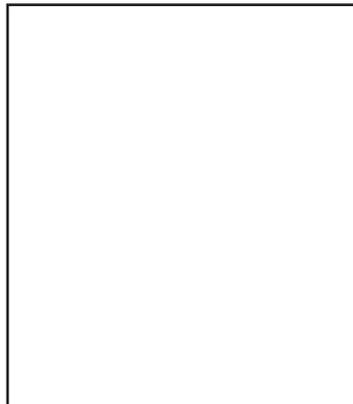
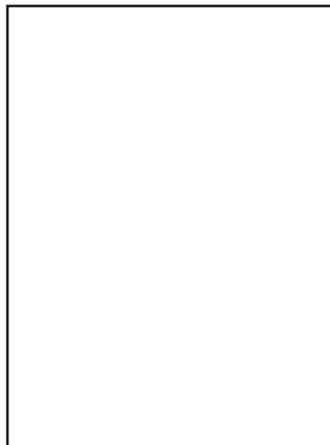


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## Akauntan Nasional

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

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**W**e have to work hard and smart to survive and prosper in today's competitive business environment. Businesses are required to enhance their effectiveness and efficiency levels on a constant basis in order to stay ahead of the competition. In such a competitive business arena, it is getting more and more difficult to gain competitive advantages. Even if one company manages to develop a groundbreaking product, it might wake up the next day discovering that a competitor has developed a similar if not identical product. Competitive advantages gained by way of product innovation are quite difficult to sustain in the long run.

Nowadays, the only reliable rule of thumb for organisations to stay in top form seems to be "focus on what you do best". An organisation has its own set of core competencies that are distinct from what another organisation has. With its core competencies or distinctive capabilities, an organisation can differentiate itself from the rest in many ways. In addition, any competitive advantages obtained from distinctive capabilities might not be easily duplicated by competitors.

After overextending themselves for quite some time, many large organisations in developed countries have realised the benefits of downsizing and streamlining their operations. A large number of them have shed "extra fat" to focus on their core activities. Software giant Microsoft has all this while focused on its core business of developing software applications. It is where it is today by relying on a highly focused competitive strategy.

Building strategic alliances is one of the strategies that an organisation can adopt to streamline its activities. Strategic alliances allow an organisation to forge strong relationships with its suppliers. Strategic alliances enable an organisation to spend less time resolving problems that are related to supply sourcing. In the past, many companies have resorted to going upstream in the supply chain in order to ensure the fair pricing, quality and prompt delivery of supplies. In the process of acquiring upstream operations, an organisation will become entangled in running business units that are beyond the organisation's core competencies.

Strategic alliances help ensure that suppliers extend their fullest co-operation to organisations located downstream. The ultimate objective of strategic alliances is to create a high level of trust between firms in the supply chain. This trust enables firms in the supply chain to operate in a synergistic manner, thus allowing them to function like one big organisation. In this edition of *Akauntan Nasional*, Peter Demediuk explains all the benefits of strategic alliances in his article entitled *Accounting for Strategic Alliances*. According to Peter, strategic alliances in the supply chain enable an organisation to share information and resources with its suppliers. With strategic alliances, an organisation will be able to collaborate closely with its suppliers in developing new products.

Another method to streamline an organisation's operations is to outsource its information technology (IT) activities to professional IT firms. By outsourcing its IT activities, an organisation can slash its overheads and focus more on its core activities. In our second article entitled *Outsourcing: An Emerging Concept In Financing Information Technology*, you will be enlightened on the various aspects of IT activities. In this interesting study, Dr A. Seetharaman, Dr Hasnah Haron and A.S. Saravanan also highlight the benefits of outsourcing IT activities.

*Editor*

#### CONTRIBUTION OF ARTICLES

The *Akauntan Nasional* welcomes original and previously unpublished contributions which are of interest to accountants, executives and scholars. The author should ensure that the contribution will be of interest to accountants, executives and scholars.

Manuscripts should cover domestic or international accounting developments. Manuscripts should be submitted in English or Bahasa Malaysia and range from 3,000 to 10,000 words (about 10-24 double-spaced, typed pages). Diskettes (3.5 inch) in Microsoft Word or Lotus Wordpro are encouraged. Manuscripts are subject to a review procedure and the editor reserves the right to make amendments which may be appropriate prior to publication.

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The **Malaysian Institute of Accountants (MIA)**, the country's national accounting body, was established in 1967 under an Act of Parliament, namely, the Accountants Act, 1967.

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, education and examination by the Institute or any other body, of persons practising or intending to practise the profession; and
- To determine the qualifications of persons for admission as members.

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## Accounting Standards — A Tale of Two Standards



The mixed findings on compliance with the required accounting and reporting practices suggest the absence of appropriate enforcement efforts

**A**s the new millennium approaches, it shocks me to witness the degradation of the accounting standards. MIA's struggle to alleviate the standard of the profession has been totally wasted as the Malaysian Accounting Standard Board (MASB) destroys the very foundation that MIA has cemented. However, as accountants, I believe we could succeed in paving our own destiny before it is too late- as the wise old saying propounds, "*If there is a will, there is always a way.*"

The aftermath of the Asian financial crisis has resulted in shedding some serious light on the need for transparency, disclosure, the role of accounting and reporting in producing reliable and relevant financial information. The study done by the United Nations Conference on Trade and Development (UNCTAD) reported "that although Malaysia has officially adopted International Accounting Standards, the mixed findings on compliance with the required accounting and reporting practices suggest the absence of appropriate enforcement efforts." This was echoed in the speech made by the President of the World Bank in Washington D.C. recently.

Obviously, MIA's concern over this matter is crucial as the Institute plays a primary role in ensuring the accounting standards at international level as a member of the Board of *International Accounting Standards Committee (IASC)*, the body that sets accounting standards for the world community. The Institute is proud to be amongst the 13 committee members which represent 140 countries in the

world. We have been involved in the presentation of financial statements and the impairment of assets. Thus who else can be more qualified to regulate the accounting standards in Malaysia!

MIA adopts the accounting standards set by the IASC as a basis for its national standards. This is done after careful deliberation and wide consultation with all relevant interest groups, which include business leaders, professionals and the general public. MIA without fail, strives to develop Malaysia's capital markets by forming a Working group on Islamic reporting and Islamic financial instruments.

MIA is also an active member of the *International Federation of Accountants (IFAC)*. MIA's role in this body is to develop and enhance the accountancy profession with harmonised standards, hence it is able to provide services of consistently high quality in the public interest.

This is done through the implementation of work programmes by IFAC's Council, in which MIA is in the committee which is instrumental for the promotion of education, improvisation of public sector financial management and accountability. MIA also plays a vital role in the *Financial and Management Accounting Committee (FMAC)*. The Institute's ability to address the issue of financial reporting and accounting standards is reflected in our active involvement and achievement in these international bodies, thus delineating MIA in a class of its own.

However, the Malaysian Accounting Standards Board (MASB) established under the Financial Reporting Act 1997 has basically hampered MIA's initiative

## MASB instead have boasted of their "big business" representation whilst being sponsored on a grant of RM30 million

and effort in the role of setting accounting standards in Malaysia. MASB has jeopardised MIA's efficient performance at the world stage which all this while, has been prominent through the Institute's representation in the world body of setting accounting standards.

MASB is equivalent to redundancy and waste as it has duplicated and undermined MIA's effort and standing in the international scene. The Financial Reporting Foundation Board (FRFB) and MASB instead have boasted of their "big business" representation whilst being sponsored on

erining the regulation of accounting standards when it has the legislative supremacy of an Act of Parliament; Accountants Act 1967 which formed MIA. MASB does not seek to carry out the functions of the legislation, on the other hand it merely duplicates and replicates. To make matters worse it replicates a completely outdated set of standards.

With this in mind, on behalf of MIA, I feel that we should be given the task of setting the accounting standards as envisaged by the Accountants Act. We would not stand by and watch the accounting standards

## MASB does not seek to carry out the functions of the legislation, on the other hand it merely duplicates and replicates. To make matters worse it replicates a completely outdated set of standards

a grant of *RM30 million* by the Government, Kuala Lumpur Stock Exchange and the Security Commission, which MIA has been entirely innocent of!

The Institute hoped to enhance the credibility of Malaysian investments on the international capital markets, and hence to maintain its international competitiveness and credibility. It also hoped to enhance the proper allocation of economic resources within the country. However the formation of MASB has led to the erosion of public confidence in MIA as a regulatory body.

What amazes me most is that Malaysia is the only country in the world that finds it necessary to have a separate body gov-

deteriorate, especially in the midst of signs of economic recovery in this country. Unlike the FRFB which has "big business" representation, MIA's independent mind and non-political influence do not have vested interests in formulating any standards.

As the national accountancy body, MIA would always have the national interests in mind. With that at heart, we would like to appeal to our honourable Government to consider and examine the depleting accounting standards. Due justification to this matter is to reinstate our position as the body that is given the responsibility to set and regulate the national accounting standards and save the declining standard of accounting.

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Feature

# Accounting for Strategic Alliances

By Peter Demediuk, Accounting and Finance Department, Victoria University of Technology, Australia.

Peter Demediuk explains all the benefits of strategic alliances. He says that such alliances enable an organisation to share information and resources with its suppliers. This will also provide the organisation with an opportunity to collaborate closely with its suppliers in developing new products.

## Introduction

One dramatic change in how organisations operate is the growing trend towards strategic alliances with suppliers. Strategic alliances are not business as usual. An alliance is a high-trust relationship where organisations form close, long-term ties with a select group of suppliers in order to build more flexible and efficient supply chains.

Effective supply chain management is a critical factor in domestic and global competitiveness. Relations with external suppliers are increasingly important because the move to 'core competencies' has led organisations to outsource an increasing proportion of requisite goods and services. In addition, supply chain management has extended from the art of managing materials 'purchasing and traffic' to the procurement of services such as travel, legal, training, and information services.

For organisations operating in uncertain environments, an effort to treat suppliers as partners can bring a substantial competitive advantage through synergies associated with collaboration, trust and the sharing of information and resources (Landry 1998). A well-developed alliance (partnering) relationship involves both parties engaging in a co-operative game where short-term unilateral gains are sacrificed for long-term mutual advantage. Alliances allow organisations to divest themselves of responsibilities and functions, which are not cored to their business. In allowing the buyer and supplier to concentrate on maximising their core competencies, alliance relationships have the potential to improve an organisation's performance in major competitive dimensions such as quality, price, flexibility, timeliness and innovation.

Alliances require very different characteristics to traditional supplier relationships (Figure 1, Stewart 1993). Alliance relationships are difficult, costly, risky and demanding to initiate. They are rather entrepreneurial and their success rests on the twin pillars of trust and communication. They require flexibility in

Alliance relationships carry the 'all the eggs in one basket' risk, and when things go wrong they can go horribly wrong with long and expensive lead-times to reinstate supply if a sole supplier fails to deliver

management and leadership style and are dynamic. There are difficulties in describing or quantifying the benefits. Alliance relationships carry the 'all the eggs in one basket' risk, and when things go wrong they can go horribly wrong with long and expensive lead-times to reinstate supply if a sole supplier fails to deliver. The development of personal and intercompany networks must be managed in a way to maximise organisational learning whilst concurrently minimising security and confidentiality risks. To successfully foster such a collaborative environment, managers and accountants need to change the way they traditionally think and operate (Demediuk and Trainor 1998).

**FIGURE 1**  
TRADITIONAL VS STRATEGIC ALLIANCE APPROACH

| TRADITIONAL APPROACH                                    | STRATEGIC ALLIANCE                                |
|---|---|
| Emphasis on price                                       | Multiple criteria including management philosophy |
| Short term contracts                                    | Long term contracts                               |
| Evaluation by bid                                       | Intensive and extensive evaluation                |
| Many suppliers  | Fewer selected suppliers                          |
| Improvement benefits are shared based on relative power | Improvement benefits are shared equitably         |
| Improvement at discrete time intervals                  | Continuous improvement is sought                  |
| Problems are suppliers responsibility to correct        | Problems are jointly solved                       |
| Information is proprietary                              | Information is shared                             |
| Clear delineation of business responsibility            | Quasi vertical integration                        |

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## By acting as an integral part of an alliance-relationship management team, the accountant can help facilitate collaboration, information sharing, organisational learning, process improvements and outcomes

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### Managers on Accounting

There is an opportunity for management accountants to step beyond the traditional boundaries of 'the firm' and 'the finance function' and increase their relevance by contributing to the facilitation and effective management of inter-company supply chains (Berry, Ahmed, Cullen and Dunlop 1998). Yet the literature on implications of strategic alliances for accounting is not well developed, and alliances are largely new territory to managerial accounting practitioners. How should accountants think and act in an alliance setting? What strategies can assist accountants to produce, analyse and communicate performance information in a way that facilitates co-operation, trust, learning and improvement? Our research examined the perceptions of purchasing and logistics managers from fourteen organisations in three Pacific Rim countries about how accountants need to think and act in order to add-value in an alliance environment, and specifically whether there is a limited role for management accounting if it retains a traditional accountability focus. Three key themes emerged: the power of collaboration; the range of techniques, skills and attitudes required; and the need to take a holistic view of alliance relationships.

### The Power of Collaboration

By acting as an integral part of an alliance-relationship management team, the accountant can help facilitate collaboration, information sharing, organisational learning, process improvements and outcomes.

As a US logistics manager explained: "We work aggressively to improve processes and drive down costs. Our accountants have given valuable contributions when they had talked to people and studied the processes. People - that's accounting! Processes - that's accounting! Accountants who have got involved have helped us work together to decrease each other's internal costs. For example we had 20 pole suppliers. We created an alliance with just one supplier. Our alliance partner worked with our engineers, and together we changed the design and construction of our standard pole within two months of starting the alliance. Our old standard pole had specifications dating from 1953. The new design allowed poles to be produced cheaper, and to be erected and rigged on site cheaper. Poles were delivered straight to the job site and not the yard, saving handling and storage costs. Engineers and accountants and logistics people from both companies worked on getting this project up and running. Accountants got interested in understanding the pole supply side and other aspects of the business. They got to know the people from both firms involved. They are not just accountants now, they are energy people! The accountants did a good job costing other people's ideas - like lasering our name and logo on the side of the pole and fitting all-weather bar codes. But they went further. It was the accountants who suggested that the supplier could reduce internal costs if they could back-load the trucks that were

currently returning to California empty. That was done, and the supplier and our company shared the cost reduction benefits".

Examples like this indicate the potential for accountants to add value to the alliance relationship, but also underscore the need for a new 'toolbox' of techniques, skills and attitudes. For example in this case accountants had initiated 'open book' accounting where activity based costing was used, and costs, revenues and profits of both parties were clear and credible to alliance partners. As a result the benefits of continuous improvement could be properly demonstrated and equitably shared.

### Techniques, Skills and Attitudes

Accountants may have the skills to measure tangible benefits of alliances such as cost, quality, and payment schedule efficiency. But many potential benefits are intangible, such as the future impact of improved networking or the building of shared systems of values. They are important to recognise, but are not suited to quantification. Accountants need to develop skills in merging quantitative and qualitative analysis.

As an Australian manager noted, accountants need to add value to figures and not just to balance or report them: "One of our managers could see cost savings and better communication if we supplied an office in our building with proper computer and administration support to the key liaison person from one of our alliance component suppliers. Our accountants produced their initial analysis. Supply managers asked where were the words describing benefits of more frequent face to face communication, or the enhancement through the feeling that we are 'both on each others teams'? The accountants took that criticism and came back with an impressive new approach. To the numbers they added a narrative story, describing by simulated diary entries, the typical work and interaction schedule of someone in that position. The importance and urgency of creating this office became even clearer".

As a buyer/supplier relationship progresses along the continuum between an adversarial ('arms length') model to an alliance ('arms around') model there is an evolution of both organisational form and accounting requirements. There are very different roles for accountants depending on the point reached along that continuum. As the relationship develops, accountants must progress from verification strategies of defined matters to more problem solving of open-ended questions. In a conventional outsourcing model, control is exercised primarily through results measures. The customer is interested in measurements about the outputs of the supplier. The only real interest in the inner workings of the supplier is to check their financial viability to remain in business. Further along, the journey towards an alliance relationship, there is more focus on the supplier's own control systems and processes. A more fully developed alliance partnership investigates and facilitates design and process improvements. At these different points along the journey, there

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In organisations where accountants were high on the list as problem solvers, what did they do to reach that status? They looked, listened and talked to understand the processes and dilemmas faced by client groups from the supplier and customer. They sat in on suppliers staff meetings and they read the industry journals. They know what it takes to be in the buyer's business. They know what it takes to be in the supplier's business

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are different things to measure.

As a Japanese supply manager illustrated, the more highly developed the relationship between buyer and seller, the wider is the need and opportunity for problem solving: "When our accountants investigated and benchmarked our supplier's system, they found many processes were there just to keep people busy - and we were paying for that! Our suppliers were not conscious of the magnitude and effect of this practice. The learning enabled our suppliers to better plan and utilise resources and reduce unit costs to us".

Accounting systems for alliances must be built to capture and report data horizontally across processes and organisations, rather than vertically up through functions and divisions. For accountants to effectively contribute to alliance planning and control, they must cross boundaries within and between partner organisations. Transcending boundaries require accountants to broaden their relationships and their sources of understanding. In organisations where accountants were high on the list as problem solvers, what did they do to reach that status? They looked, listened and talked to understand the processes and dilemmas faced by client groups from the supplier and customer. They sat in on suppliers staff meetings and they read the industry journals. They know what it takes to be in the buyer's business. They know what it takes to be in the supplier's business.

A US manager provides some strategies for this cultural shift: "Change was brought on by disputes between engineering and accounting. Our Chief Engineer was constantly complaining to the Chief Financial Officer (CFO) about the lack of relevance and vision of accounting for the work of engineering. Finally, the CFO had enough and said "how long will it take you to turn one of my accountants into an engineer?". The Chief Engineer replied "give them to me for three months". After three months the accountant was an 'engineer'. Of course they could not work as an engineer, but they understood engineer's tasks and language. The accounting work now reflects this, and accounting and engineering now have a close and productive relationship".

It is critical to really immerse accountants in the operations of the business units. This cannot be achieved by merely stationing accountants at these units instead of head office. A British manager explained the difference: "Initially it was a matter of form over substance. We had a centralised accounting system. One of the accountants indicated they were bored with day to day accounting routines and the isolation from where the action was. The CFO saw this as a good opportunity to put accounting in closer contact with operations, and agreed to post the accountant to the Transformer Department. One month later the feedback was that the accountant continued doing the same old boring

ing routines, just at a different location".

