Akauntan Nasional

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The Asian economic crisis, which broke out two years ago, caused the collapse of investor and consumer confidence to take place almost overnight in this part of the world. The intensity of the financial turmoil caught many local organisations by surprise. They did not anticipate the Malaysian economy, which had been growing rapidly in the preceding years, to experience such a sudden and sharp downturn.

When sales plummeted, bad debts soared, interest rates skyrocketed and financial institutions pulled back their lines of credit, a large number of local corporations found themselves strapped for cash. These developments caused several of them to end up "technically insolvent". They were unable to meet their short-term obligations with financial institutions and trade creditors. To avoid being caught by surprise again in the future, local corporations must improve their cash flow management.

In view of its importance, we decided to highlight the subject of cash flow in this edition of *Akauntan Nasional*. We hope that you will find Ng Eng Juan's article entitled "Cash Flow: An Empirical Study of the Disclosure Practices of Malaysian Companies" interesting. Ng, who is an Associate Professor at the School of Accountancy and Business of the Nanyang Technological University, looks at the methods adopted by local companies in coming up with cash flow statements.

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Accountants must be prepared to meet the first challenge of the next millennium

We now stand at the brink of the new millennium. With a few months to go before we enter into the 21st century, we need to spend some time to ponder over the challenges that the new millennium will bring. As all of you know, the next millennium will be filled with several unprecedented and formidable challenges.

These challenges will affect not only the accountancy fraternity, but also the entire local business community. The most immediate millennium challenge that corporations have to overcome is the Year 2000 or Millennium Bug problem. The Y2K Bug is a major and pressing corporate risk that businesses have to mitigate by the end of this year.

Unlike other risks, the Y2K Bug will strike punctually at twelve midnight on 1 January 2000. As the next millennium draws closer, we really do not have much time left in dealing with the problem. It is expected to cause havoc on computer systems that cannot identify the two digits "00" as the year 2000. Non-Y2K compliant systems will simply regard the two zero digits as the year 1900, thus causing them to malfunction or shut down completely.

Computer systems are deemed to be Y2K-compliant if both hardware and software portions can recognise the zero digits correctly. If only one or both components fail to recognise "00" as the year 2000, then there is a high probability that the entire computer system could malfunction at the turn of the millennium.

In dealing with the Millennium Bug, we have to adopt a "prevention is always better than cure" mindset. In view of the limited time left, we have to avoid a situation where we have to scramble for cure when the Y2K disaster strikes. We should take a proactive approach and fix the problem well ahead of 1 January 2000. Testing should be completed by the end of this quarter.

Organisations must be aware of the need to prioritise their efforts in being Y2K-compliant. They need to allocate more resources to make sure that their essential business processes will not be disrupted by the Y2K Bug. They need to ensure that their mission-critical systems

The Y2K Bug is a major and pressing corporate risk that businesses have to mitigate by the end of this year.

We should take a proactive approach and fix the problem well ahead of 1 January 2000. Testing should be completed by the end of this quarter.

When coming up with a Y2K contingency plan, organisations need to examine the possible failures as well as the effects of these failures.

do not fail when they move into the next millennium. In addition, organisations have to ensure that even if Y2K disruptions do occur, these interruptions will not cripple their core operations.

We must invest a lot of time and effort in coming up with a detailed Y2K contingency plan. This contingency plan should outline each course of action for dealing with different problems should they really arise. When coming up with such a plan, organisations need to examine the possible failures as well as the effects of these failures. They must assess the impact these failures will have on them and their trading partners in the chain of supply.

Organisations also need to understand the full repercussions of the Y2K Bug. Their computer systems may be tested to be fully Y2K-compliant, but this does not mean that they are completely free of Y2K-related risks. Disruptions could still occur if their customers and suppliers in the supply chain have not adopted any measures to mitigate the Y2K risk.

At this time, no software or hardware vendor is willing to provide an outright guarantee that their products are fully Y2K-compliant. Of course, they do not want to be held liable if their products are found to be the cause of Y2K system failure. They can only claim that their products pass certain Y2K-compliance standards or are Y2K-ready.

In view of this, no organisation can claim itself to be fully Y2K-compliant. A company cannot know for sure whether it has achieved 100 per cent Y2K-compliance until it actually moves into the first day of the 21st century. However, organisations need to carry out vigorous and stringent tests to make sure that they have done everything on their part to achieve Y2K-compliance. They should take the necessary precautions to ensure that they are prepared to face whatever Y2K problems that may arise when they step into the next millennium.

Accountants, especially internal auditors, have important roles to play in ensuring that the above problem does not threaten the organisation's ability to continue as a going concern. The accountancy fraternity has to understand the potential risks that the Y2K Bug poses and contribute towards efforts to mitigate these risks. As time is running out, companies must expedite their efforts to mitigate the Y2K risk.

At this critical juncture, we can ill-afford Y2K-related corporate disasters to jeopardise the Government's efforts to restore investor confidence in the country, which is starting to show some encouraging results.

Accountants, especially internal auditors, have important roles to play in ensuring that the Y2K Bug does not threaten the organisation's ability to continue as a going concern.

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Feature

Cash Flow Statement: An Empirical Study of the Disclosure Practices of Malaysian Companies

Ng Eng Juan, Associate Professor, School of Accountancy and Business, Nanyang Technological University examines the various disclosure issues relating to cash flow statements of Malaysian listed companies

INTRODUCTION

The Malaysian Institute of Accountants (MIA) has issued the revised International Accounting Standard 7 (IAS 7 (Revised)) "Cash Flow Statements", which requires presentation of a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

IAS 7 (Revised) is effective for financial statements covering periods beginning on or after 1 January 1996.

Thus, effective 1 January 1996, cash flow statements became an integral part of financial statements in Malaysia.

The objective of this paper is to study, based on published financial statements, the various disclosure issues relating to cash flow statements of Malaysian listed companies.

SOURCE OF DATA

The published annual financial statements covering periods beginning on or after 1 January 1996 of companies incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange form the purview of this study. A total of 85 annual financial statements were randomly selected to form the sample for this study.

IAS 7 (Revised) provides that the cash flows from operating activities may be presented in the cash flow statement using either the direct method or the indirect method.

EMPIRICAL RESULTS

This paper focuses on the disclosure issues for which IAS 7 (Revised) provides for alternative treatments, specifically:

1. direct and indirect methods of presenting operating cash flows,
2. interest and dividends received and paid, and
3. taxes paid.

1 Direct and Indirect Methods of Presenting Operating Cash Flows

IAS 7 (Revised) provides that the cash flows from operating activities may be presented in the cash flow statement using either the direct method or the indirect method (paragraph 18).

Under the direct method, IAS 7 (Revised) requires disclosure of "major classes of gross cash receipts and gross cash payments" (paragraph 18(a)).

Under the indirect method, the net cash flow from operating activities is determined by adjusting the net profit or loss for the effects of:

a non-cash items (for example, depreciation),

b items for which the cash effect are investing or financing cash flows (for example, profit on sale of fixed assets), and

c changes in the operating working capital (for example, changes in stock, debtors and creditors balances) (paragraph 18(b)).

IAS 7 (Revised) encourages enterprises to report cash flows from operating activities using the direct method. This is because the direct method (which requires disclosure of major classes of gross cash receipts and gross cash payments) provides information which may be useful in estimating future cash flows and which is not available under the indirect method (paragraph 19).

From Table 1, it may be noted that, despite the encouragement of IAS 7 (Revised) to use the direct method, the indirect method is overwhelmingly the more popular method. In fact, 91 per cent of the companies use the indirect method, while only 9 per cent of the companies use the direct method.

TABLE 1

Direct versus indirect method of presenting operating cash flow

Alternatives	Frequency	Percentage
Direct method	8	9
Indirect method	77	91
Total	85	100

One possible reason for the popularity of the indirect method is that preparers of financial statements are more familiar with it through its use in the computation of "funds from operation" in the now-superseded statement of changes in financial position.

Also, while it is generally agreed that the direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method, the indirect method may be deemed to be superior in that it shows the reconciliation between profit and cash flows which readily

provides the answer to questions such as why is that the enterprise, which has made a lot of profits, has no cash to pay its debts.

It may be interesting to note that in the USA, despite the encouragement of SPAS No. 95 "Cash Flow Statements" for the use of the direct method, the indirect method was found to be more widely used (the Accounting Trends and Techniques (1990) found that 97 per cent of the 600 companies surveyed used the indirect method in 1989). The results of this survey are not unexpected because while SFAS No. 95 encourages the use of the direct method, it requires that if the direct method is used, the reconciliation of net income to cash flows (i.e. the indirect method) be provided in a separate schedule. Given the requirement of SFAS No. 95 that the indirect method has to be disclosed even if the direct method is used, most companies will just take the easier route by simply using the indirect method.

It should be noted that IAS 7 (Revised) does not require the disclosure of the reconciliation of net income to cash flows from operating activities, where the direct method is used to report cash flows from operating activities. In this respect, the provisions of IAS 7 (Revised) seem to be more logical. It is really quite pointless to encourage the adoption of an alternative and at the same time penalise its use by imposing additional disclosure requirements.

One possible reason for the popularity of the indirect method is that preparers of financial statements are more familiar with it through its use in the computation of "funds from operation" in the now-superseded statement of changes in financial position.

2 Interest and Dividends

IAS 7 (Revised) provides that cash flows from interest and dividends received and paid should each be disclosed separately (paragraph 31).

