

CHOOSING AN ACCOUNTANT FOR YOUR BUSINESS

GROWTH

PROGRESS

SUSTAINABILITY

PROSPERITY

EXCELLENCE

VALUE



TOGETHER WE WILL PROPEL
YOUR BUSINESS TOWARDS
GREATER HEIGHTS



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

www.mia.org.my

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CONTENTS

- 04 Preamble
- 05 Who is an Accountant?
- 06 MIA: Governing the Malaysian Accountancy Profession
- 07 What does an Accountant do?
- 09 Engaging a Professional Accountant in Public Practice
- 13 Key Criteria in Choosing the Right Accountant in Public Practice
- 14 Questions to ask your Prospective Professional Accountant in Public Practice
- 16 How to Sustain a Good Relationship?
- 17 Employing an Accountant for Your Business
- 18 Where to Find a Public Practice Firm and a Chartered Accountant?



PREAMBLE

Entrepreneurs usually start their businesses wearing many different hats to fulfill the different roles required for the operation of a new business. Over time, however, as the business grows, it becomes increasingly necessary to delegate certain functions, such as taxation and accounting, to specialists. The process of engaging an accountant, or an accountancy firm, represents an important decision-making stage in the life of the business.

This booklet aims to educate the general public on the considerations which are important when choosing to either employ

an accountant internally, or to engage the services of an accountant in public practice. In addition, it also aims to convey to the broader community, the role played by the Malaysian Institute of Accountants (MIA).

Asking the right questions will enable you to make an informed choice. It is hoped that you will find the booklet informative and useful as a guide for selection of the right accountant for your business needs.



WHO IS AN ACCOUNTANT?

In Malaysia, the accounting profession is regulated by the Accountant's Act 1967 (the 'Act'). The Act requires persons holding themselves out as, or practicing as accountants, to be registered as a member of the Malaysian Institute of Accountants (MIA).

In this country, the word 'accountant' is protected. This is provided for under the provisions of the Accountant's Act 1967, which states that no one can hold himself out or practice as an accountant unless he is registered as a member of the Malaysian Institute of Accountants (MIA).

Section 22 & Section 23 of the Act require a person residing in Malaysia to be registered with MIA if he/she:

- 1 Practise or hold himself out as a chartered accountant, auditor, tax consultant, tax adviser or any other like description;

- 2 Adopt, use or exhibit the terms "chartered accountant", "auditor", "tax consultant", "tax adviser" or any other term of like description; or
- 3 Adopt, use or exhibit the term "accountant" or any other term of like description in such circumstances as to indicate or to be likely to lead person to infer that he is a chartered accountant or that he is qualified by any written law to practice the profession of or is in practise as a chartered accountant

Under Section 26 of the Act, any person contravening Section 22 or 23 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to an imprisonment for a term not exceeding one year and on a second or subsequent conviction to a fine not exceeding twenty thousand ringgit or to an imprisonment for a term not exceeding two years.

MIA: GOVERNING THE MALAYSIAN ACCOUNTANCY PROFESSION

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS (MIA) IS A STATUTORY BODY ESTABLISHED UNDER THE ACCOUNTANTS ACT 1967. IT IS EMPOWERED BY LAW TO REGULATE THE ACCOUNTANCY PROFESSION IN MALAYSIA.

MIA'S FUNCTIONS

- 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 practise the profession of accountancy;
- To regulate the practice of the profession of accountancy in Malaysia;
- To approve the MIA Qualifying Examination (QE) and to regulate and supervise the conduct of that Examination;
- To promote, in any manner it thinks fit, the interest of the accountancy profession 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.

As the national accountancy body, MIA sets high ethical standards which must be adhered to by all accountants in Malaysia. All accountants are bound by MIA's By-Laws. Any breach of the By-Laws, may render the members liable to disciplinary proceedings. MIA also monitors local and international accounting developments and consults regularly with the government and statutory-bodies.

