ACCOUNTANTS today

Professionalism at the Forefront

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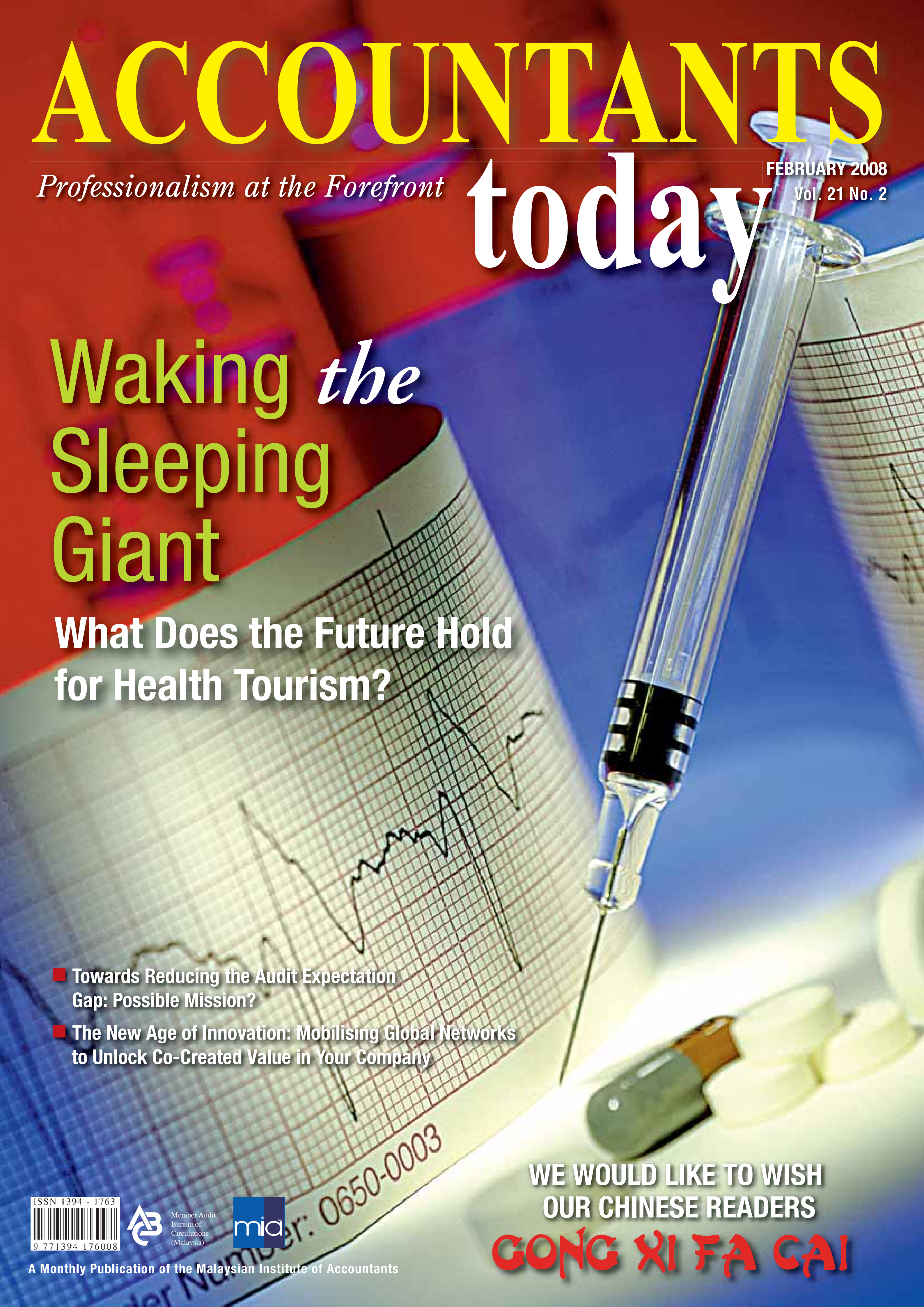

Waking *the* Sleeping Giant

What Does the Future Hold for Health Tourism?

- Towards Reducing the Audit Expectation Gap: Possible Mission?
- The New Age of Innovation: Mobilising Global Networks to Unlock Co-Created Value in Your Company

WE WOULD LIKE TO WISH OUR CHINESE READERS

GONG XI FA CAI

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February 2008

Malaysian Institute of Accountants
Institut Akauntan Malaysia
(Established under the Accountants Act, 1967)

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The Malaysian Institute of Accountants is a statutory body set up under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia. The functions of the Institute are, *inter alia*:

(a) To regulate the practice of the accountancy profession in Malaysia;
(b) To promote in any manner it thinks fit, the interests of the accountancy profession in Malaysia;
(c) To provide for the training and education by the Institute or any other body, of persons practising or intending to practise the profession;
(d) To determine the qualifications of persons for admission as members; and
(e) To approve, regulate and supervise the conduct of the Qualifying examination.

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ADVERT

Let Us Not Kill the Goose that lays the Golden Eggs …

The *Accountants Today* team was deliberating on what will be the next big thing in Malaysia when the subject of health tourism cropped up.

In this month's cover article, we explore the lucrativeness of this industry, taking a look at how Asia is beginning to cash in on it. Neighbouring countries like Singapore appear serious about promoting health tourism. It has even gone as far as to establish a central authority called Singapore Medicine to pave the way for the country to become a leading destination for healthcare services. Thailand seems to be no less proactive in its approach, with aspirations to become the 'Wellness Capital of Asia'. There are three categories of healthcare services in Thailand, namely health spas, traditional Thai massage, and long-stay healthcare products and services.

What then of Malaysia? It would seem like factors such as the affordability of medical treatment coupled with the large number of world-leading medical facilities in the country offers some light at the end of the tunnel. However, from the present vantage point it does look as if health tourism seems a largely untapped market – a sleeping giant, if you will.

How do we awaken the giant? First things first – perhaps there is a need for a central agency to be set up to coordinate health tourism in Malaysia. It is the same as any industry – there is a need for an entity that will be able to champion the cause for health tourism and help tie together marketing and promotion initiatives.

How do we awaken the giant? First things first – perhaps there is a need for a central agency to be set up to coordinate health tourism in Malaysia. It is the same as any industry – there is a need for an entity that will be able to champion the cause for health tourism and help tie together marketing and promotion initiatives.

As Malaysia vies to be globally competitive, there is a need to really study opportunities such as these and look at ways in which they can be capitalised upon. There is a need for joint initiatives between the Government as well as the service providers to take health tourism in Malaysia to the next level. As for the rest of the story, I humbly implore you to turn to page 12 to read the article which has been put together for you. We do hope you enjoy reading it, as well as the rest of the magazine which we hope you find a great read.

To our Chinese readers, we'd like to take this opportunity to wish you Gong Xi Fa Cai!

Happy Reading!

Editor
Accountants Today

letters to the editor

A key element in the world of publishing is what readers have to say. We want to hear from you on just about anything that appears in each issue of *Accountants Today*. Why not drop us a line now?

contribution of articles

Accountants Today welcomes original and previously unpublished contributions which are of interest to accountants, business leaders, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcomed. Manuscripts should be submitted in English and range from 1,000 to 2,000 words. They can be submitted in hardcopy or softcopy. Manuscripts are subject to a review procedure without prejudice and the Editor reserves the right to make amendments which may be deemed appropriate prior to publication.

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WORLD news

Banks look to US accounting

European banks are considering adopting detailed US-style disclosures of how they value financial instruments, going above and beyond the actual accounting requirements in a bid to help calm jittery investors, reports the *Financial Times*.

The London-based financial newspaper said bank shares have tumbled in recent months as investors shied away from the sector because of uncertainties about the exact level of losses they faced. Most leading institutions are preparing their year-end results – the most detailed communication they have with shareholders — and are under pressure to provide as much disclosure as possible.

It added that a new international accounting standard will mean banks have to provide more information than before. But some financial teams are understood to be considering following new US requirements, which are more elaborate and require financial instruments to be split between three "buckets" depending on how liquid the market for trading them is.

The report quoted Mark Rhys, a banking audit partner at Deloitte, as saying: "The systems the banks have are producing this information anyway; so it is not a stretch for them to present it in that way."

It also had PwC's banking leader John Hitchins as saying that a number of banks are considering this, adding that they're getting questions about this from investors familiar with the US form; so it makes sense to consider it if it helps investors understand the situation.

The report added that the auditors cautioned against expecting too much comparability between disclosures in the annual reports in spite of efforts to standardise them.

Rhys was quoted as saying: "The danger is [that] people take a particular footnote [in a set of accounts] out of all proportion. Someone could go around and look at, say, line five of note 27 and try to compare the banks when it is not that straightforward because they are all different businesses."

The FT report said that this is the first year that US investment banks have been using these detailed disclosures, which have yet to go through the rigour of a year-end audit. This means that although the basic information provided in quarterly filings is the same, presentation and detail vary widely.

India - China FTA prospects appear bleak

Prospects of a free trade agreement (FTA) between India and China appear bleak at this point. India, which is keen on closer ties with its influential neighbour, is expected to be firm on its stand of not entering into an FTA.

EconomicTimes.com reported that corporate India, which is petrified of a surge in cheap imports from China following an FTA, is totally against such a partnership. Even as Prime Minister Dr. Manmohan Singh and his Chinese counterpart, Wen Jiabao, are upbeat about growing trade between the two countries, no commitments were expected from India on either an FTA or a preferential trading arrangement (PTA) during Dr. Singh's recent China visit.

The Indian government, too, at the moment, doesn't want to extend market economy status to China, which will be a direct fall-out of the FTA. Once market economy status is granted, India will compulsorily have to accept numbers supplied by China in all anti-dumping cases initiated by it against the country.

The country fears that it will no longer be able to establish dumping as it doesn't trust China's accounting system. About half the cases of dumping initiated by India so far are against Chinese companies.

The joint study group formed in 2003 to study the complementarities between the economies of China and India had suggested that there was a *prima-facie* case for a possible regional trading agreement which needed to be studied further. An official level taskforce was subsequently formed to look into the issue, which is yet to submit its report.

Speaking to a newspaper, RIS Director-General Nagesh Kumar, who was a member of the joint study group, said that an FTA could only happen in a phased manner. "One could begin with a PTA involving a few commodities and then, when Indian companies have gained enough confidence, gradually move towards an FTA," he said.

The New Delhi report said India could use the PTA to gain preferential access to the Chinese market in the area of manufacturing like automobiles and components, pharmaceuticals and engineering goods, he said. India, in turn, could give greater access to capital goods, such as equipment for power generation and telecom equipment.

Official sources, however, said that it was too early to consider even a PTA with China. "There is too much resistance from the industry. The government, too, has not yet decided to grant market economy status to China," an official said.

China to announce revised resource tax system in 2008

Details of a new resource taxation system will be announced this year, an official with the State Administration of Taxation (SAT) said recently.

The system is still being finalised, but sources have said that it may include a shift to taxation by price instead of volume and an expansion of the category of taxable resources. The goal is to end a situation where resources are lightly taxed to support economic development, which has in turn led to waste and pollution, reports *Xinhua*.

Yang Suizhou, Vice-Director of the SAT's local tax department, said the agency was refining the plan to meet the requirements of the State Council, China's cabinet.

China wants to cut energy intensity by 20 per cent, and emissions by 10 per cent, between 2006 and 2010. Taxation is an important lever to achieve these goals.

Yang said that there is still no timetable for the introduction of a fuel tax. First proposed in 1994, the introduction of a fuel tax has been delayed amid concerns that it may impose too great a burden on those who use more oil, such as bus and taxi drivers.

A tax would help to maximise fuel efficiency and minimise pollution, but its timing needed to be carefully studied, said Han Wenke, Director of the Energy Research Institute of the National Development and Reform Commission (NDRC). Surging world oil prices and government concerns about inflation have also stymied introduction of the proposed tax.

Yang also told reporters that a "green" tax targeting heavy polluters was under research.

"The specific taxation plan hasn't been fixed yet, but the primary goal is to protect the environment," said Xu Yiding, an analyst at China Minzu Securities. Xu added that companies that discharged pollutants or made products that could hurt the environment could face the "green" tax.

China raised taxes on lead, zinc, copper and tungsten ores in 2007, the first raise since 1994, as well as on cooking coal. AT

US SEC backs subprime loan modification accounting

The US Securities and Exchange Commission has agreed, for now, to the accounting treatment of an industry-led plan to rescue some troubled homeowners, reports *Reuters*.

The newswire reported that the SEC's Office of the Chief Accountant said in a 8 January letter that the agency would not object to the plan but wants more details from banks and others about loan modifications in regulatory filings. With help from the US Treasury Department, the American Securitisation Forum (ASF) trade group last month proposed modifying some mortgages sold to borrowers with poor credit histories.

The subprime issue is snowballing. In mid-January, Citigroup Inc. announced that it posted the biggest loss in the US bank's 196-year history as surging defaults on home loans forced it to write down the value of subprime mortgage investments by US$18 billion.

The report added that the initiative could have been viewed as breaking certain accounting rules related to how a mortgage can be modified if it is part of a pool of securities that includes adjustable rate mortgages (ARMs) provided to subprime borrowers, adding that at issue is whether qualifying special purpose-entities (QSPEs) holding mortgages can retain that status after modifying loans because default is "reasonably foreseeable," under the ASF framework.

It said that SEC Chief Accountant Conrad Hewitt wrote: "OCA believes that this is an appropriate interim step at this time to address this issue given the complexity and lack of specific guidance on accounting and disclosure for these types of modifications. OCA expects registrants to provide sufficient disclosures in filings with the commission regarding the impact that the ASF framework has had on QSPEs that hold subprime ARM loans."

The Washington-based report added that those disclosures might include the impact of the ASF plan on loss mitigation strategies, the impact of servicer decisions, the impact on the latest balance sheet, among others.

Hewitt said his division has asked the Financial Accounting Standards Board to complete its study of the rules under "FAS 140" and provide clear guidance on the matter by the end of 2008. AT

South Africa: Project boosts training of Black CAs

Accounting firms based in South Africa are "lining up" to take on trainees following a successful project that has enabled small and medium-sized accounting businesses to participate in transforming the sector, according to the finance sector's education and training authority.

While the majority of South Africa's accountants are still believed to be white and male, the chartered accountancy profession's broad-based black economic empowerment charter was signed in Johannesburg last year to help address the matter reports *AllAfrica.com*.

It said the primary focus is on skills development aimed at increasing the number of black, and especially black women, chartered accountants (CAs) in the nation.

Since 1976, it reported only 912 blacks had completed the requirements to register as CAs in SA, a number that compared unfavourably with the 26,803 CAs in the country, said Ignatius Sehoole, Chairman of the profession's empowerment negotiation charter forum, when the charter was signed.

The profession is so short of skills that the top four accounting firms in SA were 570 graduates short at the beginning of this year, said Cheryl James, CEO of the sectoral education and training authority, recently.

"Graduates go to the big and medium-sized practices first; so the small practices are in desperate need of trainees and the project identifies who, without this (training) wouldn't be able to find work … and puts them through a bridging programme," she said.

The Johannesburg-based report said about 45 graduates have been selected for this year's programme. They are graduates from universities of technology or have studied "the wrong" university commerce degrees, as not all South African universities' Bachelor of Commerce (BCom) degrees are recognised by the South African Institute of Chartered Accountants to give prospective CAs entrance to the board exams.

Through the project, the trainees start work at small firms, and simultaneously undergo a bridging programme. AT

SEC Committee promotes reasonable judgement

A key outside advisory committee wants the Securities and Exchange Commission to be more open to accepting an accountant's judgement in interpreting standards, reports *WebCPA*.

It said the Advisory Committee on Improvements in Financial Reporting met and issued a report to the SEC covering several matters, including the notion of accepting the "reasonable professional judgement" of accountants, especially when interpreting new standards, as a way to cut down on later restatements.

The committee also suggested that a safe harbor might be set up to help protect accountants who use their judgement, but acknowledged that there might be hurdles such as requiring changes in existing statutes. The committee acknowledged that regulators might object to a reliance on professional judgement.

"Regulators assert that they do respect judgements, but may also express concerns that some companies and auditors may attempt to inappropriately defend certain errors as 'reasonable judgements,'" said the report.

The Washington-based report said the committee also objected to alternative accounting policies, which could lead to incomparable and inconsistent reporting, as well as unnecessarily increasing the volume of accounting literature to address each alternative accounting policy. However, the committee acknowledged that alternative accounting could have merit in some circumstances by showing management intent. Similarly the committee also had objections to industry-specific guidance.

The report discussed the phased adoption of Extensible Business Reporting Language by companies for reporting their financial information to the SEC. The committee noted that preparers who had participated in the SEC's voluntary XBRL programme had indicated that the initial number of hours for tagging their financial statements ranged from 80 to 100 hours but dropped significantly for subsequent reports. However, representatives of smaller public companies were concerned about the high initial implementation costs. AT

Accounting Principals releases 2008 Salary Guide

Accounting Principals, the accounting and finance solutions unit of MPS Group Inc. recently announced the release and availability of the *2008 Salary Guide for Accounting and Finance Professionals*.

This 24-page publication is a comprehensive resource for current salary and compensation information in the accounting and finance industry. Salary data is provided in partnership with *Salary.com, Inc.*, and includes national, regional and local data broken out by base salary, total cash compensation and company size. Additionally, the book features an article written exclusively for MPS Group by Adam Lashinsky, senior writer for *Fortune Magazine*.

"We are constantly striving to come up with ways to exceed our clients' expectations when producing the annual salary guide," said John Marshall, President of Accounting Principals. "Providing an article written exclusively with our clients in mind is one way we can help them succeed and also to continue to build upon an already strong business partnership."

The *2008 Salary Guide* is also available on the web at *www.accountingprincipals.com*. AT

Accounting rules will hit profits

Companies will have to change the way acquisition costs are handled under new accounting rules — a move that will hit profits and could dampen the urge for mergers, reports the London-based *Financial Times*.

The report said fees charged by investment bankers, lawyers and accountants are currently bundled into the overall cost of a takeover and go on the balance sheet as part of "goodwill" — the accounting catch-all term used to cover the difference between the price paid and the actual value of the assets.

Separating the fees will force companies to book a one-off expense for each deal, denting their net income for that period. Deal fees vary, but the International Accounting Standards Board said they work out on average at about 1.5 per cent of each transaction, it added.

The report, originating from London, said global deal volume reached a record of more than US$4,840 billion last year, according to Dealogic, the data provider. About three-quarters of those deals would have been accounted for under either the IASB's international financial reporting standards or US rules.

The new accounting standard will apply to companies following both systems because it is the first to be developed jointly by the IASB and the US Financial Accounting Standards Board. Companies following US GAAP will have to adopt the standard by the end of this year, while those reporting under international rules have until July 2009.

It quoted Mary Tokar, head of international financial reporting at KPMG, as saying: "Although not 100 per cent identical, the two boards worked to reach agreement not just on concepts and principles, but also on using the same wording." AT

IRS adds to frivolous claims list

The US Internal Revenue Service (IRS) has amended its list of "frivolous" legal arguments used by people who want to avoid paying taxes, adding four new claims to the set it considers without merit.

WebCPA reported that they include misinterpretation of the 9th Amendment to the US Constitution regarding objections to military spending; erroneous claims that taxes are owed only by persons with a fiduciary relationship to the US or the IRS; a non-existent "Mariner's Tax Deduction" related to invalid deductions for meals; and misuse or excessive use of the Section 6421 fuels credit.

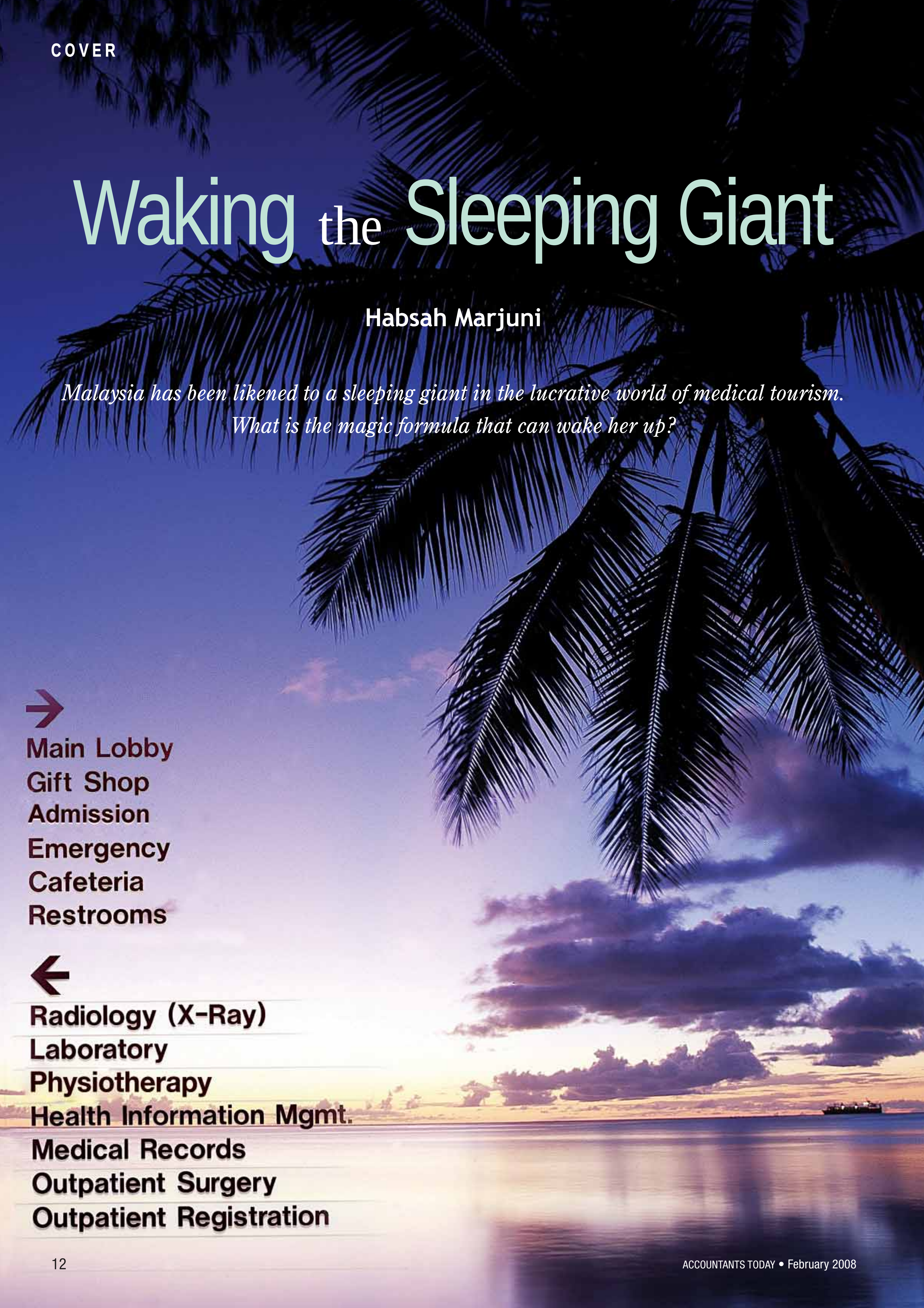
The IRS said that taxpayers who file tax returns or make other submissions with these and other claims on its list are subject to a $5,000 penalty. The penalty increased from $500 to $5,000 in 2006. Notice 2008-14 lists the other positions the IRS considers frivolous for purposes of the penalty. It applies when filing a frivolous tax return or submitting to the IRS a frivolous request for a collection due process hearing or application for an installment agreement, offer-in-compromise, or taxpayer assistance order. AT

ADVERT

Waking the Sleeping Giant

Habsah Marjuni

Malaysia has been likened to a sleeping giant in the lucrative world of medical tourism. What is the magic formula that can wake her up?



Health tourism in Malaysia is — pardon the pun — growing at a healthy pace, despite stiff competition from other leading medical tourism destinations like Singapore, India and Thailand.

The Oxford Business Group (OBG) told *The Star Daily* that Asia attracted over 1.3 million visitors annually for medical tourism and was expected to generate more than US$4 billion (RM13.27 billion) a year in revenues by 2012. "Within five years, Malaysia is expected to bring in US$590 million per annum in medical tourism receipts," it said.

According to press reports quoting the Malaysian Association of Private Hospitals, Malaysia drew 230,000 foreigners into the country for health/medical tourism in 2005, generating revenues of about RM151 million. The number grew to 297,000 in 2006, bringing receipts of RM204 million for the country. The uptrend continued into 2007 with a 30 per cent increase for the first quarter versus the same quarter of 2006. OBG commends Malaysia for its notable achievement, even though medical tourism arrivals for 2005 lagged behind Thailand's 400,000 and Singapore's 370,000 because the other two countries have had a head start. "Both countries have been aggressively promoting their medical facilities overseas for nearly two decades," OBG said.

Currently, the country's biggest competitors for health/medical tourism are Thailand, India and Singapore. Datuk Dr. K. Kulaveerasingam, group advisor for medical services development and marketing at KPJ Healthcare Bhd and a member of the Association of Private Hospitals of Malaysia board of directors also said Malaysia was targeting new markets such as Vietnam and Cambodia, which have a growing middle and upper income group and a large expatriate market to tap. "The Middle East is a shrinking market, especially with the development of the Dubai Healthcare City. We are also not aggressively tapping the Chinese market as the Chinese are more prone to traditional medicine," he added.

Nevertheless, he believes Malaysia will be able to give its competitors a run for their money due to its excellent healthcare facilities and specialists, infrastructure, transportation network, multi-lingual and multi-racial community, all of which are

What's the Damage

Malaysia offers two health tourism packages — Wellness Paradigm and Disease Paradigm — to foreign patients. The National Committee for the Promotion of Heath Tourism in Malaysia has issued a list of approximate costs that patients will have to bear if they seek treatment here. The figures quoted below serve as indicators only as the actual pricing will be determined at the point of care. In the absence of complications, they would generally be within the range.

Wellness Paradigm — Health Screening Package

Type of Package	Cost (RM)	Details of Package
Basic Health Screening	450	Consultation by medical officer; Full medical examination; Chest x-ray; Electrocardiogram (ECG); Eye test; Comprehensive blood profile*; Lung function test; Medical report and counselling.
Well Woman Package	1,150	Specialist consultation by O&G Consultant; Full physical examination; Chest x-ray; Electrocardiogram (ECG); Eye test; Urine FEME; Comprehensive blood profile*; Lung function test; Stress test (treadmill); PLUS; Breast examination; Pap smear; Mammogram; Medical report and counselling
Well Man Package	1,150	Specialist consultation by Consultant Physician/Cardiologist; Full medical examination; Chest x-ray; Electrocardiogram (ECG); Eye test; Urine FEME; Comprehensive blood profile*; Lung function test; Stress test (treadmill); PLUS; Blood test for PSA; Ultrasound for prostate, liver, gall bladder, pancreas & kidney; Medical report and counselling

*Comprises: Haematological profile, Infectious diseases (Hepatitis B & VDRL), Kidney function, Full lipid profile, Metabolic disorders (including diabetes, thyroid and gout disorders), Liver function.