IAS 7 (Revised) allows each interest and dividends received and paid to be classified as either operating, investing or financing cash flow.

(a) Interest paid

IAS 7 (Revised) provides that interest paid may be classified as an operating cash flow or as a financing cash flow (paragraph 33).

The rationale for classifying interest paid as an operating cash flow is that interest is normally taken into account in the determination of operating results. In such a case, a cash repayment of loan which includes both interest and capital may be reported as two separate components in the cash flow statement: the interest element is classified as an operating activity and the capital element is classified as a financing activity.

Alternatively, interest paid may be classified as a financing cash flow because it is a cost of obtaining financial resources.

Table 2 shows that about 90 per cent of the companies with interest paid present the interest paid as an operating cash flow, while only 10 per cent of them present the interest paid as a financing cash flow.

TABLE 2

Classification of cash flow arising from interest paid

Alternatives	Frequency	Percentage
Operating cash flow	66	90
Financing cash flow	7	10
Not applicable	12	N/A
Total	85	100

The rationale or classifying interest paid as an operating cash flow is that interest is normally taken into account in the determination of operating results.

(b) Dividends paid

IAS 7 (revised) provides that dividends paid may be classified as an operating cash flow or as a financing cash flow (paragraph 34).

The advantage of classifying dividends paid as an operating cash flow is that it assists users to determine the ability of an enterprise to pay dividends out of operating cash flows.

Dividends paid may, however, be classified as a financing cash flow because it is a cost of obtaining financial resources.

Table 3 shows the classification of cash flow arising from dividends paid. 85 per cent of the companies with interest paid present it as a financing cash flow, while only 11 per cent of the companies show it as an operating cash flow. There are also three companies that present dividends paid as an investing cash flow, which is obviously inappropriate.

TABLE 3

Classification of cash flow arising from dividends paid

Alternatives	Frequency	Percentage
Operating cash flow	7	11
Financing cash flow	56	85
Investing cash flow	3	4
Not applicable	19	N/A
Total	85	100

The advantage of classifying dividends paid as an operating cash flow is that it assists users to determine the ability of an enterprise to pay dividends out of operating cash flows.

(c) Dividends paid to minority interests

Minority interest in group accounts would be affected by three events, namely, acquisition or disposal of subsidiary companies, minority share of profits or losses of subsidiary companies, and dividends paid by subsidiary companies to minority shareholders. However, the increase or decrease in minority interests arising from acquisition and disposal of subsidiaries would have

The effect of minority interest on group cash flow is the amount of dividends paid by subsidiary companies to minority shareholders, and this amount should therefore be presented in the cash flow statement.

no cash flow impact. Also, minority interests in the profits or losses of subsidiary companies would also have no cash flow impact. Dividends paid by subsidiary companies to minority shareholders, on the other hand, represent an actual cash outflow. Thus, the effect of minority interests on group cash flow is the amount of dividends paid by subsidiary companies to minority shareholders, and this amount should therefore be presented in the cash flow statement.

Dividends paid by subsidiary companies to minority interests, as for dividends paid by the holding company, may be presented in cash flow statements as a financing cash flow or as an operating cash flow, as provided in paragraph 34 of IAS 7 (Revised).

Table 4 shows that almost all (88 per cent) groups which paid dividends to minority shareholders present it as a financing cash flow. There is only one group (6 per cent) that presents dividends paid to minority shareholders as an operating cash flow. There is also one group (6 per cent) that presents dividends paid to minority interests as an investing cash flow, which is obviously inappropriate.

TABLE 4

Classification of cash flow arising from dividends paid to minority interests

Alternatives	Frequency	Percentage
Operating cash flow	1	6
Financing cash flow	15	88
Investing cash flow	1	6
Not applicable	68	N/A
Total	85	100

(d) Interest received

IAS 7 (Revised) provides that interest received may be classified as an operating cash flow or as an investing cash flow (paragraph 33).

The rationale for classifying interest received as an operating cash flow is that interest received is normally taken into account in the determination of operating results.

Interest received may also be classified as an investing cash flow because it is a return on investment.

Table 5 shows the classification of the cash flow arising from interest received. Approximately two-thirds (66 per cent) of companies with interest received present it as an operating cash flow, and the other one-third (34 per cent) of the companies show it as an investing cash flow.

TABLE 5

Classification of cash flow arising from interest received

Alternatives	Frequency	Percentage
Operating cash flow	22	34
Investing cash flow	42	66
Not applicable	21	N/A
Total	85	100

Dividends received may also be classified as an investing cash flow because it is a return on investment.

(e) Dividends received

IAS 7 (Revised) provides that dividends received, as in the case of interest received, may be classified as an operating cash flow or as an investing cash flow (paragraph 33).

The rationale for classifying dividends received as an operating cash flow is that dividend income is normally taken into account in the determination of operating results.

Dividends received may also be classified as an investing cash flow because it is a return on investment.

Table 6 shows the classification of the cash flow arising from dividends received. All, except one, of the companies with dividends received present it as an investing cash flow. Only one company presents it as an operating cash flow.

TABLE 6

Classification of cash flow arising from dividends received

Alternatives	Frequency	Percentage
Operating cash flow	1	5
Investing cash flow	18	95
Not applicable	66	N/A
Total	85	100

(f) Dividends received from associated companies

In consolidated financial statements, "Investment in associated company" is accounted for under equity methods, as required by IAS 27 "Accounting for Investments in Associates". Thus, the investment in an associated company's account balance will change due to:

- **a** group's share of associate's profits or losses, and
- **b** dividends received from the associate.

Group's share of associate's profits and losses does not have any cash flow impact; whereas dividends received from the associate represents an actual cash inflow. Thus, the effect of investment in an associated company on group cash flow is the amount of dividends received from the associated company.

The treatments for dividends received from an associated company are the same as dividends received from other investees, discussed in (e).

Thus, dividends received from an associated company, as in the case of dividends received, may be classified as an operating cash flow or as an investing cash flow, as provided for under paragraph 33 of IAS 7 (Revised).

Table 7 shows the presentation of cash flow arising from dividends received from an associated company. Even though IAS 7 (Revised) allows the cash flow arising from dividends received from an associated company to be presented either as an operating cash flow or as an investing cash flow, all the companies present it as an investing cash flow, and none of the companies show it as an operating cash flow.

TABLE 7

Classification of cash flow arising from dividends received from associated companies

Alternatives	Frequency	Percentage
Operating cash flow	0	0
Investing cash flow	7	100
Not applicable	78	N/A
Total	85	100

From the tables, it may be noted that there is a certain amount of diversity in the presentation of interest and dividends received and paid. (It is also observed that there are instances of inappropriate disclosure practices [see Table 3 and Table 4]).

While the alternative treatments are allowed by IAS 7 (Revised), it may be argued that the diversity in the presentation will reduce comparability of the cash flow statements. More specifically, the diversity will impede analysis of companies' ability to generate cash flows from operating activities which is an important attribute in assessing the companies' going concern status during a period of economic slowdown.

It is interesting to note that in the US, SFAS No. 95 requires all interest and dividends received and interest paid to be reported as operating cash flows, and dividends paid as financing cash flows. In the UK, FRS 1 "Cash Flow Statements" requires all interest and dividends received and paid to be reported in the cash flow statement under a separate category named "Returns on investments and servicing of finance".

3 Taxes Paid

IAS 7 (Revised) requires cash flows arising from taxes on income to be separately disclosed (paragraph 35).

There may, however, be problems with classifying taxes paid into one of the three categories of operating, investing and financing activities. Firstly, there may be problems with the identification of the tax effects of each underlying transaction. For example, it may be difficult or impractical to separately identify the tax effects on the balancing charges or balancing allowances on disposal of fixed assets from the tax effects on the operating profits. Secondly, the cash flows of the tax effect and the underlying transactions that give rise to the tax effect may occur in different accounting periods. This is especially so in Malaysia, where the year of assessment is one year after the basis year.

In view of the abovementioned problems, IAS 7 (Revised) provides that cash flows arising from taxes on income should be classified as cash flows from operating activities unless they can be specifically identified with investing and financing activities (paragraph 35). When it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flow that is classified as investing or financing activities, the tax cash flow should be classified as an investing or financing activity, as appropriate. When tax cash flows are allocated over more than one class of activity, IAS 7 (Revised) requires the total amount of taxes paid to be disclosed (paragraph 36).

Table 8 shows the classification of cash flow arising from taxes paid. It is noted that all companies that pay tax present it as an operating cash flow. (There is one company within the sample that did not pay tax.)

TABLE 8

Classification of cash flow arising from taxes paid

Alternatives	Frequency	Percentage
Operating cash flow	84	100
Not applicable	1	N/A
Total	85	100

It is interesting to note that in the UK, FRS 1 requires all taxation cash flows arising from both revenue and capital profits to be reported in a separate section of the cash flow statement headed "Taxation".

The uniformity in practice in relation to the classification of taxes paid is commendable because it helps to enhance the comparability of the cash flow statements.

It is interesting to note that in the UK, FRS 1 requires all taxation cash flows arising from both revenue and capital profits to be reported in a separate section of the cash flow statement headed "Taxation".

CONCLUSION

This paper presents the results of an empirical study on the presentation of cash flow statements in Malaysia.

The results reveal that there is diversity in presentation of certain cash flow items. Even though this diversity is allowed by the IAS 7 (Revised), it is argued that a uniformed practice would improve readability and enhance comparability of cash flow statements.

