world. And as the business environment becomes more volatile, management accountants also known as professional accountants in business (PAIB) must contend with greater expectations and complex challenges.



(Left-Right) Regional Director Southeast Asia & Australasia CIMA, Irene Teng; Deputy Chairman Southeast Asia Regional Board CIMA, Francis Chan; MIA President, Johan Idris; MIA Chief Operating Officer, Datin SK Yap

RECALIBRATING NAFMA

In response, the National Award for Management Accounting (NAfMA) has been revamped to reflect the expanded mandate of management accountants as well as key developments affecting the management accounting profession.

Debuting in 2004, NAfMA has gained momentum as a prestigious award that honours leading organisations and individuals who successfully create and sustain organisational stakeholder value. At the NAfMA launching ceremony held on 4 September to invite entries, it was announced that the award categories will be expanded by eight more, increasing the total number of awards presented to nine.

With effect from 2014, the new award categories will recognise the excellence of professional management accountants such as CEOs, CFOs, entrepreneurs, business managers, lecturers as well as CIMA students for their outstanding contributions towards management accounting in Malaysia.

Individuals identified may be nominated for the NAfMA awards in the following categories:

- CEO of the Year (public-listed/non-listed company and SME)
- CFO of the Year
- Organisation of the Year
- Business Manager of the Year
- CIMA Star of the Year
- CIMA Student of the year
- CIMA Lecturer of the Year
- Outstanding Contribution to Business Performance

RESPONDING TO NEW DEVELOPMENTS

According to Francis Chan, Deputy Chairman of CIMA Southeast Asia Regional Board (SEARB), the new award categories were introduced in response to key developments and to recognise the diverse and escalating roles played by management accountants in ensuring the sustainable success of businesses.

A key development which prompted the creation of the new award categories

was the joint venture between CIMA and the American Institute of CPAs (AICPA) which has changed the global landscape of management accounting, said Chan. “This JV has elevated the profession and created the new Chartered Global Management Accountant (CGMA) designation. This enhanced designation highlights the crucial role of management accountants in the sustainable success of businesses around the world and prompted the organisers to re-examine the existing award categories in NAfMA. Hence, the new NAfMA awards are reflective of the elevation of the management accounting profession through the joint venture between CIMA and AICPA,” said Chan.

NAfMA’s new direction also acknowledges the ability of management accountants to “connect the dots,” said Chan. “CEOs need people who understand how the different parts of a business need to come together to create value, who have the ability to communicate and influence colleagues to drive success and are agile and adaptable to manage business opportunities and risk.”

“Management accountants have such skills. Hence the new NAfMA awards will recognise these exceptional individuals for their outstanding contribution towards management accounting in Malaysia,” explained Chan.

PROMOTING BEST PRACTICES AND QUALITY

MIA President Johan Idris identified NAfMA as a platform that promotes the use of best practices in management accounting towards world-class business performance amongst organisations in Malaysia. “The awards lend volume to the significant roles of present business leaders, especially in the diverse sector of professional accountants in business.” Johan noted that PAIBs account for over 76% of the total membership of MIA which currently touches almost 30,000.

Johan also hoped that through the expansion of the awards categories, more individuals would receive due recognition for their outstanding contribution in the

According to CIMA research, CEOs need people with the following skill sets:

- those with a strong grounding in their own areas of expertise combined with a multi-disciplinary perspective.
- those who understand how the different parts of a business need to come together to create value.
- those who have the ability to communicate and influence colleagues to drive success; and
- those who have the agility and adaptability to manage business opportunities and risk in the uncertain and fast changing environment.

advancement of management accounting. “NAfMA serves its purpose as the platform that acknowledges the roles of these organisations and individuals who are “masters of their game”, which would ultimately develop and promote quality in the accounting profession in line with MIA’s vision of advancing quality to build market confidence, he said.

This year’s NAfMA carries the theme “Your moves, your game.” Basically, explained Johan, this theme is aimed at encouraging management accountants to up their game in order to improve their performance and quality and thus, make their organisations and Malaysia as a whole, winners in the economic game.

Members of the public are invited to participate in the NAfMA awards which will be presented at a Gala Dinner in July 2014. The closing date for NAfMA entries is 15 April 2014. For more information, visit www.nafma.my ■

Professional skepticism and tone from the top

The keys to building sustainable Audit Quality

PRACTICE REVIEW IS A USEFUL PROCESS FOR DETECTING AND RECTIFYING AREAS FOR IMPROVEMENT AMONG MEMBER FIRMS AS MALAYSIA STRIVES TO ENHANCE AUDIT QUALITY IN LINE WITH GLOBAL STANDARDS.



Ms. Ho addressing the practitioners

Improving audit quality is critical to ensuring confidence in the accountancy profession and the assurance of financial information. Practice review is an integral MIA initiative which seeks to assess and improve the performance of audit firms with the end-goal of enhancing audit quality and boosting market competitiveness and investor confidence.

“Audit quality is the cornerstone of market confidence in the reliability of financial information. Audit quality means an audit opinion that carries enough weight and the confidence of users and an audit opinion that is formed based on sufficient appropriate audit evidence. In our efforts to promote audit quality, one of MIA’s key initiatives is the Practice Review Programme,” said Ho Foong Moi, Chief Executive Officer, MIA, at the Practice Review Dialogue with Practitioners held in May 2013.

The MIA Practice Review Programme provides quality assurance to market participants by ascertaining whether members in public practice have com-

plied with the prescribed professional standards, applicable legal and regulatory requirements in discharging their responsibilities in the provision of audit services in Malaysia.

REVISING THE PRACTICE REVIEW FRAMEWORK

After ten years of implementation, MIA recently revisited the practice review framework (PRF) to ensure that it is abreast of the recent developments and best practices in advance economies, said Ho. The revised practice review programme is expected to be implemented on 1 January 2014.

Ho stressed that the practice review dialogue is a direct channel for MIA to engage directly with practitioners to share and discuss the issues pertaining to practice review and to help them better understand the new framework. MIA also practices continuous engagement to ensure that members understand and are able to comply with prescribed professional standards.

HOW TO IMPROVE AUDIT QUALITY – TONE AT THE TOP AND QUALITY CONTROL

The foundation of an external audit is ‘independence’ and ‘professional skepticism’. The internal and external environments surrounding independent auditors have resulted in an eroding of society’s trust in auditors. Increasing independence and professional skepticism on the part of auditors is a highly urgent theme to which the worldwide accounting profession is now paying significant attention.

But improving professional skepticism is not an easy task, because the degree of skepticism to be exercised is influenced by a variety of factors. In addition, the ‘audit firm culture’ and the lack of right tone from the top may weaken professional skepticism, noted Ho.

The findings of MIA’s recent survey on practice review identified two important factors in building sustained high audit quality, namely the tone at the top and quality control. Tone at the top, in



Lim Seong On

the form of the attitudes and engagement of senior auditors in charge, must be correct. “As the most experienced person on the audit team, the audit engagement partner is the most qualified person to identify and understand the significance of issues which may not be identified or fully understood by less experienced

members of the team. That said, the partner can only fully discharge his responsibility if he is substantially involved in the audit process,” said Ho.

Meanwhile, a firm’s quality control system can help the engagement team improve the application of professional skepticism in a number of ways, including setting a proper tone at the top that emphasises the need for professional skepticism, which links back to the first factor. “Consistent communication from firm leadership, backed up by a culture that supports the application of professional skepticism, could improve the quality of work performed by audit partners and staff,” said Ho.

PRACTICE REVIEW DIALOGUE

The Practice Review Dialogue was also opened up to questions from the floor in order to engage practitioners and clarify issues related to the revised Practice Review Framework (PRF).

Practitioners asked how firms were to be selected under the risk approach. Lim Seong On, Head, MIA Practice Review, noted that there were quite a number of criteria. One is to examine firms referred to MIA by statutory bodies because regulators require updates on the firm’s audit quality. Another condition is to look at the firm’s profile – risks could arise if there is a high ratio of partners to clients e.g. if a sole proprietorship has 200 – 300 clients, it could be an indication that resources are overstretched.

Practitioners also asked if MIA could reduce the time taken to conduct a review and submit reports more promptly. Lim replied that the fieldwork takes four days on average to complete – a full review of the three files selected takes up most of the review. It also takes time to document findings and produce a written report. However, MIA is committed to ironing out issues relating to promptness of deadlines.

How to Sell Your Accounting Firm for Top Dollars

We understand your concern about selling your accounting firm that you have so tirelessly and successfully build. It's not all about money. It's about finding the right partner to take over your firm so that your loyal clients will be well taken care of. Your staff welfare will be well taken care of.

Its also important that you secure top dollars for selling your firm, so that your efforts throughout the years do not go to waste and you get back what you deserve.

That's where we come in to help as we will help you find a suitable buyer. We already have buyers on our list that meets all of your concerns and are willing to pay fair value for the right firm.

To indicate your interest to sell for the right terms, please email your contact details (name, tel. no), years in practice and number of staff, and we'll contact you with more information.

Contact us today via: bizbroker.my@gmail.com

Lim also noted that it was not possible to adopt a points-based system to review firms and shorten the review process, since the review is assessing the firm's judgmental skills and examining the audit process from end-to-end to determine if the work was properly done.

CONCLUSION

Ho urged practitioners to make sure that they get audits "right from the start" which is the "key to building sustainable audit quality." It is critical to be able to practice professional skepti-

cism and objective thinking in a business environment which is becoming more challenging day by day.

"An audit opinion that is formed with lack of independence and professional skepticism would carry little weight and has no value. As we move towards more principle-based standards and greater reliance on judgement, objective thinking by auditors becomes essential." This is crucial if Malaysia is to move up the ladder of audit quality in tandem with more stringent global standards and investor expectations. ■

The Revised Practice Review Framework

MIA has revised the practice review framework after ten years to ensure that it keeps abreast of international standards. "We have taken a look at what other countries are doing. Hong Kong is positioned as a leader in practice review programmes and other countries also looked to the HK model," said Lim. "Our revised framework is at par with international jurisdictions and in tandem with international developments."

The competencies and capabilities of Malaysian practitioners, many of whom are qualified from international bodies, is an additional strength backing audit quality and practice review. "There is no reason for us to be lower in comparison with other jurisdictions because the basics are there," said Lim.

Practitioners are advised to take note of the revisions to the PRF when it becomes effective. Among others:

- All audit firms are to submit to PRF unless they write in for exemption.
- Selection will be risk-based instead of random. The risk-based approach for example, will be based on complaints made by other statutory bodies or cases referred to MIA by the Accountant-General, as well as the firm's risk profile, said Lim. Nonetheless, all firms will be reviewed at one point or another.
- Firms that fail practice review for the first time will be monitored by MIA and their weaknesses will be remedied by improvement to technical knowledge via training and education seminars which are conducted or approved by MIA. Therefore, practitioners should be updated on ISQC 1, International Auditing Standards (ISAs) and MFRS (Malaysian Financial Reporting Standards) which are IFRS-compliant.
- Firms that fail the first time must come up with an action

plan for addressing non-compliance with professional standards, said Lim. "How do you intend to address areas of weaknesses? For example, if you cannot recruit sufficient staff, you must have plans to address recruitment e.g. through campus recruitment and training of staff who can fit into your firm's culture and methodology. There must also be a deadline for the plan, or a timeline for improvement."

Removing the Education Thrust

The education approach has been removed from the MIA PRF because it was counter-effective. "Leaning on the education approach in PRF previously has a negative impact on practitioners improving themselves. This does not mean that MIA is abandoning education for practitioners," said Lim. "MIA has ongoing programmes for practitioners." Instead, according to World Bank recommendations for effective PRF programmes, the emphasis should not be on education but on compliance with professional standards, legislation (e.g. Companies Act) and regulatory requirements.

Removing Panel Reviewers

The former system of using panel reviewers has been taken out of the framework to be replaced by in-house reviewers who are adequately trained and are experienced to

carry out practice review.

The previous practice of using panel reviewers was not effective. Practitioners were usually too busy to carry out peer reviews and panel reviews. As a result of their busy schedules, some would instruct their staff to write the practice review reports, which defeats the purpose of issuing reports by the reviewer.

The previous practice of using panel reviewers was not effective. Practitioners were usually too busy to carry out peer reviews and panel reviews.

Gain greater insights with Sage business solutions



With more than 25 years of experience in the market, we understand the challenges that you may face as small and medium-sized enterprises (SMEs). We offer total solutions with local support for all your accounting, human resource and customer management needs.

Discover what's in store for our Malaysia SMEs to pick the right solutions.

For enquiries:

info.asia@sage.com or
+65 6336 6118

• Sage ERP X3 •

Integrates the information and processes from across the enterprise into one common system and presents a simple, complete view of the business and customers in real time.

• Sage 300 ERP •

(Formerly known as Sage ERP Accpac / ACCPAC)

Offers the power, flexibility, and support for all your financial and operation needs, and prepares for the business and technological changes that are sure to come with your success.

• Sage CRM •

Helps maximise your sales performance, increase demand for your products and services, and turn exceptional customer experience into your #1 competitive advantage.

• Sage EasyPay •

Fulfills the demands of both your payroll system as well as other HR activities to assure your management's long-term sustainability and efficiency.

• Sage UBS •

Provides inventory & billing, accounting & point-of-sale solutions in the most affordable, user-friendly and comprehensive manner with two market leading products - Sage UBS nine and Sage 50.