Disease Paradigm

Type of Package	Cost (RM) Lowest	Cost (RM) Highest	Details of Package
Elective Diagnostic Packages			
Endoscopy (OGDS)	700	1,000	Day care diagnostic only
Colonoscopy	700	1,000	Day care diagnostic only
MRI	800	1,000	
CT	500	1,000	
Cardiology			
CABG	25,000	35,000	2-3 days ICU stay; Not more than 7 days in ward; Inclusive of consultation charges, cardiologist and anaesthetist fees
Angiogram	3,500	5,000	1 day stay; Inclusive of cardiologist, procedure and equipment charges
Angioplasty (actual price depends on number of balloons/stents used)	15,000	22,000	1 day stay; Inclusive of cardiologist, procedure and equipment charges
Opthalmology			
Cataract surgery	2,700	5,000	Day ward
Orthopaedic			
Total knee replacement	15,000	18,000	5-day stay in ward (inclusive of meals); Inclusive of orthopaedic and anaesthetist charges; Surgery charges and implant
Hip replacement	15,000	20,000	5-day stay in ward (inclusive of meals); Includes consultation
Arthroplasty and surgery	10,000	18,000	3 days inclusive of ward charges; Includes consultation
Plastic Surgery			
Double eye-lid/eye-bag	2,000	2,500	Day ward
Face and neck lift	7,000	10,000	Inclusive of 2-day stay
Breast augmentation	8,000	10,000	Day ward
Breast reduction/lift	7,000	10,000	Inclusive of 1 day stay
Liposuction	5,000	8,000	Inclusive of 2-day stay
Abdominoplasty	7,000	10,000	Inclusive of 3-day stay
Rhinoplasty	2,000	5,000	Day ward

Source: APHM June 2007

assets that make it a natural choice as a health tourism destination.

Price is working in Malaysia's favour. The cost factor is paramount for medical tourists are more likely to travel abroad for procedures that are considered very routine, offer value-for-money and have a brief recovery period. Typically, they book procedures for which there are long waiting lists or are very expensive in private hospitals in their home countries. Therefore, the fact that medical services here are considered value-for-money, thanks to a favourable exchange rate despite the strengthening ringgit, is a top selling point. For instance, a CABG (coronary artery bypass graft) procedure without complications would cost about US$6,000-7,000, compared to about tens of thousands in a US hospital. SJMC healthcare Group Chief Executive Officer Elaine Cheong agrees with the value-added assessment, telling reporters at a signing ceremony that Malaysia offered one of the lowest medical costs in the region while the local medical industry was equipped with competent people and world-class facilities.

Our built-up infrastructure and talent are pluses. Patients enjoy accessibility to major international airports and a comprehensive network of hospitals and clinics; 88.5 per cent of the population are within 5 km of a public health clinic or private practitioner. They are also spoilt for choice since there are 224 hospitals in the private sector located nationwide. To boost confidence, the domestic medical sector boasts highly-trained medical specialists, many of whom hold recognised post-graduate qualifications from the UK, Australia and the US. There is also ease of communication in Malaysian hospitals since English is widely used and staff can easily explain medical terms and procedures.

"We meet people in the same industry from Thailand and Singapore at major medical conferences and they tell us Malaysia is a sleeping giant. They are worried about us," quipped Dr. Kulaveerasingam.

How can we shake the giant awake so it can take its rightful place in the world of medical tourism? The answer lies in integrated branding. All along, Malaysia's medical assets have not been played up to the max because the country lacks an integrated health tourism brand, as well as a centralised coordinating body devoted to promoting the industry, such as our neighbour's Singapore Medicine initiative. Singapore has very successfully branded and promoted itself as a leading destination for medical travel and world-class healthcare among British and US patients, despite its higher prices and stronger currency.

Philips Malaysia Chairman and Chief Executive Officer Dr. Rajah Kumar, whose company aims to play an enabling role in promoting medical tourism in the country, said, "We need to brand the sector so medical tourism in Malaysia can be known worldwide like in Thailand." Kumar was speaking to reporters after signing an agreement for the installation of the Philips Achieva 3.0 Tesla Magnetic Resonance Imaging (MRI) system and Ambient Experience Suite at the Subang Jaya Medical Centre (SJMC).

Instead, the Malaysian Association of Private Hospitals joins other agencies, such as the tourism authority and the Malaysian Industrial Development Authority, on road shows and trade missions. However, the Ministry of Health has undertaken the branding of medical tourism, and it has recently established a branch to explore this role.

To be fair, the road shows and trade missions do remedy patchy PR by selling the country's medical tourism strengths, in particular emphasising the standards and stringent regulations prevailing in Malaysia in order to build credibility among the

Why Malaysia?

In promoting health tourism, we are actually banking on what we already have. We don't have to build new facilities or create a new "medical valley". Here's what we have to offer.

- Most medical personnel are English speaking
- A harmonous, plural society practising a variety of religions (for example, *halal* Muslim food can easily be found)
- Favourable exchange rates (one Ringgit Malaysia is about USD 0.26, Sterling Pound 0.18, Indonesian Rupiah 2700, Saudi Riyal 0.96, Brunei Dollar 0.47, Singapore Dollar 0.47)
- Affordable hospitalisation costs. An uncomplicated CABG would cost in the region of only US$6,000-7,000
- Highly-trained medical specialists, most with recognised post-graduate qualifications from the UK, Australia and the USA
- Multi-ethnic and multi-lingual support staff from various religious denominations, e.g. Islam, Christianity, Buddhism, Hinduism, etc.
- Accessibility to major international airports. There are 224 hospitals in the private sector located nationwide
- Comprehensive network of hospitals and clinics — 88.5% of the population are within 5 km of a public health clinic or private practitioner.

target customers.

"Standards are criteria number one because the patients' safety and well-being are at stake," explained Dr. Kulaveerasingam. "Standards must be very high and at par with international standards before we can start selling the hospital, such as the KPJ flagship hospital Ampang Puteri that has been accredited to 22 standards and is subject to annual audit."

Where to get Pampered

A total of 26 spa and beauty centres are active in promoting health tourism. For the discerning, a day or two at a spa in an exotic location would be heaven on earth. A perfect place to de-stress and wish away the blues …

Centre	Location
Hyatt Regency Kuantan Resort — Bayou Spa	Kuantan, Pahang
Eden Garden Hotel Johor	Johor Bahru, Johor
Phytoshoppe	Johor Bahru, Johor
Sofitel Palm Resort Hotel - Mandara Spa	Senai, Johor
Casa Del Mar	Langkawi, Kedah
Berjaya Langkawi Beach & Spa Resort	Langkawi, Kedah
Sheraton Langkawi Beach Resort — Chavana Spa	Langkawi, Kedah
The Datai Resort Hotel Langkawi — Mandara Spa	Langkawi, Kedah
Cyberview Lodge Resort & Spa — Sembunyi Spa	Cyberjaya, Selangor
Equatorial Bangi	Bangi, Selangor
Rumah Tanjung House of Beauty & Wellness	Bukit Damansara, Kuala Lumpur
Sheraton Imperial Hotel — The Imperial Spa	Jalan Sultan Ismail, Kuala Lumpur
Swiss-Garden Resort & Spa	Jalan Pudu, Kuala Lumpur
The Prince Hotel & Residence — Mandara Spa	Jalan Conlay, Kuala Lumpur
Equatorial Melaka	Melaka City
Club Med Cherating — The Mandara Spa	Cherating, Pahang
Swiss-Garden Resort & Spa	Cherating, Pahang
Equatorial Penang (Equinox Fitness Center)	Bayan Lepas, Penang
Pangkor Laut Resort Spa Village	Pangkor Island, Perak
Swiss-Garden Resort & Spa	Lumut, Perak
Sutera Harbour Boulevard — The Mandara Spa	Kota Kinabalu, Sabah
The Hornbill Golf & Jungle Club	Kuching, Sarawak
Executive Business Center	Petaling Jaya, Selangor
Holiday Inn Hotel - Andana Spa	Shah Alam, Selangor
Nu' della Malaysian Holistic Spa	Bangi, Selangor
The Aryani Resort	Setiu, Terengganu

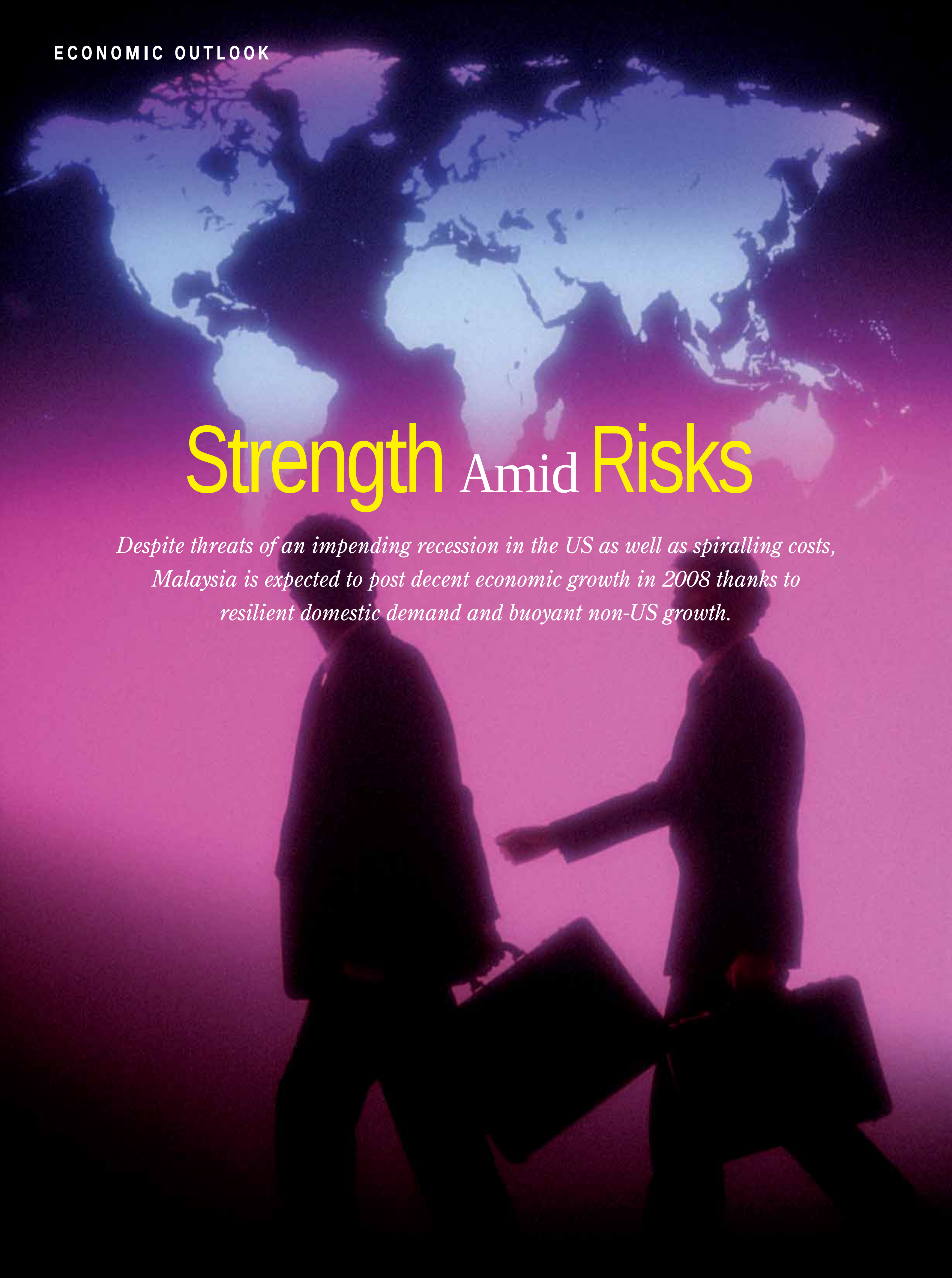
Source: Tourism Malaysia June 2007

Despite benchmarking, Malaysia still falls short in the area of international affiliations, which is a key marketing challenge. Unlike India and Singapore, Malaysia's hospitals lack established international medical affiliations with medical universities, like Harvard or Johns Hopkins, and leading hospital accreditations such as the US Joint Commission International (JCI) accreditation.

Apart from quality, hospitals involved in medical tourism must be able to offer a variety of services. According to Dr. Kulaveerasingam, the top services in demand at the moment are cosmetic surgery, cardiology, orthopaedic, eye/ophthalmology, dentistry and weight management. Apart from medical services, there is also a healthy demand for aesthetic health services, such as those offered by spas and beauty centres. The Tourism Malaysia website lists 26 centers offering an array of services ranging from sauna to massage and gym workouts.

The future also looks bright for alternative medicine, which is catching on among medical tourists. Langkawi is being touted as a centre for holistic medicine, which could complement Penang as a medical tourism hub by offering complementary medicine, traditional therapies and spa treatments. Sime Darby Energy & Northern Corridor divisional director Datuk Mohd Shukri Baharom told reporters that the strategy for the northern corridor was to position Penang as the preferred destination for foreigners seeking affordable cosmetic and elective surgery, and expand the services to Langkawi in view of scarcity of land in Penang to build new facilities. "There is a growing trend in the popularity of traditional medicine for convalescent and recuperative purposes among Westerners, especially French and Germans," he said, adding that the global market for traditional therapies was estimated at US$60 billion (RM228 billion).

Time is of the essence, though. As competition accelerates, Malaysia will have to seize the day in order to capitalise on opportunities. The sleeping giant can no longer afford to slumber. AT



Strength Amid Risks

Despite threats of an impending recession in the US as well as spiralling costs, Malaysia is expected to post decent economic growth in 2008 thanks to resilient domestic demand and buoyant non-US growth.

Malaysia is expected to weather the gathering US storm clouds and an array of challenges and generate sustainable economic growth in 2008.

Projections of 2008 GDP growth range from Bank Negara Malaysia's optimistic forecast of 6-6.5 per cent growth to the IMF's 5.8 per cent to the Malaysian Institute of Economic Research's 5.4 per cent, which takes into account the possibility of a US recession.

"Key factors supportive of local growth include favourable global growth and trade, recovery in global E&E in 2008, high commodity prices and strong domestic demand arising from public sector salary revisions, ongoing implementation of the *9th Malaysia Plan* and the extension of *Visit Malaysia Year* to August 2008," said Datuk Ooi Sang Kuang, Deputy Governor of Bank Negara Malaysia at the National Accountants Conference on 12 November 2007.

On the downside, a key source of risk is the beleaguered US economy, which is anticipated to slow down or, in the worst-case scenario, enter a recession exacerbated by prolonged subprime turmoil as well as retail and housing weakness. This would in turn affect Malaysian exports, which are already feeling the effects of a strengthening ringgit and competition from other exporters, particularly Southeast Asian rivals producing similar goods. The country's exports rose 2.7 per cent to RM550.9 billion in the 11 months to November 2007 from a year earlier, while imports grew 4.6 per cent to RM459.9 billion, according to the Ministry of International Trade and Industry.

Other threats include high commodity prices, which have trended sharply upwards on the back of increased interest in biofuels, strong demand, weather vagaries, and geopolitical concerns. Another risk is the unwinding of severe global imbalances in the global system between US and East Asian countries as well as oil exporting and importing countries which will affect the exchange rate of major currencies and the interest rate policy of major economies, noted Prof. Dr. Mahani Zainal Abidin, speaking at the NAC 2007.

However, Malaysia is somewhat shielded from external turmoil thanks to its strong fundamentals and resilience which accord policy flexibility, said Ooi. The Malaysian economy also possesses a strong and diversified financial system which will enable it to withstand the ongoing volatility in global financial markets. "Corporate balance sheets have improved significantly, household balance sheets remain healthy, and financial institutions are strong and healthy with capitalisation remaining high and non-performing loans declining," said Ooi.

"Key factors supportive of local growth include favourable global growth and trade, recovery in global E&E in 2008, high commodity prices and strong domestic demand arising from public sector salary revisions, ongoing implementation of the 9th Malaysia Plan and the extension of Visit Malaysia Year to August 2008."

Datuk Ooi Sang Kuang, Deputy Governor, Bank Negara Malaysia

Inherent strength aside, diverse sources of global growth will cushion the impact of US weakness. "The US economy still drives the world but growth is also generated by other centres," said Mahani. "The EU is holding steady and Japan is recovering. The BRIC countries — Brazil, Russia, India and China — are also new sources of global growth, with large populations." Elsewhere, other East Asian high growth economies such as Korea, Taiwan, Hong Kong and Singapore are experiencing high growth, mitigating bleak US prospects.

China is anticipated to maintain its breakneck pace of growth. Mahani targets China's GDP to expand at 11.5 per cent in 2007 and 10 per cent in 2008 amid increasing East Asian trade. India's GDP is likely to grow at 8.5 per cent in 2007 and 2008. Apart from its traditional IT stronghold, Mahani pinpoints industry as a new source of Indian growth and praises India for investing in infrastructure which is critical to sustained growth.

Rising costs will pose a challenge going forward in 2008, not just for Malaysia but globally. Prices of metals have increased exponentially. Prices of corn and sugar have increased as these crops are diverted to produce ethanol. Mahani pointed out that rising food prices, in particular wheat and other cereals, increased by 21 per cent in 2007, which could affect imports and consumption, particularly in low-income food-deficit countries.

Record oil prices look set to test the US$100 per barrel yardstick, which holds pros and cons for Malaysia. "In the short term, high oil prices are likely to have a positive net effect because Malaysia is an oil exporter," notes Mahani. However, expensive oil also means that Malaysia is likely to review the massive fuel subsidy, which jeopardises the government's fiscal deficit target of 3.1 per cent of GDP in 2008. In 2006, direct fuel subsidies amounted to RM15 billion or 2.6 per cent of GDP. In the first eight months of 2007, Malaysia spent RM16 billion on petrol subsidies.

"The US economy still drives the world but growth is also generated by other centres …. The EU is holding steady and Japan is recovering. The BRIC countries —Brazil, Russia, India and China — are also new sources of global growth, with large populations."

Prof. Dr. Mahani Zainal Abidin

Economists estimate that the inflation rate will increase to approximately 2.7- 2.8 per cent next year, if the government decides to cut oil and gas subsidies, raise the toll rates, and grants demands for fare hikes from public transport operators. As a rule of thumb, a 10 to 15 per cent increase in diesel and petrol prices could hike inflation by between 0.5 and 1.5 per cent, while higher toll and transport fares could lift inflation by between 0.1 and 0.2 per cent. AT

Towards Reducing the Audit Expectation Gap

Possible Mission?

Teck Heang Lee, Dr. Azham Md. Ali & Shamini Kandasamy

The auditing profession believes that the increase in litigation and criticism against auditors may be due to the audit expectation gap. The audit expectation gap is defined as the difference between what the public expects from an audit and what the audit profession accepts the audit objective to be. The audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectations of the public, the lower the credibility, earning potential and prestige associated with the work of auditors. The objective of this paper is to review and evaluate some of the possible solutions that can be taken to narrow the gap. The study found the proposed solutions in the literature are unlikely to be implemented in view of the practical issues identified. Hence, the proposed solutions are only likely to be effective on theoretical grounds. It is hoped that this paper will provide some insights into proposed solutions which will enable the audit expectation gap to be reduced in a comprehensive and effective manner.

External auditing plays an important role in contributing to the effectiveness and efficient functioning of business operations, the capital markets, and the economy by adding credibility to financial statements (Rezaee, 2004). The reliability of auditing functions and the professionalism of the auditing profession was, however, called into question after some spectacular and well publicised corporations (for example Enron and WorldCom in the US) collapsed shortly after an unqualified (in other words: "clean") audit report had been issued.

The auditing profession in Malaysia has caught the media's attention following financial scandals in some of the big Malaysian corporations. For example, Transmile Group Bhd overstated its revenue by RM622 million for the years 2004 to 2006 (*The Star,* 2007). Megan Media Holdings Bhd reported a whopping net loss of RM1.14 billion for the fourth quarter ended 30 April 2007 as a result of accounting fraud at its subsidiary (*The Edge*, 2007). Southern Bank Bhd, one of the country's largest banks in Malaysia, overstated its 2005 assets by RM160 million (*Accountants Today*, 2007a, p.25). Technology Resources Industries Bhd (TRI) was discovered to have issued fictitious invoices totalling nearly RM260 million in 1998 and 1999 (*SNNI,* 2002). Cold Storage (Malaysia) Bhd and its two subsidiaries suffered massive losses due to misappropriation of funds and assets (*The Star,* 2002).

Shortly after the financial scandal of Transmile Group Bhd became public knowledge, the following criticism against the auditors was reported in the Business News on 19 June 2007 by a local newspaper, *New Straits Times* (*NST*, p. 40): *Investors have asked the authorities to take tough action against those who helped cook the books of Transmile Group Bhd. They (investors) also want them (authorities) to examine the role of external auditors (Messrs Deloitte & Touche) and whether they (external auditors) performed their duties well in scrutinising the numbers.*

Similarly, the Minority Shareholder Watchdog Group (MSWG) Chief Executive Officer, Abdul Wahab Jaafar Sidek, asserted that few scandals involving the huge companies in Malaysia could cause the Malaysian stock market to crash. Hence, he urged the regulator to examine the role played by the external auditors and take speedy action to bring those at fault to task (*Accountants Today*, 2007a, p. 23).

The increase in criticism and litigation against auditors shows that "modern auditing is in a period of serious turmoil and doubt" (Lee, 1977, p. 105) and that auditors are also facing "a liability and a credibility crisis" (Russell, 1986, p. 58). According to Power (1993, p. 292), "when innocent parties suffer losses as a result of fraud or the economic collapses of apparently healthy companies, institutional processes of blame allocation are set in motion." The editorial comment in the September 1990 issue of *Accountancy* (the journal of the Institute of Chartered Accountants in England and Wales, cited in Humphrey *et al.* 1992, p. 137) urged the media to stop blaming auditors as business failures have nothing to do with the standards of auditing. In line with this, Almer and Brody (2002) asserted that a business failure is always interpreted as an audit failure in spite of the level of procedures and tests performed by auditors. They further claimed that an auditor can carry out his audits in accordance with the generally accepted auditing standards and still be found negligent in not preventing risks to financial statement users. Hence, it is shown that the nature and objectives of auditing have been perceived differently by the users and these misperceptions are known as the "audit expectation gap."

The existence of the audit expectation gap in Malaysia is confirmed by previous empirical studies of Mohamed and Muhamad Sori (2002), Fadzly and Ahmad (2004), and Lee *et al.* (2007). Generally, these studies found a wide gap existed regarding auditor's responsibilities in fraud detection and prevention, in the preparation of financial statements and accounting records, and in internal control. The findings in Malaysia are consistent with those in western developed countries such as the UK and the US.

The issue of audit expectation gap is critical in Malaysia and was brought up by the former President of the Malaysian Institute of Accountants (MIA), Datuk Abdul Samad Haji Alias (Dr.), in response to the recent financial scandals in Malaysia. The following statement was made when he responded to the case of Transmile:

There has been disparity in the public's expectation of the auditors and scope of audit, and auditor's own the shoulders of directors, senior management teams as well as the ideas of their roles. The responsibility of any wrongdoing in any company is on the auditors among others. (*Accountants Today*, 2007b, p. 21)

Abdul Rahim, the then President of MIA, agreed with Datuk Abdul Samad and in a similar way, Abdul Rahim claimed that: *There are misconceptions that it is the auditor's role to prepare the company's set of accounts and that the onus is upon directors and management of a company to ensure that the financial statement is prepared in compliance with accounting standards and statutory requirements. The auditor's responsibility is to express an opinion as to whether the set of accounts gives a true and fair view of the company in accordance with the financial reporting framework.* (*Accountants Today*, 2007b, p. 21)

Sikka *et al.* (1998, p. 299) highlighted that the audit expectation gap is a detrimental issue to the auditing profession as "the greater the gap of expectations, the lower the credibility, earning potential and prestige associated with the auditors' work." They also claim that the audit expectation gap is harmful to the public, investors and politicians as, in a capitalist economy, the process of wealth creation and political stability depend heavily upon the confidence in the processes of accountability. An external audit of financial statements is considered to be an important part as auditing adds credibility to these financial statements. Hence, to mitigate the litigation and accusation against the auditors, and, more importantly, to restore public confidence in the financial reporting process and audit functions, the audit expectation gap should be eliminated, if not significantly reduced.

The aim of this paper is to review and evaluate some of the proposed methods that may help to reduce the audit expectation gap. It is hoped that such an attempt will provide some valuable insights for the auditing profession and the profession's regulatory bodies to enable them to take effective steps to reduce the audit expectation gap in Malaysia.

This paper is organised in three sections. The first section provides a review of methods proposed to reduce the audit expectation gap. The second section evaluates the practicality and implementation issues on the proposed methods. The concluding section discusses the implications of the evaluation on the proposed methods.

Methods in reducing audit expectation gap

In view of the detrimental effects of the audit expectation gap on the financial reporting and auditing process, researchers and auditing professional bodies have conducted various studies to identify effective methods in narrowing it. The methods, among others, are as follows:

Education

A number of studies (e.g. Bailey *et al.*, 1994; Monroe and Woodliff, 1993; Gramling, *et al.*, 1996) have revealed that the audit expectation gap can be narrowed through education. Monroe and Woodliff (1993) and Gramling *et al.* (1996) conducted a similar study in Australia and the USA to examine the effect of education on students' perceptions of the meaning of audit reports and the responsibilities and duties of auditors. Monroe and Woodliff (1993) administered the research instrument to two groups of students (final-auditing students and final-year marketing students) at the beginning and end of a semester and to auditors. The findings showed that the auditing students' beliefs about auditors' responsibilities and reliability of financial information changed significantly over the semester. At the end of the semester, the auditing students believed that auditors assumed a much lower level of responsibility; that financial information was reliable and that less assurance was placed on the company's future prospects than that conveyed by the audit report. In contrast, the marketing students' responses changed on only a few scales across the three factors and were not in a consistent direction.

"....education improves the level of understanding of the users of financial statements in relation to the functions of an audit process."

