

# ACCOUNTANTS

Professionalism at the Forefront

JULY 2006  
Vol. 19 No. 7

# today

## From Strength to Strength



“  
*My pledge is to contribute towards the development and growth of the Institute and I will see to it that we continue to work towards realising the vision of the Institute.*  
”

MIA President, Abdul Rahim Abdul Hamid

## MIA lands WCOA 2010



Member Audit  
Bureau of  
Circulations  
(Malaysia)



A Monthly Publication of the Malaysian Institute of Accountants

**NAC**  
2006

**National Accountants  
Conference 2006** page 7

31 October to 1 November 2006, Kuala Lumpur Convention Centre

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### One Year at the Helm: Taking MIA to Greater Heights

*When Abdul Rahim Abdul Hamid took over the helm of the Malaysian Institute of Accountants (MIA) in August last year, he took on a massive challenge and an oath of commitment to ensure that both the Institute and the profession are propelled to greater heights in an environment that is becoming increasingly challenging.*

### Sweet Success: Winning the WCOA 2010 Bid

*The Malaysian Institute of Accountants (MIA) has won the bid to host the prestigious 18th World Congress of Accountants (WCOA) in Kuala Lumpur in 2010. The news about Malaysia's successful bid was conveyed by the Chief Executive of the International Federation of Accountants (IFAC), Dr. Ian Ball, after the IFAC Board meeting in Beijing, China in early June this year.*



## Book Prize for Best Letter

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 and stand a chance to win attractive gifts?

Beginning May 2006, chosen letters will win a book which is featured in the *Accountants Today*'s 'Book Review' column.

- Letters must be original and not more than 500 words.
- Letters will be judged on content and writing style.
- A person can only win twice.
- You must include your contact details *viz.* your name, MIA membership number, MyKad number, address, telephone number and e-mail.
- No prize will be awarded if only one letter is received for an issue. Instead, the letter will be judged along with letters received for the following issue.
- The decision to award a prize solely lies with the editorial team.
- Employees of the Malaysian Institute of Accountants and their immediate families are not eligible for a prize.

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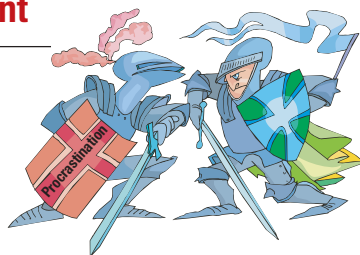
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The Malaysian Institute of Accountants is a statutory body set up under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia. The functions of the Institute are, *inter alia*:

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

## Vision and Mission

### MIA'S VISION

- To be a globally recognised and respected business partner committed to nation-building.

### MIA'S MISSION

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

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Dr. Veerinderjeet Singh

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Mohammad Abdullah

### EXECUTIVE DIRECTOR

Ho Foong Moi

## editorial

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Tong Chin Hoo

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### EDITOR

Iszudin Mohd Amin

### COMMUNICATIONS EXECUTIVES

Anuja Ravendran and Aznita Zakaria

### SENIOR COMMUNICATIONS ADMIN. ASSISTANT

Roslani Shafie

## publisher

### Malaysian Institute of Accountants

Dewan Akauntan

2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur

Tel: +603-2279 9200 Fax: +603-2274 1783, 2273 1016

e-mail: mia@mia.org.my url: www.mia.org.my

## publishing consultant

### Executive Mode Sdn Bhd (317453-P)

Tel: +603-7118 3200, 3205, 3230 Fax: +603-7118 3220

e-mail: executivemode@executivemode.com.my

url: www.executivemode.com.my

## printer

### BHS Book Printing Sdn Bhd (95134-K)

Lot 17-22 & 17-23, Jalan Satu, Bersatu Industrial Park  
Cheras Jaya, 43200 Cheras, Selangor

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

Fax: +603-9076 0785, 9074 7573

e-mail: bhsprint@tm.net.my

## mia branches

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### CHAIRMAN

Choong Shin Cheong, Roland

Tel: 07-227 0369 Fax: 07-222 0391

Chan Boon Jiun

Tel: 04-442 2350 Fax: 04-442 2351

Billy Kang

Tel: 09-748 2000 Fax: 09-744 2305

Halim Husin

Tel: 06-292 2154 Fax: 06-292 2153

Tan Teng Chai

Tel: 06-454 1664 Fax: 06-454 5527

Foo Tui Lee, Joseph

Tel: 09-516 3788 Fax: 09-516 1635

Adelena Lestari Chong

Tel: 04-229 4203 Fax: 04-229 5546

Soo Yuit Weng

Tel: 05-253 7722 Fax: 05-255 2618

Alexandra Thien

Tel: 088-261 291 Fax: 088-261 290

Tiang Kung Seng, David

Tel: 082-418 427 Fax: 082-417 427

Su Lim

Tel: 09-624 4912 Fax: 09-623 819

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Editor, *Accountants Today*, Dewan Akauntan, 2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur, Malaysia  
Tel: +603-2279 9200, Fax: +603-2274 1783, e-mail: accountantstoday@mia.org.my url: www.mia.org.my

## WCOA 2010 Bid — *MIA Emerges Victorious*

In early June this year, the Institute received word from the International Federation of Accountants that its bid to host the 18<sup>th</sup> World Congress of Accountants (WCOA) had been successful, thus making Malaysia the host country of the next congress in 2010.

The WCOA is held under the sponsorship of IFAC every five years since 1977 and every four years since 2002. As the world's premier gathering for accountants, the WCOA is a platform to explore issues of impact and create actionable policy recommendations to the world and the accountancy profession and industry leaders focusing on relevant financial and business issues.

The WCOA will enable MIA as the representative of the accounting profession to be able to share in our leadership role in generating and promoting economic growth, with a sustained and continuous adherence to high quality and consistent financial standards for organisations operating in Malaysia. WCOA will also provide a platform for countries in establishing, upgrading and sustaining their own financial infrastructure and regulatory framework.

Towards this end, when MIA first announced that it was putting up its bid to host the 18th World Congress of Accountants, which is to be held in the year 2010, everyone involved knew that they had a gargantuan task ahead of them. With competition from the likes of accounting institutes in India, Mexico, Belgium and the Netherlands, everyone of us knew that it would require a whole lot of detailed preparation before the site inspection officials came to see if Malaysia was in fact a suitable destination for the next congress.

Motivated by a strong desire to ensure that Malaysia won the bid, the campaign turned into a concerted effort involving many parties, including government agencies and other relevant organisations. This month *Accountants Today* chats with MIA's President, Abdul Rahim Abdul Hamid, to find out about MIA's winning stint and its commitment in ensuring that the event is of world-class standard. He shares with us the frenzy of preparing for the site inspection visit and MIA's enthusiasm towards this bid.

Another article featured on the cover this month is an interview with Abdul Rahim to commemorate his first year as President of the Institute. We asked him about some of the challenges he perceives for the profession apart from the significant milestones achieved by the Institute since he was appointed to office. For those who are interested in getting to know Abdul Rahim as a person, this month's issue also includes a brief up close and personal interview with him.

In continuously striving to provide our readers with relevant and interesting reading material, we have once again put together an issue which we hope would make a good read. Happy reading! **AT**

Editor  
*Accountants Today*

“As the world's premier gathering for accountants, the WCOA is a platform to explore issues of impact and create actionable policy recommendations to the world and the accountancy profession and industry leaders focusing on relevant financial and business issues.”

### membership subscription notice 2006/2007

With regard to our notice pertaining to the Payment Advice for Membership Subscription Fees 2006/2007, we are pleased to announce that in addition to the conventional mode of payments via cash, cheque, credit card, online payment ([www.maybank2u.com.my](http://www.maybank2u.com.my) and [www.rhbbank.com.my](http://www.rhbbank.com.my)), we are introducing payment through any credit cards (only Visa and Mastercard issued by banks and financial institutions incorporated in Malaysia) using Maybank's portal. For this service, you are not required to be a Maybank account holder.

We hope you will use the new mode of payment to your convenience. Thank you.

### Errata

We refer to the paper titled 'The Roles and Domain of the Professional Accountant in Business' that was published in the June 2006 issue of *Accountants Today*. We wish to inform you that this paper was published by the Professional Accountants in Business Committee (PAIB) of the International Federation of Accountants (IFAC). This paper was published with the permission of IFAC. We regret the omission of this acknowledgement.

### 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.



**NAC**

2006

# National Accountants Conference 2006

*31 October to 1 November 2006, Kuala Lumpur Convention Centre*

## ACCOUNTANTS — GENERATING GROWTH, BUILDING CONFIDENCE



Global capital will generally flow to where it is best protected. As a country still dependent on foreign direct investments, Malaysia needs to attract and protect all investors, both foreign and domestic. In a legal system rooted in British common law, the interests of shareholders are held to be paramount in most corporate decisions. Our financial market is increasingly becoming more sophisticated and we have laws that protect property and shareholders' rights. The convergence of financial reporting standards with international ones provides comparability and transparency.

The investor grants power to run the corporation to a board of directors. In practice the day-to-day decisions are delegated to a management team. The accountant is a very important member of this team as his role is to uphold compliance with generally accepted accounting standards and laws. Since the occurrence of several high level financial scandals globally in previous years, the responsibility of accountants has become more onerous as laws were tightened, adding whistle blowing provisions, etc. However, all these developments nourish investors' trust, help generate sustainable growth and build confidence in the economy when accountants continue their noble duty as a manager of value, which is the MIA tagline.

## WORLD news

### Deloitte announces Deloitte Asean — a new approach to delivering client service excellence in S.E. Asia

Deloitte member firms in Southeast Asia are joining forces to enhance client services and provide new opportunities for their people.

William G. Parrett, CEO, Deloitte Touche Tohmatsu, announced recently the establishment of Deloitte ASEAN. This development is part of the organisation's aggressive plans to double Deloitte's strength in Asia within the next five years.

Deloitte member firms in six countries — Singapore, Malaysia, Indonesia, Thailand, the Philippines, and Guam — make up Deloitte ASEAN, which will comprise more than 150 partners and about 3,500 staff in more than 15 office locations.

In announcing Deloitte ASEAN at a client reception in Singapore recently, Mr. Parrett said, "Asia Pacific is the number one strategic market for Deloitte, and Deloitte ASEAN not only is the first of its kind for the region but comes on top of other significant investments in Asia Pacific, including

**"Asia Pacific is the number one strategic market for Deloitte, and Deloitte ASEAN not only is the first of its kind for the region but comes on top of other significant investments in Asia Pacific, including US\$150 million in China and US\$50 million in India."**

**William G. Parrett, CEO, Deloitte Touche Tohmatsu**

US\$150 million in China and US\$50 million in India."

Mr. Parrett added, "It is the Deloitte vision to be the standard of excellence, and the establishment of Deloitte ASEAN enables the member firms to leverage their combined size, scale, and expertise to help achieve this in this region. As we all know, the whole is worth more than the sum of its parts."

Manoj Singh, CEO, Deloitte Asia Pacific, who was instrumental in the reorganisation, added, "Deloitte ASEAN will be our second-largest practice in Asia Pacific in terms of headcount and in the top 20 of the Deloitte organisation worldwide. Given the combined strengths of the region and the synergies offered through this combination, I expect Deloitte ASEAN to grow much faster than the market over the next five years." **AT**

## FT on harmonising accounting standards

Here's what an influential financial newspaper has to say on the quest to harmonise international accounting standards.

In an editorial published in early May, London-based *Financial Times* writes: "People on an arduous journey tend to react badly to the idea that they are heading in the wrong direction. So PwC will have raised hackles with an internal paper suggesting that harmonising US and other international accounting standards should be abandoned. Instead, the London office of the world's biggest accountancy firm would prefer the International Accounting Standards Board to focus on improving its own standards."

In the editorial entitled *A Misguided Quest*, it goes on to say: "This year the IASB and the Financial Accounting Standards Board, its US equivalent, promised to make significant progress by 2008 in eliminating serious differences between the reporting standards for which they were responsible. The initiative has some attractions. European companies listed in the US might no longer have the expense of providing two sets of accounts to meet differing requirements. Comparing companies in different regulatory regimes should also become easier.

"The risk, however, is that a shift would occur towards the rules-based approach of the FASB and away from international accounting standards based on broad principles. The FASB has talked about moving towards a principles-based system but the pressures of US corporate life make this a brave rather than a plausible ambition. Giving up an accounting

approach based on the application of principles in favour of one founded on compliance with detailed requirements would be a bad plan for two reasons. The first is that a principles-based system requires those preparing accounts to exercise robust professional judgment. This approach holds professionals accountable for their decisions in a way that reliance on ticking boxes does not. Many accountants believe that the system can encourage a less thoughtful approach and make it easier to hide mistakes. The second weakness is that fulfilling such extensive requirements would place a new and costly burden on smaller European companies.

"If the world were littered with thousands of accounting standards, convergence benefits might outweigh the disadvantage of moving to a prescriptive system. But it is not. The international financial reporting standards for which the IASB is responsible already apply across more than 90 countries in Europe, the Middle East, Africa and Australasia. Japan and China are on the way to increasing that number.

"The IASB's dominance in standard-setting makes it particularly important that its conclusions command broad respect. It can best achieve that by ensuring that the discussions on introducing or improving standards involve all those with a stake in corporate reporting. They should not turn into debates in which the accounting profession simply talks to itself. Asking companies, investors and regulators what priority they attach to harmonising US and international accounting standards would be a useful next step." **AT**

*FT.com*

## Malawi's accounting standards

Malawi's top accountants were locked up in a meeting in Blantyre to discuss the implementation of new accounting standards in their respective work places, reports *Nation malawi.com*.

Opening the meeting, Society of Accountants in Malawi (Socam) President, Jimmy Lipunga said the accounting profession is undergoing a revolution with changes taking place at a fast pace.

Notable areas which have undergone a metamorphosis process in recent times include presenting financial statements, accounting for income taxes, accounting for property, plant and equipment, accounting for employees benefit, accounting for borrowing costs and accounting for changes in foreign exchange rates.

"The accountant in Malawi should in no way be left behind in this dynamic world that follows internationally recognised standards. If we drag our feet in acquiring such new knowledge we will end up lagging behind.

"As accountants we are the eyes of our respective organisations on issues of finance and financial reporting and this meeting will empower us to give sound advice on these issues," said Lipunga.

Socam Executive Director, Hennox Mazengera said since the whole world knows that Malawi has adopted the international accounting standards it is very important for them to be put in practice by all accountants.

He said at the moment there are still other accountants who are not following the new standards because they may not be

aware of their existence, hence the meeting.

"What we want is to achieve some degree of uniformity when it comes to financial reporting in all the accounting departments so that if someone from America comes in he should see no difference in how things are done in this country," he said. **AT**

*Nationmalawi.com*

## Exams by audit watchdog to eye controls, costs

The Public Company Accounting Oversight Board (PCAOB), which regulates auditors of US-listed corporations, said that its 2006 exams would focus on controversial requirements of the Sarbanes-Oxley corporate reform bill, according to a report by *Reuters*.

Businesses have been complaining about the costs of internal control audits that were mandated under 2002's post-Enron Sarbanes-Oxley accounting reforms.

The PCAOB said its exams will look at the "efficiency of (audit) firms' performance of audits of internal control ... with the least expenditure of effort and resources."

The Securities and Exchange Commission, which oversees the PCAOB, is under pressure from business interests to roll back Section 404 of Sarbanes-Oxley. That section required companies to disclose more information about internal controls and to have outside auditors give opinions on the controls' adequacy.

*Reuters* reported that only the largest companies so far have had to comply with Section 404. Small and mid-sized companies, which have complained most loudly about it,

have not had to comply.

The SEC received a report from an advisory committee recommending a blanket 404 exemptions for small and mid-sized companies comprising up to 80 per cent of US companies.

The source of some business complaints about Section 404 has been that audit firms are billing clients for control audits seen by some as too comprehensive and costly.

Targeting possible over zealousness of this sort, PCAOB Acting Chairman, Bill Gradison told the newswire: "A key emphasis of the 2006 inspections will be the efficiency of the firms' performance of audits of internal control over financial reporting."

In a statement, he said, "As part of PCAOB's efforts to improve the cost-effectiveness of these audits, our inspectors, as they go into the field, will be making a focused effort to ascertain that auditors have achieved the objectives described in the board's internal control auditing standard with the least expenditure of effort and resources."

The PCAOB's focus on Section 404 comes ahead of a May 10 meeting with the SEC to consider second-year 404 compliance and next steps, a joint SEC-PCAOB statement said.

Representatives from major accounting firms and companies, including General Electric, Microsoft and Lockheed Martin, are expected to attend, as well as government officials and New York Stock Exchange and Nasdaq officers.

While Section 404 has been the target of criticism, the PCAOB — also a Sarbanes-Oxley creation — is under attack.

The Free Enterprise Fund, a conservative think tank, has hired former US Independent Counsel, Kenneth Starr, famed

prosecutor in the Monica Lewinsky investigation, to ask a federal court to declare the PCAOB unconstitutional.

If successful, the lawsuit could put anti-Sarbanes-Oxley legislation on a fast track in the US Congress. A bill to address the court's possible concerns could attract amendments to address other Sarbanes-Oxley problems, according to Michael Carvin, a partner with Jones Day and a lawsuit participant. **AT**

*Reuters*

## International accounting standards in the Middle East

Real progress is being made on the adoption of International Financial Reporting Standards (IFRS) in the Middle East, but there is an urgent need for corporate legislation that mandates the use of IFRS by all companies and enforces proper compliance, says *Ameinfo.com*.

That is the verdict of international accounting experts who addressed the World Accounting Summit in Dubai in May.

The five-day international summit brought together more than 300 leading international and local accounting experts, regulators and standard setters at the Al Murooj Hotel, Dubai from 27 to 31 May 2006. The main debating topic was the successful regional implementation of the global standard for accounting and reporting, IFRS.

Abbas Ali Mirza, a partner at Deloitte & Touche and the newly elected Chairman of the Auditors Group of the Dubai Chamber of Commerce and Industry (DCCI), said: "There has been substantial progress on IFRS implementation in the UAE in the last couple of years,

but this has been the result of best practice rather than a legal framework, with the exception of banks in the UAE, which are required to follow IFRS under a directive of the Central Bank."

"At the last count, more than 100 countries have adopted IFRS fully or to a large extent. The European Union adopted IFRS for consolidated financial statements of listed companies at the start of 2005, and Australia has applied the rules across the board for all companies. Many Middle East countries have also adopted IFRS as a legal requirement of their corporate legislation."

An author of numerous books on IFRS, Mirza added: "Such corporate legislation if enacted in the UAE will enable shareholders and financial institutions to use financial statements prepared according to global accounting standards, which are currently only being followed by listed companies. There is no legal compulsion for non-listed companies to follow IFRS; it happens because of best practice or as a result of financial covenants with banks."

Mirza said: "Implementation of IFRS is not an easy task because the standards are complex, and their interpretation can be subjective. Users of the standards may therefore experience practical problems when complying with IFRS. Cultural differences also need to be brought to the attention of international standards setters so that they consider the viewpoints of those preparing financial statements in emerging economies."

Agata Pawlik, Conference Director at IIR, organisers of the World Accounting Summit, said that this year's summit provided a valuable opportunity to address the grey areas of IFRS implementation in the Middle

East. It also brought together board members from the International Accounting Standards Board (IASB), the major accounting associations worldwide, advisors to multinational companies, and key users and writers of financial statements.

Mirza, who chaired the World Accounting Summit and delivered a regional keynote address, said: "Before the stock markets fell, GCC market capitalisation touched the US\$1 trillion dollar mark, which represents three per cent of the world's market capitalisation. This places a big responsibility on regulators to implement and enforce world-class accounting and financial reporting rules for financial entities operating in the region. Proper implementation of IFRS will help avoid the mistakes in the West brought about by creative accounting and the lack of corporate governance."

"Around 200 Fortune 500 companies now prepare their financial statements under IFRS. IFRS is fast becoming the global financial reporting benchmark, and it is therefore imperative that the much-awaited Company Law of the UAE prescribes these standards."

The World Accounting Summit welcomed a wide selection of industry speakers, including Robert Garnett, Chairman of IFRIC and Board Member of IASB in the UK; and Richard Martin, Head of Financial Reporting at The Association of Chartered Certified Accountants (ACCA).

Dr. Habib Al Mulla, Chairman of the Dubai Financial Services Authority (DFSA); and Dr. Ahmed Bin Abdula Al-Moghames, Secretary General of the Saudi Organisation for Certified Public Accounts, also addressed delegates. **AT**

*Ameinfo.com*



# IS MIA Effective

## IN SERVING THE NEEDS OF ITS MEMBERS?

*Servicing its stakeholders successfully has always been a core concern of the Institute.*

*In this regard, the Institute embarked on a survey project with the objective of determining MIA members' current perception of the Institute.*

### The study method

The Institute appointed a team of independent consultants from the Department of Accounting, International Islamic University Malaysia (IIUM) to conduct the research.

Over 850 accountants representing about 17 per cent of the sample responded via postal questionnaires and telephone interviews to share their views about the Institute. The interviews were conducted to attain more detailed explanations and clarifications to substantiate the data from the questionnaires.

The proportionate random sampling technique was used to identify the sample. The population of members was first stratified into various categories based on the demographics of the population (for example: gender, age, location and sector of employment). The composition of the population was determined according to the frequency of each of the categories, and then the proportion of the sample was selected to reflect the composition of the population of MIA members.

A descriptive analysis was carried out on the data gathered. In addition, comparative statistical analyses were undertaken to identify possible differences based on demographic variables.

The questionnaire instrument was developed from the questions submitted by the sub-committees of the MIA. The team from IIUM refined and integrated the desired information into survey questions after a series of meetings with MIA.