Overview of MIA Practice Review Programme

As of 31 March 2013, there were 1,363 audit firms registered in Malaysia. These comprise about 78 firms which audit public interest entities (PIEs) and are registered with the Audit Oversight Board (AOB) and thus AOB-inspected. The remaining 1,285 firms covering non-PIEs are registered with MIA.

Out of the total of 1,363 firms, 729 or 53% had been selected for review. Out of these, 607 firms were reviewed and received a first draft report. Seventy firms were exempted because they were considered dormant and lacked a sufficient client base. The reviews of another 44 firms were in progress while eight were deferred.

There was a passing rate of 55.7% and a failure rate of 44.3% among first-time reviews as of 30 June 2012, said Lim, which is an improvement over the 52% passing rate back in 2008. "We cannot see a drastic jump in percentage improvements because of the nature of the audit profession. Professionalism involves a gradual build-up of skills and competencies which takes time."

Follow-up reviews are carried out when first-time reviews fail and firms are given time to rectify their weaknesses. Out of 269 firms which failed the first review, 80 firms were followed-up by MIA. Follow-up review of 50 firms was completed while another 30 firms is still in progress.

Common Findings of Practice Review

Lim noted that the same common weaknesses kept popping up across audit firms. "If you examine ten audit firms you will find weaknesses in basic areas. These findings have not changed much since the early days of practice review."

Inventory remained one of the most significant areas where practitioners don't place enough efforts. Weaknesses included lack of documentation, failure to attend stocktakes and failure to document tests on valuation of inventory and costs. Basis of selection of samples was another weakness. It was noted that auditors did not trace stock count samples to listings in the client's final stocktake. "If you don't do the documentation, you could say that no work was done," said Lim, "since no documentation means that no work was done."

Receivables also came under scrutiny. Lim noted that firms usually fail to perform assessment of collection of receivables.

On income statement, Lim said that auditors must test the firm's internal controls. Again, documentation is imperative. "If you haven't documented the internal control tests, you might as well say that you never assessed the internal control system," he noted. Lim also urged firms to pay attention to the selection of samples for substantive testing to get at least 60% assur-

ance level. This is important in order to assert that the figures presented are true and fair with completeness of disclosure, he said. "At the end of the day, you have to judge whether there is sufficient and appropriate evidence to form an opinion. You must use professional skepticism to determine what is sufficient and appropriate. If there are ten faulty samples, then the evidence is faulty."

Sufficiency relates to quantity and appropriateness to quality of audit evidence, explained Lim. For example, in auditing sales, don't just test sales invoices but test delivery orders which are the source of sales invoices. "By just testing sales it is a weak assumption to say that you have tested sales appropriately and sufficiently."

A glaring weakness is the lack of tone at the top and the involvement of senior auditors in the audit process, said Lim. "The leadership of the firm must be involved in the risk assessment and planning of audits. Leadership is not something you can transfer responsibility for. At the end of the day, you need to have a firm grasp of the audit because you are signing off on the audit report."

Finally, firms also need to consider whether they have the requisite competencies and skills to carry out an audit. Therefore, implementing proper human resource systems and retaining the right people are critical. "Your staff must possess the proper CPD training hours. Within the firm, there must also be a certain disciplinary regime to ensure the quality of an audit."

Ultimately, said Lim, what Practice Review aims to do is move Malaysia up the audit quality ladder in tandem with global developments.





Think Differently

Start spending your time doing what you do best and
let us take care of the rest!



SALIHIN CAPITAL SDN BHD (683802-A)
Approved Capital Markets Services Licence (CMSL)
by the Securities Commission Malaysia (SC)

A Certified Company of



A Member of



FOLLOW US

www.salihin.com.my **Careline : 1300 88 5678**

T: +603-6185 9970 | F: +603-6184 2524 | E: info@salihin.com.my



www.facebook.com/SalihinGroup

www.twitter.com/SalihinGroup

www.youtube.com/SalihinGroup



Key Findings of the MIA Practice Review Survey

MIA carried out a survey to assess the effectiveness of the Practice Review Programme in October 2012. The following are some of the key findings:

- 90% of those surveyed said that the PRF is effective in enhancing the audit quality of firms
- 93% said that the practice review process was clearly communicated
- 43% said the findings of PRF were very useful, 52% found them somewhat useful and 5% said they were not useful; therefore, 95% consider practice review useful
- 90% said that the reports released at the end of practice review were comprehensive
- 80% found the reports relevant for partners and staff
- 75% said the reports were well-written and easily understood, while 13% indicated that they were not easily understood
- Ironically, 49% said the reports were fault-finding since they pinpointed errors and targeted weak areas, not strengths. Lim Seong On, Head, Practice Review (PRW), said "The purpose of PRW is to make a change to your

• *87% said that audit-related training seminars organised by MIA were useful in improving audit quality.*

practice for the better. If we don't give you a report which is frank and honest, there is no point to practice review."

- 93% said that the closing meeting – where MIA sits down with partners and practitioners for a verbal discussion – was conducted satisfactorily. "The closing is a preliminary meeting which is an opportunity for the firm to find out first-hand what are the primary findings of the review," said Lim. "While we try to convey as much of our findings as possible to the practitioner during closing, the report is more comprehensive and also discusses issues which were not communicated during the closing meeting."
- 87% said that audit-related training seminars organised by MIA were useful in improving audit quality
- MIA charges about RM3,500 per firm for practice review, while AOB charges RM5,000 per partner in an audit firm. Lim noted that "a lot of time was spent on fieldwork and writing the report. The fee is very reasonable yet MIA still has problems collecting the fees."



Key Takeaways

- After 10 years of implementation, MIA has revised the Practice Review Framework.
- A key change to the Practice Review Framework is the shift from random sampling to a risk-based selection approach.
- Practice review inspection activities identified certain key factors in a quality audit such as the tone at the top, quality control and proper documentation.
- Tone at the top, means that the audit engagement partner is the most qualified person to identify significant issues and risks in an audit. Furthermore, the said partner must be hands-on and substantially involved in the audit process to fully discharge his responsibility.
- Firms must enforce a quality control system which emphasises professional skepticism and tone from the top.
- Auditors must be capable of objective thinking and exercising professional skepticism and good judgement as the global audit landscape moves towards the implementation of more principle-based standards and places greater reliance on judgement.
- Importantly, get audits right from the start by inculcating independence and professional skepticism to build sustainable audit quality.



Crowe Horwath - the place for agile and focused **CATS*** services.

***Corporate advisory, Audit, Taxation & Succession planning.**

International accounting firm Crowe Horwath is also the fifth largest in Malaysia, with a 30-year track record in:

Corporate advisory: Being one of the firms with the most number of IPO assignments in the past six years, whilst providing corporate finance and risk advisory services.

Audit: Utilising advanced IT audit techniques for cost-efficiency and effectiveness, combined with vast international experience in Asia, Europe and the Middle East.

Taxation: Our knowledgeable team of professionals are able to provide sound advice on taxes, tax audits and investigations, as well as transfer pricing, amongst others.

Succession planning: We are one of the few local firms equipped with the expertise to advise high net-worth businesspeople about passing on their wealth to future generations.

Whatever your needs, we're always here to help.

Give our CATS partners a call at +603-2788 9999 for more information.



crowehorwath.com.my

Head Office: Level 16 Tower C, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur. **Tel:** +603-2788 9999
Offices: Kuala Lumpur • Klang • Melaka • Muar • Johor Bahru • Penang • Kuching • Sibul • Miri • Bintulu • Kota Kinabalu • Labuan

Audit exemption and the way forward

THE IMPLEMENTATION OF THE LIMITED LIABILITY PARTNERSHIP AS AN ALTERNATIVE BUSINESS VEHICLE WHICH CAME INTO EFFECT ON 26 DECEMBER 2012 AND THE INTRODUCTION OF THE NEW COMPANIES BILL PERTAINING TO THE PROPOSED AUDIT EXEMPTION REGIME ARE GOING TO CHANGE THE AUDIT REPORTING LANDSCAPE. MAINTAINING THE STATUS QUO IS NOT AN OPTION!

MIA Professional Standards and Practices

The global financial crisis and the meltdown of the few giant conglomerates, which have not spared Malaysia, have awoken the audit profession. The value and integrity of audit reporting have been in question despite statutory audit being made mandatory by regulations in Malaysia.

Following the issuance of the new Companies Bill for public consultation, Section 262(1) of the Bill provides that a private company shall appoint an auditor for each financial year of the company. Subsection 262(2) further provides that notwithstanding subsection (1), the Registrar shall have the power to exempt any private company from the requirement stated in subsection (1) based on conditions as determined by the Registrar. However, little is known about the relevant thresholds or criteria which are going to be imposed for the purpose of the exemption.

What Do You Understand by Audit Exemption?

Audit exemption means private companies that satisfy certain conditions will be able to claim the exemption from the requirement to have its accounts audited. It simply implies that the company may engage the auditor to review its accounts with reduced scope for review (meaning there will be less time and money involved

with or without an audit report). Indirectly, it will assist in lowering the cost for companies which qualify for audit exemption with compilation of financial statements.

Simplifying procedures and reducing the cost of doing business has been the Government's continuous agenda to enhance the growth of local entrepreneurship and entice foreign investment into the country. This is more pressing with the implementation of the Economic Transformation Programme to enable Malaysia to achieve high income nation status. These objectives will be facilitated with the introduction of the Limited Liability Partnership Act 2012 (LLPA 2012) which provides for the exemption of the requirement from audit of financial statements for these types of business entities. Despite the audit exemption, the LLP requires a compliance officer who is held statutorily liable in ensuring the true and fair view¹ of the financial position and solvency of the LLP.

Generally, a statutory audit is needed due to any of the following reasons:

- There are many users of financial statements other than the shareholders and therefore the reliability of information filed must not be compromised;
- The removal of the mandatory audit, coupled with the pending absence of minimum capital requirements, would leave

creditors with practically no protection. The limited liability privilege should come with accountability and the requirement for an independent review;

- The costs of audits cannot be considered in isolation. Naturally, there will be savings of audit fee if the audit requirement is removed but the savings will not be significant.

Notwithstanding the audit exemption provisions, the new Companies Bill requires the Directors of the company to maintain proper accounting records and prepare 'true and fair' financial statements. As far as the Institute is concerned, the Council has approved the submission of a proposal to the Companies Commission of Malaysia for audit exemption for dormant companies.

The provision of the audit exemption is also likely to increase the reliance and the confidence placed on audited rather than unaudited financial statements. Fundamental issues such as the role and effectiveness of audit may still come into play.

Other Jurisdictions' Experience with Audit Exemption and the Way forward

Singapore for instance, despite granting exemptions for exempt private companies² or dormant companies³ subject to fulfil-

1. Generally means words used in a company's accounts by auditors to show that they think the accounts give correct and complete information about a company's financial situation.

2. An Exempt Private Company (EPC) is a private company which has at most 20 shareholders. No corporation holds (directly or indirectly) any beneficial interest in the EPC's shares. It can also be a company the Minister has gazetted as an EPC (see Section 4(1) of the Singapore Companies Act).

The following companies are exempted from audit:

- a. revenue not more than S\$5 million for the financial year starting on or after 1 June 2004; or
- b. EPC with revenue not more than S\$2.5 million for the financial year starting on or after 15 May 2003 but before 1 June 2004; or
- c. Any company, including an EPC, that is dormant for the financial year starting on or after 15 May 2003.

3. A company is dormant if there are no accounting transactions* except those relating to the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his/hers in the memorandum; the appointment of a secretary of the company and an auditor, the maintenance of a registered office, the keeping of registers and books, the payment of any fee specified in the Second Schedule of the Companies Act or an amount of any fine or default penalty paid to the Registrar and such other matter as may be prescribed.

* An accounting transaction need not create a cash in-flow or out-flow, so the writing-off of a debt, impairment of an asset, adjustment of a provision, or revaluation of an asset will result in a company not being dormant. Likewise, transactions not related to the exempt activities in the payment of interests and taxes, or the payment of or receipt of dividends (even if passed through), will result in a company not being dormant.

ment of certain qualifying criteria, still requires companies to maintain proper accounting records, and to prepare and present financial statements in compliance with the Companies Act and the Singapore Financial Reporting Standards. Financial statements in this context refer to the directors' report, balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes to financial statements. It seems that the existing requirements remain unchanged with the exception of the audited report.

The Inland Revenue Authority of Singapore had issued a circular on 28 June 2004 advising corporate taxpayers that qualify for the audit exemption and who choose not to have their accounts audited can file the unaudited accounts in place of the audited accounts. The unaudited accounts (including notes to accounts) must be accompanied by the Directors' Report and the Statement by Directors, which must be prepared in compliance with the Companies Act. By the same token, the circular further states that companies that qualify for the audit exemption and have chosen to have their accounts audited are still required to file the audited accounts with their income tax returns.

The survey conducted in year 2012 by the Institute of Certified Public Accountants Singapore or ICPAS (now known as ISCA or the Institute of Singapore Chartered Accountants effective 2 July 2013), revealed that statutory audits constituted the bread-and-butter of SMP business and revenue. As the audit exemption may imply that more companies may not require such services, this may significantly impact firms which depend heavily on statutory fees. Therefore, SMPs have to willingly move out from their comfort zone and explore or develop new business lines. SMPs should thus consider providing high value-added advisory or consulting services such as risk management, business valuation and international tax.