The diversity in the presentation of cash flows in relation to interest and dividends is of particular concern, for it impedes the assessment of the companies' ability in generating cash flow from operating activities. It is noted that the UK and the US accounting standards require a uniformed classification of these items.

The test results also reveal instances of inappropriate disclosure practices. It is hoped that more care is exercised so that such unfortunate occurrences will not recur.

Feature

Managing a Cash Flow Crisis

By Kenny Tay, Principal Consultant, Finet Associates

Kenny Tay enlightens us on how to deal with cash flow problems in an effective and efficient manner.

INTRODUCTION

Defining a cash flow crisis is essential. The term 'cash flow crisis' suggests acute 'cashflowritis'. It can be understood as a situation of severe 'cash flow mismatch' within an organisation.

This mismatch results in frequent interruptions in the normal business cycles and when it becomes critical, funds needed for essential payments of raw materials, wages and operating expenses may no longer be available. At the critical level, the business is usually operating under-capacity and is being threatened with closure, unless actions are taken quickly to avert the threat.

RECOGNISING A CRISIS

Beginning of a crisis — how it happens

Understanding the beginning of a crisis helps one to appreciate the possible root causes, and hence to avoid them. Any solution to the problem of 'cashflowritis' must address the root causes to be effective, even if relief is temporary. Some common causes that lead to a cash flow crisis are as follows:

Poor management

- Family dominance in private companies and personal egos of chief executives and their senior officers play a major role in causing the decline of a business and cash flow problems.
- Incompetence of key decision-makers, lack of formal planning, office politics and self-interest are key weaknesses of many businesses that fail.

During boom time conditions, effects of poor management are overshadowed by profitability and decent cash flow that can be quickly reversed when conditions change.

Family dominance in private companies and personal egos of chief executives and their senior officers play a major role in causing the decline of a business and cash flow problems.

Inadequate financial control

- Lack of financial control is a frequent contributor to companies facing decline and financial pressure. This often means an absence or inadequate cash flow forecasts, costing systems and budgetary control.

Many local small and medium-scale companies often suffer from this weakness.

Competition

- Product and price competition is a perennial cause of business decline that leads to an acute cash shortage. Products eventually become obsolete as new technology is developed, improved or where substitute products are introduced or simply there is a change of consumer preference.

Why do firms not develop new products then? This can be attributed to the following:

- Lack of success in product innovation.
- Belief that existing product lines are still the best.
- Lack of financial and technical resources to develop new products.
- Lack of ideas for new products.
- Price competition for a broad range of consumer and intermediate technology products has become severe. Developing economies and the recently reformed communist states have been pursuing market capitalism to boost economic growth

A firm with a higher cost structure is at a competitive disadvantage. Apart from the operating costs, the cost of maintaining relationships' and cost of 'privilege' add further to the cost of doing business and that translates into higher costs of goods and services.

and create employment. This results in excess production of goods and services that put pressure on consumer prices worldwide. Notice how the management 'gurus' created the new buzz-word — Customer Service. This is because price competition alone is no longer sufficient to generate sales and cash flows.

As an industry matures, price competition intensifies and the success factors change. Among the success factors that firms have to address are:

- Product market focus.
- Differentiated products.
- Efficient cost structure.

High-cost structure

- A firm with a higher cost structure is at a competitive disadvantage. Apart from the operating costs, the cost of maintaining relationships and cost of 'privilege' add further to the cost of doing business, and that translates into higher costs of goods and services. In others, maintaining unproductive family members and old school ties similarly increases the costs.
- Achieving a scale of economy helps to reduce cost and raises productivity. Many newer industries struggle to reach optimal production when there is costs increase such as the increase in prices of imported raw materials and components.
- Operating inefficiencies from allocation of advertising expenditure to production planning to equipment maintenance and labour productivity are essential considerations.

Change in market conditions

- Decline in demand for products and services occur with some cyclicality with boom and bust phases. Inability or refusal to recognise the cycles has been a glaring cause of trouble in the current economic context, particularly in the property development industry.
- Changing patterns of demand that companies are not quick to notice, and change may mean foregoing a competitive edge and chances of survival.

Lack of marketing effort

- Complacence and basking in past success is common. This encourages businesses and their management to continue 'more of the same'. Lack of product research, marketing and after-sales service result in falling sales revenue and cash generation.

'Big project' syndrome

- Big projects create excitement of quick and big profits. Costs and revenue are sometimes incorrectly estimated and financing is assumed to be available. Often it is putting the 'cart before the horse'. Privatisation and initial public offerings are the ultimate glories and rewards.

Misplaced diversification strategies

- Lured by the prospect of quick gains, companies jumped into the band wagon on the high road to China, Khazakstan, Romania, Turkey and South Africa. Unfamiliar politics, inadequately prepared managers and lack of long-term resources and management strategies have resulted in non- performing investments.
- A perceived inability to compete in established products and markets, contributed to companies joining in the foray in property development, assuming easy profits from a never-ending property boom.

Financial policy failure

- This is often brought about by the hurried pace to high economic growth utilising a combination of long and short-term credits. The laxed credit policies helped in fuelling the growth.

- This also encouraged companies to commit to new business possibilities ahead of funding arrangements in the frenzied pace of business in the past few years.

Over-trading

- Again the booming business environment had business executives letting down their guard on the assumption that fast cash returns could repay easy credit. The frenzied pace of business did not give time for serious planning and no-one wanted to be 'left out'.

When a cash flow crisis is accepted, dramatic actions are required to ensure that business decline does not result.

CRISIS AND CHANGE

When a cash flow crisis is accepted, dramatic actions are required to ensure that business decline does not result. One of the essential factors is the acceptance by senior management that there is a crisis of sufficient concern. In the current environment, the cash flow crisis stemmed from a wider re-adjustment of the local economy and the financial markets.

A bad situation may not be in a crisis stage or it could be critical. The options available for a crisis are considerably less than if it were at a late stage.

If the situation has changed to one of a critical level, then it is not only a matter of cash flow management, but a dramatic change has to be made in the way business is to be done in the organisation. In a crisis situation, normal decision-making and routines may have to give way to creative thinking in searching for viable solutions.

A short-term approach may be taken immediately within the company to generate as much cash flow as possible to allow normal activities to proceed without interruptions. At the same time, a total review is to be urgently implemented to restructure the way the company handles its customers, materials, human resources, equipment and creditors. Concurrent short-term and long-term actions may have to be instituted to prevent further deterioration of suppliers and management confidence.

It is fair to say that *a crisis always precedes a change*. Thus, a cash flow crisis may actually be a forerunner of major changes in the business that would see new ways a business is done in the post-crisis environment. It is not just solving a cash flow problem for the moment.

In a crisis situation, normal decision-making and routines may have to give way to creative thinking in searching for viable solutions.

A cash flow crisis may actually be a forerunner of major changes in the business that would see new ways business is done in the post-crisis environment.

SHORT-TERM STRATEGIES IN IMPROVING CASH FLOWS

Working Capital Management

Inventory

- Inventory comprises of raw materials, work-in-process (WIP) and finished goods. The nature of WIP makes it a priority to minimise the level of production. However, this decision would trigger off the area of head count management in the production function with consequences for overhead recovery.
- Finished goods and raw materials are easier to manage. Depending on the nature of the goods and the end-user industries, the levels of these stock components can be lowered by disposing them at concessionary prices or in exchange of goods for outstanding payments. During a crisis situation, the priority is to generate cash, sometimes unfortunately, at the expense of profit. Management must at this time decide whether profit is more important than cash.

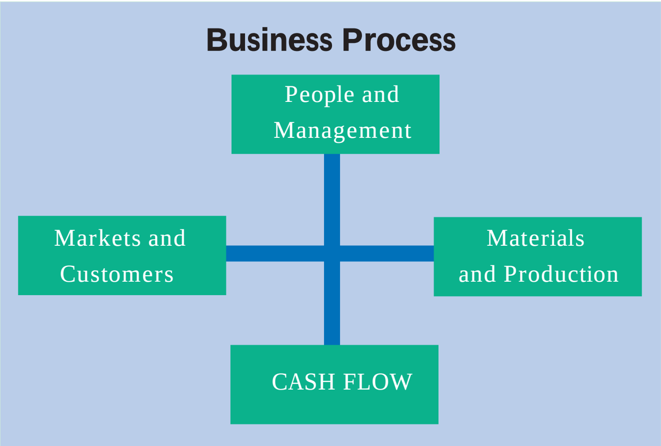
Accounts Receivables

- Deteriorating receivable quality is not unexpected for the average business. Efforts would continue but reliance of the cash flow from receivables must be discounted, especially in the prevailing financial context. Factoring as a way out is also less likely to be workable because of institutional constraints.
- While collection efforts must continue, new credits may have to be put on hold and activities should be on a cash basis or with acceptable payment guarantees. It is likely to be difficult to impose this on the existing trading relationships, but it is necessary if cash flow needs are to be met.
- The new customer base, which is willing to deal under the new conditions, has to be developed quickly. It may even call for an assessment of new product lines. That is the reason why companies have to undergo complete and dramatic changes in the way they do their businesses.

Cash flow is a function of managing people, products and markets.