After the survey questions were agreed upon, a pilot test was conducted on 30 MIA members. The suggestions obtained from the pilot test were incorporated to further improve the questionnaire.

The reliability of responses was tested based on Pearson and Spearman correlation coefficients. It was found that all the logically linked responses were highly positively correlated to each other, hence making the responses highly reliable.

### ANALYSIS

- The gender classification of respondents indicates a ratio of 52:48, Male and Female respectively.
- This is similar to the member population ratio and the sample proportion. Hence,

“We are proud to unveil the results of the MIA Members' Perception Survey, which was initiated in February 2005”

this ratio gives us some assurance that there is no gender bias in the responses.

- The descriptive statistics depicted that the majority of the respondents were in the 29 to 35 age group, followed by the 36 to 45 age group. The distribution also indicates that the data is relatively normally distributed.
- In addition, 80 per cent of the respondents are in the middle or top management positions. For those who have categorised themselves as entrepreneurs, the majority of about 39 per cent are in the non-audit firms, 25 per cent are in audit firms and another 25 per cent are in commerce and industry, leaving the minority in the public sector and academia.
- The survey results also showed that those in the younger age group (35 and below) are holding more junior (about 80 per cent) and middle management positions (about 55 per cent), whereas those above 35 years of age tend to be at the senior/top management level (about 63 per cent) or entrepreneurs (about 70 per cent). What is more interesting is that about 37 per cent of the top management posts and 55 per cent of the middle management positions are held by respondents below 35 years old.
- The demographics of the 37 per cent of those who are 35 years of age and below, and hold senior/top management positions were analysed. One per cent of those in this group are academicians and another one per cent in statutory bodies or non-profit organisations. Two per cent are working in non-audit firms. Nine per cent are working in the public sector and 15 per cent are in audit firms. The majority of 72 per cent are in commerce and industry.
- It was found that 27 per cent and 41 per cent of young senior managers in commerce and industry and audit firms, respectively, have more than one qualification. In fact a few of them had up to three to four qualifications. It is possible that those who are in public practice and commerce and industry may be working for smaller businesses, but this cannot be validated.
- It was found that there was no correlation between qualification and the level of employment. This could be due to the fact that most of the respondents seem to be equally qualified. However, there is a high correlation between age (which proxies for experience) and the level of employment.

The survey results also revealed that the qualification held most by the respondents is ACCA, followed by local degrees.

- About 16 per cent of respondents hold overseas degrees and CPA Australia qualifications. In addition to the qualifications above, there were 14 respondents with ICAEW and 20 with Master's qualifications. Other qualifications include ICAA (3), Certified Internal Auditor (3), Malaysian Institute of Taxation (4) and New Zealand Chartered Accountant (3).
- The majority of respondents were from the Klang Valley region. The overseas working group is quite small at one per cent. The Institute may like to refocus efforts at gaining reciprocal international recognition to increase the mobility of its members in the face of the coming opening up of the Malaysian services sector to foreigners. Commerce and Industry continues to provide a dominant workplace for the members. This has implications for the educational curriculum design as well as a more active role for the PAIB committee in areas such as Internal Auditing, Corporate Governance and Management Accounting.
- Out of the 34 interviewees, 50 per cent of the respondents were men. 59 per cent of the interviewees were 35 years old and below. Thus, 41 per cent were above 35 years of age. Fifteen per cent of those interviewed were from the public sector, about 73 per cent were from commerce and industry and the remaining 12 per cent were from public practice. As in the questionnaires, the majority of the interviewees were from the middle management and senior and top management (44 and 32 per cent, respectively). 21 per cent were from junior management and only one of the interviewees was an entrepreneur. Seventy-six per cent of those interviewed were from the Klang Valley region and the remainder were from the other states in Malaysia.

## FINDINGS

The project met its objectives by investigating members' perception on services and facilities provided by the MIA, as well as obtaining their opinion on services, facilities and areas that the MIA could expand and improve on.

The highlights of findings from the survey are as follows:

### Financial Planning

- Ninety per cent of the respondents said that accountants should provide financial planning services. Although 71 per cent do not currently provide financial planning services, 56 per cent of these members would like to provide financial planning services in the future, mostly (about 62 per cent) in taxation and investment planning.
- About 55 per cent were of the view that both fee and commission should be charged to the clients on FP service. Also, about 59 per cent of the respondents insisted that commission received on FP products should be disclosed.
- The members perceived that issuance of updates by MIA, followed by training and development, and issuance of practice guides are important forms of assistance that MIA could provide to the members on FP.
- The respondents viewed short CPE courses and on-line courses as the preferred mode of FP training.
- About 97 per cent of the respondents have not applied for SC licence to provide FP services although only 1.2 per cent is exempted.

### Professional Accountants in Business (PAIB)

- The survey findings indicated that the sampled PAIB members found that their interests were represented moderately well.
- A proportion of the PAIB members were also found to be unaware of some of the Committee's activities. They feel that the most important source of information is the Institute's journal, *Accountants Today* and that CPE programmes are relevant and beneficial. Specific emphasis in topics on capability building is deemed attractive and in demand. Furthermore, members feel that issuance of updates on latest developments in industries would be the most beneficial activity of the PAIB Committee.
- They also perceive that members' career progression is positively affected by their MIA membership designation. The findings indicated that quite a number of the members would like to be involved in activities organised by the committee, especially those that relate to training.
- Generally, all the communication tools and programmes of MIA meet the expectations of members. The survey shows

that an overwhelming majority read *Accountants Today*.

### In conclusion ...

MIA members want Financial Planning to be affiliated as a new area of specialisation and there is a huge interest in it. However, members need to be spared the expense and tedium of another professional qualification. A sub-discipline through short courses leading perhaps to a diploma in financial planning by MIA may be helpful.

An online survey may be undertaken by MIA (published also in *Accountants Today*) to take the idea further. There is a need to publish a code of ethics regarding financial planning services in addition to practice guides and updates in this area.

The PAIB members perceive that the representation of their interests by MIA could be substantially enhanced. The PAIB Committee activities and services available to members should be widely promoted through various means, which essentially include yearly dialogues with members. Alternatively, promotions could be carried out via *Accountants Today* and websites, which are found to be the most widely used and effective form of communication among the PAIB members. The PAIB group is also perceived to be too broad a categorisation. In view of this, it is felt that there is a need to look into the existing CPE programmes available by refocusing and tailoring trainings to cater to the various specialised groups which make up the PAIB.

The services offered to the members such as *Accountants Today*, the MIA Website and the Help Desk were all perceived to be useful in various degrees. We found that *Accountants Today* is very widely read and is perhaps the most important communication tool of MIA. This should be enhanced with less academic articles. There is a need to enhance the use of MIA's e-mail and its website to interact with members, the former for technical help enquiries and general communications and the latter for posting practice guides, technical bulletins, industry practices and updates.

The Institute is of the view that these findings will help steer the direction of the Institute for year 2006/2007 and beyond. **AT**



# One Year at the Helm

## TAKING MIA TO GREATER HEIGHTS

By Anuja Ravendran

*When Abdul Rahim Abdul Hamid took over the helm of the Malaysian Institute of Accountants (MIA) in August last year, he took on a massive challenge and an oath of commitment to ensure that both the Institute and the profession are propelled to greater heights in an environment that is becoming increasingly challenging.*

One year into his presidency, *Accountants Today* decided to catch up with him on the latest developments within the profession and the Institute. During the interview, he shared with us his thoughts on some of the challenges he sees for the profession and his aspirations for the profession and the Institute.

He believes accountants face a lot of challenges ahead — be they real or perceived. “I say this because people’s perspectives tend to differ where challenges are concerned,” he says.

### **Demands of changing technical standards**

He says for those in practice and those directly involved in the preparation of financial statements, one of the challenges pertains to the ongoing changes and demands of the accounting standards. “Even the best of accountants may have some trouble understanding these standards, what more the rest?”

MIA has always been involved in any attempt by the Malaysian Accounting Standards Board (MASB) to bring about awareness of accounting standards by encouraging seminars and training programmes. “Some of the standards are not easy for our practi-



tioners as well as accounts preparers; so that's an ongoing challenge.

"The challenge is similar with auditing standards. The IFAC has conveyed certain new standards, which would involve the auditors, and these are equally challenging for practitioners.

"People at large, including authorities, are beginning to look very keenly at the performance of capital markets. Without a doubt any misdeed or misgiving about companies will lead them to making a direct reference to the auditors and accountants. So strict adherence to the regulatory framework is extremely crucial.

"Then again there is this situation of the practising community. There are the Big 4 which have their own reputation for high technical standards that make it look as if there will not be any problem in addressing the regulatory framework."

However, he believes that 90 per cent of small firms will encounter challenges in this area.

### Small firms must merge

"It is a real concern facing small firms in Malaysia." He says he realises that his comments on this subject matter may not go down too well with small practitioners, "but it is something that needs to be said." He feels that smaller firms should take up the call for mergers in order to be more prepared to face the challenges of the market today as well as build up on resources.

"Why do small firms persist in remaining small?" he asks. Although there may be some small firms with best practice management, these firms will definitely have a tough time in achieving the kind of quality that the market will come to expect, Abdul Rahim says.

"In my conversation with some of the small practitioners, I am given the impression that they do not want to expand their size or improve on their qualities; sometimes quality can be achieved through expansion." He feels that a majority of small firms would not have what it takes to provide the kind of quality expected by clients. "A single practitioner will have to deal with all sorts of requirements. He will not have the benefit of a second opinion from a partner. He will not have the benefit of perhaps having a focused attention to the various service lines, unlike in a bigger firm with many partners. A single practitioner having to deal with all these requirements will

be exhausted of both resources and energy. And this is only while providing services. What about providing support to clients?"

He is also worried about training initiatives for sole practitioners. "I may be wrong but generally, I do not see a one-man firm having well-structured staff training programmes," he says.

Another area that small firms need to seriously look into is the implementation of technology, he says. "Perhaps a partner may own a laptop but beyond that would he be willing to invest in other technological devices, which may be expensive?"

"I am on a crusade to encourage small firms to either form a consortium or engage in full mergers to create a decent size, so as to increase credibility and have better opportunities. The more partners a firm has, the more focused and attentive it can be to clients. More partners means that more areas can be covered and this boosts the firm's credibility as well. A firm with more partners will be seen as more credible by businesses and even government agencies today because it tells them that the firm has more resources."

Abdul Rahim says he is making this call for consortiums or mergers to ensure that there is proper staff training, improved resources and optimal use of technology among small firms. "It may not be felt yet, but a move in this direction would ensure benefits in the long term."

### Continuous education is necessary

It is very apparent that Abdul Rahim holds matters related to education and training very close to his heart. He says that he is very concerned as to whether the majority of accountants are serious about continuously educating themselves. He says that generally among certified public accountants, the practitioners are seen as more inclined towards engaging continuous professional education efforts. It is those in commerce and industry, who account for close to 65 per cent of MIA's members' that he is worried about.

He is more worried about those who are starting out their careers in commerce and industry. Are they benefiting from the efforts of MIA and employers alike in offering opportunities for them to continuously update and improve their knowledge? Are they prepared to challenge themselves and learn more in a bid for structured career

development?

He feels that the Professional Accountants in Business (PAIB) Committee have to look into this matter seriously to ensure that these accountants are serious about continuous education.

### Engaging the academia

He adds that he is also concerned about the minority stakeholders of the Institute — the academia. More than half of those in academia are not MIA members but their role is as important as that of a PAIB member or public practitioner as they are the people who are responsible for producing the nation's accountancy graduates, who eventually go on to become MIA members.

"Until the strategic blueprint was formed, we did not, to my understanding, look beyond just the classification of members but now we have to take it one step further. We need to understand their position and how to get them engaged," Abdul Rahim says.

It is with this in mind that the Accountants Act 1967 was amended to include five members of the Council from the academia. This was a very positive and significant change.

However, Abdul Rahim says that he hopes that at all times, these five representatives would be able to "put on the cap of a Council Member" and represent the entire education sector instead of just the organisations they come from. "They must be holistic in that sense."

### MIA in the eyes of the public

Following the *Strategic Blueprint*, it was felt that if we were involved in partnering the nation in the quest for development, our own image would need to be enhanced as well, Abdul Rahim says.

Towards this end, MIA underwent a corporate image overhaul two years ago when the new logo and the tagline were launched. "In our efforts to boost our branding and promotional efforts, we also enhanced the capability of our public relations unit. We recognised the capability of Dato' Khalid Ahmad from his previous corporate involvements and we appointed him to lead the Public Relations Committee to look at branding and publicity in a way that has not been done before.

"To a certain extent, the campaigns have been successful. Previously, members of

the public had difficulty in knowing what exactly MIA stands for, but there seems to be more recognition these days. There is some level of success and goodwill.” But he maintains that there is still a lot more to be done as far as branding and publicity is concerned. “We still have a lot to do in terms of educating people on what our functions are.”

### Milestones achieved for the Institute

“Early this year, we decided that it was about time to revisit the strategic direction of the Institute via the *Strategic Blueprint*, which was created five years ago to drive the Institute towards excellence. It was important for us to do this because the Council line-up has changed and more than half of the new Council Members were not present when the blueprint was first introduced. So in a bid to get everyone familiarised with the strategic direction of the Institute we had a meeting, which was successful in its objective.

“Elsewhere we continued to be responsible in our responses to the needs of the profession and the country. The Globalisation and Liberalisation Committee has been very active in discussing FTAs and MRAs. Our involvement in regional bodies are being carried out at the same pace, if not faster, and we have a healthy representation in some of the International Federation of Accountants (IFAC)’s key committees.”

He also says he has reason to believe that “MIA, via its involvement, will make a significant difference to what the ASEAN Federation of Accountants (AFA) is all about.

“I can get a sense that something significant will be happening and I want to say that we have played our role to cause that to happen.” He expects some of the initiatives stemming from this development to be realised within his presidency.

“Another one of the more significant achievements in my time here is of course winning the WCOA bid,” he adds.

But he says that there is still a lot more to be done. “My pledge is to contribute towards the development and growth of the Institute and I will see to it that we continue to work towards realising the vision of the Institute, which is to be a globally recognised and respected business partner, committed to nation building.”

## Abdul Rahim in person

One year down the road, it has been hectic to say the least, but it was not unexpected, Abdul Rahim says when asked about how things have been since he became MIA President. “When I was elected as the President, I knew it was not for the prestige attached to being one and that has always been my attitude towards this position,” he says. He did anticipate that there would be calls for more of his time. Furthermore, by virtue of his presidency, he would be required to hold other positions. He adds that the presidency came to him at a timely period, just after he had retired. Because of this, he could give this responsibility his full attention and commitment without having to worry about it eating into anything else.

As a baseline indicator of what being a president is, the role of a president is to contribute towards the betterment of the profession and the Institute. “And that is the attitude that I brought with me since the first day that I joined the Council of the Institute five years ago. Directly or indirectly, this commitment has required me to sacrifice time and in some cases even opportunities either in my practice or other areas, but this is my obligation to the Institute and I contribute to the Institute willingly. I realise what is required of me and I have no complaints. This is not a chore,” he says.

When asked about his hobby or what he likes to do in his free time, he chuckles, “What free time?” However he admits to having an interest in people. “I engage in people and I enjoy it.” Giving an example, he says that when he goes to play golf, it is not so much because of the game but more because it is an opportunity to spend four hours with three other people.

Then he shares a secret passion for photography. “I do not do it professionally. It is amateur photography, but I enjoy it all the same.” He adds that he enjoys photographing nature and his favourite photography subjects are his wife’s plants. “She is a gardening enthusiast and I enjoy taking photographs of her plants,” he says. “Perhaps someday I will produce a pictorial compilation of all the photographs I have taken,” he says with a smile.

His other passion is of course his family — his wife, Puan Norizah Abdollah and their three children. “None of them are accountants, but we decided to allow them the space to pursue their own interests,” he says. His eldest son is a multimedia creative designer, his second son is being trained in culinary arts and his youngest, a daughter, is pursuing her studies in communications abroad.

When asked if he subscribes to a particular philosophy in life, he says that he believes that everyone was brought to earth for a purpose and everyone should strive to find out that purpose and serve it. His own purpose, he believes, is to make a difference in someone’s life everyday. At the end of the day when he has successfully made that difference, it gives him a sense of fulfilment. Being an accountant was never the purpose, it was merely the means, he says resolutely.

Speaking about his career, Abdul Rahim jokes about his ‘blind loyalty’ to the firm. “I don’t know if you would call it broad corporate experience because I spent over 33 years in the same firm. I joined Cooper Brothers & Co in 1971, it then became Coopers & Lybrand and I would probably have retired from it if not for the merger (with Pricewaterhouse),” he says. “However, with the broad spectrum of clients, sectors and industries I have worked with, I dare say that I did have a colourful career.”

He confesses to having had leadership principles even since his school days. The most important aspect of leadership, Abdul Rahim believes, is humility. “It is important to be able to acknowledge the fact that no one is a ‘know-it-all’ and even leaders have to consult with others on matters they are not familiar with.

He goes on to say that he feels quite challenged that there are some people who look up to him as if what he says is ‘the word’. “When these people look up to me to provide the light, I disappoint them. I might be the President but I am not the boss and people must understand that,” he says. “Given the chance, I will correct the misconception that whatever I say is always right,” he says as we conclude the interview at MIA’s office in Brickfields, Kuala Lumpur. **AT**

# Sweet Success

## WINNING THE WCOA 2010 BID

By Anuja Ravendran

*The Malaysian Institute of Accountants (MIA) has won the bid to host the prestigious 18th World Congress of Accountants (WCOA) in Kuala Lumpur in 2010. The news about Malaysia's successful bid was conveyed by the Chief Executive of the International Federation of Accountants (IFAC), Dr. Ian Ball, after the IFAC Board meeting in Beijing, China in early June this year.*

*Malaysia received unanimous support from the IFAC members, beating India, the Netherlands, Mexico and Spain. MIA President, Abdul Rahim Abdul Hamid, described the decision as 'tremendous and momentous' for the Institute as well as the nation.*



*During the courtesy call on the Deputy Governor of Bank Negara Malaysia, YBhg Dato' Ooi Sang Kuang (3rd from left)*



**M**IA's President, Abdul Rahim Abdul Hamid (ARAH) shares MIA's success story with *Accountants Today*.

**AT:** *What drove MIA to submit the bid?*

**ARAH:** As we know the MIA has been on a mission to further enhance its image. The Institute has actually been going through a process which has never been practised before. I am talking about the *Strategic Blueprint*, a document which was created five years ago to propel the Institute towards betterment.

Part of that mission is to be a partner in nation-building. Towards that end, it was our belief at MIA that hosting the WCOA 2010 would be an excellent opportunity to be involved in an event at a global or international level. This would translate towards nation-building initiatives.

**“...it was our belief at MIA that hosting the WCOA 2010 would be an excellent opportunity to be involved in an event at a global or international level. This would translate towards nation-building initiatives.”**

Even very prestigious events like the World Cup and the Olympics are held once in four years. So is the WCOA. And what makes the win even sweeter is the fact that the WCOA is dubbed the ‘Olympics’ of the accounting profession.

**AT:** *Does MIA have what it takes in terms of resources?*

**ARAH:** To begin with, I must say that MIA took the lead in the Bid Committee because the event is a gathering of accountants. But although we initiated the bid, we cannot discount the fact that success would not have been possible without the total support received from various government agencies and other organisations and individuals who helped us firm up the bid. In this regard, we are confident that we have what it takes and more to successfully organise the 18<sup>th</sup> WCOA in 2010 in Kuala Lumpur.

Moving on, MIA is not new to the conference-organising scene. We have been organising the National Accountants Conference for the last 21 years to a great degree of success. We are continuously

breaking the record for number of participants as the years pass. Last year we achieved 1,800 delegates.

The WCOA is of course in an entirely different league, as it will comprise more international delegates. This would mean a lot more logistical needs to cater to than we have encountered previously.

But again, I stress that we won the bid not just by ourselves. It was a concerted team effort with various supporters, including organisations such as the Ministry of Finance, the Accountant General's Office, the Ministry of Tourism Malaysia, Kuala Lumpur City Hall, The Royal Malaysian Police, Malaysian Airlines, Malaysia Airports, Companies Commission of Malaysia, the Malaysian Association of Hotels, the Kuala Lumpur Convention Centre, professional accountancy bodies, various regional accountancy bodies, regulatory bodies and the Malaysian

accounting fraternity, among others.

We will soon be setting up a permanent WCOA 2010 Secretariat, which will take on this four-year project and ensure that it is implemented successfully. There is a lot to be done in preparing for a conference as large as this but, God-willing, and with the strong support from all our partners I am confident that we will be able to do it.

**AT:** *What benefits do you think the WCOA will bring to the accountancy profession in Malaysia and to the nation?*

**ARAH:** Through winning this bid, various spillover benefits have been envisioned for the profession and the country. The profession itself stands to gain value from the content of the discourses, which will take place during the congress. Various current and controversial issues will be discussed, presented and debated at the congress. All the stakeholders of the profession, including practitioners, those in commerce and industry, those in the public sector as well as the academia, will find relevant issues being presented. Additionally, those from

the corporate sector and business leaders too may find matters of interest at the congress.

As for the nation, the most apparent beneficiary would perhaps be the tourism industry as this will be an excellent platform to promote and showcase Malaysia in the eyes of the world.

Apart from that, various businesses and other organisations too stand to benefit from the congress as it will be attended by 5,000 professionals who are not only from Malaysia but include foreigners as well. All of them would be thronging the Kuala Lumpur City Centre, as the venue is the Kuala Lumpur Convention Centre, which is adjacent to the nation's premier shopping and corporate district.