Some developed countries like the United Kingdom, Australia and New Zealand exempt certain companies from the audit requirement provided certain criteria are met while in the United States of America there is no such statutory audit requirement for companies other than listed companies. The size and nature of the economies of these developed nations, the mature stage of their accounting and financial reporting due to ongoing research and development, the long history of accounting standard-setting and the long-standing disclosure-based nature of their regulatory systems

are contributory factors to the stance taken by these countries.

Based on the observations in various countries which had already adopted the audit exemption regime, most of the businesses are still in favour of a voluntary audit even if they were granted the exemption.

Practitioners may need to expand their range of professional services

Does it mean now that the accountant (including tax professionals) may need to increase their proficiency in terms of providing additional services to service clients who have been exempted from audit?

Companies with audit exemption can still have their auditors review their financial statements to ensure the financial statements are presented with a true and fair view. This provides more assurance to other users of the financial statements compared to compilation alone. Again, one must evaluate the costs and benefits of compilation compared with review or audit performance.

In a survey conducted by the ISCA, small and medium-sized entities (SMEs) rank taxation services and advice as their greatest need, while small and medium-sized practices (SMPs) rank auditing as the service they are most keen to provide. This reflects a push for SMPs to expand their scope of service offerings to include tax services, which in turn increases the demand for tax specialists. Moreover, cross-border tax implications arising from increasing globalisation of business activities also spur the need for tax professionals with expertise in international tax.

Under the self-assessment system, taxpayers are expected to submit their tax returns without submitting the audited financial statements or any other documents and compute their tax liabilities and pay upon submission of the tax returns which is deemed assessment. Heavier responsibilities are being thrust upon taxpayers in assessing their own tax liabilities.

It is timely for the SMPs to diversify their provision of services and not limit themselves to the statutory audit, but also other non-statutory audit assignments such as general and foren-

sic investigations relating to financial reporting, risk and liquidity management, corporate finance and mergers and acquisitions. Similarly, tax professionals should not limit their scope of work merely to tax compliance, instead they should go beyond statutory tax compliance to offer services such as tax advisory, tax audit and investigation, transfer pricing and risk management.

SMPs should by now be reviewing their mode of operations and business models to enable them to meet the challenges ahead. SMPs need scale and scalability in a highly competitive and resource-intensive industry. The survival of very small firms is uncertain." MIA reckons there is a fundamental need to facilitate greater consolidation within SMPs via its merger and affiliation (M&A) initiatives. The Institute will continue the initiatives in this area as one of its thought leadership projects which will continue to take on priority moving forward.

Conclusion

Despite audit exemption, the audit profession is not a sunset profession. Instead, audit exemption will further enhance the value and the appreciation of the importance of audit in expressing an opinion on the financial statements to reflect a true and fair view. In addition, it is envisaged that the audit exemption will contribute towards higher compliance in terms of tax filing. Savings from exempting an audit in any one year may result in higher audit fees in following years when the company disqualifies itself by crossing the exemption thresholds, or when an audit is requested by its business partners and/or lenders. This is because the absence of a history of audit increases the costs of an audit when required.

The Institute is more than ready to take the bull by its horns in tackling the issues affecting the accountancy profession to maintain public confidence especially in helping the SMPs to heighten the value of its services in Malaysia. In addition, the Institute is obliged to bridge the gap and ensure that SMPs and SMEs are able to meet the challenges ahead as well as to take advantage of the emerging business opportunities arising from the audit exemption. ■

FRAUD: *Is it worth it?*

SMALL AND MEDIUM PRACTICES CAN PROFIT FROM OFFERING THE APPROPRIATE FRAUD DETECTION SERVICES.

Can fraud be worth the public practitioner's while?

This was the question posed by Adrian Bond, chartered accountant and principal of Bond Associates Limited, to public practitioners participating in the MIA Public Practitioners' Forum 2013.

Bond said that escalating fraud was creating many opportunities particularly for mid-tier accounting firms or smaller practices that were looking to position themselves in a new area within the profession, or intending to create a niche service to offer (discreetly) to clients. Furthermore, forensic accounting could be a profit-making practice because it is an area of expertise that is not usually included in the range of traditional accounting services.

Why do most public practices sideline forensics? "Most accountants who specialise in fraud train in identifying fraud and corruption," explained Bond. "It's almost like criminology, and is a soft skill, unlike accounting which is generally considered a hard skill."

But Bond said that accounting firms should focus more on forensics precisely because the compensation is excellent. "Only small groups of specialists are needed, and the rewards are high. In most cases of fraud, we are talking about situations of reputational risks for firms. Business is by recommendation only, so you normally take instructions from the highest levels of the corporation, and are close to the Board of Directors. The fee models or structures are different from other public practice services, and it involves very sensitive work. Often, it is a delicate process which may require the investigation of senior management."



Adrian Bond

Those who are considering taking on the shady world of fraud and money-laundering have to be aware of the far-reaching consequences of fraudsters and how their actions affect commerce. Indeed, the results can be quite devastating, Bond stressed, particularly to the reputation of the company that suffers from the effects of fraud. Public practitioners were also cautioned that since fraudulent contracts are sometimes committed at the highest levels of a company, those investigating the fraud may find totally unanticipated barriers, especially if fraud is being perpetuated by members of the firm's C-Suite. "Fraud accounting is not a business for amateurs," Bond stated, but, as an indication of how lucrative it can be, added that almost half of his current investigations involve companies outside the UK.



"This is because almost 50% of businesses in the UK have subsidiaries outside the country, and bribery, corruption and fraudulent practices occur in, or involve to some extent, these overseas subsidiaries," he said, quipping that fraud investigations can be "good fun," particularly when the amounts involved run into the millions. "It is estimated that bribery and corruption around the world run into the trillions annually," he added, pointing out that different countries experienced different kinds of fraud. In the US, for instance, cheque manipulation is a big part of fraudulent practice because the use of cheques is more prevalent there than it is anywhere else in the world. Credit card fraud is also rampant because credit card users in the US do not enjoy the level of protection which they enjoy in Europe and the UK, he said.

Because of the differing financial systems in different countries, and how these are used in the respective countries, fraudulent situations tend to vary greatly. Bond said that fraud was accounting for an increasing economic loss every year, and could eventually cripple any economy that allowed it to proliferate. "A lot of economic loss – perhaps even the economic crisis – can be traced to fraud," he said. "For instance, mortgage

fraud may have been involved in many subprime loans which went bad, which in turn impacted negatively on the banking system. There were cases where the loans were in default for two years before they finally went bad – so it's not something that happens overnight. Fraud happens over a long time."

Commenting on who is most likely to perpetrate fraud, Bond introduced statistics which showed that employees who had been employed for six years or more were the most likely candidates. "Also, those who are likely to commit fraud are usually aged 60 and above," he said. "The greatest loss comes from owners and executives, however, and it takes a lot longer to discover fraud that has been perpetrated by senior management." In recent years, investigators have also found that fraudulent acts committed by women were on the rise, where before fraud seemed to be a predominantly male crime.

When investigating fraud, said Bond,

the biggest part involves looking at how the company is managed. It is important that the tone is set from the top. "Most employees hate fraud and corruption," he remarked. "In fact, employees make the best whistleblowers. But if they report to the top, and the top is corrupt, nothing will happen."

Asked why fraud is still prevalent in banks on such an extensive scale, despite efforts by authorities to stem the illicit outflow, Bond said: "It's because of 'hush money' – people are being paid big bonuses to keep quiet," he said. "It won't end; the crisis will not be resolved until all these monies stop being paid. The best deterrents to fraud are whistleblowing and insider tips." ■

Adrian Bond will be speaking at the MIA International Accountants Conference 2013. He will also be conducting a 2-day workshop from 28 to 29 November. For more information email to pd@mia.org.my

Key Takeaways

- Escalating fraud is creating many opportunities particularly for mid-tier and smaller accounting firms to offer fraud investigation services and forensic accounting services.
- Forensic accounting is a highly lucrative area of expertise that is not usually included in the range of traditional accounting services.
- Fraud comes in all forms and types of fraud perpetrated differ from country to country.
- The key to investigating fraud is to assess management and tone from the top.
- The best deterrents to fraud are whistleblowing mechanisms and facilitating insider information.

THE ANNUAL CSI WORLD HQ CONFERENCE SERIES RETURNS!

THE 4TH INTERNATIONAL CYBER & ECONOMIC CRIMES CONFERENCE WHITE COLLAR CRIMES

22 to 23 OCTOBER 2013
PARKROYAL HOTEL
KUALA LUMPUR
EMAIL : sp@mia.org.my
TEL : (603) 2279 9200

Supporting Partner



MALAYSIAN INSTITUTE
OF ACCOUNTANTS



Insolvency: Recent Federal Court Decisions

A REVIEW OF RECENT FEDERAL COURT DECISIONS RELATING TO INSOLVENCY PRACTICE

MIA Professional Standards and Practices

Edited by Himahlini Ramalingam, Partner, Lee Hishammuddin Allen & Gledhill

The objective of this article is to discuss recent decisions of the Federal Court on several issues relating to insolvency practice i.e. the application of:

- Rule 173 of the Companies (Winding Up) Rules 1972 (“the WU Rules”);
- Section 8(2A) of the Bankruptcy Act 1967 (“the Bankruptcy Act”); and
- Section 6(1) (a) of the Power of Attorney Act 1949 (“the PA Act”).

A. Rule 173 of the Companies (Winding Up) Rules 1972 reads:

173. Costs

No payments in respect of bills or charges of solicitors, managers, accountants, auctioneers, brokers or other persons other than payments for costs and expenses incurred and sanctioned under rule 45, and payments of bills which have been taxed and allowed under orders made for the taxation thereof, shall be allowed out of assets of the company without proof that the same have been taxed and allowed by the Taxation Officer. The Taxing Officer shall satisfy himself before passing the bills or charges that the employment of a solicitor or other person to assist the liquidator in the performance of his duties in respect of the matters mentioned in the bills or charges has been duly sanctioned. Provided that the Official Receiver when acting as liquidator may without taxation pay and allow the costs and charges of any person employed by him where the costs and charges are within the scale usually allowed by the Court and do not exceed the sum of RM100.

Wong Sin Fan & Ors v Ng Peak Yam @ Ng Pyak Yeow & Anor[2013] 2 MLJ 629

The respondents were liquidators of **Folin and Brothers Sdn Bhd (Folin)**. The appellants who were shareholders of Folin applied to have the respondents removed as liquidators under Section 232 of the Companies Act 1965. One of the grounds relied on by the appellants to support their application was that the respondents had paid bills of lawyers engaged by them without requiring the bills to be taxed pursuant to Rule 173 of the WU Rules.



The facts also reveal that the first appellant was responsible for negotiating the fees with the lawyers and the cheques for the payments were approved by the appellants. The lawyers were appointed for the purposes of bringing and defending an action on behalf of Folin pursuant to Section 236(2) of the Companies Act.

In interpreting Rule 173 of the WU Rules, the Federal Court referred to its earlier decision in **Zaitun Marketing Sdn Bhd v. Boustead Eldred Sdn Bhd [2010] 3 CLJ 785** where a distinction was drawn on the appointment of an advocate by a liquidator under Section 236(1) and Section 236(2) of the Companies Act respectively. In the present case, the Federal Court affirmed the decision of the High Court and Court of Appeal and held that Rule 173 of the WU Rules only applies to services envisaged under Section 236(1) of the Companies Act i.e. services rendered to the liquidator in the ordinary administrative and management duties of the liquidator. Rule 173 of the WU Rules did not apply to services rendered by lawyers pursuant to Section 236(2) of the Companies Act 1965.

The Federal Court also considered Rule 165 of the WU Rules where it is only upon request by the liquidator that a solicitor shall deliver a bill of costs to the taxing officer to be taxed. The Federal Court held that Rule 165 of the WU Rules is only a discretionary provision and was not mandatory.

B. Section 8(2A) of the Bankruptcy Act 1967 reads:

Notwithstanding subsection (2), no secured creditor shall be entitled to any interest in respect of his debt after the making of a receiving order if he does not realise his security within six months from the date of the receiving order.

Pilecon Realty Sdn Bhd v Public Bank Berhad & Ors and another appeal [2013] 3 MLJ 1

Three questions of law were posed to the Federal Court for determination –

1. Whether the statutory right of a charge under the National Land Code 1965 to rely on his security to obtain full satisfaction of the indebtedness owed by him is restricted by Section 8(2A) of the Bankruptcy Act where such security was provided by a company which was later wound up and the security was not realised within six months of the winding up order;
2. Does Section 8(2A) of the Bankruptcy Act apply in a company liquidation situation where the secured creditor relies on his security for full satisfaction?
3. Whether a secured creditor is entitled to any interest in respect of its debts after the making of a winding up order if it does not realise its security within six months from the date of the winding up order.

The Federal Court held that Section 8, and in particular, subsection (2A) of the Bankruptcy Act, is clear and unambiguous. In the absence of an express provision limiting its application, there was no reason to limit its application only against a bankrupt and not to a wound up company.

The Federal Court held that on the reading of Section 8(2A) of the Bankruptcy Act, a secured creditor is given a timeline of six months from the date the debtor was wound up to sell the charged property failing which it is not entitled to interest subsequent to the date of winding up.