A similar study was conducted by Gramling *et al.* (1996) in the US. The study examined the perceptions of students on the roles and responsibilities of auditors in the auditing process. Data was obtained before and after the completion of a university level auditing course. In addition, professional auditors' perceptions on the same issues were also obtained with the intention of examining whether those with actual audit experience viewed the role of auditing and the nature of the auditing process differently from those who had primarily received auditing-related education. The study found that the expectation gap between auditors and students exists but at a narrower range after the students completed their auditing course. This may suggest that the students gained better understanding regarding some components of the auditing process and the roles and responsibilities of auditors.

Other empirical studies, for example Bailey *et al.* (1983) and Epstein and Geiger (1994), found that the more educated users tend to place lesser responsibilities on the auditors as compared to those less knowledgeable users. These studies also found the more educated users are less likely to seek assurance from the auditor.

Research findings on the above indicated that education improves the level of understanding of the users of financial statements in relation to the functions of an audit process. This in turn suggests that education can be used as a means to reduce the audit expectation gap.

Expanded audit report

Empirical studies have been conducted in the US, the UK and Australia to examine whether using an expanded audit report is effective in reducing an audit expectation gap. A survey conducted by Nair and Rittenberg (1987) in the USA revealed that an expanded audit report changes the users' perceptions with regard to the responsibilities of the auditors. Likewise, Gay and Schelluch (1993) found that audit reports based on the revised Statement of Auditing AUP3 (i.e. an expanded audit report) in Australia significantly improved users' perceptions of the purpose of an audit, the audit procedures, as well as the responsibilities of the directors for the financial report. A similar study on the revised AUP3 conducted by Monroe and Woodliff (1994) confirmed the previous findings of Gay and Schelluch (1993). Overall, the Australian findings are generally similar to the previous studies in the USA (Kelly and Mohrweis, 1989; Miller at al., 1990) and the UK (Hatherly *et al.*, 1991) that longform audit reports improve and clarify users' perceptions of the auditor's roles and responsibilities in the financial reporting process.

The above studies provide evidence that an expanded audit report can be used as a way to reduce the audit expectation gap. This is because it provides a better understanding of the nature, scope and extent of an audit; as well as the roles and responsibilities of the auditors and the management.

Structured audit methodologies

It is believed that the audit expectation gap is likely to reduce when the public is satisfied with the auditors' performance. Koh and Woo (1998) asserted that the use of more structured methodologies in the course of an audit helps to improve the auditors' performance. Purvis (1987) examined the usefulness of adopting structured and semi-structured methodologies of data collection in the audit assignment. His study revealed that the use of structured and semi-structured audit procedures in the course of an audit may not necessarily be beneficial to the audit firms. This is because using such methods of data collection may have both functional and dysfunctional effects on an audit assignment. Boritz *et al.* (1987) concurred with Purvis (1987). Boritz *et al.* (1987) claimed that structured audit methodologies may not lead to greater consensus among audit firms. Overall, it can be seen that there is no consensus among the studies on the effectiveness of this method in reducing the audit expectation gap.

Expansion of auditors' responsibilities and enhancement of auditors' performance

Research (Humphrey *et al.* 1993; Knutson, 1994 and O'Malley, 1993) suggested that the audit expectation gap can be reduced by expanding the existing duties and responsibilities of the auditors. Similarly, the Institute of Chartered Accountants in Australia *(ICAA)*, in their report 'Financial Report Audit: Meeting The Market Expectation' (2003) recommended that the audit profession should expand the scope of audit so that the services provided by the auditors are able to meet the demand of the public. The *ICAA* report explained that, in view of litigation and accusation against the auditing profession, encouragement should be given to promote the evolution of expanded audit services. The expansion of the scope of audit includes the core audit services and extended audit services. The core audit services relate to internal control, fraud and evaluation of going concerns. The extended audit services include business risk, management discussion and analysis, quality of accounting policies, corporate governance, continuous disclosure, performance audits and continuous audits (*ICAA*, p. 6).

> "expanded audit report can be used as a way to reduce the audit expectation gap. This is because it provides a better understanding of the nature, scope and extent of an audit; as well as the roles and responsibilities of the auditors and the management."

Humphrey *et al.* (1993) claimed that the perceived quality of an audit can be improved through the following two ways:

1. establishing an independent office to oversee the appointment of auditors and to regulate the audit fees; and
2. expanding the statutory duties of the auditors.

In line with Humphrey *et al.* (1993), O' Malley (1993) is of the opinion that imposing additional responsibilities on auditors may help to mitigate the audit expectation gap as the expectation of the public is likely to be met when additional services are provided to them. According to him, the expansion of the auditors' duties should include:

1. compliance reporting;
2. evaluation of internal control system;
3. direct reporting by auditors to regulators;
4. fraud detection; and
5. involvement of auditors in interim financial information.

Discussion

The previous section of the paper highlighted the methods proposed to reduce the audit expectation gap. This section of the paper aims to evaluate the practicality and implementation issues of these proposed methods.

Education

Education is a method prescribed to reduce unreasonable expectation of the public. Research (e.g. Bailey *et al.,* 1983; Epstein and Geiger, 1994; Monroe & Woodliff, 1993; Gramling *et al*, 1996) has proven the effectiveness of using education (e.g. auditing courses in colleges and universities) as a means to provide better understanding on auditing issues, for example, the role of auditors and the scope of the auditing function. However, education may not be a practical way to address problems of the audit expectation gap because:

1. It is not possible to educate the public through formal education since they may neither have attended universities nor done any auditing courses in colleges or universities. This is particularly evident in Malaysia as many of the public do not have the opportunity to receive tertiary education.
2. Darnill (1991) pointed out that it is less possible to educate the public through mass communication as auditing is viewed as complex, and does not lend itself to gross simplification. Hence, mass communication on the role of the auditors will be an inappropriate means to reduce the audit expectation gap.
3. Darnill (1991) also claimed that there exists a general lack of public interest in the work of auditors. Therefore, the public may choose not to pay attention to any information given to them with regard to the role of auditors. Thus, the public may still remain ignorant on this issue.

Expanded audit report

As a member of the International Federation of Accountants (IFAC), the Malaysian Institute of Accountants (MIA) has adopted the International Standards on Auditing (ISAs) developed by IFAC as the basis for approved standards on auditing and related services in Malaysia. Members of MIA are expected to comply with these standards. ISA 700, the Auditors' Report on Financial Statements, provides guidance on the form and content of the auditor's report on the financial statements of an entity that is issued as a result of an audit performed by an independent auditor. This standard is mandatory in respect of audit commencing on or after 1 July 1988.

Given the statutory requirement in Malaysia to comply with ISA 700, auditors are unlikely to provide additional explanation in the audit report on certain issues, for example, the purpose of an audit, the audit procedures and the responsibilities of the directors for the financial report. As a result, it may not be possible to improve the understanding of the users through this suggested method unless there is a change in the requirement of ISAs.

Structured audit methodologies

It may not be feasible to use a standardised method of data collection in the course of an audit in view of the differences in size of the audit firms and audit clients. The approach taken to audit a client depends on factors such as the nature and environment of the business, as well as the volume of transactions in the business. Hence, it may not be cost-beneficial to have a set of structured and semi-structured audit programmes across audit firms in Malaysia. Therefore this proposed method is unlikely to be practical in Malaysia.

Expansion of auditors' responsibilities and enhancement of auditors' performance

Expansion of auditors' responsibilities is likely to be a good way of meeting the expectation of the public. However, the cost of such services should be considered. Since the public is a free raider of such services, the cost of these additional services needs to be borne by the company. Thus, the company may be reluctant to engage the services of auditors unless they become a statutory requirement in Malaysia or the benefit of engaging such services outweigh the cost.

In addition, the competency of auditors in providing additional services needs to be considered closely. For example, auditors may fail to evaluate the going concern of the business as they may lack the relevant experience in performing such duties. This is mainly because such duties are not part of the present statutory duties in Malaysia. Hence, the auditors' expertise in such an area is in question. Furthermore, the going concern of a business will be subject to unavoidable business risks due to changes in the overall economic condition of the country. Therefore, the feasibility of expanding the auditors' responsibilities needs to be evaluated on a case-to-case basis in order to ensure that the auditors have the ability to perform these additional duties.

> "The auditing profession believes the increase in litigation against, and criticism of auditors can be traced to the audit expectation gap. The audit expectation gap is detrimental to the auditing profession as it has a negative impact on the value of auditing and the reputation of auditors in modern society."

To improve the quality of auditing and the auditors' performance, the audit regulatory bodies in Malaysia have taken the following steps:

1. The MIA launched the Practice Review Programme on 30 December 2002. The objective of this programme is to serve as a proactive measure aimed at ensuring all audit firms operate at least to the required standard (*Akauntan Nasional*, 2003).
2. The Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi, announced the establishment of the Public Companies Accounting Oversight Board (PCAOB) in Malaysia. The objective is to ensure that audited financial statements are of high quality and reliable (*Business Times,* 2007).

Despite the reasonable efforts taken by the audit regulatory bodies in ensuring the quality of auditing in Malaysia, the increase in criticism against auditors is likely to suggest that further steps may be needed to enhance the performance of the auditors. By doing so, it is hoped that this may improve the confidence of the public in the auditing function in Malaysia.

Conclusion

The auditing profession believes the increase in litigation against, and criticism of auditors can be traced to the audit expectation gap. The audit expectation gap is detrimental to the auditing profession as it has a negative impact on the value of auditing and the reputation of auditors in modern society.

A review of methods (i.e. education, expanded audit report, structured audit methodologies, expansion of auditors' responsibilities and enhancement of auditors' performance) shows that most of the proposed solutions for reducing the audit expectation gap in the literature are unlikely to be implemented in view of the practical issues raised in the paper. Hence, these methods are only likely to be effective on theoretical grounds. Thus, further research needs to be conducted to investigate more effective ways in reducing the audit expectation gap. AT

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Streamline your Cash

If you are still managing your cash flow across multiple systems, you are unlikely to be getting the best return for your money.

With companies under increased pressure to cut costs and increase value-added services, optimising cash flow forecasting could hold great potential. Yet many CFOs are missing an opportunity by not forecasting as efficiently as they could. One solution is to streamline systems and implement financial value chain applications to align cash flow information.

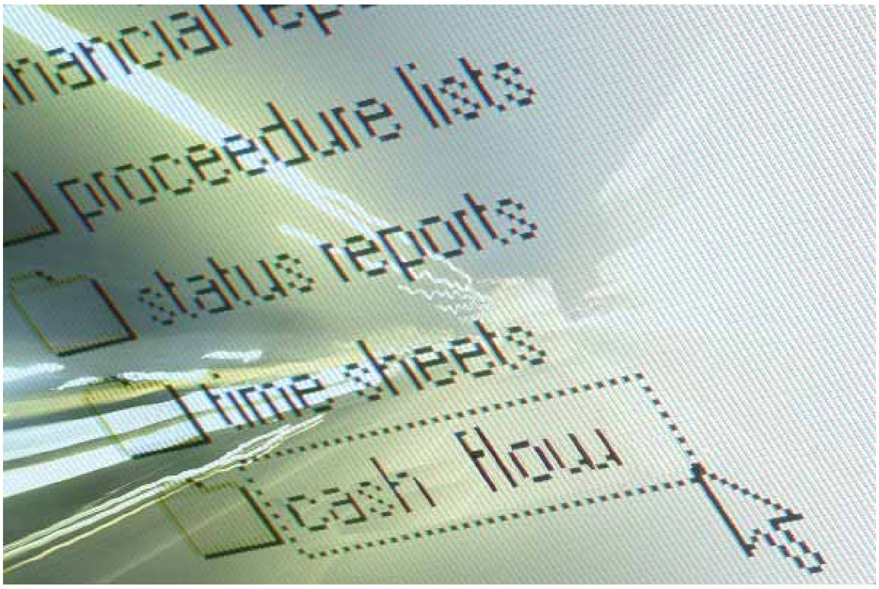
For Nigel Rayner, Research VP at Gartner, many CFOs are not implementing cash flow forecasting effectively: “You need a proper system to produce long or medium-term cash flow forecasts (CFFs) based on business drivers,” he says. “But frankly, many CFOs try to put something together themselves in spreadsheets.”

Many organisations have the problem of information being stored on multiple systems, which raises the question, how do you align the information to ensure your forecasts are accurate?

Rayner points out: “The issue with long-term CFF is how to create a system that can take a plan or a budget in terms of forecast, and whether you can create your forecast position from that system. That then drives the cash flow forecast.”

At the heart of every corporate solution is a financial modelling engine with a sophisticated profit and loss balance sheet and CFF engine, driven by accounting rules that everyone in the CFO’s team can understand. Such a system can look at a company’s revenue streams and, by showing its actual position, help the finance team see where it will be over the next three to five years — or however long they want to consider. This helps them to create the CFF more effectively. But a specific system is needed.

Rayner explains: “A generic system often won’t handle complexity. It’ll say, we can sell 500 units of product x, which will give us an income of £1,000. But of course, you don’t know when you’ll get paid, so you have to make assumptions in terms of when you will get the cash. The engines can make those assumptions more effectively than you as an individual can. They transform the financial process from being a simple profit and loss system — which is what many of them currently are — to being a true CFF system, which is what CFOs should be looking for.” Only at this point can the CFO think strategically. With a more accurate idea of the company’s cash position over the usual benchmarks of three to five years, one can begin to think of new business opportunities. A true CFF system can help to identify what needs to be planned for in terms of treasury policy, as well as keeping up with exchange rate movements. It also factors in other internal and external issues that can fog the forecasting process if they are considered separately, but which will clarify that forecasting if as many as possible are automated.



Single system for cash flow forecasting

A challenge for CFOs trying to optimise cash flow is keeping track of information. The key problem is often that companies have information in different systems.

Rayner says: “You may have a range in enterprise resource planning (ERP) and a range in Oracle, for example. But if you don’t have one single system containing all your data, it can be hard to see the full picture of your cash flow based on invoices you might have at hand."

With a sophisticated engine, however, it is possible to make sense of disparate data silos. He continues: "To facilitate this, we see many large organisations moving towards a single system."

By centralising a company's financial system, the finance team can optimise working capital in the short term and enable more confident strategic thinking — certain that the forecast is as accurate as it can be. CFOs need to look at the whole flow of cash throughout the organisation, and draw out a map of what is involved. If everything is on one system, it is possible to deploy specific tools from the vendor. But if they are looking across different systems and creating a patchwork, it will be difficult to integrate the information.

Rayner adds: "Also we see large organisations implementing in-house banking systems to manage cash between their various subsidiaries more effectively. You have one part of the organisation dealing with external banks and acting as an internal bank for in-company transactions. Some of the more sophisticated ERP systems, such as Oracle and SAP, support these in-house capabilities."

While this is an operational concern, and within the realm of treasury managers, it is very difficult for CFOs to think in the long term if they cannot see their current position. Rayner says: "If, for example, your long-term strategy is to acquire companies, you need to look at what cash will be generated over the next five years so you can plan the finance system. You only get that from looking at the operational side — studying budgets and plans."

Financial value chain

Research from Gartner indicates that financial value chain (FVC) applications can help companies evaluate end-to-end business processes such as customer credit-to-cash and supplier selection-to-payment. By doing this, they can see where financial processes can be optimised by the application of FVC technologies. FVC can improve financial management and reduce costs, helping businesses to achieve critical integration into financial management initiatives.

Better cash management

Cash management can be considered part of the financial value chain (FVC) because it provides analysis and tools to assist funding based on cash requirements from cash flow activity. The FVC clarifies net cash flows, helping treasurers plan for adjustments when providing cash to the business. Working capital solutions give detailed analyses of the sources and uses of cash that could prove critical to the company. The more these processes are automated, the more it is possible to gain business insights from the data, with less risk of inaccuracy. Some points to consider:

- Working capital management helps forecast cash flow results that have implications for treasury requirements.
- Although many companies generate transactions to internal business units, such as inter-entity billing, clearing house and reconciliation, which are often eliminated from financial consolidation, they are real transactions and have an impact on the movement of cash in the company.
- Treasury management coordinates cash movements. Although it is not an FVC application, it does need to be linked to FVC to ensure accuracy.

Cash flow forecasting for CFOs

- **Short term**: the operational focus is on cash inflows and outflows, creating the financial budget, which looks at revenue and expenses and typically has a one-year time horizon.
- **Long term**: CFF (cash flow forecast) is used to assess the business impacts

The FVC spans process areas that are fragmented in many organisations. To implement an effective FVC, organisations have to look at these grey areas and discover how elements in their application portfolios have to work together to enable the FVC. Once in place, FVC applications improve the efficiency of the finance function and optimise working capital.

The single FVC system includes ERP applications plus extensions, and removes the fragmentary nature of multiple ERP, BOB and manual systems. Instead of trying to view a patchwork of cash flow information, a single FVC system has supplier-facing applications, customer-facing applications and internal cash management. This unites the cash perspective through integrated processes that are otherwise split across different business processes. For CFOs, this provides an opportunity to leverage components of the FVC more robustly, to create more business insight from financial processes.

Such an FVC model cuts costs by making the transaction process more efficient, increasing working capital and improving overall financial performance management. This results in better customer and supplier relationships, and reduces treasury costs by gaining a more focused and accurate picture of the company's cash situation. This leads to a more holistic view of financial management across end-to-end processes, and transforms the finance process from a back-office administration process to a dynamic, value-creating part of the business.

Gartner estimates that companies that automate financial management processes by leveraging FVC applications could reduce their financial management process costs by at least 10 per cent, as well as managing their working capital more effectively.

Solid basis for strategy

For Rayner, it is time to ditch the reliance on spreadsheets and become more dynamic: "The good news is that there are many sophisticated systems out there now that can be tailored to significantly increase the accuracy of your working capital metrics."

Centralising the system is the ideal way to do this, but it is understandable that many companies still have data across different systems. For the CFO, the art lies in thinking strategically, but the science rests on ensuring that operational metrics are as accurate as possible. AT

This article is contributed by CIMA and it first appeared in CIMA's *Excellence in Leadership* series on Corporate Finance and Treasury.

Outperform by Linking Performance and Risk Management

Patrick Ow

No organisation can successfully manage risk without linking it to performance management. Strategic management is only part of how an organisation implements its strategy to maximise its value to stakeholders and achieve its goals. For organisations to outperform their competitors, what is required is to integrate risk management activities into strategic management initiatives at all levels of the organisation.

Generally, performance management is a key task for everyone who manages the business and makes decisions at all levels of the organisation, ultimately trying to achieve company objectives and goals. It is a combination of strategic and performance management processes.

Risk management, on the other hand, often involves a selected few — executive management, risk managers, compliance officers, and/or internal auditors. These people or teams within the organisation are typically employed at the corporate level and are often not involved in the day-to-day business operations.

In reality, strategic management processes and risk management activities are frequently disparate, not harmonised and are performed on an ad-hoc and/or silo basis.

Everyone is a Risk Manager

The Australian/New Zealand Standard (AS/NZS) 4360:2004 on risk management defines risk as *the chance of something happening that will have an impact upon objectives*. It is something that would prevent us from achieving our goals.

Risk, and the need to manage it, is nothing new especially from an individual level. For example, if a car sales executive with personal monthly car sales quota (and whose pay is primarily based on commissions) knows that there would be another competitor opening up for business nearby in a month or so, wouldn't he mitigate the potential impact on his pay cheque by expanding his existing network and implementing more aggressive marketing activities?

Therefore, from an individual perspective, there always seems to be a "natural" link or personal motivation (e.g. affecting their pay cheque) for risk management activities and individual performance management processes. Unfortunately, this is not so when we consider the linkage from the corporate or organisational-wide perspective.

Everyone in the organisation must work together synergistically (with alignment to corporate objectives) and perform the role or function of a risk manager in their own right as they manage organisational performance to achieve corporate objectives and to manage events (or risk) that are potential barriers to the achievement of corporate and individual performance. If they do not manage or address these risks at all levels, they may not be able to achieve corporate objectives.

Risk Management

Risk management as defined by AS/NZS 4360:2004 is *the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects*, whereas the risk management process is the *systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk*. It is simply a practice of systematically selecting cost effective mitigating approaches for minimising the effect of threat realisation or risk to the organisation.

The main elements of the risk management process are as follows:

- **Communicate and Consult** — Communicate and consult with internal and external stakeholders as appropriate at each stage of the defined risk management process.
- **Establish the Context** — Establish the external, internal and risk management context in which the risk management process will take place, establishing criteria by which the risk will be evaluated and defining the structure of risk analysis to be undertaken.
- **Identify Risk** — Identify where, when, why and how events could prevent, degrade, delay, or enhance the achievement of objectives.
- **Analyse Risk** — Identify and evaluate existing controls, determine risk consequences and likelihood, and confirm the level of risk.
- **Evaluate Risk** — Compare levels of risk with pre-established criteria, and consider any potential benefits or adverse outcomes that affect the extent and nature of risk treatments required.
- **Treat Risk** — Develop and implement cost effective strategies and action plans to address or mitigate risk, increase potential benefits or reduce potential cost or affects to the organisation.
- **Monitor and Review** — For continuous improvement and effectiveness, monitor and review the effectiveness of the risk management process itself and make any process adjustments to suit changing circumstances.

All risks can never be fully avoided or mitigated simply because of financial and practical limitations and considerations. Therefore all organisations have to accept some level of residual risks, in line with their risk appetite.

Strategic Management

Strategic management is the formulation, implementation and evaluation of cross-functional decisions that will enable the organisation to achieve its objectives. It combines the activities of the various functional areas of a business to achieve organisational objectives.

Strategy can be formulated on three different levels:

- **Corporate Level Strategies.** It is concerned with the:

i) selection of businesses in which the organisation should compete, and

ii) development and co-ordination of that portfolio of businesses.

- **Business Unit Level Strategies** (aligned to Corporate Level Strategies) — It is about developing and sustaining competitive advantage for the goods and services that are produced.
- **Functional or Departmental Level Strategies** (aligned to both Corporate Level and Business Unit Level Strategies) — It is concerned with business processes and the value chain.

Generally, the strategic management process is as follows:

- **Mission and Objectives** — Specifying or clarifying the organisation's objectives and measurable targets.
- **Environmental Scan** — Assessing both the internal and external situation to formulate strategy, including the understanding of the organisation's strengths and weaknesses, its critical success factors and competitor analysis.
- **Strategy Formulation** — Given the information from the environmental scan, to match its strategy to the opportunities identified, while addressing weaknesses and external threats to achieve organisational objectives.
- **Resource Allocation** — Allocating and prioritising resources to implement strategic policies and corporate initiatives, and clarifying roles and responsibilities of individuals and departments.
- **Strategy Implementation** — Strategy is implemented by means of programmes, budgets and procedures, and using tools like the Balanced Scorecard. Unfortunately, a lot of strategy only looks good on paper!
- **Evaluation and Control** — Implementation of strategy must be monitored and adjustments made as needed to stay on track. It may involve defining the parameters to be measured, defining measurable target values for those parameters, performing the measurements, comparing measured results to the pre-defined standard and making the necessary changes.

When comparing strategic management with performance management, performance management is seen to be a continuous process of supervisors and employees working together to:

- Set performance expectations linked to organisational objectives;
- Establish criteria against which individual and unit performance can be measured;
- Identify areas for competency improvement;
- Provide performance feedback; and
- Continually enhance performance.

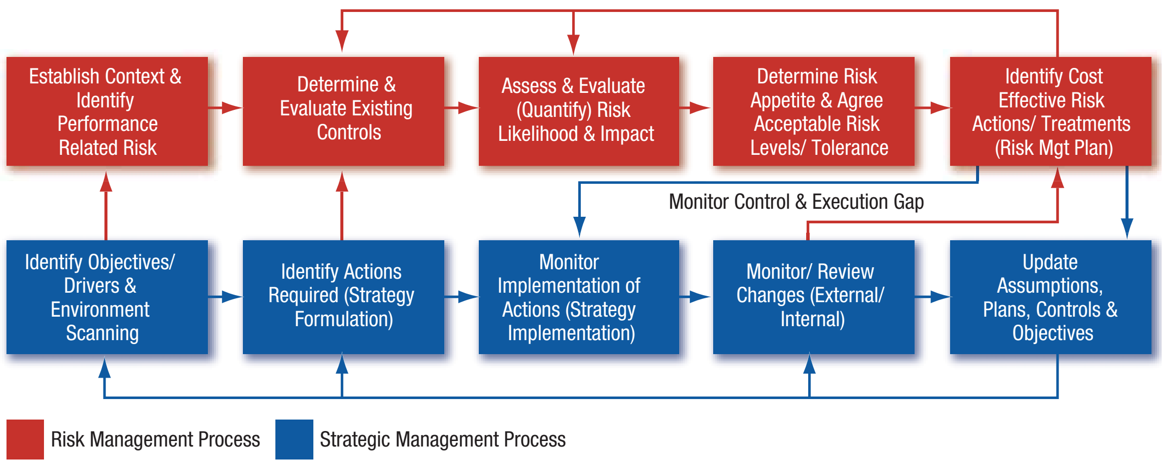
Performance management is therefore the results accomplished by an individual in meeting specific objectives or developing competencies necessary for effectively doing a job.

In essence, both strategic and performance management look at targets and milestones in order to achieve objectives, whereas risk management looks at the events that, if unchecked, could cause the organisation not to meet its objectives.

Managing Performance — Related Risk

The risk management process should begin at the highest strategic management level (beginning from Corporate Level Strategies, to Business Unit Level Strategies and finally to Functional or Departmental Level Strategies) and subsequently moved into performance management. By completing the strategic aspect first, it is possible to ensure that operational and transitional phases are accurately placed within the strategic context.

The assessment of strategic risk facing the organisation must be incorporated into the corporate planning and review cycle (strategic management process). The assessment should reflect the key results expected of the organisation with a strong emphasis on risks that might affect the achievement of key business results. The diagram shows how the strategic management process can be integrated and linked to the risk management process.



The basic principle here is that financial results are determined by operational performance, which is the result of performance drivers such as clear strategy and objectives, effective business processes, competent workforce and management team, and a results-orientated culture that employs motivated people. Unfortunately, in reality, these performance drivers are exposed to uncertainties and risks, both external and internal, which need to be managed and controlled.

Performance drivers can be seen as a corporate health report because they refer to the organisation's non-tangible assets and competencies to sustain performance and grow the business over the long term.

Firstly, we need to identify and translate organisational objectives into key performance drivers, strategies (strategy formulation) and indicators, perhaps using tools like the balanced scorecard. These are translated into measures such as revenue growth, operating profit or ROI.

We must understand the inter-relationship and reciprocal dependencies among these drivers and indicators. Understanding the context, perhaps through environmental scanning, is also important.

We then identify performance-related risks and existing controls that affect these performance drivers. These risks could have a negative impact (such as the loss of a major customer) or a positive impact (such as a decrease of purchasing prices) on the organisation.