The congress will also help promote Malaysia as a hub for educational and business initiatives, which is in line with Tourism Malaysia's aspiration of making Malaysia a choice destination for the meetings, incentives, conventions and exhibitions (MICE) market.

**AT:** *How significant is this win to MIA?*

**ARAH:** This is a very significant win for MIA and the nation as a whole. We worked very hard to win this bid.

We invested not only money but also a lot of time in ensuring that the bid was par excellence. We lobbied real hard and we spent two hectic days for the site inspection. A lot of effort was put into creating the bid document, lobbying and preparing for the site inspection visit by the IFAC officials. The entire team put in every ounce of their energy to ensure that the bid was successful. So I can safely say that this win is so very significant not only for MIA but everyone else who was involved, including all those supporting organisations I mentioned earlier.

The site inspection visit was completed by 19 May 2006 and about two weeks later our bid was chosen at the IFAC Board meeting in Beijing on the very first day of the meeting. The fact that we got a unanimous vote from the Board members makes it even sweeter. Datuk Samad's SMS only contained four words but it was so brisk, so sharp! That made the win very sweet!

We also lobbied extensively for the support from professional and regional accountancy bodies who were very helpful



WCOA 2010 Bid Committee Chairman, YC Lee (third from right) presents MIA's case during the integrated presentation session at the Kuala Lumpur Convention Centre (KLCC)

towards our cause.

Most importantly this bid was a concerted team effort and I would like to say kudos to all those who were involved.

**AT:** *This is not the first time MIA had submitted its bid to host the WCOA. What did MIA do differently this time that enabled it to win?*

**ARAH:** To be entirely honest, even I did not realise that we had put in a bid back in the year 2002. It is my opinion that the bid was not made in a manner that was significant enough.

This time around we decided that we wanted to make a bid and we wanted to make it real good. Right from the start the winning desire had been on our minds. We decided to engage the services of a professional conference organiser (PCO) and involve the relevant agencies whose support would be required to run a congress of this magnitude.

In preparing for the bid, we left no stone unturned. When submitting our proposal, we ensured that we covered all bases by couriering the document to IFAC and later sending copies through Datuk Samad. As if that was not enough, we also sent the docu-

ment via our Council Member, Peter Lim, who was attending a meeting in New York just before the bid submission closing date.

When IFAC announced that it would be sending two officials on a site inspection visit, we came up with a bid strategy. Apart

from the normal inspection visits, we also decided to include visits to the Ministry of Finance, the City Hall, Bank Negara Ma-

laysia, the Securities Commission and the Accountant-General's office.

As is customary, we showcased Malaysia in her multicultural glory. However, we took it one step further in telling them that Malaysia has a sizeable expatriate community as well. Apart from introducing them to Malaysian food, we also wanted to show them the availability of good food from all over the globe, which will undoubtedly remind them of home, should they start missing home. So, over the two days, we took them to experience the vast culinary delights of Malaysia, not only in hotels but also restaurants.

I must also add that, during the visits to the organisations I mentioned above, each individual added his or her own personal touch to make it special.

During the site inspection visit, we also

had the benefit of assistance from the Royal Malaysian Police, who provided us with outriders throughout the two days of the visit. Although we will not be able to provide outriders for each and every participant, they have indicated that they will support us where required during the congress.

**AT:** *What do you think made IFAC choose Malaysia as the next destination for the WCOA 2010? What are Malaysia's strengths?*

**ARAH:** IFAC had 15 criteria with a detailed scoring system to choose the winning bid. The criteria were broken down to various sub-groups which included convention facilities, ease of transport, and accommodation facilities among others for which we had really high scores.

Although many would raise an eyebrow wondering if there is really ease of transport within the convention area, we are confident that it will not be too much of a hassle because there are plenty of hotel rooms available within the area itself, with many more located between 10 and 15 minutes' walking distance or an LRT ride from the convention centre. We also scored high in areas like governmental support.

**AT:** *Now that MIA has won the bid to host the WCOA, what is its next step?*

**ARAH:** To begin with, we will be setting up a permanent WCOA 2010 Secretariat, which will comprise people who are instrumental in ensuring the success of the organisation.

The next step would be to put up a presentation, which is expected of us at the upcoming 17<sup>th</sup> World Congress of Accountants in Istanbul, Turkey later this year. An IFAC Council meeting will be held in conjunction with the congress and this is where we will tell delegates what to expect at the next WCOA, in Kuala Lumpur.

Hereon, one of the important aspects that we must take into consideration is ensuring the continuity of the momentum we have built for the bid. Understandably, four years down the road some of us may not be holding the positions we are holding today. Even I will no longer be MIA's President then. In this regard, the Permanent Committee will have to possess a strong sense of continuity because a lot of strategic decisions will have to be made. **AT**

**“Most importantly this bid was a concerted team effort and I would like to say kudos to all those who were involved.”**

# Challenging Times Ahead

By Saravanan Ramasamy

*It seems that the year has just started but we are already in the half way mark of 2006. As we enter the second half of the year, it is worthwhile to assess Malaysia's economic performance thus far and to take note of the key challenges ahead.*

## Growth maintained but is it sustainable?

Notwithstanding the persistently high oil prices (hovering around US\$70 per barrel) and high inflation rate (4.8 per cent in March), the Malaysian economy has performed relatively well. Real gross domestic product (GDP) grew by 5.3 per cent year-on-year (y-o-y) in the first quarter of 2006 (1Q06), slightly higher than the consensus forecast of 5.1 per cent. Growth was primarily private-sector driven and was underpinned by supportive macroeconomic policies. Private consumer demand was sustained at a strong pace while the resilience in private investment further supported economic expansion. The public sector continued to take the opportunity of a favourable environment to consolidate its finances to more sustainable levels. According to Bank Negara Malaysia (BNM), the key contributors to the growth were the manufacturing and services sector, with the strong performance in the agriculture sector lending further support. In the manufacturing sector, the strong performance was mainly led by robust growth in the electronic and electrical products industry while the services sector was propelled by the financial and tourism-related activities. While these indicators reflect posi-

tively on the Malaysian economy, the question is, can the growth momentum be sustained over the year? Although the general sentiment is that the Malaysian economy will continue to post a strong growth in 2006 as it did in 2005, there are some clouds on the horizon. The following sections attempt to analyse the key challenges that the economy might need to weather.

## Dwindling consumer confidence

Leading indicators used by the Malaysian Institute of Economic Research (MIER) surveys show diverging trends in business and consumer confidence. Indicating an improving business climate amid cautious expectations, the Business Conditions Index (BCI) has increased to 102.5 points in 1Q06, from 100.5 points in 4<sup>th</sup>

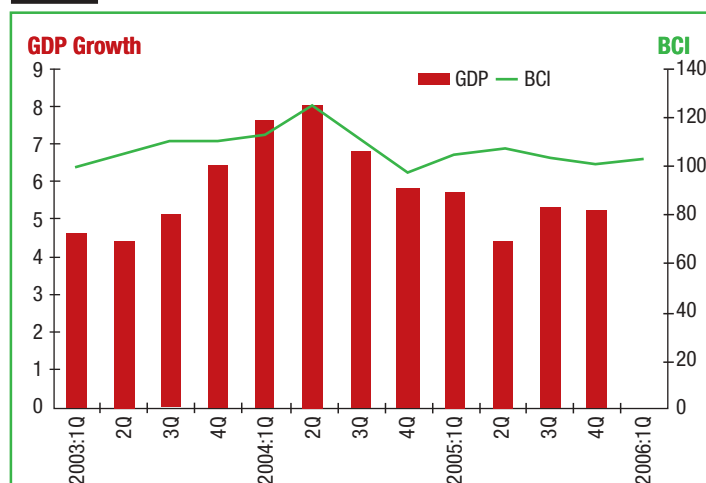
quarter 2005 (4Q05), up by 2.0 points (*see chart 1*). Better export orders have been able to partially offset worries over the higher cost of oil. Meanwhile, the Consumer Sentiments Index (CSI) has dropped by a large 26 points to 90.1 points in 1Q06 from 116.1 points in 4Q05 (*see chart 2*). Growth in private consumption expenditure in 1Q06 decelerated to 7.5 per cent y-o-y (4Q05: 9.0 per cent).

According to Avenue Research, the strong consumer spending in preceding quarters is not sustainable given the fact that current household debt is relatively high and the interest rates are on an upward growth trajectory on the back of higher inflation. The annual rate of inflation, as measured by the Consumer Price Index (CPI), increased to average 3.7 per cent in 1Q06 (4Q05: 3.4 per cent). This is chiefly due to the 18 per cent increase in

retail fuel prices on 28 February, resulting in an upward adjustment in the rate of inflation to 4.8 per cent in March. Although BNM did not raise the overnight policy cycle rate (OPR) in the 22 May meeting, it is widely expected for BNM to go for another hike in July for a number of reasons, namely:

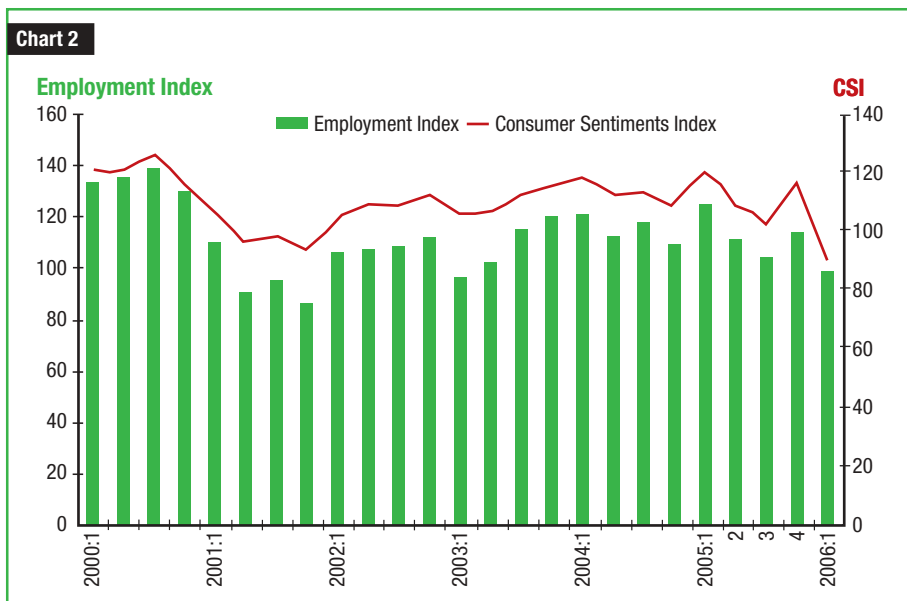
- Pick-up in growth in 1Q06.
- Inflation rate remaining above 4.0 per cent.
- Continuing interest rate hike cycle by the US.

Chart 1



Source: Malaysian Institute of Economic Research (MIER) [www.mier.org.my/surveys/](http://www.mier.org.my/surveys/)





Source: Malaysian Institute of Economic Research (MIER) [www.mier.org.my/surveys/](http://www.mier.org.my/surveys/)

most competitive country in the world by the Switzerland-based Institute of Management Development, Prime Minister, Datuk Seri Abdullah Ahmad Badawi said, “We were 28<sup>th</sup> last year; so we have obviously improved and are even ahead of other Asian nations like South Korea, Thailand and Indonesia. However, more needs to be done to catch up with countries like Hong Kong, Japan, Singapore and China”. According to Mayban Research, Malaysia has a structural problem in its manufacturing sector with exports from this sector being highly dependent on electrical and electronics goods, accounting for more than 30 per cent of nominal GDP. Singapore, which has diversified its manufacturing sector to bio-pharmacy and other segments, has

A high interest rate and inflation rate regime will continue to act as a dampener to consumer spending.

### Volatile export growth drivers

On the external front, the trade surplus narrowed to RM25.8 billion (4Q05: RM28.6 billion) as growth in imports (13.7 per cent) was higher relative to exports (11.5 per cent). Although Malaysia’s exports continue to grow with a rise of 6.3 per cent y-o-y to RM46.3 billion in April 2006, a month-to-month comparison shows that the growth in April was the slowest in nine months. According to Ramya Suryanarayanan, economist at Singapore’s Idealglobal, higher oil prices, which had led to increased inflation and global interest rate hikes, meant that there should be moderation in demand going forward. High oil prices and interest rate hikes could leave consumers in the US, Japan and Europe with less to spend on electronics and computer products, which account for 48 per cent of total Malaysian exports. In addition, the appreciation of the ringgit against the major currencies further contributed to the deceleration in exports, though some economists prefer to downplay the correlation between the ringgit’s strength and export deceleration on the basis that

**“We were 28<sup>th</sup> last year; so we have obviously improved and are even ahead of other Asian nations like South Korea, Thailand and Indonesia. However, more needs to be done to catch up with countries like Hong Kong, Japan, Singapore and China.”**

**Datuk Seri Abdullah Ahmad Badawi, Prime Minister**

other regional currencies such as the Singapore dollar, Korean won and Thai baht are also strengthening.

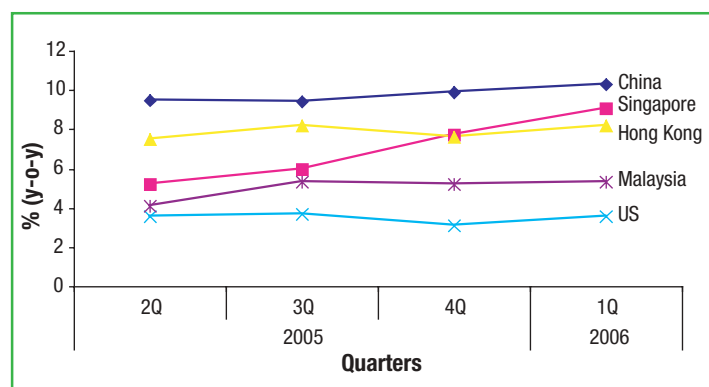
### The need to catch up

On the regional front, Malaysia is still amongst the highest growth economies in the East Asian-9 regional economies. However, in comparison with the likes of China, Singapore and Hong Kong, we are certainly lagging in regional growth. Referring to Malaysia’s recent ranking as the 23<sup>rd</sup>

shown a rebound in economic growth (see chart 3). Malaysia’s dependence on the electrical and electronics sector as the key growth driver for the country has made the country vulnerable to the fluctuations in terms of price and magnitude of exports. With the key export market being the US, Malaysia’s growth mirrors that of the US economy.

With the indications that the US economy is slowing down based on the latest consumer confidence index, Malaysia must vigorously diversify both the export goods and the export market. Malaysia is the world’s largest producer of rubber, palm oil, pepper and tropical hardwoods, and is also a net exporter of crude oil. All this provides a solid platform for economic growth. So long as the government does not ditch its past commitment to economic diversification, we can march confidently into the second half of the year. **AT**

Chart 3 GDP Comparison

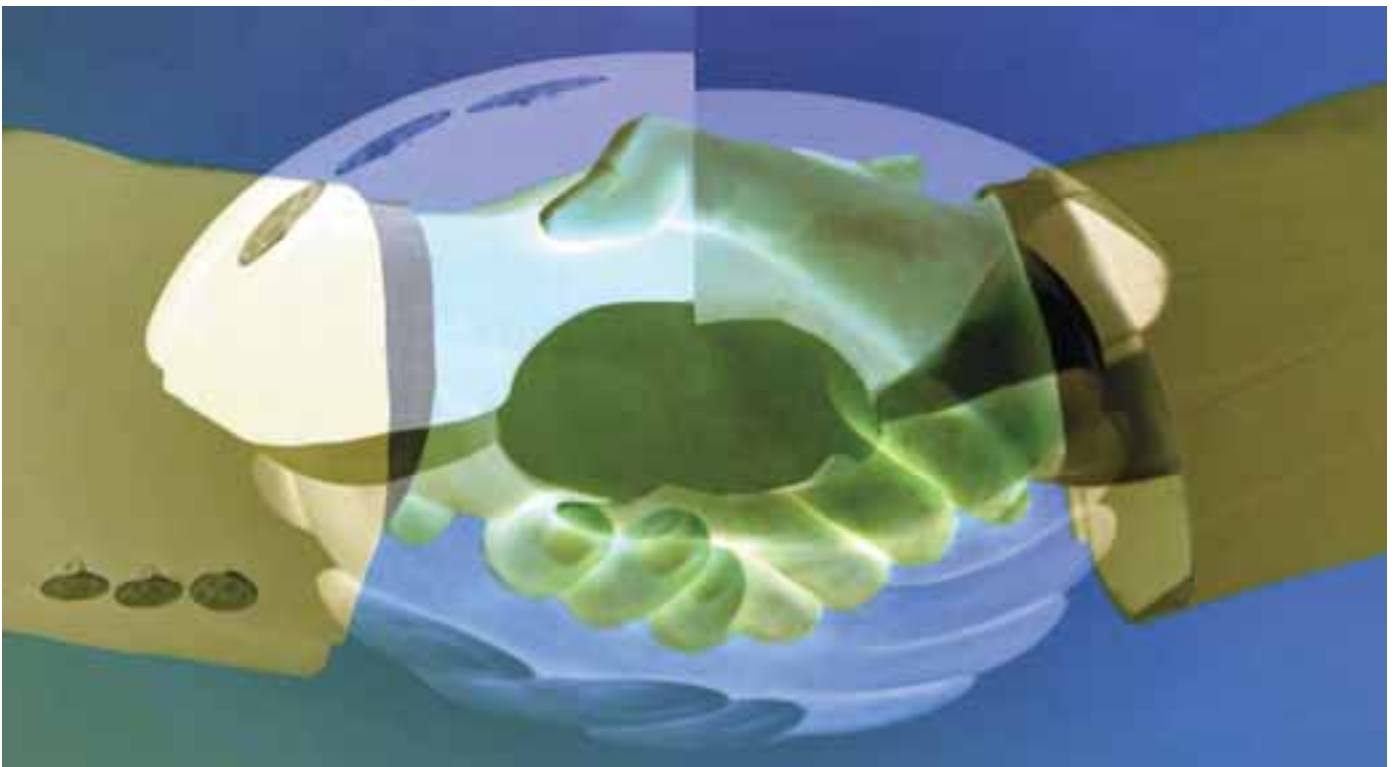


Source: Datastream

# A Super Regulator in the Making?

By Ali Shah Hashim

*The proposed merger of the Companies Commission of Malaysia (SSM) with the Securities Commission (SC) has brought to our shores the keenly-contested debate in the field of securities regulation — i.e. whether or not and when to move from an institutional based regulation to one that focuses on functions. The SC's wish is to shift from institution-based to functional-based regulation, to ensure a level playing field amongst market participants undertaking the same kind of activity. Whether the merger will turn the SC into a super regulator is a decision that will have a significant effect not only on the SC as the regulator, but also on the market and the practitioners as a whole. The purpose of this article is to present literature bearing on the experiences of those jurisdictions that have undertaken shifts to their regulatory framework, as is now proposed by the Malaysian Government.*



### What is Institutional Regulation and Functional Regulation?

Institutional regulation, which is sometimes called the “by the markets” approach, is the more traditional approach to market supervision. Giorgio (2004) described it as a model which follows the traditional segmentation of the financial system — one thus has three supervisory activities acting as watchdogs over, respectively, banks, market intermediaries and insurance companies (and the corresponding markets). The authorities control the market through entry selection processes (authorisations and enrolling procedures), constant monitoring of business activities (controls, inspections and sanctions) and eventual exits from the markets (suspensions and removals). Comparatively, functional regulation is sometimes referred to as “supervision by activity”. Giorgio (2004) described it as a model, which calls for the same rules to be applied to intermediaries who perform the same activity even though such operators may fall into different categories from a legal standpoint. Ehud Ofer (2004) extended that securities activities, of the banks as well, are thus supervised by the SC and not the Central Bank.

### Historical Perspective of Capital Market Regulation/Present Role of the SC

During the infancy stage of the capital market, Bank Negara Malaysia (BNM) played a central role because of the relatively underdeveloped financial systems. The Securities Industry Act (SIA) 1983 paved the way for a modern and comprehensive capital market. The 1997-1998 East Asian Crisis was a watershed in the regulation of the capital market as it highlighted the need for relevant regulatory bodies to be properly equipped and effective. The SC was gradually empowered to be a central regulatory body to promote the development of, and revitalise, the capital market. It absorbed the functions of the CIC, the Panel of Take-overs and Mergers, the Informal Committee on Unit Trust Funds, the Ministry of Finance’s Licensing Office (in respect of powers to issue securities and futures licenses), commodities trading (brought under the ambit of the Futures Industry Act), the

corporate bond markets (previously under BNM), and securities transactions (previously under the SSM). The SC has three basic powers: rule making, adjudicatory and investigatory and enforcement. The SC also has regulatory oversight and quasi-judicial powers over market institutions and exchanges, brokers, dealers and investment advisers and their representatives, which it licenses under the SIA. The SC also advises the Minister on matters relating to the securities industry, protection of investors, market conduct and practices, and the legal and regulatory aspects of the securities industry.

**“The 1997-1998 East Asian Crisis was a watershed in the regulation of the capital market as it highlighted the need for relevant regulatory bodies to be properly equipped and effective. The SC was gradually empowered to be a central regulatory body to promote the development of, and revitalise, the capital market.”**

The SC administers the Securities Commission Act 1993, the Securities Industry Act 1983, the Securities Industry (Central Depositories) Act 1991, and the Futures Industry Act 1993. Guidelines issued by the SC provide an insight as to its interpretation of securities law as well as setting set out the standard of disclosure and conduct.