The Federal Court answered Questions 1 and 2 in the affirmative and Question 3 in the negative.

C. Section 6(1)(a) of the Power of Attorney Act 1949 reads:

6(1) If a power of attorney, given for valuable consideration, is in the instrument creating the power expressed to be irrevocable, then, in favour of a purchaser –

(a) The power shall not be revoked at any time, either by anything done by the donor of the power without the concurrence of the donee of the power, or by the death, marriage, mental

disorder, unsoundness of mind, or bankruptcy of the donor of the power; and

Lim Eng Chuan Sdn Bhd v United Malayan Banking Corporation & Anor [2013] 3 MLJ 161

The Federal Court was invited to answer the following questions:-

1. When a chargee sells charged property to realise its loan, without recourse to and compliance with the National Land Code, and without the consent of the chargor, is that sale void, as stated in *Kimlin Housing Development Sdn. Bhd. (Appointed receiver and manager) (in liquidation) v Bank Bumiputra (M) Bhd & Ors [1997] 2 MLJ 805 (SC)* irrespective of whether the sale was by use of a power of attorney (“PA”) as opposed to a debenture?
2. Can a PA for valuable consideration and expressed to be irrevocable, be granted by a company as donor (as opposed to a natural person) pursuant to Section 6(1)(a) of the PA Act?
3. In respect of a PA, expressed to be for valuable consideration and irrevocable pursuant to Section 6(1)(a) of the PA Act, does such a PA survive and remain valid upon the winding up of a donor company?
4. Is a disposition of property belonging to a company in liquidation which is held as a security or otherwise, without leave of the winding up court required by Section 223 of the Companies Act void?

In respect of Question 1, the Federal Court held that *Kimlin* was concerned with the narrow issue of whether a receiver and manager appointed under a debenture could sell lands charged under the National Land Code (“NLC”) and was different from the facts of the present case. In the present case, the issue was whether an attorney of the chargor could sell lands charged under the NLC. The Federal Court held that a sale by a chargor of land charged under the NLC, through its attorney, pursuant to an irrevocable power of attorney given for valuable consideration, is valid.

The Federal Court answered Question 2 in the affirmative. The reading of both Section 3(1)(a) of the PA Act and Form II in the First Schedule to the PA Act made it clear that a company was competent to grant a PA provided there was scrupulous compliance with the form of authentication of the PA.

In relation to Question 3, the Federal Court held that a winding up order made against the appellant does not vitiate, nullify or revoke the PA which the appellant had expressly granted to the first respondent.

In answer to Question 4, the Federal Court held that as the sale of the land concerned in the present case was subject to charge, it was not a disposition within the meaning of Section 223 of the Companies Act, 1965. This section does not apply to the realisation of creditors of assets of a company charged as security. ■

WHAT IS AN Industrial Building?

Industrial building allowance is nowadays used as a tool to incentivise certain non-industrial activities and it is no longer appropriate to interpret the words “industrial building” too literally. It is important for tax agents, tax advisors and accountants to understand the full statutory meaning of the phrase industrial building and the related deeming provisions to ensure that this “incentive” is not overlooked to the detriment of their organisations and their clients.

Richard Thornton and Thenesh Kannaa

Although not all buildings qualify for capital allowances, Schedule 3 of the Income Tax Act 1967 provides for such allowances, known as industrial building allowances, to be given for qualifying capital expenditure incurred on buildings which are or are deemed to be industrial buildings. Besides the more general type of building in use for an industrial purpose, the category of eligibility has been widened considerably by expanding the meaning of the expression “industrial building” to include many other types of building and structure as part of the Government’s efforts to promote and incentivise a particular industrial or commercial activity. Taxpayers who would otherwise qualify for no tax relief at all in respect of the construction or acquisition cost of their buildings can thus gain a substantial tax advantage.

However, the extensive use of deeming provisions has created a perception that the term “industrial building” is no longer an appropriate label to apply to such a broad category of assets. Except for a minority who are well-versed and up-to-date with tax knowledge, many are unlikely to be aware that expenditure on buildings such as old folks’ homes, private schools, hospitals or hotels (to name

a few) is eligible for industrial building allowance.

To help readers develop a full understanding of the extended meaning of “industrial building” and the various situations in which industrial building allowance can be claimed, this article aims to provide a comprehensive description of the industrial building allowances which are currently available. Except where stated otherwise, such allowances are provided at the rates of 10% and 3% for initial and annual allowances respectively but it should be noted that higher rates are available for some types of expenditure as described below.

SCHEDULE 3 PARAGRAPH 63

Sch. 3 Para 63 defines the following buildings to be industrial buildings if used for the purposes of a business¹:

1. A building² used as a factory (see below for the definition “factory”).
2. A building used as a dock, wharf, jetty or other similar building.
3. A building used as a warehouse where the business consists or mainly consists of hire of storage space to the public.
4. A building (other than those specifically excluded below) used for the business of a water or electricity undertaking, which supplies water or

electricity for consumption by the public.

5. A building (other than those specifically excluded below) used for the business of a telecommunication undertaking, which provides telecommunication services to the public.
6. A building (other than those specifically excluded below) used in connection with the working of a farm where the business consists or mainly consists of the working of a farm.
7. A building (other than those specifically excluded below) used in connection with the working of a mine where the business consists or mainly consists of the working of a mine.

MEANING OF FACTORY

The meaning of industrial building includes, amongst other things, a factory. As such, it is important to consider the meaning of the term factory. For the purposes of capital allowances, the term factory includes:

- 1) Any building consisting of a;
 - mill; or
 - workshop*; or
 - other building for the housing of machinery or plant for;
 - the manufacture of any product; or
 - the subjection of goods or materials to any process; or

1. However, where the allowances are claimed by the lessor of a building, the reference to a business is deemed to be reference to his source of income as lessor. (See Sch. 3 Para 60).
 2. The term “building” includes any structure erected on land (Section 2 of the Income Tax Act 1967)

- the generating of power used for the purposes of that manufacture or process.

- 2) Any building, within the same curtilage as a building used as a factory which is used for the storage of either:
 - raw material, fuel or stores necessary for the manufacture of that product or the subjection of goods or materials to any process; or
 - the manufactured product or processed goods or materials prior to sale.
- * excluding a workshop used for the repair or servicing of goods, if the repair or servicing is carried out in conjunction with or incidentally to a business of selling those goods.

SPECIFIC EXCLUSIONS

It has been specifically provided that the following buildings are not industrial buildings:

- i. dwelling house
- ii. retail shop
- iii. showroom
- iv. office³

However, this restriction only applies to the buildings described above and it does not apply to the buildings described below which are specifically deemed to be industrial buildings.

BUILDING FOR STORAGE OF GOODS

A building or part of a building is deemed to be an industrial building if it is used by a person solely for the purpose of:

- 1) storage of goods for export; or
- 2) storage of imported goods which are to be processed and distributed or re-exported.

The allowance for this building is given at the rate of 10% for 10 consecutive years.

BUILDINGS USED FOR RESEARCH AND DEVELOPMENT ACTIVITIES

A building or part of a building is deemed to be in use as an industrial building if it is in use for the purpose of:



- i. research approved by the Minister for the purposes of Section 34A(1) of Income Tax Act 1967;
- ii. research approved by the Minister within the meaning of Section 34B(4) of the Income Tax Act 1967. This refers to an approved research institute or approved research company;
- iii. research undertaken by a research and development company. A research and development company is a company which provides research and development services in Malaysia to its related company or to any other company; or
- iv. research undertaken by a contract research and development company. A contract research and development company is a company which provides research and development services in Malaysia only to a company other than its related company.

HOTELS, AIRPORTS AND MOTOR RACING CIRCUITS

A building or part of a building is treated as an industrial building if it is used by a person solely for the purpose of a hotel, provided that the hotel is registered with the Ministry of Tourism.

An airport is treated as an industrial building. Capital expenditure incurred in relation to the airport includes capital expenditure incurred on the construc-

tion, reconstruction, extension, improvement or purchase of any building, runway or ancillary structures.

A motor racing circuit approved by the Minister is treated as an industrial building, and the capital expenditure incurred in relation to motor racing circuit includes capital expenditure on the construction, reconstruction, extension or improvement of that motor racing circuit or ancillary structures.

HOSPITALS, OLD FOLKS' HOMES, SCHOOLS, COLLEGES AND TRAINING CENTRES

Private hospitals, maternity homes and nursing homes are treated as industrial buildings, provided that the hospital or home is licensed or, where there is no written law that relates to registration and licensing, approved by the Director-General of Inland Revenue after consultation with the Director-General of Health.

Any building used as an old folks' care centre approved by the Social Welfare Department is treated as an industrial building. The allowance for this building is given at the rate of 10% for 10 consecutive years.

Any building constructed or purchased by a person for the purposes of his business for a school, or educational institution approved by the Minister of Education or Minister of Higher Education or any relevant authority is

3. In *CIR v Lambhill Ironworks Ltd* (31TC393) a drawing office was held to be an industrial building and not an 'office'

treated as an industrial building. The allowance for this building is given at the rate of 10% for 10 consecutive years.

Any building used for the purposes of industrial, technical or vocational training approved by the Minister is treated as an industrial building. The allowance for this building is given at the rate of 10% for 10 consecutive years.

BUILDINGS PROVIDED FOR STAFF LIVING ACCOMMODATION AND STAFF WELFARE

(1) Any building provided by a person for the welfare of persons, or as living accommodation for a person, employed in connection with the working of a farm is treated as an industrial building, provided that the building is likely to be of little or no value to any person except in connection with the working of that farm or of another farm.

(2) Where there is an industrial building in use for the purposes of a person's business, any other building constructed by him as living accommodation for individuals who are employees of that business is treated as an industrial building. This does not apply when:

- The first-mentioned industrial building is not in use in the basis period for the year of assessment for the purposes of a business;
- The living accommodation is a purchased building
- The building is not occupied by employees of the business.
- The individual concerned is a director⁴, an individual having control of the business (such as the proprietor or an individual who is the controlling shareholder), an individual who is a member of management, administrative staff and/or clerical staff.

In situations where the expenditure incurred on such living accommodation is also qualifying agriculture expenditure or qualifying forest expenditure, the taxpayer can choose between agriculture/

forest allowance or industrial building allowance. If he elects to claim industrial building allowance, then he must notify his choice to the tax authorities in writing within three (3) months of the beginning of the year of assessment in the basis period for which that expenditure was incurred (or within such further period as the Director-General may allow).

The allowance for such buildings are given at the rate of 40% initial and 3% annual as opposed to the normal 10% for initial allowance and 3% for annual allowance.

(3) Where a person carrying on any of the following activities has incurred expenditure on construction or purchase of a building to be provided as living accommodation to the employees of the business, such building is treated as an industrial building at any time when it is occupied by the employees.

- i) Manufacturing business
- ii) Hotel business
- iii) Tourism business; or
- iv) Approved service project⁵.

For the purpose of this provision, the "employee" excludes a director, individuals having control of the business (such as the proprietor or the controlling shareholder), and an individual who is a member of management, administrative and/or clerical staff.

The allowance for this building is given at the rate of 10% for 10 consecutive years.

(4) Where a building is an industrial building, any building provided as a canteen, restroom, recreation room, lavatory, bathhouse, bathroom, or washroom for persons employed in the business for which that building is used is treated as an industrial building.

(5) Any building used for provision of childcare facilities for employees of the person's business is treated as an industrial building at any time when it is used by the employees. The allowance for this building is given at the rate of 10% for 10 consecutive years.

BUILDINGS CONSTRUCTED PURSUANT TO AN AGREEMENT WITH THE GOVERNMENT

(1) Public roads and ancillary structures are treated as industrial buildings provided that both of the following conditions are met:

- it is pursuant to an agreement with the Government; and
- the expenditure incurred on such roads and ancillary structures is recoverable through toll collection.

The qualifying building expenditure incurred for the public roads and ancillary structures includes the capital expenditure on the construction, reconstruction, extension or improvement of the public road and ancillary structures. The initial allowance on such expenditure is given at the normal rate of 10%, whilst the annual allowance is given at the rate of 6%.

(2) Where a building is constructed pursuant to an agreement with the Government on a build-lease-transfer basis it is treated as an industrial building, subject to having been approved by the Minister. The initial allowance on such expenditure is given at the normal rate of 10%, whilst the annual allowance is given at the rate of 6%.

(3) With effect from the year of assessment 2009, any building constructed pursuant to an agreement with the Government of Malaysia or a statutory body on a build-lease-maintain-transfer basis is treated as an industrial building if such building is under a privatisation project and private financing initiative (PFI) approved by the Privatisation/PFI Committee, Public Partnership Unit, Prime Minister's Department.

This provision applies only to persons resident in Malaysia and it does not apply where the person has received a consideration in respect of the construction from the Government of Malaysia or the statutory body. The initial allowance on such expenditure is given at the normal rate of 10%, whilst the annual allowance is given at the rate of 6%.

4. See Section 2 of the Income Tax Act 1967.

5. See Para 9 Sch. 7B

BUILDINGS USED FOR AN APPROVED SERVICE PROJECT

A building or part of a building is treated as an industrial building if it is in use solely for the purpose of provision of services and modernisation of operations in relation to an approved service project. Approved service project means a project in the service sector in relation to transportation, communications, utilities or any other sub-sector as approved by the Minister for the purposes of Schedule 7B of the Income Tax Act 1967.