Cash Flow

- Cash flow becomes scarce under these conditions. How a company is to react to the situation would depend on the extent of its regular or minimum cash needs within a specified time-frame.
- Once this regular requirement is established, the activities and responsibilities are made out to bring in the minimum cash flow. The activities include:
  - Revenue generation.
  - Receivables collection.
  - Inventory sell-down.
  - Short-term financing, if available.
  - Assets sale.



Cash flow is a function of managing people, products and markets. Any action in improving the cash flows from normal activities must then involve the three basic components. Ineffective management of one or the other may result in the opposite effect.

- Pitching the regular cash flow needs against the various cash generating activities, one can develop a cash flow profile or projection.
- If the cash flow profile suggests constant cash need over the next 6 - 12 months, it may be possible to determine the cash flow breakeven position In many instances, the cash need is the minimum requirement that in turn determines the minimum cash generating efforts in terms of cash sales, debtor collections and other actions.
- The use of the cash budget as a navigational tool is even more important now that a cash crisis is acknowledged. However, it is likely that management remains optimistic or in a denial stage, and expecting improvements to occur. Unless the management recognises and accepts a possible worst-case scenario, the cash budget would be very useful and there would be perpetual shortfalls to be explained month after month.

Eliminate Commitments

Capital Expenditure

- Understandably, the capital expenditure must be reviewed and postponed in a crisis situation, if possible. Prestigious projects such as the new corporate headquarters and the Chairman's executive jet may have to be shelved.

Stock Commitment

- Unwinding stock purchase commitments may have to be negotiated with trade creditors to minimise cash outflow problem. Arrangements may have to be made for stocks to be delivered to match production schedules or on J-I-T (just-in-time) basis. In other instances, economic order quantities may have to be reviewed both to manage cost and cash flows.

Credit sales may be less desirable in time of liquidity need. Cash sales would be encouraged with shortening credit periods and a lower credit limit for each customer.

Customers Credit Limits

- Credit sales may be less desirable in time of liquidity need. Cash sales would be encouraged with shortening credit periods and a lower credit limit for each customer.
- Encouraging early settlement of accounts is an on-going activity, and the effectiveness of the credit and collection policies would become apparent under present conditions.
- A full review of the current credit granting and collection policies may be required to re- establish control over this major part of working capital.

Solving a Cash Flow Crisis

When matters reach a crisis proportion, urgent issues must be dealt with quickly. These issues can be categorised into short-term immediate action plans and longer term issues that determine the long-term viability of the business.

These are outlined in the following table:

Immediate actions short-term	Continuing actions long-term
Freeze all capital expenditure	Review the ways business is done
Control working capital	Review core businesses
Revenue generation	Asset rationalisation
Cost control	Re-capitalisation
Scheduling liabilities	Mergers and acquisitions
Re-financing	Financial planning
Downsizing activities	Business philosophy and strategies

It shall not come as a surprise that some short-term actions are dependent on the decisions on longer term issues. For example, the disposal of properties to generate cash may be subject to a deliberation of whether such a step represents an exit out of the property market.

On the other hand, revenue generation may necessitate new capital expenditure that cannot be avoided. For example, increasing sales may require additional lorries to provide delivery service.

Revenue Generation

Active Sales

- *Discount Sales*
  Rapid cash generation may be urgent enough to persuade management to consider discount sales. The occasion can be utilised to get rid of excess or old stocks. Maintaining profit margins should give way to cash generation.

- *Direct Marketing*
  Rather than selling through conventional distribution channels, a company faced with a cash flow crisis may want to explore the possibility of direct sales to end-users or through a direct sales force that it can control. For example, a pharmaceutical manufacturer may wish to consider marketing its vitamin line by direct selling. It can either set up a new sales division or negotiate an arrangement with a direct selling company.

- *Franchising*
  As an alternative to direct marketing, a company may choose franchising as a means of extending the market base and widen exposure to the firm's products. The presence of franchisees may help minimise the cost of setting up a distribution network although some time may be required to organise and put it into effect. But time can be a luxury that the company cannot afford.

Rather than selling through conventional distribution channels, a company faced with a cash flow crisis may want to explore the possibility of direct sales to end-users or through a direct sales force that it can control.

- *Barter/Counter Trade*
  Strictly speaking, barter trade does not generate cash. But it can be explored to help minimise cash outflow through an exchange of goods for outstanding payments. This was seen in the last recession when contractors took units of completed houses in settlement for outstanding payments. Other instances may involve the exchange of finished goods for raw materials to keep the production going.

Sales and Promotion Effort

Unless a company considers its future to be limited, it may want to continue generating consumer interest in its product lines. This, however, requires cash outflow, which some companies may not be able to undertake while the cash crisis is yet to be resolved.

Cost Reduction Programme

Head Count Management

- Labour cost constitutes a major cost for many organisations and requires timely cash payments. It is often necessary to relook the manpower requirements of the company's activities to achieve some immediate cash savings.

- Retrenchment is a common strategy to cut cash flow costs, but there can be alternative strategies that call for redeployment of some employees into other operating areas such as marketing and customer service.

Material Management

- Materials in a manufacturing company can comprise as much as 80% of the total cost of production. Control of this item can yield some positive results. The examination of purchasing policies and practices, as well as terms of settlement can help in some cash flow savings.

- More efficient use of materials (i.e. less wastage), alternative materials and new sources of supply can together provide significant cost savings in cash flow terms.

Re-Scaling Activities

- Downsizing business activities often comes with a downturn in the economy. This entails reduction of stocks, debtors and human resources to survive during a period of tight liquidity.

Prioritising Liabilities

Scheduling Commitments

- Managing liabilities would be highly challenging as one can expect the creditors to react in the same manner as one reacts to customers. Where possible, creditors and short-term lenders are brought to negotiate for extended payment terms to a later date. This is not likely to be easy as creditors would be worried of rising credit risk and their own cash requirements.

- Apart from scheduling, cash strapped companies may need to renegotiate with creditors and bankers for refinancing. This may require the companies to commit to a rigid repayment scheme.

Where possible, creditors and short term lenders are brought to negotiate for extended payment terms to a later date.

Collateralisation

- In order to provide comfort, the company's creditors may need the firm to demonstrate its ability and resources available to the creditors. This may be necessary to procure continuous supply of raw materials.

- With collateral, the risk of business interruption is minimised. It may be necessary to assure the suppliers that payment ability of the firm remains satisfactory.

Elements for a Cash Flow Recovery

Cash flow recovery is really a matter of CHANGE and CHANGE MANAGEMENT

Management Style and Attitude
- Executives change, or
- Change executives

Review and Reinforce Financial Control
- Centralise control
- Re-working of forecasts and budgets

Organisational Change
- A cash flow crisis is potentially terminal
- A change in the manner/mind-set

Product Market Re-orientation
- A changing consumer landscape requires that new competitive 'level playing field'

Improved Marketing
- Maximising profit potential from product segments
- Exploit marketing slack
- Innovative selling

Strategic Growth
- Can this be possible?

Asset Reduction
- As a part of product market orientation
- Working capital — fixed assets — operations
- Divestment vs. liquidation of operations

Cost Reduction
- Improved profits lead to cash inflow
  1. Strategic — against competitors
  2. Operational — efficiency and overhead recovery
- Pricing vs. volume strategies

Debt/Financial Restructuring
- Refinancing
- Rescheduling
- Restructuring

- Maintaing cash inflows
- Additional cash flows

LONG-TERM ACTIONS IN CASH FLOW IMPROVEMENT

Re-capitalisation

Shareholders

Cash infusion is a necessary part of this type of crisis management. This is either sourced from the company's shareholders or its bankers. Quite likely, the bankers would be reluctant to extend any support beyond some comfortable arrangements. The thrust of the issue is expected to be left to the owners of the affected company who would determine its survival and recovery.

Where the shareholders are unable to provide any more support like the bankers, it may still be an option to look to the management and employees for support.

Staff and Management Buy-In

Where the shareholders are unable to provide any more support like the bankers, it may still be an option to look to the management and employees for support. Creative structuring would be necessary and it depends on the attitude of all parties — employees, bankers and shareholders. This is commonly seen in management buy-out situations.

Outside Parties

Finally, the company may have to explore other options involving other outsiders to introduce long-term solutions. These outsiders may surface as potential shareholders if any deal is 'sweet' enough. These include :

- Creditors.
- Customers.
- Venture Capitalists.
- Government agencies.

Debt Finance

Non-Bank Debt

In the event of serious deterioration of financial conditions, it can only be expected that traditional lenders abstain from further involvement in financing the company. The company would need to explore non-traditional sources for loan funds.

Among these non-bank debt financiers include:

- Bank Islam.
- Employees' Provident Fund (EPF).

- Lembaga Tabung Angkatan Tentera (LTAT).
- Pemodalan Nasional Berhad (PNB) Group.

Requirements vary from one institution to another, but in the end the company seeking finance must prove beyond doubt its capabilities to remain successful and the rewards to the new supporters 'sweet' enough.

Capital Markets

- Sourcing funds for long-term operations from the capital market must be at a subsequent phase after a company resolves its immediate cash flow problems. But for long-term planning, it would be necessary to consider the option of participating in the capital market.
- Two options can be examined — a direct listing exercise or an acquisition of or by a listed company. The choice depends on the strategy the company intends to pursue and the quantification of the costs and investments.
- Access to the capital market allows the company to obtain funding for growth and development. The previous notion of 'cashing' out through the public flotation exercise would no longer be valid as the capital market becomes more transparent.