Based on its existing controls, organisations would determine or quantify the probability or likelihood that the performance-related risk will occur and the impact of the risk (if it occurred) on the performance drivers, and based on the organisations' risk appetite, to arrive at the agreed level of risks that the organisation will accept. This step prioritises the action plans (or risk management plans) required to mitigate the risk and shows the sensitivity of the performance drivers to the risks.

Define the key risk indicators that determine the source of risk. It is quite common that the information needed to determine the risk indicator is already available. Once the key risk indicators have been determined, the organisation should integrate them into the monthly reporting and review process.

We need to identify cost effective treatments and controls that mitigate or address the risk, which is encapsulated into a risk management plan. Control gaps exist in situations where a control is missing, lacking, or is not operating as intended. It is important to identify and summarise these controls needing improvement and development.

Assumptions and objectives in the strategic plans may be updated or amended to reflect any changes to the risk profile or as a result of internal/external influences.

When control and execution gaps are identified and documented, it is important to evaluate the nature and severity of the identified control gaps. This will prioritise the deficiencies requiring corrective action and will allow management to decide if remediation is necessary. Periodically access the effectiveness of controls, the organisation's control structure, and strategic and risk management processes.

Risk management not only protects the organisation's value but seeks to create or enhance it. Therefore, risk management should not be positioned within the organisation as only a compliance process or a value-protection function, but considered as something that compliments and integrates with strategic and performance management to improve business and individual performance.

Integrating strategic management and risk management processes improves the financial and operational performance of the organisation, both in the short term and long term, and helps the organisation in implementing its strategies and achieving its goals. AT

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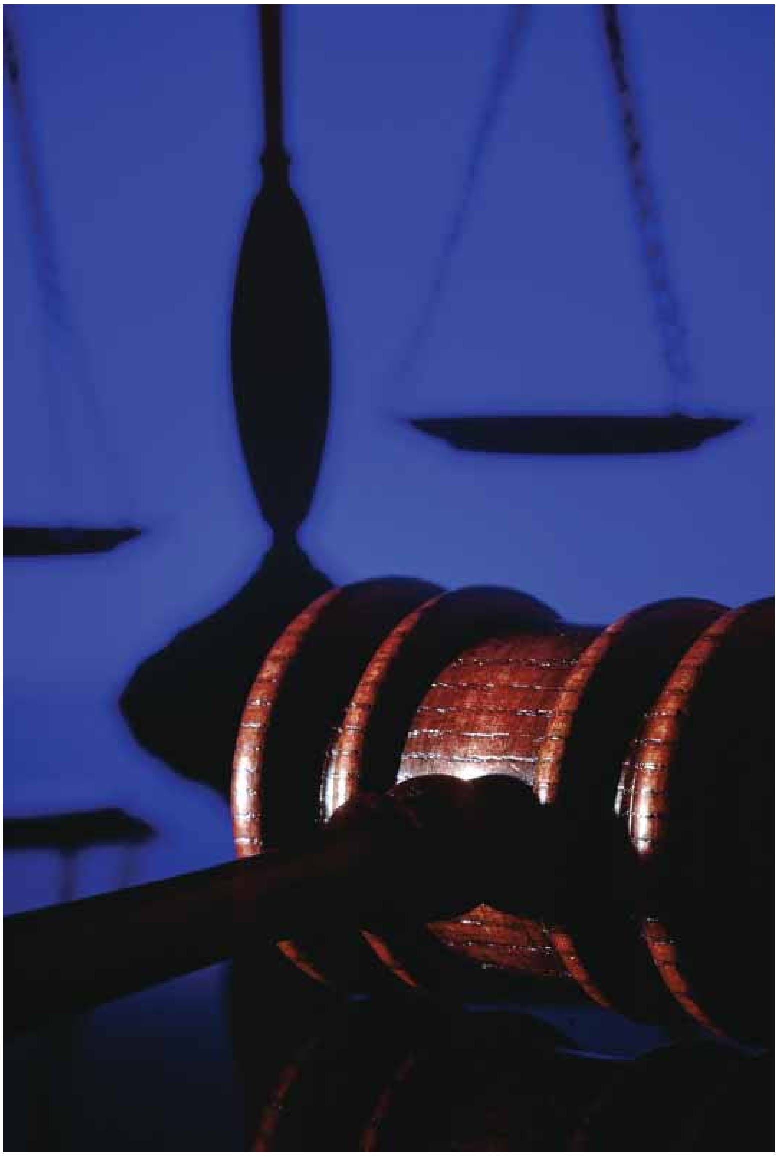
ADVERT

Can the IRB Disregard the Judicial Pronouncement in the Penang Realty Case?

A Legal Perspective on the Decision Impact Statement

Datuk D.P. Naban & S. Saravana Kumar



In February 2007, the Director-General of Inland Revenue (DGIR) released three issues of the Decision Impact Statement (DIS) over the Inland Revenue Board's homepage [1]. The DIS outlines the DGIR's position in relation to three recent Court of Appeal decisions [2]. Although the DGIR acknowledges the DIS is not a public ruling, the DIS is treated as the DGIR's explanatory statement on how the law will be administered by the Inland Revenue Board (IRB) as a result of these cases. The DIS, which is issued for the first time in Malaysia, is modelled after the DIS issued by the Australian Commissioner of Taxation [3]. This article looks at the DIS's impact on the Court of Appeal's decision in Ketua Pengarah Hasil Dalam Negeri v Penang Realty Sdn Bhd [4]. The DGIR has firmly reiterated the IRB's stand that the proceeds from compensation for compulsory acquisition of land are taxable. The question arises whether the DGIR will apply the DIS, which is not in tandem with the judicial pronouncement in the Penang Realty case. To answer this question, the authors will first analyse the court's reasoning in Penang Realty before discussing the DIS's legal impact.

1 *www.hasilnet.org.my/english/pdf/PREALTYvs KPHDN.pdf*

2 The three cases are Ketua Pengarah Hasil Dalam Negeri v Penang Realty Sdn Bhd [2006] 3 MLJ 597, Teruntum Theatre Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri [2006] 4 MLJ 685, Exxon Chemical (M) Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri [2006] 1 MLJ 428.

3 *http://law.ato.gov.au/atolaw/general.htm?ldb contents.htm#dis*

4 [2006] 3 MLJ 597.

The *Penang Realty* Case: Facts & Decision

The taxpayer, a realty company, purchased a plot of land in 1956. A portion of that land was compulsorily acquired by the Penang state government in August 1980 under the Land Acquisition Act 1960[5]. The sum of RM1,035,762.91 was paid as compensation to the taxpayer in May 1982. The IRB sought to tax the compensation received. The taxpayer lost its appeal before the Special Commissioners of Income Tax. The Special Commissioners accepted the IRB's position and held the proceeds from the compensation were profits derived from a business activity. The taxpayer appealed by way of the case stated and won the appeal before the High Court. The High Court held the compulsory acquisition cannot constitute a sale as the element of compulsion vitiates the intention to trade[6]. As such, the profits derived from the compensation did not arise from the taxpayer's business activity. Dissatisfied with the decision, the IRB appealed to the Court of Appeal. The Court of Appeal, in a unanimous decision delivered by Justice Mokhtar Sidin, dismissed the IRB's appeal. The Court of Appeal endorsed the reasoning articulated by Justice Abdul Kadir Sulaiman in the High Court. The reasoning enunciated by the High Court and Court of Appeal forms the essence of the following

The Element of Trading

Section 4 of the Income Tax Act 1967 (ITA)[7] lists classes of income subject to income tax. Insofar as a business is concerned, it is the gains and profits from the business that are chargeable to income tax. Thus under Section 4, which outlines the types of income chargeable, not all income is chargeable to income tax. For the present purpose, the word "business" is defined in Section 2 of the ITA as any *adventure or concern in the nature of trade*.

Our courts have on more than one occasion held that where a property is compulsorily acquired, the element of trading is vitiated. Thus, the proceeds from the compensation should not be subjected to income tax as such proceeds do not fall within the ambit of Section 4. The fact that a taxpayer's land was compulsorily acquired vitiates the element of trading. This was clearly established by the Court of Appeal in *Penang Realty*. The following forms the crux of the court's reasoning[8]:

"The compulsory acquisition by the Government of the appellant's land in the instant case cannot constitute a sale the proceeds of which are subject to tax because the element of compulsion vitiates the intention to trade. In the circumstances, that part of the order of the Special Commissioners that the profits derived from the compensation paid to the appellant on account of the compulsory acquisition are profits arising out of the appellant's business activity cannot sustain."

The Court of Appeal in *Penang Realty* was influenced and guided by the Supreme Court's decision in *Lower Perak Co-operative Housing Society Berhad v Ketua Pengarah Hasil Dalam Negeri*[9]. Justice Mokhtar Sidin endorsed the principle that a forced sale cannot constitute a sale. His Lordship rightly observed that the element of compulsion vitiates the intention to trade.

In *Lower Perak*, Justice Edgar Joseph Jr. referred to English cases[10] and provided a thorough analysis of the concept of intention to trade. His Lordship came to the conclusion that there cannot be a sale or intention to sell where there is an element of "forced" sale and articulated the following principles:

a) the paramount object of the transaction must have a commercial purpose;
b) a transaction that has all the attributes of trade must still have a commercial purpose;
c) the sale must be based on a profit-making operation;
d) the relevant transaction entered into by the parties had a commercial purpose or object from the taxpayer's point of view;
e) non-commercial motivation may affect the nature of trading transactions that they cease to be normal trading;
f) a mere sale at a profit is not a trading activity;
g) a sale must be consensual and of one's own free will before the proceeds can be chargeable to income tax; and
h) the circumstances necessitating the realisation of an asset may afford an explanation for the realisation that negates the idea that any plan of dealing motivated the original purchase.

Hence his Lordship reasoned that the element of compulsion vitiates the intention to trade and observed[11]:

"The finding of the Special Commissioners that 'there was some element of "forced" selling of the subject lots', and the further finding that 'the object of the appellant [the taxpayer] in acquiring the land was to develop it and sell the lots to its members and hence had to sell the subject lots in dispute to a non-member, i.e. the developer', were findings which were amply justified by the evidence.

"Unfortunately, however, the Special Commissioners failed to recognise the significance of these findings in the context of the taxpayer's contention that a forced sale cannot constitute a sale the proceeds of which are subject to tax because the element of compulsion vitiates the intention to trade."

A Mere Change of Customer?

Similarly, the argument that the compulsory acquisition is a form of trading in land as it did not change the nature of transaction and merely involved a change of customer is not valid. The IRB had raised this argument in *Lower Perak* and *Penang Realty* but failed to move the Supreme Court and Court of Appeal on this point. Justice Edgar Joseph Jr elucidated his reasons clearly in the following paragraph, which was subsequently endorsed in *Penang Realty*[12]:

Indeed, nowhere in the case stated did they direct their attention to the question of intention to trade but instead adopted the over-simplistic approach that although the taxpayer had to sell the lots concerned to the developer, this merely indicated 'a change of customers' which was of 'no importance for it did not change the colour of transactions

5 Act 486.
6 [1997] 1 LNS 453.
7 Act 53.
8 at page 605.
9 [1994] 2 AMR 1735.
10 see Ransom vs. Higgs [1974] 3 AER 949, Simmons vs. IRC [1980] STC 350 and Cunliffe vs. Goodman [1950] 2 KB 537.
11 at page 749.
12 at page 604.

which constituted trading in land within the meaning of S 4(a) of the Act'. Clearly, therefore, the Special Commissioners overlooked the salutary words of Lord Wilberforce in Simmons v IRC at page 800e that 'trading required an intention to trade' and that, therefore, the state of mind of those in control of the taxpayer and their motives were most material."

In this regard, the relevant question to be asked is whether the taxpayer was trading or engaged in an adventure in the nature of trade in the circumstances in which the land was acquired. Although there was "a change of customers", in the sense that the government became the "purchaser", that does not make the transaction a trading. As explained earlier, the element of compulsion vitiates the intention to trade. This proposition was accepted recently in the High Court case of *Perak Construction Sdn Bhd vs. Ketua Pengarah Hasil Dalam Negeri*[13]. Justice Faiza Thamby Chik made the following comment[14]:

"The learned Special Commissioners erred in law when they held 'that the asset acquired by the Government was still stock-in-trade and the nature of the asset remains the same and is not vitiated by the said acquisition."

This conclusion of the learned Special Commissioners is against the principle in the Supreme Court case of *Lower Perak Co-operative Housing Society Berhad vs. Ketua Pengarah Hasil Dalam Negeri*. Edgar Joseph Jr. SCJ also held that the proposition advanced on behalf of the revenue that the sale of stock-in-trade in difficult or hard pressed situations does not change the character of stock-in-trade or trading activities assist the revenue thus:

"Nor, for that matter, does the proposition advanced on behalf of the Revenue that the sale of stock-in-trade in difficult or hard pressed situations does not change the character of stock-in-trade or trading activities, assist the Revenue because in the present case, what is also in dispute is whether the subject matter of the disposal by the taxpayer to the developer, to wit, the lots concerned, were stock-in-trade and also whether the taxpayer was, at the material time, engaged in trading activities which could be described as an adventure in the nature of trade."

The *F Housing* case

In the course of its submission, the IRB sought to rely on the High Court case of *F Housing Sdn Bhd vs. Director-General of Income Tax*[15]. In this case, the government had paid compensation for the land acquired from the taxpayer. The question for determination by the court was whether the proceeds made by the taxpayer from the acquisition were subject to income tax as profits from a business. In his judgement, Justice Mohamed Azmi held[16]:

Before dealing with these grounds of appeal, I am of the view that it is necessary first to decide whether the land in question is stock-in-trade or capital of the appellant company. The distinction between the two is, of course, important for tax purposes because, if the company were to make profit from the sale of its capital, then the profit is not taxable, but on the other hand, if the company were to make profit from the sale of its stock-in-trade, then the profit is taxable as trade profits under section 4(a)… Whether the land in question is the appellant's capital or stock in trade is, of course, purely a question of fact. In this case, the Special Commissioners have found as a fact that it is stock-in-trade and not capital. Unless there is no evidence to support this finding or unless the Special Commissioners can be shown to have erred in their conclusion on primary facts, I do not think this court should interfere with their finding."

"The learned Special Commissioners erred in law when they held 'that the asset acquired by the Government was still stock-in-trade and the nature of the asset remains the same and is not vitiated by the said acquisition'.

In *Penang Realty*, the IRB relied on this passage as the authority for the proposition that the principle applicable to compulsory acquisition was the same in Malaysia as that in England. The taxability of the payment made for the compulsorily acquired property depended on whether it was held as stock in trade or capital, and that the element of compulsion was irrelevant.

The authors submit that the decision in *F Housing*, while correct on its own facts, did not lay down any principles on whether payment made for the compulsory acquisition is assessable to income tax. The facts of *F Housing* were peculiar to that case as it was established that the taxpayer had purchased the land with knowledge of the intended compulsory acquisition, and with the intention to profit from such acquisition. Therefore, there was no element of "compulsion" in the compulsory acquisition. The following extract from the case supports this reading of the case[17]:

The fact that the appellant company acquired the land in question with the knowledge that it is to be compulsorily acquired is sufficient to show that they acquired it for the purpose of reselling the property at a profit without developing it … and by taking various steps to develop the land, they were successful in convincing the Collector of Land Revenue that the undeveloped land had immediate potential value as building land and that its market value … was higher than the purchase price … I hold that the compensation should be treated as income and, therefore, taxable as gains or profits from a business within the meaning of section 4(a)."

Nevertheless, the Court of Appeal in *Penang Realty* rightly observed that the facts of *F Housing* are distinguishable on its own facts. As such, the decision in *Penang Realty* remains as clear authority on the issue of whether proceeds from compulsory acquisition are taxable. Justice Mokhtar Sidin in his judgement endorsed the High Court's finding in *Penang Realty*, which reads as follows[18]:

I am of the view that F Housing Sdn Bhd can be easily distinguished on its own facts and in the light of the clear authority of Lower Perak Co-operative Housing Sdn Bhd. The Special Commissioners had misdirected themselves by so holding. The compulsory acquisition by the Government of the

13 [2002] 1 MLJ 363.

14 at page 374.

15 [1976] 2 MLJ 183.

16 at page 184.

17 at page 185.

18 at page 605.

appellant's land in the instant case cannot constitute a sale the proceeds of which are subject to tax because the element of compulsion vitiates the intention to trade."

The Decision Impact Statement

The DIS states the decision enunciated in *Penang Realty* was *heavily relied upon by the Lower Perak* case and did not consider Section 24(1)(a) of the ITA 1967. The DIS is effectively treating the Court of Appeal's decision in *Penang Realty* as *per incuriam*. *Per incuriam* is the legal term used by lawyers to describe an instance where a statute which would have affected the decision was not brought to the attention of the court. The meaning of *per incuriam* was succinctly articulated by Justice Donaldson in the English Court of Appeal case of *Duke vs. Reliance Systems Ltd*[19], which was subsequently endorsed by Justice Eusoffe Abdoolcader in the Supreme Court case of *Government of Malaysia vs. Lim Kit Siang*[20]. Justice Eusoffe Abdoolcader reasoned[21]:

"And as to the decision being per incuriam, I would suggest that before any argument on this line is ever to be raised, it would be highly instructive to first refer to the latest observation in this regard by Sir John (now Lord) Donaldson MR in the English Court of Appeal in Duke vs. Reliance Systems Ltd. [1987] 2 WLR 1225 (at p. 1228):

I have always understood that the doctrine of per incuriam only applies where another division of this Court has reached a decision in the absence of knowledge of a decision binding upon it or a statute, and that in either case it has to be shown that, had the Court had this material, it must have reached a contrary decision. That is per incuriam. I do not understand the doctrine to extend to a case where, if different arguments had been placed before it or if different material had been placed before it, it might have reached a different conclusion. That appears to me to be the position at which we have arrived today."

It must be appreciated that Section 24(1)(a) deals with circumstances when a debt owed by a relevant person constitutes gross income for a relevant period. In *Penang Realty*, there was no direct relevance to this issue. Furthermore, the High Court in *Perak Construction* came to the same conclusion as in *Lower Perak* and *Penang Realty* despite being well aware of Section 24(1)(a).

As illustrated earlier, the classes of income chargeable to income tax are outlined in section 4 of the ITA 1967. As such, if the proceeds are to be taxed, it must fall within the ambit of Section 4 and not Section 24(1)(a). This means, only gains or profits from a business are chargeable to income tax. The word "business" is defined in Section 2 of the ITA as any *adventure or concern in the nature of trade*. And cases like *Lower Perak, Penang Realty* and *Perak Construction* clearly establish that the element of trading is vitiated in cases of compulsory acquisition and does not fall within the ambit of a trading activity. Section 24(1)(a), on which the DIS is based, has no direct relevance to the taxation of proceeds from compulsory acquisition. In this regard, it is clearly arguable that the IRB's contention is misconceived and open to challenge.

Furthermore, the Special Commissioners of Income Tax would be certainly inclined to conform to the Court of Appeal's decision in *Penang Realty*. If the Special Commissioners decide otherwise, the taxpayer may appeal to the High Court. Based on the doctrine of judicial precedent, the High Court is bound by the decision of the Court of Appeal. This position was clearly articulated by the Federal Court in *Co-operative Central Bank vs. Feyen Development*[22]. In this case, Justice Edgar Joseph Jr endorsed Lord Hailsham's judgement in the House of Lords case of *Cassell & Co Ltd vs. Broome*[23] and quoted the following[24]:

In our view, every word of what Lord Hailsham said regarding the status of judgments and relevance of precedent in the House of Lords, the circumstances, the duty of the Court of Appeal to accept loyally the decisions of the House of Lords and the chaotic consequences which would follow should the Court of Appeal fail in this duty to apply with full force we adopt what his Lordship said. Clearly, the Court of Appeal in Harta Empat *flew in the face of the principles enunciated by Lord Hailsham and we can only express the hope that it will not be necessary for the Federal Court hereafter to have to remind the Court of Appeal of those principles.*

Given the above stated stern reminder by the Federal Court, would the Special Commissioners or High Court be prepared to incur the wrath of the Court of Appeal for departing from the *Penang Realty* decision? In light of the doctrine of judicial precedent, which is strongly enshrined in our legal system, the authors doubt the Special Commissioners will be moved by the DIS.

Conclusion

A compulsory acquisition is not a sale in the true sense of trade. If the element of compulsion is the reason for the land disposal, then the intention to trade is vitiated. This means the land was not disposed in the course of trading. The authors stress that the mere fact the taxpayer made a profit does not make the compulsory acquisition a trading activity and the proceeds as trading income. As such, the proceeds cannot be subjected to income tax. The authors opine the DIS cannot overrule a judicial pronouncement and thus, it lacks legal effect. It is not a legal document and does not bind the taxpayer. The DIS merely serves as a guideline issued by the DGIR to state the IRB's stand. Since the legal position is in favour of the taxpayers, the authors urge the IRB to reconsider its position and the DIS. If the objective behind the DIS is to educate taxpayers, then the DIS on *Penang Realty* confuses and creates uncertainly among the taxpayers.

Under the self-assessment system, taxpayers are required to determine their taxable income, compute their tax liability and submit their tax returns[25]. In principle, this system has shifted a substantial burden of responsibility from the IRB to the taxpayers. However, the DIS has placed the taxpayers in a dilemma when it comes to determining whether proceeds from compulsory acquisition are taxable income. Such confusion and uncertainty are undesirable in light of the self-assessment system. Hence, it is only appropriate that the DGIR withdraw the DIS and accept the *Penang Realty* decision as good law. AT

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19 [1987] 2 WLR 1225
20 [1988] 1 CLJ 219
21 at page 262
22 [1997] 2 MLJ 829
23 [1972] AC 1027
24 at page 836
25 Kasipillai, Jeyapalan (2007), *A Comprehensive Guide to Malaysian Taxation Under Self-Assessment*, 3rd Edition, McGraw Hill Education, Kuala Lumpur.

This article was first published in *Tax Nasional*, Vol. 16/2007/Q3.

Improved Results for MIA QE

Three Pass with Distinctions in September 2007 Sitting

Results for the MIA QE, September 2007 sitting, were announced on 19 November 2007. The announcement gave good news to 20 candidates in that they have finally completed the MIA QE. These candidates are now eligible to apply for MIA Chartered Accountant membership provided they have gained a minimum of three years' practical experience in an accounting related field. Those who are eligible may also apply for licenses to practise after getting Chartered Accountant membership with MIA. Overall, 69 candidates have successfully completed the MIA QE.

The performance of the candidates for the Auditing and Assurance Services and Advanced Financial Accounting and Reporting papers in the September 2007 examination have shown a big improvement as compared to the March 2007 examination. The passing rate for the Auditing and Assurance Services has increased to 40 per cent in this sitting from the 15 per cent in the previous sitting. Results for the Advanced Financial Accounting and Reporting paper has also shown improvement whereby three candidates scored distinction and 23 candidates passed. As compared to the March 2007 examination, only two candidates passed the paper and none of the candidates got distinction. On the other hand, the passing rates for the Business and Company Law and Taxation have declined slightly as compared to the March 2007 examination. A detailed analysis of the results is shown in *Table 1.*

Table 1 Analysis of results for the March 2007 and September 2007 examinations

	BCL		TAX		AUD		AFAR	
	MAC 2007	SEPT 2007	MAC 2007	SEPT 2007	MAC 2007	SEPT 2007	MAC 2007	SEPT 2007
Pass with Distinction	0	0	3	1	0	0	0	3
Pass	12	8	11	16	12	29	2	23
Fail	57	60	38	54	69	45	85	52
Total Candidates	69	68	52	71	81	74	87	78

Table 2 Examination Timetable — March 2008 sitting

Paper	Date	Time
Business and Company Law Advanced Financial Accounting and Reporting	18 March 2008 (Tuesday)	9.30am – 12.30pm 2.30pm – 5.30 pm
Auditing and Assurance Services Taxation	19 March 2008 (Wednesday)	9.30am – 12.30pm 2.30pm – 5.30 pm

The examiners of the Advanced Financial Accounting and Reporting paper commented that the increase in the number of passes were due to the following factors;

- A majority of the candidates were repeaters and they have acquired the skills to answer the questions.
- The topics for the questions were predictable, i.e. Question 1 was always on Consolidated Balance Sheet and Question 2 tested the candidates on Consolidated Income Statement. A majority of the candidates were able to do Question 1 very well.
- For Questions 3 and 4, most of the candidates were able to get better marks because the questions tested the applications of a few standards as compared to the previous examination. This gave the candidates an opportunity to score marks in areas that they knew.

The examiners for the Auditing and Assurance Services paper were happy with the performance of the candidates in this sitting. The questions were set closely to the weightage given in the syllabus and candidates should already know areas that should be given extra attention as many of them were repeaters. However, there were a few weaknesses highlighted by the examiners as follows :

- Candidates misunderstood the requirements of the question such as the difference between explain and identify.
- Some candidates did not attempt at all some of the questions and this showed that they lacked preparation.
- Some candidates gave very long unnecessary answers according to what they knew rather than what was asked in the question.

As for Business and Company Law, the overall performance of the candidates was very disappointing. The answers indicate poor preparation and considering the fact that these candidates are graduates, the answers given were way below standard. The outstation candidates need some tutoring as they fall behind in terms of preparation. On the other hand, those from the Shah Alam centre could have done better if they were able to be more prepared and clearer in their answers.

For the Taxation paper, the examiner who set and marked questions 1,2 and 3 commented that the candidates who practiced well would definitely be able to pass the examination as these questions were predictable and mainly from basic tax computation. A majority of the candidates were not able to answer these questions satisfactorily. The other examiner who set and marked questions 4, 5 and 6 which focused on the specialised tax area, commented that overall, the candidates performed badly in these parts.

The examination timetable for the March 2008 sitting is shown in *Table 2.*

Candidates who have registered for this sitting will receive the examination dockets by the middle of February. The Institute wishes all the best to the candidates! AT

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Christopher Heng & Co (AF0854)

Guide to Using International Standards on Auditing (ISA) in the Audit of Small & Medium Entities (SMEs)

This guide will represent one of the first publications that will be issued for free by the International Federation of Accountants' (IFAC) Small and Medium Practices (SMP) Committee to its constituents. It is intended to promote consistent application of the ISAs going forward. This implementation guide, while developed by the Canadian Institute of Chartered Accountants (CICA), is the full responsibility of the IFAC SMP Committee. However, the International Auditing and Assurance Standards Board's (IAASB) staff and a global advisory panel with members drawn from a broad cross section of IFAC member bodies have assisted in reviewing the guide.