### Is Malaysia Practicing a Functional-Based Regulation?

Regulation over the capital market has been streamlined with the formation of the SC. However, to a keen observer, the Malaysian capital market is still based on the institutional model of regulation. The Malaysia capital market landscape still envisions many governmental bodies with direct regulatory authority over market intermediaries, as exemplified below:

① The investment management industry covered a broad spectrum of participants, including fund management companies, unit trusts and institutions responsible for the management of large amounts of funds, such as the EPF and the insurance companies. The SC admitted that there are dif-

ferent sets of regulations currently being applied to the management of funds and the distribution of unit trust funds.

② The Securities Industry (Exempt Dealer) Order 1996 and Securities Industry (Dealing in Securities) Declaration 1996 (1996 Orders) provide exempt-dealer status for licensed financial institutions, most significantly, to deal in securities through the holder of a dealer’s licence. The SIA itself also imposed restrictions on the SC’s regulatory powers over these licensed institutions. The SC (2004) admitted that this situation created an unequal

playing field between two groups of market players — viz the stock broking companies and licensed institutions. Thus, exempt licensed institutions that deal in securities were not subject to the same level of supervision and regulation as stock broking firms.

### Is Functional Regulation a Prescribed Regulatory Model?

IOSCO (2003) accepts that there is often no single correct approach to a regulatory issue. Legislation and regulatory structures vary between jurisdictions and reflect local market conditions and historical development. The particular manner in which a jurisdiction implements the objectives and principles of market regulations must have regard to the entire domestic context, including the relevant legal and commercial framework.

### Should Malaysia Adopt the Functional Regulation Model?

There is no single consensus to answer the question in the affirmative, but the experiences of the various jurisdictions could help shed some light on the path that the SC should choose:



## A. What Motivates a Move to Functional-Based Regulation

① What motivated the US to dismantle its pure institutional regulation, based on the Glass-Steagal separation of investment and commercial banking, was amplified by the Federal Reserve Board Governor's remarks that the restrictions imposed by the Glass-Steagal Act had unfairly curbed the competitiveness and innovation of the institutions.

② The adoption of the unified mega-regulator model by the UK government was prompted by a series of banking scandals mis-handled by the Bank of England. The UK Fi-

ers of financial products and services while facilitating efficiency, flexibility and innovation in the provision of those products and services by the creation of fair, orderly and transparent markets for financial products within fair and effective clearing and settlement facilities.

## B. Problems in a Functional-Based Regulation

① Schoner's research on the Gramm-Leach-Bliley Act 1999 (GLB) found that functional regulation is not a natural fit when safety and soundness is the regulatory goal. The US Congress identified this disconnect

fits-all" regulatory policy did not prove appropriate, especially in dealing with specialised industry.

## Summary and Conclusion

The functional regulation regime enables the regulators to regulate consistently across products and services, to provide flexibility in accommodating differences which arise between different types of service providers, to facilitate financial innovation, and to promote commercial certainty to market participants and provide clarity to investors. Brown (1999), for the Canadian SC, reported that there would be a harmonised approach to licensing, improved comparability across similar products offerings, and more effective enforcement. However, the experiences of other jurisdictions showed that institutional regulation did ensure soundness, and it was especially necessary where the public confidence in the institutions was seen as the key to maintaining the stability of the system or if there was a need to ensure that the market intermediaries' obligations are performed to fulfil a particular public policy aim.

Each regulatory regime has its own underlying purpose: the need of the financial market regulators is to maintain authority to protect the safety and soundness of banking institutions without regard to product definitions. On the other hand, the SC should receive the authority to enforce anti-fraud laws no matter what the enterprise is. In this regard, functional regulation should serve the SC well in enforcing the securities laws. **AT**

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Ali Shah Hashim, CA (M), LL.M, ADIA, is the Chief Executive of Ash.Hiani Group of Consulting Firms. He also sits as a member of the panel of academic advisors of Universiti Teknologi MARA (UiTM) (Faculty of Accountancy). He can be contacted at e-mail: [ash.hiani@gmail.com.my](mailto:ash.hiani@gmail.com.my). The author thanks Shanti Geoffrey of the Securities Commission for providing valuable reference materials on the subject matter.



ancial Service Authority (UK-FSA) was envisioning unifying financial regulations so as to enable prudential conduct, protect consumers of financial services, promote clean and orderly markets and reduce financial crime.

③ Australia experienced a fragmented and complex market regulation resulting in inconsistencies, overlapping and contradictory regulation. These factors, amongst others, had created inefficiencies for operators, confusion for consumers, and greater costs. The single regulator model adopted by Australia was envisaged to promote confident and informed decision making by consum-

in refusing to adopt a purely functional regime in the GLB. Congress recognised that the US SEC, as a functional regulator, could not exert sole regulatory authority over the securities activities of financial holding companies under GLB because those securities activities — even if confined to bank affiliates or subsidiaries — could still affect banks' safety and soundness.

② Norton (2005) quoted various researchers to show that the UK-FSA proved to be less effective than anticipated because its very broad scope overloaded senior management; and that its "one-size-

# Relationship Capital

By Raymond McHale

*If you look at any business publication, you're likely to find that it is dominated by accounting terms such as P/E ratios, earnings per share and free cash flow. But it seems that, while accounting may be the universal language of business, little attention is paid to the underlying stakeholder relationships (relationship capital) that may have affected companies' past results and will undeniably influence their future prospects. All this comes in an era when many firms are proclaiming their desire to develop close relationships with all their stakeholders and a growing number of accountants are describing themselves as 'business advisers'.*



One reason for the lack of mainstream commentary about these relationships and their direct influence on economic performance may be the perceived absence of reliable tools to measure underlying relationship performance and help predict the results.

It is widely accepted that a business's shareholder value ultimately derives from future cash flows — specifically their volume, speed, duration and volatility. These important dimensions are in turn directly affected by how well the organisation can retain and/or increase its market share, its capacity to sell more goods and services to its existing customers, and whether it can engage its customers and other stakeholders sufficiently strongly to aid some form of pricing discretion without fear of commoditisation.

Although all of this makes sense from an economic and accounting viewpoint, the creation of shareholder value actually occurs within a much broader framework. It is one that encompasses structures, strategies, processes, systems, cultures and policies designed to manage various stakeholders, including staff, customers, suppliers and partners. The relationships between an organisation and its stakeholders are known collectively as relationship capital and they comprise a key intangible asset.



Unlike physical or financial capital, which abides by zero-sum principles (the more you use, the less you have left), relationship capital follows positive-sum principles (the more you use, the more you can create for future use).

Relationship capital directly influences business growth, retention, penetration, pricing discretion and, therefore, future cash flows and shareholder value. The issues of shareholder value and the management of relationship capital (stakeholder relationships) are so inextricably linked, then, that it simply doesn't make sense to view them in anything other than a holistic way.

Yet you only have to read your newspaper's business pages to notice what little mention is made of how firms are managing their relationship capital. While economic metrics abound, they aren't designed to capture and describe the quality of a firm's relationships with its key stakeholders. They also shed little light on the efficacy of its management processes and governance. Sometimes there are references to metrics that purport to measure employee per customer satisfaction, but these are at best crude signposts of loyalty and commitment to an organisation. This makes it difficult, if not impossible, to understand an organisation's performance in terms of managing the very relationship upon which its shareholder value is built.

If we rely solely on the financial metrics associated with the language of accounting, are we monitoring the right indicators of long-term performance? Are there more appropriate and reliable canaries in the coal mine?

The main barrier preventing the tracking of non-financial vital signs, particularly the strength of stakeholder relationships, is thought to be the lack of appropriate tools. But recent research has resulted in the development of a model that is designed to overcome this problem. The model, called the "strength of relationship index" (StoRI), benchmarks the relative strengths of relationships between an organisation and its key internal and external stakeholders — i.e. its relationship capital.

The StoRI comprises a process for capturing, measuring, analysing and reporting data relating to 15 dimensions, including satisfaction, trust, commitment, advocacy, goodwill and repeat business. Each dimen-

sion is measured discretely to provide feedback about performance and highlight specific areas of strengths and weakness. The model also reveals the impact of each dimension on the other dimensions, making it easier to form action plans and assign scarce resources in the most efficient way.

A large Australian professional services firm, concerned about the perceived lack of growth in referrals from external business sources, recently commissioned a project to collect information from potential business sources and analyse it using the StoRI. To a number of potential respondents it sent a survey consisting of statements designed to measure the strength of the 15 relationship dimensions that comprise the model. For example, to measure the dimension of advocacy — i.e. the extent to which stakeholders were prepared to recommend the firm to other parties (the issue of most concern in this case) — the recipients were asked to state how strongly they agreed or disagreed with statements such as:

- "Given the opportunity, we would recommend to other organisations that they do business with your firm."
- "We have a strong sense of loyalty to your firm."

The responses were then analysed and reported using the StoRI. Each relationship dimension was examined in isolation by totalling the results of each set of statements and converting them to a percentage score. This approach helps to identify the relative strength and weakness of each of the dimensions, thereby highlighting specific relationship areas that require attention. The overall percentage score for relationship strength is also calculated by applying various weightings (based on correlation strength) to each of the 15 dimensions and then totalling the results.

The firm achieved a score of 85.7 per cent for advocacy and an overall StoRI score of 86.9 per cent. Its overall betterment gap — i.e. the maximum possible score minus its actual overall score — of 13.1 per cent indicated the amount of room for improvement.

After analysing the scores for each relationship dimension, the firm applied insights concerning which of them had the largest and most beneficial impact on the others. The StoRI has consistently predicted that the two dimensions of goodwill and conflict influence advocacy. In this case, the

results showed that about 68 per cent of the variation in advocacy was explained by variations in goodwill and about 26 per cent was explained by variations in conflict.

The results in this case was quite good compared with those achieved by other organisations. The firm scored just above the 85 per cent benchmark that applies in the highly competitive professional services industry. It is now implementing action plans designed to improve performance and cement its place as a successful provider. These plans include ways to increase the level of goodwill displayed towards the firm by potential sources of new business and ways to limit the potential for conflict in those relationships.

In essence, the StoRI provides a relationship capital "dashboard" that guides drivers (managers) towards their desired destination: the intelligent management of relationship capital and, ultimately, increased shareholder value. By using non-financial indicators of organisational health, such as those produced by the StoRI, it is possible for accountants to provide a more balanced view of performance and plot future performance more accurately, with regard to the close links between their firm's shareholder value and their management of relationship capital.

Of course, such models shouldn't be used in isolation. Ideally they will form part of a more comprehensive approach that encompasses a stakeholder segmentation exercise to identify who the stakeholders are in each group and, subsequently, the formation of appropriate strategies for each group based on the organisation's overarching strategy. It would then be appropriate to develop specific action plans for each stakeholder group so that the performance of individual managers can be assessed and rewarded accordingly.

Accountants are well placed to help move the measurement of organisational performance away from purely economic metrics. This would provide a better balance in determining the extent to which organisations increase their shareholder value through the effective and intelligent management of relationship capital. It is a particularly important role if they aspire to become trusted business advisers. **AT**

Raymond McHale is managing director and principal consultant at Marketing Based Assets International in Sydney, Australia. This article is contributed by CIMA and it first appeared in *Financial Management*, a monthly magazine for CIMA members.



# KPI FRAMEWORK FOR Superior Services

By Patrick PC Ow

*Services are more difficult to measure than production lines. It is more difficult to control and measure the workflow and provision of a service because it is harder to pin down exactly how individual customers or clients will react during service delivery, given a set of expectations and promises.*



There are three categories of services:

- Professional services (e.g. auditing, consulting, external reporting);
- Trade services; and
- Transactional services.

We need to understand the nature of these services before objectively measuring and subsequently rewarding their performance.

Services differ from the production of goods in four key ways:

- **Intangibility** — Services are not objects. Goods, the outputs of manufacturing, are physical objects. We can touch and feel them. Measuring services requires clear definitions of intangible factors like helpfulness of your staff or the feeling you get when you wait too long in a queue at the bank. Generally, it is based on promised service levels.
- **Heterogeneity** — Most services are *people-to-people* transactions. It makes it hard or challenging to deliver the same high quality consistently from the same employee day after day, especially over long periods.
- **Simultaneity** — Production and consumption of services occur simultaneously (e.g. having a haircut). Therefore, most services cannot be adequately inspected (or counted) prior to their delivery or consumption. Thus, the customer becomes an integral part of the service process.
- **Perishability** — You cannot store them for later use or have them inventoried to cope with fluctuations in demand (e.g. hotel rooms, or seats on an airplane). It is an opportunity loss. Unlike many goods, services are *perishable*.

These four key differences between services and manufacturing pose a unique set of problems for the collection of data to measure service effectiveness. Without effective measurement, we are unable to objectively reward good employee performance (financially/non-financial) and most of all, retain good performers within the organisation (talent management).

Align all service measures to organisational strategy. We need to clarify the strategy to those who have to implement it (e.g. our staff or people). Service measures must make our strategy real and implementable.

Front line employees must have a clear “line-of-sight” of what the strategy is and how to execute them. Having a well-written strategy is pointless, if no one understands it or cannot implement it. This is particularly important to professional service firms because most of the time, front-line people deliver services, not machines.

If a professional firm has strategies in place to build stronger relationships with its customers in order to give them greater benefits, then it should be putting a lot of effort into measuring service quality and customer outcomes.

Financial measures, particularly budgets, have their rightful place in corporate reporting systems. In most cases, unfortunately, we over-emphasise financial measures to the exclusion of key non-financial service measures, ruling out investing in intangible service quality, innovation and flexibility, which would have longer-term and direct beneficial effects on customer delivery and expectations. The balanced scorecard tool seeks to address this.

These concerns have particular relevance for professional ser-

vice firms. As services are intangible, measurements are always open to interpretation or challenged. Unfortunately, ‘hard’ financial measures tend to drive out ‘soft’ measures of excellent customer service. We need to be more patient when it comes to seeing investments in intangibles pay off.

In order to understand what and how to measure a service, we need to understand the characteristics of our service and its delivery, based on the following service dimensions:

- Level of customisation.
- *Front office* versus *back office* focus.
- Customer contact time required.
- People versus technology focus.
- Discretion available to staff.
- Product/process focus.

Professional services are generally high-contact services where customers spend considerable time in our service process. There are high levels of customisation, and the service process is tailored or customised to meet the needs and requirements of individual customers.

Staff require significant discretion and professional judgement and human courtesy. The ratio of staff to customers is relatively high, with a significant emphasis on how the service is delivered. Services are managed through short chains of command, professional development training and shared values.

A comparison is shown in the table below.

| Characteristics                       | Professional Services | Trade Services | Transactional Services |
|---------------------------------------|-----------------------|----------------|------------------------|
| Level of customisation                | High                  | Some           | Low                    |
| Front office versus back office focus | Front office focus    | Mixed          | Back office focus      |
| Customer contact time required        | High                  | Varies         | Low                    |
| People versus technology focus        | People focus          | Both           | Technology focus       |
| Discretion available to staff         | High                  | Some           | Low                    |
| Product/process focus                 | Process focus         | Both           | Product focus          |

We need to objectively measure five properties of service performance, which are as follows:

- 1 Service utilisation.
- 2 Service quality.
- 3 Service flexibility.
- 4 Service innovation.
- 5 Cost per occasion of service.

Firstly, *service utilisation* measures the level of service activity relative to the total potential demand for that service, usually expressed as a percentage. If the total demand is unknown, service utilisation is the level of service activity. This relates to the number of people we need to employ to fill the potential demand.

The customer is the ultimate judge of the *service quality* (of our professional service). It is the way and environment in which the

service is delivered. Some firms seem to be run under the principle of causing as little inconvenience as possible to staff (for fear of losing them), and as much inconvenience as possible to the customer.

Other firms seem to deliver their services with as little irritation to the customer as is possible. Measuring service quality is important because it can pinpoint those aspects of the service that need most attention, and correction and it can be a point of competitive differentiation and revenue generation.

External measures of service quality measure the things that matter most to the customer, and they are as follows:

- **Reliability** — Your staff call your customer back as promised, or are punctual for meetings. They are dependable and deliver the service as per schedule or as promised.
- **Accessibility** — Convenience of location, or opening hours. Customers having access to your staff for important professional advice, especially after office hours.
- **Tangibles** — The look and feel of the service environment. This may not be that relevant for professional firms as most delivery would be in their customers' offices.
- **Empathy** — Courtesy, friendliness and helpfulness, and understanding the customers' needs or requirements.
- **Responsiveness** — Response time, speed of delivery and solution match customer needs and expectations. This includes meeting regulatory or external deadlines and submissions to regulators or third parties.

Thirdly, *service flexibility* is the ability of the service process to adapt to change. The demand for services depends on the nature of business, industry, agreed service levels and seasons. For example, audit peak periods are after 31 December, or changes in financial reporting requirements (e.g. IFRS).

Our challenge is to be sufficiently flexible and have enough resources to meet the peaks and changing demands, while on other occasions not be wasteful of our limited or scarce resources. There are two types of measures that may be relevant:

- Internal Measures of Service Quality. For example:
  - Proportion of time spent with customers.
  - Customer to staff ratios.
- Proxy Indicators of Service Quality (useful when an organisation does not have the resources to conduct customer surveys). For example:
  - Customer complaints as a % of occasions of service.
  - % of contract cancellations, withdrawals from services.

There are three components of service flexibility:

- Volume flexibility.
- Delivery speed flexibility.
- Specification flexibility.

*Volume flexibility* determines how well our service process responds to changing levels of demand, particularly at different times of the week, month or year. It depends on the optimum level of infrastructure and resources to meet these variations or changes in demand. Examples of volume flexibility measures are:

- Number of lost customers to orders due to failure to meet demand.

- % service availability in terms of spare capacity.
- Mix of staff availability (% part-time staff, casuals, contractors).

*Delivery speed flexibility* determines how well our service process meets our customers' requirements in terms of *speed of response* and *time taken* for serving our customer. It is the throughput time per customer. For example, it measures the following:

- % service facilities (e.g. beds in hospital ward) allocated for emergencies.
- Speed of response (e.g. average time to answer calls).
- Customer waiting time.
- Days taken to process enquires.
- % late deliveries/services not meeting standards.

*Specification flexibility* determines how well our service process meets the different needs of different customers, especially from a different industry or organisational size. Larger customers in a unique industry expect complex service effort and high expertise.

One of the major issues with specification flexibility is matching the technical and interpersonal skills of our staff, supported by appropriate information systems (if any), to the needs of individual customers.

Here, professional services have the greatest degree of specification flexibility and it has to be managed appropriately for superior customer performance and competitive advantage. For example, it measures the following:

- % time (or payroll) spent on training (e.g. professional development).
- Customer satisfaction in adapting to changed or special requirements.
- Number of different products and services delivered and customer satisfaction thereof.

Fourthly, *service innovation* is the application of new ideas and knowledge to bring about some business and competitive advantage, and customer benefit. In many service firms, because the service process includes the customer, many argue that innovation is more natural and on going. This is unlike manufacturing, where new product development tends to be more punctuated.

Changes in regulatory framework provide opportunities for professional firms to innovate (e.g. the introduction of goods and services tax).

Generally, the success of an innovation can be categorised as follows:

| Benefit              | Issues   |
|----------------------|--|
| Financial            | Has the innovation improved our financial performance?         |
| Competitiveness      | Has it made our firm more competitive?                         |
| Customer Benefits    | Has it increased benefits to our customers?                    |
| Quality              | Has it improved service quality to our customers?              |
| Flexibility          | Has it improved volume, delivery or specification flexibility? |
| Resource Utilisation | Resources used more efficiently?                               |

There are three ways to measure service innovation.

- **Impact** the innovation has on service performance. Improve-



ments in our performance either mean improvements in higher customer outcomes or increased financial results. Performance management frameworks like the balanced scorecard are designed to measure these results from innovation efforts. Attribute meeting targets and improving budget performance to service innovations. Use service innovations to drive improvements in service flexibility. This is generally the competitive advantage of individual professional firms.

- *Measure* and monitor the determinants of success and failure of any innovation.
- Innovation *process* itself. Measure the process for developing service innovations along three dimensions:
  - **Cost** — How much did we invest in a service innovation?
  - **Development time** — How long did it take from concept to production?
  - **Quantity** — How active are we?

And finally, we have to consider the *total cost of delivering the service* (direct and indirect), including the costs of material, labour and overheads. Every delivery of services to our customers must have a cost/benefit analysis attached to it. While we can have the highest or best service delivery or experience, if the cost of delivering such service outweighs the financial revenue potential to be generated, then we have to review our strategy and promises made to our customers.

Conduct methods, time and motion studies and activity-based costing methods to determine the time and resources taken for each service process and operation. Once this timing and service level is established, then only can we adequately determine the number of staff and resources required, and the direct and indirect costs associated with the provision of the service. Giving a five-star service does not necessarily translate to superior financial results.

Therefore, to deliver superior professional service, we have to measure and manage the five properties of service performance objectively.

There is a positive link between superior intangible service and increased financial outcomes. Conventional managerial wisdom holds that attending to customer satisfaction, value, and loyalty makes good business sense for at least two reasons:

- Satisfied customers are likely to continue to buy from and/or continue to do business with us, while dissatisfied customers are likely to take their business elsewhere. With such a competitive environment organisations are working in, cus-



tom retention and relationship management becomes more crucial.

- Satisfied customers tell others about their positive experiences, while dissatisfied customers tell even more people about their negative experiences. The cost of new customer acquisition is generally higher than retaining existing ones.

Assume therefore that an insurance company has 6,000 policyholders, with an average annual value of each policy of RM15,000. Assume also that, based upon a recent survey of the company's policyholders:

- 40 per cent of the policyholders experi-

enced some service problem or failure during the past 12 months (an estimated 2,400 of the 6,000 total customer base).