Sourcing funds for long-term operations from the capital market must be at a subsequent phase after a company resolves its immediate cash flow problems. But for long-term planning, it would be necessary to consider the option of participating in the capital market.

Asset Rationalisation

The disposal of assets is a necessary strategy to generate cash for the short-term. This usually focuses on the excess or non-essential assets of a cash-starved company. Excess motor vehicles and landed properties may have to be liquidated for immediate cash relief. Where essential assets have to be disposed, the decision becomes harder to make. An action to dispose the essential plant and equipment or operating premises may jeopardise the future of the company and its business image. As such, it should be avoided as much as possible.

Non-Essential Assets

For these assets, disposal would bring much relief. However, in a deteriorating asset market, disposal may not bring the best

Company head offices, executive jets, luxury cars and other deemed corporate symbols must be reviewed quickly for their contributions to the cash flow condition.

values. Management must be swift in making the disposal decisions and accept the lower values in exchange for financial flexibility. It may bruise the ego of those who initiated the purchase, but not willing to accept realities may be bruise the company further.

Company head offices, executive jets, luxury cars and other deemed corporate symbols must be reviewed quickly for their contributions to the cash flow condition.

Essential Assets

These assets are necessary for normal operating activities and where practical, they should be left alone. In desperate situations, they too may fall victim to buyers. If that were to happen, the cash-starved company needs to have alternative arrangements to maintain the normal level of activities. Otherwise, a disposal of essential assets may technically spell the end of the company. Among the options one can explore in conjunction with a disposal programme are:

- *Outright Sales*
  Here, the sale is expected to bring in positive cash flow. Concern would be on the price and effect on the company after the sale.
- *Sales and Lease Back*
  In order not to impair the normal operating capacity of the selling company, sale and lease back arrangements can be made. Traditionally, leasing companies are quite happy to deal with such arrangements. Beyond the leasing companies, similar deals can be struck with institutions such as Bank Islam,

Lembaga Tabung Haji, insurance funds and cash-rich companies. The essence here is the structure of an attractive deal that must be the result of some creative-thinking from the usual sale and lease back exercise.

- *Rental of Excess Capacity*
  Not all sales and lease back deals can be done. An alternative would be rental of spare manufacturing or warehousing capacity to companies in similar businesses. This may not be appealing on grounds of competition and security. This must be weighed carefully by the cash-starved company and its executives. Priority must be cash flow generation.

Some may consider contract manufacturing as a better alternative to rental of excess capacity.

- *Contract Manufacturing*
  Some may consider contract manufacturing as a better alternative to rental of excess capacity. This may entail some cash flow planning as it can be viewed as additional business. Strict contract manufacturing would only yield a fixed return, with working capital commitment the sole responsibility of the third party.

While these are treated as longer term actions because of their potential side effects, some of them can also be regarded as short-term strategies. For longer term outlook, some forward planning may have to be done concurrent to the pursuit of immediate needs.

Mergers and Acquisitions (M&A)

- The possibility of M&A always looms when difficult times surface. Many organisations that are not prepared may find themselves disappearing from the next round of business recovery. An M&A exercise is a radical change and it totally restructures the people, facilities and financing
- The exercise can be a proactive or passive one. In a pro-active situation, the cash-starved company plans for an acquisition or merger that would result in cost savings, early improvement in revenue generation and access to cash flows to tie over short-term problems.
- A passive approach assumes that a stronger outside party would be interested to tie up with some strategic advantages that the company already has.
- Because M&A exercises do take time to consummate, it is important that there is early recognition of this possibility, and that management and shareholders are prepared.

The possibility of mergers and acquisitions always looms when difficult times surface.

- The merits of such an exercise can include:
  - access to cash resources.
  - new customer base and revenue generation.
  - economies of scale and cost-efficiency.
  - cash flow cost savings.
  - elimination of competition.
- The main difficulties in such an exercise include:
  - unwillingness to accept this as an option.
  - expectation that current cash flow problems are temporary.
  - competition is facing similar problems and would 'leave' the business.
  - ego to retain management control or major shareholding.

If some of these issues cannot be resolved, the M&A exercise would unlikely see the light of day.

CONCLUDING REMARKS

'Cashflowritis' is an issue not to be underestimated. If not properly dealt with in a timely fashion, it can cripple a company and even cause its early demise.

In view of this, it is fundamentally important that the company concerned respond strategically and expeditiously. Change must follow a cash flow crisis. And that would involve the careful selection and prompt implementation of both the appropriate short-term and long-term strategies to improve the company's cash flow position.

Feature

Accountants Must Think Globally

The phenomenon of globalisation and liberalisation can be likened to a double-edged sword. On the one hand, it brings in much needed capital and technological resources into our economy. On the other hand, it also threatens the existence and prosperity of local home-grown companies that are ill-equipped to face competition from world-class corporations.

Following the Asian financial crisis, the above development has been cited as one of the major causes of the Asian economic downturn. For example, Professor Jagdish Bhagwati, modern-day guru of international trade theory, has put a finger on the rapid financial liberalisation without an adequate policy and institutional framework as a major culprit of the Asian financial malaise. Free flow of global capital, he asserts, is not without its costs. As a result, several Asian Governments have become wary in accelerating their liberalisation plans.

No doubt, the flight of short-term capital out of the Asian economies in 1997 contributed to the collapse of investor confidence in the region. However, we must not forget that long-term capital or foreign direct investment (FDI) is a major contributor to the high economic growth rates that the region experienced for almost ten years before the onset of the crisis.

Unlike short-term capital, FDI is non-volatile. Foreign investors set up overseas production and marketing facilities based largely on the economic fundamentals and long-term potential of the host country. In view of this, they are not likely to panic and withdraw their investments if the economic conditions of the host country become somewhat less favourable in the short-run.

That Malaysia welcomes FDI is reflected, for example, in the Government's initiative to establish the Multimedia Super Corridor (MSC). This move has attracted the much-needed foreign resources to help develop the country's information technology (IT) industry. Malaysia needs the presence of the large IT multinational corporations (MNCs) that have the necessary capital, expertise and technology to propel it to the global IT arena.

In the process of achieving that goal, jobs will be created, while local companies will be able to find new business opportunities in serving the MNCs upstream or downstream. Needless to add, adequate investment in, and proper application of IT, will boost productivity. This is a critical factor in enhancing the prospects for sustained and strong economic growth in the 21st Century.

As mentioned above, globalisation and liberalisation have their advantages and disadvantages. There is a need to view them in the right perspective and to avoid swinging to either extreme.

In the same vein, local accountants should not be unduly worried by the external pressures to further open up the local services sector, which includes the accountancy profession, under the World Trade Organisation (WTO) framework. After all, competing with foreign-controlled accounting firms is not

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something new for the local accountants. Therefore, they should view future negotiations in the liberalisation of the services sector as both a challenge and an opportunity. The next round of negotiations will take place next year.

With regard to the WTO, it is a global organisation established to help achieve freer trade and also provide a forum for the resolution of trade disputes. The WTO operates on the principles of non-discrimination, transparency and reciprocity.

Non-discrimination means that member countries must treat all their trading partners alike, while transparency means that all countries should seek to replace disguised and unquantifiable protectionism with tariffs, which are apparent and more amenable to negotiated reduction. As for reciprocity, it implies that countries should make approximately equivalent concessions in trade deals, which would have a progressive effect on multilateral trade liberalisation.

With the advent of the WTO liberalisation of trade and services in the year 2002, foreign accountants may be practising in Malaysia with somewhat reduced restrictions if liberalisation gains further momentum. Similarly, Malaysian accountants wishing to practise overseas are likely to face fewer constraints. Hitherto, the Malaysian Government has made a commitment to bind our offer of liberalisation in the accountancy services sector under the WTO framework (see page 25).

The Malaysian Government has made a commitment to bind our offer of liberalisation in the accountancy services sector under the WTO framework.

As a first step towards liberalising the services sector, countries would need to recognise each other's qualifications. Under the WTO framework, there is an ongoing exercise to work out the Mutual Recognition Agreement (MRA) among countries. This would imply that if an accountant comes from a country where it does not have an MRA with our country, then the foreign accountant concerned will not be able to practise here. Conversely, if the accountant comes from a country with an MRA with our country, then the said accountant can practise in Malaysia, subject to the conditions under Malaysia's current offer.

Although the MRA does allow a foreign accountant to practise in Malaysia, the person concerned would still have to meet the requirements set by the regulator of the local accountancy profession, which is the Malaysian Institute of Accountants (MIA). The Institute has the sole discretion to decide whether the foreign accountant has the necessary qualifications and skills to practise as an accountant in the country.

Foreign accountants can choose to upgrade their qualifications, but it will ultimately depend on the criteria the national accountancy body sets in determining whether it wants to recognise their upgraded qualifications or not. They can also apply to qualify under the bodies as provided in the Accountants Act, 1967

Notwithstanding the above, it appears that there are adequate provisions to safeguard the local accountancy profession against excessive foreign competition. For example, foreign accountants will be required to abide by the residency requirement and a shareholding interest not exceeding 30 per cent. However, the local accounting fraternity would need to wrestle with the issue of whether such restrictions will be good for its profession and the country in the long-term.

Like other professions, the accountancy profession has undergone rapid changes in tandem with the ever-evolving business environment. Accountants would need to keep up with rapid technological changes in order to be effective and efficient in the next millennium. If the profession were to insist on keeping tabs on the entry of foreign accountants, it may deprive itself of the new technologies and expertise needed to move the accountancy profession to a higher plane.