BUILDINGS OCCUPIED BY APPROVED MSC STATUS COMPANIES

With effect from the year of assessment 2006, any building that provides a world-class physical and information infrastructure in the Cyberjaya Flagship Zone is treated as an industrial building if the building is:

- used for the owner's business as an approved MSC-status company; or
- rented out to an approved MSC-status company.

MSC is an abbreviation for Multimedia Super Corridor. An approved MSC-status company means a company:

- which has been awarded MSC-status by the Government of Malaysia; and
- carries on approved MSC activities.

This provision applies only to new buildings that have not been occupied by any company before 2006 and which are first occupied by an approved MSC-status company. This provision does not apply to buildings provided as living accommodation.

If the building owner earns income from renting the above-mentioned building to an approved MSC-status company, such rental income is treated as business income (i.e. pursuant to Section 4(a), and not Section 4(d) of the ITA 1967), even if the owner does not provide maintenance services or support services comprehensively and actively.

Any qualifying building expenditure incurred by the owner of the building is deemed to have been incurred in the basis period of the year of assessment in which the building is first occupied by an approved MSC-status company.

The allowance for this building is given at the rate of 10% for 10 consecutive years.

BUILDINGS OCCUPIED BY BIONEXUS COMPANIES

The qualifying building expenditure incurred by companies used for the sole purpose of its new business or expansion project is entitled for industrial building allowance provided that:

- the person who incurs the expenditure is a company;
- such company is resident in Malaysia (refer Section 8 of the ITA 1967);
- such company was incorporated under the Companies Act 1965; and
- such company has been approved by the Minister as a BioNexus status company.



OFFSHORE COMPANIES
- Incorporation and Services

Immediately available for

- Investment and Property Holdings
- Tax and Cross Border Planning
- Asset Protection and Confidentiality
- Trading Enterprises and Joint Ventures
- Trust Structures

Jurisdictions offered:

- BVI • Singapore • Hong Kong • Labuan
- Cayman Islands • Mauritius • Seychelles
- Samoa • Panama and others


ROCKWILLS CORPORATE SERVICES PTE. LTD.
Singapore – Jaclyn +65 90295570
Malaysia – Chris +6012 3188910

In this context, a BioNexus status company means a company incorporated under the Companies Act 1965 which is engaged in a business of life sciences. Life sciences mean any of several branches of science (e.g. biology, medicine, anthropology or ecology) which deal with living organisms and their organisation, life processes and relationships to each other and their environment. See Income Tax (Industrial Building Allowance) (BioNexus Company) Rules 2007 for further information.

The allowance for this building is given at the rate of 10% for 10 consecutive years.

It is noteworthy that certain buildings owned by a BioNexus status company may be entitled for an allowance in addition to industrial building allowance under the Income Tax (Exemption) (No. 18) Order 2007.

PLANT AND MACHINERY TREATED AS A BUILDING

When the capital expenditure incurred on preparing, cutting, tunnelling or levelling land in order to provide a site for the installation of plant or machinery for the purposes of a business is more than 75% of itself and the capital expenditure incurred on the plant or machinery, the plant or machinery is treated as a building so long as it is used for the purposes of the business. In such a case, the aggregate capital expenditure (i.e. sum of capital expenditure for preparing, cutting, tunnelling or levelling land and the capital expenditure incurred on the plant or machinery) is treated as qualifying building expenditure and the Qualifying Plant Expenditure is zero.

OVERLAP WITH OTHER QUALIFYING EXPENDITURE

Schedule 3 of the Income Tax Act 1967 provides for allowances in respect of Qualifying Building Expenditure, Qualifying Plant Expenditure, Qualifying Agriculture Expenditure and Qualifying Forest Expenditure. An overlap between these expenditures exists. In such cases,

it has to be understood that Qualifying Building Expenditure is determined based on a “residual approach”, i.e. if an expenditure is a Qualifying Plant Expenditure, Qualifying Agriculture Expenditure or Qualifying Mining Expenditure, it cannot be a Qualifying Building Expenditure (Sch. 3 Para 6).

BUILDINGS ON FARMS MAY QUALIFY AS QUALIFYING PLANT EXPENDITURE

Sch. 3 Para 2(1) (c) provides for Qualifying Plant Expenditure to include the expenditure incurred for buildings (other than those used wholly or partly for the living accommodation of a director, an individual having control of that business or an individual who is a member of the management, administrative or clerical staff engaged in the business), and other structural improvements on land which are used for the purposes of poultry farms, animal farms, the inland fishing industry or other agricultural or pastoral pursuits.

It is important to take note that when expenditure on any building satisfies the criteria to be Qualifying Plant Expenditure, the taxpayer cannot opt for such expenditure to be treated as Qualifying Building Expenditure.

DEVELOPMENTS IN 2013

- (1) A building which is constructed or purchased by a person where –
 - a) that person is the owner of that building; and
 - b) that building is used by that person for the purpose of a business relating to the provision and maintenance of a kindergarten approved by the Ministry of Education,

shall be treated as an industrial building. The allowance for this building is given at the rate of 10% for 10 consecutive years. This rule is effective from the year of assessment 2013.

- (2) A building which is constructed or purchased by a person where –
 - a) that person is the owner of that

building; and

- b) that building is used by that person for the purpose of a business of a childcare centre registered with the Department of Social Welfare,

shall be treated as an industrial building.

The allowance for this building is given at the rate of 10% for 10 consecutive years. This rule is effective from the year of assessment 2013.

- (3) A commercial building which is constructed or purchased by a Tun Razak Exchange Marquee-status company in the Tun Razak Exchange –
 - a) where that company is the owner of that commercial building; and
 - b) that commercial building is used by that company for the purpose of a business as specified in the Schedule of the PU Order,

shall be treated as an industrial building.

This rule is intended to benefit those in the Insurance or Banking sectors. The allowance for this building is given at the rate of 10% for 10 consecutive years. This rule is effective from the year of assessment 2014.

CONCLUSION

Industrial building allowance is nowadays used as a tool to incentivise certain non-industrial activities and it is no longer appropriate to interpret the words “industrial building” too literally. It is important for tax agents, tax advisors and accountants to understand the full statutory meaning of the phrase industrial building and the related deeming provisions to ensure that this “incentive” is not overlooked to the detriment of their organisations and their clients. ■

Richard Thornton and Thenesh Kannaa, both of whom are members of MIA and CTIM, are joint authors of the Manual of Capital Allowances and Charges Malaysia (2013) published by CCH Asia Pte Limited. They are also frequent speakers on various tax topics. They can be contacted at alric-ton@gmail.com and thenesh@tratax.my respectively.



Islamic Financial Planner (IFP®)

Your key to Islamic wealth management and financial planning qualification.

WHY IFP?

- Pre-Requisite for Capital Market Services Representatives License (CMSRL) by Securities Commissions (SC)
- Pre-Requisite for Financial Advisor (FA) License by Bank Negara Malaysia (BNM)
- Exemption for Takaful Basic Exam (TBE) by Malaysian Takaful Association (MTA)
- Exemption for Private Retirement Scheme (PRS) examination by Federation of Investment Managers Malaysia (FIMM)
- Approved for Education Withdrawal by Kumpulan Wang Simpanan Pekerja (KWSP)
- Recognized as CPD Program by Federation of Investment Managers Malaysia (FIMM)
- Exemption for Pre-Contract Examination for Insurance Agents (PCEIA) Part A, B & C by Malaysian Insurance Institute (MII)
- Eligible for Training Grant under HRDF application by Pembangunan Sumber Manusia Berhad (PSMB)

For further details, kindly contact:
Sandora / Hafizi / Izalina
4th Floor, Menara Takaful Malaysia,
Jalan Sultan Sulaiman,
50000 Kuala Lumpur
Tel: 03-2031 1010 ext 560/564/562
Fax: 03-2026 9988
Email: training@ibfim.com
Website: www.ibfim.com

Tax incentives available for Small and Medium Enterprises

MIA Professional Standards and Practices

Malaysia will focus its economic growth efforts on National Key Economic Areas (NKEAs) which will receive prioritised government support, including funding, top talent and Prime Ministerial attention. The 12 NKEAs are at the core of the Economic Transformation Programme (ETP). A NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy. The 12 NKEAs refer to Oil, Gas and Energy; Palm Oil & Rubber; Financial Services; Tourism; Business Services; Electrical and Electronics; Wholesale and Retail; Education; Healthcare; Communications Content and Infrastructure; Agriculture; and Greater Kuala Lumpur/Klang Valley.

Small and Medium Enterprises (SMEs)¹ play an important role in ensuring a hand-in-hand collaboration between the private and the public sectors as propounded in the government's road map to becoming a high income nation and creating a sustainable economic and investment climate.

The 12 NKEAs refer to Oil, Gas and Energy; Palm Oil & Rubber; Financial Services; Tourism; Business Services; Electrical and Electronics; Wholesale and Retail; Education; Healthcare; Communications Content and Infrastructure; Agriculture; and Greater Kuala Lumpur/Klang Valley.

The redefinition of SMEs is expected to result in more firms being classified as SMEs, particularly from the services sector. According to Malaysia SME, the share of SMEs to total business establishments will increase from the existing 97.3% to 98.5%. This will facilitate the country's transformation to a high income nation through the initiatives under the SME Masterplan and the significant commitment of government to help more efficiently and effectively our homegrown SMEs to drive the economy in the long run.

TAXATION OF SMEs

The taxation of SMEs is an important agenda for policymakers and taxpayers themselves as SMEs make up the vast majority of businesses and typically account for the bulk of employment within the country. According to 'Growing the Global Economy through SMEs' by the Edinburgh Group, SMEs by number dominate the world business stage. Although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment. Malaysia is no exception.

Governments around the world have responded in a variety of ways to assist SMEs. In particular, policymakers' attention has focused on supporting working capital, easing access to finance, implementing a better regulation agenda and encouraging SME investment in new technologies or markets. In the Malaysian context, various forms and choices of tax incentives have been put in place to support industries ranging from services to manufacturing, trading, agriculture, tourism, communications and technology, education and healthcare and many more.

In simpler terms, tax incentives generally imply a partial or total relief from income tax payment for a specified period. Such incentives to name a few include reinvestment allowance (RA), double deduction for promotion of exports of services/higher education, pioneer status (PS), investment tax allowance (ITA), and double deduction for research and development which are by no means merely for the purpose of helping the SMEs to reduce their effective tax rate.

¹ PLEASE NOTE THAT WITH EFFECT FROM 1 JANUARY 2014, SME HAS BEEN REDEFINED AS FOLLOWS:

SECTORS	MICRO	SMALL	MEDIUM
Manufacturing	Sales turnover of less than RM300,000 <u>OR</u> employees of less than 5	Sales turnover from RM300,000 to less than RM15 mil <u>OR</u> employees from 5 to less than 75	Sales turnover from RM15 mil to not exceeding RM50 mil <u>OR</u> employees from 75 to not exceeding 200
Services and Other Sectors	Sales turnover of less than RM300,000 <u>OR</u> employees of less than 5	Sales turnover from RM300,000 to less than RM3 mil <u>OR</u> employees from 5 to less than 30	Sales turnover from RM3 mil to not exceeding RM20 mil <u>OR</u> employees from 30 to not exceeding 75



For a more comprehensive understanding of the tax incentives available to the various industries, and whether the relevant tax incentives require prior approval or are eligible to claim at the point of computing the chargeable income of the entities pursuant to the Income Tax Act 1967 (ITA 1967), readers are advised to visit the Malaysian Investment Development Authority's website at the link www.mida.gov.my. Please note that the Tax Authorities have announced that with effect from 17 August 2012, the claimant company is no longer required to submit the incentives claim forms to the Tax Policy Department at the Head Office of the Inland Revenue Board (IRB). Instead, the claimant company is required to keep the original claim form together with the relevant supporting documents for audit purposes.

DEFINITION OF SMEs FOR TAX PURPOSES

There is no standard definition of what constitutes a SME. SMEs are generally defined in accordance with the number of employees and the annual sales turnover. However for tax purposes, SMEs are specifically defined under Schedule 1, Paragraph 2A of the ITA 1967 as a company resident in Malaysia which has a paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company cannot be controlled by another company with a paid-up capital exceeding RM2.5 million. The SME for this instance will be eligible for a preferential tax rate of 20% on its chargeable income up to RM500,000 and the remaining chargeable income will be taxed at the prevailing tax rate of 25%.

SMEs have been accorded various tax saving measures by the government in order to support entrepreneurship and to help foster growth of SMEs. For instance, a newly



CPA Practice Bridging Program

Building Your Own Accounting Business –

based on successful business model created by Hong Kong CPAs

Advantages of Joining Weld Asia

1. Be your own boss with total time freedom.
2. Incidental costs savings – covering firm's registration fee, business registration fee, PII, office rent, computer system, etc.
3. Low entry cost i.e. RM500 per month, to build your business.
4. **FREE** use of office in *One City USJ, Mid-Valley City (self-owned), Hong Kong, Shenzhen and Shanghai*, Internet, in-house training and consultation.
5. Established billing and accounting system to manage your clients portfolio.
6. Established brand name in Asia and Top 10 accounting firms in Malaysia.
7. Established firm with developed ISQC system and shared resources.
8. Cross border business capabilities – public listing, corporate advisory and asset protection.
9. Access to Internationally qualified partners, directors and consultants to develop your business.
10. Wider scope of services – increasing your income potential.
11. Wide network of Asian firms covering Malaysia, Hong Kong, Shenzhen and Shanghai offices to do your business.
12. iCloud Accounting solution to increase your income potential.
13. Opportunity for developing business outsourcing services.