- 80 per cent of these policyholders reported the problem to the company, and 20 per cent did not (1,920 and 480 of the 2,400 having experienced a problem, respectively).
- 40 per cent of those who contacted the company were very satisfied with the company's response (768 of the 1,920).
- 35 per cent of those who contacted the company were only partially satisfied with the company's response (672 of the 1,920).
  - 25 per cent of those who contacted the company were dissatisfied with the company's response (480 of the 1,920).
  - All of the very satisfied policyholders intend to renew their policies during the coming year.
  - Five per cent of the partially satisfied policyholders say they will not renew as a result of their experience (34 of the 672 partially satisfied customers).
  - 40 per cent of the dissatisfied policyholders say they will not renew as a result of their experience (192 of the 480 dissatisfied customers).
  - 10 per cent of the policyholders who experienced a problem, but did not report the problem to the company, will not renew as a result of their experience (48 of the 480 who did not report the problem).

Based on the example above, it is projected that 274 customers will not renew their policies (34 partially satisfied customers plus 192 dissatisfied customers plus 48 customers not reporting the problem).

At an average annual value of RM15,000, the projected cost of customer dissatisfaction is RM4,110,000, not counting lost revenues/opportunities due to negative word-of-mouth communications from disgruntled former policyholders who do not renew their policies! **AT**

Qualified as an accountant and lawyer, Patrick PC Ow has keen interest in performance measurement and the cascading of top-level scorecards into personal scorecards. For exchange of ideas, he can be contacted via e-mail at [patrickow@gmail.com](mailto:patrickow@gmail.com).

# THE CRUCIAL FUNCTION OF Data Integration: SAS

by Anuja Ravendran

*Anuja Ravendran finds out from SAS Institute Sdn. Bhd. (SAS Malaysia) why data integration is far from just a mere process in an organisation's system.*

One of the biggest myths that financial people keep fooling themselves with is that all the data that they rely on to provide 'credible' advice to their clients are accurate, timely and complete.

Many such persons in the profession — namely accountants and bankers — are often shielded from the daily risk that they take, thanks to the unquestioning confidence that they have in their data systems.

SAS, a world leader in business intelligence solutions, says that it is about time that local financial service providers awaken to the harsh reality that more often than not, their information systems are at best providing data that is 'just sufficient' to avoid decision disasters.

"When it comes to data systems, many financial organisations tend to over emphasise on having query and reporting tools that can provide the management with all the fancy drill downs that can enable them to create even more fancy reports," says Jimmy Cheah, Managing Director, SAS Malaysia.

"But the fact is that there is really no point in having amazing reports on the most far-fetched scenarios, if the reports are based on data that took three to five days to

extract from their data sources."

A rude awakening indeed, but this is exactly what many organisations in the local financial sector are doing.

However, this is starting to change, es-

pecially when there is frontline feedback that show that customers are looking for financial advice that has:

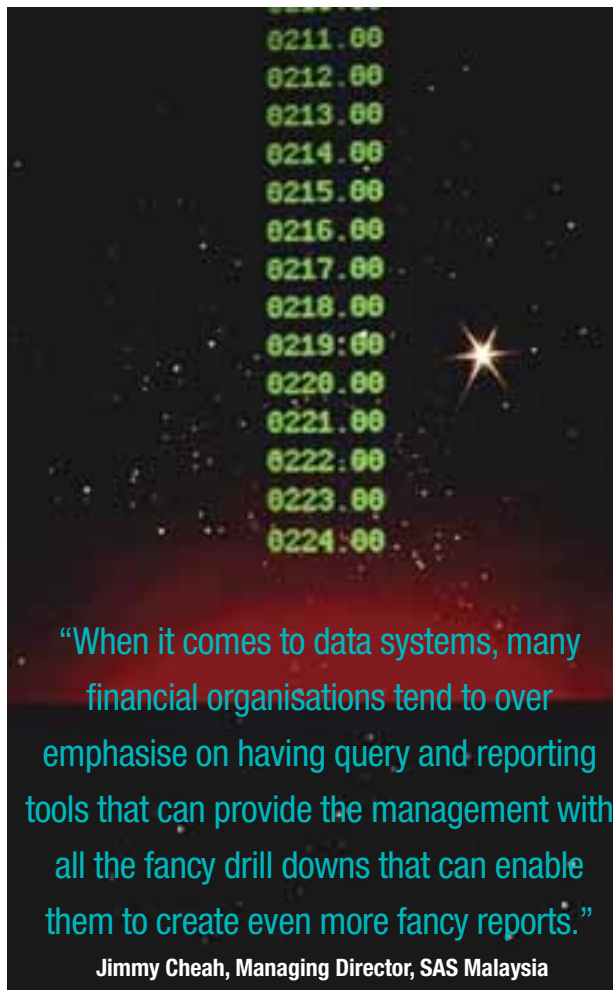
- **More relevant time basis** — meaning data that is extracted from different sources within tighter and more acceptable time frames; and
- **Higher face value** — meaning resulting data that provide greater quality information when combined from multiple sources.

Cheah says that data quality is especially distinctive and significant in the financial sector because the professionals in this industry have a much higher dependency on the quality of data to give their opinion on.

He says, "There is much more credibility at stake, for the financial director/banker or accountant to giving his professional opinion on the business worthiness of a commercial project to the company's stakeholders, than say, the marketing person.

"This alone goes to show how much more bankers and accountants need to ensure that the data support that they get is impeccable or, at the minimum, highly reliable."

Based on SAS' vast interaction



and experience in the local financial sector, Cheah says that some of the bigger financial institutions are going back to the drawing board in terms of getting their information support system right.

And this means re-looking at Data Integration (DI) as the core, fundamental system function to ensure that the elements of accuracy, timeliness and completeness are the default characteristics throughout the organisation's data.

### What is Data Integration?

Cheah defines DI as the ability to extract data from multiple sources in a manner that resolves any resulting anomalies/errors, which tend to arise from the (data) technicalities (i.e. data 'field' which have different meanings in different systems).

DI also extends to a process that brings out the data's face value to give real, meaningful information to the user. And lastly, says Cheah, DI involves the loading of data into the correct repository for reporting purposes.

While DI is an increasingly important function to businesses, it is evidently more crucial to entities that have to deal with voluminous data on a daily basis. Banks are excellent examples of such entities.

"The nature of the bank's operations is that it cannot rely on surveys on a select number of transactions. It needs to operate on the basis of having precise and complete information that is pulled and analysed from a massive amount of data from many, many sources," says Cheah. And to be able to do this, without anything less than a powerful DI system, would be futile.

The example given to illustrate SAS' DI success in banks is the leverage of leading German bank HypoVereinsbank that recently won the Gartner Business Intelligence (BI) Excellence Award 2006 for its BI projects which are founded on reliable, robust and complete DI platforms.

Using SAS' DI solution, HypoVereinsbank built a data warehouse platform for its credit portfolio management division in a way where the various data sources were easily and transparently connected. This way, the bank's portfolio managers could take advantage of the successful integration of up to 75 (data) sources on multiple platforms to drive the bank's business.

### Timeliness, Accuracy, Completeness

Timeliness, Accuracy, Completeness are the three default characteristics of 'quality' data.

And as pressure for regulatory compliance in the financial sector grows, Cheah expects more and more organisations to seriously re-look their business' DI function.

"The majority of the effort to meet compliance is indeed met at the DI stage," he says.

So what can the financial people at large do to ensure that they overcome their DI problems before they become pains?

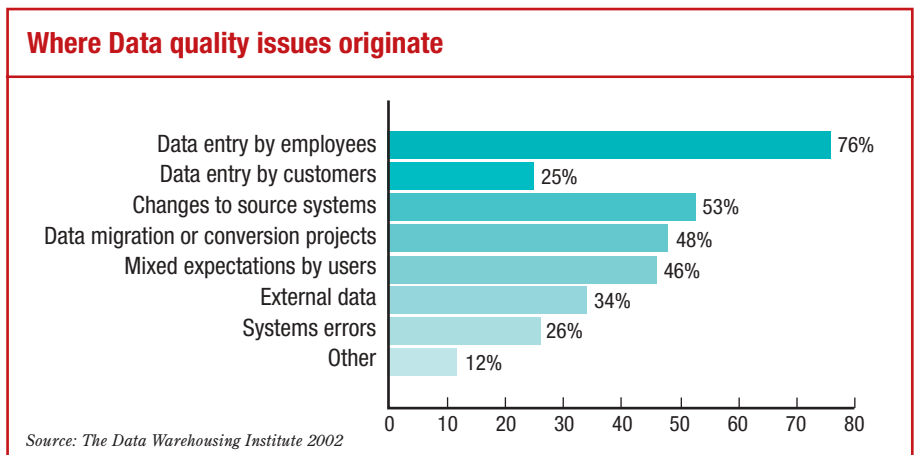
Cheah says that although it may seem out of line, the financial people in the business need to make a conscious effort to understand their own technology environment. "You need to understand the complexity of the data that you rely on to make business decisions, and to provide quality service. Don't just leave the issue of data

intelligence. SAS solutions are used at 40,000 sites — including 96 of the top 100 companies on the FORTUNE Global 500 — to develop more profitable relationships with customers and suppliers; to enable better, more accurate and informed decisions; and to drive organisations forward.

SAS is the only vendor that completely integrates leading data warehousing, analytics and traditional BI applications to create intelligence from massive amounts of data. For three decades, SAS has been giving customers around the world "the power to know". To learn more, visit [www.sas.com](http://www.sas.com).

### Data Quality goes from Bad to Worse

In a poll conducted by *Business Intelligence Pipeline* in October 2004, readers were asked to rate the overall quality of their enterprise data for analytical purposes as excellent, good, fair or poor. The re-



quality to the technical people."

He stresses a DI strategy for each organisation, and this includes an audited data quality process, a calculation of the time and effort to extract data and the tools and systems that are used to perform the necessary integration processes.

"Remember, the data could be accurate at source A and source B, but not necessarily so when they are combined to be data A+B. Companies that manage their data as a strategic resource and invest in its quality are already pulling ahead in terms of reputation and profitability from those that fail to do so," adds Cheah.

### About SAS

SAS is the market leader in providing a new generation of business intelligence software and services that create true enter-

prises were as follows:

- 19 per cent awarded an "excellent" rating;
  - 12 per cent said it was "good";
  - 50 per cent said their data were of "fair" quality; and
  - 19 per cent rated their data quality as "poor".
- A similar poll conducted towards the end of 2005 has shown the previous year's results in good light.
- Four per cent said their data quality was "excellent";
  - 23 per cent voted that their data quality was "good";
  - 43 per cent voted as "fair"; and
  - 30 per cent rated their data quality as "poor" (which Business Intelligence Pipeline deems, "often worthless for BI purposes"). **AT**



## SPECIAL NOTICE

**This space could be yours for RM200.00\***

MIA members and the Institute's member firms may use this column to place general notices such as:

- Moving (Change of Address) ■ Change of Firm's Name or Logo ■ Recruitment ■ Seeking Strategic Alliance OR Seeking Assistance Among Member Firms ■ Transfer of Technology/ Expertise/Know-How ■ General Announcements ■ Locating MIA Member(s)/Member Firms.

To place your notice or advertisement, please contact Hani of the Development and Promotions Department at +603-2279 9200 (ext. 324 or 146) or Fax: +603-2274 1783

**\* TERMS AND CONDITIONS APPLY**

\* Terms and conditions.

- Whilst every endeavour is made to publish suitable member firms' or members' advertisement in this special notice column on the requested month, it cannot be guaranteed.
- This advertising space is reserved for MIA member firms and MIA members. To be eligible to advertise in this special section, member firms or members must indicate their firm's or membership number. If the advertisement submission is incomplete or does not meet the submission requirements, the advertisement will be deemed invalid and excluded from the special column.
- The special advertisement assessment task force reserves the right to review, to hold over, to reject or to edit any advertisement(s) without prior notice to the advertiser and to publish the said advertisement(s).
- The Institute shall not be responsible or liable for any claims, loss or damage whatsoever, resulting from or in connection with this advertisement.
- With immediate effect, these new terms and conditions supersede the earlier advertisement notice.
- The deadline for submission of notices or advertisements are on the 15th of each month.

**Public Rulings**

Please be informed that two new public rulings (PR) i.e. **PR No. 4/2006: Valuation of Stock In Trade and Work In Progress (Part 1)** and **PR No. 5/2006: Professional Indemnity Insurance** were both issued by the Inland Revenue Board (IRB) on 31 May 2006. The said public rulings can be downloaded from the IRB's website at [www.hasil.org.my](http://www.hasil.org.my) under the heading of 'Law & Regulations-Rulings'. **AT**

**NACRA 2006 Expands Awards Categories**

The National Annual Corporate Report Awards (NACRA) 2006, has been expanded to include more awards this year and this will mean that there are more chances of winning an award this year. According to the NACRA Organising Committee's Chairman, Mohammad Faiz Azmi, the Overall Excellence Award, the Presentation Award and the Environmental Reporting Award respectively will be expanded to offer three awards which include a Platinum Award, a Gold Award and a Silver Award for each category.



Apart from encouraging participation he said that this is to ensure that the NACRA stays relevant and ensuring that we move in tune with the vibrant business milieu.

Mohammad Faiz also urged non-listed companies, public sector entities and other organisations to come forward to participate in the NACRA 2006. "It is my sincere hope that eligible companies will participate in this competition. The process of selection and presentation of the awards will offer an avenue for sharing experiences, knowledge and standards," he said in his speech during the launch of the NACRA competition at the Malaysian Institute of Management in Kuala Lumpur on 14 June 2006.

With a tagline that reads 'Towards Excellence', the NACRA gives honour and recognition to deserving organisations, which have achieved excellence in annual corporate reporting. It promotes overall exemplary corporate conduct rather than focus on specific traits of corporate behaviour. It encourages the highest standards in the presentation and reporting of financial and other information needed by shareholders, investors and other interest groups thus participation in such a competition will be highly beneficial for Malaysian corporate entities.

Participation in NACRA will also give companies a chance to benchmark against the best and see where they stand in the area of corporate reporting.

Mohammad Faiz urged companies to relook the processes involved in the production of annual reports and in particular the need to produce annual reports in the national language, Bahasa Malaysia. Failure to submit the Bahasa Malaysia version of their annual reports would result in participants getting disqualified during the preliminary screening stage. To avoid such problems he advised potential participants to study the NACRA brochure carefully. The brochure contains the entry requirements, details on the adjudication process, criteria for participation and other related information.

The NACRA is a prestigious award in recognition of excellence in annual corporate reporting for corporate Malaysia and is presented at the end of the year at a glittering Awards Presentation Ceremony which is witnessed by industry leaders and corporate captains. It was established in 1990 to inculcate a culture of excellence in the presentation of financial and business reporting in Malaysia. Year 2006 marks NACRA's 17th year in existence and it is jointly organised by the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Management (MIM).

The competition is open to all companies incorporated or registered in Malaysia, both listed and unlisted, as well as the public sector and other organisations established in Malaysia. NACRA comprises five categories of awards, namely the Overall Excellence Award, Industry Excellence Award for Listed Companies, Special Award for Non-Listed Organisations, Presentation Award and Environmental Reporting Award. **AT**

For more information please contact Anuja Ravendran or Aznita Zakaria from MIA's Communications Department at 03-2279 9200.

## Call for participation in NAfMA 2006

The Malaysian Institute of Accountants (MIA) and CIMA Malaysia Division, the organisers of the National Award for Management Accounting (NAfMA), now invite companies to participate in NAfMA 2006. Eligible companies will fall into the following categories:

- Companies listed on the Bursa Malaysia Securities Berhad.
- Non-listed companies in Malaysia.
- Non-listed small and medium enterprises (SMEs) with an annual sales turnover of not more than RM25 million.

Companies that wish to participate in NAfMA must also be profitable over the last three financial years. The assessment of application will be based on eight criteria which include leadership, management accounting information, resource management, customer/market focus, partnership management, value creation, business results and corporate social responsibility.

The submission deadline for the NAfMA 2006 is **25 August 2006**. Application documents may be downloaded from the MIA or CIMA websites at [www.mia.org.my](http://www.mia.org.my) or [www.cimaglobal.com/malaysia](http://www.cimaglobal.com/malaysia). Alternatively, please e-mail [nafma@mia.org.my](mailto:nafma@mia.org.my), [nafma@cimaglobal.com](mailto:nafma@cimaglobal.com) or call 03-2272 9200/9232 (Marini), 03-7803 5531/5186 (Ross). [AT](#)

## Upcoming events at MIA Penang Branch Office

Please be informed that the Branch Committee is organising the following events for members especially the practitioners.

- 1 Forum on *The Future of Private Entity Reporting in Malaysia* covering a discussion of the Exposure Draft on Friday, 11 August 2006.
- 2 Forum on *Accounting for Property covering FRS 116, FRS 117 and FRS 140* on Friday, 13 October 2006.

Below are the details:

**Venue:** MIA Penang Branch Office  
Suite 1-2, 1<sup>st</sup> Floor  
Menara Penang Garden  
(behind Citibank)  
42A Jalan Sultan Ahmad Shah  
10050 Penang.

**Time:** 3.00pm to 3.30pm (Registration)  
3.30pm to 5.00pm (Forum)

**Admission:** Complimentary

**Registration:** Call Debbie at 04-229 4203 or email [miapg@streamyx.com](mailto:miapg@streamyx.com) (Limited to 50 seats on first come first serve basis). [AT](#)

## An Invitation — Johor Branch 2006 Annual Dinner

MIA Johor Branch will be hosting its 2006 Annual Dinner on Friday, 25 August 2006 at the Mutiara Hotel Johor Bahru. Our guest of honour, MIA's President, Abdul Rahim

Abdul Hamid, has been invited to officiate the event. Being a once-in-a-year only event, we hope to attract a substantial number of members to share in this memorable event.

The dinner which will begin at 6.30 p.m. promises a host of events ranging from live entertainment, table games, a karaoke session for all the aspiring talents, lucky draw giveaway and of course a sumptuous dinner. The dress code is formal so do come in your best.

If you are up for a fun filled & memorable night and would like to be able to meet and mingle with the rest of your counterparts, do make your individual or table bookings as soon as possible. To facilitate all the arrangements & coordination, the closing date is targeted to be 31 July 2006.

In advance, we wish to express our sincere appreciation in anticipation of your generous support and contribution in making this event a memorable one.

Letters together with a reply slip attached within, for this event, will be sent out to all member firms as well as individual members. The tickets are priced at RM 70.00 per person or RM 700.00 per table. You may also obtain your tickets from our Johor Branch office at the following address: [AT](#)

Malaysian Institute of Accountants  
(Johor Branch)

Unit No. 5.03A, 5<sup>th</sup> Floor, Menara TJB  
9, Jln Syed Mufti, 80000 Johor Bahru  
Tel: 07-227 0369 Fax: 07-222 0391

e-mail: [miajb@streamyx.com](mailto:miajb@streamyx.com)

Contact Person: Ms Chan/Ms Vanessa  
Office hours: (Mon-Fri) 8:45 am-5:30 pm

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1st Floor, Belatuk Block, Cyberview Garden,  
83000 Cyberjaya, Selangor.  
Tel: +603-83181882 Fax: +603-83191882

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- ACCOUNTING

**GELIGA INTEGRATED BUSINESS SOLUTION (GIBS)**



## Confederation of Asia and Pacific Accountants Meets in Kuala Lumpur

Accounting and auditing standards for small and medium industries (SMI) were deliberated at the 67<sup>th</sup> Executive Committee meeting of the Confederation of Asia and Pacific Accountants (CAPA) on 24 May 2006 in Kuala Lumpur.

The Executive Committee meets bi-annually to discuss current issues of concern facing the accountancy profession as well as to deliberate on strategies and projects to assist member bodies to develop their profession for the public benefit.

It's President, Shozo Yamazaki from Japan said they are looking into issues that include

One for the album ... CAPA delegates who attended the meeting



the direction in which the development of accounting standard for SMI's are taking shape.

"We need to address critical issues that are often neglected such as the need of the micro sized industries. They need the support of a separate accounting and auditing standard to facilitate the nature of the industry itself," said Yamazaki.

Headquartered in Malaysia, CAPA is one of the four recognised Regional Organisations (RO's) of the International Federation of Accountants (IFAC) — the world governing organisation for national accounting organisations.

This meeting brings together, representatives from national accounting bodies of 18 countries that include Australia, Bangladesh, China, Hong Kong (SAR), India, Japan, Korea, Malaysia, Macau, Nepal, New Zealand, Pakistan, Philippines, Sri Lanka and the US.

International organisations such as the Asian Development Bank (ADB), Asian Federation of Accountants (AFA), South Asian

Federation of Accountants (SAFA), and IFAC's Chairman of the Compliance Advisory Panel (CAP) were also represented at the meeting. **AT**



CAPA President, Shozo Yamazaki presenting MIA President, Abdul Rahim Abdul Hamid with a memento

## MAREF Serious About Developing Accountancy Research in Malaysia



MAREF Board of Trustees Member, Damanhuri Mahmud, Chairman, Datuk Abdul Samad Haji Alias (Dr.), and research consultant Prof. Madya Dr. Nafsiah Mohamed during the press conference

In an effort to facilitate research efforts in the area of accountancy research and education, the Malaysian Accountancy Research and Education Foundation (MAREF) has made a pledge to allocate RM450,000 for the purpose of commissioning research projects with nine public universities. Each public university will be allocated RM50,000.

These universities are Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM), Universiti Teknologi MARA (UiTM), Universiti Utara Malaysia (UUM), Universiti Putra Malaysia (UPM),

Universiti Islam Antarabangsa (UIA), Universiti Sains Malaysia (USM), Universiti Malaysia Sabah (UMS), and Universiti Teknologi Malaysia (UTM).