To be sure, Malaysia lacks certain accountancy expertise and skills that are currently in high demand. For example, IT audit, accounting and reporting for intellectual capital, and forensic accounting are much sought-after expertise. In the case of forensic accounting, the expertise is needed for the purpose of fraud examination and analysis. Local organisations have to fly in forensic accountants from the developed countries such as Australia and Canada at a high cost in order to examine fraud cases.

Moreover, there have been news surfacing that certain accounting firms have already brought in foreign accountants with expertise not available in our country. Their work can simply be authenticated or signed off by the local accountants.

Such are the challenges that will require re-thinking on the part of the local accountancy profession. The beginning of the next millennium may be just the opportune time to strategise and chart new directions.

Over and above this, accountants should also be prepared and willing to "think globally". This will require a paradigm shift. Small minds must give way to those who can do great exploits with their knowledge, experience and skills. As a first step, accountants should jettison the mentality that they will always be on the losing end when our country opens up its services sector to the world. They should not forget that they can also gain by penetrating the markets abroad. To do this, they must get their act together early, because the day of increased liberalisation of the services sector is getting nearer.

Furthermore, the rapid advancement in IT has created new modes of delivery for the accountancy profession. Local accountants who rise up to these challenges and seize the opportunities can look to the world as their market. They can make a start by establishing their presence, especially in countries with British-based accounting systems such as Myanmar and Singapore. Indeed, their 'boundary' can extend further with greater ingenuity, efficiency and a pioneering spirit.

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Their views expressed in this article are their own and do not necessarily represent the views of the Institute.

The General Agreement on Trade in Services deals with the regulatory obstacles to international trade and foreign investment in services industries, including cross-border practice of accountancy and other professions. It sets out the rules to discipline government intervention in the market place to achieve the following purposes:

- Ensure that foreign or internationally-affiliated service providers, firms and professionals enjoy the same privileges as their domestic counterparts or competitors with respect to government regulation.
- Remove discriminatory obstacles to market entry and practice by persons from other countries by concentrating solely on those issues that relate to professional qualifications.
- Provide transparency to all service providers as to the rules governing recognition of qualifications.

Signatories to the GATS and its provision bind their national and sub-national regulatory authorities.

BASIC WTO PRINCIPLES

Market access, which when granted, has to be on a basis consistent with GATS and allow services to be supplied according to the preferred mode of delivery of the producer.

Most-favoured nation (MFN) treatment works on the principle of treating one's trading partners equally. Under GATS, if a country permits foreign competition in a sector, equal opportunities in that particular sector should be extended to service providers from all other WTO members. MFN applies to all services, except for some special temporary exemptions.

National treatment refers to equal treatment for foreigners and one's own citizens. Under GATS, it only applies where a country has made a specific commitment and exemptions are allowed.

Transparency, under GATS, is the making available of all relevant laws and regulations. Foreign companies and governments can inquire and obtain information about the rules and regulations of any service sector. Member countries are required to notify the WTO of any changes in the regulations applicable to the services that come under specific commitments.

Regulations governing the services sector have to be applied reasonably, objectively and impartially.

International payment and transfers for services supplied in a particular services sector should normally be unrestricted once a government has committed itself to open that sector to foreign competition.

Specific commitments refer to individual countries' commitments to open markets in specific sectors. The degree of openness is the outcome of negotiations. Malaysia's current offer of liberalisation in the accountancy services sector is an example of specific commitment. Where commitments are bound, they can only be changed or withdrawn after negotiations with the affected countries, which may lead to compensation. Owing to the difficulty of "unbinding", the commitments are almost guaranteed conditions for foreign exporters and importers of services and investors in the services sector to conduct their operations.

Progressive liberalisation is effected through further negotiations. The next round of negotiations with respect to GATS will be held next year. The objective is to extend the boundary of liberalisation by raising the level of commitments that appear in the schedules.

Malaysia's Current Offer of Liberalisation in the Accountancy Services Sector

Modes of supply: j *Cross-Border Supply* k *Consumption Abroad* l *Commercial Presence* m *Presence of Natural Persons*

Sector or Subsector	Limitations on market access	Limitations on national treatment	Additional Commitments
BUSINESS SERVICE	**SECTOR-SPECIFIC COMMITMENTS**		
Accounting, auditing and bookkeeping services (862)	jk None l Only through a locally registered partnership with Malaysian accountants or Malaysian accounting firms and aggregated foreign interest shall not exceed 30% m Unbound except as indicated in the horizontal section Residency is required for registration*	jk Auditing services must be authenticated by a licensed auditor in Malaysia l None m Unbound except for the categories of natural persons referred to under market access	m The qualifying examination to determine the competence and ability to supply the service for the purpose of registration with the professional bodies will be conducted in the English Language
Taxation services (863)	jk None l Only through a locally registered partnership with Malaysian accountants or Malaysian accounting firms and aggregated foreign interest shall in the partnership not exceed 30% m Unbound except as indicated in the horizontal section Residency is required for registration*	jk Taxation services must be authenticated by a licensed auditor in Malaysia l None m Unbound except for the categories of natural persons referred to under market access	m The qualifying examination to determine the competence and ability to supply the service for the purpose of registration with the professional bodies will be conducted in the English Language

** This is in respect of professionals being persons who possess necessary academic credentials, professional qualifications, experience and/or expertise which have been duly recognised by the professional bodies in Malaysia and registered with those respective professional bodies.*

Note: The General Agreement on Trade in Services (GATS) encompasses all globally traded services. This includes the four modes of supplying a global service as defined by GATS, namely, cross-border supply (i.e. services supplied from one country to another such as international telephone calls), consumption abroad (i.e. consumers or companies using a service in another country such as tourism), commercial presence (i.e. a foreign company establishing subsidiaries or branches to provide services in another country such as foreign banks establishing operations in another country) and presence of natural persons (i.e. individuals moving from their own country to supply services in another country such as consultants and fashion models).

Institute News

1999 National Credit Management Conference

The two-day national conference on credit management was timely and appropriate, as it dealt with critical issues of the day. Participants went away much better informed and equipped, among other things, on how to detect an economic downturn, and manage credit risks, non-performing loans and debt-restructuring. A timely reminder was the importance of being an all-round credit manager.

The Malaysian Institute of Accountants, in collaboration with the Association of Credit Management Malaysia (ACMM), organised a two-day national credit management conference to examine the various issues concerned with credit and debt management. The conference was co-sponsored by the Australian Institute of Credit Management, Association of Merchant Banks in Malaysia, Business Times, Fuji Xerox Sincere Service Centre and Executive Mode. The two-day conference was held at Shangri-La Hotel, Kuala Lumpur on 18-19 May 1999.

The conference was officiated by the Governor of Bank Negara Malaysia, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman. Tan Sri Dato' Seri Ali Abul Sulaiman also delivered the keynote address for the conference. The Minister of Foreign Affairs, YB Datuk Seri Syed Hamid Albar, was the guest of honour for the conference's dinner function that was held on the first day of the conference, while the Minister in the Prime Minister's Department, YB Dato' Dr Hjh Siti Zaharah Sulaiman delivered the closing address on the last day of the conference. The Institute was deeply honoured to have the presence of these guests of honour at the 1999 National Credit Management Conference.

Mr Billi P.S. Lim managed to motivate more than 300 participants with his inspiring talk on "Dare to Fail" on the second day of the conference

The objective of the conference was to review the critical lessons of the 1990s in the area of credit and debt management. The 1990s is a turbulent period that has been marked by upswings and downturns. The recent economic downturn has exposed and weakened the financial position of many corporations to a large extent.

To coincide with its main focus, "The Lessons of the 1990s — Credit Where Credit Is Due" was chosen as the theme of the conference. Besides highlighting and examining the critical credit issues of the 1990s, the conference also focused on ways to strengthen the financial position of corporations that have been weakened by the economic and financial crisis. Corporate recovery must be carried out expeditiously in order to bring about a swift economic recovery.

Experts in their respective fields were invited to present relevant discussion papers at the conference. The speakers include highly experienced practitioners and corporate leaders and analysts, who hailed from renowned organisations such as the Australian Institute of Credit Management, KPMG Asia Pacific, Baker & McKenzie Singapore, QSP Financial Information System, National Credit Insurance Broker, F&N, Coca-Cola, Metrowangsa Asset Management, Bank of Commerce, Ratings Agency Malaysia, Malaysian Rating Corporation and Credit Corporation Malaysia.

Among the discussion papers presented were:

- The Future of Credit Management — Trends in Developing Countries
- Managing Non-Performing Loans and Debt Restructuring

- Credit Risk Management in an Uncertain Business Environment
- Credit Risk in International Trade
- The Early Warning Signals of an Economic Downturn
- Lessons Learnt from Non-Performing Loans
- Effects of the Recent Amendments to the Bankruptcy Act 1967
- Credit Rating — Techniques & Issues
- The Role of the Credit Manager in Promoting Business Transformation
- Understanding Sovereign Rating
- Insolvency Laws — Need for Reforms.

There was also a special talk on "Dare to Fail" on the second day by the author of the book of the same title, Mr Billi P.S. Lim. He is a popular motivational speaker and founder of the Institute of Hardknocks. Using his sharp-witted jokes, Lim managed to impress upon 300 conference participants that failure should be viewed in a positive light. He said that all is not lost if we manage to learn from our mistakes, and do not lose the spirit and confidence to face challenges in the future.