**ONLY for
selected MIA
Members**

Weld Asia Associates (AF002026)

(A PCAOB Registered Firm in USA)

13-8, The Boulevard Office, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

T: (603) 2284 5126

F: (603) 2284 7126

E: info@weldasia.com

w: www.weldasia.com



We welcome any potential opportunities for possible merger and acquisition to create value and competitive advantages for mutual benefits together. Please feel free to contact our Mr. CK LEE on his Hong Kong number (852) 6491 9889 or email: cklee@weldasia.com



incorporated SME that satisfies the above-mentioned qualifying conditions will enjoy two years exemption from submitting its estimated tax payable. Furthermore, SMEs are given 100% capital allowance on the value of each asset of not more than RM1,000 and excluded from the maximum limit of RM10,000 for capital allowance on small value assets.

INSIGHTS ON TAX INCENTIVES FOR SME

The table below features some of the selected tax incentives available to SMEs involved in service activities (which are not exhaustive) for reference purposes only.

Types of Tax Incentive	Promotion of Investments (Criteria for the grant of pioneer status to a small company) Order 2013	Merger of Small Malaysian Service Providers	Exemption of income for increased exports	Guideline on application for company manufactured promoted products to claim Accelerated Capital Allowance (ACA) under the ITA 1967	Achieving Quality Certification
Objective	To allow pioneer status to small company	To assist small entities to build up capacity in view of the liberalisation of the sector and to ensure these companies are globally competitive	To grant exemption of statutory income equivalent to 50% of value of increased export to 16 qualifying services sectors	To provide for a company that reinvests in the manufacture of promoted products to apply for ACA after the end of the 15-year period of claiming of RA	To encourage the private sector to participate actively in national standardisation activities to ensure international compliance
Criteria	<p>(i) Small companies with shareholders' fund:</p> <ul style="list-style-type: none"> • up to RM500,000 with at least 60% equity Malaysian owned; or • above RM500,000 and not exceeding RM2.5million with 100% equity Malaysian owned; <p>(ii) Small companies with shareholders' fund of RM500,000 and less engaged in promoted activities/ products :</p> <ul style="list-style-type: none"> • the company shall achieve at least 25% value added in its activity/product; 	<p>Enterprises that intend to merge must be:</p> <ul style="list-style-type: none"> • 100% Malaysian owned; and • have annual sales turnover of less than RM5 million or full-time employees of less than 50. <p>Involved in: Professional services (accounting and taxation services, specialised medical & dental practices, architectural services and engineering services);</p>	<p>Companies in selected qualifying service sectors, namely are:</p> <ul style="list-style-type: none"> • legal • accounting • architecture • marketing • business consultancy • construction management • information and communication technology (ICT) <p>***"value of increased exports" means the difference of the value of the qualifying services exported in the basis period and that of the immediately preceding basis period.</p>	<p>(a) "Promoted activity or promoted product" means any activity or product promoted under Section 4 of the Promotion of Investment Act (PIA) 1986.</p> <p>(b) "Agricultural project" has the meaning as defined under paragraph 8(c) in respect of activities listed under paragraph 9(aa) to 9(ff) of Schedule 7A of the ITA 1967.</p> <p>(c) "Qualifying projects" has the meaning as defined under paragraph 8 (a) of Schedule 7A of the ITA 1967.</p>	Section 34(6)(ma) of the ITA 1967 allows companies to claim double deduction for expenditure incurred for the purposes of obtaining certification for recognised quality systems and standards and <i>halal</i> certification, from a certification body determined by the Minister of Finance.

Types of Tax Incentive	Promotion of Investments (Criteria for the grant of pioneer status to a small company) Order 2013	Merger of Small Malaysian Service Providers	Exemption of income for increased exports	Guideline on application for company manufactured promoted products to claim Accelerated Capital Allowance (ACA) under the ITA 1967	Achieving Quality Certification
Criteria	<ul style="list-style-type: none"> the company shall employ at least 20% of their workers at the managerial, technical and supervisory level; and either 20% and above of the paid-up ordinary shares (i) of the company or (ii) the related company; or both (i) and (ii) cannot be directly or indirectly owned by a related company having shareholders' fund of more than RM500,000 	<ul style="list-style-type: none"> Courier services; Technical and vocational secondary education services (generic & special needs); and Skills training services. <p>* Applications received within 3 years from 3 July 2012 to IRB.</p>	<p>* mutually exclusive to other tax incentives (except for deductions for promotion of exports) in the PIA 1986, RA under Schedule 7A, investment allowance under Schedule 7B and approved service projects under the ITA 1967.</p>	<p>* RA and ACA are mutually exclusive.</p>	
Reference	P.U.(A)139/2013 Promotion of Investments (Criteria for the Grant of Pioneer Status to A Small Company) Order 2013	<p>The detailed guidelines on this incentive can be downloaded from MIDA's website at www.mida.gov.my.</p> <p>Readers are advised to refer to: (i) Stamp Duty (Exemption) (No. 11) Order 2013; and (ii) Income Tax (Exemption) (No.11) and (No.12) 2013 on the relevant exemption.</p>	Income Tax (Exemption) (No. 2) 2001 - P.U. (A) 154/2001 and (No. 9) - P.U. (A) 57/2002 and (Amendment) 2006 -P.U. (A) 275/2006	The relevant guidelines and the application forms can be obtained from "MIDA e-Services Portal" at www.mida.gov.my . For further understanding of ACA, please refer to Public Ruling No. 4/2013 on ACA which can be downloaded at www.hasil.gov.my under <Laws and Regulations> <Public Rulings> or the Income Tax (ACA) (Reinvestment of Eligible Projects) 2000 [P.U.(A) 506/2000].	Technical Guideline issued by the IRB and downloadable at www.hasil.gov.my under <Laws and regulations> <Technical Guidelines>

CONCLUSION

Time and tide wait for no man. Malaysia has always offered an excellent tax incentive environment for SMEs. It is important for SMEs to keep abreast with the latest government tax incentives in order to derive economic benefits, especially in the current changing economic landscape, and to prosper and grow their industries to ensure that the government's vision to achieve a high income nation status comes to fruition. ■

MANAGING Household Debt

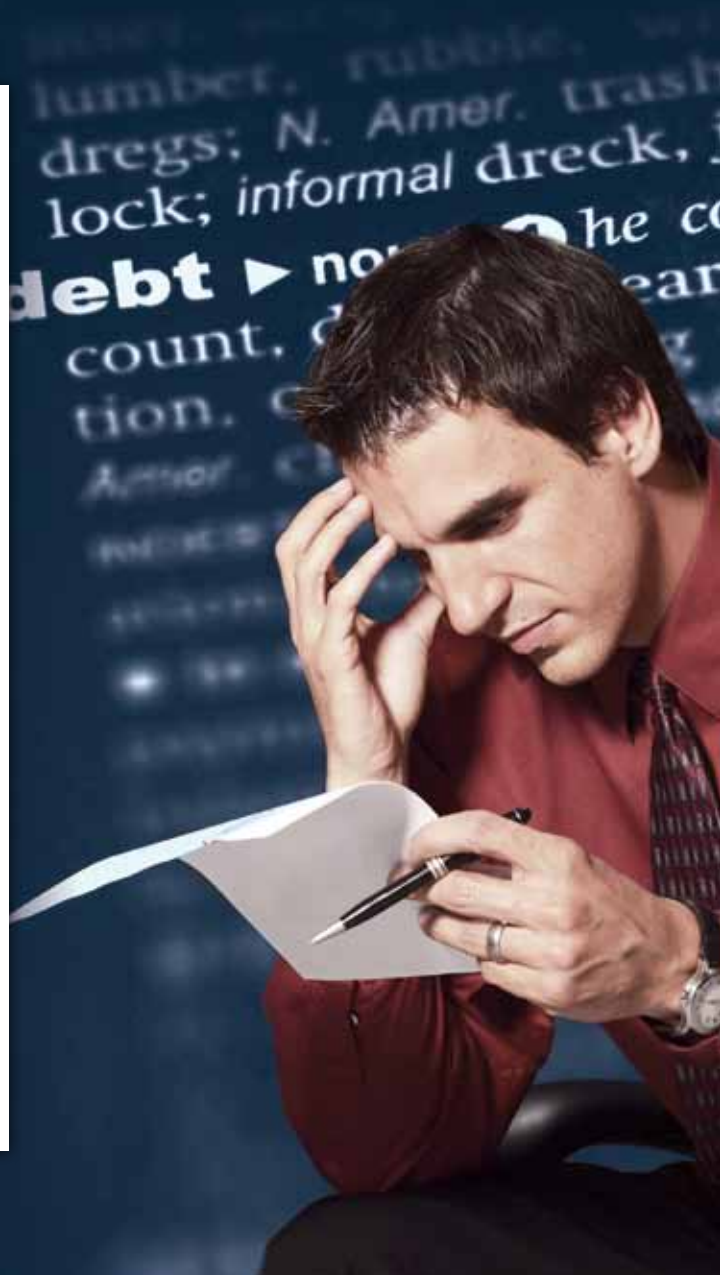
HOW CAN MALAYSIANS BETTER MANAGE THEIR
HOUSEHOLD DEBT TO OPTIMISE THEIR MONEY?

Preetha Nadarajah

Bank Negara Malaysia (BNM) recently announced several measures to curb the rising household debt in Malaysia, namely to put a cap on the maximum allowed loan tenure of 35 years for property purchase and 10 years for personal loans effective 5 July 2013. Despite BNM's recommendations that the debt repayment ratio (DRR) for individual households ought to be between 30% to 40%, Malaysia's DRR was at 43.9% as of 2012. This begs the questions of what makes up household debt and why is it on the rise? How can we, as responsible consumers, manage this better?

Household debt is the amount of money that a household owes financial institutions. In Malaysia, these mainly comprise of loans for

property purchases, purchases of passenger cars, personal loans, credit card debt and student loans. Based on an analysis of BNM's loan classifications over the past eight years, the pattern of spending hasn't fundamentally changed. The largest loan component is for property purchase at about 30% of total loan spending and a further 13% going towards car loans. One could conclude that what we spend on has not really changed much in the recent years; however, how much we spend, has definitely increased over the years. I, as a salaried employee, can't help but despair at the thought that my income levels don't seem to rise even close to the rates at which the price of the big ticket items do rise. Given that, how can we, as responsible consumers manage our debt better?



The first step is to ensure that we're fully aware of what our current debt obligations are. One way would be to track the loans that we have and balance outstanding loan amounts versus the credit limits on a monthly basis by analysing loan statements received and cross-checking against outgoing payments and the loan amounts we've signed up for. An onerous chore and probably not one for the weak-willed to do on a monthly basis! An alternative – the lazy way and my preferred way, if I may add – is to do a CCRIS and CTOS check at least once a year. I do this primarily to ensure no fraudulent activity has happened using my identity, in addition to being able to quickly gauge my total outstanding balances across all my debt.

CCRIS stands for Central Credit Reference Information System, a system created by BNM which synthesises credit information about a borrower or potential borrowers into standardised credit reports.

Every participating financial institution is required to submit their customer's credit conduct to this centralised system on a monthly basis, which tracks the credit history for the past 12 months. One glance at a CCRIS report and you can gauge your debt servicing ratio (DSR), which is the total outstanding credit divided by total credit limit. More information on CCRIS is available at: <http://creditbureau.bnm.gov.my/>

CTOS is a lead information system widely used by the majority of the country's financial institutions, commercial companies and businesses, legal firms and other institutions. Unlike CCRIS, which is under BNM, CTOS is owned and managed by a Malaysian company. CTOS has been in business for over 20 years, collating information on individuals and companies from various sources found in the public domain. Makes you think twice about what you post on social media, doesn't it?

This information is then formatted into an electronic database which provides for an easy, quick and efficient checking process for loan applications, trade and business credits and for decision-making by credit grantors and lenders.

The sources of CTOS information include amongst others:

- Legal notices in newspapers
- Searches at the Companies Commission of Malaysia (CCM) or Suruhanjaya Syarikat Malaysia (SSM)
- Government Gazettes & Publications
- Searches at the Malaysia Department of Insolvency (MDI) or Jabatan Insolvensi Malaysia
- National Registration Department (NRD) or Jabatan Pendaftaran Negara (JPN)
- Searches at the Registrar of Societies (ROS)
- Contact information provided by creditors / litigators / trade referees
- Information voluntarily provided by subjects themselves

More information on CTOS is available at: <http://www.ctos.com.my/>



Instead, if we continue our focus on reducing household debt, then I'd suggest that you find the bank that provides the lowest total overall cost of servicing the loan and discuss refinancing options with that bank, ideally with zero entry cost, i.e. that it costs you nothing extra in legal and other miscellaneous fees in order to do the refinancing.

The beauty of it is that both these reports are free and can tell you at a glance how you're doing, financially speaking, from a debt perspective. Once you've done these checks and found a reasonably clean slate, then the next step is to actually tackle what might seem like a mountain of debt.