According to MAREF's Chairman, Datuk Abdul Samad Haji Alias (Dr.), the aim of the pledge is to encourage lecturers to conduct research in order to achieve the organisation's mission, which is to identify and develop new knowledge and examine issues related to Malaysian accounting practices. He explained that MAREF would be leveraging on strategic alliances with universities and other organisations in a bid to facilitate research initiatives "Our aim is to promote high-quality research among academicians, professionals, practitioners and students in Malaysia."

Apart from the pledge to grant funds to universities for research purposes, another such alliance has already been made with the Malaysian Integrity Institute (IIM) where a working relationship has been forged via the signing of a Memorandum of Understanding (MoU) on 25 May 2006. The MoU will facilitate research in the area of corporate governance



and business ethics among corporate players in Malaysia.

Datuk Abdul Samad also announced that MAREF is interested in spurring research focusing on the small and medium industries (SMI) in Malaysia under a special projects category.

“The importance of SMIs cannot be overlooked in a country where they (the SMIs) make up a significant portion of the market.” Under this initiative, MAREF will provide grants to universities to facilitate relevant research projects, he said during a press conference in Kuala Lumpur on 14 June 2006.

Apart from that, Datuk Abdul Samad announced that MAREF has kick-started an initiative called the Best Degree Student Award which will be extended to nine universities, recognised by MIA (pursuant to part 1, 1<sup>st</sup> Schedule of the Accountants Act 1967). The universities are UM, UKM, UiTM, UUM, UPM,

UIA, USM, Universiti Tenaga Nasional (UNITEN), and Universiti Multimedia (MMU). The award will be given to an accountancy degree student with the best overall achievement in each university respectively. Apart from academic excellence, the recipients will also be judged based on their adeptness in the area of soft skills, Datuk Abdul Samad said.

Datuk Abdul Samad also announced that the MAREF’s website ([www.maref.org.my](http://www.maref.org.my)) is presently being enhanced and upgraded to accommodate the needs of researchers and the public.

He stated that MAREF is presently undergoing a re-branding effort in a bid to further promote its role to the public. Furthermore, all these initiatives being undertaken by us demonstrate MAREF’s seriousness and commitment in promoting the advancement and development of accountancy research in Malaysia. **AT**

“The importance of SMIs cannot be overlooked in a country where they ... make up a significant portion of the market.”

## MIA Donates to Java Quake Victims

The Malaysian Institute of Accountants (MIA) set up a ‘Java Quake Relief Fund’ to encourage its members to help victims of the devastating Yogyakarta earthquake.

The first round of this fund raising project ran until 3.00 pm on Tuesday, 30 May 2006. It was done to enable the MIA President, Abdul Rahim Abdul Hamid to present the Institute’s first donation to the quake victims through its counterpart, the Indonesian Institute of Accountants (IAI).

“Like so many others around the world, we at the Institute are following the devastation caused by the earthquake that has hit Yogyakarta. Our thoughts are with everyone who has been affected,” Abdul Rahim commented.

He left for Jakarta on a working visit on 31 May 2006 and presented RM2,910 in cash to the IAI on the same day. Accepting the donation on IAI’s behalf was Rahim’s counterpart, IAI President, Ahmadi Hadibroto.

Hadibroto extended his gratitude to all from MIA who had contributed to the fund. He said the fund will be channelled to the IAI collection fund, ‘Tabung Akuntan Peduli’ to be used to help the displaced and homeless victims who are in dire need of emergency items like medicine and first aid, food parcels and other relief supplies.

Another IAI Council Member, Djoko Susanto who is a resident of Yogyakarta himself, also extended his sincere gratitude for the kind donation to help his city.

In the meantime, in keeping with the spirit of solidarity, MIA hopes to be able to do more to contribute towards the relief efforts in Java. Towards this end, MIA is still accepting monetary contributions (due to logistical considerations) until the end of June 2006. This collection will then be forwarded to the IAI’s ‘Tabung Akuntan Peduli’ fund for onward transmission towards relief efforts in the disaster zone. **AT**



The donations collected for the MIA Java Quake Relief Fund was handed to the Indonesian Institute of Accountants (IAI) by MIA President, Abdul Rahim Abdul Hamid, at the conclusion of the MIA-IAI Steering Committee MRA Meeting in Jakarta. The President of IAI, Ahmadi Hadibroto (left) received the donation from the MIA President

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## Visit to the Hong Kong Institute of Certified Public Accountants and Firms in Hong Kong



*The team from the Institute's Public Practice Committee (PPC) during their visit to the Hong Kong Institute of Certified Public Accountants*

The Public Practice Committee (PPC) of the Institute organised a courtesy visit to the Hong Kong Institute of Certified Public Accountants (HKICPA) and some selected small and medium firms from 22-24 February 2006. The PPC was represented by Peter Lim Thiam Kee, Council Member and the Chairman of PPC, Hj Mohd Noh Jidin, Chairman of the Small and Medium Practices Task Force and KC Lim, member of the PPC.

The main objective of the visit to Hong Kong among other things, was to understand the newly introduced *Small and Medium-sized Entity Financial Reporting Framework and Standards* and the new *Practice Note 900 on Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standards* especially in the area of how practitioners and their staff cope with this new standards. The delegates also took the opportunity to learn the standard setting procedures from the HKICPA and the regulatory framework in Hong Kong.

### Regulatory Framework of Hong Kong

The Institute operates under the Professional Accountants Ordinance and has wide-ranging responsibilities that include maintenance of the quality of entry to the profession through its post graduate CPA programme, promulgation of financial reporting, auditing and assurance, and ethics standards in Hong Kong, and development of the profession. It has responsibility for the regulation of accounting practices in Hong Kong.

Hong Kong has managed to achieve full convergence with International Financial Reporting Standards (IFRS), which is effective for financial reporting periods that began on or after 1 January 2005, and it's called the Hong Kong Financial Reporting Standards (HKFRS).

In Hong Kong, all companies registered under the Hong Kong Companies Ordinance are required to

have their financial statements audited regardless of their size.

### Small and Medium-sized Entity Financial Reporting Framework and Standards (SME-FRS)

The HKICPA, in August 2005, released the SME-FRS (approximately 70 pages) as an alternative to HKFRS. This new standards relieve small companies in Hong Kong from the complex reporting burden, which is good news for the SMEs while at the same time providing information useful to users. The SME-FRS is effective for qualifying an entity's financial statements for accounting periods beginning on or after 1 January 2005.

The SME-FRS is prepared under the historical cost convention. As such, the same financial statements prepared in two different standards (HKFRS & SME-FRS) will produce two different results. The SME reporting regime is an **optional** alternative to the full HKFRS regime. That is, even if an entity meets the qualifying criteria it can still choose to adopt the full HKFRS regime in preparing its financial statements.

As a result of the SME-FRS, the HKICPA then developed the *Practice Note 900 "Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standards"*, which was issued in December 2005, to assist the practitioners in performing the audit of companies who had opted to prepare their financial statements in accordance with the SME-FRS. However, all the other applicable auditing standards must be complied with as well.

The general feedback from SMEs, SMPs and users of the financial statements in Hong Kong has been very favourable. When asked whether there will be similarities in the SME standards to be issued by the IASB in the near future and whether HKICPA will be aligning the SME-FRS with the SME standards by IASB, HKICPA had commented that the SME-FRS caters for the "micro SMEs" whereas the SME standards to be developed by IASB will be catering for the "macro SMEs". However, this is yet to be confirmed after the release of the SME standards by IASB and then the HKICPA will decide on the next course of action accordingly.

### Views of Practising Firms

We had also visited three member firms (comprising of small and medium practices) in Hong Kong namely, Morison Heng, Wong Lam Leung & Kwok CPA Ltd. and Lak & Associates, to obtain information from the firms on their experience in dealing with the new SME-FRS, Practice Note 900 and other regulatory requirements in Hong Kong. Their responses were generally the same. Below are their views (in summary):

**"In Hong Kong, all companies registered under the Hong Kong Companies Ordinance are required to have their financial statements audited regardless of their size."**

*SME-FRS & Practice Note 900*

- As the SME-FRS and Practice Note 900 was just recently introduced, most practitioners are still not familiar or aware of the requirements under these standards. However, they do see the benefit as the SMEs are allowed to prepare financial statements in a simplified manner.
- SMEs are also not familiar with this new alternative (SME-FRS) that they are able to use.
- There is no decrease in audit fee in the event if the client of the firm decides to use the SME-FRS as the audit work performed does not reduce or dif-

fer significantly. In fact, with the new requirements under HKFRS, the audit work has increased.

- Financial institutions are more comfortable with financial statements prepared in accordance with HKFRS, due to the higher disclosure requirement. However, financial statements prepared in accordance with the SME-FRS are acceptable as well.
- Due to these new accounting standards, staff of practising firms are required to know both the SME-FRS and HKFRS, hence training expenses have increased.

## International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee Meeting

Our Council Member, Peter Lim, the Institute's representative on the IFAC's SMP Committee, attended the first SMP Committee meeting in New York from 26-28 March 2006. A pre-meeting briefing was held on 26 March for new members to be acquainted with the IFAC's internal and external consultation process. This is the first meeting with the Chairperson of the SMP Committee, Sylvie Voghel from Canada, Deputy Chair, Lino De Vecchi from Italy and, the Secretary, Paul Thompson. The terms of reference of the SMP Committee of IFAC are as follows:

- (i) To work directly with IFAC Boards and other standard setting bodies to ensure that they are aware of and give due consideration to issues relevant to Small and Medium Enterprises (SMEs) and SMPs;
- (ii) Facilitate the communication and sharing of information between member bodies, IFAC boards and committees and other external groups;
- (iii) Support SMPs that provide accounting and assurance services to SMEs by leveraging the work of member bodies and others; and
- (iv) To identify other issues relevant to those providing accounting and assurance services to SMEs and develop guidance on these issues.

The outcome of the two day meeting is summarised as follows:

### Rapid Response Team (RRT)

The SMP Committee has emphasised on the need for a rapid response team to deal with imminent issues. The reporting time frame for the RRT is between 14 to 21 days. Malaysia will consider being

part of the RRT once we are more familiar with the issues normally discussed by the SMP Committee.

### Liaison With Other Committees Within IFAC

A very informative session, we learned about the various projects being undertaken by IFAC at the present moment. This can help the SMP Committee to direct their resources to complement the areas, which are currently being undertaken by other committees or task forces within IFAC. Such status reports can be a springboard of the SMP Committee to undertake projects relevant to the Terms of Reference of the SMP Committee.

### SME Financial Reporting

A new SME standards exposure draft is in the making and is expected to be available early 2007. The next issue of concern to the SMP Committee is the possible need for micro entity reporting. The ACCA of UK is currently working on a project proposal paper following their research in this area. The SMP Committee will deliberate on the findings by ACCA and may consider recommending for the implementation of micro entity reporting to IAASB. In-depth discussion is expected to take place sometime early July 2006 at the SMP Regional Consultative Forum in Hong Kong.

### SMP Regional Consultative Forum

The SMP Committee has decided that the above-mentioned forum will be held in Hong Kong on 3 July 2006. Speakers from the various regions will be participating in this forum and the SMP Committee will evaluate all pertinent issues raised during the forum. Delegates are expected to participate in-group discussions comprising of 10 groups (approximately 15 members to a group) with representatives from the SMP Committee in each group. The results of the group discussions will be further deliberated in the SMP Committee meeting scheduled to be held from 5-6 July 2006.

**“A new SME standards exposure draft is in the making and is expected to be available early 2007.”**



### ISA Guide

The SMP Committee has approved a project to furnish guidance materials to member bodies on the interpretation of the auditing standards. However, the dilemma was the fact that the whole series of ISA will be rewritten in a so-called clarity format. This project, under the IAASB is only expected to be finalised by 2008. As such, the project on ISA Guide can only commence after 2008 in an ideal situation. However, in view of the long waiting time, the SMP Committee had decided that the consultant so engaged to produce the ISA Guide will have to carry out his work based on the current ISA standards. The IAASB will be issuing the draft clarity standards from time to time and the consultant will be requested to revise his draft ISA Guide based on the clarity standards when it is available. If the rewriting is minimum, then the project will proceed as intended. However, if such rewriting entails significant work, the project may need to be deferred until all the clarity standards are finalised.

A member of the SMP Committee, Dr. Helmut Klass, was requested to review the profiles of the four consultants who have been short listed for the project. Based on his review and findings, the SMP Committee decided to award the project to the Canadian Institute of Chartered Accountants (CICA). The Chairperson of the SMP

Committee will then have to pitch for the project at the IFAC Council level.

### Resource Centre

The IFAC's Professional Accountants In Business (PAIB) Committee made a presentation on their Resource Centre project to the SMP Committee. The members of the SMP Committee can see the value of this project. Thus, the question now is whether another Resource Centre project for SMP should be considered. Alternatively, the current resource centre project carried out by PAIB could be expanded to incorporate the needs of the SMPs. No decision has been taken but the SMP Committee will be monitoring this project on a priority basis.

### Next Meeting Venue after Hong Kong

Israel's accountancy body is pitching for an opportunity to host the October 2006 SMP Committee meeting in Tel Aviv. However, as representatives from Malaysia, we may encounter some travel restriction to Israel. The MIA Secretariat will be inquiring from the Ministry of Home Affairs on the possibility of allowing the Malaysian representatives, Peter Lim and his technical advisor to travel to Israel on the 5 and 6 October 2006. **AT**

## MIA Pays SSM CEO a Courtesy Visit



*The MIA delegates and SSM representatives after the meeting ... (L-R) Shazwan Abdul Shukor, Norazimah Abdul Aziz, Ho Foong Moi, Peter Lim, Nik Mohd. Hasyudeen, Abdul Karim, Abdul Rahim, Quek Jin Foong, Hajah Rokiah Muhd Nor and Mohd Redzuan Abdullah*

In May 2006, the Institute paid a courtesy call on the Chief Executive Officer of the Companies Commission of Malaysia (SSM), Abdul Karim Abdul Jalil who took over from Abdul Alim Abdullah.

The purpose of the visit was to introduce MIA to Abdul Karim as well as to foster good working relations between both the organisations.

The MIA delegation included its President, Abdul Rahim Abdul Hamid, Vice-President, Nik Mohd. Hasyudeen Yusoff, Council Members, Quek Jin Foong and Peter Lim, Executive Director, Ho Foong Moi and secretariat staff.

During the meeting, Abdul Rahim highlighted the roles and functions of the Institute to Abdul Karim and other SSM representatives who were present. Abdul Karim shared similar information on SSM with the MIA delegates.

Apart from that, the discussion during the meeting also touched on issues pertinent to both organisations such as the Corporate Law Reform Committee (CLRC) and possible areas for MIA-SSM collaboration in the future.

The MIA delegation was also taken on a visit to SSM's operations floor where they were exposed to all the day-to-day processes involved at the organisation. **AT**

## Audit Documentation

The Institute's CPE Department organised a series of Audit Documentation courses with the objective of enhancing participants' knowledge and skill in the documentation and management of the audit process. Via the course, participants achieved increased understanding of the relevance and importance of proper completion of checklists, questionnaires and memoranda as part of audit documentation.

The courses were conducted by Tong Seuk Ying

who has extensive experience in the area of audit.

The first course was held on 22 May 2006 at the Hilton Petaling Jaya and the subsequent one was held on 29 May 2006 at the Hyatt Regency in Kuantan.

It will also be held on 24 July 2006 at the Trader's Hotel in Penang, on 14 August 2006 at the Grand Plaza Park Royal, on 11 September 2006 at Shangri-La Tg. Aru Resort in Sabah, 12 September 2006 at Crowne Plaza Riverside in Sarawak and 25 September 2006 in Hyatt Regency Hotel in Johor Bahru. **AT**

## Getting Tax Savvy

The Institute organised a series of workshops titled "Tax Planning for Personal Business & Investment" comprising of two parts to help big, small or SOHO businesses to better understand tax related issues. The workshops were held in the Klang Valley, Penang, Johor Bahru, Kota Kinabalu and Kuching.

The first series of the workshop focused on personal businesses covering areas such as business entities for onshore and offshore business, SOHO and partnerships, incorporated entities, tax exempt income, cost and benefits evaluation from a tax perspective, and securing maximum deduction of business ex-

penses among others.

The second series focused on personal investments and covered topics such as exploring the many taxation aspects of holding various types of investments, types of expense deduction and tax planning for choice vehicles for investment.

The workshop was conducted by tax consultant, Ong Yoke Yew, who has extensive experience with international accounting firms and multinational corporations. **AT**



*Ong shares important tax planning tips*

## Counselling Employees Effectively

The Institute organised a 2-day workshop titled "Employee Counselling Skills" in Kuala Lumpur and Petaling Jaya for those who were looking to effectively communicate with their staff.

The workshop delved into critical skills required in helping colleagues and subordinates deal with issues that impact on their work and their relationships with fellow workers. While it did not transform managers into professional counsellors in just two days, the workshop provided critical approaches that may become necessary in the workplace.

The objectives of the workshop was to facilitate bet-

ter understanding of the nature and purpose of workspace counselling, to recognise and identify difficult/troubled employees, decide when and how to counsel them, recognise and overcome resistance to counselling and most importantly help these employees find the solutions to their problems.

The workshop was conducted by John Ambrose, a principal consultant and trainer who has postgraduate qualifications in human resources and public relations. **AT**



*Ambrose shares with participants employee counselling skills*

## Loan Applications — Understanding the Process

The Institute organised a course titled "Understand How Banks Approve and Structure Loans."

It highlighted to participants the need to communicate their plans, ideas and targets convincingly and effectively especially when they meet bankers to seek banking facilities. The speaker shared information on how bankers made the decision to lend.

The course was conducted by Agee Lee who has

more than 22 years of experience in commercial banking in Malaysia.

The 2-day course was held in locations such as Penang, Kota Kinabalu, Kuching and Johor Bahru. It will be held in the Klang Valley at the Hilton Petaling Jaya from 21-22 August 2006. **AT**



*Participants being given insights on the loan approval process*

**PENANG BRANCH**

**Courtesy Call on Inland Revenue Board**

In June 2006, Penang Branch Chairperson, Adelena Chong, Taxation Working Group Chairman, Tan Tcheow Woei and members of the taxation-working group called on Abdul Aziz Hashim, the recently appointed IRB State Director for Penang, Kedah and Perlis.

Abdul Aziz who previously headed the Pandan Indah Processing Centre (Pusat Pemprosesan) briefed the members on the procedures and practices of the IRB processing centre from the time when the return forms were received until they were processed (i.e. deemed assessed).

Below is a summary of issues discussed during the courtesy call:

1 When submitting return forms in batches, the IRB will verify the number of returns submitted and confirm the companies listed before acknowledging receipt on the cover letters.

2 The IRB would also like to remind taxpayers to indicate the type of returns submitted and tax status i.e. if a repayment is required, this should be marked on the self addressed envelope provided by the IRB. This will facilitate the sorting process.

3 Form C and Form R of companies' returns are being processed separately. Therefore it is advisable not to bind both returns together and care must also be taken in attaching the relevant supporting documents to the correct returns, i.e. dividend vouchers to be attached with Form C and not at the back of the binded Form C and Form R.

4 Correction fluid should not be used when completing return forms, as the heat generated in the scanning process tends to cause the hardened correction fluid to melt and smear the return forms resulting in data loss.

5 Taxpayers are encouraged to contact the IRB call centre via e-mail ([callcentre@hasilnet.org.my](mailto:callcentre@hasilnet.org.my)) or phone (1-300-88-3010) to clarify operational and technical issues. **AT**

**SABAH BRANCH**

**National Youth Week Launched by DPM in Sandakan**

Secretariat staff explaining about MIA to two youths



5,000 youths from various associations affiliated to the Sabah Youth Council attended the National Youth Week themed *Belia Bina Bangsa, Belia Wawasan, Belia Malaysia*, which was launched by Deputy Prime Minister, YAB Datuk Seri Panglima Mohd Najib Tun Haji Abdul Razak in

Sandakan on 4 May 2006. Among the dignitaries who attended the launch were the Chief Minister of Sabah, Minister in the Prime Minister's Department (representing the Youth and Sports Minister), Malaysian Youth Council Deputy President, and the Domestic Trade and Consumer Affairs Minister.

MIA Sabah Branch Chairman, Alexandra Thien was among the invited guests at the launching ceremony while MIA Sabah Branch joined more than 30 other exhibitors with booths surrounding Padang Bandaran which were manned from 9am to 9pm. Standing on patches of grass and pieces of plywood over churned up soil and under the rather uncomfortable heat of a red canopy, the secretariat staff relentlessly reached out to as many youths, students, parents, teachers and officials who came to visit the MIA booth over the two days. **AT**

(L - R) Chong Yun Shen, Dusun Chong, Daniel Lau, Tan Huang Dak, Alexandra Thien, Jovy Foo, Teo Gim Suan and Lucy Read



**Members & Practitioners Briefing/Dialogue in Sandakan**

Members in Sandakan Chapter warmly welcomed Alexandra Thien, Sabah Branch Chairman for the Members & Practitioners briefing/dialogue in April 2006. The briefing/dialogue was well attended by 54 members.