The lesson was that just putting someone somewhere and hoping the right interaction will occur is not enough. That is form, but substance may not logically follow. The organisation's Manager of Business Strategy suggested a key additional element to gain substance. Now every two months, each accountant attached to a business unit gives a two-hour briefing to a panel consisting of the Manager of Strategy, the relevant business unit manager and the CFO. The accountant reports on the work that the business unit does, resource management strategies, and the development and implementation of appropriate performance reporting systems. This briefing gives the accountant the purpose and means to really understand the business unit, and come up with some creative solutions. As a consequence, accountants have become quite theory driven. Theory driven in the positive sense, where accountants actively search out new techniques from publications like the Harvard Business Review, accounting journals and their institute's professional development programmes. That partly explains why this organisation has introduced lifecycle costing, the balanced scorecard, and techniques for using narratives in reporting well before competitors. What is more, those changes were 'home-grown' initiatives and not generated by consultants.

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**It is important for accountants to provide information for diagnosing the underlying health of the relationship, not just the obvious products of the relationship**

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Accolades were given to Australian accountants who had initiated a balanced scorecard for an alliance relationship. One scorecard, two organisations. The synergies needed in practice were evident in the flows and relationships between scorecard perspectives. For instance the motivation and skill levels of all supply chain participants from the buyer and supplier could be checked against what was required to meet technical and process requirements.

### **A Holistic View**

There is a danger that what may be described as an alliance is merely a system that ties-in suppliers to the customer's demands without tapping the design and innovation capabilities of the sup-

plier. There is also a risk that suppliers and customers may be swept up with the hype of partnering, and may be more generous in their assessment about the existence of a real and functioning alliance relationship than can be supported by objective evidence of genuine interaction. Alliances should be subject to constant 'reality checks'. It is important for accountants to provide information for diagnosing the underlying health of the relationship, not just the obvious products of the relationship.

A Swedish manager noted the immediate challenge for accountants to develop more holistic ways to monitor the real strength and characteristics of alliance relationships: "We concentrated on things that could demonstrably benefit us in the quickest time. We needed a better and more reliable switch. We demanded and got just-in-time delivery, but we did not work hard on developing a situation where we smoothed the demand cycle and synchronised both parties production systems. We viewed the rush jobs and uneven job orders as the supplier's problem. Both parties started to resort to the legal contract, and once that happens the alliance is finished. We were doing lots of measuring with the assistance of the accountants when the alliance was up and running. Measuring cost, time etc. In retrospect what we should have had the accountants measuring is not just what was produced by the relationship, but what was underpinning the relationship. Do the required components for an effective relationship exist? Now our accountants survey our staff and supplier staff to determine levels of teamwork, information sharing and other critical factors. What is the level of trust? Is the trust more like blind faith?"

## Conclusion

There is a very limited role in alliance relationships for accountants who retain a traditional accountability focus. Where logistics managers were effusive about the current value-adding role of accountants, it was in the context of accountants who had demonstrably moved away from traditional reporting and analysis.

Accounting systems for alliances must be built to capture and report data horizontally across processes and organisations, rather than vertically up through functions and divisions. Interviewees stressed that accounting should not focus on performance monitoring and measurement for control, but on information for organisational learning and improvement. In essence, this means performance information for 'enabling' rather than merely 'control' in an accountability sense. There is an obvious need for information for control purposes to ensure that strategic alliances are delivering the outcomes that both organisations need to achieve. There is equally a need for enabling performance information, which in turn requires new skills and attitudes of the accounting profession in terms of obtaining, analysing and reporting quantitative and qualitative information. A major challenge for accountants is to develop more holistic ways to monitor the real strength of alliance relationships and identify opportunities for improvement.

Trust is absolutely necessary for an effective alliance relationship. Trust is fragile. One cannot simply buy into trust. Trust has to be built up. It is much a result of co-operation as a condition for it. All one can do is to select conditions that are conducive to the emergence of trust, such as placing not too much

## Accounting systems for alliances must be built to capture and report data horizontally across processes and organisations, rather than vertically up through functions and divisions

focus on the mistrustful means of governance since formal controls and trust may conflict. There is a danger that accountants may undermine trust if they focus on traditional accountability systems.

Organisations contemplating alliances, professional accounting bodies, and educational institutions, need to grasp the challenge of providing continuing professional education for accountants and other stakeholders that will prepare them for the tasks required in managing alliance relationships. Such education would ideally be done in cross-disciplinary groups where engineers, logistics staff, accountants and other professionals trained together in a team setting.

Many of the successful strategies used in the organisations to facilitate a value-added role for accountants in strategic alliances seem, in retrospect, to be merely 'common sense'. The problem for the profession is that this appears to be uncommon 'common sense'. Not much might change without accountants exhibiting what one manager described as "verve and savvy". 'Verve' means done with enthusiasm and energy. 'Savvy' means shrewd and well informed with practical knowledge and skills.

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Feature

# Outsourcing : An Emerging Concept in Financing Information Technology

By Dr. A. Seetharaman, Dr. Hasnah Haron & A. S. Saravanan.

By outsourcing its IT activities, an organisation can reduce its overheads and focus more on its core activities. Dr. A. Seetharaman, Dr. Hasnah Haron and A. S. Saravanan highlight the benefits of outsourcing IT activities.

## The Changing Role of MIS

For most of the history of information systems, the Management Information System (MIS) department has held near exclusive control over all computing resources. When the micro-computer became available, their control began to fade. At first, professionals used primitive and sometimes erratic personal computers but, over time, as microcomputers and their software matured, end users found that they could accomplish many of their information requirements on their own, without the assistance of the MIS departments. Some MIS departments found themselves by-passed by information technology.

The Outsourcing of information technology bandwagon has grown considerably in recent years (Lacity and Hirschheim, 1993), regardless of private and public sector organisations. Three reasons for this phenomenon are paramount. The first reason is the global economic recession which has forced many senior executives to search for cost savings, in overheads such as IT divisions or departments. Second, the rhetoric behind market testing, compulsory competitive tendering, process innovation (Davenport, 1993) and business process re-engineering (Swatman, 1994) has led many senior executives to reassess

company-wide performances. Third, the supplier hype about IT outsourcing, coupled with the unacceptable IT failure rate (Currie, 1994 and Sauer, 1993), has encouraged private and public sector organisations to view outsourcing as a cost effective alternative to in-house systems and applications (Snell, 1994). The outsourcing phenomenon has been a major development in recent years with potential revolutionary changes in the management, evaluation, implementation and maintenance of corporate IT services.

According to Parker (1996), the business strategy behind outsourcing should be to keep the best people in the core organisation and identify another enterprise that can do the rest of the functions and do them better than the current staff. Robson (1994) suggests that outsourcing is the purchasing from those outside the organisation of the IS services needed to perform business functions. Whereas in his book, Peter Drucker (1992) in the chapter, "Sell the Mailroom: Unbundling in the 90's" believes that by the end of the century it may be a rule, especially in large organisations, to outsource all activities. His rationale is that without competition, productivity won't go up until separate, free-standing enterprises, who know their risks of replacement,

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perform the work. On the other hand, Tapscott and Caston (1993) see outsourcing as an extreme form of the centralised IS structure. Rather than one IS structure serving many divisions, one IS structure serves many organisations.

## Emerging Definition

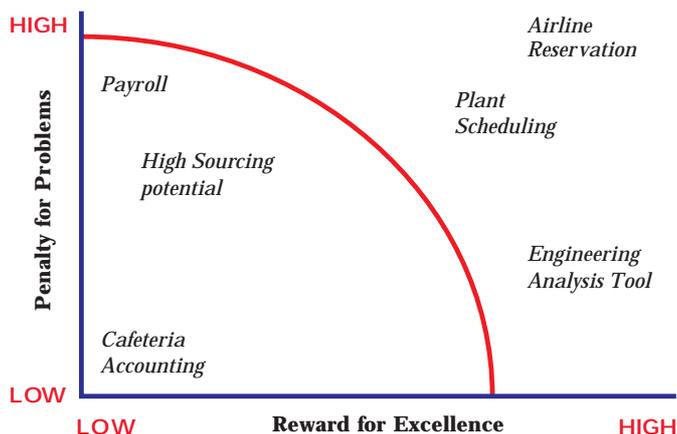
So what is outsourcing actually? There are many definitions which are related to outsourcing.

Peers and Henschel (1988) view outsourcing as facilities management, which is defined as the provision of an information technology service which may include hardware, software, development, maintenance and staff. The move towards such arrangements is influenced by trends to contract services in order to improve competitiveness and achieve value for money.

Thus, outsourcing of information technology management activities means that information technology activities are performed by an outside organisation which can handle the activities more economically.

## When to Outsource?

Laundon and Laundon in their book, quoted Paul Clermont's view on "outsourcing without guilt," where a matrix was developed. Here Paul Clermont suggests that where there is limited opportunity for a firm to distinguish itself competitively through a particular information system, such systems are candidates for outsourcing. Paul Clermont uses a reward and penalty matrix to explain his approach to show those functions that are candidates for outsourcing and those that are not.



Where there are high rewards for excellence and high penalties for this service it is not suitable for outsourcing. Where the rewards for excellence are low and the penalties for problems are low, then outsourcing is recommended. On the other hand, outsourcing is not recommended when an uninterrupted information system is critical for the service.

Ravi Venkateson (1992) who approached outsourcing as a broad strategic business approach, says organisations should concentrate on activities that are critical to it and which the or-

ganisation is good at. Organisation activities which others have a distinct comparative advantage over as well as economics of scale, lower cost structure and stronger performance incentives should be outsourced. Ravi is actually talking broadly on outsourcing as a concept and not in direct reference to IT. Nevertheless, the arguments are in an IT environment.

## Why Outsourcing?

One of the major benefits of outsourcing is the overall cost savings to the firms. For instance, when Kodak made outsourcing deals with IBM, it projected savings of 40% to 50% annually in information technology spending. The key reasons include:

### a Downsizing

The reduction of overheads through the elimination of certain jobs in an organisation. This process is called downsizing. The most affected department in any downsizing exercise is the MIS department. Kodak was able to trim down its overheads by transferring 300 and 250 of its information systems operation employees to IBM and DEC, respectively.

### b Economics of Scale

Salary for skilled people to operate information systems has increased significantly over the years. By outsourcing, the firm will not be burdened by salary increases. Outsourcing firms, on the other hand, offer the advantage of economics of scale.

### c Cost Advantage

Usually software developed by the outsourcing vendors are much cheaper than internally developed software. Outsourcing vendors are able to achieve an advantage on cost of developing software because software development costs are allocated across many products and across multiple copies of each product.

### d Savings in Capital Investment

This is in relation to saving capital investment on information systems equipment which can be easily borne by outsourcing vendors.

### e Risk of Obsolescence

Growth in information technology is very rapid. Firms might discover that just after a few years, they have to replace whole information systems. The cost to replace or upgrade whole information systems is very expensive. With outsourcing, the cost of replacing outdated equipment rests in the hands of the outsourcing company.

### f Cost of Training

When information technology changes, whole information systems staff have to be retrained, the cost of which can be absorbed by outsourcing vendors.

### g Other Costs

In addition to the points above, the cost of day-to-day involvement in the operation of information systems can also be transferred to the vendors.

## Driving Forces Of Outsourcing

There are numerous factors that contribute to the growing incidence of outsourcing. Arthur Anderson have identified four key trends which are driving outsourcing. They include:

- a) The shortage of Information Technology specialists and business system professionals.
- b) Deregulation of capital markets.
- c) Globalisation which is intensifying international competition, and
- d) The high volume and velocity of financial transactions which require a flexible and rapid response.

On the other hand, Loh and Venkatraman (1992) have also identified some of the factors that lead a firm to outsource:

- An organisation may feel that its IT function is not performing adequately, and outsourcing can be a way to arrange for a more professional and higher performing IT operation in the company.
- A firm that feels that it is spending more on technology than it should (or more than the competitor) may adopt outsourcing if it feels this option provides a lower-cost alternative than internal management. Even if the firm does not feel at a disadvantage compared to others, it may see outsourcing as a way to reduce IT related costs in general. Several firms have claimed cost savings by turning their IT function over to an external firm.
- A firm with a high-debt structure may not wish to invest in technology. It may view outsourcing as a way to lease technology instead of buying it.

## Issues in Outsourcing

No matter how well an organisation has planned to minimise problems on outsourcing, it may not always achieve its intended objectives. To avoid such an outcome, it is always a good practice to look for best practices from other organisations that have undertaken outsourcing and learn from their mistakes and success. Some of the common issues that have been encountered by organisations as a result of outsourcing and the way that an organisation can improve its chances of success are:

- a) By clearly identifying its long term IT strategic directions and long term information needs.
- b) By clearly defining its business objectives.
- c) By allowing leeway or flexibility between the organisation and the external service provider, through the use of an extraor-

dinary events clause in the contract. This clause should provide safety valves in case an extraordinary change in the organisation's needs occurs.

- d) By identifying all external and internal stakeholders and the impact that outsourcing may have on stakeholders.
- e) By avoiding duplication and waste through learning from the experiences of other organisations.
- f) By communicating regularly and openly with employees who are affected by outsourcing.
- g) By stating explicitly the expectations of the kind of services required in tender documents.
- h) By providing adequate time and correct resources for the task so that it can get the best outcome from the service arrangement made by the contractor.
- i) By retaining skilled staff to manage the external contractor's service performance.
- j) By using experienced consultants when no one with the required skills can be found internally or when it is necessary to obtain alternative views, comments and recommendations regarding contract issues and administration.
- k) By monitoring and assessing the contractor to ensure the quality of the services and not just the price of the delivery of services.

## Outsourcing — Key Success Factors

Based on six case studies of companies that undertook outsourcing evaluation and gathered six external tender bids, but selected their internal IT department bid's, Lacity and Hirschheim (1995) concluded that there is a need for adequate resourcing, the need to empower the IT staff to implement change; cost efficiency largely depends on efficient management practices and that selective mix of insourcing and outsourcing have the best chance of success. For an organisation to successfully outsource its IT functions, there are a number of factors that need to be addressed. These factors are:

### a Organisation Skills

An organisation that has outsourced its IT functions to an external contractor should not abdicate itself from the responsibility of the activity it has outsourced. In other words, there is still a need for the organisation to retain overall control of the IT services being outsourced. In addition, the organisation needs to regularly monitor the external contractor to ensure that they continue to deliver quality services and perform at the required standard as agreed in the contract arrangement. To be able to do this, the organisation must ensure that it can maintain sufficient technically competent in-house staff to oversee the contract service agreement.

### b Cost Estimate

Before an organisation outsources its IT function, it is very

important to prepare a sound and comprehensive cost estimate for all existing internal computer systems so that it can determine whether the outsourcing is cost effective. Failure to do so can be critical.

### **c** Appropriate Contract

For any successful outsourcing, a good solid contract is essential. The contract should also allow for flexibility, as it is difficult, in the life cycle of the contract, to predict every circumstance or cover every eventuality. Successful outsourcing should be based on a partnership between the organisation and the external contractor.

### **d** Staffing Issues

Outsourcing an organisation's IT functions without proper consultation with employees can cause a lot of stress among IT staff and reduce their morale. The result may be a loss of some key technical and specialist staff from the organisation. More open and timely communication with employees can minimise this impact and uphold staff morale. An organisation can allay staff fears by outlining career options and opportunities for its staff within and outside the organisation and also by explaining the benefits of outsourcing to those affected employees.

## Problems Faced by Outsourcing

Today, the information technology industry is an annual multi-billion dollar business. Business organisations, regardless of size, are actively seeking to take advantage of fast growing information systems. Although the advantage of implementing information systems in a firm, such as the reduction of overheads is fully realised, it also continuously poses many challenges and problems to the firm. Among the problems are high implementation costs, rising salaries of skilled workers, high cost of maintenance and updating the information technology, and the lack of in-house experts to develop complex software programs. The cost of setting up and implementation can run into millions of dollars.

As the purpose of using information systems changes, software development will increase in complexity. With the lack of in-house experts from the firm, the quality of the software generated will be very much in question. The probability of software errors or bugs will increase and this will affect performance of the information systems. Because of the problems faced by firms in implementing and maintaining information systems as mentioned above, many companies are now considering outsourcing.

## Advantages of Outsourcing

Numerous factors contribute to the growing incidence of outsourcing. These include the inability of MIS departments to hire and keep suitable MIS professionals, plus the need for increased flexibility and access to international markets. Oltman

(Computer world, 1990) claims that outsourcing will enable firms to 'respond to the rapid internationalisation of business where the rules change every week, improve return on equity, keep up with dramatic technological change and differentiate their company from the competition and answer the growing shortage of information technology and business systems professionals'. Several other contributing factors are discussed below.

*Cost Reduction and Containment:* During the 1980s, when organisations realised the competitive and strategic advantages of information systems, rapid MIS budget growth was normal. The recessionary times of the early 1990s resulted in flat or declining MIS budgets in most organisations.

Today, mounting cost pressure is probably the most significant factor driving corporate interest in outsourcing. Personnel costs can be decreased by outsourcing applications development and data centre operations; also problems with inexperienced personnel may be avoided.

*Access to Cutting - Edge Technology:* Outsourcing MIS functions to an appropriate vendor can provide immediate access to the latest technology and expertise that would otherwise be beyond the reach of the outsourcer.

For example, even if the in-house staff is not proficient in using object-oriented programming (OOP) and case tools, the appropriate outsourcer can apply them to an application development problem for the organisation.

*Improved Focus on the Strategic Use of Information Technology:* Even for organisations with MIS department professionals, outsourcing may still be an attractive alternative. By outsourcing the routine maintenance and operations of transaction processing systems, available MIS talent can be used to promote competitiveness and strategic advantage. This may also increase flexibility and responsiveness in meeting market needs.

*Increased Availability of Outsourcing Services:* Recently the number of outsourcing service providers has increased dramatically. Besides the traditional outsourcing service providers such as EDS, Computer Sciences Corporation, Perot Systems, Andersen Consulting (and the other five of the Big Six accounting firms), numerous other businesses from different industries now offer these services, including IBM, DEC, AT&T, Bechtel, Boeing and Mellon Bank.

## Disadvantages of Outsourcing

*High Cost Structure:* The outsourcing firm may have a high-cost structure because of its need to employ highly skilled personnel. The need to have a contract with the outsourcing firm can lead to conflict and misunderstandings. Some companies have been surprised at the cost of using an outsourcing firm to develop applications.

*Loss of Control:* Besides this, the biggest deterrent to outsourcing is the question of control. If the company regards technology as a competitive factor in business, it may be reluctant to turn over control to an outside firm.

*Threat to Job Security:* Many other MIS executives see outsourcing as a direct threat to the job security and career prospects of themselves and their subordinates. Having to address outsourcing-produced personnel displacement problems such as lay-offs, retraining, and the absorption of displaced personnel by the outsourcing vendor can be difficult for both outsourcers and outsourcing contractors.

*Fivefold Problems:* The problems of outsourcing contracts were described as fivefold. They included; cost escalation, maintaining quality, over-dependence on suppliers, lack of suppliers' flexibility and lack of management skills to manage the supplier.