I will focus on home loans since this is the largest component of our debt and it seems to last for what may feel like an eternity. Often, borrowers tend to hang on to the same home loan that they have had since day one of the property purchase and faithfully make monthly payments like clockwork. However, I am a firm believer that loyalty doesn't pay – especially when it comes to dealing with

corporations. Home loans are no different in this regard.

I'd suggest that every two to three years, you'd need to do a review of the housing loan rates that you're on. Before you embark on this journey, you would need to know pertinent details of the current loan package that you have, namely the following:

- outstanding loan amount
- current loan rate – whether it is fixed or variable and what the interest rate is
- remaining loan tenure
- whether there is a lock-in period and if so, when that expires and what the penalty is for a premature exit
- level of flexibility of advance payment for the current loan package.



Once you've got a grasp of the above, you would then need to review the prevailing market rates for home loans. A quick way of doing this is to do an online check of sites such as <http://www.loanstreet.com.my/> or <http://www.smartloans.my/> or <http://www.imoney.my/home-loan> which provides – free of charge – without the need to walk into major banks – a view of what the current market rates are for the given property value and outstanding loan amount. This may not cover all the financial institutions in Malaysia, but quickly gives you a view of what the market rates are and also how competitive your existing loan package is.

Having done this and if you've come to the conclusion that your current loan isn't competitive, then you may want to consider refinancing. Now, the topic *du jour* is how to reduce household debt. As such, this is not the place where I'll be telling you that you could potentially unlock capital by refinancing your home loan especially if your property value has appreciated. Instead, if we continue our focus on reducing household debt, then I'd suggest that you find the bank that provides the lowest total overall cost of servicing the loan and discuss refinanc-

Approach your current financier of your home loan and request that they review and reduce the loan package that you have with them. If they agree to a reduced rate competitive with the prevailing market rates, then for very little cost and some effort, you'll have managed to get a reduction on your existing home loan without having to actually refinance at all!

ing options with that bank, ideally with zero entry cost, i.e. that it costs you nothing extra in legal and other miscellaneous fees in order to do the refinancing. In parallel, approach the current financier of your home loan and request that they review and reduce the loan package that you have with them. If they agree to a reduced rate competitive with the prevailing market rates, then for very little cost and some effort, you'll have managed to get a reduction on your existing home loan without having to actually refinance at all!

If your current financier doesn't want to play ball and review the rates to retain you as a loyal client, then you may need to continue to actually refinance.

Let's quantify the possible savings on a monthly basis as a result of refinancing. To paint a picture, for a loan amount of RM400,000 and loan tenure of 35 years, the difference in interest rate of 0.1% results in a difference of about RM25 per month in terms of monthly installments, which translates to RM10,500 over the course of the loan tenure. For an interest rate difference of 0.5%, the monthly savings is RM121, translating to RM51,000 savings over the course of the loan tenure. Not bad, eh?

How do we compute this quickly without having to spend precious time talking to bankers? Use the PMT formula in a Microsoft Excel spreadsheet this way: $\text{PMT}(\text{annual interest rate}/12, \text{tenure in years} \times 12, \text{outstanding loan amount})$. E.g. $\text{PMT}(4.4\%/12, 35 \times 12, 400,000)$ to figure out what the monthly installment payment is at 4.4% (BLR – 2.2%) over 35 years for a loan amount of RM400K (RM1,868.33). Say that the prevailing market rate is then 4.3%, then use $\text{PMT}(4.3\%/12, 35 \times 12, 400,000)$ which amounts to RM1,843.79 to determine what the new monthly payment is. *Et voila*, simple arithmetic will allow you to deduce what the monthly savings could be, i.e. RM1,868.33 minus RM1,843.79, i.e. approximately RM25 per month, which is RM300 per year and RM10,500 over the course of the loan tenure. Change the different variables to arrive at the number that fits your situation.

Now, there is no such thing as a free lunch. There are costs to refinancing home loans namely legal fees, loan documentation fees, loan redemption fees, and it is also possible that the bank offering you revised interest rates may also want to lock you in for some years to protect their business. Compute these upfront, one-time costs and given these costs, consider whether it makes sense to refinance at all. If the savings don't add up to the one-time costs, then it is time to find other ways to reduce the outstanding

home loan debt. There are banks that offer zero-entry-costs when refinancing to attract customers so that you don't have to incur these one-time costs. In such cases, you'd typically find that there may be a lock-in period imposed with the new loan package you're considering and penalties for early exits from such a loan. Nevertheless, if there are savings to be made, this is definitely worth considering. As my wise grandmother used to say, there are very few ways of saving a million ringgit, but a million ways of saving some ringgit that adds up over the course of time.

If you are going to go down the path of refinancing, and you're considering whether or not to get mortgage reducing term assurance (MRTA) or mortgage level term assurance (MLTA), please reconsider this decision. Consider instead a term life insurance from insurance companies. What's the difference? The MRTA or MLTA is tied to a property and the current bank financing the loan. If you were to refinance to another financial institution, you'd have to incur the MRTA/MLTA insurance cost all over again and the surrender value of the MRTA/MLTA from your current financier is typically not significant. In contrast, if you buy a term life insurance on yourself to cover the loan obligations that you've taken on, then it doesn't matter how many times you refinance over the

course of your 30+ year loan tenure.

Another alternative to reduce the home loan without reviewing the home loan package is to consider whether or not to withdraw from Employees Provident Fund (EPF) Account 2 to reduce the outstanding home loan amount. Although EPF only guarantees a minimum return of 2.5% annually, since 2000, EPF average return has been 5.27%. If the cost of your home loan debt is higher than that, i.e. home loan interest rate is higher than the average EPF returns, you may want to consider reducing your home loan using the EPF Account 2 funds. If it isn't, then you may want to give this some due consideration anyway – based on your current DSR and what the rest of your retirement plans may be, specifically the level of your planned dependency on EPF funds to support retirement.

Yet another alternative to reduce the home loan without reviewing the home loan package or using EPF funds if you have a flexible or semi-flexible loan package, is to then consider parking any extra funds that you may have sitting in your savings, current or fixed deposit accounts in your loan account to reduce your outstanding loan amount and thus reduce the overall number of loan repayments. The return on such form of savings is typically less than 3%, although the cost of debt is typically upwards of 4.6%, so rather than have your ringgit earning 1%-2% on a savings account, you may as well put that ringgit in the loan account so that you can then save 4.6% on that extra ringgit reduced from your debt. Make your money work as hard as you do for a living! Note however, that this won't have any impact on the monthly loan payment obligation, but will reduce the total number of monthly installments and so the loan tenure. ■

Contributor Preetha Nadarajah has an MBA from Insead, France, one of the world's leading and largest graduate business schools. She strongly advocates that everyone regardless of financial background should actively manage their personal finances.



How can you better manage your total housing loan debt?

- Do a monthly check on your finances to track the outstanding balances on your debt.
- Do annual credit checks in order to ensure that there are no surprises as a result of fraud via identity theft.
- Do a review every two to three years of your current home loan versus prevailing market rates.
- Consider withdrawing from EPF Account 2 to drawdown the outstanding loan amount.
- Consider getting term life insurance for protection throughout the loan tenure, rather than mortgage reducing term assurance (MRTA) or mortgage level term assurance (MLTA).
- Consider parking extra funds in your savings/current/fixed deposits in your loan account to reduce the outstanding loan amount.



MIA-Sunway TES Accounting Quiz unearths **young talent**



TO TRY AND EXPAND THE MALAYSIAN ACCOUNTING TALENT POOL, IT IS CRITICAL TO ENGAGE STUDENTS EARLY AND INSPIRE THEM TO CHOOSE ACCOUNTING AS A VOCATION. RECENTLY, MIA JOINED FORCES WITH SUNWAY TES TO ORGANISE A STATE-LEVEL ACCOUNTING QUIZ FOR SECONDARY SCHOOLS IN ORDER TO CAPTURE STUDENT INTEREST.

How do you get kids interested in accounting? Try early exposure. To create awareness and promote accountancy as a career to secondary school students, the Malaysian Institute of Accountants (MIA) and Sunway TES jointly launched a state level accounting quiz competition - the inaugural MIA-Sunway TES Accounting Quiz 2013 (AQ 2013) – which kicked off on 22 June 2013.

The AQ 2013 was conducted in five stages with the first four stages conducted online. The quiz attracted over 154 teams, each comprising of four members, in the various qualifying rounds since June 2013. The participants, comprising students in the fourth and fifth forms, were drawn from national secondary schools (regular), secondary schools (fully residential), technical secondary schools, national religious secondary schools, national religious assisted secondary schools, private schools, Chinese independent high schools and MARA Junior Science Colleges. Although the inaugural quiz was only open to limited states, said Sunway TES executive director, Teo Ee Sing, it will eventually become a national fixture in future.

THE WINNERS ARE:

Champion : Team IFeelGood, SMK Bukit Rahman Putra
1st Runner up : Team Four Ringgit, SMK Bukit Rahman Putra
2nd Runner up : Team The Accountabilities, SMK (P) METHODIST



The fifth stage and last round of the competition took place on 7 September 2013 at the Sunway College campus. The final round saw ten teams selected as finalists out of an initial field of 51 secondary schools in Selangor, the Federal Territory of Kuala Lumpur and Putrajaya. The top three winners were awarded scholarships from Sunway TES valued in excess of RM200,000.

The last round was officiated by Wan Mohd Ariffin Wan Hussin of the Ministry of Education Malaysia. MIA Chief Operating Officer Datin SK Yap represented the Institute and Teo represented Sunway TES. The competition was supported by the Ministry of Education Malaysia, professional accountancy bodies such as ACCA and ICAEW and several accounting firms, namely BDO, Deloitte, Ernst & Young, KHR, KPMG, Parker Randall and PwC.

MIA President Johan Idris said the enthusiastic participation by students in this inaugural quiz showed that there is already a high level of interest amongst secondary students who are currently thinking about making the accounting profession their future career.

“With the objective of creating awareness and promoting accountancy as a profession of choice to school-going students, this concerted effort by the Ministry of Education, MIA, Sunway TES, professional accountancy bodies and accounting firms, is hoped will stimulate interest and eventually increase the number of accounting and financial talent in the industry. This is consistent with the current Economic Transformation Programme (ETP) agenda.

MIA President Johan Idris said the enthusiastic participation by students in this inaugural quiz showed that there is already a high level of interest amongst secondary students who are currently thinking about making the accounting profession their future career.



“MIA is acutely aware that accounting and financial experts are important in today’s business world. Thus this effort is crucial for the accountancy sector’s talent development and will subsequently increase the pool of qualified chartered accountants and business leaders to support Malaysia’s economic progress and development,” said Johan.



“MIA is acutely aware that accounting and financial experts are important in today’s business world. Thus this effort is crucial for the accountancy sector’s talent development and will subsequently increase the pool of qualified chartered accountants and business leaders to support Malaysia’s economic progress and development,” said Johan.

He added that the Government and the industry in general are in need of highly competent accountants and financial talents to drive and support Malaysia’s navigation towards becoming a high income nation. “Our aspiration of becoming a high-income nation must be supported by a skilled, competent and professional workforce,” said Johan.

“Our country is not short of young talents, what is needed is a concerted effort by all quarters to nurture and develop these talents into a professional workforce. That is why we are taking this move to enrich and create awareness about the accountancy profession at these very tender ages,” he added.

Through growing talent, the accountancy profession will be able to discharge its obligation in building a credible, reputable and internationally competitive capital market. The accounting profession wields considerable influence in the capital market through their many roles – whether as auditors, advisors, consultants or as members of the corporate sector, he concluded. ■

DECISION OF THE DISCIPLINARY COMMITTEE MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants hereby gives notice that on 11 March 2013, after due inquiry by the Disciplinary Committee of the Institute, **Teoh Hun Siang (Membership No.: 18575)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The Disciplinary Committee's decision was based on the facts and evidence adduced that the member pleaded guilty before the Kuala Lumpur Sessions Court for committing offences under Sections 364(2) and 364A (1)(a) of the Companies Act 1965.

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered :

- (a) that the member's name be removed from register and he shall cease to be a member of the Institute ; and
- (b) to pay the Institute the sum of RM2,000.00 in respect of costs and expenses of and incidental to the inquiry before the Disciplinary Committee.

The decision of the Disciplinary Committee is effective from 22 April 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

DECISION OF THE DISCIPLINARY COMMITTEE MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants hereby gives notice that on 25 February 2013, after due inquiry by the Disciplinary Committee of the Institute, **Low Kai Chuan (Membership No.: 14287)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The decision of the Disciplinary Committee was based on the member's own admission that he had failed to adhere to the Institute's By-Laws (On Professional Ethics, Conduct and Practice) by failing to renew and maintain a policy of Professional Indemnity Insurance (PII).

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member:

- (1) to pay a fine of RM1,500.00; and
- (2) to pay the Institute the sum of RM2,000.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee.

The decision of the Disciplinary Committee is effective from 25 March 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

DECISION OF THE DISCIPLINARY COMMITTEE MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants hereby gives notice that on 11 April 2013, after due inquiry by the Disciplinary Committee of the Institute, **Nor Azman bin Mohamad Rejab (Membership No.: 16487)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The decision of the Disciplinary Committee was based on the member's own admission that he had failed to adhere to the Institute's By-Laws (On Professional Ethics, Conduct and Practice) by failing to renew and maintain a policy of Professional Indemnity Insurance (PII).