Lucy Read, Sabah Branch Manager briefed members on the proposed By-Laws while the Branch Chairman briefed members on the audit & tax licence application and other practice issues. **AT**



Sandakan Members listening attentively during the Members & Practitioners briefing / dialogue



## Career Talk in Yu Yuan Secondary School in Sandakan

Lucy Read, Sabah Branch Manager presented a career talk to students of Yu Yuan Secondary School in Sandakan in April 2006. About 80 commercial studies students from Yu Yuan Secondary School attended the career talk. During the Q&A session, students asked a lot of questions on job opportunities, future prospects and the difference between management accounting and financial accounting. **AT**



(L-R) Wong Yen Fong, Dean of Commercial Studies, Lucy Read and Tan Huang Dak, Sandakan Chapter Chairman with the students from Yu Yuan Secondary School in Sandakan

## ACCA Road Show on Career Talk

MIA was invited to participate in the road show on career talks to school counsellors in Sandakan, Kota Kinabalu & Labuan in the month of April 2006. **AT**



Lucy Read, MIA Sabah Branch Manager with Alvin Chen, ACCA executive staff of Kuching Office together with School Counsellors in Labuan



Lucy Read presented a career talk in Le Meridien, Kota Kinabalu

## Business and Financial Leadership in Today's Business Environment

*Are you prepared to face the waves of change?*



The pressures of globalisation, competition, technological change and a renewed focus on value have had profound effects on the modern

organisation. Business and financial leaders must respond to diverse social, political, technological and environmental issues in ever-decreasing time frames. Rapid access to sophisticated information is paramount in achieving business objectives.

Managers of Value in today's organisation's are increasingly challenged by these forces of change to add greater value to decision-making across a broader range of strategic business issues. Answering these challenges require a commitment to stepping outside the traditional realms of financial management and enhancing your business management skills set.

The Malaysian Institute of Accountants (MIA) Penang Branch Committee presents an intensive two-day Regional Conference

developed for business and financial leaders to meet these challenges. The conference will explore issues on mergers and acquisitions, globalisation and corporate turnaround strategies, outlook of the ringgit, regulatory issues and post-FRS challenges.

The MIA Regional Conference 2006 will feature some very

prominent faces as part of its interesting line-up of topics. Some of them include Penang's prominent business leaders and key strategists, as well as other prominent accounting personalities from this region. The Grand Gala Dinner promises a most memorable and enjoyable evening with Phua Chu Kang as the entertainer.

In conjunction with this conference, the organiser will also organise a golf tournament on 16 September 2006 at Bukit Jambul Country Club. For further information about the conference and the golf tournament, please contact MIA Penang Branch at 04-229 4203 or e-mail [mia@streamyx.com](mailto:mia@streamyx.com)

### Fact File

#### MIA Regional Conference 2006

**Date:** 14-15 September 2006

**Venue:** Hotel Equatorial, Penang

**Fees:** Early Bird (by 15 August 2006)

RM780 (member), RM880 (non-member)

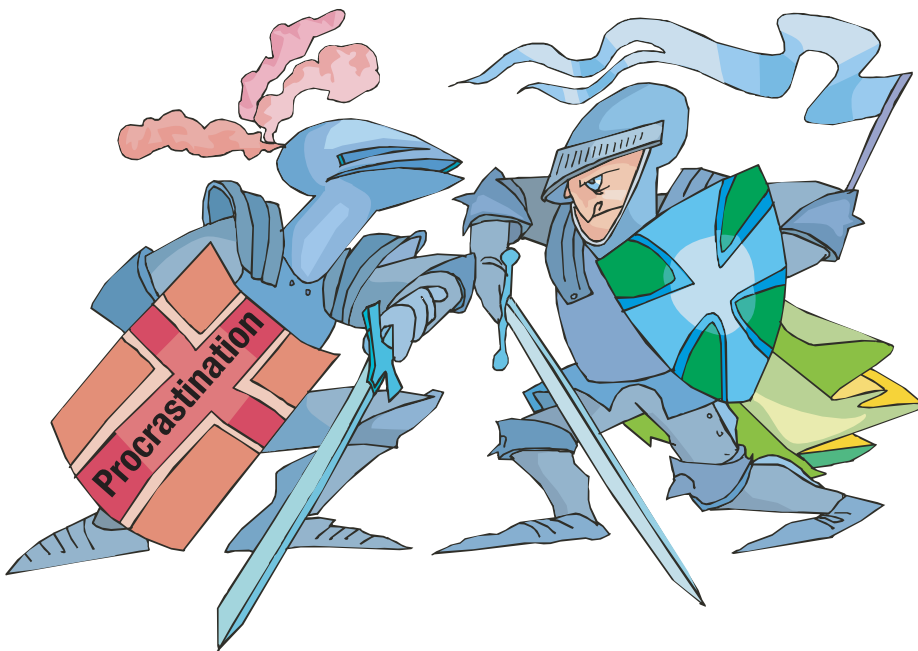
**Normal:** RM880 (member); RM980 (non-member)

*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 18<sup>th</sup> 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 ...*

## THE BIG BATTLE YOU MUST WIN FOR Career Advancement

by Rajen Devadason



**SLAY PROCRASTINATION, AND STAND TRIUMPHANT!**

**W**ith so many features to choose from, why did you turn to this page of *Accountants Today*? Was it by chance, or did you pause here because of a nagging suspicion that long-term job security hinges on your learning to manage time better?

Today, in mid-2006, accountants in Malaysia are facing enormous challenges. Those include new rules that place the onus of greater responsibility squarely on your shoulders. Accompanying that call for enhanced accountability (pun intended!) is heightened scrutiny of your work — both in scope and depth.

How should you react to these added stresses? Cracking under them is one option ... but that isn't your first preference! Growing for the benefit of your career and family is a better option; so I'll leave you with a 5-step blueprint that will help in your personal bid to develop professionally.

The job market in Malaysia has softened over the last decade. We've seen a fundamental restructuring of the workforce caused by Malaysia's need to become more competitive in a world of soaring oil prices, falling foreign direct investment flows to our shores, and gyrating capital market valuations everywhere!

There's little you can do about those external realities. But there's much you can do about internal realities.

Even in the worst of economies, the best people will gravitate to the top. To be included in their number, you must hone a crystal-clear sense of purpose. You must know what you want to accomplish in your career.

So, do you?

How can you tell if you have an adequate sense of purpose? Well, just as a doctor might surmise a lack of calcium in an old person's bones by observing the onset of osteoporosis, you can tell if you suffer from a lack of self-defined purpose by the onset of a specific form of 'PAIN'.

In my time management workshops, I use the acronym PAIN to help attendees remember the names of the four biggest time wasters — procrastination, apathy, inertia and nuisances. Those monsters are your mortal enemies ... if you crave to live an awesome life marked by career and life success.

The 'Overlord' among those four fiends is procrastination. If you succeed in overcoming procrastination on the battlefield, you'll scatter apathy, inertia and nuisances.

The problem with defeating procrastination is that this foe has more lives than a fictional reincarnating feline! Procrastination is a human characteristic so interwoven with our DNA that if we aren't careful it will return to haunt us and wreak havoc on our plans for a better life.

Exactly a quarter of a millennium ago, Benjamin Franklin wrote: "Tomorrow, every Fault is to be amended; but that Tomorrow never comes." Even with the passage of two and a half centuries, nothing has changed.

It's still way too easy for us to permit ourselves to lose sight of what's important because of what the late Charles E. Hummel called as the 'Tyranny of the Urgent'.

What are the daily 'emergencies' that ignite in your office, constantly defeating your best intentions to make the fundamental changes needed to transform you into a super effective professional?

Across corporate Malaysia, there are countless examples of accountants who have risen to head their own companies, or organisations of others who recognise in them that rare blend of technical expertise and big picture visionary ability.

It's unfortunate the vast majority of accountants, not only in Malaysia but everywhere else, will never rise to such heights. The reason for their failure is often an in-

ability to overcome the habit of procrastinating on what is important in favour of working on whatever happens to 'shout' the loudest from the In Tray!

I've had consulting clients tell me that deep down they know exactly what to do to become more effective at work. Yet so many fail in this vital endeavour because from the moment they get to work till the time they leave they're frantically fighting fires.

Are you the same? Are you so busy fighting 'fires' — figuratively speaking — you squander the time

needed to establish new 'fire stations'?

If so, allow me to share with you the same advice I teach my clients and my workshop attendees. Try these five steps everyday over the next six weeks. You've nothing to lose and, possibly, everything to gain.

**Step 1:** At the end of each day, spend five minutes thinking about why you are paid to come to work. What is your primary job function? Write it down and continue re-

**"Tomorrow, every Fault is to be amended; but that Tomorrow never comes."**

**Benjamin Franklin**

**"It's unfortunate the vast majority of accountants, not only in Malaysia but everywhere else, will never rise to such heights. The reason for their failure is often an inability to overcome the habit of procrastinating on what is important in favour of working on whatever happens to 'shout' the loudest from the In Tray!"**

writing it everyday. Then spend ten minutes going over the following workday's schedule.

**Step 2:** Using your freshly written description of your primary job function as a road map for the following day's activities, pick the three or four most important tasks.

**Step 3:** After you've listed the few tasks that are the most important, decide which is the most important, which is the second most important, and so on. After setting your priorities for the next day, scrutinise your entire list of projects, activities and responsibilities to see which can be dropped. Those are 'posteriorities' — a term coined by the late, great management

guru, Peter Drucker. You can't do everything that lands on your desk, so you must generate space in your workday by proactively deciding which lower priority tasks should be eliminated or delegated to create time for you to work on what's most important. Then ... go home!

**Step 4:** The next day, aim to be the first person in. Before doing anything else, revisit your written plan created the previous evening.

**Step 5:** Before distractions set in, irritants like incessantly ringing phones, constant emails and bloated meetings, begin on your number one prioritised task. Stick with it. Try not to move to priority number two until number one is completed or taken as far as you can for the day. Whenever you get dragged into meetings that are longer than they need to be or phone calls that aren't as direct as they can be, try to finish quickly so you can return to the vital task you've been working on. Retain this level of effective, directed focus throughout your day. Stop 15 minutes before knocking off time; return to **Step 1**.

Those five simple steps form a proven, practical blueprint for deleting procrastination's worst effects on your life. Try my blueprint everyday for the next 42 days — your effectiveness will rise to new life even as your procrastination tendencies weaken. **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](http://www.RajenDevadason.com). Rajen welcomes feedback at [rajen@RajenDevadason.com](mailto:rajen@RajenDevadason.com).



# Good Wealth Creators MAY NOT BE Good Wealth Managers

by Yap Ming Hui

In my last article, I shared about the different characteristics

between wealth creation and wealth management. My experiences conclude that wealth creation requires a totally different set of skills from wealth management. Just because you can create great wealth, there is no guarantee that you too would logically be the best person to manage and preserve that wealth.



People are seldom blessed with the talent for creating wealth as well as the talent for managing wealth. There is a simple reason for this. Wealthy high net-worth individuals are usually entrepreneurial businessmen, whose wealth is tied up in their business. As their business rises or sinks, so will their wealth. But one of the keys to successful wealth management is diversifying wealth away from the risks of the business.

## The profile of the Wealth Creator

What does it take to create great wealth? Usually, it takes a good head for business. According to Dr. Thomas J. Stanley and

William D. Danko in their bestseller, *The Millionaire Next Door*, about 80 per cent of American millionaires accumulated their wealth through their own efforts, not through legacies or bequests. Stanley and Danko also found out that self-employed business owners headed more than two-thirds of affluent households. This is borne out by a recent Prince & Associates survey of the affluent, which found that 64 per cent of high net-worth individuals (HNWI) are owners of private business while 13 per cent are professionals who acquired their wealth by operating professional practices.

Although similar studies have not been carried out in Malaysia, my personal experience shows that most of my high net-worth clients are also entrepreneurs and business owners, whose business entities have created fortunes of between RM2 to RM100 million for these HNWI.

But whether they are American or Malaysian, all entrepreneurs share similar traits and stories. And these admirable traits can sometimes be their downfall in wealth management.

For instance, many of them have built up their business over many years, demonstrating dynamic entrepreneurial spirit and tremendous commitment. Their business is their life. However, this blinkered focus on their business is a major hurdle in wealth management, as we will see later on.

### How a Great Wealth Creator Destroyed His Wealth

To reiterate, the skill sets that work wonderfully for wealth creation may not necessarily work for wealth management. In most cases, wealth creation strengths become your wealth management weakness. The dynamic qualities behind a person's wealth creation ability could even erode his fortune, as in the true story of my friend Mr. Wong. Mr. Wong's story is hardly unique; many high net-worth individuals could possibly draw parallels between his experience and theirs.

An entrepreneur, Mr. Wong started his business at the age of 40 with seed capital of less than RM10,000. Like all good rags-

to-riches stories, the business began generating annual revenue of over RM100 million within ten years, and Mr. Wong eventually accumulated a personal net-worth of several million ringgit. His business was more than qualified to list on the Second Board of Bursa Malaysia. However, his ambition was much bigger than that. He refused the opportunity and continued to grow the business. As business prospered, Mr. Wong began to take bigger risks, taking on more debt and offering credit to buyers in order to expand sales and production volumes. He doubled manpower every year and business overheads trebled.

**“But one of the keys to successful wealth management is diversifying wealth away from the risks of the business.”**

While the economy boomed, Mr. Wong's bullish strategy paid off. However, it never occurred to him that his business would face the economic cycle like other businesses. He continued to be very bullish and expanded his business.

Being a personal friend of his, I once suggested to him to separate his personal wealth from the business wealth. The idea was to diversify his basket of eggs. If something wrong happened in the business, he could still rely on his personal wealth to maintain his family's lifestyle or even make a comeback. Like a typical successful entrepreneur, he rejected my suggestions. He felt that his wealth was safe to be left in the business. He believed that was the best place to put his wealth because it would generate the highest return. In the rush to create more wealth, he forgot to manage and preserve his wealth.

Mr. Wong's aim was to increase his wealth by reinvesting in his business. Since his wealth was synonymous with his business, his primary focus was on the business itself since he believed that this strategy would help him create more wealth. But this is a major folly in wealth management, which aims to balance wealth creation and wealth preservation at the same time.

However, Mr. Wong learnt the hard way that business moves in cycles. The economy toughened, and so did competition. Sales dropped, and the company had

trouble with cash flow — it could not collect debts from other beleaguered businesses and could not service its hefty debts. The banks took action against his business and himself as personal guarantor for his business. He is now a bankrupt and worthless.

I met him two weeks ago in a business park. He is now trying to start a new business again at the age of 52. He told me how regretful he is for not considering and taking up my suggestion. He asked me to share his story with other successful entrepreneurs in my writings. Hopefully, the others don't have to repeat his mistakes.

### Good Business Management does not equate to Good Wealth Management

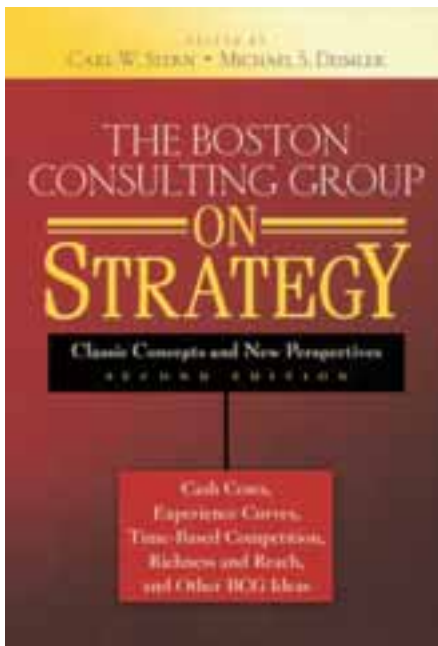
Mr Wong's story is not an isolated story. After the 1997 Asian Crisis, there were similar tales. The depreciating values of properties and shares were insufficient collateral for the loans of many businesses and the banks foreclosed.

Evidently, one needs a whole different set of competencies to successfully manage accumulated wealth. Importantly, you have to remember that although business helps you create wealth, focusing all your attention and effort on the business is not wealth management. Efficient wealth management is objective and forces you to look beyond your business and think outside the boundaries. Ideally, you should start looking beyond your business and manage your wealth the moment your net-worth reaches RM1 million, which is the floor for high net-worth individuals.

A wise Emperor during China's Tang Dynasty once said: “It is tough to build an empire. It is even tougher to keep the empire.” Great wealth creators would be wise to keep this saying in mind when seeking to manage their wealth. As the trusted advisor to your client, you may want to provide wealth management support to them so that they can enjoy peace of mind on wealth management and focus more on wealth creation. **AT**

Yap Ming Hui ([yapmh@whitmanindependent.com](mailto:yapmh@whitmanindependent.com)), ChFC, CFP, is Chief Financial Coach™ of Whitman Independent Advisors Sdn Bhd, a wealth management coaching company for high net-worth individuals. He is also the bestselling author of *You Can't Manage Your Money — Especially When You're Rich*.

## The Boston Consulting Group on Strategy



Author: Carl W. Stern and Michael S. Deimler

Publisher: Wiley

No. of Pages: 413

Price: RM95.80

A collection of the best strategic thinking from The Boston Consulting Group, one of the most prestigious and innovative management consulting firms in the world.

For the past 42 years, The Boston Consulting Group (BCG) has been shaping the way business is done the world over. This book, a compilation of 75 of BCG's most

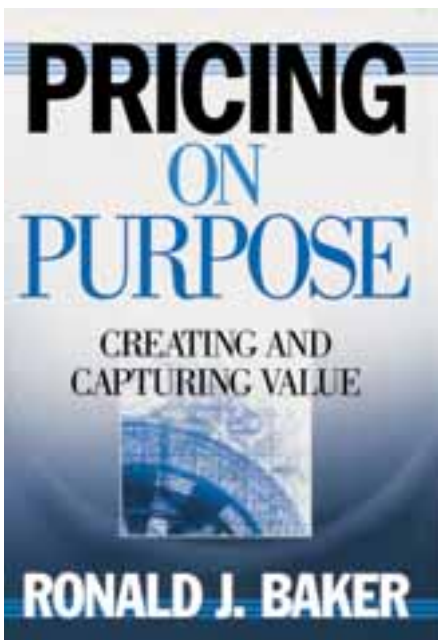
**“This book, a compilation of 75 of BCG's most influential articles and thought pieces, is an indispensable source of fresh ideas, insights, and practical lessons for managers, executives, and entrepreneurs in every industry.”**

influential articles and thought pieces, is an indispensable source of fresh ideas, insights, and practical lessons for managers, executives, and entrepreneurs in every industry. Key topics covered include market segmentation, performance measurement, resource allocation, and organisational design. New articles for the second edition include George Stalk on hardball, Michael

Silverstein on trading up, and Philip Evans on networks.

The Boston Consulting Group on Strategy is essential reading for senior managers, executives, entrepreneurs, and students of strategy and business. **AT**

## Pricing on Purpose: Creating and Capturing Value



Author: Ronald J. Baker

Publisher: Wiley

No. of Pages: 400

Price: RM179.80

*Pricing on Purpose* is focused on the art of pricing. Most books focus internally on costs, or activity based costing, as methods of pricing. *Pricing on Purpose* takes the new approach of focusing on the external value provided through the eyes of the customer. By contrasting the Subjective Theory of Value with the Labour Theory of Value, readers will gain a better understanding of the nature of value, and the pricing strategies and tactics they can use to capture it. Most businesses understand their internal costs, and have already taken measures to increase efficiency and productivity. What is lacking is a focus on

**“What is lacking is a focus on creating and capturing external value through strategic pricing architecture. The central premise of *Pricing on Purpose* is that a business exists to create wealth for its customers, not simply to operate efficiently.”**

creating and capturing external value through strategic pricing architecture. The central premise of *Pricing on Purpose* is that a business exists to create wealth for its customers, not simply to operate efficiently.

■ Thought provoking topics include: why people are in business, what and how people buy, the value proposition, the fallacy of commodity thinking, and the

labor versus the subjective theories of value.

■ Includes examples covering the five Cs of value ((comprehend, create, communicate, convince (customers they must pay for value) and capture

(value with effective pricing strategies)), price discrimination, price, psychology and adaptive capacity.

■ Explains the difference between cost-plus pricing and value pricing. **AT**

**MIA Members can enjoy 10% discount on any purchase for the above two books. For further details please contact the Development & Promotions Department at 03-2279 9200 ext 324 or 136.**



# The World Cup ...

## Building Bridges or Busting Businesses?

by Dato' Raymond Liew

**Is there a slowdown in business activity or is a bridge being built to create harmony among our multicultural societies?**

**H**ere we are again ... in the throes of yet another World Cup — the culprit behind many sleepless nights for those of us who fall asleep to football, dream of football and wake up to football!

Day in day out, this one whole month of the World Cup, newspapers release news of Malaysians of all races donning the colours of their favourite teams. Wine bars and clubs are adorned with flags of all countries turning Malaysia into a mini United Nations.

For one month, football will become the mainstay of our daily lives where we will live and breathe football. It seems all we ever talk about is which team is going to win the next game. Would lady luck smile on our favourite teams, possibly turning the tide of fortune for us who have placed bets? Will the winning teams continue to win? At the end of the day, it is reasonable to say that when two teams play, not only are their players

going all out to win, so are millions of viewers all over the world. Here lies the true beauty of the World Cup at least for Malaysians where domination, conquest and confidence in victory are all about skill,



**“The World Cup transcends race and creates a bond among us thereby sealing our craving for a harmonious, multicultural society.”**

strategy and most importantly, talent. How our favourite teams like Brazil for instance, dominate another, is why we Malaysians are hooked on the game.

In today's society where walls are built

around us to protect ourselves, the World Cup affords us the opportunity to build bridges to extend our friendship among our countrymen. Everyday in our life, we go to work, watch television, catch up on

politics and run our businesses — continuous reminders of our greed for all things material. With the World Cup, we are all ‘brothers’ who share the joys of victory. It matters not much whether we are Chinese, Malay, Indian or Caucasian as we all share and long for the victory of our favourite teams. The World Cup transcends race and creates a bond among us thereby sealing our craving for a harmonious,

multicultural society.