*Skills Shortages:* Skills shortages were also seen as an impediment to outsourcing. This was reported by both private and public sector organisations irrespective of size. Seven areas were highlighted to include: sourcing strategy, selecting services to outsource, market analysis, selecting suppliers, preparing service level agreements (SLA), negotiating contracts and managing suppliers.

## Risks of Outsourcing

Clients who use outsourcing for key processes and applications undertake the general risks that their vendor will not deliver as agreed, will deliver less than expected and/or deliver it late. They undertake these more specific risks as well:

- If the client does not manage its vendor, the client may lose control of the direction and quality of its information system.
- If the above happens the client may lose control of its basic business.
- If the vendor fails to meet standards or work well with users and IS personnel, client efficiency and productivity will deteriorate and subsequently, service to the clients own customers will degrade.
- Without the vendors support, the clients ability to introduce innovative new products or upgrade current products is extremely limited.

If user and IS personnel feel that they cannot affect the outsourced system, their morale and productivity will decline.

Besides these :

Eleven other risks of outsourcing IT have been suggested by Earl. These risks occur under the following conditions.

### **a** Possibility of weak management

A company will be tempted to outsource an IT service to a

third party if the service is low on operational performance. If the company selects outsourcing, the managers also have to know how to manage contracts and relationships with third parties. Other wise, there is a danger that the vendors may take advantage and manipulate the situation to their benefit.

### **b** Inexperienced staff

It is generally assumed that vendors have better IT specialist. Relatively new IT services businesses do not necessarily have either the best expertise or solid experience.

### **c** Business uncertainty

A firm outsourcing its IT services because of costs or focus, generally assumes that its future direction and needs are clear. However, when cost is the driver of outsourcing, or converting fixed costs to variable costs is the declared aim, it is likely that the company will sacrifice crucial competencies or capabilities.

### **d** Outdated technology skills

A company can never be sure that the vendor's technology skills stay current. There may be further cost reductions due to learning and technological change. A company can build these improvements into the contract.

### **e** Endemic uncertainty

IT operations and development have always been inherently uncertain. Companies should avoid outsourcing contracts that are set in concrete.

### **f** Hidden costs

If cost reduction is the objective of outsourcing, there may be a promise of early cash flow benefits and long term cost savings. A company should compare vendor costs with current costs and build technology and learning curves into future cost schedules.

### **g** Lack of organisational learning

Organisations tend to manage IT by application. Management tends to learn the value of IT applications by using them and seeing further opportunities for development. A company may classify the value of an application as low and outsources it today, only to discover that it becomes a strategic, core, or high-value application tomorrow.

### **h** Loss of innovative capacity

In the long run, a company wants to maintain innovative capacity in IT because there will be new ways of providing IT services and of exploiting IT. The ability of a company, that has outsourced IT services and downsized as well, to innovate, may be impaired.

### **i** Dangers of external triangle

A few companies take the role of intermediaries or interpret-

ers between IT specialists and users when its specialists and users cannot understand each other. The liaison roles create more confusion and succeed only in keeping the IT specialists and users apart.

### **j** Technological indivisibility

Current IS are increasingly interconnected and problems can occur at the interface of responsibility between different vendors or between the vendor's domain and the customer's domain.

### **k** Fuzzy focus

The outsourcing market can provide IT operations, development, service and training. The market will not be so able to provide acceptable, innovative ideas, the challenging efforts and commitment required in systems implementation, and the delivery of IT benefits.

## Client — Vendor Conflict

The conflicts inherent in outsourcing IS functions may not be apparent until a crisis reveals them. Conflict is built into outsourcing relationships in three primary ways:

- a) Pricing: Vendors want to maximise their returns; to do so, they charge as high a price as they reasonably can. Clients need vendors that are financially healthy and organisationally stable.
- b) Separation: Clients and Vendors are separated geographically. They also have separate cultures, mind sets, motivations, leadership, goals and businesses.
- c) Standardisation: To be efficient and to take advantage of economics of scale and expertise, vendors are motivated to standardise processing, services and software. To gain competitive advantage, clients will want to differentiate their services from competitors on the basis of kind, quality and price.

## Strategies to Manage Vendor Relationships

When system resources integral to a client's business are obtained through outsourcing, clients must implement specific long-term strategies for leading and managing the relationship with the supplier. Among the steps are:

- Outline specific business operations and development activities that require information systems support.
- Determine the broad parameters of that support as well as how, within the enterprise's business plan, it can be obtained.
- Define and determine activities and objectives for vendors of IS services.
- Evaluate the benefits and disadvantages of outsourcing support for each set of activities.

- Define system quality, which is easier to measure if from a vendor than from your own shop.
- Determine if specific vendors exist who can do the work you need to be done.
- Work with those vendors to define and, if suitable, obtain their services.
- Evaluate the results and revise your plans as needed.
- Create contingency plans and look at alternatives, including use of multiple providers.
- Recognise risks of dependence; plan involvement with the vendor.

## Financial Techniques

Outsourcing can be expressed as a make-versus-buy or own-versus-lease decision facing the organisation. In its generic form, outsourcing has been studied in a number of settings, including the manufacture of the parts in the automobile industry, the sales function in the electronic industry, the procurement of components or services in the naval shipbuilding industry, and the distribution of equipment, components and supplies across a set of industrial firms. In the IT industry, outsourcing is the significant contribution by external suppliers in the physical and human resources associated with the entire IT infrastructure, or specific components of it, in the user organisation (Due, 1992).

For both the physical and human resource's, classical financial modelling plays a key role. Today financial planning is typically done using either a PC program such as Lotus 1-2-3 or Excel, or some more sophisticated decision support system. Yet, it is important to understand some of the basic principles involved so that the IS professional does not simply enter into a system blindly without having some intuitive appreciation of what the package might be doing.

## Global Outsourcing

The growth in the outsourcing market has been considerable particularly in the US and to a lesser extent in UK. In 1989 US literature on outsourcing estimated the market to be worth \$12.8 billion with an annual expected growth of 20% (Krass, 1990, McCormick, 1991, Mc Mullen, 1990). The Yankee Group believed that all 500 companies will consider outsourcing with 20% signing a contract by 1994 (Eckerson, 1994).

Global outsourcing is a recent trend that also interests an increasing number of companies. As noted previously, computer professionals can often be hired for much lower salaries in other parts of the world. For example, it is estimated that the "true" average annual cost of an MIS professional in the United States is about \$100,000 when salary, benefits, computer usage, and other related overhead costs are included.

The equivalent cost for the average MIS professional in India or the Philippines is only about \$35,000. Software developers and contract programming firms in these countries see outsourcing

as a profitable target market for their MIS services and recognise the pricing advantage that they have. Hence, it is not surprising that global outsourcing is a rapidly growing segment of the total outsourcing market.

Several US corporations have used global outsourcing. Unisys outsourced numerous application development projects to programmers in Singapore and India, Citibank outsourced to firms in India and the Philippines; Merrill Lynch contracted with an Irish firm. Even such US hardware vendors as DEC, Texas Instruments, and Tandem have entered into global outsourcing contracts.

Data entry and contract programming are the most commonly outsourced MIS services. Pacific Data Services has contracted data-entry services from China since 1961. Some vendors formed data-entry partnerships that employ data-entry personnel from numerous countries. For example, Mead Data Central has citizens of Jamaica, Haiti, and Barbados entering information for large databases such as Nexis.

In some cases, semi-skilled jobs are also globally outsourced. New York Life Insurance, for example, contracted with an Irish

firm for claims processing. In still other cases, fairly sophisticated systems developing an intelligent workstation for Internet Corporation, a Chicago-based company that develops banking software packages.

In sum, the range of globally outsourced MIS services has expanded recently—primarily due to the lower labour costs available in other countries. However, outsourcers may also increase their global visibility, helping them to gain a foothold in new foreign markets. Still, global outsourcing can present potential communications and co-ordination challenges to outsourcers and may open the door to other problems. (For example, Taiwan and Brazil have no real software copyright laws; contracting with firms in these areas may increase the chances of software specifications being copied or shared with an outsourcer's competitors).

The recent announcement of the Malaysian Government to develop the Multimedia Super Corridor opens vast challenging opportunities in global outsourcing.

### **Future of Outsourcing**

What is the preferred way of information technology sourcing

in future, outsourcing or insourcing? From the study that was carried out by Mar y Cecelia Lacity and Rudy Hirschheim on six insourcing cases, they concluded that both total outsourcing and total insourcing are generally poor sourcing strategies.

Total outsourcing is a poor strategy as it fails to capitalise on the inherent cost advantages of internal IS departments. It is also a poor strategy because companies get locked into a certain vendor. On the other hand, total insourcing is also a poor strategy as it fails to capitalise on a vendors' inherent cost advantage and creates a political environment of complacency.

Today, every aspect of business is becoming increasingly global. There are thousands of multinational companies around the world. The Economist reports that there are approximately 35000 multinationals around the world today. In 1993, almost \$4 trillion in goods and services were traded across national borders. Intel Technology, the world renowned microprocessor producer, is an example of a multinational company. It performs its research and development (R&D) in USA where it has competitive advantage in terms of skills and resources. However, Intel locates its assembly and testing operations in Malaysia where it has a competitive advantage in skill and cheap labour. Finally, Intel markets the microprocessor around the world.

Information technology keeps all of Intel's operations such as R&D, manufacturing and marketing connected even though they are physically and geographically separated. Teleconferencing and video-conferencing provide the means for groups or individuals who are separated by a single wall or several continents to share information spontaneously. An Intel's sale representative in China can have video-conferencing between the manufacturing teams in Malaysia and R&D teams in the United States discussing customer complaint problems. Then, the R&D teams can analyse problems and advice the manufacturing team in Malaysia to rectify manufacturing processes to solve the problem. Therefore, the next batches of Intel microprocessors which will be shipped to China from Malaysia will be problem-free. Intel requires an enormous management and co-ordination effort to keep the activities from financing and production to shipping and sales in line with the company's vision and mission. None of this would be possible without powerful international information and telecommunication systems. Some multinational companies, rather than having to manage their own communication technology, will consider outsourcing as a way to manage their complex global information systems. Companies of all sizes will focus on what they do well, their "core competencies" and leave other tasks to specialists at outside companies. In other words, today, business organisations tend to structure their organisations to concentrate only on their core competencies. By outsourcing the firm's information systems, companies can focus on more critical factors which ensure continuous growth of the companies.

According to Bill Gates, with the advance in information systems, the size of the average business will get smaller as computer networking allows easy, efficient collaboration between peo-

ple regardless of where they work. In addition, a company may find itself facing many more competitors not just across town but also around the world. The increased competition will speed up the trend toward specialisation as companies become eager to differentiate themselves. Therefore, small business will become more numerous and specialised. This will force the business organisation to outsource the information systems which they do not specialise in.

The latest development in information systems has made internet available and accessible to everybody. Firms or individuals can outsource information systems from the services provided by the internet. Mohd. Salleh Masduki, president of the Malaysian National Computer Confederation, said that a network centric environment will be available for the small player and there will not be need for expensive storefronts anymore. An interesting example Salleh gives is a fictitious scenario relating to a collector of fine bone china. Now he can set-up a website promoting the products he has for sale or encouraging the public to contact him should they have a product to sell. It could be a one-man show, or even with two or three people, operating out of a study or living room.

In Malaysia, outsourcing will be the trend in the future, because the government is setting up a world class information super highway - Multimedia Super Corridor (MSC), MEASAT, and PenangNET. Therefore, this world class information super highway will provide the outsourcing firms the avenues to promote their services more efficiently.

## Final Analysis and Conclusion

Clearly, the issue of IT outsourcing is one which is likely to become even more topical in the next five years, as many companies and government departments choose outsourcing as a viable option. The decision to outsource raises a number of critical and complex issues for management. These are concerned with the strategic planning of IT, evaluation and performance measurement of the outsourcing supplier, the development of service level agreements and the maintenance of legacy and new information systems, among other issues.

At the present time, it seems that many companies perceive outsourcing as a cost effective and workable solution to the problems associated with a burgeoning annual IT budget. However, the degree of cost savings and the potential benefits to companies who choose outsourcing as the way forward remains open to debate.

In conclusion, it is argued that whilst outsourcing may be a workable strategy for IT for both private and public sector organisations, it should not be entered into simply as a cost reduction exercise or to relinquish management responsibility of a problematic function.

Although management can outsource the development and operation of information technologies, it should never outsource its policy role. And when the system department is well managed, and where IT is a core competency, outsourcing should not be an option.

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# Practice Review

By Johnny Yong Buong Peah, Malaysian Institute of Accountants

## Definition

Practice review is a process in which the activities of a professional are audited by members of the same profession. Specifically, it is a process where the standards and procedures of an audit practice are assessed by members of the same profession.

## The Need for Practice Review

The business environment is changing ever furiously as we march towards the 21st century. In order to maintain the relevancy of the accounting profession in Malaysia, practising members must demonstrate a proactive role in the execution of their professional duties as expected by their clients. This can be achieved by the application of various approved auditing standards and recommended best practices promulgated by the Malaysian Institute of Accountants (MIA).

The implementation of practice review will be able to create an awareness among the practising members of the need to maintain such a level of professional standards in their work regardless of whether they are practising as a sole proprietor or as partners of a large firm.

A series of laboratory experiments conducted in the United States in 1996 by Grant, Bricker & Shiptsova have demonstrated the difficulties of obtaining a high level of audit quality without a regime of voluntary self-regulation. Although this study does not make any particular reference to the effectiveness of practice review, the conclusion strongly supported the notion of self-regulation, a form of which can be the existence of practice review.

In 1987, MIA had adopted the International Auditing Guideline (IAG) No. 7 Control of the Quality of Audit Work which was mainly meant to provide guidance as to:-

- a) the procedures to be followed by an auditor to comply with the basic principle governing the performance of an audit engagement as it relates to the work delegated to his subordinate on an individual audit; and / or
- b) the policies and procedures to be adopted by an audit firm to provide reasonable assurance regarding the quality of audit work generally within the firm.

The importance of maintaining a minimum standard of work quality in respect of an audit engagement subsequently lead to the setting up of a mechanism known as practice review or in some countries peer reviews.

In 1993, MIA issued an exposure draft on practice review following a study done by a task force in early 1992. At about the same time, the Institute of Certified Public Accountants of Singapore (ICPAS) had just commenced an in-depth study about such practices based on the proposed models in Hong Kong and Australia.

Following comments from member firms, the proposal for the implementation of practice review in Malaysia was subsequently postponed. It should be pointed out that in Singapore, their first practice review cycle has since been completed in July 1997 after three years of mandatory review process. Thus, Malaysia

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would have a long way to go before being able to catch up with our southern neighbours despite the fact that both countries started off at about the same time.

Recent codification of the IAG into the new International Standards on Auditing (ISA - Standard 220) has again reaffirmed the importance of quality control at the general level (within an audit firm) and also on individual audit assignments. The ISA is already operational in Malaysia with effect from 1 July 1998. This, coupled with the international expectation, is the best time to commence the practice review process in Malaysia albeit on a voluntary basis first.

## The Thrust of Practice Review

Practice review is intended to provide educational and supportive services and assist practitioners in maintaining and improving their professional standards as well as placing the Institute in a stronger position to influence the direction of future regulatory involvement (for example by the Securities Commission and Registrar of Companies) in the activities of practising members as regards to the auditing function.

It should be noted that the first five-year cycle of the practice review (as proposed) should be educative in nature with the shift in emphasis from the second cycle onwards. This will allow more time for the smaller practices to upgrade their standards of work wherever necessary.

## Controversial Issues

Following the release of the exposure draft in early 1993, a number of delicate issues were raised by the Big Six (at that time) and also MACPA.

Among them, the most contentious issue has been the confidentiality factor. Quite understandably, practising members have raised concerns about the possible breach of the by-laws of MIA with respect to their duty of confidentiality they owe to their clients by revealing the audit files to reviewers engaged under the review programme. At present, members of the Institute must treat with confidentiality any information of his client's business

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## Legal precedents in Hong Kong and Canada have shown that in complying with professional rules, a professional will not be breaching any confidence if he discloses information relating to his client's affairs to a committee or agent of his professional body

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affairs acquired in the course of his professional work and neither use nor appear to use such information for his personal advantage or the advantage of a third party. Under the by-laws, the member can only disclose or produce such information, documents or records without the consent of his client under the following circumstances:-

- a) for the purpose of discharging his duties to his client;
- b) in accordance with the provisions of any written law or where disclosure is compelled by a process of law; and
- c) where disclosure is reasonably necessary to protect the member's interest.

Another potential problem that may arise is that of a reviewer, after having gained confidential information from the review, may leave his position with MIA and take this information with him to be used to an unfair advantage. The security of confidential information within the Institute is also an issue of concern.

At the outset, the emphasis on the confidentiality factor of such a review is unquestionable. All the individuals concerned in the practice review programme whether it is the Practice Review Committee (to be established), a reviewer and a practice unit (which can be a sole practitioner or partners in a partnership) will all need to be MIA members and thus, bound by the Institute's by-laws on Professional Conduct and Ethics with regards to confidentiality. It is a fair assumption that all members, having in the past complied with this confidentiality clause of the Institute's practice code will continue to abide strictly the existing rules and not reveal any information to the wrong sources.

It has been further suggested that the by-laws of the Institute should be amended to provide additional assurance to the practising units and to help facilitate the practising members explanations forwarded to the clients about the implementation of practice review as part of compliance with the Accountants Act 1967.

Legal precedents in Hong Kong and Canada have shown that in complying with professional rules, a professional will not be breaching any confidence if he discloses information relating to his client's affairs to a committee or agent of his professional body. The resultant situation will be somewhat similar to that of a solicitor in Malaysia who does not breach his duty of confidentiality by allowing his auditor to look at a client's file because he is required by the Solicitors Act to have an auditors' certificate on maintenance of separate client's accounts from that of his own dealings.

Although it is quite true that a reviewer who has gained certain information about a client may leave his position as a practice reviewer and take this information with him, amendments to the Accountants Rules 1972 and by-laws can make it an offence under these provisions for the reviewer to reveal confidential information except in a few rare circumstances when required by the legal process.

As all files reviewed under such programmes will be in respect of completed audits, it is less likely that "sensitive" infor-

mation will be revealed to the reviewers in any case. In relation to internal confidentiality, the Institute will need to encode all files pertaining to the practice unit under review. It has been suggested that detailed review files relating to practice units will need to be destroyed within a time period after the completion of the review process.

In trying to safeguard the interests of their clients, certain firms have raised the question as to whether practice review would eventually burden their clients with the unnecessary costs especially in view of the current economic climate. This concern should not arise because there are no new standards or guidelines to follow other than those already adopted by MIA. Therefore, a member who has been performing his engagement to the already prescribed professional standards will not have to increase the amount of work he would have performed and hence, the cost of completing those procedures will not increase. The direct cost of practice review can be considered immaterial in relation to the costs of running a practice unit and there is no foreseeable need to pass the costs on to clients.