This guide is intended to provide a non-authoritative guidance on applying the ISAs issued by IAASB as at 31 December 2006. For the Malaysian environment, members of the Institute are reminded that, two revised ISAs – namely ISA 230 on audit documentation and ISA 700 on the format of the independent auditor's report on a completed set of general purpose financial statements which was approved on 9 November 2007 by the MIA Council and expected to be effective for audit report issued on or after 1 July 2008 – have been taken into consideration in the finalisation of the implementation guide. Early compliance is always encouraged. Members should be reminded that this guide is not intended to be used as a substitute for reading the ISAs but rather as a supplement intended to help practitioners understand and consistently implement these standards on SME audit.

This guide provides a detailed analysis of the ISAs and their requirements in the context of an SME audit. It addresses, amongst other things, the key concept underlying risk assessment, planning and performing risk assessment procedures, understanding the clients to evaluating audit evidence and reporting. In addition, the guide offers some useful practice aids and an in-depth illustrative case study based on a typical SME audit with less than 20 employees. The operating environment as described in the illustrative example is something most Malaysian practitioners can relate to.

The guide is intended to explain and illustrate so as to develop a deeper understanding of an audit conducted in compliance with ISAs. It offers a practical "how to" audit approach that practitioners in Malaysia may use when undertaking a risk based audit of an SME. Hence, there is no reason why auditors here can cite the lack of reference material for them to conduct their audit in accordance with the requirements of ISAs.

We believe that this guide can be a basis for others to develop derivative products such as training materials, audit software, checklists, forms and audit programmes that will further enhance the profession in Malaysia.

Peter Lim, our Malaysian representative to the IFAC SMP Committee, would thus like to take this opportunity to urge all member firms to download this document from the IFAC homepage at *www.ifac.org/bookstore/SMPs* and adapt the contents to their practices. The Public Practice Committee believes that this will be an eye opener to a lot of practitioners who have always lamented the lack of such reference material in Malaysia. It will certainly help the audit firms prepare for practice review in the longer term. AT

Second Addendum to Public Ruling (PR) NO. 2/2005

Please be informed that the Second Addendum to PR No. 2/2005: *Computation of Income Tax Payable by a Resident Individual* was issued on 3 January 2008 by the Inland Revenue Board (IRB). The said addendum can be downloaded from the IRB's website at *www.hasil.org.my* under the heading of "Law & Regulations-Rulings". AT

IFAC Small and Medium Practices (SMP) Committee Meeting from 1-2 November 2007

The third meeting of the year was held in Malta from 1 – 2 November 2007. Prior to that, the Malta Institute of Accountants had organised an SMP Forum, which was attended by approximately 140 people around the world.

The Malaysian representative to the IFAC SMP Forum and the Committee meeting was Peter Lim Thiam Kee.

Strategy and Work Programme

The first item in the agenda was the overall IFAC SMP's Strategic and Operational Plan for the Years 2007 to 2010. Following the Forum last year in Hong Kong and the latest forum in Malta, it would appear that there is very little need to tweak the strategic plan and work programme as this is very much in line with the demand of the constituents be they in Hong Kong or Malta. In summary, the SMP Committee's strategy will be to provide input to the international standard setting body to help ensure the relevance of these standards to SMPs and SMEs and provide practical support to help raise the capacity of SMPs to efficiently implement these standards and still remain competitive. As a mark of the recognition of the importance of the work done by this Committee, the IFAC management recommended an increase in the annual operating budget of the Committee by 33.3 per cent to US$501,330, subject to the final approval of the IFAC Board in November 2007.

Input to International Auditing and Assurance Standards Board's (IAASB) Standard Setting Process

Presently, a major part of the SMP Committee's work programme is on providing SMP/SME specific input to the IAASB's standard setting process. This input is largely in the form of comment letters made at all key stages of the development of the International Standards on Auditing (ISA) and the work of the rapid response team (RRT) in this area must be given due recognition. Paul Chan of Hong Kong has emphasised that the work load of the RRTs is very heavy and participating members who do not have the necessary resources may not have been able to contribute effectively.

The Chair Lady, Sylvie Voghel, has once again urged the Committee members to volunteer for the RRT's work programme for 2008 and beyond since some of the Committee members, namely Khalid Ur Rahman of Pakistan and Lino De Vecchi of Italy, have left the Committee. Their term ended in December 2007.

Of immediate concern to the SMP Committee is to get more member bodies to respond to the IAASB's consultation paper on their proposed strategy for 2009 and 2011. The SMP Committee had pointed out that the IAASB should consider providing implementation assistance such as a guide for practitioners when developing the standards.

The strategy paper also mentioned IAASB's role in contributing to the effective operation of the world capital markets by introducing the relevant standards and assisting the regulators in implementing such standards. Yet, such standards do not appear to be addressing the needs of the SMEs. Hence, the IAASB is urged to explore the area of alternative assurance services in jurisdictions that may require it. Slightly modified standards for review and/or compilation may be sufficient following a study by the IAASB.

Finally, the SMP Committee is convinced of the need for specific initiatives to aid communication and general understanding of the IAASB standards. Hence, IAASB should consider having fact sheets to explain more complex standards. As to the lack of responses, IAASB should consider using the IFACnet IT platform to host a discussion board that can elicit better albeit shorter responses from the public.

Liaison with other Committees of IFAC

Paul Thompson, the senior technical manager, briefly explained to the Committee the various activities undertaken by the various committees in IFAC. Of interest is the possibility of engaging with the Ethical Standard Board to publish a guide on the application of the ethics within the accountancy profession.

International Accounting Standards Board's (IASB) Accounting Standards for SMEs

The Committee reviewed the draft letter to the IASB, which incorporated the comments from Dr. Ian Ball, the Chief Executive of IFAC. Generally, the comments were mostly on the subject of presentation since most of the technical issues had been appropriately captured in the 35 pages of responses. The Institute of Chartered Accountants of England and Wales (ICAEW) has enquired whether the IASB can be persuaded to call this IFRS for SMEs interestingly, a private entity reporting standard or PERS. This may be a good piece of news for Malaysia and, particularly, our Malaysian Accounting Standards Board (MASB) in the eyes of the international community.

During the meeting, the Committee also approved for publication an information paper on a micro entity financial reporting framework. The Committee agreed to explore further the micro entity reporting standards towards the end of next year following the feedback that will be obtained from the information paper as well as the opportunity of the Committee to see the final version of the IFRS for the SMEs being approved for adoption by the worldwide community.

Malaysia is very happy to report our participation in the IFRS toolkit's project. Apart from Malaysia, Germany and Tunisia were the other countries in the SMP Committee that took up the challenge to tackle the 100 over pages of the IFRS toolkit and feed the comments back directly to IASB.

Quality Control (QC) Guide

During the meeting, the three suppliers short-listed for the production of the QC Guide were requested to do a presentation to the rest of the Committee except for the four member bodies who were involved in the tendering process. As the Malaysian Institute of Accountants (MIA) had earlier supported Commerce Clearing House's (CCH) bid for this project, we were not allowed to participate in the short-listing process. The rest of the Committee deliberated at length and finally decided to award the project to the Certified General Accountants Association of Canada (CGA-Canada). Even though CCH Malaysia was not selected, our involvement and the fact that we were among the three short-listed candidates out of the nine submissions does indicate IFAC's confidence in our knowledge and application of the International Standards on Quality Control (ISQC) 1.

International Standards on Auditing (ISA) Guide

This guide is already at the tail end of the project with an anticipated release date in December 2007. This guide will be available free of charge and it includes related examples of how an audit of a manufacturing company with 20 staff is to be handled from the planning to the finalisation of report stage. This guide will be an excellent teaching tool for member firms in Malaysia. The Committee agreed that the name of the publication will be *Guide to Using International Standards on Auditing in the Audit of Small & Medium Sized Entities 2007 Edition*.

Practice Management Guide

The response to the Practice Management Guide was disappointing with only two bids reaching the Committee before the due date. In view of the lack of response, the Committee has decided to extend the tender period by a further two months.

IFACNet

The Committee felt that the *IFACnet* is still being underutilised. The Committee members have been requested to consider making a suggestion to IFAC to link the *IFACnet* with other web pages to encourage more traffic flow. Members are encouraged to visit the International Center for Small and Medium Practices, which resides in IFAC's web page. With this, more people should be able to visit the web page in future. This web page can now be viewed in five languages although the search engine still uses the Latin characters to search for information.

Future Meetings

For 2008, the SMP Committee is expected to meet at the following locations:

(a) Sao Paulo, Brazil from 23 to 24 January.

(b) New York, USA from 19 to 20 June.

(c) Abuja, Nigeria sometime in September subject to the prevailing security situation in Nigeria. The final meeting date will be considered in Sao Paulo in January 2008.

We were given to understand that China will be happy to host the 2009 SMP Forum although, politically, it may be viewed as too soon after Hong Kong's forum last year. AT

Toastmasters International Speechcraft Programme

Think for a moment about the successful leaders you know. Chances are they all have one quality in common — the ability to communicate effectively. The Speechcraft Programme helps adults develop their communication and leadership skills so that they may become tomorrow's leaders in business, industry and the community. The course is conducted by members of Toastmasters International as a service to the community.

Purpose of the Programme

The Speechcraft Programme is based on the belief that everyone has the potential to become a good communicator and leader, but the potential needs to be developed. The programme's unique design enables participants to develop this potential through practical experience. Participants learn communication skills that they will use for the rest of their lives. In this course, participants will learn to:

- overcome the nervousness and fear everyone feels when asked to speak before an audience.
- organise and present their ideas logically and convincingly.
- listen carefully to ideas from others.
- offer advice that will help others improve their communication skills.
- participate and even lead group discussions.

Who Should Attend

All MIA members can participate in this programme which is limited to 20 participants. This allows each participant to receive individual attention and maximise their opportunity to get practical experience.

The details of the programme are as follows:

Date:	1 & 2 March 2008 (Saturday & Sunday)
Time:	9.00 a.m. to 5.00 p.m.
Venue:	Training Room, Ground Floor, MIA Resource Centre No. 16 - 18, Jalan Tun Sambanthan 3, Brickfields (near YMCA)
Fees:	RM300 (inclusive of refreshments, lunch and course material)

Please note that participants will also get a free six-month membership with Toastmasters International by signing up for the Speechcraft Programme.

Payment Option

Cheque payable to "MIA Toastmasters Club (Kuala Lumpur)."

Course Outline

Session I
Introduction to Public Speaking
Evaluation of present speaking ability. Learn the elements of a good speech. The principles of evaluation.

Session II
Impromptu Speaking
Learn the ability to think on your feet. Participating in discussions.

Session III
Organising Your Speech
Learn how to organise your ideas. Discussion of speech organisation.

Session IV
Gestures in Speaking
Discover the importance of gestures in speaking. Presentation and evaluation of speeches.

Session V
Voice and Vocabulary
Discussion of voice and vocabulary. Presentation and evaluation of speeches.

Session VI
Show Your Skills
Speech Contest and Graduation Ceremony.

For more information and registration, please contact Johnny Yong/ Shuhairah at 03-2279 9200 Ext. 252 and 323 respectively. Alternatively, please e-mail to *practice@mia.org.my* AT

8th Habit Leadership

PART 2

Stephen R. Covey

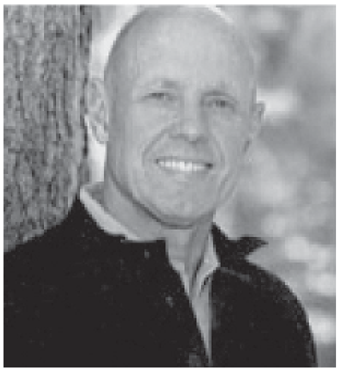
In my last column, I pondered the millions of dollars organizations spend on leadership development without achieving any significant breakthrough in leadership effectiveness. I think I know why there's no breakthrough.

Those millions are wasted because our models for leadership training are hopelessly out of date. We are stuck in a mindset of leading organisations from a controlling Industrial Age model that absolutely suppresses the release of human potentail. As a result, we continue to train leaders for an age that is receding rapidly into the past. We need to shift our entire mindset if we are to educate leaders for the Information Age.

Consider what happened in the 19th century when the Agricultural Age gave way to the Industrial Age. When the factory showed that it could outproduce the family farm by fifty-or a hundredfold, a lot of people were threatened. Protesters of industry called "Luddites" attacked and burned factories because they were fearful of this new way of thinking. Inevitably, though, 90 per cent of farmers had to find a new way to make a living.

Do you believe that the age we're moving into will outproduce the Industrial Age by 50 times? Do you have any doubt about it? I believe that this new age will eventually bring about a downsizing of 90 per cent of the Industrial Age workforce. Imagine what it will take for leaders to succeed in the midst of this dramatic shift.

In *Management Challenges for the 21st Century,* Peter Drucker compares the Industrial Age with today's Information Age: "The most important, and indeed the truly unique, contribution of management in the 20th century was the fifty-fold increase in the productivity of the manual worker in manufacturing. The most important contribution management needs to make in the 21st century is similarly to increase the productivity of knowledge work and the knowledge worker. The most valuable assets of a 20th century company were its production equipment. The most valuable assets of the 21st century institution...will be its knowledge workers."



In the Industrial Age, you could treat manual workers as interchangeable parts–all you needed was someone who could follow procedures. When all you want is a person's hands you don't need to be concerned about the heart or the mind. All you need to know is how to manipulate people–and that sums up most of what is called "leadership training."

"We need to shift our entire mindset if we are to educate leaders for the Information Age."

Many will say, "We know all about the Information Age. We've long since made the adjustment. We no longer manage workers as interchangeable parts. We value them as intelligent contributors," and so on. That claim is tough to reconcile with recent findings from a joint FranklinCovey/Harris Interactive xQ poll. Fewer than half (45 per cent) of US workers feel that their contributions at work are valued. About three out of five workers (59 per cent) feel that the organisation does not tap into the best of their talents and passions.

Consider this analogy. If your stockbroker were allowing three-fifths of your capital to go uninvested, you would fire him. Yet we continue to manage people wastefully with our Industrial Age mindset instead of leading them with an Information Age mindset. When treated as interchangeable parts, people are alienated from the organisation, depersonalised in their work and more motivated to sue than to support the firm when things get tough.

What is the key difference between the two mindsets? It is summed up in what I call the "8th habit" of effectiveness: Find your voice and help others find theirs.

The "8th habit" leaders sees people differently. She does not view people as "functions" or in terms of a "job description." She views people as endowed with unlimited potential. She therefore sees her task as helping people see in themselves the tremendous value and contribution they can bring to the enterprise.

Instead of limiting or controlling people, she seeks to understand them deeply to understand the profound potentialities in each individual, so they can be freely and voluntarily unleashed.

This is the essence of "8th-habit" leadership, what I call "helping others find their own voice": To communicate to people their worth and potential so clearly that they come to see it in themselves. Think about this definition. Isn't this the essence of the kind of leadership that profoundly influences and truly endures? AT

Do you want more? More out of your life, more out of your career, and more in your bank account? You may be technically proficient as an accountant, but the higher you climb your particular corporate ladder, the more you'll realise something significantly and subtly 'more' is required of those who succeed the most in life. That elusive something is tied to an 18th century observation by one of the most influential American founding fathers, Benjamin Franklin — "Time is Money."

If you learn to manage your time better than those around you, in all likelihood nothing will ever be able to stand in the way of your personal advancement. Either your superiors will recognise the rare catch that you are and pay more to keep you on their payroll, or a competitor will soon hear through the professional grapevine that you are something rare — an effective, world-class professional — and make an attractive bid for your services. Either way, you win. That's why Accountants Today brings you this regular feature on pragmatic time management …

Conquer Your Private Everests with Four Superskills!

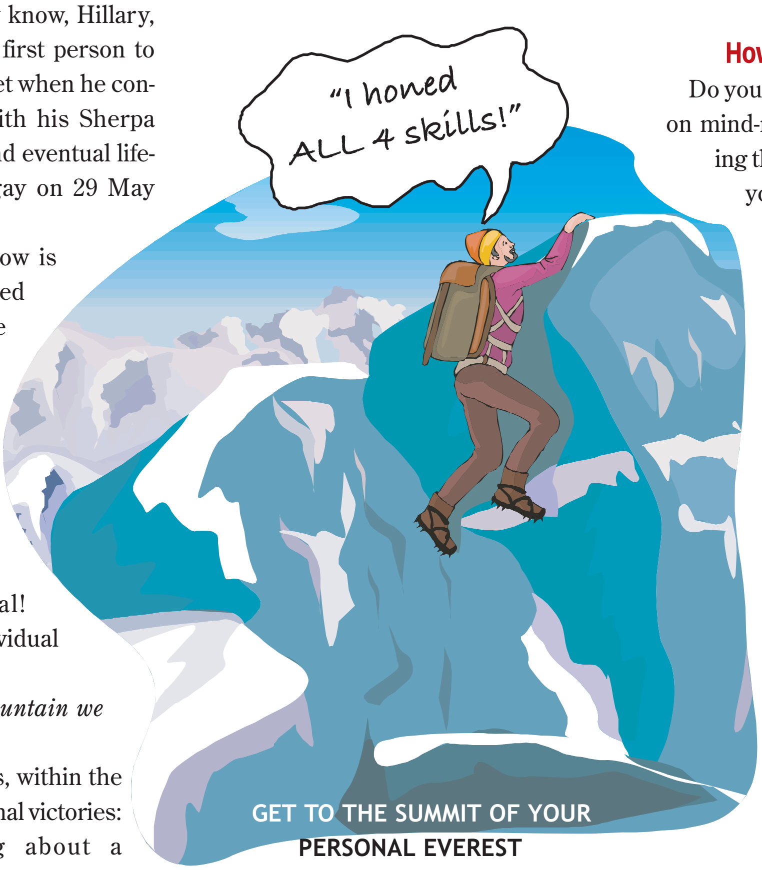
Rajen Devadason

First the bad news: Sir Edmund Hillary died on 11 January 2008. As you probably know, Hillary, a Kiwi, was the first person to stand at the top of our planet when he conquered Mount Everest with his Sherpa guide, climbing partner, and eventual lifelong friend Tenzing Norgay on 29 May 1953.

What you might not know is Hillary subsequently reached the South Pole, in 1958; the North Pole, in 1985 with the first man on the Moon, Neil Armstrong; and from the mid to late 1980s was New Zealand's High Commissioner to India and Bangladesh and its Ambassador to Nepal! Hillary was a towering individual worth learning from …

He said, *"It is not the mountain we conquer but ourselves."*

So, here's the good news, within the context of racking up personal victories: Whether we're talking about a billionaire like Tan Sri Ananda Krishnan, Warren Buffett or Sir Li Ka-shing, or a sad tramp or pauper, the amount of time each of us has is the same: 24 hours a day.



GET TO THE SUMMIT OF YOUR PERSONAL EVEREST

Because the economic results people generate vary so greatly, the key determinant of success can't be the amount of time we have each day, but rather how we use it.

How do you use your time?

Do you squander it on a job you hate and on mind-numbing activities aimed at easing the pain of frustration you feel over your wasted life? Or do you fill each day with significant, profitable action?

While I work as a retirement planner, financial planner and life planner for my varied client portfolio, the bulk of my time is spent reading, thinking, writing, speaking and consulting on retirement planning. That's why, as I mull over which time management skills to leave with you today, my mind keeps gravitating towards what you might want to learn to do well in your bid to retire a happy, healthy, wealthy individual.

A golden retirement is defined by great health, financial abundance, social significance and a wonderful family. All time management principles you learn today and apply tomorrow should move you closer towards those four ideals.

This means you shouldn't work such long hours that you isolate yourself from those who love you and whose approval, care and companionship mean the most to you. So, what you might need is a recipe for enhancing your personal productivity that will allow you to get more done in less time.

You'll still need to work long hours, but they don't need to be so extensive that your own children begin calling you 'uncle' (or 'aunty') when you shock them by turning up at your home before they fall asleep!

Regardless of how lousy or how great your life is now, there are tangible steps you can take to conquer the high mountains of your world and, more importantly, vanquish your innate tendencies to sabotage yourself.

Each of those steps involves learning and honing a distinct new skill, so pay close attention.

In your bid to craft an amazing life marked by great health, financial abundance, social significance and a wonderful family, do focus on developing these four key skills that can catapult you to an ideal future:

1. Schedule your important activities a week ahead at a time
2. Read, think and write about your specialty
3. Network effectively
4. Constantly seek to identify your bliss

SKILL 1: Schedule your important activities a week ahead at a time

The best book I've ever read on learning how to schedule your life one full week ahead is Stephen R. Covey's *7 Habits of Highly Effective People — Powerful Lessons in Personal Change*. Buy it, read it and pay careful attention to the planning section of Covey's 'Habit 3 Put First Things First.'

In that chapter, Covey writes about the need to carry out both long-term and weekly organising.

When it comes to long-term organising, the defining and guiding document should be your personal mission statement. Paying the price in time and effort to create one for yourself helps you figure out the central roles of your life and, from those roles, to formulate appropriate goals.

Weekly organising then involves revisiting those key roles ahead of each week, reminding yourself of the associated goals and making appointments with yourself to work on each important, but probably not urgent, goal. Just make sure you leave plenty of 'white space' within your week's schedule to grant the flexibility you'll need as the inevitable 'brush fires' of life erupt around you!

Then, as your week progresses, you'll discover the fire-fighting you need to carry out won't necessarily decimate your entire schedule.

(For immediate help in writing your own Mission Statement and in setting your important goals, check out my eReport *How to Craft Your Very Own Mission Statement* and my ebook *Unleashed*, both at *www.freecoolarticles.com/shoppingcentre.htm)*

SKILL 2: Read, think and write about your specialty

If you aren't much of a reader, take steps to overcome this major failing. The catchy phrase 'readers are leaders' may not be accurate, but if we turn it on its head we end up with 'leaders are readers', which does mirror reality; just think of the bibliophilic examples of former Prime Minister Tun Dr. Mahathir Mohamad and of Singapore's Lee Kuan Yew.

I suggest you visit a big bookstore next weekend and browse through the sections that carry books on your specialty. Buy one or two titles (at a time) that interest you. Read them and as you do so write your thoughts, ideas and impressions in the margins. That exercise will permit you to engage in a mental dialogue with the author that transcends the miles and years.

Finally, as you finish each book, get out a journal and write down all your briefly jotted thoughts, ideas and impressions in more complete form.

If you'll do this work repeatedly, you'll discover that within six months of beginning to read, think and write widely, the quality of your brain output will soar astronomically. And in our present day, it is the quality of our thoughts that has the most relevance to our future income.

SKILL 3: Network effectively

Within your journal begin writing down the names of people you'd like to meet over the next couple of years; individuals of stature and significance who have the ability to propel you upward.

As you revisit and rearrange that list of names from time to time, look out for networking opportunities at work or in public settings, perhaps through professional associations or special interest groups where you're likely to 'bump into' these movers and shakers.

Take your time, though, in meeting them. You want your gradual enhancement of Skill 2 through reading, thinking and writing to provide you with the mental ammunition necessary to make a good first impression and, hopefully, an even better second or third one.

SKILL 4: Constantly seek to identify your bliss

Expand the use of your journal to include personal ideas on what would make you blissfully happy in each of the four core areas of great health, financial abundance, social significance and a wonderful family.

Then blend those fresh thoughts with your newfound facility in Skill 1, as you schedule important activities.

The majority reading this article will reach this ending, put the journal down, and never act on this potent information. An elite minority, however, will cut out this article or make a photocopy of it, reread it and then meticulously apply each of the ideas presented.

Your actions now will indicate whether you belong among uninspired valley dwellers or in the company of towering Everest conquerors. AT

Rajen Devadason, CFP, is a speaker, author and independent consultant. He's the author of the time management e-book *Unshackled — 7 Ways to Make TIME for MY Dreams*. Through his free time management eCourse, his corporate workshops, and his *Personal Effectiveness Training* (PET) online consulting module, Rajen has helped professionals around the world enhance their personal value in the job market. His internationally read, free electronic magazine *GET BETTER* can be subscribed to at no cost at *www.RajenDevadason.com*. Rajen welcomes feedback at *rajen@RajenDevadason.com*.

The New Age of Innovation:

Mobilising Global Networks to Unlock Co-Created Value in Your Company

Herb Schaffner, New York

In November 2007, CK Prahalad was named the world's most influential management thinker by The Times of London's annual survey of business thinkers. Prahalad changed the world by showing the value of the four billion customers 'at the bottom of the pyramid.' Then he unlocked the new wealth of the paradigm shift to customer involvement and co-creation. Now the legendary strategist provides the blueprint for executing the next stage of this great paradigm shift to customer-created value.

CK Prahalad and MS Krishnan unlock the secrets to executing and sustaining innovation that encompasses products, management, service, and culture. The key lies in reinventing business processes on a global scale. They demonstrate how managers must use technology and analytics to empower a customer to co-create business solutions that serve his or her most important needs. These solutions must work at digital speed and with six-sigma quality. Similarly, the human architecture of the firm must evolve to empower employees to create and analyse experiences with customers.

In the global economy, lasting competitive value is no longer assured by natural resources, human talent, or even core competencies. In these areas, the world is indeed flat. Sustaining innovative solutions and beating the competition is about tapping software and digital applications to wire customer knowledge into the core systems of the firm and measure customer behavior through smart analytics. And this can be done at lower costs and in faster time frames than many understand. The rise of global supply chains in Asia, Eastern Europe and the West are highly competitive, fearless, and bubbling with new approaches driven by the young and ambitious upstarts of the next business generation. Quite

CK Prahalad

frankly, the mistake leaders and managers have made in recent years is to take business processes for granted. Think about the performance management or PMP process. Can you really separate the value of the feedback from the design of a system? Would improving the design of the system improve the quality of the feedback?

The authors first gained their insights advising the small 'Indian tigers' — the fast growing companies of South Asia that started in the outsourcing industry but became much more than that. They tested their ideas in corporate turnarounds that included the Indian bank, ICICI, that became the first middle class consumer bank in India and is now going global, powered by ATM-type devices all over the vast landscape of India that serve the local and personal needs of customers. In the rain forests and lowlands of India, ICICI ATMs package their bills in waterproof casings. ICICI introduced low minimum investing and personalised advice to India's populace, expanding the bank's online brokerage business from a few thousand to tens of millions in less than five years. They drove the success of transforming Bridgestone from a tire company to a company that serviced their clients by monitoring tire safety, costs, and durability — and guided GM in consolidating thousands of IT systems into an integrated customer focused whole.

Coming to terms with the implications of this transformation is both urgent and inevitable for the survival of businesses. CEOs, senior executives, and managers of every level face an imperative to understand that to form strategy and execute it they must renew their knowledge of business processes, information technology, and data analysis. To win in the competitive landscape defined by creating one consumer experience at a time, decision makers must develop a "whole new mind" for understanding their global supply, logistics and communications networks.