MIA members are regulated and the public has a recourse by lodging a complaint to the Institute if things go wrong. The public would also be assured of the minimum quality of the professional services expected as it is mandatory for all MIA members to annually acquire a minimum hours of continuing professional education to ensure that they are updated, even after being trained as an accountant. They are also bound by a strict ethical code whereby failure to comply may result in a member being suspended or even removed from membership depending on the severity of the non-compliance.



WHAT DOES AN ACCOUNTANT DO?

Accountants are all-rounders who have broad experience in many areas of business problem-solving. With their professional training and a minimum of at least 3 years relevant working experience, accountants registered with MIA can provide the highest standard of professional advice.

In Malaysia, accountants who are in public practice and those employed in accountancy positions in commerce and industry as well as government service generally use the designation of Chartered Accountant C.A.(M).

Accountants can be found in various sectors of industries such as:

Commerce and Industry

Public Practice

Institution of Higher Learning

Public Sector

■ **ACCOUNTANTS IN COMMERCE AND INDUSTRY**

Accountants in commerce and industry provide advice on financial matters, business methods, general management and may even serve as internal auditors, financial controllers, tax managers, budget controllers, company secretaries and sometimes even serve the directors of the organisation itself. This group of accountants forms an integral part of the management.

■ **ACCOUNTANTS IN PUBLIC PRACTICE**

Public Practice is the term used to describe accountancy firms that are operated by individuals in sole-proprietorship or groups of individuals in partnership. The major functions of firms in public practice include auditing and advising clients on financial structure and systems. Many accountancy firms also offer services such as advice on taxation, management, corporate recovery, company secretarial, insolvency and many more. There are more than 2,000 firms in the country providing a wide range of services to individuals, businesses, multi-national corporations, government departments and statutory bodies.

■ **ACCOUNTANTS IN INSTITUTION OF HIGHER LEARNING**

This group of accountants is involved in the education sector. There are number of accountants who are teaching in colleges, universities and institutes as

lecturers and professors. Their involvement includes the training of future accountants, accountancy research and development and management matters.

■ **ACCOUNTANTS IN PUBLIC SECTOR**

Accountants can also choose to work in the public sector. These accountants are generally responsible for the administration and use of public money ranging from managing the finances of a local authority or hospital to multimillion ringgit construction projects. Accountants in public sector can serve as treasurers, financial officers, internal auditors and many more. They are employed throughout the public sector for government and statutory bodies.





ENGAGING A PROFESSIONAL ACCOUNTANT IN PUBLIC PRACTICE

■ ACCOUNTING FUNCTIONS

Many small businesses do not have the volume of financial transactions that necessitate hiring a full-time accountant as staff. Engaging an accounting firm on a consultative basis is a good first step for a growing business. The sensible cost of professional services rendered by the accounting firm can often cost less than the salary and benefits of a full-time employee and, at the same time, you may be getting a higher level of advice from a Chartered Accountant.

An accounting firm usually handles the following accounting functions:

- Tax return preparation.
- Preparing financial statements, including the statement of financial position, statement of comprehensive income,

and statement of cash flow.

- Analysis or problem-solving advice.

An accounting firm generally offers an hourly rate schedule. There may be different rates for different accounting functions depending on the level of complexity and the personnel from the accountant's firm who are involved in performing the tasks.

■ AUDITING FUNCTION

Legislation

Regardless of your size of business, all companies should appoint statutory auditor to audit their financial statements under the Companies Act, 1965. Currently, there are no exceptions to this requirement.

Professional licensing requirements to perform an audit

In Malaysia, only an approved company

auditor, i.e. an MIA member with practising certificate and who has passed an audit interview conducted by the Accountant General Office and obtain an approval from the Ministry of Finance (MOF) pursuant to Companies Act 1965, can be appointed as a company auditor.

Benefits of an External Audit

To regard an audit as merely compliance exercise would be to lose sight of the potential value that a business can gain from a well-performed audit. It should be seen as an opportunity to obtain a high value added service that can help strengthen a business and in the process, instill greater confidence in the company by its stakeholders by rigorously examining the processes and risks affecting the financial statements. Because of these benefits and the value associated with the audited financial statements, it is no wonder that banks, creditors and investors often insist on audited financial statements before entering into a business dealings.