Practising members may choose to question the timing of the introduction of practice review in the current economic environment. Is the Institute expecting a decline in professional standards as practising members may be facing major pressure in operating within an environment of reducing revenues in view of the rising instances of corporate curtailment or down sizing and the escalation of operating costs as a result of previous excesses? Wouldn't it be viewed by the public and the government that the Institute has lost the confidence in its members' competency and professional standing previously enjoyed within the eyes of the community?

Again it is to be reiterated that practice review is now a more and more accepted form of self-regulation binding the accountancy profession. Systems of practice review are already a norm in countries like Canada, New Zealand, Ireland, United Kingdom, Hong Kong and more recently in Singapore. The United States and Australia have for some years preferred their system of peer review which has similar objectives and as early as 1990, the International Federation of Accountants (IFAC) has commended some accountancy bodies for formulating their own quality control circle among firms and member bodies. Even Singapore is already in its second cycle of review since July 1997.

By adopting practice review, our country will be able to show itself to be at the forefront of the profession around the world and this will enhance the image of MIA. It is inevitable that the Institute should be among the first few bodies in Asia to incorporate this programme as our Institute is highly regarded among our peers, having represented Malaysia in a number of regional and international bodies like CAPA, AFA and the IASC Board & Steering Committee. Overall, the accounting profession in Malaysia has always operated in a fairly autonomous environment and the legal requirements which have to be followed are relatively few. Certain disclosure in the Companies Act still leave a

## Overall, the accounting profession in Malaysia has always operated in a fairly autonomous environment and the legal requirements which have to be followed are relatively few

lot of discretion in the hands of the profession, the basic requirement is that the accounts should give a true and fair view.

This is equally the stand of the new Malaysian Accounting Standards Board. In some other professions, the regulations and the approval procedures as required by law are becoming more and more restrictive. In view of such instances, it is only right for the Institute to properly weigh the types of restriction enforced directly by the government or other independent bodies against the present system of self-regulation to be initiated and concluded that such privileges should be jealously guarded. Thus, self-regulation in the form of practice review is perceived to be especially beneficial now for practising members. One should believe that no profession should allow its professional standards to be perceived by users of their services to be anything other than that of the highest standard and evenly applied by all members.

Another concern expressed by some practising members is that the Institute may not achieve the objectives of practice review because the potential reviewers employed will not be quali-

concept of peer review was not pursued since it was first mentioned in the early 1990's, was mainly due to the reason of confidentiality and possible conflict of interests. A full time staff who is bound by the ethical rules of the Institute can better reduce the risks of both the practice unit and their clients in terms of confidentiality. It also has the added advantage of more easily ensuring the consistency of practice review standards.

### Implementation of Practice Review

It is envisaged that a period of voluntary practice review should be implemented for a period of one to two years pending the relevant rules and regulations to be put in place. At the interim, consent from clients can be requested when files are being subjected to practice review and the results of the study can be tabulated as a guide to the actual level of professional standards being applied in practices throughout the country.

In the mean time, the public can also be educated about the main purpose of the practice review programme in Malaysia. Also, questionnaires and manuals can be disseminated to practising members in order to gauge their understanding of the impending practice review cycle and ample time for implementation of acceptable work practices within each practice unit. MIA, being looked upon by some emerging accountancy bodies from China and Vietnam as a dynamic and mature body will be in a better position, one day, to provide the necessary guidance and assistance to other countries in the region on the implementation of such practice reviews, a trend which is expected to come within the not too distant future.

## The linkages between the professional judgement of the practising members which leads to the adoption of a particular audit approach should never be questioned as long as the audit methodology has within itself, already demonstrated that the standards as laid down by the various pronouncements currently in effect have been duly taken into account

fied or have sufficient depth of experience. Annually, the big five accounting firms for example spend millions of dollars worldwide developing working methodologies for application in the engagement with clients' and specialised programmes are developed for some very special industries. It is thus difficult to envisage the reviewer to fully comprehend the complexity of the work methodology carried out in any particular engagement without an in-depth knowledge of how the work methodology is developed in the first instance.

The Institute is fully aware of the different auditing approaches. It is rather the consistency of application of any specific methodology covering certain relevant clients and/or of comparable industries and sizes and also the procedural manner in which a conclusion is arrived at, rather than the nature of the conclusion itself. The linkages between the professional judgement of the practising members which leads to the adoption of a particular audit approach should never be questioned as long as the audit methodology has within itself, already demonstrated that the standards as laid down by the various pronouncements currently in effect have been duly taken into account.

The possibility of using fellow practitioners as reviewers can also be looked into, should the present proposals for practice review be proven unpopular. However, the first instance why the

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Institute News

# IT Competency Training for MIA

Quantum leaps in productivity and cost savings is the promise made by Mr Chandra Arumugam from *Infoscience Technology Group (M) Sdn. Bhd.* in a recent one-day training seminar held under the auspices of the MIA. The seminar is aimed primarily for those accountants keen to capitalise on the benefits that Information Technology (IT) will bring to business management, project management and knowledge management.

**T**his seminar is the third of three self-contained modules planned around the general theme of IT in business. The first two seminars are concerned with electronic (e)-commerce, and web-based technologies, respectively. Chandra is keen to develop the idea that business can benefit from e-commerce only if they are able to fully understand the key factors involved in the development of an electronic commerce site. For instance, the development of an attractive web site is not the only issue businesses must face when involved in disintermediation - the principle of supplying goods direct to the user from the manufacturer. The legal issues and methods of payment are a potential minefield for the uninformed.

Chandra began with an update of the basic skills required to tackle the more sophisticated topics presented later in the seminar. These skills included training in the Microsoft Office and Corel WordPerfect suite of software and the basics of Networking. Participants in the seminar were assessed for competency using the PC Driving Test - a fully automated, interactive Microsoft Windows based testing and marking tool.

The Web site of a company is often a customer's first exposure to that company. Therefore the first page of the Web site should make a good impression - after all, it is the company's electronic 'foyer', and as such must be both attractive to the customer, and difficult to leave! These and other issues were faced by the participants in the next topic presented by Chandra. They were told that with the exponential rise in the use of Internet technologies, business must learn to understand what is involved in the creation and hosting of a Web site, the exploitation of Internet technologies for the multimedia conferencing, and the effective use of Internet search engines.

The participants were then introduced to the key features of Microsoft Project in order to illustrate the procedures for *organising, planning, scheduling, monitoring and controlling* projects. The benefits to management will be in the creation of instant snapshots of a project's resource, scheduling and cost status.

An important, yet often neglected concept in information technology (IT), is that of value-added electronic information. Participants gained a foundation in digital literacy that enabled them to use strategies for identification of relevant electronic resources as well as effective search strategies for manipulating web search engines. Lastly, participants were able to add value to internal and external electronic information and to create knowledge.

*Business process reengineering* is an important concept that enables business to make effective and dramatic performance improvements through the redesign of key business processes. Participants learned how to implement a business-reengineering project from a customer's point of view. This will of course be of prime concern to business managers as well as to accountants who are faced with increasing cost pressures.

Chandra then challenged participants with the broad concerns of IT in managing change, Internet security and management of IT systems.

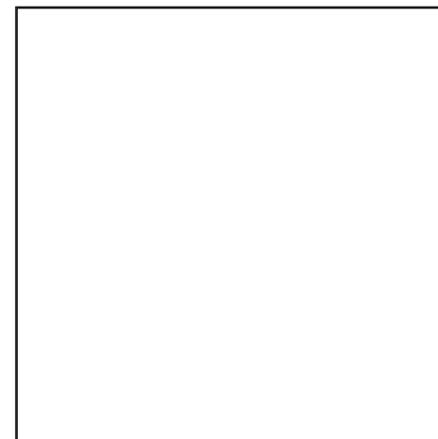
*Strategic Knowledge Competency* was the topic of the next section of the seminar. Here, participants were introduced to the concept of business *intelligence*, and the use of Internet/Intranet as benchmarks for best practice. They further learned how to access value added information such as the results of research studies, economic forecasting and statistical data that could be used to benefit planning and marketing procedures.

Lastly, the participants learned how the Intranet can be used effectively to facilitate corporate training of staff through on-line deliverance of multimedia resources, and the dissemination of other in-house information.

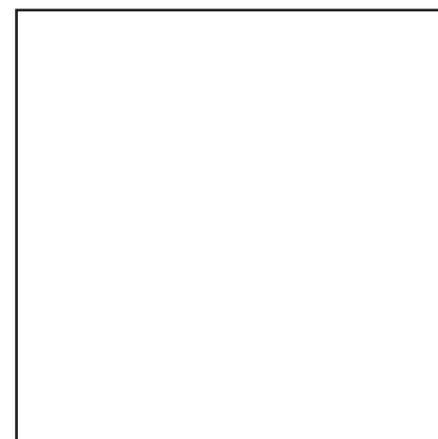
At the end of the seminar, the participants were fully bursting with information and eager to help build the IT infrastructure within their respective organisations. In maintaining a policy of delivering topics of quality and relevance to the business community, MIA plans further training seminars in 1999 in the general areas of IT Professional Development. These topics include Project Management, Managing Change, Building an Enterprise IT Architecture, Human Resource Management Systems, Managing IT Investment, Essential Soft Skills for Management, Disaster Recovery Planning and Management IT Outsourcing of Contracts. These training seminars are to be delivered by competent professionals under the auspices of the MIA. Further details are available upon request.

# Self-Assessment Seminar draws a crowd

*Associate Professor Dr. K. Jeyapalan  
of the School of Accountancy, UUM*



*Mr Rehan Hasan Naqve, President of  
All Pakistan Tax Bar Association*



*Mr David Russell, President of AOTCA*



To assist the Government in preparing tax consultants and tax payers for the gradual change to the Self-Assessment Tax System announced in the 1999 Budget proposals, the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Taxation (MIT) jointly organised a half-day seminar on *Self-Assessment Tax System* in Kuala Lumpur recently. Chaired by Mr Thanneermalai, Executive Director of PriceWaterhouseCoopers, the seminar attracted a large crowd of over 500 participants.

Starting off the seminar, Dr Jeyapalan Kasipillai, Associate Professor at the School of Accountancy, University Utara Malaysia told participants that the self-assessment system (SAS) has numerous advantages, but its introduction is not a remedy for existing weaknesses in a tax structure. Tax authorities, he said, should be aware of the potential pitfalls that lie ahead in implementing such a tax system.

"Tax agencies should appreciate that while it may lower their administrative costs of collecting taxes, it may significantly increase overall compliance costs. Moreover, the adoption of SAS would result in a reduction in the routine work involved in examination of annual tax returns but tends to lead to a more strategic and less individualistic model of enforcement and such a new approach has its drawbacks," he said.

"Taxpayers detest being audited, let alone being investigated, and tax officials do not like to investigate at random and that too without cause."

The adoption of SAS, according to him, should be viewed in the broader context of the whole tax system. Perhaps, he said, it is a desirable part of any reform, as seen by several countries that have introduced SAS.

Also at the seminar to provide insight into the Australian experience in tax self-assessment was David Russell, Queen's Counsel and President of Asia-Oceania Tax Consultants' Association (AOTCA). He pointed out that in the mid-1980s, an income tax regime based on self-assessment principles was superimposed upon a regulatory regime for tax agents which dated back to the early 1940s and which had not been subjected to close scrutiny since that time.

This action, he said, altered fundamentally the balance in the triangular relation-

ship between taxpayers, their tax agents and other tax advisers, and the Australian Tax Office (ATO).

"The new arrangements imposed upon individual taxpayers an obligation to calculate their own taxable income and to exercise reasonable care in keeping records, following instructions and correctly interpreting the law. They also provided for formidable penalties to apply where a failure by tax payers in this regard resulted in a tax shortfall," he said.

"In addition, tax payers were provided with a new legislative avenue through which to sue their tax agents for damages and to recover any penalty tax plus interest."

Meanwhile, Peter Cowdroy, Secretary General of AOTCA explained to participants that the introduction of self-assessment was part of a reform process commenced in 1987 to bring Australia's tax assessment procedure into the twentieth century. In that year, Australia's taxation system underwent the most significant change which it had experienced since 1936.

"In addition to the introduction of self-assessment, capital gains tax and fringe benefits tax were introduced into Australia's taxation system. Significant restrictions were placed on deductibility of entertainment expenses and the requirement for taxpayers to substantiate deductions was strengthened and formalised," he said.

"The self-assessment system of taxation was introduced into the Australian Taxation System in a limited form, with effect from the year ended 30 June 1986. Self-assessment initially applied to companies and superannuation funds from the year ended 30 June 1992 and was extended to other taxpayers, including individuals, partnerships and non-corporate trusts. Today, all tax payers are subject to some form of self-assessment."

And presenting the Pakistani insight into self-assessment was Rehan Hasan Naqve, President of All Pakistan Tax Bar Association, who told participants that for some time, the self-assessment system in Pakistan was applicable to all categories of assesseees.

"Later on, however, it was realised that public limited companies, private limited companies and financial institutions such as banks should be excluded from the pur-

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Mr Peter Cowdry,  
Secretary General of AOTCA



view of the self-assessment scheme and thus the Central Board of Revenue excluded such assesseees from the scheme. Further the application of the scheme was curtailed to tax payers having income of above 2 million rupees," he said.

"For the first time in 1995-96, a scheme for self-assessment for the year of assessment 1995-96 was promulgated, making it applicable to all tax payers other than companies, irrespective of the quantum of income declared, provided that it is not below the taxable limit and the return fulfils certain conditions," he added.

"After the Finance Act 1998 was promulgated, a scheme for self-assessment was announced for the assessment year 1998-99 and again the salient features of the scheme are the same as in the past. However, for each assessment year, the scheme contained a provision for selection of return of income through computer ballot to the extent of 10% of all returns filed for special audit."

"But on the insistence of tax payers, immunity from special audit was granted on the condition that the tax paid is higher by 20% of the tax paid or assessed for the preceding assessment year, whichever is higher. Besides, permission to make a lump sum addition to the declared income was allowed, otherwise there could not be any increase in the payment of tax."

Of course, said Rehan, with the introduction of the self-assessment scheme, the taxpayer as well as the tax gatherer were relieved to a certain extent. But, he added that the job of the income tax practitioner became difficult as the entire responsibility for the correctness of the income return, including correct payment of tax, falls on his shoulders.

Other wise, according to him, the return of income could be thrown out of the purview of the self-assessment scheme. In addition, the intellectual honesty as well as the integrity of the taxpayer is put to test under the said scheme.

## Financial Accounting & Reporting Update

The Malaysian Institute of Accountants organised a one-day seminar entitled *Financial Accounting & Reporting Update*. The seminar was designed to get participants up to speed with the latest developments in the accounting arena. The speaker of the seminar, Mr. Tan Liong Tong briefed participants on a number of "hot" accounting issues that will make a big impact on the profession. Tan is an Associate Professor at the faculty of Economics and Management, Universiti Putra Malaysia. Among the topics covered by Tan were: -

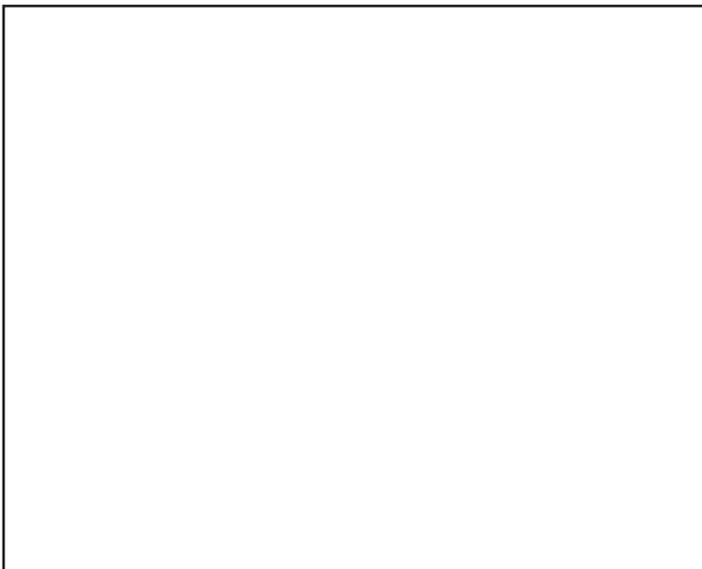
- Accounting for Share Buybacks
- The Year 2000 Issues: Accounting & Disclosure
- IAS 35: Discontinuing Operations
- IAS 36: Impairment of Assets
- IAS 37: Provisions, Contingent Assets and Contingent Liabilities

At the onset of the seminar, Tan provided important updates on the latest local developments concerning corporate share buybacks. He touched upon the recent amendments to the section 67A of the Companies Act 1965. This act was introduced in 1997 to allow corporations to

purchase their own shares. The original act required companies to cancel any repurchased shares and transfer the nominal value of the cancelled shares to a capital redemption reserve. With the passing of the Companies (Amendment) Act 1998 in October 1998, corporations now have an alternative in recording their share repurchases on their books.

"The recent amendments to the act that was passed recently allow corporations to have more flexibility when it comes to treating share buybacks in their accounts. Now, companies have the second option of treating repurchased shares as treasury shares. Under the treasury stock method, repurchased shares are not cancelled but are held as treasury stock," said Tan. "Some companies initiate share buybacks to provide a price support mechanism for their shares. As such, they employ share buyback schemes as temporary measures to counter depressed market conditions and signal information to investors. Corporations can later choose to sell any repurchased shares when market conditions are more favourable," added Tan.

According to Tan, the treasury stock method would offer corporations more leeway in dealing with share buybacks. Before the introduction of the amendments, companies were forced to cancel or retire their repurchased shares. The share retirement method is said to be more appropri-



Tan updating participants on the latest developments in accounting

ate when the company intends to cancel the repurchased shares. In the end, it is up to individual corporations to decide whether the treasury stock or share retirement method is more suitable.

In another interesting topic, Tan touched upon the accounting implications of the Y2K or Millennium Bug problem. The Y2K or Year 2000 Bug is expected to cause havoc on computer systems around the world when we enter the new millennium. Devices with embedded chips and computer systems are expected to face problems or even crash if they fail to recognise 00 as the year 2000. Non-Y2K compliant systems will somehow treat the two digits (00) as the year 1900 and this is the root of the Y2K Bug problem. As the year 2000 draws closer, it is imperative for corporations to deal with the Y2K Bug's financial implications as soon as possible. Tan elaborated on how to treat

expenditures for fixing Y2K problems and make provisions for any possible Y2K Bug-related liabilities.

"Expenses incurred for fixing the Y2K Bug should be treated as revenue expenditures and not capital expenditures. An expense can only be treated as a capital expenditure if it can enhance the future benefits from the existing assets beyond their previously assessed standard of performance," said Tan. In addition, Tan advised hardware and software vendors to check whether their existing stock of products are Y2K-compliant or otherwise. According to Tan, hardware and software inventories containing non-Y2K compliant components should be written down to their net realisable values.