These are the competitive battlefields of

21st century business. The authors explore these enormous opportunities in this book, and they share a new framework on how to build the social (skills and attitudes of managers) and the technical (information technology) capabilities needed to compete in this emerging value creation space.

The focus of young people and young professionals on sites such as *My Space*, *YouTube*, and *Facebook* suggest that a whole generation of consumers are growing up expecting to be treated as unique individuals, and will have the skills and the propensity to engage in a market place defined by customer co-creation. Value for them is not about traditional ideas of quality. That is a given. They want to be involved in shaping their own experiences. Similarly, the imperatives of access to talent, speed, and cost will drive most firms towards this new global resourcing. By forging the 'always on' network, firms can engage customers and employees emotionally and intellectually in the mission of the firm, minute by minute, day by day.

Fed Ex cut their call center costs by allowing each consumer to check on the status of their package, allowing customers to see for themselves how their packaged is handled, building confidence and commitment. In addition, customers used the interface to interact and make suggestions to FedEx.

"From cement to jet engines, from children's toys to delivery of parcels to your home or office by UPS, all industries are going through this transformation. This transformation is not a choice."

Prahalad designed a system for monitoring diabetics at Prudential — where regular data readings of patient blood sugar levels were used by doctors to supervise treatment and informed insurance pay levels, allowing real time, flexible, always on engagement with patient medical needs.

Bridgestone Tires now provide their customers with an encompassing IT system that allows monitoring and evaluating of tire use and quality and feedback to users and 24-7 feedback between employees and customers worldwide.

The imperative of moving towards personalised co-creation and building a global network of suppliers to create those experiences applies to virtually all businesses. As Prahalad writes: *"From cement to jet engines, from children's toys to delivery of parcels to your home or office by UPS, all industries are going through this transformation. This transformation is not a choice."*

If managers do not recognise this trend and get organised to compete in this new environment, they are likely to be left behind. Businesses will need to ceaselessly improve flexibility and efficiency and transparency in all IT and customer-facing processes. Ultimately, the race for the future will be won by those who deliver a unique customer experience at the lowest cost.

The book will be released April 2008. AT

Catch CK Prahalad in Kuala Lumpur on 18 March 2008. For more details please contact Ms. Yoges of MIA at 03-2279 9332 or visit *www.mia.org.my*

SARAWAK BRANCH

Sarawak Branch Meets with State SSM

Branch Chairman, Committee Members and Branch Manager with SSM Director and senior officers.

The Sarawak Branch Committee Members paid a courtesy visit to SSM Sarawak State Director, Hj. Najib Abu Samah in Kuching recently. Hj. Najib shared his plans for SSM and informed the committee of interesting statistics — there are 44,000 registered companies in Sarawak, of which 29,000 are active, with 70 per cent compliance, and the state's target is to increase the establishment of sendirian berhad from sole proprietorship and partnership from 14 per cent (2007) to 20 per cent (2008).

The courtesy visit turned into a fruitful discussion with Director and Manager, Kamarul Hardi Mohamed and senior officers on current issues including the new amendments to the Companies Act, S.308, penalty and e-lodgments. The Sarawak Branch delegation discussed plans to work with SSM to update accountants and member firms on e-lodgments in expectation of the launching of Phase 2 by SSM in the first quarter of 2008. AT

OUR HEARTFELT CONDOLENCES TO

Mdm Yee Siew Peng & family

on the demise of

Mr. Yeo Ah Tee

(Malaysian Institute of Accountants Sarawak Branch Chairman)
on Saturday, 19 January 2008.

From:
The President, Council Members, Members and Management
of the Malaysian Institute of Accountants

mia 1967

ACCOUNTANTS : MANAGERS OF VALUE

"Quality Management for Organisational Improvement"

The ISO 9001:2000 quality management system (QMS) is an internationally established quality framework which introduces the concepts and requirements standard and is a valuable part of the business management system. This globally recognised standard can be used as a process improvement tool to gain efficiency in operations, implementing quality management that focuses on an organisation's ability to meet customer, statutory and regulatory or a professional body's requirements and managing risk. It is an effective control system for activities through internal audits; monitoring, measuring, and analysing of operational data and taking corresponding corrective and preventive actions. ISO 9001:2000 will be helpful to organisations by providing confidence to its clients.

From 20-21 February 2008 MIA-CPE will be organising a two-day training programme on ISO 9001:2000 at Sheraton Subang Hotel & Towers, Subang Jaya.

The course will provide the role of ISO 9001:2000 in world trade, the importance of top management commitment and involvement, the brief *Eight Management Principles* in ISO 9004:2000, how to use ISO 9004:2000, identifying the necessary steps for an organisation to successfully implement ISO 9001:2000 and stages in ISO 9001: 2000 certification. AT

For those who are interested to be a part of this enlightening process, book your registration with Ms. Wati at 03-2279 9200 Ext.134. Limited to 35 participants only!

"The recipe for successful Joint Ventures"

In an increasingly competitive business environment, an individual company may not always have the capability to undertake a project alone.This may be due to constraints involving finance, technology, experience, expertise or contacts. Accordingly, joint ventures are frequently formed where companies pool their resources together. However, despite acknowledging the benefits of working together, joint ventures are often associated with conflicts and disputes as the interests of the joint venture parties may not always coincide.

Therefore, it is essential that a joint venture agreement be well crafted and structured.

MIA-CPE will be organising a one-day course on *Joint Venture Agreement* on 27 February 2008 at Hilton Petaling Jaya. This course aims to inform participants of the various legal aspects of entering into joint ventures with other parties. It is intended to equip participants with the necessary knowledge to effectively deal with the various issues that may arise during all the stages of a joint venture agreement, the administration and performance of the joint venture agreement. AT

For those who are interested to join, contact Ms.Yatie at 03-2279 9200 Ext.146 for registration. Limited to 35 participants only!

"Managing Banking Relationships"

As the individual responsible for selecting or dealing with your company's financial performance and management, you have been charged with maintaining vital relationships that can affect your organisation's effectiveness — and its bottom line.

Although a bank's request for detailed financial information can be unnerving and time consuming, accurate financial statements build a banker's confidence in you and your company. Many will find a great payoff in seeking professional assistance to prepare these documents and this information can be attained from a two-day course on *Managing Banking Relationships* which will be conducted by MIA-CPE from 18-19 February 2008 at Best Western Seri Pacific Hotel, Kuala Lumpur.

In this course participants will be provided with a framework for the initiation and development of banking relationships and credit facilities. Participants would be able to understand the banking requirements and key issues in developing banking relationships. AT

For those who are interested, contact Ms. Yatie at 03-2279 9200 Ext.146 for registration. Limited to 35 seats only!

"From 20-21 February 2008 MIA-CPE will be organising a two-day training programme on ISO 9001:2000 at Sheraton Subang Hotel & Towers, Subang Jaya."

"MIA-CPE will be organising a one-day course on *Joint Venture Agreement* on 27 February 2008 at Hilton Petaling Jaya."

"… a two-day course on *Managing Banking Relationships* to be conducted by MIA-CPE from 18-19 February 2008 at Best Western Seri Pacific Hotel, Kuala Lumpur."

"The demand for finance professionals has never been higher and with a talented, motivated workforce being more crucial than ever before to the future success of Malaysian business, this event is designed to give a valuable insight into the experiences of leading businesses and future trends."

Ooi Lay Tin
Head of Business Development, ACCA

Association of Chartered Certified Accountants ▼

Challenges facing business leaders addressed at ACCA event

The challenges of attracting, keeping and maximising the potential of the best finance professionals in the competitive Asia-Pacific region were tackled at the *Employer Professional Development Forum 2007 — Success through Employability and Leadership*. The high level event was organised by ACCA at the Ritz-Carlton Hotel, Kuala Lumpur, on Tuesday 20 November 2007.

As part of its Managing Human Capital event, ACCA, aims to enable employers to meet the challenges of attracting, developing and retaining the top finance talent required to drive their businesses forward. The event was aimed at bringing together Chief Executives, Chief Finance Officers and Human Resources Directors from a range of sectors to share experiences, to discuss best practice and to hear about future developments in the finance sector.

Ooi Lay Tin, Head of Business Development, ACCA said: "The demand for finance professionals has never been higher and with a talented, motivated workforce being more crucial than ever before to the future success of Malaysian business, this event is designed to give a valuable insight into the experiences of leading businesses and future trends. We want to show how companies here can be ready to not only meet the challenges of the next decade, but to take the opportunities which will present themselves in the whole Asia-Pacific region."

The forum consisted of five main sessions of discussion and presentation. The line-up of speakers included, Larry Yap, Executive Director — Group Human Resources and Shared Services Centre, Sunway Holdings Incorporated Berhad; Joan Hoi, Executive Partner for Human Performance, Accenture; Heather Venis, Head of Training Policy and Professional Development, ACCA; and Sara Llewellyn as well as Linda Calder from ACCA UK.

Attendees were not only given the opportunity to hear the experiences of an impressive line-up of influential business leaders from the region but were also given the opportunity to view the new ACCA research in the Insights series; *Paths to the top — best practice leadership development for finance professionals*. The research, based on responses from nearly 3,500 ACCA members showed that finance leaders around the world are now expected to demonstrate higher levels of accountability and control than ever before, together with delivering financial value. AT

...Tan Sri Datuk Arshad Ayub, who went on to become Deputy Governor of Bank Negara Malaysia, is fondly known as 'Bapa ACCA' or the 'Father of ACCA' for his role in introducing and supporting ACCA education in Malaysia, in the 1960s.

'Bapa ACCA', honoured by ACCA international award

Tan Sri Datuk Arshad Ayub, notably known as 'Bapa ACCA', or, the 'Father of ACCA' has won an ACCA Achievement Award for Asia for 2007, for having made an outstanding contribution to the development of the accountancy and finance profession.

Described as being one of the 'true giants of the accountancy landscape', he received his award from ACCA President Gill Ball and was personally congratulated by Fermin del Valle, President of the International Federation of Accountants (IFAC), at a ceremony as part of ACCA's International assembly meeting in London on 22 November, which also celebrated IFAC's 30th anniversary.

A former director of the Universiti Teknologi MARA, formerly known as the Institut Teknologi MARA (ITM), Tan Sri Datuk Arshad Ayub, who went on to become Deputy Governor of Bank Negara Malaysia, is fondly known as 'Bapa ACCA' or the 'Father of ACCA' for his role in introducing and supporting ACCA education in Malaysia, in the 1960s. The then ITM was the first institution in Malaysia to offer ACCA tuition.

***Achievement Award 07** - Tan Sri Arshad Ayub (centre) receiving the Achievement Award certificate from Mr. Allen Blewitt, ACCA Chief Executive (right) witnessed by Datuk Khalid Ahmad, President of ACCA Malaysia Advisory Committee (left).*

Chartered Institute of Management Accountants ▼

CIMA offers Islamic Finance qualification

The Islamic finance industry is thought to be worth between £150 and £250 billion, and is growing at an estimated rate of 15-20 per cent. In an exciting new development in meeting the needs of its employer and student stakeholders, CIMA has launched a global qualification in Islamic Finance. The launch was held on 5 December in London and on 9 December in Bahrain. To date, few courses are available in this area of finance and normally comprise short 1-3 day events.

The self-study CIMA Certificate in Islamic Finance was developed together with the International Institute of Islamic Finance, with detailed input from its CEO Dr. Mohd Daud Bakar, a renowned *Shariah* scholar. The Certificate has four modules — Islamic commercial law, Islamic banking and *takaful* (insurance), Islamic capital markets and instruments, and accounting for Islamic financial institutions. It is estimated that a student can complete these modules between 2-6 months depending on prior experience. The qualification is available as a series of study guides, revision kits and a microsite.

For more information on the qualification, please visit *www.cimaglobal.com/islamicfinance*. AT

Robert Jelly, Director of Education at CIMA

CIMA participates in IFAC global survey

In recognition of *World Accountancy Week*, which ran from 2-8 December, CIMA along with other accountancy organisations around the world participated in the International Federation of Accountants' (IFAC) *Global Leadership Survey*. The survey highlights issues the profession will be addressing in 2008 and presents perspectives on factors affecting economic growth, both on a national and global level.

Results showed that Charles Tilley, Chief Executive of CIMA, together with the vast majority of leaders of national professional accountancy organisations, believe that a strong accountancy profession plays a key role in economic development and that an important focus in 2008 will be maintaining the profession's good reputation.

Tilley says, "This survey offers valuable insight from international leaders who are very involved not only in the daily workings of the accountancy profession in their countries, but also in their respective regional and national economic infrastructures. The results reflect how essential accountants are to a nation's potential for economic growth and development."

Beyond maintaining the profession's good reputation and attracting new talent, the survey identified the following issues as important to economic growth and development on a national level:

- Having an adequate supply of qualified accounting professionals;
- Enhanced public sector accountability; and
- Meeting the needs of small and medium entities (SMEs) and small and medium practices convergence to a single set of both international accounting and international auditing standards.

The *Global Leadership Survey* also sought feedback on the use of International Public Sector Accounting Standards (IPSASs) and their value to government. Respondents indicated that use of these standards would have a positive effect on the economies of their countries or jurisdictions.

As for the future of their national economies, despite the subprime loan crisis, most leaders, including Tilley, expressed optimism for 2008. This optimism was attributed to the availability of human capital, the growth of SMEs, and the availability of financial capital. Potential threats to economic growth included a lack of investor confidence in capital markets, corruption, and high-energy costs. AT

Charles Tilley, Chief Executive of CIMA

The World Bank endorses CIMA project

The government of Bangladesh has commissioned CIMA, as sole expert supplier, to lead a project to strengthen the capabilities of the country's main accountancy body, the Institute of Cost and Management Accountants of Bangladesh (ICMAB). The project is funded by the World Bank and will provide a model for other World Bank projects with CIMA in developing countries.

Gordon Grant, CIMA President, said: "We are honoured to be recognised for our world class expertise in developing the financial and management skills needed to operate with confidence and integrity in the global market place. Bangladesh is a growing economy with potential to attract significant inward investment. It is therefore vital that its people are equipped with the appropriate level of financial and management skills to further grow this expanding economy.

Suraiya Zannath, Senior Financial Management Specialist, of the World Bank, South Asia Region, said: "We are delighted that CIMA, the principal world authority on management accounting, has agreed to transfer its technical knowledge and capacity building skills to help ICMAB develop as a modern management accounting professional body. We look forward to working with CIMA, ICMAB and the Ministry of Commerce as part of a comprehensive project to improve the quality of accounting and auditing practices in Bangladesh." She added: "We are confident that this development model can be rolled out successfully with CIMA in other developing countries" AT

> "We are confident that this development model can be rolled out successfully with CIMA in other developing countries."
>
> **Suraiya Zannath, Senior Financial Management Specialist, World Bank, South Asia Region**

CPA Australia ▼

First official Malaysian visit for CPA Australia President

(L-R) Christina Foo, Datuk Mohd Salleh Mahmud, Alex Malley and Low Weng Kong

In January 2008, CPA Australia President, Alex Malley, made his first official visit to Malaysia since his appointment as President in October 2007. The tightly scheduled one day visit included a courtesy call on the Accountant-General, Datuk Mohd. Salleh Mahmud, where both men shared updates on the profession in their respective countries. Later, Alex called on MIA President, Nik Mohd. Hasyudeen Yusoff, to discuss future collaborative initiatives by both bodies following the success of the joint public sector conference last year.

Alex also hosted a luncheon for senior academicians from institutions of higher learning to thank them for their support and to share CPA Australia's direction for 2008. Accompanying Alex on his visit were Deputy President, Low Weng Keong, and General Manager - Member Services, Jeff Hughes. AT

Evening Talk on the amendments to the Malaysian Code of Corporate Governance

The evening talk was very well received by participants

An evening talk on the amendments to the Malaysian Code of Corporate Governance was conducted by CPA Australia Malaysia Divisional Councillors, Margaret Chin and Alex Ooi recently

Margaret and Alex shared their corporate and professional experiences with the participants and elaborated on the implications of the revised Code for CPAs, the opportunities that lie ahead as well as how CPAs can develop themselves to grasp the opportunities arising from the amendments.

During the Q & A session, the event saw active participation from members, who shared their corporate governance experiences relating mainly to the practical challenges faced at the workplace. The evening talk, which took place in Kuala Lumpur, was very well received, with a total of 60 participants. AT

The Malaysian Institute of Certified Public Accountants ▼

Continuing Professional Development (CPD) Programmes

The Institute delivers CPD courses throughout the year to assist members in keeping abreast of changes in the profession and industry. CPD programmes in the form of seminars, workshops, public forums and evening talks will be offered throughout the year to help members meet their CPD requirements. Members have a continuing duty to maintain their professional knowledge and skills at the level required to ensure that their clients, employees and other stakeholders receive the advantage of competent value-added professional services. To view the list of CPD Programmes being conducted, please visit *www.micpa.com.my* or contact: Joseph Leong, Training Manager on Tel: 03-2698 9622 Ext. 103 or e-mail: *joseph.edu@micpa.com.my* AT

MICPA Participates in Career Fairs and Exhibitions

Accountancy has become one of the most popular courses pursued by young Malaysians. A career in accountancy is both challenging and demanding and commands high rewards. The Institute continues to participate actively in career fairs and exhibitions across the country to promote accountancy as a career, and in particular to create greater awareness of the CPA Malaysia qualification. With the support of the Young CPA Group and members of the Institute's Education and Training Committee, the Institute presents career talks at schools, universities and colleges of advanced education across the country.

MAPCU-MQA Higher Education Exhibition 2008

The Institute took part in the *MAPCU-MQA Higher Education Exhibition 2008*, jointly organised by the Malaysian Association of Private Colleges and Universities (MAPCU) and the Malaysian Qualifications Agency (MQA), which was held from 5-6 January 2008 at the Mid-Valley Exhibition Hall. The event was supported by the Ministry of Higher Education, Malaysia. The President, YBhg. Dato' Nordin Baharuddin, presented a talk titled *A Career in Accountancy* with the objective of increasing awareness and promoting accountancy as a career to young Malaysians.

International Islamic University Malaysia

The Bachelor of Accounting (BACC) Association of International Islamic University Malaysia will be organising the *BACC Career Week 2008*, which will be held from 21-22 January 2008. The programme is designed to create awareness amongst the *Kulliyyah* of Economics and Management Sciences (KENMS) accounting students on the career opportunities available in the industry. MICPA will be participating in the event to profile the CPA Malaysia qualification to IIUM accounting students.

Monash University Accounting Day

The Accounting Club of Monash University, Sunway Campus is organising the *Monash Accounting Day* on 11 March 2008. The event is aimed at creating awareness amongst the accounting students of the various professional qualifications available as well as the career opportunities available to the students. Professional bodies and accounting firms have been invited to participate in the event. MICPA will be participating in the event. AT

"With the support of the Young CPA Group and members of the Institute's Education and Training Committee, the Institute presents career talks at schools, universities and colleges of advanced education across the country."

MICPA Sponsors Student Activities

To foster closer relationships with university students, the Institute sponsors a number of student activities organised by the accounting clubs of the various universities throughout the year. The following activities have been sponsored by MICPA from January to March 2008:

Universiti Sains Malaysia (USM)

MAX2 Events 2007/2008

USM Accounting Society has organised the MAX2 Events 2007/2008, themed *Equipping Minds to Embrace the Future*, from 7-9 January 2008 at USM, Penang. MICPA was one of the sponsors for the MAX2 Events 2007/2008 and participated in the exhibition to increase the awareness and profile of the CPA Malaysia qualification to USM students.

Multimedia University (MMU)

Intervarsity Accounting Quiz (IVAQ) 2008

The Accounting Club of the Multimedia University, Melaka Campus in collaboration with the Malaysian Institute of Accountants (MIA), Melaka Branch will be organising the *Intervarsity Accounting Quiz (IVAQ) 2008* to be held on 1 March 2008. The objective of the quiz is to test the understanding of the practical application and implementation of accounting principles and procedures. The event is also aimed at exposing students to a better understanding of the roles and functions of the various professional accountancy bodies in Malaysia. MICPA is a gold sponsor for the event and will be participating in the exhibition being held in conjunction with the Quiz.

Universiti Malaya (UM)

Accounting Journal 2008

The Accounting Club of Universiti Malaya is producing the *Accounting Journal 2008*, which is expected to be published in March 2008. MICPA is a sponsor towards the production of the Journal. AT

"To foster closer relationships with university students, the Institute sponsors a number of student activities organised by the accounting clubs of the various universities throughout the year."

MALAY$IAN TAX

S. Saravana Kumar

This monthly column highlights the gazette orders issued in respect of the various Malaysian revenue legislation, particularly the Income Tax Act 1967 [Act 53], Sales Tax Act 1972 [Act 64], Service Tax Act 1975 [Act 151], Excise Act 1976 [Act 176] and Promotion of Investments Act 1986 [Act 327].

Gazette orders issued between 15 December 2007 and 14 January 2008 are summarised.

Income Tax (Exemption) (No. 19) Order 2007

PU(A) 417/2007

This Order was issued by the Minister of Finance pursuant to Section 127(3)(b) of the Income Tax Act 1967 [Act 53]. It was gazetted and published on 17 December 2007.

A developer's income is exempted from income tax. This exemption applies if the income is derived from:

a) the disposal of any right in land located in an approved node in the year of assessment (YA) 2007 until YA 2015; or

b) the rental or disposal of a building located in an approved node in the YA 2007 until YA 2020.

For the purposes of this Order, a developer means a company:

1. incorporated under the Companies Act 1965 [Act 125];
2. formed to purchase or acquire any right over part or the whole of the land to undertake development in an approved node in accordance with the node's master plan; an
3. approved by the Minister of Finance.

An approved node means a designated area within the Iskandar Development Region (IDR) as determined by the Iskandar Regional Development Authority (IRDA).

Similarly, a development manager's income from providing management, supervisory or marketing services to a developer is also exempted from income tax.

A development manager means a company:

1. incorporated under the Companies Act 1965 [Act 125];
2. appointed by a developer to provide management, supervisory or marketing services to the developer's activity in an approved node in accordance with the node's master plan; and
3. approved by the Minister of Finance.

Losses

a) The adjusted losses of a developer and development manager can be carried forward.

b) This includes losses from the immediate year prior to the commencement of business and during the tax exempt period.

Capital allowance

a) A developer and development manager enjoy capital allowance.

a) If the asset is also used for another business, then the capital allowances will be reasonably apportioned.

Separate source and account

a) If a developer or development manager carries on a tax-exempt activity and another business, the activity and business shall be treated as separate sources.

b) A separate account is required for the income from the tax exempt activity

Schedule 7A of the Income Tax Act 1967

a) Paragraphs 5 and 6 of Schedule 7A apply to the tax-exempt income.

Non-application

a) This Order does not apply if the developer or development has not obtained annual certification from the node project development company.

b) A node project development company means a company:

1. incorporated under the Companies Act 1965 [Act 125];
2. which certify, facilitate and co-ordinate a developer and development manager's activities; and
3. approved by IRDA.

This Order is deemed to take effect from the YA 2007.

Income Tax (Exemption) (No. 20) Order 2007

PU(A) 418/2007

This Order was issued by the Minister of Finance pursuant to Section 127(3)(b) of the Income Tax Act 1967. It was gazetted and published on 17 December 2007.

An IDR-status company's income from a qualified activity is exempted from income tax. Qualified activity:

a) means an activity determined by the Minister of Finance; and

b) must be provided to a person in an approved node and inside Malaysia or outside Malaysia.

The exemption will last for 10 years from the commencement date of the qualifying activity.

An IDR-status company means a company:

a) incorporated under the Companies Act 1965;

b) resident in Malaysia;

c) undertaking qualifying activity in an approved node; and

d) approved by the Minister.

An approved node means a designated area within the Iskandar Development Region (IDR) as determined by the Iskandar Regional Development Authority (IRDA).

Losses

a) The adjusted losses of an IDR-status company can be carried forward.

b) This includes losses from the immediate year prior to the commencement of business and during the tax-exempt period.

Capital allowance

a) An IDR-status company enjoys capital allowance.

b) If the asset is also used for

another business, then the capital allowances will be reasonably apportioned.

Separate source and account

a) If a tax-exempt activity and another business are carried out, they will be treated as separate sources.

b) A separate account is required for the income from the tax-exempt activity.

Schedule 7A of the Income Tax Act 1967

Paragraphs 5 and 6 of Schedule 7A apply to the tax-exempt income.

Withdrawal

The exemption is withdrawn if an IDR-status company fails to undertake the qualifying activity.

Non-application

This Order does not apply if the IDR-status company commences its business after 31 December 2015.

This Order is deemed to take effect from the YA 2007. AT

Income Tax (Exemption) (No. 21) Order 2007

PU(A) 419/2007

This Order was issued by the Minister of Finance pursuant to Section 127(3)(b) of the Income Tax Act 1967. It was gazetted and published on 17 December 2007.

A non-resident is exempted from income tax for income derived from:

a) fees for technical advice, assistance or services under Section 4A(ii) of the ITA 1967 from a developer, development manager or IDR status company;

b) interest received from a developer; and

c) royalty received from a developer or IDR status company.

Non-application

This Order does not apply if the non-resident receives:

a) fees under Section 4A(ii) of the ITA 1967 from a developer or development manager after 31 December 2015;

b) fees under Section 4A(ii) of the ITA 1967 and royalty from an IDR-status company after 10 years from the commencement of his qualifying activity in Malaysia; and

c) interest and royalty from a developer after 31 December 2015.

This Order is deemed to take effect from 1 September 2007. AT

Stamp Duty (Exemption) (No. 10) Order 2007

PU(A) 42-/2007

This Order was issued by the Minister of Finance pursuant to Section 80(1) of the Stamp Act 1949 [Act 378]. It was gazetted and published on 17 December 2007.

Instruments affecting the transfer of immovable property between spouses are exempted from stamp duty. The transfer must be a voluntary disposition *inter vivos* between the spouses.

This Order is deemed to take effect from 8 September 2007. AT

Income Tax (Exemption) (No. 22) Order 2007

PU(A) 437/2007

This Order was issued by the Minister of Finance pursuant to Section 127(3)(b) of the Income Tax Act 1967. It was gazetted and published on 28 December 2007.

For the purposes of this Order:

1. "offshore company" means an offshore company under the Labuan Offshore Business Activity Tax Act [Act 445] (LOBATA); and
2. "offshore trust" means an offshore trust under the LOBATA.