How to find the right auditor

To obtain the most value out of the audit process, it is important to choose an approved company auditor that is a good match for your company. The approved audit firms range from large international audit firms to small one or 2 partner firms. While all audit firms must fulfill MIA's criteria and must adhere to the International Standards on Auditing (ISAs), as well as a Code of Ethics, they will naturally differ in what they can offer their clients, in terms of industry experience, time commitment, resources etc. Similarly, the distinct

characteristics of each SME could require different expertise from the audit firms.

Please refer to sections on '*Key Criteria in Choosing the Right Professional Accountant in Public Practice*' and '*Questions to ask your Prospective Accountant in Public Practice*'.

■ OTHER MAJOR PUBLIC PRACTICE FUNCTIONS

Company Secretarial

The Companies Act sets out a bewildering array of duties, responsibilities and guidelines that must be adhered to in administrating a company. Failure to comply with the requirements of the Act can result in severe penalties, including the imposition of hefty fines and in extreme cases, even imprisonment.

An Accountant can help with the operation within the boundaries of the Act and guide the company to take full advantage of the benefits and protection provided by the Act. An accountant can also assist with matters such as the formation of a company, lodgment of required documents, registration of business names and the submission of various reports connected with the issue and dealing of securities – as well as keeping the required books and registers up-to-date.

Tax Consultancy

Modern-day tax legislation has become so complex that understanding of the technical ramifications is absolutely essential in order to gain maximum tax benefits and relief.

The issuance of an approval to be a tax agent is governed by the Income Tax Act, 1967. An approval is only granted after the applicant has passed an interview conducted by the Tax Authorities.

Tax accountants usually assist clients primarily in 3 areas:

- Preparing tax returns and calculating tax payments to ensure clients comply with all the tax requirements imposed by the Inland Revenue Board and thus avoid being penalised for submission of improper returns or for later submission of tax returns,



- Ensuring compliance with legislation regarding EPF and SOCSO with respect to salaries and benefits paid to employees, and
- Planning for key events or transactions that clients undertake, e.g. starting a new business, buying or selling a business or passing on the business to the next generation.

An accountant is also the right person to provide ad-hoc advice on specific tax issues as and when they arise.

Internal Auditing

In addition to external auditors, many businesses now have outsourced their internal audit to examine and improve its business and accounting system. As internal auditors, accountants would review the organisation's accounting system and appraise the strengths and weaknesses of internal financial controls.

Corporate Recovery / Insolvency

Corporate recovery involves investigating businesses, partnerships and individuals that have gone into financial difficulties. Accountants dispense advice on financial viability, recommend rescue packages or administer insolvency procedures in the event of bankruptcy.

To be an approved liquidator, an individual has to be an approved auditors for at least one(1) year and has passed an interview conducted by the Accountant General Office. Approval to act as approved Liquidator is granted by the Accountant

General Office pursuant to the Companies Act 1965.

Management Consultancy

Accountants are bona fide management consultants, having served as advisors to a diverse range of businesses and industries. They offer specialised services such as feasibility studies for new products and business projects, funding advice on capital restructuring and gearing, mergers and acquisition assistance in sourcing loans or equity capital, evaluation, design and implementation of new systems.

Financial Planning

In recent years, the scope of investment

options has increased. Accountants are in the position to advise the many financial choices and assist with investment planning and estate planning. An accountant can help decide on pension plans, insurance and the purchase of assets such as property, bonds and equities. An accountant is also qualified to act as executor or trustee for an estate.

In addition, professional accountants in public practice can also provide services such as forensic accounting, executive recruitment, information communications technology, etc.