"Companies are not expected to make provisions from lawsuits or other litigation risks that may arise as a result of the Y2K prob-

lem. According to the international accounting framework, a provision could be made if an enterprise has a present legal obligation as a result of past events and a reasonable estimate of the obligation can be ascertained. However, companies can make provisions for any future costs and losses needed to fix potential non-Y2K compliant systems that have already been sold," said Tan.

In the afternoon session of the seminar, Tan provided updates on the latest International Accounting Standards or IAS. He covered three International Accounting Standards, including IAS 35: Discontinuing Operations, IAS 36: Impairment of Assets and IAS 37: Provisions, Contingent Liabilities and Contingent Assets. According to some of the participants, the seminar was highly informative as it provided them with the latest developments concerning some important accounting issues.

## 'Country Girl' among recipients of MIA Scholarship

**E**tched on Few Say Ling's memory are pastoral sights and sounds. These memories were part of her childhood years spent living with her parents on a poultry farm located between Permatang Tinggi and Juru in Bukit Mertajam, Penang. No doubt, with over 10,000 feathered creatures on the farm where her parents were employed as poultry farmers, there was certainly no lack of things on which to hone her counting skills.

Currently a first-year student taking the Bachelor of Accountancy degree course at the Business Administration and Accounting Faculty at University of Malaya and one of the recipients of the four Malaysian Institute of Accountants (MIA) scholarships awarded for 1998/99, Say Ling is very much a country girl at heart.

It was actually quite fun living on the farm, she says, adding that she had become accustomed to the pervasive pungent smell, which she defines as "natural". When she was young, she used to help her parents on the farm. The farm, where she spent most of her childhood, is located in a coconut plantation.

Having attended the Jit Sin High School in Taman Seri Rambai in Bukit Mertajam, she recalls having to walk for about five minutes from the farm to the main road in order to take the school bus. Again, there was no lack of things to count as the coconut trees were always there and thus

her interest in number analysis began.

"My parents felt quite relieved when I got the scholarship because their burden had been lightened. They felt quite happy. Without the scholarship of RM15,000, it would have been very difficult for my parents to support me through my higher education," Say Ling told the *Akauntan Nasional* in an interview recently.

"In the past, the price of poultry was quite high so the owner of the farm usually paid my parents a bonus. But nowadays due to the lower price of poultry and the higher cost of feed, my parents only receive their basic salaries," she explains.

The 21-year-old lass chose to study accountancy because she thinks accountancy is a very challenging career. And of course, she likes the number analysis. She first decided to become an accountant when she was in Form Six. Some of her seniors were taking accountancy. She spoke to them and found out that what they were studying suited her too.

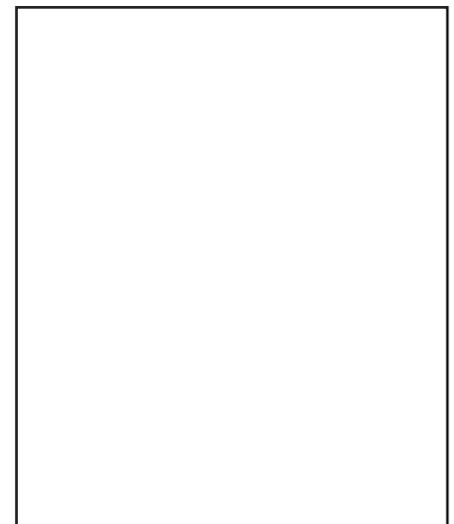
One need not have to be a mathematical wizard in order to study accountancy, confides Say Ling who describes herself as being just "okay" in maths. She took Basic Accounting when she was in Form Five and in Form Six she took Accounting.

In her opinion, accountants play an important role in Malaysia because the country is industrializing and has a rapidly expanding business and financial sector.

Therefore, the need for accountants to be in charge of the bookkeeping, accounting and preparation of financial statements which provide a very valuable source of information, based upon which, decisions can be made and future plans formulated.

Both Say Ling and her elder sister who went to Universiti Sains Malaysia on a Penang State Government loan and is now studying for her doctorate, decided to study very hard to get into university because of their parents' hard life on the farm. Their father, who only studied until Form Three and their mother, who only managed to finish Standard Six also encouraged them.

Say Ling's hobbies are playing basketball, jogging, reading and listening to music. She does not have a lot of leisure



*Say Ling has the filial piety of a country girl*

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time at the university because she has a lot of assignments and studying to do as well as examinations to prepare for.

However, she finds the study environment at UM very conducive, because she says that many bright minds are there and it is very competitive so one has to push oneself to study hard to catch up with the others.

Although she has to serve the MIA for

three years after graduating, she would first like to work in an audit firm in order to acquire some experience in auditing and gain the title of Public Accountant (PA). "If I do not work in an audit firm, I will not be able to qualify as a PA, maybe just as a Registered Accountant," explains Say Ling.

After she graduates, she would also like to spend a lot of time with her parents but she

does not think that the demands of her career would permit her to do so. She would, therefore, like to assist her parents by providing them with living costs and maybe with the down payment on a house of their own.

And such is the filial piety of a country girl whom the Institute has judged to be deserving of a scholarship to pursue a career in accountancy.

## Finding Direction in Difficult Times

**T**he one-day workshop held recently in Kuala Lumpur was indeed motivational and inspiring, befitting dominating contemporary sentiments. All the participants from various organisations had much to contribute to the seminar which was presented by Mr Daud Creelman, who despite displaying a quiet personality, managed to carry out an interesting workshop for the day.

The objective of the seminar was first, to enable the participants to diagnose how management and staff were reacting to the economic downturn; second, to educate the participants to avoid common errors in reacting to stressful times; third, to focus efforts on cost savings; fourth, to use techniques to improve morale and fifth, to use scenario planning to better plan for the near future.

These objectives were laid down by Daud with clarity. He had an interesting approach to the whole subject. He grouped the participants into five groups named after famous academics and moti-

vational authors such as Jeffrey Pfeffer, Arie de Gerus, Gareth Morgan and James March. After an introduction session, Daud embarked on discussing the topic of the day by quoting Steve Hoberman's theory about bouncing of ideas - emanation of ideas from ideas.

Daud expressed his concern for management programmes where emphasis was on planning and implementation of administration work. He felt that there should also be inclusion of interaction between employer-employee, with emphasis on getting in touch with the prevalent emotions of the staffs. This was amplified throughout the workshop, where Daud instructed the participants to discuss the reaction of employees during the downturn of the economy, followed by the management's reaction to it.

The participants' general observations were that the staff were mainly tense, frustrated, restless, insecure and had a low morale where they displayed a certain mode of behaviour - like leaving the workplace on

the strike of the hour. Most management demonstrated efforts to restructure, consolidate and primarily practice cost-cutting.

One of the participants, Ms Geng from Fuji Film told the workshop that her employer's policy was different from most. Instead of cost-cutting, they optimised their cost by using a cheaper mode of advertisement and yet maintained the corporate image that the organisation stood for. This was an interesting observation which set the participants to actively discuss in detail the steps that management and staff could take in finding direction in these difficult times.

Apparently, the participants were pretty satisfied with the way the whole seminar was conducted by Daud. They obviously enjoyed his talk on ways to deal with the present economic crisis that has effected their work environment. They also made new acquaintances from different business organisations. The day ended on a cheery note as all the participants had benefited tremendously from Daud's lucid and well-organised presentation.

*The UUM undergraduates were also briefed on MIA's organisational structure during the career talk*

## NOVAC's visit to MIA

**T**he Malaysian Institute of Accountants (MIA) recently received a delegation of 64 students from Universiti Utara Malaysia (UUM) in Sintok, Kedah. These students were members of the UUM Accounting Club (NOVAC), comprising of accountancy undergraduates in their first and second years. The five-day study trip was to give to the students a better exposure to the systems and technology development in the accounting area that are currently being used by corporate and private bodies.

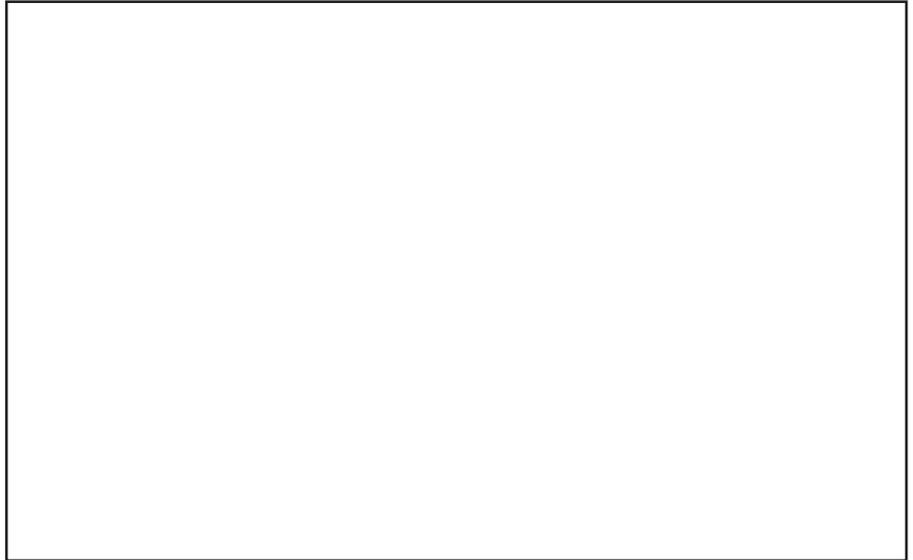
Even though the students were worn out after being in Kuala Lumpur for four days, their expressions lightened when they arrived at the Institute. A career talk

which focused on their eligibility to become an accountant after graduation and gaining the relevant working experience was delivered by the Institute's Communications Manager, Puan Kadulliah Ghazali.

This was then followed by a question-and-answer session which centred mostly on eligibility to be a MIA member. Ms Thane and Ms Shylaja from the Institute's Membership Department were also kept busy in assisting the students who were very curious to know more about the accountancy profession. Even the lecturers who accompanied the students took the opportunity to ask questions about being an Associate Member of MIA.

The visit ended with a tour of the Institute's library and some purchases of the Institute's souvenir items.

*Puan Kadulliah answering questions during the question-and-answer session*



## NACRA '98 : Kumpulan Guthrie Triumphs

**K**umpulan Guthrie Bhd was named the winner of the *National Annual Corporate Report Award* (NACRA) 1998. Kumpulan Guthrie also won the industry excellence award in the plantations and mining category of the Kuala Lumpur Stock Exchange's main board companies.

The award is an annual competition jointly organised by the Kuala Lumpur Stock Exchange (KLSE), the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Management (MIM) and the Malaysian Association of Certified Public Accountants (MACPA).

The presentation was graced by the presence of Yang Berhormat Dato' Seri Megat Junid bin Megat Ayob, Minister of Domestic Trade and Consumer Affairs, who gave out the awards to the respective winners of the awards. Also present were MIA President, Dato' Hanifah Noordin and the Chairman of the Organising Committee of NACRA, Dr Tarcisius Chin.

The main objective of NACRA is to promote the highest standards in the presentation and reporting of financial and other information of corporate organisations. This is to enhance the reporting regime towards greater transparency and ultimately achieving international recognition of the high standard of financial report-

ing in Malaysia.

NACRA's aim was laid down in the speech of the Chairman of NACRA '98 Adjudication Committee, En Abdul Samad Hj Alias, which was read by committee member, Mr Lam Kee Soon who happens to be a MIA Council Member. In the speech, it was explained that the finalists of the competition were picked from 720 annual reports. A finalist company was among the top 3% of the companies listed on the KLSE, which were regarded as having achieved a high standard of corporate reporting.

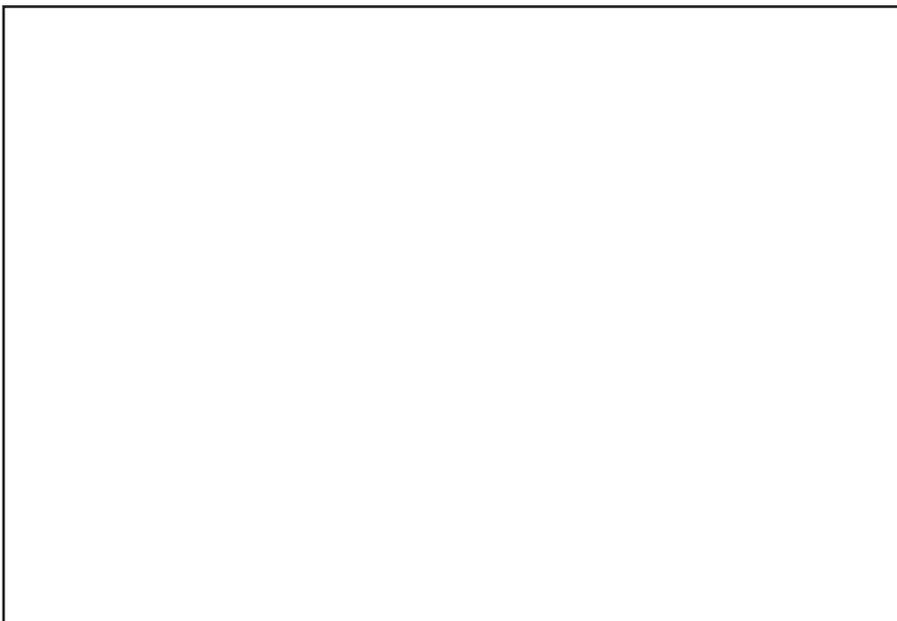
Abdul Samad's speech also highlighted the reasons why the rest of the companies failed in their bid for the award. Amongst the reasons were first; the absence of a Bahasa Malaysia version of the financial statements, second; most companies fared badly in the disclosure of voluntary information and thirdly; lack of attractive thematic designs that did not give good visual presentation.

He stressed that the quality of reporting should not be based on whether a company is listed on the Main Board or the Second Board. This was because, he said, "An annual report is a vital tool of communication and therefore, the standard of reporting should be absolute and not compromised." He also announced that the NACRA Adjudication Committee is considering two new categories of awards, namely award for best corporate governance and environmental reporting, in response to the Government's move to improving corporate governance in companies and encouraging greater social responsibility towards the environment in which we live.

Other industry excellence awards for main board companies went to Tradewinds (Malaysia) Bhd for the consumer product category, Petronas Gas Bhd for the industrial product category, Telekom Malaysia Bhd for the trading and services category and Sime UEP Properties Bhd for the properties and hotels category. The best designed annual report award was clinched by Tenaga Nasional Bhd.

The award ceremony ended on a high note with a vision of a promising future for the years to come.

*Mr Lam Kee Soon delivering the Chairman's speech*



*En Ghazali Awang of Kumpulan Guthrie receiving the NACRA 1998 Award from YB Dato' Seri Megat Junid*

## CICPA Visit to MIA

**A**t the Malaysian Institute of Accountants (MIA) recently, we had the pleasure of having visitors from the China Institute of Certified Public Accountants (CICPA). There were twenty-seven of them, from various organisations in China on a visit to Malaysia.

The Deputy Secretary-General of CICPA, Ms Wang Li-Ran lead the delegation on their visit to MIA. Present at the briefing arranged for the visitors were MIA Vice-President Mr Soon Kwai Choy, MIA's Executive Director; Ms

Ho Foong Moi, the Institute's Education Manager; Ms Tam Kam Peng, and Communications Manager; Pn Kadulliah Ghazali.

Ms Tam gave a short talk on MIA's functions, objectives and aims, especially in the field of the accountancy profession in Malaysia. This was followed by a question and answer session conducted by Mr Soon and Ms Ho. It was an interesting session filled with lots of query and intermitted with doses of humour.

Shortly after that, lunch was

served to the guests who enjoyed their food immensely. It also gave the guests and the MIA staff present, to mingle and to get to know each other in a more relaxed atmosphere.

The visit was climaxed by the

exchange of momentos between Mr Soon and Ms Wang. It was obvious that the visit by the CICPA members strengthened ties between the two organisations and of course, ties between Malaysia and China.



*MIA Vice-President, Mr Soon Kwai Choy presenting an MIA plaque to CICPA's Deputy Secretary-General, Ms Wang Li-Ran*



*Mr Soon Kwai Choy welcomed the CICPA members*



*Members of CICPA listened attentively to MIA's presentation*

## SOUTHERN BRANCH

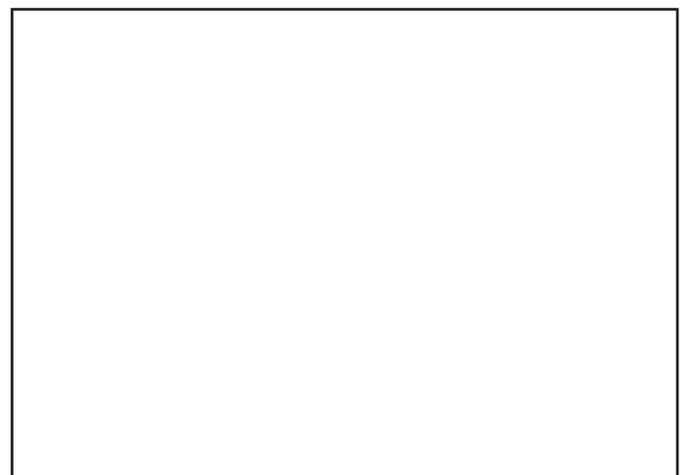
### Member's Gathering

**I**n celebrating the arrival of New Year 1999, the MIA Southern Branch had its quarterly members' gathering at the Grand BlueWave Hotel, Johor Bahru on Saturday, 2 January 1999. 60 accountants attended this gathering and all found the gathering to be interesting and thought provoking for there was a talk given on the accounting and auditing requirements as well as the status of the accounting standards.

During the gathering, the

accountants were also briefed on the current and new by-laws of the Institute. In addition, the accountants were informed on the activities that were carried out by the Institute throughout the year 1998. They agreed that 1998 had been a fruitful year for the Institute and they hope that 1999 will be filled with even more activities. The talk was later followed by a question-and-answer session which received the active participation of members.