The following are exempted from income tax:

a) dividends received by an offshore company;

b) dividends received from an offshore company;

c) distributions received by a beneficiary from an offshore trust;

d) royalties received by an offshore company or a non-resident person from an offshore company;

e) interest received by a non-resident person from an offshore company;

f) interest received by a resident person from an offshore company; and

g) money received by a non-resident person pursuant to Sections 4A(i) and 4A(ii) of the ITA from an offshore company.

Paragraphs 5 and 6 of Schedule 7A of the ITA apply to a company receiving dividends from an offshore company [see item (b)]. This applies if the company is:

1. incorporated under the Companies Act 1965 [Act 125]; and
2. a resident in Malaysia.

Items (e) and (f) above do not apply if the non-resident person carries on business under:

1. the Banking and Financial Institutions Act 1989 [Act 372];
2. the Islamic Banking Act 1983 [Act 276];
3. the Insurance Act 1996 [Act 553]; and
4. the Takaful Act 1984 [Act 312].

Section 109 of the ITA does not apply to the royalties and interest received under items (d) and (e) above.

Section 109B of the ITA does not apply to the payment received under item (g) above.

Section 109C of the ITA does not apply to the interest received under item (f) above.

This Order takes effect from the YA 2007. AT

Income Tax (Deduction for Cost of Spectrum Assignment) Rules 2007

PU(A) 447/2007

These Rules were issued by the Minister of Finance pursuant to Section 154(1)(b) of the Income Tax Act 1967. It was gazetted and published on 31 December 2007.

The 'cost of spectrum assignment' is a deductible expenditure. The deduction is allowed equally for 12 years. The cost incurred before 2007 is deemed to be incurred in 2007. The deduction formula is:

$$\frac{\textbf{Total cost of spectrum assignment}}{\textbf{12 years}}$$

'Cost of spectrum assignment' means the fee paid to the Malaysian Communications and Multimedia Commission (MCMC) for the use of spectrum assignment.

'Spectrum assignment' means the right to use specified frequency bands for 3G mobile telecommunication services in Malaysia by the MCMC.

For spectrum assignment cancelled before its expiration, the deduction:

a) is restricted to the actual cost incurred; and

b) the deduction in item (a) continues for 12 years.

These Rules take effect from the YA 2007.

Excise (Amendment) Regulations 2007

PU(A) 452/2007

These Regulations were issued by the Minister of Finance pursuant to Section 85 of the Excise Act 1967 [Act 176]. It was gazetted and published on 31 December 2007.

Amendments were made to the Excise Regulations 1977 (PU(A) 161/1977), whereby:

a) the words *'Excise No. 1'* in Regulation 10 were substituted with *'JKED No. 3'*;

b) the words *'Excise No. 2'* in Regulation 26 were substituted with *'JKED No. 3'*;

c) the words *'Excise No. 1'* and *'Excise No. 2'* and related particulars under the 'Number of Form' column in Part 1 of the First Schedule were deleted; and

d) additional particulars were inserted after item 2 under the 'Number of Form' column in Part 2 of the First Schedule.

These Regulations take effect from 1 January 2008. AT

Sales Tax (Amendment) Regulations 2007

PU(A) 453/2007

These Regulations were issued by the Minister of Finance pursuant to Section 61 of the Sales Tax Act 1972 [Act 64]. It was gazetted and published on 31 December 2007.

Amendments were made to the Sales Tax Regulations 1972 (PU(A) 55/1972), whereby:

a) the words *'Form 2'* in the marginal note of Regulation 4 were substituted with *'JKED No. 3'*;

b) the words *'Form S.T. No. 2'* in Regulation 4 were substituted with *'JKED No. 3'*;

c) the words *'Form S.T. No. 3'* in Regulation 8 were substituted with *'CJP No. 1'*;

d) the words *'3 of'* in Regulation 11 were deleted;

e) the words *'3A'* in Regulation 11 were substituted with *'or CJP No. 1'*;

f) the words *'CJ No. 3'* in Regulation 19D(2)(b) were substituted with *'CJP No. 1'*;

g) the words *'Form S.T. No. 7'* in Regulation 20 were substituted with *'JKED No. 3'*;

h) Form S.T. No. 2 in the First Schedule was substituted with form JKED No. 3;

i) Form S.T. No. 3 Am. 1/99 in the First Schedule was substituted with form CJP No. 1; and

j) Form S.T. No. 7 Am. 1/99 in the First Schedule was deleted.

These Regulations take effect from 1 January 2008. AT

Service Tax (Amendment) (No. 2) Regulations 2007

PU(A) 454/2007

These Regulations were issued by the Minister of Finance pursuant to Section 41 of the Service Tax Act 1975 [Act 151]. It was gazetted and published on 31 December 2007.

Amendments were made to the Service Tax Regulations 1975 (PU(A) 52/1975), whereby:

a) the words *'Form 2'* in the marginal note of Regulation 5 were substituted with *'JKED No. 3'*;

b) the words *'Form C.P. No. 2'* in Regulation 5 were substituted with *'JKED No. 3'*;

c) the words *'Form C.P. No. 3'* in Regulations 10, 11 and 12 were substituted with *'CJP No. 1'*;

d) the words *'Form C.P. No. 3'* in Regulation 16A(2)(b) were substituted with *'CJP No. 1'*;

e) Form C.P. No. 2 in the First Schedule was substituted with form JKED No. 3;

f) Form C.P. No. 3 Am 1/99 in the First Schedule was substituted with form CJP No. 1; and

g) the following words under the 'Taxable Person' column of Group G in items 7, 8, 9, 10, 11, 12 and 13 were deleted: *'having a total annual sales turnover, whenever combined or singly, of more than RM150,000 of any one or more taxable services mentioned within this Group'*.

These Regulations take effect from 1 January 2008. AT

Excise (Bottling and Movement of Intoxicating Liquors) (Amendment) Regulations 2007

PU(A) 455/2007

These Regulations were issued by the Minister of Finance pursuant to Section 85 of the Excise Act 1967 [Act 176]. It was gazetted and published on 31 December 2007.

The 'Licence To Bottle/Blend/Compound/Vary Intoxicating Liquors' form in Schedule was substituted with form JKED No.3.

These Regulations take effect from 1 January 2008. AT

Income Tax (Returns by Employers) Order 2008

PU(A) 7/2008

This Order was issued by the Director General of Inland Revenue (DGIR) pursuant to Section 83(1) of the Income Tax Act 1967. It was gazetted and published on 7 January 2008.

Employers must prepare and deliver Form E to the DGIR. The form must be submitted by 6 February 2008. It must state:

a) the number of employees for year ended 31 December 2007;

b) tax deduction under the Income Tax (Deduction from Remuneration) Rules 1994 (PU(A) 507/1994), and

c) employees who have resigned and left Malaysia.

Employers must also prepare and deliver a salary statement in Forms CP 8A or 8C to their employees. The form must be submitted by 30 March 2008. It must state:

a) employees' particulars;

b) employment income, benefits and place of residence;

c) pension and others;

d) total deductions under the Scheduler Tax Deduction Scheme;

e) the deductions remitted to the IRB;

f) employees' contributions to the Pension Fund, Employees Provident Fund or approved fund, and

g) payment of arrears and others details for years before 2007. AT

This section is compiled by S. Saravana Kumar, LL.B (Hons). He can be contacted at *tax@lh-ag.com*

IFAC

IFAC's International Public Sector Accounting Standards Board Issues New Disclosures on External Assistance

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the International Federation of Accountants (IFAC), has issued new requirements to help governments and other public sector entities to consistently report on international aid, development grants and other forms of external assistance. The new disclosure requirements and recommendations are set out in the updated International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting (Cash-Basis IPSAS).

Currently, there are a number of reporting practices between providers and recipients of external assistance that can be costly for recipients. The disclosures in the updated Cash-Basis IPSAS should reduce some of these multiple reporting practices, helping recipients to use resources more efficiently.

The disclosures represent one of a number of steps that the IPSASB has undertaken to enhance its Cash-Basis IPSAS. Recently, the IPSASB approved a project to consider how the standard could be improved based on the experiences of those using it. The project will review the implementation of the Cash-Basis IPSAS in various jurisdictions and assess whether any changes to the standard are needed. The project task force will be chaired by Erna Swart of South Africa, who became Deputy Chair of the IPSASB in January 2008.

"The introduction of requirements for external assistance disclosures represents the IPSASB's response not only to constituents who are recipients of external assistance, but also external assistance providers," states IPSASB Chair Mike Hathorn. "These disclosures, as well as broader initiatives undertaken by the IPSASB to improve the Cash-Basis IPSAS, will assist public sector entities in their efforts to strengthen their accountability."

The external assistance requirements are effective for reporting periods beginning on or after 1 January 2009. AT

The Cash-Basis IPSAS, together with other IPSASB standards and guidance, can be downloaded free-of-charge from the IFAC online bookstore: *www.ifac.org/store*.

New IFAC Paper Examines Suitability of Proposed IFRs for SMEs to Micro-Entities

The International Federation of Accountants, (IFAC) Small and Medium Practices (SMP) Committee has released a report on research into whether the proposed International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), developed by the International Accounting Standards Board (IASB), is suitable for micro-entity financial reporting. The paper, *Micro-Entity Financial Reporting: Some Empirical Evidence on the Perspectives of Preparers and Users*, presents the findings of focus group interviews of users and preparers of micro-entity financial reports in Italy, Kenya, Poland, Uruguay, and the UK.

Focus group participants indicated that the current exposure draft of the IFRS for SMEs appears to be too complex for micro-entities — defined as entities with fewer than 10 employees — and suggested that relatively minor changes to the current draft might not be sufficient to address this concern. Participants who supported the development of a separate set of accounting guidance for micro-entities generally felt that two levels should be developed: a concise version that would be easy for business owners to follow and understand and a more technical version for preparers of financial statements. In addition, there was general support for some form of attestation, such as a statement made by the professional accountant, to be attached to the financial reports of micro-entities.

"The research offers some interesting insights into the views of preparers and users drawn from a small but diverse range of countries," states Sylvie Voghel, Chair of the IFAC SMP Committee. "While these countries do not constitute a globally representative sample, the research does question the suitability of the proposed IFRS for SMEs to micro-entities."

The paper was developed as part of the second phase of the SMP Committee's project on micro-entity financial reporting and follows the release in December 2006 of an information paper entitled Micro-Entity Financial Reporting: Perspectives of Preparers and Users. The findings in the new paper were considered in the development of the IFAC comment letter on the proposed IFRS for SMEs, which can be viewed at *http://web.ifac.org/download/Comment_Letter_on_Proposed_IFRS_for_SMEs.pdf*.

The following IFAC member bodies assisted in organising focus groups: Accountants Association in Poland, Association of Chartered Certified Accountants, Colegio de Contadores Economistas y Administradores del Uruguay, Consiglio Nazionale Dottori Commercialisti, and the Institute of Certified Public Accountants of Kenya. The research was undertaken by Dr. Suki Sian of Cardiff Business School, Wales and Professor Clare Roberts of the University of Aberdeen, Scotland. AT

The information paper can be downloaded free-of-charge from the SMP section of the IFAC online bookstore (*www.ifac.org/store*). Further information on IFAC's work to support SMPs and SMEs is available at *www.ifac.org/smp*. For more information on the development of an IFRS for SMEs, visit the IASB's website at *www.iasb.org*.

IFAC's Education Standards Board Seeks Responses to Survey on Enhancing Accounting Education

All those with an interest in accounting education, including users and preparers of financial reports, professional accountants, standard setters, academics, and regulators, are invited to complete a survey conducted by the International Accounting Education Standards Board (IAESB), an independent standard-setting board of the International Federation of Accountants (IFAC). The online survey seeks input on the audience, scope and nature of International Education Statements issued by the IAESB. The results will be used to strengthen the education programmes of professional accountancy organisations around the world. The survey takes no more than 30 minutes to complete and can be accessed online at *www.ifac.org/educationsurvey*. Responses are requested by 1 March 2008.

The survey is part of a fundamental review of the Framework for International Education Statements, which establishes the context in which IAESB pronouncements are set and the principles determining the approach taken. The IAESB develops International Education Standards and guidance on pre- and post-qualification education and training for all members of the accountancy profession. In addition to the survey, the IAESB will be conducting a number of focus group meetings.

"The survey and interviews seek input to ensure that International Education Standards are relevant, understandable and reliable," states Henry Saville, IAESB Chair. "This information is especially valuable because, ultimately, it is the education of professional accountancy institutes, including those offered by many IFAC member bodies, that provide future members of the profession with the values, skills and knowledge that will guide them throughout their careers." AT

For more information on the IAESB and International Education Standards, visit the IFAC website at *www.ifac.org/education*.

International Auditing and Assurance Standards Board Completes First Phase of Clarity Project

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), is releasing the last two exposure drafts written in accordance with the new clarity drafting conventions. It approved the exposure drafts of proposed International Standard on Auditing (ISA) 210 (Redrafted), *Agreeing the Terms of Audit Engagements*, and proposed ISA 710 (Redrafted), *Comparative Information — Corresponding Figures and Comparative Financial Statements*, at its meeting in Washington, D.C. in December 2007. Subject to any comments on exposure, the final standards will become effective for audits of financial statements for periods beginning on or after 15 December 2009.

The release of these exposure drafts marks the completion of the first phase of the IAASB's ambitious 18-month programme to redraft existing standards and to develop new and revised standards following the new drafting conventions.*

"This is a major milestone on the IAASB's path to develop high quality international standards that are more readily understood, applied and enforced," emphasises IAASB Chairman John Kellas, adding, "The redrafted ISAs provide more clarity as to the requirements which should contribute to improving the consistency of their application by auditors around the world."

"The IAASB is on track to complete the Clarity project by the end of 2008. When completed, 21 extant ISAs will have been fully revised, or updated and redrafted, in the last five years, and the remaining 11 will have been redrafted in accordance with the new conventions. In addition, International Standard on Quality Control 1 will have been redrafted and a new ISA on communicating deficiencies in internal control completed," explains Jim Sylph, Executive Director, Professional Standards. AT

Comments on the exposure drafts are requested by 15 April 2008. The exposure drafts may be viewed by going to *www.ifac.org/EDs*. Comments may be submitted by email to *EDComments@ifac.org*. They can also be faxed to the attention of the Executive Director, Professional Standards at +1 (212) 286-9570 or mailed to IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

IFAC Focuses on Mentoring as Means to Strengthen Profession

An active and well-established professional accountancy organisation plays an essential role in promoting high quality practice in its country or jurisdiction. An important means to build strong accountancy organisations in developing countries is through collaboration and mentoring relationships with more established professional bodies. As part of its strategy to develop the accountancy profession worldwide, the International Federation of Accountants' (IFAC) Developing Nations Committee has released a new guidance, entitled Mentoring Guidelines for Professional Accountancy Organisations, to support the development of collaborative and mentoring relationships between professional accountancy organisations.

The guidelines focus on supporting mentoring relationships designed to help accountancy organisations achieve compliance with IFAC's Statements of Membership Obligations (SMOs). The SMOs provide benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants. They require IFAC members to promote convergence to international standards and to have in place quality assurance and disciplinary programmes.

"Experience has shown that mentoring relationships between professional accountancy organisations is one of the most effective means to strengthen the profession, particularly in developing economies," states Ignatius Sehoole, Chairman of the Developing Nations Committee. "These guidelines capture the experience and good practice of many IFAC members who have participated in this type of work in the past, and the committee hopes they will encourage other IFAC members to contribute to the development of the profession."

The new *Mentoring Guidelines* are also intended to help professional bodies in developing countries build sustainable capacity and to facilitate the sharing of accumulated knowledge between established professional bodies and organisations at an earlier stage of development. Various stages of mentoring are outlined in the document, including considerations before setting up a relationship, involving other entities such as government and aid agencies, and managing possible risks. The guidelines also include a sample *Memorandum of Understanding*. AT

The guidelines can be downloaded free-of-charge from the IFAC online bookstore (*www.ifac.org/store*). For more information on IFAC's work to support developing nations, visit *www.ifac.org/developingnations*.

Non-Audit Firms

FROM 1-31 DECEMBER 2007

New Registration

NON-AUDIT FIRM	NF NO.

JOHOR DARUL TAKZIM

Dason & Associates 0919
2603, Level 26, Menara MSC Cyberport
80300 Johor Bahru
Tel: 016-717 3382 Fax: 07-222 2010
e-mail: deva_ecc@yahoo.com

SELANGOR DARUL EHSAN

Gan & Associates 0918
M1-06-E, Jalan Pekan Baru 38
41050 Klang
Tel: 03-3343 8954 Fax: 03-3343 9684
e-mail: zen@accamail.com

Hong Consulting Services 0917
No. 5, Jalan SS25/32, Taman Mayang
47301 Petaling Jaya
Tel: 03-7803 7752 Fax: 03-7803 7752
e-mail: khinghong@gmail.com

Lim Ah Ket & Associates 0921
18-A, Lorong Gopeng
41400 Klang
Tel: 03-3343 3353 Fax: 03-3344 3353
e-mail: katherinelim138@hotmail.com

WILAYAH PERSEKUTUAN

C.M. Soo & Associates 0920
50-2 Jalan 1/76D, Desa Pandan
55100 Kuala Lumpur
Tel: 03-9281 5003 Fax: 03-9281 5002
e-mail: bennsoo@streamyx.com

Ceased Operation

JOHOR DARUL TAKZIM

Hon Accounting and Secretarial Services 0293
No. 6925, Jln Sri Putri 12/2
Taman Putri Kulai, 81000 Kulai

SELANGOR DARUL EHSAN

LH Financial Management & Advisory 0623
3, Jln Putra Perdana 6/15
Taman Putra Perdana
47100 Puchong

Peter Loh & Co 0083
Riana Green Condominium
Unit LR 1-2-4
Jalan Tropicana Utara
47410 Petaling Jaya

SK Yeo & Co 0763
1st Floor, 5 Taman Permai
43500 Semenyih

Zuhrin Ahmad & Co. 0864
No. 27B-1, Jalan Sepadu C 25/C
Axis Premier Industrial Park
Section 25, 40400 Shah Alam

WILAYAH PERSEKUTUAN

Ahmad Abdullah & Goh Consulting 0264
Room 701, Wisma Hangsam
Jalan Hang Lekir, 50000 Kuala Lumpur

Name Changed

MELAKA

EW & Associates 0652
(Previously known as EW Management Services)
No. 32, Jalan Melaka Raya 33
Taman Melaka Raya, 75000 Melaka
Tel: 06-288 2602 Fax: 06-281 4461
e-mail: esther@ewmgt.com

Audit Firms

FROM 1-31 DECEMBER 2007

New Registration

AUDIT FIRM	AF NO.

JOHOR DARUL TAKZIM

Parker Randall CK 001924
No. 5-02, Jalan Molek 1/29
Taman Molek, 81100 Johor Bahru
e-mail: sysmc@streamyx.com

MELAKA

Lawrence Tan & Co. 001928
109 T, Taman Peringgit Jaya
75400 Melaka
Tel: 012-225 9109
e-mail: lawkptan@yahoo.com

PULAU PINANG

Wooi Partners 001921
1st Floor, 11, Jalan Lim Eow Thoon
10400 Penang
Tel: 04-226 1692 Fax: 04-227 1792
e-mail: soongw@tm.net.my

SARAWAK

Felix Wong & Co 001925
1st Floor, Lot 7780, 191, Section 64
Lrg Datuk Abang Abdul Rahim 7
93450 Kuching
Tel: 019-889 4836
e-mail: felixw1@tm.net.my

SELANGOR DARUL EHSAN

CN & Associates 001920
12B, Jalan BRP 1/2, Bukit Rahman Putra
47000 Sungai Buloh
Tel: 012-289 2723
e-mail: chanthi2@tm.net.my

Steven Chin & Co. 001923
29-3, (Suite 3), Block F2, Jalan PJU 1/42A
Dataran Prima, 47301 Petaling Jaya
Tel: 03-7880 1528 Fax:03-7880 7928
e-mail: chin_acca@yahoo.com

WILAYAH PERSEKUTUAN

Idris, Shan & Partners 001917
No. 59, Jalan Thambipillai
Brickfields, 50470 Kuala Lumpur
Tel: 03-2272 3435 Fax: 03-2272 1941
e-mail: shan@shanandco.com

OK Yau & Howyong 001922
38D-2, Jalan Radin Anum
Bandar Baru Seri Petaling, 57000 Kuala Lumpur
Tel: 03-9059 1355 Fax: 03-9056 1355
e-mail: info@okyaunhy.com

See Hong Associates 001926
17-1 Jalan 10/125D, Taman Desa Petaling
57100 Kuala Lumpur
Tel: 012-399 8768
e-mail: shassociates@hotmail.com

Ceased Operation

SELANGOR DARUL EHSAN

KF Lim & Associates 001866
Suite 6-11A, 6th Flr, Menara KLH
Pusat Perdagangan KLH
Bandar Puchong Jaya, 47100 Puchong

WILAYAH PERSEKUTUAN

BDO International 1483
12th Floor, Menara Uni. Asia
1008 Jalan Sultan Ismail, 50250 Kuala Lumpur

Gow & Chai 1523
Block B-5-8 (Level 7), Menara Uncang Emas
85, Jalan Loke Yew, 55200 Kuala Lumpur

Ng Beh Yeow & Co 0407
No 1, 4th Floor, Jalan Ampang
50450 Kuala Lumpur

Name Changed

SELANGOR DARUL EHSAN

CAS & Associates 1476
(Previously known as Chen & Associates)
109, Level 1, Block C, Damansara Intan
No. 1, Jalan SS 20/27, 47400 Petaling Jaya
Tel: 03-7729 2381 Fax: 03-7729 2389
e-mail: vhchen@casg.com.my • www.casg.com.my

WILAYAH PERSEKUTUAN

Peter Chong & Co 0165
(Previously known as BKR Peter Chong)
51 Changkat Bukit Bintang
50200 Kuala Lumpur
Tel: 03-2145 4991 Fax: 03-2145 4825
e-mail: info@peterchongco.com
www.peterchongco.com

Registration of Accountants

AS AT 25 OCTOBER 2007

The following persons are now entitled to use the word 'Accountant' upon their admission to the Malaysian Institute of Accountants, in accordance with Section 22 & 23 of the Accountants Act 1967.

CA — Chartered Accountants
LA — Licensed Accountants

MALAYSIA

Johor Darul Takzim	
Lin Thai Chung	28332/CA
Ho Hwee Ching	28298/CA
Mohd Nor Akhmar Bin Puniran	28285/CA
Norazreen Binti Rahman	28310/CA
Teo Wi Sern	28204/CA
Azlina Binti Kasim	28237/CA
Noor Hasliza Binti Omar	28315/CA
Wan Mohd Ashril Aizal B.Wan	28169/CA
Saiful Azmar Bin Mohd Khalid	28259/CA
Zaliha Binti Lamim	28306/CA
Norsaidah Binti Mohd Said	28267/CA
Kedah Darul Aman	
Shairulniza Binti Mohamad Noor	28311/CA
Megat Shahrul Azman Bin Abas	28184/CA
Ashwinii A/P Sachithananthan	28219/CA
Ho Lee Lee	28168/CA
Kelantan Darul Naim	
Zaira Binti Mohd Zin	28241/CA
Wan Noor Azmuni Binti Wan Fauzi	28187/CA
Melaka	
Ng Hooi Ling	28265/CA
Adrian Wong Yew Chong	28355/CA
Choo Cheng Hoon	28365/CA
Gan Ee Miin	28205/CA
Negeri Sembilan Darul Khusus	
Yap Foong Foong	28232/CA
Yap Siow Foong	28203/CA
Melanie Santa Maria	28213/CA
Nor Hasnida Binti Hashim	28172/CA
Pahang Darul Makmur	
Loh Wei Yeok	28220/CA
Ng Pick Yiang	28217/CA
Ng Eng Kiang	28218/CA
Perak Darul Ridzuan	
Puteri Nur Liana Bt Megat Mohd	28222/CA
Zahratul Nadwa Binti Dawa @ Dewa	28198/CA
Salwany Binti Abdol Rahaman	28192/CA
Liew Poh Yoke	28240/CA
Mior Najib Bin Meor Zaimi	28164/CA
Muni Azuin Binti Azmi	28276/CA
Loh Fu Chong	28346/CA
Chee Chin Shian	28287/CA
Pulau Pinang	
Looi Han Thow	28300/CA
Chin Lee Hooi	28301/CA
Tham Pei Sze	28261/CA
Eng Ai Seok	28235/CA
Low Soo Kim	28242/CA
Kuak See Chong	28175/CA
Sharon Cheah Su Lin	28350/CA
Leow Chan Khiang	28283/CA
Nor Azeran Bin Shaari	28186/CA
Khaw Siew Lee	28193/CA
Sabah	
Wong Ket Yin	28282/CA
Tai Tze Yii @ Dorothy	28181/CA
Agnessera Boitol	28197/CA
Jefferson Shim Chi Tzen	28185/CA
Chung Lee Mei	28303/CA
Kwong Hui Ming	28173/CA
Benjamin Taine	28177/CA
Sarawak	
Lim Siew Ching	28228/CA
Maria Wong Mui Ping	28256/CA
Lau King Chiek	28317/CA
Veronica Ngu Siew Yu	28167/CA
Teo Ching Ching	28170/CA
Fredrick Gupong Anak Tawan	28201/CA
Bobby Anak Mapi	28180/CA
Hwang Lee Siong	28318/CA
Wong Mee Ling	28194/CA
Christopher Ngieng Hock Di	28257/CA
Wong Siau Chiin	28312/CA
Ivan Teo Yee	28182/CA
Selangor Darul Ehsan	
Phan Nee Chin	28178/CA
Ummi Munirah Binti Abdullah	28238/CA
Chong Yin Shin	28239/CA
Loke Mee Fong	28174/CA
Mohd Nurul Azizi Bin Samuri	28179/CA
Goh Keng Hong	28244/CA
Lee Suat Ting	28176/CA
Ng Yeow Lim	28246/CA
Lim Kian Chin @ Eugene Lim Kian	28250/CA
Noorfarizah Binti M Jaafar	28189/CA
Mohd Nazron Bin Ismail	28166/CA
Chiu Lai Heng	28251/CA
Ng Swee Guan	28165/CA
Wong Soo Khong	28252/CA
Saravanakumar A/L Gunasekaran	28253/CA
Che Amran Bin Che Husin	28254/CA
Chee Yun Chan	28255/CA
Mohd.Noor Hamam Bin Saeman	28163/CA
Seng Kian Aik	28160/CA
Mohamed Zaiman Bin Mohd Noor	28249/CA
Shapiee Bin Abd Karim	28223/CA
Jamal Nasir Bin Abdul Rahman	28210/CA
Punniagowri A/P P Gunasekaran	28211/CA
T Anuwar Bin Tuan Mat	28212/CA
Chow Tat Meng	28208/CA
Bok Chang Kwang	28214/CA
Ng Chui Chiok	28206/CA
Siti Mas Mona Liza Binti Mohd Noor	28200/CA
Gloria Angela James Noah	28199/CA
Lim Peik Gan	28196/CA
Ooi Siew Pei	28183/CA
Sufializa Binti Ahmad	28221/CA
Ng Choon Jin	28233/CA
Siti Zawiyah Binti Mohd Noor	28226/CA
Amy Ng Hui Ting	28227/CA
Lau Kar Woh	28191/CA
Wong Fei Ching	28229/CA
Beh Soo Ming	28230/CA
Fahmi Bin Mustaffa	28190/CA
Raihan Binti Zakaria	28231/CA
Mazrina Binti Ariffin	28188/CA
Anusuya A/P Patrick Selvaraj	28209/CA
Faisal Bin Abu Hassan	28195/CA
Tan Bee Lay	28258/CA
Zainuddin Bin Mohamad	28292/CA
Su Seong Yeen	28314/CA
Muhammad Nawawi Bin Mohd Ramly	28349/CA
Benedict A/L David Chandra Mohan	28294/CA
Khoo Swee Teong	28296/CA
Loo Chin Lim	28297/CA
Norlismah Binti Ismail	28299/CA
Kunasegaran A/L Kumarasamy	28302/CA
Lim Meng Wei	28304/CA
Siti Aisah Bt Rasli	28343/CA
Ng Siew Ching	28307/CA
Faisal Bin Sahrom	28290/CA
Chiu Hoh Yan	28313/CA
Ayu Afzan Bin Makhatar	28351/CA
Mohd Rizal Bin Saleh @ Japri	28262/CA
Shahidi Bin Samsudin	28340/CA
Zulazmi Bin Baharum	28339/CA
Rahizam Bin Ibrahim	28321/CA
Syairulzila Binti Mohd Yusof	28337/CA
Wong Yoke Mun	28323/CA
Lee Wan Chyi	28324/CA
Azri Bin Aladin	28326/CA
Noriza Binti Nordin	28335/CA
Wong Lee San	28328/CA
Fara Binti Abdul Karim	28329/CA
Zulanisham Bin Husin	28334/CA
Khazlinda Binti Khalip	28309/CA
Goh Yeh Wei @ Gho Yeh Wei	28278/CA
Lim Hui Chee	28270/CA
Sharezan Binti Abd Rahman	28360/CA
Shaharol Bin Sahari	28269/CA
Elaine Chew Choon Yen	28353/CA
Sharina Binti Ishak	28273/CA
Mohd Zulkifli Bin Shafie	28274/CA
Mohd Zulfahmie Bin Mohamad Haris	28275/CA
Ahmad Ridwan Bin Zainal Aripin	28266/CA
Rafidah Binti Abu Shah	28358/CA
Cheong Xiao Yan	28279/CA
Tunku Hazlin Binti Tunku Hanizar	28357/CA
Maslinda Binti Mahayudin	28263/CA
Tan Hwang Hong	28281/CA
Javidah Binti Ahmad Jalaludin	28354/CA
Ling Ching Teng	28286/CA
Koo Su Ing	28260/CA
Rohana Binti Salleh	28288/CA
Terengganu Darul Iman	
Napisah Binti Abdullah	28247/CA
Wilayah Persekutuan	
Chua Hee Meng	28162/CA
Syarul Hadis Bin Samshuddin	28364/CA
Jety Selfiani Binti Nasrun	28159/CA
Sharifah Binti Idris	28363/CA
Dazaly Bin Mohd Badarudin	28338/CA
Chan Shuet Yin	28362/CA
Nik Suhaila Binti Nik Yusoff	28336/CA
Nur Adzlina Binti Kamaruddin	28361/CA
Malathi A/P Gunalan	28341/CA
Jotheswari A/P Govendasamy	28348/CA
Shazery Bin Shokery	28342/CA
Nor Hanan Binti Abdul Rahman	28344/CA
Mohamad Zaini Bin Ab Jabbar	28345/CA
Rozanna Binti Mohammed Noor	28356/CA
Jeyase A/P Iruthayam	28347/CA