Celebrities like our very own Hitz.TV UVJ, Xandria Ooi is one hot supporter of the World Cup. Even before the kick-off in Germany, she excitedly showed-off the sig-

nature of the Brazilian captain, Cafu personally signed by him across her prized jersey.

Nonetheless, there have been concerns among business entrepreneurs including audit practitioners and accountants that World Cup matches are stirring trouble in our Malaysian economy. More so since the matches are played in Germany, the venue of the World Cup this year, in the wee hours of the morning, Malaysian time.

The scenario was different during the last World Cup as it was played in Japan and South Korea. What this meant was that matches were played during office hours, Malaysian time, and employees or business entrepreneurs had to either miss the matches altogether, take time off from work or watch the replays in the evenings.



*Xandria Ooi with her autographed Brazilian jersey and a flag*

**“To say that the World Cup would cause a market slump in the stock market would be over the top as this has never been proven but on reviewing current stock market trends, there is indeed a slow-down.”**

This year’s early morning matches leave employees bleary-eyed, tired and unfocused in the office and often times showing-up late for work to make matters worse. For accountants in particular, they may find it rather difficult to meet the tax deadline for 30 June since their thoughts are very much tied-up with events of the World Cup. As a consequence, a slow-down in business is expected or worse yet, the 30 June deadline for tax submission may not even be met, possibly leading to late tax penalties incurred or God forbid, erroneous tax returns submitted. Employees on the other hand may even suffer from lack of interest in their job responsibilities especially with all the media hype associated with the World Cup.

Business performance may also take a dive for pubs, cafes and restaurants that do not have large screens at their premises, as customers would make a beeline for other establishments that do.

From reading the news each day, the World Cup matches have also led to illegal betting and gambling rings among the Rakyat with millions of Ringgit being spent on these illicit activities. Apart from business entrepreneurs and employees, even

teenagers and housewives have fallen under the influence.

Before I proceed any further, it is only fair to say that the World Cup alone may not necessarily cause severe loss in business activities although there may be an impact — how large the impact, one would

**“The World Cup has also boosted spending in advertisement campaigns as evidenced in the media. Advertisers are responding favourably to the World Cup in an unprecedented manner, giving an enormous hike to advertisement spending not only in Malaysia but globally.”**

not be able to access. To say that the World Cup would cause a market slump in the stock market would be over the top as this has never been proven but on reviewing current stock market trends, there is indeed a slow-down. Whether the World Cup is the cause, I am hesitant to say.

However let us also look at the positive attributes of the World Cup. Football is now seen as a national sport and as our Education Minister, Datuk Seri Hishamuddin Hussein says, “I hope our move to promote sports in schools aggressively will one day

pave the way for our country to take part in international tournaments like the World Cup. Sports is healthy. It is part of the co-curriculum we stress in schools but discipline must always be there. The team that I support in the World Cup is England. It is sad that our Malaysian team is not there and I have to mention the team of another country as being my favourite. I wonder when our Malaysian team will be there.”

Hopefully, through these encouraging words, our Malaysian team would indeed make it one day to the World Cup so Malaysians can truly be proud of our slogan, “Malaysia Boleh”.

The World Cup has also boosted spending in advertisement campaigns as evidenced in the media. Advertisers are responding favourably to the World Cup in an unprecedented manner, giving an enormous hike to advertisement spending not only in Malaysia but globally. It must be mentioned that global media agency, ZenithOptimedia, has put out an online interactive database to provide advertisers with insights into World Cup advertising and its audiences. The media agency forecasts that world advertising expenditure will grow faster than world Gross Domestic Product (GDP) in every year to 2008 while at present, global advertisers are expected to spend an estimated US\$4.5 billion (RM15.7 billion) on the World Cup

alone. The revenue generation is so powerful that it may even exceed the GDP!

World Cup or no World Cup, discipline and control must be exercised at all times. We must not allow ourselves to be completely immersed in an activity that would take over our lives for the love of football during the one month of the World Cup. Let us show restraint instead and think positively as we embrace the next World Cup!

As the Italian team puts it, “*Conta solo vincere*” — only winning counts! **AT**

# Quirks at the Workplace

by Clara Campbell

Often managers at the workplace are faced with situations that need to take on board staff rights. The following internationally accepted norms will prove useful.





### Jury Duty

So many employees have the idea, that laws require a private employer to pay an employee's wages (usually partial wages) while serving on a jury. This is not so and in most states under new jury selection system, even if one is called, one may not have to serve on a day-to-day basis. Therefore, on days when the employee is not called, he or she must report to work and, since the employee knows the night before, there is no excuse for tardiness or absenteeism. As crown witnesses the courts do give out fixed allowance for the day.

### Charging an Employee for Making Mistakes

Many employers want to know whether or not they can deduct costs of damages of employee mistakes from an employee's paycheck. Generally, no. Most states do not allow unilateral deductions from an

**“As for deductions due to illegal acts, well ... if you catch an employee with his hand in the till, it's doubtful that he'd come after you for deducting the loss from his final paycheck.”**

employee's paycheck for anything but gross negligence or a patently illegal act (and even then, one has to be very careful). 'Gross negligence' is difficult to define, so I'd stay clear of that.

As for deductions due to illegal acts, well ... if you catch an employee with his hand in the till, it's doubtful that he'd come after you for deducting the loss from his final paycheck.

### Loans Made to Employees

The principles also apply in part to **loans made to employees**. If you do make a loan to an employee, be certain that you have an agreement in writing signed by the employee that states that any amounts due at the time of termination will be deducted from the final paycheck.

### When is Travel Time Compensable?

To start with, commute time is rarely paid for. 'Rarely', because there are situations in which a non-exempt employee will travel from his home to a job site and, if the travel time is greater than 'normal' commute time, then most companies in most

states will have to pay for the extra time.

However, when a non-exempt employee reports into a central office and then goes to a job site, the travel time to get to the site is considered as time worked and is compensable (and also counts toward overtime hours). The simple rule of thumb is that the employee's day starts when she/he reports into the office.

Most employers seem confused about travel time spent getting to out-of-town travel to seminars or workshops or trade shows. The fact that non-exempt employees must be paid for such travel time as time worked is probably one more reason why so few non-exempt employees are sent to anything but local workshops.

The last problem is, just what is 'travel time' when one goes out of town? Is it from the time the employee leaves his house to the time that he checks into a hotel, or is it from the time the employee leaves his house

until the plane lands? What if he lands, has dinner, rents a car, and then gets to the hotel three hours after touchdown? These questions are best answered in the Company's latest edition of house rules as

**“Simply stated, the federal and state governments have not caught up to the electronic age. E-mail on an employee's computer is the property of the company, just as his or her desk would be. Don't expect privacy rights legislation in this area for many years to come.”**

guided by local labour laws and regulations.

### How to Figure Turnover Rates

Don't be embarrassed if you can't remember how to figure turnover rates. If you want to figure annual turnover, take your average number of employees on payroll for the year and divide *into* the average total of separations (discharges, layoffs, resignations — we don't talk about retirements anymore). So, if you had an average of 130 employees on payroll and you 'lost' 35, your turnover rate would be 27 per cent. This can be done quarterly, of

course, but why drive yourself crazy unless you have to.

Just remember that statistics can be deceiving. There was a time when some state Departments of Labour determined unemployment insurance rates by turnover. If you only had 10 employees and you lost four, that would be a 40 per cent turnover rate, and your insurance rates would go up to the max. I'm assuming that this is no longer the case, but assumptions can get you into as much trouble as statistics. Remember, statistics are like the drunk and the lamppost. The lamppost gives some support, but not much illumination. This is one more reason why many companies are redefining turnover by taking out discharges from the separations.

Now that you have figured your turnover rate, what are you going to do with it? What can you do with it? Turnover today is much like the weather. We talk about it, but there doesn't seem to be much we can do about it. The time, effort and expense spent in stemming turnover rates may be futile, and there is a major pitfall in determining why you're losing employees: when you conduct an attitude or motivation survey, employees come to expect that some actions will be taken to retain them and, mentally at least, that equates to more benefits or higher salaries or other costs that many employers simply cannot afford.

### Monitoring E-mail

Simply stated, the federal and state governments have not caught up to the electronic age. E-mail on an employee's computer is the property of the company, just as his or her desk would be. Don't expect privacy rights legislation in this area for many years to come.

In the meantime, because of harassment and other similar issues, employers are encouraged to enhance their at-will statements and add policies regarding the company's 'ownership' of e-mail. **AT**



Association of Chartered Certified Accountants ▼

## 30<sup>th</sup> Graduation Ceremony: ACCA Welcomes New Affiliates

ACCA celebrated the success of 479 new affiliates at its recent 30<sup>th</sup> Graduation Ceremony. YB Dato' Mustapa Mohamed, Minister of Higher Education was represented by YBhg Prof. Dr. Mahani Zainal Abidin, Deputy Director General from the Ministry of Education who presented the certificates to the proud affiliates.

The ceremony also recognised ACCA Malaysia's top achievers at the local and worldwide levels in the December 2005 Examinations. Two students received the World Prize winner's award for first place in the ACCA Individual Paper prize winner category and third place in the CAT Certified Accounting Advanced five papers category. It was certainly a special and memorable moment for both students to receive such recognition, not to mention motivating as well since both are still studying ACCA. Acknowledgements for first placing in both Malaysia and worldwide were also awarded to six outstanding students for their performance in various ACCA CAT papers.

Finally, recognition for overall achievements was awarded to three exceptional individuals who received the *Top 3 Malaysian Affiliates* awards. This recognition was based on the CUMULATIVE marks for the core papers of Part 3 — the final part of the ACCA qualification.

Aristotle in his work, *Nichomachean Ethics*, quoted: "It is possible to fail in many ways ... while

to succeed is possible only in one way. And that way is through hard work, dedication and determination".

Congratulations graduates, and welcome affiliates!

### List of Awards recipients:

#### The Top Three Malaysian Affiliates

|              |                |
|--------------|----------------|
| First place  | Fong Hoe Cheng |
| Second place | Woo Siong Wei  |
| Third place  | Chee Jin Nyee  |

#### World Prize Winners

##### ACCA Individual Paper (paper 2.5)

First place Ang Fei Ling

##### CAT Certified Accounting Advanced 5 papers

Third place Cheng Jit How

#### First in the world!

(students who achieved 1<sup>st</sup> placing in the world for various papers in ACCA and CAT examinations)

- Ang Fei Ling, Paper 2.5 Financial Reporting
- Kartini Md Ibrahim, Paper T1 Recording Financial Transactions — CAT
- Beh Wei Lun, Paper T3 Maintaining Financial Records — CAT
- Chan Yi Munn, Paper T3 Maintaining Financial Records
- Foo Wai Lun, Paper T4 Accounting for Costs
- Cheah Zhao Yan, Paper T6 Drafting Financial Statements and Paper T7 Planning, Control & Performance Management
- Tan Yong Chen, Paper T7 Planning, Control & Performance Management **AT**

"It is possible to fail in many ways ... while to succeed is possible only in one way. And that way is through hard work, dedication and determination."

Aristotle  
*Nichomachean Ethics*



## CIMA Professional Development Centre

As part of CIMA's continuing CPD support for members, CIMA has launched the CIMA Professional Development Centre. Based online in the CIMA website, the new centre is an exclusive 'member only' area which contains information, guidance and access to resources for CPD.

The new CPD Centre can be found at [www.cimaglobal.com/cpdcentre](http://www.cimaglobal.com/cpdcentre) and hosts:

- 'What's new' updates to keep members informed on CPD information.
- Policy and monitoring information about the scheme.
- CPD record forms and sample case studies to help record development activities.

- CPD Solutions — access to supporting products and services.
- New Topic Gateways — a CPD information and signposting tool on a growing range of management accounting topics developed by TIS.
- Information on other qualifications.
- Answers to frequently asked questions.

The new web area was launched on 1 June and will provide members with one location to manage their CPD — be it guidance on where to start planning development or information on recording activities. The information and product access is specifically to help CIMA members undertake their CPD. Its online location also makes it convenient and easy for members to access. **AT**

Chartered Institute of Management Accountants ▼

## Post Enron Results — CIMA Announces Ethics Support Package

CIMA has launched an ethics support package, featuring ethics, whistle blowing and legal guidance helpline for its members and students.

This new package provides valuable assistance for CIMA members and students who are in a situation where they feel their professional integrity could be compromised.

The **CIMA Ethics Helpline** (0800 358 7663; +44 (0)20 8849 2303; [ethics@cimaglobal.com](mailto:ethics@cimaglobal.com)) is a free, confidential helpline offering guidance to CIMA members and students who are facing an ethical conflict. The helpline can also provide clarification on aspects of the Code of Ethics and how this can be applied. It is staffed by CIMA's Professional Standards department between 10am and 4pm, Monday-Friday.

The **Whistle Blowing Advice Line** offers advice on making a public interest disclosure to UK-based CIMA members and students. If they are unsure whether or how to raise a concern, CIMA members

and students can contact the independent charity Public Concern at Work on 0800 358 7665; [helpline@pcauw.co.uk](mailto:helpline@pcauw.co.uk). Their lawyers provide free confidential advice on how to raise a concern about serious malpractice at work.

LAW Express provides a **Legal Advice Line** to UK-based CIMA members offering unlimited low cost professional telephone legal advice for all personal, commercial and employment issues.

Robin Vaughan, Director of Professional Standards at CIMA said: "High standards of ethics are a hallmark of professional people and play a vital role in underpinning the employability of our members, and the public trust in them particularly following high-profile corporate scandals. CIMA ensures the highest ethical standards of our members and students, and providing ethics guidance is part of CIMA's responsibility to members, their employers and other stakeholders."

He continued: "CIMA has a commitment to fulfil its obligation as a Chartered Institute to protect the public interest. The introduction of the Ethics Helpline, the Whistle Blowing Advice Line and the Legal Advice Line are part of CIMA's portfolio of services to assist members maintain their high ethical standards." **AT**

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**Robin Vaughan,**  
Director of Professional Standards, CIMA

CPA Australia ▼

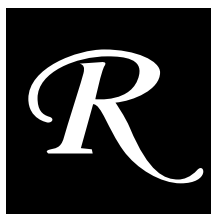
## CPA Australia Scholarships Available for Refugees

Refugees who wish to gain CPA status can apply for a scholarship through a new CPA scholarship program offered by Australia's largest professional accounting body, CPA Australia.

The programme is designed to help refugees meet the education requirements of the CPA designation,

by exempting them from enrolment fees for the CPA Programme and related workshops for a period up to five years.

The scholarship, worth more than \$4,500, also covers the cost of admission and the first-year of membership to CPA Australia at Associate level. Up to ten scholarships will be awarded annually. To be eligible for the scholarship, applicants must hold an accredited bachelor degree from an accredited university, and must provide evidence of entry to Australia as a refugee. **AT**



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Rankin ... Memoranda for closer working relations

**“These memoranda will enhance the mobility and international recognition of our respective designations and memberships.”**

**Geoff Rankin, CEO  
CPA Australia**

CPA Australia ▼

## CPA Australia Formalises Relations with Cambodia and Vietnam

CPA Australia, the world's sixth largest professional accounting body, has further cemented its ongoing engagement with professional accounting bodies across the Asia Pacific region with the signing of a Memoranda of Cooperation with the Vietnam Association of Certified Public Accountants and Auditors (VACPA) and the National Accounting Council of Cambodia (NAC).

According to CPA Australia Chief Executive Office, Geoff Rankin, the memoranda pave the way for closer working arrangements between CPA Australia and its colleagues in Vietnam and Cambodia, with prospects for improved support of finance, accounting and business professionals across the region.

“We have actively supported our members across the Asia Pacific region for nearly 60 years. These memoranda add an important new dimension to the support we bring to members and to the wider finance, accounting and business profession,” said Rankin.

Under each memorandum CPA Australia will further cooperate with the local professional bodies in

the areas of training, international affiliation and work towards mutual recognition of qualifications.

“These memoranda will enhance the mobility and international recognition of our respective designations and memberships,” said Rankin.

CPA Australia believes a strong regional voice is essential to addressing the concerns of the accounting profession at a global level and especially within the international standard setting arena. CPA Australia has a number of initiatives in place, such as its Asia Pacific Financial Reporting Advisory Group (APFRAG), and will look to engage more closely with its colleagues in Vietnam and Cambodia to further these efforts.

“We are particularly keen to use our closer relationships to develop a greater, shared understanding of international accounting standards and to ensure their ongoing relevance to all jurisdictions,” said Rankin.

VACPA is Vietnam's statutory professional accounting body. Membership of VACPA is a requirement to practise in Vietnam.

NAC is the consultative body under the Ministry of Economy and Finance of the Royal Government of Cambodia and mandated to review draft laws and regulations pertaining to the preparation of accounting works for all enterprises or economic activities and development of the conceptual framework and Cambodian Accounting Standards. **AT**



MICPA ▼

## Young CPA Malaysia Symposium 2006

Today, more and more businesses are operating in a global market. This is facilitated by the advancement in information and communications technology. The Young CPA will need to adequately prepare for the new world of business.

It is against this backdrop that MICPA is organising the Young CPA Malaysia Symposium to broaden the intellectual and professional horizons of the young genre of business professionals by highlighting contemporary issues and challenges impacting on their professional and personal lives. Reflecting this goal, the Young CPA Malaysia Symposium 2006 focuses on two pertinent areas.

The first is of technical and direct interest to business professionals focusing on corporate governance and the growing pressures on businesses and business professionals to improve standards. However, such challenges become more intense as instances of lax corporate governance become public

and attract the attention of the regulators. Greater awareness of enterprise risk management provides the business professionals with the analytical tools to ensure a more refined evaluation of business risk. Complementing this presentation are the updates on new/revised financial reporting standards (FRS). These are financial reporting standards applicable to all Malaysian incorporated companies.

The two other papers are directed more on personal growth and development reflecting the challenges for life-long learning and growth. *Managing Self Development* drives home the lesson that professionals must have strong foundations. These include an acute sense of self-awareness and self-discovery before other personal and inter-personal skills and competencies can be identified, analysed and improved. A broader perspective is taken in the second presentation, which deals with the diversity of issues confronted in managing businesses in environments that are radically different from the past. Contemporary business environments are dynamic. Analysing and understanding such environments require cognitive skills that transcend the skills defined in management literature. **AT**

# ... Counting on Humour



## Investment Counsellor

An investment counsellor decided to go out on her own. She was shrewd and diligent, so business kept coming in, and pretty soon she realised that she needed an in-house counsel. The investment counsellor began to interview young lawyers.

"As I'm sure you can understand," she started off with one of the first applicants, "in a business like this, our personal integrity must be beyond question." She leaned forward. "Mr. Mayberry, are you an honest lawyer?"

"Honest?" replied the job prospect. "Let me tell you something about honest. Why, I'm so honest that my father lent me \$15,000 for my education, and I paid back every penny the minute I tried my very first case."

"Impressive. And what sort of case was that?" asked the investment counsellor.

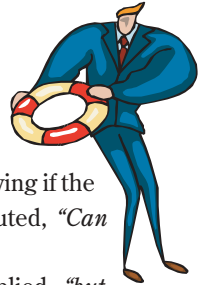
The lawyer squirmed in his seat and admitted, "He sued me for the money."

## Travel in a Sailboat

The banker fell overboard from a friend's sailboat.

The friend grabbed a life preserver, held it up, not knowing if the banker could swim, and shouted, "Can you float alone?"

"Obviously," the banker replied, "but this is a heck of a time to talk business."



## Bad Japanese Economy

According to inside contacts, the Japanese banking crisis shows no signs of ameliorating. If anything, it's getting worse.

Following news that Origami Bank had folded, we are hearing that Sumo Bank has gone belly up, and Bonsai Bank plans to cut back some of its branches. Karaoke Bank is up for sale, and it is (you guessed it!) going for a song. Meanwhile, shares in Kamikaze Bank have nose-dived, and 500 back-office staff at Karate Bank got the chop. Analysts report that there is something fishy going on at Sushi Bank, and staff there fear they may get a raw deal.



## How to Get a Life

*It's never easy to overcome innate nerdity, a serious Internet addiction, or a hardcore computer gaming habit, but trying usually isn't as painful as kidney stones.*

**Difficulty Level: Hard; Time Required: Years; Here's How:**

- Let go of the mouse.
- Turn off the computer.
- Play a game of solitaire with a real deck of cards.
- Eat something other than taco chips.
- Get some sleep in bed rather than on your keyboard.
- Next time you wake up in the middle of the night to go to the bathroom, don't tell everyone on your ICQ list about it.
- Open a window without turning your computer back on (yes, it is possible).
- Very gradually expose your eyes to increasingly bright light so as to avoid damage or permanent sun blindness.
- When you feel prepared for a massive dose of non-CRT radiation, put on welding goggles and go outside.
- If you see someone, say "Hi" to them instead of trying to make the modem connect sound.
- Visit a friend that you haven't spoken to in years because they don't have an e-mail address.
- Have ".com" officially removed from behind your name.
- Go on a date with someone you didn't meet in a chat room.

## Main Vice-President

Tom was so excited about his promotion to Vice-President of the company he worked for and kept bragging about it to his wife for weeks on end.

Finally she couldn't take it any longer, and told him, "Listen, it means nothing, they even have a Vice-President of peas at the grocery store!"

"Really?" he said. Not sure if this was true or not, Tom decided to call the grocery store.

A clerk answers and Tom says "Can I please talk to the Vice-President of peas?"

The clerk replies "Canned or frozen?"



## Economics Astrology

An econometrician and an astrologer are arguing about their subjects. The astrologer says, "Astrology is more scientific. My predictions come out right half the time. Yours can't even reach that proportion".

The econometrician replies, "That's because of external shocks. Stars don't have those". **AT**