KEY CRITERIA IN CHOOSING THE RIGHT PROFESSIONAL ACCOUNTANT IN PUBLIC PRACTICE

GENUINE RECOMMENDATION	Wherever possible choose a firm that is highly recommended by someone you know or whose opinion you trust is a balanced independent view.
GO WITH A CHARTERED ACCOUNTANT	Chartered Accountants are members of a professional body. They are regulated and there is an independent governing body to address your complaints (if any).
ACCOUNT MANAGEMENT	It is important to know who will be your key contact to forward inquiries pertaining to the engagement.
SERVICES OFFERED & EXPERIENCE	Check that the accountant offers all the relevant services that you require. Consideration should be given to the accountant who is familiar with your business or industries that may have an impact on your business.
SIZE / RESOURCES OF THE FIRM	Ensure that the accounting firm sufficient has staff force in terms of size and expertise to fulfil your business needs.
FEES	Professional services are not cheap! It is important that you should weigh the costs, efforts and benefits of the service. Ensure that you are aware of the basis on which fees will be charged. It will usually be appropriate to set these matters out in the Letter of Engagement.



QUESTIONS TO ASK YOUR PROSPECTIVE PROFESSIONAL ACCOUNTANT IN PUBLIC PRACTICE

Different accountants have different specialisations. The key is finding an accountant that is the right fit for you and your business. These are questions you should ask before signing an engagement letter.

WHAT ARE YOUR QUALIFICATIONS AND WHAT LICENCES DO YOU POSSESS?	<p>Make sure they have an accounting qualification and they are members of an accounting body. All the accountants listed on the MIA's online searchable database are full members of the MIA, meaning they uphold high standards of conduct, confidentiality and ethics with an annual obligation to undertake CPD activities to stay up-to-date with issues.</p> <p>Your accountant can only provide you the following regulated services if he/she is a licence holder:</p> <ul style="list-style-type: none">• Statutory / external audit can only be provided by approved company auditor under the Companies Act 1965• Tax consultancy services can only be provided by tax agent licensed under Income Tax Act 1967• Liquidation services can only be provided by approved liquidator under the Companies Act 1965
WHO WILL BE ASSIGNED TO LOOK AFTER MY BUSINESS MOST OF THE TIME?	Partners of the firm might routinely pitch for your business, but who will be your regular contacts? Ask to meet them, so that your decision is made with greater confidence and realistic expectations.
CAN YOU PROVIDE BUSINESS ADVICE AND ASSIST IN THE FINANCIAL MANAGEMENT OF MY BUSINESS?	Consider practices that will provide regular financial reports on your business with additional commentary.

ARE YOU FAMILIAR WITH THE ACCOUNTING/ SOFTWARE PACKAGE USED IN MY BUSINESS?	If not, establish how information will be accessed and shared.
HOW WILL YOUR PRACTICE HELP ME DEVELOP MY BUSINESS?	Think about where you want your business to be in 5 years' time and ask if the firm can deal with your needs. Consider choosing a practice that will assist you in the development of your business.
WHAT IS THE BASIS ON WHICH FEES ARE CHARGED?	Will you be charged on an hourly rate or fixed rate? Will you be charged for every phone call and also for travelling time?
WHAT ADDITIONAL SERVICES CAN YOU OFFER?	Consider practices that can provide you or help you seek assistance on issues important to your business such as bookkeeping, IT support, industrial relations assistance etc.

Another thing to consider: do a 'google' search for the firm to see if there are any positive or negative comments or articles about the firm.



HOW TO SUSTAIN A GOOD RELATIONSHIP?

To make sure you and your chosen accountant are always in sync you must honour whatever terms and conditions you sign when you engage your accountant.

You should make sure that you always:

- Keep to proper records and/or deadlines
- Discuss major issues with your accountant at all times.
- Pay your accountant on time and in accordance with the letter of engagement