Leow Suk Chen	28171/CA
Mohammad Shahzlin Bin Charil	28333/CA
Wan Mazlan Bin Wan Johari	28352/CA
Norazli Binti Zamzam	28359/CA
D'eda @ Maryam Binti Chin	28271/CA
Lim Sae Wai	28316/CA
Mohamad Hilmi Bin Abdul Hamid	28284/CA
Yap Yit Keong	28234/CA
Azlan Bin Abd Malek	28280/CA
Chuah Pei Leng	28236/CA
Mohamad Shukri Bin Mohamed Isa	28291/CA
Norzita Binti Seniwal	28243/CA
Lai Sook Leong	28225/CA
Adi Asmiza Binti Ab Somad	28245/CA
Anthony David Fernandez	28248/CA
Ng Wai Bein	28268/CA
Nor Haniza Binti Mohamed Zainun	28264/CA
Edayu Binti Mat Salleh	28366/CA
Terence Antoine A/L Zavier	28158/CA
Thee Siew Chin	28272/CA
Chay Hui Chern	28207/CA
Hafizah Binti Hassan	28330/CA
Chang Wee Liam	28327/CA
Thien Shy Yiing	28325/CA
Cheng Mei Leng	28322/CA
Noor Shazreen Binti Saleh	28202/CA
Sim Wun Ping	28289/CA
Nurlili Binti Ab Latip	28319/CA
Mah Yoke Foong	28331/CA
Intan Sharizat Binti Ramli	28308/CA
Lim Wai Yee	28305/CA
Khoo Sook Hooi	28215/CA
Lee Chin Fen	28216/CA
Soh Yee Gee	28295/CA
Wong Pei Ching	28293/CA
Khong Mei Lee	28224/CA
Nur Azlin Binti So:Fian	28320/CA
CHINA	
Kevin Yap Kang Yi	28277/CA
SINGAPORE	
Loh Yi Voon	28161/CA

Readmission of Accountants

AS AT 25 OCTOBER 2007

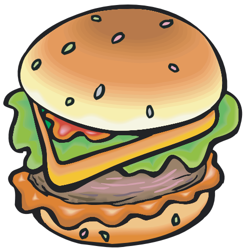
Ali Bin Arifin	2168
Wong Siew Ling	12099
Teh Yoke Hwa	13535
Shahril Bin Baharim	19699
Mohd Irman Bin Hj Mohd Din	22567

Resignation of Accountants

AS AT 25 OCTOBER 2007

Phang Lee Gaik	5014
Teo Yeow Hee @ Teo Chiang Goi	5709
Chen Siew Yin	6301
Lim Siew Hwa	7989
Lee Geek Sim	9867
Chan Suk Ngoo	11795
Khor Siok Lian	19435
Wong Pooi San	21783
Chen Ning Fang	23628

… Counting on Humour



Job Application

This is an actual job application a 17-year old boy submitted at a McDonald's fast-food establishment in Florida … and they hired him because he was so honest and funny!

Name: *********

Sex: Not yet. Still waiting for the right person.

Desired position: Company President or Vice-President. But seriously, whatever's available. If I was in a position to be picky, I wouldn't be applying here in the first place.

Desired salary: $185,000 a year plus stock options and a Michael Ovitz style severance package. If that's not possible, make an offer and we can haggle.

Education: Yes.

Last position held: Target for middle management hostility.

Salary: Less than I'm worth.

Most notable achievement: My incredible collection of stolen pens and post-it notes.

Reason for leaving: It sucked.

Hours available to work: Any.

Preferred hours: 1:30-3:30 p.m., Monday, Tuesday, and Thursday.

Do you have any special skills?: Yes, but they're better suited to a more intimate environment.

May we contact your current employer?: If I had one, would I be here?

Do you have any physical condition that would prohibit you from lifting up to 50lbs?: Of what?

Do you have a car?: I think the more appropriate question here would be "Do you have a car that runs?"

Have you recieved any special awards or recognition?: I may already be a winner of the Publishers Clearing house Sweepstakes.

Do you smoke?: On the job no, on my breaks yes.

What would you like to be doing in five years?: Living in the Bahamas with a fabulously wealthy dumb sexy blonde super model who thinks I'm the greatest thing since sliced bread. Actually, I'd like to be doing that now.

Do you certify that the above is true and complete to the best of your knowledge?: Yes. Absolutely.

Sign here: Aries.

Useless **Facts:**

- The 3 most valuable brand names on earth are: Marlboro, Coca-Cola and Budweiser — in that order.
- Humans are the only primates that don't have pigment in the palms of their hands.
- The sentence "The quick brown fox jumps over the lazy dog," uses every letter in the alphabet.
- The only 15 letter word that can be spelled without repeating a letter is uncopyrightable.
- No word in the English dictionary rhymes with month, orange, silver and purple.
- A duck's quack doesn't echo, and noone knows why.
- Months that begin on a Sunday will always have a "Friday the 13th."
- The longest one-syllable word in the English language is screeched.
- Apples, not caffeine, are more efficient at waking you up in the morning.
- A pack-a-day smoker will on average lose 2 teeth, every 10 years.
- When you sneeze, all bodily functions stop … even your heart.

New Beamer

A man in his 40's bought a new BMW and was out on the interstate for a nice evening drive. The top was down, the breeze was blowing through what was left of his hair and he decided to open her up.

As the needle jumped up to 80 mph, he suddenly saw flashing red and blue lights behind him.

"There's no way they can catch a BMW," he thought to himself and opened her up further. The needle hit 90, 100 … Then the reality of the situation hit him. *"What the hell am I doing?"* he thought and pulled over.

The cop came up to him, took his licence without a word and examined it and the car.

"It's been a long day, this is the end of my shift and it's Friday the 13th. I don't feel like more paperwork, so if you can give me an excuse for your driving that I haven't heard before, you can go."

The guy thinks for a second and says, *"Last week my wife ran off with a cop. I was afraid you were trying to give her back."*

"Have a nice weekend," said the officer.

Sometimes it DOES take a Rocket Scientist

Scientists at Roll Royce built a gun specifically to launch dead chickens at the windshields of airliners, and military jets, all travelling at maximum velocity. The idea is to simulate the frequent incidents of collisions with airborne fowl to test the strength of the windshields. American engineers heard about the gun and were eager to test it on the windshields of their new high speed trains. Arrangements were made, and a gun was sent to the American engineers.

When the gun was fired, the engineers stood shocked as the chicken hurled out of the barrel, crashed into the shatterproof shield, smashed it to smithereens, blasted through the control console, snapped the engineer's back-rest in two and embedded itself in the back wall of the cabin, like an arrow shot from a bow. The horrified Yanks sent Rolls Royce the disastrous results of the experiment, along with the designs of the windshield and begged the British scientists for suggestions.

Rolls Royce responded with a one-line memo: *"Defrost the chicken."* AT

2008 Calendar of Continuing Professional Education Programmes

Location	Date	Duration (Day)	Event Title	Speaker	Fee (RM)	CPE Hours	Venue (Hotel/Resort)
Financial & Accounting Reporting Standards							
Klang Valley	18 Feb	1	Basic Principles of Deferred Taxation	Lim Geok Heng	350	8	Armada Hotel PJ
	18 & 19 Feb	2	Deferred Taxation	Danny Tan Boon Wooi	600	16	Concorde KL
	20 Feb	1	Impairment of Assets	Danny Tan Boon Wooi	350	8	Concorde KL
	21 & 22 Feb	2	Financial Reporting Standards in Malaysia — Salient Features	Danny Tan Boon Wooi	600	16	Concorde KL
	25 & 26 Feb	2	Construction Contracts (FRS 111), Property Development Activities (FRS 201) and Borrowing Costs (FRS 123)	Lim Geok Heng	600	16	Concorde KL
	25 & 26 Feb	2	Preparing and Presenting Financial Statements : A Preparer's Perspective	Danny Tan Boon Wooi	600	16	Concorde KL
	27 & 28 Feb	2	Deferred Taxation	Danny Tan Boon Wooi	600	16	Hilton PJ
	10 & 11 Mar	2	Accounting for Assets	Danny Tan Boon Wooi	600	16	Premier Seri Pacific KL
	10 & 12 Mar	3	Practical Accounting	Mok Kam Seng	700	0	Armada Hotel PJ
	12 & 13 Mar	2	Recent Developments in Malaysian Financial Reporting Standards	Lim Geok Heng	600	16	Armada Hotel PJ
	17 March	1	Understanding and Preparing Cash Flow Statements	Danny Tan Boon Wooi	350	8	Premier Seri Pacific KL
	24 March	1	Deferred Taxation Made Simple	Danny Tan Boon Wooi	350	8	Hilton PJ
	24 & 25 Mar	2	Practical Application of Malaysian Private Entity Reporting Standards	Lim Geok Heng	600	16	Concorde KL
	22 April	1	Basic Principles of Deferred Taxation	Lim Geok Heng	350	8	Premier Seri Pacific KL
Northern Region	21 March	1	Technical Update of Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS)	Danny Tan Boon Wooi	350	8	Traders Hotel Penang
	26 & 27 Mar	2	Understanding the Accounting Standards in Preparing Consolidated Financial Statements	Lim Geok Heng	600	16	Traders Hotel Penang
Southern Region	3 & 4 March	2	Practical Application of Malaysian Private Entities Reporting Standards	Lim Geok Heng	600	16	Allson Klana Seremban
	16 & 17 April	1	Understanding and Preparing Cash Flow Statements	Danny Tan Boon Wooi	350	8	Allson Klana Seremban
	22 April	2	Understanding the Accounting Standards in Preparing Consolidated Financial Statements	Lim Geok Heng	600	16	Mutiara Hotel JB
East Malaysia	4 & 5 March	2	Deferred Taxation	Danny Tan Boon Wooi	600	16	Hilton Kuching
	6 & 7 March	2	Deferred Taxation	Danny Tan Boon Wooi	600	16	Tanahmas Hotel Sibu
	25 March	1	Deferred Taxation Made Simple	Danny Tan Boon Wooi	350	8	Belmont Marco Polo Tawau
	27 March	1	Deferred Taxation Made Simple	Danny Tan Boon Wooi	350	8	Hotel Sandakan
	28 March	1	Technical Update of Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS)	Danny Tan Boon Wooi	350	8	Hotel Sandakan
Management Accounting							
Klang Valley	3 & 14 Mar	2	Practical Cost and Management Accounting Tools and Techniques	Lee Fok Chong	700	16	Hilton PJ
	14 & 15 April	2	Practical Cost and Management Accounting Tools and Techniques	Lee Fok Chong	700	16	Concorde KL
Auditing & Assurance							
Klang Valley	19 Feb	1	Audit of Construction Projects	Gursharan Singh	350	8	Crystal Crown PJ
	12 March	1	Fundamental Skills on IS Auditing — Basic	Suresh D Gidwani	350	8	Hilton PJ
	12 & 13 Mar	2	Mixed Development Construction Projects	Gursharan Singh	600	16	Hilton PJ
	27 March	1	Related Party Transactions	Janise Lee Guat Hoe	350	8	Hilton PJ
	21 & 22 April	2	IS Auditing — Intermediate Level	Suresh D Gidwani	700	16	Hilton PJ
	24 April	1	Audit of Construction Projects	Gursharan Singh	350	8	Premier Seri Pacific KL
	24 & 25 April	2	Audit Strategy	Janise Lee Guat Hoe	600	16	Parkroyal Hotel KL
Northern Region	10 March	1	Audit of Construction Projects	Gursharan Singh	350	8	Traders Hotel Penang
	13 & 14 Mar	2	Audit Strategy	Janise Lee Guat Hoe	600	16	Evergreen Laurel Penang
	14 & 15 April	2	Mixed Development Construction Projects	Gursharan Singh	600	16	Traders Hotel Penang
Southern	6 & 7 March	2	Audit Strategy	Janise Lee Guat Hoe	600	16	Puteri Pacific JB
East Malaysia	tba	2	Audit Strategy	Janise Lee Guat Hoe	600	16	tba
	17 & 18 April	2	Audit Strategy	Janise Lee Guat Hoe	600	16	Hyatt Regency KK
Taxation							
Klang Valley	20 Feb	1	Introduction to Corporate Taxation and Self Assessment System (Module 3)	Chow Chee Yen	350	8	Premier Seri Pacific KL
	3 March	1	Taxation Issues and Planning for Property Developers Workshop Series Series 1: Property Developers and Contractors — Tax Compliance Issues	Ong Yoke Yew	400	8	Hilton PJ
	4 March	1	Field Audit and Tax Investigation	Lee Voon Siong	350	8	Hilton PJ
	13 March	1	Introduction to Corporate Taxation and Self Assessment System (Module 4)	Chow Chee Yen	350	8	Premier Seri Pacific KL
	26 March	1	Introduction to Corporate Taxation and Self Assessment System (Module 5)	Chow Chee Yen	350	8	Premier Seri Pacific KL
	17 April	1	Introduction to Corporate Taxation and Self Assessment System (Module 6)	Chow Chee Yen	350	8	Premier Seri Pacific KL
Northern Region	27 Feb	1	Taxation Issues and Planning for Property Developers Workshop Series Series 1: Property Developers and Contractors — Tax Compliance Issues	Ong Yoke Yew	400	8	Traders Hotel Penang
	17 & 18 Mar	2	Introduction to Corporate Taxation and Self Assessment System	Chow Chee Yen	600	16	Bayview Georgetown
Southern Region	24 March	1	Taxation Issues and Planning for Property Developers Workshop Series Series 1: Property Developers and Contractors — Tax Compliance Issues	Ong Yoke Yew	400	8	Hyatt Regency JB
East Malaysia	25 Feb	1	Field Audit and Tax Investigation	Lee Voon Siong	350	8	Shangri-La Kota Kinabalu
	26 Feb	1	Field Audit and Tax Investigation	Lee Voon Siong	350	8	Holiday Inn Kuching
Legal & Corporate Governance							
Klang Valley	27 Feb	1	The Joint Venture Agreement	Teng Kam Wah	350	8	Hilton PJ
	11 March	1	Company Law and Practice	Tan Teng Chai	350	8	Concorde KL
	24 April	1	The Joint Venture Agreement	Teng Kam Wah	350	8	Concorde KL
	9 & 10 Mar	2	Corporate Frauds — Law and Controls	Yoga Thevan and Tuan Hj. Yunos Alladitha	750	16	Concorde KL
	10 & 11 Mar	2	Corporate Crime and Investigation	Tuan Hj. Yunos Alladitha	700	16	Concorde KL
	19 March	1	Corporate Anti-Money Laundering	Dr. Joseph Eby Ruin	500	8	Concorde KL

2008 Calendar of Continuing Professional Education Programmes

Location	Date	Duration (Days)	Event Title	Speaker	Fee (RM)	CPE Hours	Venue (Hotel/Resort)
Legal & Corporate Governance							
Northern	20 Feb	1	Understanding and Managing Contracts	Etta Chatterjee	350	8	Impiana Casuarina Ipoh
Region	28 & 29 Mar	2	Corporate Frauds — Law and Controls	Yoga Thevan & Tuan Hj Yunos Alladitha	750	16	Evergreen Laurel Penang
Southern	26 Feb	1	Understanding and Managing Contracts	Etta Chatterjee	350	8	Allson Klana Seremban
Region	17 & 18 Mar	2	Corporate Crime and Investigation	Tuan Hj. Yunos Alladitha	700	16	Hyatt Regency JB
	27 & 28 Mar	2	Corporate Frauds — Law and Controls	Yoga Thevan & Tuan Hj. Yunos Alladitha	750	16	Puteri Pacific JB
Banking & Finance							
Klang	18 & 19 Feb	2	Managing Banking Relationships	Kenny Tay	700	16	Premier Seri Pacific KL
Valley	6 & 7 Mar	2	Applied Project Financing	Agee Lee	700	16	Hilton PJ
	10 & 12 Mar	3	Understanding Bonds	Yogaretnam Kanagandram	900	24	Armada Hotel PJ
	10 & 11 April	2	Understand How Banks Approve & Structure Loans	Agee Lee	700	16	Premier Seri Pacific KL
	16 April	1	Avoiding Cheque Risks and Fraud	William Leong	400	8	Hilton PJ
Northern	21 April	1	Avoiding Cheque Risks and Fraud	William Leong	400	8	Evergreen Laurel Penang
Southern	14 April	1	Avoiding Cheque Risks and Fraud	William Leong	400	8	Puteri Pacific JB
East	24 April	1	Avoiding Cheque Risks and Fraud	William Leong	400	8	Shangri-La Kota Kinabalu
Malaysia	25 April	1	Avoiding Cheque Risks ands Fraud	William Leong	400	8	Holiday Inn Kuching
Management & Strategy							
Klang	18 & 19 Feb	2	Public Practice Programme	various	600	16	Hilton PJ
Valley	20 & 21 Feb	2	ISO 9001:2000 Quality Management System	Amargit Singh	900	16	Sheraton Subang
	28 & 29 Feb	2	Enterprise Wide Risk Management	Dr. Joseph Eby Ruin	600	16	Hilton PJ
	4 & 5 March	2	Cost Reduction Through Kaizen	Dr. Rumesh Kumar	700	16	Hilton PJ
	6 & 7 March	2	Enhancing Business Profitability Through Effective Costing Techniques and Practices	Lee Fok Chong	700	16	Concorde KL
	1 & 2 April	2	Public Practice Programme	various	600	16	Premier Seri Pacific KL
Northern	5 & 6 March	2	An Entrepreneurial Approach to Credit Management & Debt Recovery	Dr. Steven Liew	700	16	Evergreen Laurel Penang
Southern	25 & 26 Feb	2	An Entrepreneurial Approach to Credit Management & Debt Recovery	Dr. Steven Liew	700	16	Hyatt Regency JB
East	18 & 19 Feb	2	Enhancing Business Profitability Through Effective Costing Techniques and Practices	Lee Fok Chong	700	16	Holiday Inn Kuching
	21 & 22 Feb	2	Enhancing Business Profitability Through Effective Costing Techniques and Practices	Lee Fok Chong	700	16	Shangri-La Kota Kinabalu
	10 & 11 Mar	2	An Entrepreneurial Approach to Credit Management & Debt Recovery	Dr. Steven Liew	700	16	Shangri-La Kota Kinabalu
	13 & 14 Mar	2	An Entrepreneurial Approach to Credit Management & Debt Recovery	Dr. Steven Liew	700	16	Holiday Inn Kuching
Personal Development & Leadership							
Klang	24 & 25 Mar	2	Report Writing Skills	Dr. Ng Keat Siew	600	16	Parkroyal Hotel KL
	24 & 25 Mar	2	Corporate Image for a Competitive Edge	Wendy Lee	700	16	Parkroyal Hotel KL
	14 & 15 April	2	Speed Reading for Professionals	Ivy Fernandez	800	16	Hilton PJ
	14 & 15 April	2	E-mail and Business Letter Writing Skills	Dr. Ng Keat Siew	600	16	Hilton PJ
Southern	22 & 23 April	2	Corporate Image for a Competitive Edge	Wendy Lee	700	16	Hyatt Regency JB
Information Technology							
Klang	13 & 14 Feb	2	Microsoft Excel 2000 (Advanced)	tba	300	16	MCSB, KL
Valley	15 Feb	1	Microsoft PowerPoint 2000 (Advanced)	tba	160	8	MCSB, KL
	14 & 15 Feb	2	Microsoft Access 2000 (Basic & Intermediate)	tba	300	16	MCSB, KL
	25 & 27 Feb	3	Microsoft Access 2000 (Advanced)	tba	620	16	MCSB, KL
	28 Feb	1	Introduction to Networking	tba	250	8	MCSB, KL
	26 & 27 Feb	2	Designing Web Pages with MS FrontPage	tba	500	16	MCSB, KL
	3 & 4 March	2	Microsoft Words 2000 (Basic & Intermediate)	tba	220	16	MCSB, KL
	17 & 18 Mar	2	Microsoft Words 2000 (Advanced)	tba	280	16	MCSB, KL
	5 & 6 March	2	Microsoft Excel 2000 (Basic & Intermediate)	tba	280	16	MCSB, KL
	18 & 19 Mar	2	Microsoft Excel 2000 (Advanced)	tba	300	16	MCSB, KL
	7 March	1	Microsoft PowerPoint 2000 (Basic & Intermediate)	tba	130	8	MCSB, KL
	28 March	1	Microsoft PowerPoint 2000 (Advanced)	tba	160	8	MCSB, KL
	10 & 11 Mar	2	Microsoft Access 2000 (Basic & Intermediate)	tba	300	16	MCSB, KL
	24 & 26 Mar	3	Microsoft Access 2000 (Advanced)	tba	620	16	MCSB, KL
	21 March	1	Introduction to Networking	tba	250	8	MCSB, KL
Klang	19 Feb	1	Financial Data Management with Pivot Tables	Chan Phooi Lai	400	8	PentaWise Sdn Bhd
Valley	20 Feb	1	Analysing Financial Data with Microsoft Excel	Chan Phooi Lai	500	8	PentaWise Sdn Bhd
	21 & 22 Feb	2	Tasks Automation with Microsoft Excel Macro/VBA	Chan Phooi Lai	800	16	PentaWise Sdn Bhd
	25 Feb	1	Expanding Microsoft Excel Charts	Chan Phooi Lai	350	8	PentaWise Sdn Bhd
	26 & 27 Feb	2	Microsoft Excel Functions and Formulas	Chan Phooi Lai	800	16	PentaWise Sdn Bhd
	10 March	1	Financial Data Management with Pivot Tables	Chan Phooi Lai	400	8	PentaWise Sdn Bhd
	17 March	1	Analysing Financial Data with Microsoft Excel	Chan Phooi Lai	500	8	PentaWise Sdn Bhd
	18 & 19 Mar	2	Tasks Automation with Microsoft Excel Macro/VBA	Chan Phooi Lai	800	16	PentaWise Sdn Bhd
	24 March	1	Expanding Microsoft Excel Charts	Chan Phooi Lai	350	8	PentaWise Sdn Bhd
	25 & 26 Mar	2	Microsoft Excel Functions and Formulas	Chan Phooi Lai	800	16	PentaWise Sdn Bhd

FOR FURTHER INFORMATION PLEASE MAIL, FAX OR E-MAIL TO:

Malaysian Institute of Accountants
Dewan Akauntan, 2 Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur
Tel: +603-2279 9200 Fax: +603-2273 5167
e-mail: cpe@mia.org.my
Homepage: www.mia.org.my

Yes! I would like to know more about the programmes ticked above.
Please send the information to:

Contact Person: ______________________

Organisation: ______________________

Address: ______________________

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Tel: ______________ Fax: ______________