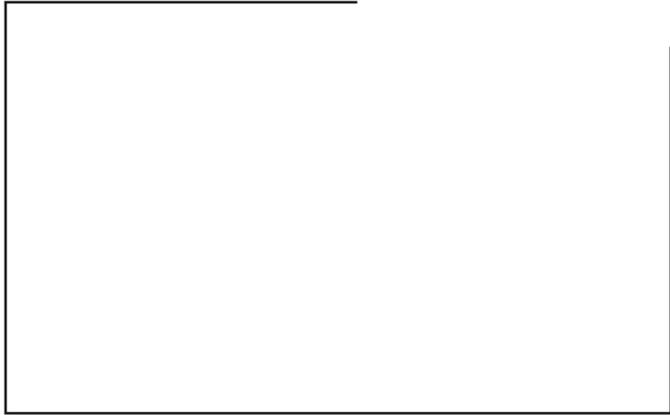
*Warm welcome.... Mr Tony Seah presenting a certificate to a new accountant*



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*Raising a point.....Mr Soon Tuck Kuan questioning the Chairman during the Q&A session*

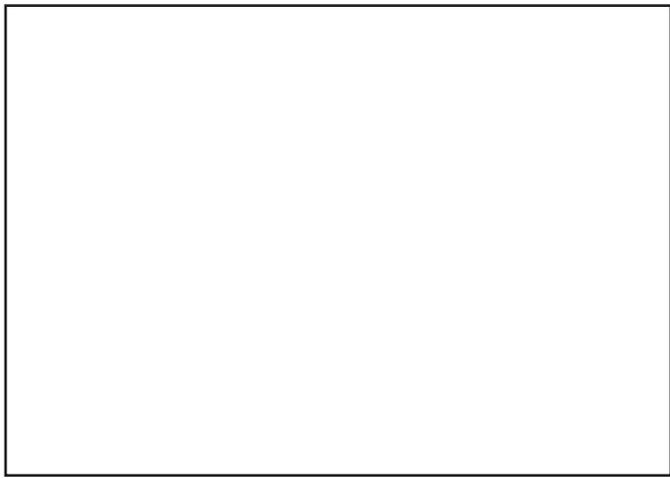
*Playing his role.....Mr Tony Seah, Branch Chairman, attending to the accountants who were present*



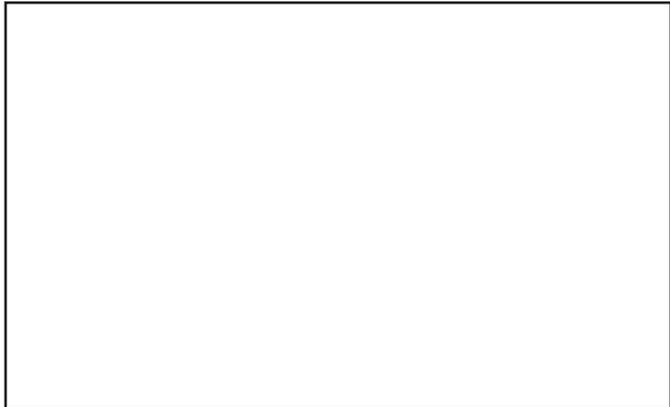
Members were also nominated to the Southern Branch Committee of 1999. Mr Tony Seah Cheoh Wah remained as the Branch Chairman for the year. The following are the new committee members of the Branch:

- Tony Seah Cheoh Wah
- V. Venkatachalam
- Tee Boon Hin
- Tai Lam Shin
- Chai Lai Koon
- Cheong Tuck Choy, Samuel
- Chong Chai Choo, Joe
- Johnson Kandasamy
- Koe Swee Kee
- Ng Guat Gern, Angie
- Pang Chew Hiong, Carol
- Soon Tuck Kuan
- Tan Chee Seng
- Teo Hock Siong
- Wong Shook Shyan, Susan

The afternoon ended with a membership certificate presentation ceremony to new members of the Institute along with high tea.



*Left to right: Mr Michael Tong, Ms Alexandra Chin and Mr Soon Kwai Choy outside the Sabah State Library*



## Sabah State Library — MIA Accountancy Corner

To promote the accountancy profession especially in the state of Sabah, MIA sponsored a corner at the Sabah State Library which is called the MIA Accountancy Corner.

MIA sponsored five shelves that can accommodate up to 200 books. In addition, MIA contributed an initial amount of 110 accountancy books costing around RM30,000 to be followed by future donation of books and journals.

MIA Vice President, Mr. Soon Kwai Choy, witnessed the handover of these 110 books to the Director of Sabah State Library, Mrs Ku Joo Bee on 16th January 1999 in Kota Kinabalu in the presence of

*YB Datuk Raymond Tan discussing the MIA Handbook with Mrs Ku Joo Bee, Director of the Sabah State Library*

Yang Berhormat Datuk Raymond Tan, the State Minister of Social Services.

MIA was also represented by Sabah Branch Chairman, Mr Michael Tong and Branch Committee Member, Ms. Alexandra Chin at a ceremony in the State Library.

Members and students can make use of the Sabah State Library in Kota Kinabalu as a reference and study place. MIA will continue to update the collection with new editions of existing publications and additional books.

*The Institute would like to invite all its members, especially from Sabah and students to visit the MIA Accountancy Corner in the Sabah State Library as a reference and study area.*

## Accountancy Career Talks

Accountancy may be a lucrative and interesting profession, but do you have what it takes to be a professional accountant? The MIA Negeri Sembilan and Melaka branch organised accountancy career talks in various education institutions located in both states to make sure that pre-university students are aware of the academic requirements needed to become a full-fledged accountant. At the career talks, these students were also briefed on the practical experience required to qualify

as an MIA member.

The MIA Negeri Sembilan and Melaka branch held engaging accountancy career talks in Sekolah Menengah Pei Fong, Melaka and Kolej Tuanku Jaafar, Negeri Sembilan. At the career talks, Mr Dannie Tan, Branch Secretary and Mr Owen Koh, Branch Vice-Chairman did a great job at explaining about the accountancy profession to the students. After the enlightening talks, some of the students expressed keen interest in joining the accountancy profession in the future.



*Dannie Tan delivering a career talk at Kolej Tuanku Jaafar, Negeri Sembilan*



*Owen Koh extolling the virtues of the profession at Sekolah Menengah Pei Fong, Melaka*

## Dialogue between MIA and Melaka IRB Director

Officials from the Malaysian Institute of Accountants (MIA) Negeri Sembilan and Melaka branch recently held a tax dialogue with the Senior Assistant Director of the Melaka Inland Revenue Board (IRB), Mr T. Selvamaniam. The dialogue was held to enhance co-operation and existing relations between both organisations. YBhg Dato' Dr Nellie Tan, Chairman of the MIA Negeri Sembilan and Melaka branch, was present at the dialogue session.



*Negeri Sembilan and Melaka branch officials posing with the Melaka IRB Senior Assistant Director (seated centre)*

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## International News

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# IASC Update

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## IASC publishes an Exposure Draft on events after the Balance Sheet

The International Accounting Standards Committee (IASC) has published, for public comment, proposals for changes to its rules on accounting for events after the balance sheet date. The complete text of Exposure Draft E63, Events After the Balance Sheet Date, is available to download from IASC's Internet web site: <http://www.iasc.org.uk>. Printed copies of E63 will be available shortly.

E63 proposes two main changes to IAS 10, Contingencies and Events Occurring After the Balance Sheet Date:

- a new disclosure requirement: an enterprise should disclose the date when the financial statements are authorised for issue and the name of the governing body that gives that authorisation. If the financial statements are subject to approval by the enterprise's owners, an enterprise should disclose that fact; and
- an enterprise should continue to prepare financial statements on a going concern basis for the whole enterprise if events after the balance sheet date indicate that part of the enterprise is not a going concern but the rest of the enterprise is a going concern. IAS 10 currently requires adjustments to assets and liabilities in such cases. However, the Exposure Draft proposes that IASC should maintain the requirement that an enterprise should not prepare its financial statements on a going concern basis if events after the balance sheet date indicate that the going concern assumption is not appropriate for the enterprise as a whole.

Comments on E63 should be submitted to IASC in writing so as to be received by 15 February 1999. The Board of IASC plans to approve an International Accounting Standard based on E63 in March 1999.

Explaining the Exposure Draft, Liesel Knorr, Technical Director of IASC, said:

"In July, the Board approved IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Among other things, IAS 37 superseded the parts of IAS 10 that dealt with contingencies, so IAS 10 now deals only with events after the balance sheet date. In reissuing IAS 10, the Board decided to improve the drafting of the Standard and to propose a limited number of substantive changes."

"The new disclosures are important", Liesel Knorr continued "because they show the cut-off date up to which events after the balance sheet date have been considered. They also inform users about the status of the financial statements, particularly in those countries where there is a statutory requirement for the owners of an enterprise to approve the financial statements submitted to them by the board of directors or other governing body."

Liesel Knorr continued:

"Where the going concern assumption is not appropriate for the enterprise as a whole, information on a going concern basis would no longer be relevant to users of the financial statements. However, where the going concern assumption is appropriate for the enterprise as a whole, but not for part of the enterprise, the Board believes that that the enterprise's financial statements - prepared on a going concern basis - should not include information prepared on a different basis for that part of the enterprise. The Board noted that IAS 35, Discontinuing Operations, would be relevant where part of an enterprise is not a going concern."

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Copies of Exposure Draft E63, *Events After the Balance Sheet Date*, (ISBN 0 905625 70 6), may be obtained direct from IASC, 166 Fleet Street, London EC4A 2DY, United Kingdom, Telephone: +44 (171) 427-5927, Fax: +44 (171) 353-0562, at a price of £10 each (US \$16), including postage. The Exposure Draft can also be downloaded from IASC's web site.

# IASC's Strategy Working Party Publishes Proposals on Shaping IASC for the Future

A Strategy Working Party set up by the International Accounting Standards Committee (IASC) has published a Discussion Paper, *Shaping IASC for the Future*, which sets out proposals for changing IASC's structure. The Discussion Paper is available from IASC's web site. Printed copies will be available from IASC shortly. The Working Party asks for comments by 30 April 1999.

Commenting on the Discussion Paper, the Chairman of the Working Party, Edward Waitzer of Stikeman Elliott, Toronto, said:

"IASC's international structure and record of success have put it in a unique position to satisfy the clear and growing demand for high-quality global accounting standards. To build on that achievement and respond to major changes in the environment in which IASC operates, the Working Party believes that IASC should now consider structural changes so that it can continue to meet the clear and growing need for high-quality global accounting standards. In particular, IASC and national standard setters need to find new ways of working together to minimise unnecessary delays in reaching consensus on high-quality solutions and in implementing the results of that consensus."

IASC has achieved a great deal with the current structure. It has developed high-quality and credible standards. Its standards are widely accepted by the international capital markets. A growing number of countries are either adopting International Accounting Standards as their own standards (in some cases, with relatively minor modifications) or drastically reducing provisions in their own standards that conflict with International Accounting Standards.

However, the changes in IASC's environment mean, in the Working Party's view, that structural changes are needed so that IASC can anticipate the new challenges facing it and meet those challenges effectively. The Working Party has identified the following key issues that must be addressed:

■ **partnership with national standard setters** - IASC should enter into a partnership with national standard setters so that IASC can work together with them to accelerate convergence between national standards and International Accounting Standards around solutions requiring high-quality, transparent and comparable information that will help participants in capital markets and others to make economic decisions. To achieve this partnership:

- i. Steering Committees would be replaced by a Standards Development Committee, on which national standard setters would play a major role in developing International Accounting Standards for approval by the IASC Board; and

- ii. the Standards Development Committee would be supported by a Standards Development Advisory Committee, which would act as a channel of communication with those national standard setters who are unable to participate directly in the Standards Development Committee because of its limited size;

■ **wider participation in the IASC Board** - the IASC Board should be expanded from sixteen countries and organisations to twenty-five countries and organisations, without diluting the quality of the Board's work; and

■ **appointment** - the current Advisory Council would be replaced by twelve Trustees (three appointed by the International Federation of Accountants, three by other international organisations and six by the Trustees to represent the world 'at large'). The Trustees would appoint members of the Standards Development Committee, the Board and the Standing Interpretations Committee. The Trustees would also have responsibility for monitoring IASC's effectiveness and for finance.

The Working Party's recommendations cover a number of other areas, including the objectives of IASC, IASC's due process, implementation, education and enforcement and funding.

The Working Party requests comments on its proposals by 30 April 1999. After considering comments received, the Working Party will aim to submit final recommendations to the IASC Board in the third quarter of 1999. The Working Party hopes that the members of IASC - 143 professional accountancy bodies in 103 countries - will approve any changes needed to IASC's Constitution at their next meeting in May 2000.

IASC Chairman, Stig Enevoldsen, emphasised the significance of the Paper:

"The proposals in this Discussion Paper are intended to create the partnership with national standard setters that IASC needs so that it can continue to develop high-quality International Accounting Standards that require global transparent and comparable information which will help participants in capital markets and others to make economic decisions."

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Copies of the Discussion Paper, *Shaping IASC for the Future* (ISBN 0 905625 68 4), may be obtained direct from IASC's Publications Department, 166 Fleet Street, London EC4A 2DY, United Kingdom, Telephone: +44 (171) 427-5927, Fax: +44 (171) 353-0562, E-mail: publications@iasc.org.uk, Internet Web Site: <http://www.iasc.org.uk>, at a price of £4 each (UK/Europe) or £6 each (rest of the World) (US \$10), including postage. The Discussion Paper can also be downloaded from IASC's web site.

The members of IASC's Strategy Working Party are:

|                                     |   |                |
|-------------------------------------|---|----------------|
| <b>Edward Waitzer</b><br>(Chairman) | Partner, Stikeman, Elliott<br>Former Chairman, Ontario Securities Commission<br>Former Chairman, IOSCO Technical Committee                      | Canada         |
| <b>Georges Barthès de Ruyter</b>    | Chairman, Conseil National de la Comptabilité<br>Former Chairman of IASC  | France         |
| <b>Jacques Manardo</b>              | Chairman - Europe, Deloitte Touche Tohmatsu International   | France         |
| <b>Werner Seifert</b>               | Chief Executive Officer, Deutsche Börse AG  | Germany        |
| <b>Kazuo Hiramatsu</b>              | Professor of Accounting, Kwasei Gakuin University<br>Member, Business Accounting Deliberation Council   | Japan          |
| <b>Peter Sjöstrand</b>              | Partner, BZ Group (Switzerland)<br>Board member, Pharma Vision  | Sweden         |
| <b>Sir David Tweedie</b>            | Chairman, Accounting Standards Board  | United Kingdom |
| <b>Anthony Cope</b>                 | Board member, Financial Accounting Standards Board  | USA            |
| <b>David Ruder</b>                  | Professor of Law, Northwestern University<br>Trustee, Financial Accounting Foundation<br>Former Chairman, US Securities and Exchange Commission | USA            |
| <b>Birgitta Kantola</b>             | Vice President, Finance and Planning, International Finance Corporation   |                |
| <b>Frank Harding</b>                | President, International Federation of Accountants  |                |
| <b>Stig Enevoldsen</b>              | Chairman, IASC  |                |
| <b>Michael Sharpe</b>               | Past Chairman, IASC   |                |
| <b>Sir Bryan Carsberg</b>           | Secretary-General, IASC   |                |

## IASC's Standing Interpretations Committee (SIC) Issues Four New Interpretations

IASC's Standing Interpretations Committee (SIC) has published four new Interpretations on accounting issues that had been unclear or contentious under International Accounting Standards:

- SIC - 12: Consolidation - Special Purpose Entities;
- SIC - 13: Jointly Controlled Entities - Non-Monetary Contributions by Venturers;
- SIC - 14: Property, Plant and Equipment - Compensation for the Impairment or Loss of Items; and
- SIC - 15: Operating Leases - Incentives.

The Interpretations were approved by the IASC Board at its latest meeting in Zurich, Switzerland. All Interpretations issued by the SIC are part of the binding International Accounting Stand-

ards literature. SIC-13 becomes effective for annual financial periods beginning on or after 1 January 1999 whereas SIC-12 and SIC-14 become effective for annual financial periods beginning on or after 1 July 1999. SIC-15 becomes effective for lease terms beginning on or after 1 January 1999.

Sir Bryan Carsberg, Secretary-General of the IASC, said:

"The issuance of these four new Interpretations brings the total number of Interpretations to 14, issued in just under two years from the formation of the Standing Interpretations Committee. We are extremely pleased with the SIC's achievements in improving the rigor of interpretation of International Accounting Standards."

Paul Cherry, Chairman of the SIC, said:

“SIC - 12 is a step in providing additional guidance in a very complex area. This Interpretation provides examples, in the context of a special purpose entity, of circumstances which might indicate a control relationship exists. SIC - 13 provides important guidance on when gain recognition is and is not appropriate for a contribution of non-monetary assets to a JCE. SIC - 14 provides a response to a question involving the interaction of several standards and related to the separate recognition of compensation for losses and other related recognition events. Additionally, SIC-15 addresses practical guidance on lease incentive arrangements which are frequently provided to a lessee in exchange for entering into a new lease agreement.”

### **SIC - D12: Consolidation - Special Purpose Entities**

This interpretation addresses the question of when a special purpose entity would be consolidated by a reporting enterprise. The SIC agreed that an enterprise should consolidate a special purpose entity (“SPE”) when, in substance, the enterprise controls the SPE.

Examples of SPEs include entities set up to effect a lease, a securitisation of financial assets or R&D activities. The concept of control used in IAS 27 requires having the ability to direct or dominate decision making accompanied by the objective of obtaining benefits from the SPE’s activities. The Interpretation provides example indications of when control may exist in the context of an SPE. The examples involve activities of the SPE on behalf of the reporting enterprise, the reporting enterprise having decision-making powers over the SPE, and the reporting enterprise having rights to the majority of benefits and exposure to significant risks of the SPE.

Some enterprises may also need to separately evaluate the topic of derecognition of assets, for example, related to assets transferred to an SPE. In some circumstances, such a transfer of assets may result in those assets being derecognised and accounted for as a sale. Even if the transfer qualifies as a sale, the provisions of IAS 27 and SIC-12 may mean that the enterprise should consolidate the SPE. SIC-12 does not address the circumstances in which sale treatment should apply for the reporting enterprise or the elimination of the consequences of such a sale upon consolidation.

### **SIC - 13: Jointly Controlled Entities - Non-Monetary Contributions by Venturers**

This Interpretation clarifies the circumstances in which the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a jointly controlled entity (JCE) in exchange for an equity interest in the JCE should be recognised by the venturer in the income statement.

The Interpretation indicates that under IAS 31.39, recognition of gains or losses on contributions of non-monetary assets is appropriate unless:

- a. the significant risks and rewards related to the non-monetary asset are not transferred to the jointly controlled entity;
- b. the gain or loss cannot be measured reliably; or
- c. similar assets are contributed by the other venturers.

Non-monetary assets contributed by venturers are similar when they have a similar nature, a similar use in the same line of business and a similar fair value. A contribution meets the similarity test only if all significant component assets included in the contribution are similar to each of the significant component assets contributed by the other venturers. A gain should also be recognised if, in addition to the equity interest in the jointly controlled entity, the venturer receives consideration in the form of either cash or other assets which are dissimilar to the non-monetary assets contributed.

### **SIC - 14: Property, Plant and Equipment - Compensation for the Impairment or Loss of Items**

This Interpretation addresses how an enterprise should account for impairments or losses of items of property, plant and equipment, the related compensation from third parties, and the subsequent restoration, purchase or construction of assets.

The Interpretation confirms that three separate economic events are involved and that each event should be accounted for separately. The three separate events are: 1) the impairment or loss, 2) the related compensation from third parties, and 3) the subsequent restoration, purchase or construction of assets. Compensation is to be included in the income statement when recognised. Recognising the compensation as deferred income or deducting it from the impairment or loss or from the cost of a new asset is not appropriate.