Mr. Lam Kee Soon, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, YBhg Dato' Hanifah Noordin and Mr. S. Santhirasegaran taking questions from members of the press

YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, Governor of Bank Negara Malaysia accompanied by MIA President, YBhg Dato' Hanifah Noordin and MIA Vice President, Mr. Soon Kwai Choy

BNM Governor delivering his keynote address during the opening ceremony

With the sound of the gong, the conference commences

The VIPs at the opening ceremony (L-R) — Mr Soon Kwai Choy, Mr Steve Barratt, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, YBhg Dato' Hanifah Noordin and Mr S. Santhirasegaran

YBhg Dato' Hanifah Noordin welcoming dinner guests

Mr. Goh Joon Hai, Encik Ahmad Salleh and Encik Abdul Aziz Ibrahim mingling outside the Grand Ballroom at the Shangri-la Hotel, just before the dinner started

YBhg Dato' Hanifah Noordin presenting a gift to YB Datuk Seri Syed Hamid Albar, while Mr Lam Kee Soon looks on

Camelia's rendition delighted the dinner guests

Nesan Ponniah entertaining the dinner guests with his brand of humour

Mr Soon Kwai Choy, YB Dato' Dr Hjh Siti Zaharah Sulaiman and YBhg Dato' Hanifah Noordin at the closing ceremony

YB Dato' Dr Hjh Siti Zaharah Sulaiman delivering her closing address

Learning the Lessons of the 1990's

The Malaysian economy is on the road to recovery. However, we must learn from our past mistakes in order to avoid being caught by surprise again in the future. Malaysian Institute of Accountants President, YBhg Dato' Hanifah Noordin said this in his welcome address at the opening ceremony of the 1999 National Credit Management Conference.

Hanifah elaborated that "The Lessons of the 1990s — Credit Where Credit Is Due" was chosen as the theme of the conference because there are invaluable lessons to be learnt from this turbulent period. "In the early 1990s, Malaysia and other Asian countries had experienced what the World Bank dubbed as "The East Asian Economic Miracle". At that time, the economies of most Asian countries, including Malaysia, were expanding at high growth rates over consecutive years," said Hanifah.

YBhg Dato' Hanifah Noordin believes that the local corporate recovery mechanism can be enhanced with the introduction of Judical Management

"As all of you know, the high economic growth pattern of the East Asian region was disrupted and subsequently reversed when the economic and financial turmoil broke out in the middle of 1997. This onset of the crisis marked the beginning of the end to "The East Asian Economic Miracle". When the economic crisis hit Malaysia, consumer and investor confidence took a nosedive almost overnight. When sales plunged, bad debts soared and financial institutions withdrew their lines of credit, many small and large organisations ended up technically insolvent. Deprived of the necessary cash flow to meet short-term credit obligations, the operations of these cash-strapped organisations were disrupted to a large extent."

"The severe cash flow problems faced by many organisations in the past two years could have been avoided or alleviated if they had adopted and practised sound financial and credit management policies in the first place. Nevertheless, we have to learn from our mistakes to make sure that we will not be caught by surprise again in the future," added Hanifah.

Hanifah said that a few years before the crisis actually broke out, an economics professor at the Massachusetts Institute of Technology (MIT), Dr Paul Krugman had predicted that the East Asian economic miracle would come to an end. "According to Krugman, the high growth rates of East Asian economies could not be sustained over a long time span. Krugman said that East Asian countries such as Malaysia relied on deploying and mobilising additional labour and capital resources to achieve high economic growth rates. Dr Krugman claimed that such a strategy could not be used to generate sustainable growth for a country over a long period of time. A country has to find new ways and strategies to utilise its current stock of labour and capital more efficiently," said Hanifah.

"His critical analysis of the East Asian economies should have given a strong warning signal to regional countries on the impending economic downturn. Krugman's analysis gave a fairly accurate description of the prevailing corporate culture during the pre-crisis period. Then, local corporations were somewhat obsessed with acquiring assets to enhance their balance sheets. To quench their thirst for assets, they went to the extent of depleting their cash reserves and even borrowing huge amounts of money from financial institutions."

"Worst of all, most corporations had acquired a huge amount of assets during the boom time, without considering whether these assets could really be employed to improve their capabilities to add significant value in the market place. Some organisations decided to acquire other companies at inflated prices in order to diversify into other industries, while others incurred huge capital expenditures to participate in expensive projects that offered dubious returns on investment."

Hanifah said that some organisations had over-leveraged themselves in their quest of acquiring assets. "They had borrowed heavily from the financial institutions to finance asset acquisitions and expensive projects, and as a result, their gearing position increased significantly. In addition, these corporations had weak liquidity positions since they had used up most of their cash reserves to finance the acquisition of assets."

"The onset of the economic crisis, which brought about the decline of investor and consumer confidence, exposed as well as exacerbated the weak financial position of local corporations that had high gearing and weak liquidity positions. When the economic conditions turned unfavourable, these asset-rich but cash-strapped corporations could not generate the necessary cash-flow to service their loans with financial institutions," said Hanifah.

"These organisations should have adopted and practised a more prudent credit and financial management policy. They should have relied on internal funds generated from their existing operations and business to finance corporate expansion at a sustainable rate. The heavy reliance on external borrowing exposed organisations to the various credit management risks. Some organisations even went to the extent of using short-term funds to finance long-term projects."

"The over-leveraged corporations found themselves strapped for cash. With the decline in the value of assets, these organisations faced difficulties disposing off their assets at acceptable prices to raise cash to meet their short-term obligations. When corporations were unable to service their loans, financial institutions ended up with high levels of non-performing loans. This development impaired the capacity of financial institutions to provide finance for viable economic activities," added Hanifah.

"We are glad that the Malaysian Government had adopted a proactive approach in solving the quagmire that our local financial institutions and corporations were facing. We applaud the Government for making significant progress in cleaning up the non-performing loans of the financial institutions, as well as restructuring and revitalising the local financial sector."

"The Government also realised that viable businesses with temporary cash flow problems can be nursed back to good health if they were given enough time. Accordingly, the Government introduced Pengurusan Danaharta Nasional Berhad and established the Corporate Debt Restructuring Committee (CDRC) to give cash-strapped companies more space to manoeuvre in settling their debts."

However, Hanifah believes that the corporate recovery mechanism in the country can be further enhanced with the introduction of judicial management. "Countries like the United Kingdom, Singapore and Canada have already been practising judicial management. In these countries, judicial management is found to be very effective in rehabilitating and turning around viable businesses with temporary cash flow problems. Judicial management is a provision that allows a company, or its directors or creditors, to apply for a court order to place the company under judicial management if it cannot pay its debts when they fall due. Judicial management can help produce a win-win situation for both creditors and debtors," said Hanifah.

"When a company is placed under judicial management, it will be granted protection from creditors who may want to put the company under receivership. At the same time, an independent body will be established to supervise the rehabilitation process, making sure that the management of the company comes up with a concrete restructuring scheme. This independent body will look after the interests of the debtor company and creditors."

"Judicial management can help prevent the mass liquidation of insolvent companies that cannot pay their creditors in the short-term. Liquidation usually creates a situation where the assets of the cash-strapped company are sold at fire-sale prices. In contrast, judicial management will allow for a more advantageous realisation of the company's assets," said Hanifah.

"The Institute hopes that the Government will look into the possibility of introducing judicial management to help expedite the rehabilitation of viable businesses that are facing short-term financial problems. We hope that the Government will amend the Companies Act 1965 to include the judicial management framework," added Hanifah.

The Future of Credit Management — Trends in Developing Countries

At the recent 1999 National Credit Management Conference, Mr Steve Barratt got the ball rolling on the first day by presenting a paper entitled *The Future of Credit Management — Trends in Developing Countries.* Barratt is currently the President of the Australian Institute of Credit Management (AICM).

Mr Steve Barratt speaking authoritatively on where credit management is heading

Barratt said that although countries may vary culturally, the globalisation of credit has meant that the vital importance of sound credit management to a company is universal. "It is in times of financial difficulties that the challenge to credit management is at its greatest, and the vital importance of highly-trained and far-sighted credit management staff is now, more than ever, critical to survival in large and small businesses," said Barratt.

"Looking at Malaysia, I see a country that has had a meteoric economic boom over the last ten years or so, only to be followed by a more recent correction. While companies were enjoying high growth, and there seemed to be no end to massive profits, credit management seems to have been pushed to the back when evaluating departmental importance."

"Somehow it did not seem to matter so much that there was 10 per cent written off every financial year when the company was surging ahead at growth rates of between 20 per cent and 50 per cent. Nothing could halt the rampage forward of the Asian Tiger economies. Only now, when flourishing corporate life has become more difficult, has the importance of sound credit management again been recognised by companies all over the world," added Barratt.

"My own observation is that the importance of credit management has not until recently been treated as very important within the developing Asian economies and, for that matter, elsewhere. In the past, credit managers were accorded very little recognition. The Americans have for a long time often positioned a credit manager on par with a sales manager in the corporate structure, but only in recent times has this started to become a more common occurrence elsewhere."

Barratt thinks that the "them and us" mentality is slowly giving way to "us". "I believe that this will inevitably occur in Malaysia as the traditional battle between the sales force and credit force gives way to an integrated approach, whereby sales and credit work together for a common objective, namely, to sell the product and be paid for it," said Barratt.