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member:

- (1) to pay a fine of RM2,000.00; and
- (2) to pay the Institute the sum of RM2,500.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee.

The decision of the Disciplinary Committee is effective from 13 May 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

DECISION OF THE DISCIPLINARY COMMITTEE MALAYSIAN INSTITUTE OF ACCOUNTANTS

The Council of the Malaysian Institute of Accountants hereby gives notice that on 11 April 2013, after due inquiry by the Disciplinary Committee of the Institute, **Tn. Hj. Abd Razak Bin Minhat (Membership No.: 26769)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The Disciplinary Committee's decision was based on the facts and evidence adduced that the member had failed to adhere to the Institute's By-Laws (On Professional Ethics, Conduct and Practice) by failing to renew and maintain a policy of Professional Indemnity Insurance (PII).

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member:

- (a) to pay a fine of RM2,000.00; and
- (b) to pay the Institute the sum of RM2,000.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee.

The decision of the Disciplinary Committee is effective from 13 May 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

**DECISION OF THE DISCIPLINARY COMMITTEE
MALAYSIAN INSTITUTE OF ACCOUNTANTS**

The Council of the Malaysian Institute of Accountants hereby gives notice that on 25 February 2013, after due inquiry by the Disciplinary Committee of the Institute, **Ismail Bin Musa (Membership No.: 13174)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The decision of the Disciplinary Committee was based on the member's own admission that he had failed to adhere to the Institute's By-Laws (On Professional Ethics, Conduct and Practice) by failing to renew and maintain a policy of Professional Indemnity Insurance (PII).

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member:

- (a) to pay a fine of RM1,500.00;
- (b) to pay the Institute the sum of RM2,000.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee ; and
- (c) to attend the Public Practice Programme conducted by the Institute.

The decision of the Disciplinary Committee is effective from 27 March 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

**DECISION OF THE DISCIPLINARY COMMITTEE
MALAYSIAN INSTITUTE OF ACCOUNTANTS**

The Council of the Malaysian Institute of Accountants hereby gives notice that on 15 July 2013, after due inquiry by the Disciplinary Committee in accordance with the provisions of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules 2002"] and having carefully considered the evidence before it which includes the 'Perintah Penerimaan Terhadap Petisyen Pemiutang' and 'Perintah Penghukuman' both dated 12 December 2012 and a copy of the Bankruptcy Search Result dated 17 December 2012, and having further heard the member's unequivocal admission that he was a bankrupt, the Disciplinary Committee was satisfied that the member, **Yap Gim Seng (Membership No.: 12653)** was still a bankrupt and has not been discharged as a bankrupt.

Under the circumstances, the Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules 2002 ordered that the member's name be removed from the register and he shall cease to be a member of the Institute.

The decision of the Disciplinary Committee is effective from 5 September 2013.

SUDIRMAN BIN MASDUKI

Registrar

On behalf of the Council of the Malaysian Institute of Accountants

**DECISION OF THE DISCIPLINARY COMMITTEE
MALAYSIAN INSTITUTE OF ACCOUNTANTS**

The Council of the Malaysian Institute of Accountants hereby gives notice that on 11 April 2013, after due inquiry by the Disciplinary Committee of the Institute, **S.Sathivel a/l Sinnan (Membership No.: 27482)** was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ["the MIA (Disciplinary) Rules"].

The Disciplinary Committee's decision was based on his admission that he failed to respond to the Notice of Complaint issued by the Registrar of the Institute and further, based on the evidence adduced, the member had failed to discharge his professional duties in exercising due care and diligence wherein he failed to:

- (a) communicate with the director of Axis Connections (M) Sdn Bhd ("the Company") on the status of the statutory records of the Company; and
- (b) file the Form 24 for the increase of share capital and the annual return of the Company for the years 2006 to 2009 to the Companies Commission of Malaysia.

The Disciplinary Committee in exercising its powers under Rule 18(3) of the MIA (Disciplinary) Rules ordered that the member:

- (a) be suspended as a member of the Institute for a period of three (3) years ;
- (a) pay to the Institute the sum of RM2,500.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee ; and
- (b) attend the Public Practice Programme conducted by the Institute.

The decision of the Disciplinary Committee is effective from 13 May 2013.

SUDIRMAN BIN MASDUKI

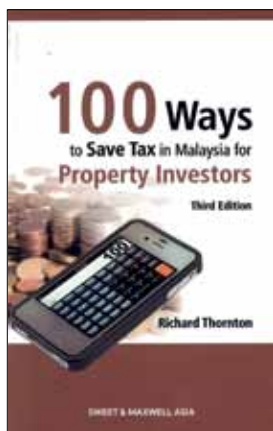
Registrar

On behalf of the Council of the Malaysian Institute of Accountants

PRACTICE REVIEW : REMINDER TO PRACTITIONERS

As part of the governance of the practice review framework, it is imperative that timelines are adhered to rigidly so as to ensure timely delivery of the final practice review report by MIA. In this respect, practitioners are required to observe strictly the "21+10 days" timeline whereby practitioners are expected to provide MIA with their comments to the findings in the review report within 21 days of receipt of the draft review report. Upon request by the practitioner, an extension of 10 days will be granted to the practitioner to send in his comments. This request for extension should be supported by a valid reason.

The Practice Review Committee will proceed to finalise the final practice review report if no comments are received from practitioners after the end of the 21+10 days timeline.



100 WAYS TO SAVE TAX IN MALAYSIA FOR PROPERTY INVESTORS by **Richard Thornton**
 ISBN: 978-967-0498-11-9
 Softcover
 Publication: March 2013
 List price: **RM66.00**

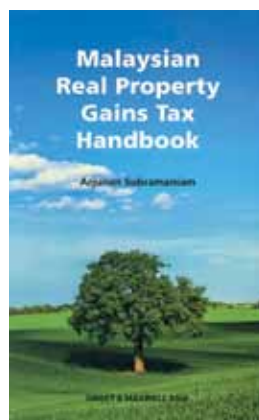
100 WAYS TO SAVE TAX IN MALAYSIA FOR PROPERTY INVESTORS

100 Ways to Save Tax in Malaysia for Property Investors is a comprehensive guide to the tax implications of property investment and property ownership. As a work that collects together in one source all of the tax issues relevant to property investment and ownership, it is an invaluable tool to help investors in their vital decision-making processes. The book covers the specifics of the taxation of property income, which is in many ways distinct from the taxation of other kinds of income. In doing so, it discusses and illustrates the complexity of the "investment" versus "business" classification of property income in the aftermath of the change in treatment brought about by Public Ruling No. 4/2011. The availability of deductions and capital allowances against rental income is discussed with clear examples. The treatment of property income has significant implications for investment holding companies and this added complication is given a special chapter. In addition to dealing with the taxation of property income, the book covers other areas of taxation including real estate investment trusts and assessment tax which have relevance for the property investor. Tax-saving strategies which include tax deferment, tax reduction and elimination of tax liability are explored with practical illustrations.

Besides a wealth of tax-saving ideas for long term investors, the book also has useful tips for people seeking to exploit the property market by realising short term gains and some useful strategies for mitigating real property gains tax. Since its reintroduction in 2010, the burden of this tax has gradually increased to the point where the highest effective rate is now 15%. Anticipating an upsurge of demand for knowledge about this tax, it has been given wider coverage in Chapter Nine. This deals with the complicated method of calculating the tax, the new exemption for partial disposals as well as the new compliance requirements for disposer and acquirer.

For the unwary investor who might otherwise stray over the line by dealing with properties in such a way that a profit on sale becomes liable to income tax, the "badges of trade" are examined and useful guidelines and examples are provided. Stamp duty which is a significant cost for property investors is also covered by the book including the calculation of advance stamp duty.

Whether you are a new property investor or an experienced one, a Malaysian or a foreign investor, an individual or a corporate investor, this book contains a wealth of ideas to help you to minimise the taxes you have to pay and to plan your future actions so as to pay as little tax as possible. This book aims to make the understanding of tax issues affecting property investment and ownership easy by using simple everyday language and practical examples to illustrate them. It is certainly a book not to be missed by property investors, tax consultants, real estate consultants, estate agents, lawyers, landlords and anyone with an interest in property income. ■



MALAYSIAN REAL PROPERTY GAINS TAX HANDBOOK by **Arjunan Subramaniam**
 ISBN: 978-967-0498-48-5
 Softcover, 139pp
 Publication: July 2013
 List price: **RM90.00**

MALAYSIAN REAL PROPERTY GAINS TAX HANDBOOK

This book is a practical guide that succinctly summarises the law and principles underlying the imposition of real property gains tax. It helps readers to understand the situations under which tax is chargeable, the exemptions that are available, and how the tax is to be computed in various situations. The implications of disposal of shares in a real property company, as well as the differences in the application of the law under different years of assessment are clearly explained.

Key Features

- Principles presented in short, succinct points
- Examples to illustrate application of law
- Detailed tax computations
- Subject index of pertinent cases

Contents

- Introduction – A Bird's Eyeview
- Disposals and Acquisitions
- Conditional Contracts
- Real Property Companies
- Treatment of Losses and Tax Computations
- Exemptions
- Chargeable persons
- Returns, Assessments and Appeals
- Tax Rates - Schedule 5
- Administrative Powers of the Director-General
- Offences & Penalties
- Subject Index to Cases

Latest Developments

- Finance Act 2013
- Real Property Gains Tax (Exemption) Order 2012 (PU (A) 415/2012)
- Ketua Pengarah Hasil Dalam Negeri v The Pataling Rubber Estates Limited [2010] AMEJ 0389. ■

MIA members are entitled to a 20% discount, kindly email your orders to rsc@mia.org.my



**Teh Tarik,
Kurang Manis!**



Healthy Treat with Spices and Herbs

Incorporate **VitaHealth Fenugreek & Cinnamon Complex** into your diet as part of your healthy lifestyle to support healthier life.

- ✓ With fenugreek, cinnamon, turmeric, bitter melon and other herbs
- ✓ Increases energy, reduces tiredness
- ✓ In vegetarian capsule
- ✓ Made in USA

- Available at all leading pharmacies
- For enquiries, please contact Swiss Bio Pharma Sdn. Bhd. (534481-V) at **03-7729 3873**



The Brand Laureate
Product Innovation
Signature Award 2012



The Brand Laureate
Supplements
Best Brands Award 2011



Superbrands Malaysia
2003/2004



Superbrands Singapore
2002/2003

KKLIJ 1024/2013



THE GOLD MEDAL WINNERS

AN IMPRESSIVE FEAT BY SUNWAY TES'S FINEST MICPA - ICAA PROGRAMME

TAN HENG LENG

Financial Accounting & Reporting
(Prize: Datuk Oh Chong Peng Gold Medal)

LAI KAH INE

Management Accounting & Applied Finance
(Prize: Folks DFK & Co / Azman, Wong,
Salleh & Co Gold Medal)

Sunway TES has been appointed as the sole institution to prepare candidates for MICPA-ICAA programme.

THE SUNWAY TES ADVANTAGES

- Qualified and experienced trainers
- Effective examination preparation strategies
- Interactive learning and teaching
- Workshops on weekends
- Excellent pass rate track record

SUNWAY TES

Centre for Accountancy Excellence

SUNWAY COLLEGE (W4PW072)

A Member of Sunway Education Group

No. 2, Jalan University, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

T. (03) 7491 8622 **F.** (03) 5635 8630 **E.** info@sunway.edu.my **W.** sunway.edu.my/sunwaytes **f** facebook.com/sunwaytes



USE YOUR FACULTIES

In a rapidly changing business environment, the pursuit of competitive advantage is more important than ever. Become a member of one of our seven faculties – giving you a range of powerful tools that will help you stay one step ahead in your specialist area.

Contact us for more information or to join a faculty.





BDO TAX FORUM SERIES

MOVING AHEAD REGIONALLY

KUALA LUMPUR

Date : 7 November 2013
Time : 8.30am to 5.30pm
Venue : Shangri-la Hotel

PENANG

Date : 13 November 2013
Time : 8.30am to 5.30pm
Venue : Eastern & Oriental Hotel

Are you moving ahead and preparing to compete regionally? Our country aims to become a high income nation by 2020. The 2014 Budget, themed "Fulfilling Promises, Accelerating Transformation", continues to focus on invigorating the economy and improving the well-being of the people. With the ASEAN Economic Community (AEC) establishment just around the corner, businesses should now be preparing themselves to be competitive globally.

Join us at our Tax Forum to learn more about the 2014 Budget Proposals and investing in Indochina.

SEMINAR HIGHLIGHTS

- 2014 Budget Proposals
- Transfer Pricing: Global Perspective of Transfer Pricing, Practical Considerations and Transfer Pricing Audit
- Investing in IndoChina*
- Recent Tax Cases – Legal Interpretations and Implications on Businesses
- Criminal Tax Investigations**

* Kuala Lumpur only ** Penang only

SEMINAR FEE

RM550 per participant (each location)
RM450 per participant (each location) for early birds
(registered & paid before 15 October 2013) /
group of 3 or more / BDO clients and alumni

Closing date : 4 November 2013

CONTACT

KUALA LUMPUR

Ms Sophia James / Ms Wong Lee Yun
Tel : +603 2616 2931
Email : sophia@bdo.my / wongly@bdo.my

PENANG

Ms Law Hui Teng
Tel : +604 227 6888 (Ext 127)
Email : lawht@bdo.my

www.bdo.my