### **SIC - 15: Operating Leases - Incentives**

In SIC-15, the SIC clarifies the recognition of incentives related to operating leases by both the lessee and lessor.

The Interpretation indicates that lease incentives (such as rent-free periods or contributions by the lessor to the lessee’s relocation costs) should be considered an integral part of the consideration for the use of the leased asset. IAS 17.24 and .42 (rev. 1997) require an enterprise to treat incentives as a reduction of lease income or lease expense. As they are an integral part of the net consideration agreed for the use of the leased asset, incentives should be recognised by both the lessor and the lessee over the lease term, with each party using a single amortisation method applied to the net consideration.

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## IFAC Update

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# IFAC Welcomes WTO's Rules for the Accountancy Sector — But Urges Further Progress

The International Federation of Accountants (IFAC) has welcomed the adoption by the WTO's Council for Trade in Services of *Disciplines on Domestic Regulation in the Accountancy Sector*\*. While recognising the adoption of these disciplines (rules) as a step towards harmonising national measures governing the regulation of the profession, IFAC is nevertheless disappointed that the disciplines do not do more to achieve a free market in accountancy services. IFAC has confirmed its continuing support for the WTO's Working Party in Professional Services (WPPS) in its efforts to achieve a globally liberalised accountancy profession.

Speaking about the Council's decision Frank Harding, President of IFAC, said:

"The new provisions governing the administration of licensing requirements, qualification requirements and procedures, technical standards, transparency requirements and other more general provisions, represent an important first step towards liberalisation of accountancy services and demonstrate the WTO's continuing commitment to this goal."

"It is disappointing that these provisions will not be legally binding until agreement on their implementation is reached during the next Round of trade negotiations which are due to begin in the Year 2000. However, it is significant that the Council has decided to include a "standstill provision" applicable

to all WTO members with immediate effect, thereby eliminating - as far as possible - the possibility of new measures being introduced at national level without public interest or other legitimate objectives", added Frank Harding.

IFAC has assured the WTO of its wish to continue working with the WTO's Working Party on Professional Services (WPPS) in identifying and eliminating other remaining barriers to free trade in accountancy services. These include: requirements of residence to provide services, restrictions on the (more) control and ownership of firms, on the numbers of employed foreign accountants, on remittance of earnings, and on technology and information exchange, 'buy national' policies by government authorities, and requirements for local educational qualifications or for membership of a particular domestic professional body. Frank Harding said:

"All these issues must be resolved if true liberalisation of the profession is to be achieved."

IFAC is also urging the WTO to complete the liberalisation process by seeking commitment by national governments to the use of international auditing and accounting standards issued respectively by IFAC and the International Accounting Standards Committee (IASC).

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## WTO Press Release

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# WTO Adopts Disciplines on Domestic Regulation for the Accountancy Sector

The WTO's Council for Trade in Services has adopted the *Disciplines on Domestic Regulation in the Accountancy Sector* which have been developed by the Working Party on Professional Services. The disciplines are to be applicable to all WTO Members who have scheduled specific commitments for accountancy under the General Agreement on Trade in Services (GATS). This is the first step in the development of GATS Disciplines on the domestic regulation of services. Most professional services, and many others, are heavily regulated, and for goods reasons: but it is also true that regulations can be an unnecessary, and usually unintended, barrier to trade in services. The GATS calls for the

development of disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute such barriers.

The disciplines now adopted, in addition to transparency requirements and other general provisions, contain provisions on the administration of licensing requirements, qualification requirements and procedures, and technical standard for the accountancy profession. A key provision is the general requirement that measures taken for these purposes should not be more trade-restrictive than is necessary to fulfil a legitimate objective. Examples of legitimate objectives specified in the Disciplines are

the protection of consumers (including all users of accounting services and the public generally), ensuring the quality of the service, ensuring professional competence, and ensuring the integrity of the profession. The disciplines relate to measures taken by governments and to those taken by non-governmental authorities exercising delegated powers: in many countries the accountancy profession is regulated by professional associations operating under delegated powers.

The disciplines will not have immediate legal effect. WTO Members, as stated in today's *Decision on Disciplines Relating to the Accountancy Sector*, will continue their work on domestic regulation in the context of the Working Party on Professional Services (WPPS), aiming to develop general disciplines for professional services while retaining the possibility to develop additional sectoral disciplines. Before the end of the forthcoming round of services negotiations, which commence in January 2000, all the disciplines developed by the WPPS are to be integrated into the GATS and will then become legally binding. Today's decision by the Council includes a 'standstill provision', effective immediately, under which all WTO Members, including those without GATS commitments in the accountancy sector, agree, to the fullest extent consistent with their existing legisla-

tion, not to take measures which would be inconsistent with the accountancy disciplines.

### Notes

1. The disciplines were created in accordance with the mandate of Article VI:4 of the General Agreement on Trade in Services (GATS), which states that the Council for Trade in Services shall develop "any necessary disciplines" to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements "do not constitute unnecessary barriers to trade in services".
2. Accountancy is generally defined in the WTO context to include accounting, auditing and bookkeeping services. Members, subject to negotiations with trading partners, have the right to specify commitments in all or any part of these services within their GATS schedules.
3. The Disciplines apply only to measures not subject to scheduling under GATS Articles XVI and XVII. The excluded measures, which restrict access to the domestic market or limit the application of national treatment to foreign suppliers, are addressed in the GATS through the negotiation and scheduling of specific commitments.

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## IFAC Recognises Outstanding Management Accounting Articles

The International Federation of Accountants (IFAC) has published a collection of award-winning international articles on financial and management accounting topics entitled *Articles of Merit-1998 Competition*. Ten meritorious articles featured in the publication were selected as part of IFAC's Financial and Management Accounting (FMAC's) Article Award Program for Distinguished Contribution to Management Accounting.

An independent panel of judges selected "Beyond Budgeting... Breaking through the Barrier to "the Third Wave" " as the winning article in the Awards Competition. The article was written by Jeremy Hope and Robin Fraser and first appeared in *Management Accounting* a journal of the Chartered Institute of Management Accounting of the United Kingdom. In the article, the authors argue that the management accounting model that has served companies well in the "second wave" (the industrial age) must be changed if companies are to compete successfully in the "third wave" (information age). They believe that the primary barrier to change is the budgeting system.

Other meritorious articles in the collection focus on applying the balanced scorecard, managing for quality, Activity Based Management (ABM), the new finance function, and contribution-based activity. They address questions such as: How can companies compete successfully in the information age? How can small and medium enterprises prosper from using new man-

agement techniques? And how can a company survive explosive growth?

The FMAC Article Award for Distinguished Contribution to Management Accounting is one of the FMAC programs designed to disseminate information regarding current developments and emerging issues that shape the management accounting professional around the world. The award-winning articles are selected from those nominated by the journal editors of IFAC member bodies.

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The booklet may be downloaded from the IFAC web site: [www.ifac.org](http://www.ifac.org) or can be obtained by calling IFAC offices at +1-212/286-9344.

### NOTICE TO ALL ACCOUNTANTS

#### Reclassification of Status

Any accountant who wishes to reclassify his membership status, either from Registered Accountant to Public Accountant or from Public Accountant to Registered Accountant with effect from 1 July 1999 (1999/2000 financial year) is advised to write in to the Institute latest by **Friday, 22 May 1999**.

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## Bahasa Malaysia

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# Peranan dan Pembangunan Kajian dalam Perakaunan Pengurusan Serta Implikasinya (Bahagian Akhir)

Aini Aman, Jabatan Perakaunan,  
Fakulti Pengurusan Perniagaan *Universiti Kebangsaan Malaysia*

**M**enurut Luft, J.L. (1997), kajian mengenai sejarah telah memainkan peranan yang penting dalam perkembangan perakaunan pengurusan. Kebanyakan kajian dan amalan dalam perakaunan pengurusan telah banyak dipengaruhi oleh Johnson dan Kaplan (1987) dan Kaplan (1984) yang menekankan kepada kaedah pengesanan yang lebih relevan dan seterusnya menggalakkan lebih banyak kajian dilakukan dalam bidang ini. Sejarah telah banyak menyumbang kepada asas teori bagi kajian perakaunan pengurusan. Pada akhir 1950 hinggalah ke pertengahan tahun 1970, merupakan period bermulanya kajian dalam bidang perakaunan pengurusan. Kebanyakan ahli akademik cuba menyelesaikan masalah yang dihadapi oleh pengguna-pengguna maklumat perakaunan. Banyak kertas-kerja telah diterbitkan dalam jurnal-jurnal akademik yang secara langsung merupakan asas bagi bahan penulisan perakaunan professional.

Ezzamel dan Hart (1987) melihat perkembangan dalam perakaunan pengurusan melalui empat peringkat yang utama iaitu fokus kepada perakaunan kos, fokus kepada perakaunan pengurusan, pendekatan kepada maklumat dan pendekatan positif yang menekankan kepada proses kawalan dari sudut ekonomi dan teori organisasi. Pada peringkat pertama iaitu dalam tahun 1950-an, banyak usaha dilakukan untuk mengenalpasti dengan tepat kos penuh bagi pengeluaran seunit produk dan penekanan adalah lebih kepada pengalokasian kos dan pengesanan serapan dan kawalan kos buruh langsung, bahan langsung dan overhead.

Pada peringkat kedua pula dalam tahun 1960-an, kesedaran timbul mengenai kesukaran untuk mengira kos produk dengan tepat. Kesedaran ini, mencetus idea kos relevan bagi pembuatan keputusan seperti perletakan harga dan produk campuran. Idea mengenai kos relevan ini merupakan asas kepada model pendekatan keputusan pengguna bagi perakaunan kos. Idea kos relevan bagi pembuatan keputusan ini menggunakan banyak prinsip 'ilmu ekonomi neoklasik'. Pendekatan ini bukan sahaja mengenal pasti kos yang terlibat tetapi juga kos melepasi bagi setiap alternatif yang tidak digunakan. Tindakan inilah yang membezakan perakaunan pengurusan sebagai satu bidang pelajaran dan amalan dari bidang-bidang lain. Akan tetapi pendekatan ini tidak mengambilkira kos bagi mendapatkan maklumat atau faedah yang dihasilkan oleh berbagai alternatif plan tindakan.

Pada peringkat ketiga, wujud pendekatan maklumat ekonomi bagi mengukur keperluan bagi maklumat dan kos bagi membekalkan maklumat tersebut. Ini termasuklah ketepatan dan pemasaan. Pendekatan ini melihat kedua-dua kos dan hasil maklumat tersebut sebagai mempunyai kepentingan yang sama ke atas hasil keputusan. Hasil yang diperolehi perlu melebihi sumber yang digunakan. Aplikasi pendekatan maklumat ekonomi melibatkan model matematik bagi keputusan yang berkaitan dengan pemilihan sistem perakaunan. Kajian-kajian pada masa itu telah cuba mengaplikasikan teori ekonomi klasik ke atas masalah pembuatan keputusan dan kawalan dalam

perniagaan. Pada awal tahun 1970, para kaji selidik telah cuba memperkembangkan model yang telah dibina dalam tahun 1960-an bagi mengatasi masalah ketidaktentuan hasil dan kos bagi pembekalan maklumat. Sebahagian daripada model-model ini dikenali sebagai linear programming, model kos sisihan, model harga pindahan, model penilaian prestasi dan model kos melepasi. Semua model-model ini menurut Ashton, Hopper dan Scapens (1991 ms 4) telah dikaji dengan mendalam dan keputusan bagi prosedur yang berkaitan juga telah didefinisikan dengan jelas. Tujuan kajian ini adalah untuk membekalkan pengurus dengan satu set peralatan pembuatan keputusan supaya dapat membantu mereka dalam kerja-kerja harian. Kajian juga menunjukkan terdapat kelemahan dalam pendekatan maklumat ekonomi ini iaitu kekurangan analisis formal ke atas hubungan kos dan hasil, keraguan atas kesahihan konsep kos sebenar dan ketidakrelevanan konsep sebenar dan ukuran tertentu dengan tingkahlaku manusia. Pendekatan ini juga tidak membantu pengurus dalam proses mengimplementasi plan tindakan yang telah dipilih.

Kelemahan dalam pendekatan maklumat ekonomi ini telah mencetuskan pemikiran yang menyumbang kepada pendekatan peringkat keempat. Pengiktirafan ke atas kos maklumat dan ketidakpastian telah mengarah kajian ke atas pengetahuan perakaunan pengurusan konvensional dan juga perubahan penekanan ke arah pendekatan positif. Dalam kes-kes tertentu, pendekatan ini cuba menerangkan sebab bagi amalan tertentu. Perubahan adalah lebih kepada peranan amalan perakaunan pengurusan dalam perkembangan teori dan ujian ke atas teori normatif termasuklah kebolehan dalam menerangkan amalan sediaada. Ujian tersebut diaplikasikan oleh pengkaji-pengkaji dalam tingkahlaku perakaunan. Argyris, Simon dan rakan-rakan mereka pada tahun 1950-an, telah cuba memperkenalkan kajian-kajian organisasi dan kelakuan di dalam bidang perakaunan pengurusan. Pada tahun 1970-an telah banyak bukti menunjukkan bahawa terdapat banyak kajian yang dilakukan dalam aspek motivasi dalam sistem perakaunan pengurusan. Ini diikuti dengan kajian teori kontingensi yang cuba mengaitkan rekabentuk sistem kawalan perakaunan ke atas faktor-faktor organisasi seperti saiz teknologi dan cara pengurusan dan juga jenis persekitaran di mana ia beroperasi. Seterusnya adalah kajian teori agensi yang merujuk keperluan untuk memotivasikan agen (pengurus unit) bagi bertindak ke arah faedah prinsipal (pengurus pusat) dan keperluan penilaian prestasi bagi mencapai objektif organisasi.

Pada tahun 1980-an dan seterusnya, para penyelidik perakaunan pengurusan mendapati terdapat jurang yang agak besar di antara bahan-bahan teori yang terdapat dalam buku-buku teks dengan amalan akauntan pengurusan. Contoh yang paling ketara ialah dalam pengalokasian overhead. Dalam period tersebut juga penyelidikan telah mula mengubah corak iaitu pertamanya; kajian perakaunan pengurusan yang berasaskan ekonomi menjadi lebih diskriptif dan kurang normatif terutamanya dalam usaha untuk merealisasikan model dan memahami kelakuan

pengurus dan peranan sistem kawalan. Contoh yang berkaitan telah dikemukakan oleh Ashton mengenai pengalokasian kos dan harga pindahan. Keduanya; wujud pemulihan penting bagi kajian yang menyelidiki masalah-masalah perakaunan terkini. Contoh terbaik adalah pengenalan sistem JIT, MRP dan sistem kawalan kos dan penggunaan teknologi maklumat. Ketiganya; kesusahan dalam mengadaptasi perubahan persekitaran telah menjadi tema utama penyelidikan. Contohnya kajian mengenai kebolehan model komputer untuk menghadapi ketidakpastian jangka pendek dan kajian mengenai hubungan pembuatan keputusan dengan perakaunan pengurusan. Keempatnya; pertambahan dalam keberbagaian kaedah penyelidikan yang digunakan. Jika sebelumnya kaedah penyelidikan lebih menekankan kepada model kelakuan pengurus, kini ia lebih kepada pemahaman amalan perakaunan pengurusan yang sebenarnya.

## RAJAH 2

### Pembangunan dalam Perakaunan Pengurusan



*Sumber: P.J. Clarke (1995)*

Clarke (1995) pula melihat perakaunan pengurusan dalam konteks *world class manufacturing* (WCM) dan mengklasifikasikan ke atas perakaunan pengurusan dalam tiga bidang yang utama. Pertama ialah, perakaunan pengurusan gagal untuk menguasai perkembangan syarikat ke arah WCM. Kedua ialah kesilapan dalam pengiraan kos produk bagi syarikat yang mengeluarkan berbagai produk kerana penggunaan kaedah penyerapan kos overhead. Akhir sekali adalah orientasi dalaman maklumat perakaunan yang terlalu terhad bagi pembuatan keputusan yang strategik. Rajah 2 menunjukkan proses perkembangan perakaunan pengurusan secara ringkas dan kaitannya dengan kritikan-kritikan

tersebut. Bagi Clarke (1995), WCM menerangkan kepatutan produk atau perkhidmatan berkualiti tinggi menemui pelanggan pada kos yang rendah bagi menyediakan prestasi dan kepuasan pelanggan yang tinggi. Pandangan tradisional pengurusan hanya setakat memperbaiki kualiti dengan menambah masa dan kos, menerima sebahagian dari kecacatan dan mengawal kualiti ke atas produk. Manakala pandangan WCM pula adalah memperbaiki kualiti dengan mengurangkan masa dan kos, mengelakkan kecacatan dan merekabentuk produk dengan ciri-ciri kualiti.

Bagi mencapai prestasi WCM, sesetengah syarikat melabur dalam automasi dan *advanced manufacturing technology* (AMT) atau just in time (JIT). Kedua-dua sistem AMT dan JIT, tetap memerlukan kaedah pengekosan yang tepat samaada kaedah pengekosan tradisional atau kaedah pengekosan berasaskan aktiviti bagi membantu pembangunan produk baru dengan ciri-ciri yang lebih kukuh. Perakaunan pengurusan dikatakan hanya menyediakan maklumat berbentuk kuantitatif dan kaji diri (*introspective*) yang mana hanya sesuai dalam konteks perancangan dan kawalan operasi. Jika ini sahajalah maklumat yang disediakan, maka pengurus yang menggunakan maklumat tersebut akan lebih cenderung ke arah isu-isu operasi daripada isu-isu polisi dan arah organisasi. Perakaunan pengurusan strategik cuba melihat dan menggunakan maklumat perakaunan pengurusan dari sudut strategik. Ia meliputi *environmental scanning*, analisis pesaing, pandangan strategik ke atas data dalaman. Pandangan berbentuk strategik dalam penggunaan data dalaman perakaunan pengurusan seperti objektif untuk mengurangkan kos dan meningkatkan keuntungan sepatutnya dibentuk lebih jauh lagi iaitu untuk meningkatkan bahagian pasaran. Jika pengurus hanya sekadar ingin meningkatkan keuntungan jangka pendek, tindakan seperti menaikkan harga jualan mungkin akan menyebabkan syarikat kehilangan bahagian pasaran dalam jangkamasa panjang.

### Bentuk Kajian Semasa dan Akan Datang

Sejarah dan perkembangan perakaunan pengurusan telah banyak menyumbang kepada bentuk kajian semasa dalam bidang ini. Ia adalah berdasarkan kepada hasil penyelidikan oleh Shields M.D. (1997) ke atas 152 buah artikel yang diterbitkan oleh North Americans. Penyelidikan ini meliputi artikel-artikel yang diterbitkan dalam tujuh tahun pertama bermula tahun 1990 dan diterbitkan dalam enam jurnal utama iaitu *Accounting, Organizations and Society*, *The Accounting Review*, *Contemporary Accounting Research*, *Journal of Management Accounting Research*. Penyelidikannya merangkumi judul-judul artikel, penempatan, teori, keadah penyelidikan dan hasil kajian.