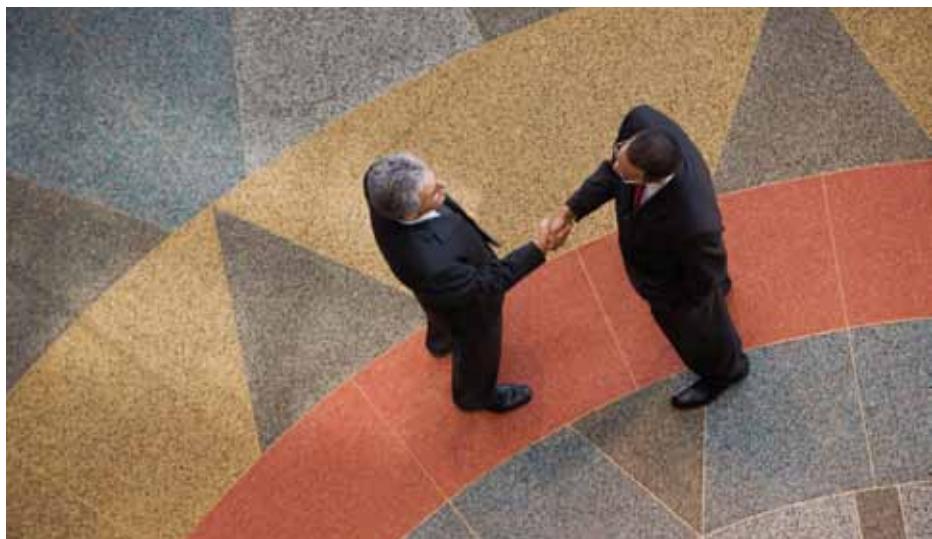
The cost will usually reflect your level of involvement – if you turn up at your accountant's office with a black bag of receipts, do expect your costs to go up. It is a two-way relationship that can be

profitable for both parties if you build on a good working relationship. You will be rewarded with a better service.

After you have been with an accountant for a while, it is usually prudent to review your relationship. Ask yourself the questions such as the following:

- **Is my business still getting value for money?**
- **Is my accountant informative and easy to contact?**
- **Does my accountant still suit the needs of my business?**

You may find that as your business changes, so do your requirements for an accountant.



EMPLOYING AN ACCOUNTANT FOR YOUR BUSINESS

When the business grows in revenue and the transactions become more complicated, it is time to consider hiring a full or part-time internal accountant. Since the external accountant's fee grows with the size of the business, the owner may see some cost savings by keeping some of the work in-house.

Duties and responsibilities of an in-house accountant usually include:

- General ledger
- Responsibility for daily transactions
- Financial statements preparation and analysis
- Cost accounting and variance analysis
- Treasury and cash management
- Payroll

After determining whether you will hire an internal or external accountant, you need to determine what qualifications your accountant should have before beginning your search. A non-certified accountant with industry experience may be precisely what you need to handle your business' financial statements, analysis, and bookkeeping. However, the four key reasons for choosing a qualified accountant are as follows:

1. All qualified accountants must go through a rigorous examination process to prove their knowledge of accountancy and tax legislation.
2. To be qualified, they must also have attained at least 3 years of practical

experience.

3. A qualified accountant is required to keep abreast with current issues and legislation and undertake continuous professional development to keep themselves up to date with changes legislation.
4. A qualified accountant is bounded by strict code of ethics and professional rules to ensure a high standard of ethical and professional conduct. If you encounter problem spotting if an accountant is qualified or not, here are a couple of tips:
 - Check the MIA only searchable database of accountants at http://www.mia.org.my/new/_memberreg_searchnow.asp. If they are qualified their names should be listed on the website.
 - If there are any letters after their name (e.g. FCCA, ACCA, ACA, CPA, CA) check them on 'google' to the relevant accountancy body. Qualified accountant registered with MIA can use their full titles and the letters 'CA(M)' after their names. If there are 'F' or 'A' at the beginning of the letters after an accountant's name, it stands for 'fellow' or 'associate'. A fellow is the more experienced of the two.

Nevertheless, you would still need to engage an accountancy firm to perform other regulated public practice functions such as statutory audit!

WHERE TO FIND A PUBLIC PRACTICE FIRM AND A CHARTERED ACCOUNTANT?

The MIA online searchable public practice firms directory can be accessed via http://www.mia.org.my/new/members_memberfirms_directory.asp

The MIA online searchable members' database can be accessed via http://www.mia.org.my/new/1_memberreg_searchmem.asp

Choosing a right accountant and developing an ongoing professional relationship should be a key decision and certainly, it is worth spending some time prior to making a decision. Finding the right one for your business needs should result in you having an invaluable aid for your business as it progresses through the various stages of its business life-cycle.



ACKNOWLEDGEMENT

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