Shield (1997) mendapati bahawa judul artikel yang paling banyak diterbitkan adalah kawalan pengurusan (85) diikuti dengan perakaunan kos (24), pengurusan kos (14) pemandu kos atau 'cost drivers' (11), sistem dan maklumat perakaunan pengurusan (7), teori dan kaedah penyelidikan (6), keputusan pelaburan dan belanjawan modal (5). Penelitian terhadap pilihan penempatan dalam penyelidikan dalam artikel tersebut menunjukkan bahawa penyelidik lebih banyak memilih industri atau aktiviti tunggal terutamanya dalam sektor perkilangan. Ia adalah konsisten dengan amalan perakaunan pengurusan sejak dahulu lagi yang menekankan kepada pengekosan produk dan kawalan kos kilang. Pemerhatian tentang jenis teori yang digunakan sebagai asas penyelidikan pula menunjukan yang teori ekonomi adalah yang paling banyak digunakan. Jadual 1 menunjukkan teori-teori utama yang digunakan dalam kajian semasa.

**JADUAL 1**

**Teori-Teori Utama Yang Digunakan Dalam Kajian Semasa**

| Teori   | Kekerapan  |
|---|------------|
| Ekonomi   | 75         |
| Kelakuan Organisasi   | 15         |
| Psikologi   | 12         |
| Pengurusan Operasi dan Pengeluaran                          | 10         |
| Sosiologi   | 7          |
| Pengurusan Strategik  | 1          |
| Ekonomi dan Kelakuan Organisasi                             | 2          |
| Ekonomi dan Pengurusan dan Pengeluaran                      | 2          |
| Ekonomi dan Psikologi                                       | 3          |
| Sejarah dan Sosiologi                                       | 1          |
| Kelakuan Organisasi dan Pengurusan Operasi dan Pengeluaran  | 1          |
| Kelakuan Organisasi dan Pengurusan Strategik                | 1          |
| Pengurusan Operasi dan Sosiologi                            | 1          |
| Pengurusan Operasi dan Pengeluaran dan Pengurusan Strategik | 3          |
| Tidak Menggunakan Teori                                     | 18         |
| <b>Jumlah</b>   | <b>152</b> |

Sumber: Shield (1997 p7)

Hasil penyelidikan oleh Shield juga menunjukkan kepelbagaian jenis kaedah penyelidikan yang digunakan dalam 152 artikel yang diterbitkan itu. Di antaranya adalah analytic, survei, archival dan eksperimen makmal, di mana kaedah analytic merupakan kaedah yang paling kerap digunakan. Kaedah analytic di sini adalah berasaskan model agen prinsipal dan teori ekonomi pengeluaran manakala kaedah archival pula merupakan penggunaan analisis ekonometrik. Menurut Shield (1997), terdapat enam bidang kajian yang boleh diterokai pada masa akan datang. Di antaranya adalah dilema perakaunan pengurusan, perubahan-perubahan dalam perakaunan pengurusan, perakaunan horizontal, perakaunan strategik, perakaunan organisasi, dan perakaunan virtual. Shield (1997) juga mencadangkan supaya topik bagi kajian dipelbagaikan dan diintegrasikan.

Foster dan Young (1997) pula menambah bahawa cabaran terhadap penyelidikan dalam perakaunan pengurusan adalah per tama; untuk memastikan ianya berterusan, kedua, menerokai bidang baru yang boleh menjanjikan pengetahuan baru dan ketiga; untuk menepati cabaran kedua-dua tersebut dan seterusnya menyelenggara dan menambahkan lagi rigor saintifik. Foster dan Young (1997) cuba menekankan topik-topik kajian yang lebih merupakan keutamaan bagi pengurus-pengurus, akauntan pengurusan dan penyelidik-penyelidik perakaunan pengurusan. Foster dan Young (1997) juga cuba mencungkil idea bagi topik kajian melalui bahan-bahan penulisan sedia ada. Dengan cara ini, akan terbitlah idea-idea baru dari kajian-kajian lepas.

Idea bagi topik kajian juga boleh didapati dari bahan-bahan penulisan sedia ada dari bidang selain daripada perakaunan pengurusan seperti bidang ekonomi, sejarah, teori dan kelakuan organisasi dan lain-lain cabang dalam bidang psikologi yang mempunyai kaitan dengan perakaunan pengurusan. Foster dan Young (1997) juga menekankan betapa pentingnya memahami cabaran-cabaran yang dihadapi oleh pengurusan kerana ini akan mencetuskan idea bagi topik kajian pada masa akan datang. Foster dan Young (1997) telah menjalankan survei secara rambang terhadap para pengurus am dan pengurus perakaunan. Hasil

survei menunjukkan bahawa terdapat pebezaan isu-isu yang menjadi keutamaan bagi pengurus perakaunan dalam tahun 1980-an dan masa kini. Jadual 2 dan 3 menunjukkan hasil survei yang dijalankan oleh Foster dan Young (1997).

**JADUAL 2**

**Isu-Isu Utama Secara Am Bagi Pengurusan**

| Dalam tahun 1980an           | Masa kini                    |
|------------------------------|------------------------------|
| 1 Pengurusan kos/kawalan kos | 1 Kepuasan pengguna          |
| 2 Pertumbuhan                | 2 Pengurusan kos/kawalan kos |
| 3 Keuntungan                 | 3 Kualiti                    |
| 4 Kepuasan pengguna          | 4 Pertumbuhan                |
| 5 Pembahagian pasaran        | 5 Keuntungan                 |

**JADUAL 3**

**Isu-Isu Utama Perakaunan Kos dan Pengurusan Bagi Pengurusan**

| Dalam tahun 1980an           | Masa kini                    |
|------------------------------|------------------------------|
| 1 Isu mengenai sistem        | 1 ABC/cost drivers           |
| 2 Pengurusan kos/kawalan kos | 2 Keuntungan pengguna        |
| 3 Pengekosan produk          | 3 Isu mengenai sistem        |
| 4 Belanjawan                 | 4 Ukuran pretasi             |
| 5 Pengalokasian kos          | 5 Pengurusan kos/kawalan kos |

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# National Accountancy Undergraduates Seminar 1999

Come March, the Accounting Club of Universiti Putra Malaysia (UPM) and the Malaysian Institute of Accountants (MIA) will be jointly organising a nationwide accounting event, the **National Accountancy Undergraduates Seminar (NAUS) 1999**, which is scheduled to be held from **23 to 27 March 1999**.

With a simple theme: "**Malaysian Accountants - Challenges for the Next Millennium**", NAUS is aimed to establish a strong local varsity network to facilitate the joint effort to improve and promote local varsities' accountancy programs. This is in line with the rapid changes in the environment, bringing in stiff competition to the accountancy profession. In addition, NAUS hopes to develop long lasting relationships with respectable members of MIA, other professional bodies, practitioners and other corporate leaders of the nation. By that, the local accountancy undergraduates will have the opportunity to expose and assimilate with the fraternity and to prepare them for their future responsibilities.

To accomplish the objectives, NAUS has arranged a series of programs during the five-day event, which will lead the participants towards the effective habits of a learning organisation. Five sessions of seminars speaking on important current issues and skills will be arranged. Also incorporated during the event, are workshops and stimulation games to ensure the effectiveness of the seminars. In addition, there will be three sessions of inter- varsity forums whereby professional bodies, the corporate world and representatives from the ministry will be invited for discussion. This is aimed at providing an environment for all parties to discuss and voice their opinions and expectations of what a future accountant should possess to succeed. To highlight the event, Datuk Seri Najib Tun Razak, the Minister of Education is cordially invited to officiate the magnificent event. The Closing Ceremony cum Grand Dinner will gather members of MIA, auditors, accountants and other corporate leaders to an exquisite dinner at a reputable hotel. Other interesting events include inter- varsity debates, games, group discussion etc.

NAUS is targeting a participation of 300 accountancy undergraduates from 10 local varsities and colleges. In addition to that, the marketing team has approached 200 companies for participation, in the form of guidance, speakers, panels for the forum, financial support, buying of seats for the Grand Dinner, in-kind contribution, etc. We welcome any participation from the members of MIA to ensure the success of the project.

*MIA members are invited to participate in our*  
**Grand Dinner cum Closing Ceremony**  
**on the 26 March 1999 at 7 p.m.**  
**at Equatorial Hotel, Bangi**  
Seats are selling at RM100.00 each

"Do show your support for these local accounting students to ensure a promising future for the accountancy profession"

*For further information, please contact us at*  
**web site: <http://members.xoom.xom/naus99/>**  
**e-mail: [naus\\_upac@hotmail.com](mailto:naus_upac@hotmail.com)**

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(MIA Coordinator) - (03)274 5055

## MIA 1999 Annual Subscription

*for all students registered under the MIA/ACCA Collaboration Scheme*

The MIA 1999 Annual Subscription is due on January 1, 1999 and the amount due is **RM70.00**.

An invoice will be despatched to all students from December 1998. Should you not receive the invoice, you can still make your payment by writing your name and student number behind your cheque or money order/postal order and quote payment of 'Annual Subscription 1999'. All payments must be made payable to '**Malaysian Institute of Accountants**' and sent to:-

**Education Department**

**Malaysian Institute of Accountants**

**Dewan Akauntan**

**No. 2, Jalan Tun Sambanthan 3  
Brickfields, 50470 Kuala Lumpur**

All payments must reach the Institute by **31 March 1999**. Cash is acceptable if payment is made in person at our Education Department.

For further information, please contact the Education Department, Tel: 03-274 5055, Fax: 03-273 7533 or e-mail: [education@mia.org.my](mailto:education@mia.org.my).

## Library News

### New Reading Material in MIA Library

*The following is a selection of new books we have recently added to the Institute's library collection.*

**The Lifeblood Of Business: Debt Collection And Prevention Strategies**  
*By Richard Y.K Wong*  
Kuala Lumpur : Leeds Publications, 1998.  
Call No.: 658.15244 WON  
*With compliments from the author:*

**GAAP Guide 1997**  
*By Jan R. William*  
New York: Harcourt Brake & company, 1997. Call No.: 657.0218 WIL

**Companies Winding-Up Handbook**  
*Advisory Editor Alex Chang Huey Wah.*  
Kuala Lumpur: MLJ, 1998.  
Call No.: 348.0202 595 COM

**Insolvency Law And Practice In Asia**  
*By Roman Tomasic & Peter Little*  
Hong Kong: FT Law & Tax Asia, 1997.  
Call No.: 346.0785 TOM

**Company Law In Malaysia: Case And Commentary**  
*By Krishnan Arjunan*  
Kuala Lumpur: MLJ, 1998.  
Call No.: 346.066026 595 ARJ

**Fraud: The Unmanaged Risk: An International Survey Of The Effect Of Fraud On Business**  
*Published by Ernst & Young*  
London: Ernst & Young, 1998.  
Call No.: 346.168 FRA

**Financial Accounting And Corporate Reporting: A Case Book, 4th ed.**  
*By Kenneth R. Ferris*  
Chicago: Irwin, 1996. Call No.: 657.3 FER

**Practical IT Auditing**  
*By James R. Hickman*  
New York: Warren, Gorham & Lamont, 1997. Call No.: 657.45 HIC

**Internal Auditing Manual**  
*By Steven J. Root*  
New York: Warren, Gorham & Lamont, 1998.  
Call No.: 657.45 ROO

**Due Diligence Handbook Vol. 1 and 2.**  
*By William M. Crilly*  
New York: American Management Association, 1998. Call No.: 346.73063 CRI

**Singapore GAAP: A Practical Guide To Accounting Standards**  
*By Ng Eng Juan*  
Singapore: CCH Asia Pte, 1998.  
Call No.: 657. 018 NGE

**Developing Framework For the Analysis of Published Cash Flow Information: ACCA Occasional Research Paper No. 20**  
*By Brian A. Rutherford*  
London: ACCA, 1998. Call No.: 657. 3 RUT

**The AOTCA Technical Report 1997/1998, Vol. 1**  
Sydney: AOTCA, 1998.  
Call No.: 336.20095 AOT

**1999 Tax And Information Budget News**  
Kuala Lumpur: MIA, 1998  
Call No.: 658.154 TAX

**Membership Directory: As At 30 June 1998**  
Kuala Lumpur: MIT, 1998.  
Call No.: 336.2 MAL

**Korean Taxation**  
Korea: Ministry of Finance and Economy, 1998. Call No. : 336.2519 KOR

**Business Opportunities In Vietnam**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Printice Hall, 1997.  
Call No.: 336.673 597 BUS  
*With compliments from The Editor:*

**Business Opportunities In The Yangtze River Delta, China**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1996.  
Call No.: 332.673 51132 BUS  
*With compliments from The Editor:*

**Business Opportunities In Sichuan Province, China**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1996.  
Call No.: 332.673 5138 BUS  
*With compliments from the editor:*

**Business Opportunities In The Philippines**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1996.  
Call No.: 332.673 599 BUS  
*With compliments from the editor:*

**Business Opportunities In Penang, Malaysia**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1996.  
Call No.: 332.673 5951 BUS  
*With compliments from the editor:*

**Business Opportunities In India**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1996.  
Call No.: 332.673 54 BUS  
*With compliments from the editor.*

**US - ASEAN Relations: Implications For Business**  
*Edited by Tan Teck Meng ... [et al.]*  
Singapore: Prentice Hall, 1997.  
Call No.: 332.673 590 USA  
*With compliments from the editor.*

**Malaysian Corporate Income Tax**  
*By Yong Poh Chye.*  
Petaling Jaya: Tax Advisory and Management Services, 1998.  
Call No.: 343.052 YON  
*With compliments from the author.*

**An Introduction To Malaysian Income Tax**  
*By Yong Poh Chye*  
Petaling Jaya: Tax Advisory and Management Services, 1998.  
Call No.: 343. 052 YON  
*With compliments from the author.*

**Malaysian Taxation: Principles And Practice, 4th ed.**  
*By Chong Kwai Fatt*  
Kuala Lumpur: Infoworld, 1998.  
Call No.: 336. 2009595 CHO  
*With compliments from the author.*

**How To Put A Great Conference**  
*By Dorian Dodson*  
New Mexico: Adolfo Street Publications, 1992. Call No.: 658.4563 DOD

**The Convention And Meeting Planner's Handbook : A Step-By-Step Guide To Making Your Event A Success**  
*By Michele Voso*  
Lexington, Massachusetts: Lexington Books, 1990.  
Call No.: 658. 456 VOS

**The Comprehensive Guide To Successful Conferences And Meetings**  
*By Leonard Nadler*  
San Francisco: Jossey-Bass Publishers, 1987. Call No.: 658.4563 NAD

### NOTICE

Members may obtain Annual Reports which were submitted for the National Annual Corporate Reports Award (NACRA) 1998 from the secretariat. Kindly contact Puan Kalsom of MIA at Tel: 2745055, e-mail: kalsom@mia.org.my

# MAAA News

MALAYSIAN ASSOCIATION  
OF ACCOUNTING ADMINISTRATORS

Editor for MAAA News:  
Low Han Men, Aric

## Incorporation & Aim

The Malaysian Association of Accounting Administrators (MAAA) was incorporated in 1990 with limited liability under Section 16(4) of the Companies Act, 1965 in recognition of the two-tiered nature of the accountancy profession. MAAA (previously known as Malaysian Association of Accounting Technicians) is a company sponsored by the Malaysian Institute of Accountants (MIA).

## Main Objectives

- To provide a qualification to be known as Accounting Technicians/Administrators for persons employed on duties customarily undertaken by assistants to accountants registered with the MIA.
- To provide an organisation and membership for such persons who are desirous of acquiring such qualification and persons who are granted such qualification.
- To promote in the public interest the technical competence of such persons engaged in positions and performing the functions of accounting technicians/administrators.

## Council Members (1998/99 Term)

### Elected Members

Izhar Abd Kahar (President)  
Koo Yew Fook, Allan (Vice-President)  
Chin Wah Yin  
Hanapi Rasol  
Kasim Darus  
Lim Ah Lek  
Low Han Men, Aric  
Mahadevan s/o Gengadaram  
Mok Kam Seng  
Panneer Selvam  
Raja Noorhana bt Raja Harun  
Yong Yoon Kee

### MIA Nominated Members

Chian Ngook For, Daniel  
Lam Kee Soon  
Yue Sau Him (w.e.f. 15.1.99)

## Registered Office & Secretariat

Malaysian Association of Accounting Administrators (MAAA)  
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3,  
Brickfields, 50470 Kuala Lumpur.  
Tel: 03-2745055 or Fax: 03-2741783 E-mail: maaa@mia.org.my

## Membership Status

The Association is pleased to announce that as at year end, 31 December 1998, the membership number stood at 1020; comprising 590 AAT(M) members and 430 A.Adm members.

Please take note that the Council had on September 1998, resolved that members who have not paid up their subscriptions up to the year 1997, shall be issued warning letters from the secretariat; failing which their membership shall be struck off.

Kindly update your membership dues immediately to avoid any interruption in membership benefits.

## The Key Benefits of Membership are:

- **Distinguished Qualification**  
Members will have a common and unified qualification from a body of accounting technicians/administrators, which is sponsored by MIA, the national accountancy body.
- **Distinguished Designation**  
Members will be entitled to use the distinguishing letters after their names and designations: "A.Adm" for Accounting Administrators, or "AAT (M)" for Accounting Technicians.
- **Representation & Career Development**  
Members will have an organisation that will look after their interests, provide them with the latest technical information and Continuing Professional Development (CPD) education.
- **Worldwide Affiliation**  
Members will belong to an organisation which is part of a worldwide fraternity of accounting technicians/administrators.
- **Best Route To MIA**  
Members will be eligible to sit for the examinations of MIA at the levels as determined by the Council of MIA from time to time when the examinations are in place.
- **Better Employment Opportunities**  
MIA will encourage its members to employ members of MAAA as their supporting staff.
- **MIA Member's Handbook & Journals**  
Upon their admission, members will be provided with a Member's Handbook of MIA and put on the mailing list to receive the journal, *Akauntan Nasional* by MIA.
- **Discounts on Publications**  
Members will be entitled to purchase other publications of MAAA, MIA and MIT from time to time at a discount.
- **Discounts on CPD Courses**  
Members will benefit from attending CPD courses organised by MAAA, MIA and MIT and at the same time enjoy a discount on their course fees.

## Correction

Our article, *New MAAA Line-Up*, published in the November/December 1998 issue reported that Y Bhg Dato' Dr Lau Ban Tin has resigned as the MIA appointee of the Association when in actual fact his appointment was revoked by MIA, under Article 72(B) of the Association's M&A. The revocation by MIA is due to the fact that he had resigned as a Council member of MIA. We regret the error.