Later in his presentation, Baratt provided his view of the future directions credit management is taking. "As capable credit managers become vital to a sound company, and are in greater demand, their roles have to expand too. There is no doubt that credit managers of the new millennium will have to be multi-talented, highly-educated executives."

According to Barratt, tomorrow's credit manager has to understand a company's core business at all levels so that he or

"Credit managers must learn to look beyond traditionally narrow boundaries and see the big picture. A broad and informed view of every aspect of an employer's business is key to integrating credit management into the overall company structure. Knowledge of manufacturing, sales and advertising will be essential, as well as a detailed understanding of the industry in which the organisation operates and the factors which influence it."

she can tailor credit policies that add value to the company. The credit manager also needs to understand strategic planning for the whole organisation.

"Credit managers must learn to look beyond traditionally narrow boundaries and see the big picture. A broad and informed view of every aspect of an employer's business is key to integrating credit management into the overall company structure. Knowledge of manufacturing, sales and advertising will be essential, as well as a detailed understanding of the industry in which the organisation operates, and the factors which influence it," said Barratt.

"Too often in the past many so-called credit managers also had other tasks like office manager, personnel manager, bookkeeper or assistant accountant. Today's credit manager is beginning to assert his or her importance by providing confident and highly visible leadership within the credit department and elsewhere. The voice of the credit manager must become as influential as that of the sales manager."

"Credit managers of tomorrow must also be proficient in getting the message across. Implementation of effective credit policy now requires a highly developed capacity to negotiate at all levels and across all boundaries. They also must be able to forge strategic partnerships with external and internal players that contribute towards the differentiation of their organisations' services. They need to collaborate with lawyers, accountants, service suppliers and other independent experts to provide added value to the credit department," said Barratt.

"Tomorrow's credit managers must develop a direct interface with customers at a much wider level. By pre-checking the creditworthiness of potential clients so that the sales staff can approach the customers with more confidence, credit managers can help improve the effectiveness of the company's sales force. They should not necessarily be reactive to an application for credit. They should be proactive by having the initiative to offer suggestions to the company's sales force as well as providing advice to a customer experiencing financial difficulties."

Barratt said that credit managers must

"There is little doubt that the current hot topic relating to credit management is the Internet. This global digital library, which has flourished on the back of the extraordinary explosion in computer and communications technology, offers the credit manager of now, and the future, a hitherto undreamed of source of information through instantaneous channels of communication."

also upgrade their IT-literacy in order to be effective in tomorrow's competitive business environment. "There is little doubt that the current hot topic relating to credit management is the Internet. This global digital library, which has flourished on the back of the extraordinary explosion in computer and communications technology, offers the credit manager of now, and the future, a hitherto undreamed of source of information through instantaneous channels of communication."

"The wide variety of information that is currently available to credit managers through the Internet merely gives a hint of what is to come. Companies such as the pioneer American company Dun & Bradstreet, also provide online services that permit credit managers to have almost instantaneous access to information that once would have been considered out of reach, or impractical to obtain within a feasible time-frame. Now, distance no longer impedes accessibility of information — only the training of staff and the sophistication of delivery systems within companies will be the constraints," said Barratt.

"There are now numerous software applications that provide a credit manager with a technical method of evaluating the creditworthiness of potential customers by using a formula for financial analysis. The benefits of credit scoring are the speed, the accuracy and the consistency, coupled with reduced personnel cost, better presented and more informative management reports and hopefully significant reductions in bad debts."

"An example of this technology is sometimes known as credit origination software. This is a programme that allows intermediaries to make on-the-spot automated credit assessment, while the decision-making criteria remain central. In the US, these programmes were originally developed for credit card companies which, because of the large number of applications being dealt with on a daily basis, could not justify significant time and resources in evaluating each applicant individually."

"Now, the use of credit scoring appears to be growing without entirely replacing that most valuable of all credit management skills, that is, informed judgment. Already these programmes are being utilised for expediting credit decision-making in very competitive markets like telecommunications and retail lending institutions. We have seen this in Australia where finance companies can, from small outlets in shopping centres, process applications for loans in a form that allows almost instantaneous approval by the head office. This minimises the chance of a customer of being lost to a competitor while waiting for such approval," added Baratt.

According to Baratt, credit managers must also master other advanced technologies such as e-commerce, e-mail, electronic data interchange or EDI, video conferencing, computer telephony and online banking in order to prevail in tomorrow's competitive business environment.

"Most importantly, credit managers of the future will have to be all-rounders. They will need to be equipped with a diverse range of skills to do their job effectively. They will need a good working knowledge in accounting, economics, strategic planning, law, information technology and marketing. Credit managers also must have a sound understanding of the global economy, as they need to understand the potential pitfalls of doing business in other countries," concluded Baratt.

Financial Reporting — Challenges and Emerging Issues for Media and Auditors

By YBhg Dato' Hanifah Noordin

This paper was delivered at the Malaysian Institute of Corporate Governance's Media Briefing at the Kuala Lumpur Stock Exchange on 9 June 1999. YBhg Dato' Hanifah Noordin, MIA's President, is also the Vice-President of the MICG.

Media Assessment of Company's Performance and Prospects

On this topic, I would comment that media assessment of a company's performance and prospects tends to be from a speculation perspective rather than stewardship functions of control and growth in the longer term. It is in this context that financial statements are viewed as historical, only important at a particular point in time for the communication of value-relevant information and to assist in the decision-making processes of the investors.

In Malaysia, some public listed companies (PLCs) are already performing at world-class standards, such as Telekom Malaysia Berhad, Malayan Banking Berhad, KL-Kepong Malaysia Berhad, Sime Darby Berhad, just to name a few. Of course, there are still some companies which are not geared up to perform at world-class levels because they are too complacent with themselves, and not prepared to measure themselves against the best. This is where I would emphasise that the best practices on corporate governance are to be promoted, so that every PLC can be made conscious to aspire for world-class standards.

Notwithstanding this, we have already seen some remarkable success stories of certain Malaysian listed companies in *Asiaweek's* published list of most admired companies in Asia. However, those companies which are not listed should make their own assessment and make every effort to join in the league, if they can.

Earlier, I commented that most media assessment of a company's performance and prospects are usually viewed in the short-term perspective, with them reporting mainly the bottom-line results and market capitalisation in terms of their net worth and shareholder return. In this connection, I would like to stress that media assessment can help, especially to instil upon such companies which are usually satisfied with what they are, without being bothered to become globally competitive. This, I feel, is due to complacency and ignorance of world-class standards for performance, inadequate research and development effort carried out for their products and services, over-reliance on financial measures of performance while adopting the national type of adversarial culture of competing among only local companies, and not in the global markets.

I would say media assessment is extremely useful in that it can play a key role in awakening companies on their performance and prospects, which should lead to enhancing shareholder value in the long-term, given that financial reporting is to provide information that can be used as a major force for change and improvement in corporate governance and effective management. They can also make companies more aware of their social responsibility and the impact of competition arising from rapid technological developments, globalisation, new employment patterns of knowledge workers and organisational structure, alongside with the increasing importance of environmental issues and stakeholders' concept.

Their contribution will have a big and lasting impact on disclosure of information, transparency of substantial transactions, accountability of company directors and companies, maintenance of public confidence, as well as upholding the best practices on corporate governance, so as to justify the legitimacy of their operations and business conduct.

The media must know that as the world business climate changes, amid the rise of economic liberalisation and globalisation, the rules of competition will also change rapidly. The effect of these changes is to influence company directors and management on the importance of investor relations and harmonious media publicity while, at the same time, maintaining closer relationships with employees, customers, suppliers, investors and the community. Through frequent dialogue and communications with stakeholders, they will be able to easily anticipate, innovate and adapt fast enough to sustain continuous success for their companies, while maintaining investor confidence.

Financial reporting is primarily concerned with the communication of information relevant to users, who will depend on it to assess fairly the company's prospects and its future share prices. Often, the communication of information is directed by extant statutes and reporting accounting standards, and it is usually in some ways the responsibility of company auditors to ensure compliance by company directors.

Whatever the situation, I perceive that shareholders would only look at financial reporting to be useful in assessing a company's performance and prospects in two dimensions:

Firstly, they use financial reporting as the means for companies to address the extent to which, and the circumstances under which, they are operating to achieve results with the objective to inform truly or otherwise, and the issues that are clear to shareholders and media are the effects of the information gap that usually exists, giving rise to a divergence between the company's disclosure and market expectations of investors.

Secondly, financial reporting is to provide shareholders with the correct perceptions of the way in which the investing public or investors will evaluate the information published by the company and the people who are behind the management, and how they use it to assess the company's financial position and its future prospects. These perceptions depend very much on the quality and quantity of information, and the analytical competence of the investing public to evaluate it, besides the information they can obtain elsewhere from the market place.

I believe the media assessment usually concentrates on share prices, price-earning ratios and market capitalisation as the performance benchmark for the company's success, ignoring somewhat those important factors or expectations such as shareholder returns, take-over threats, equity finance, share option schemes, perceptions of investors about the company's reputation/image, and its failure to comply strictly with the stock exchange listing obligations.

In order to help them understand a company's performance and prospects better, it is advisable for the company to set up investor relations programmes. This will enable the media to meet company directors and senior management more frequently, and to allow them to understand the affairs of the company, including its strategy and business policy, and not just whether the company has complied with the regulations. They must also be able to assess the calibre, experience, reliability and creativity of company directors and senior managers in charting the company's direction, as well as their confidence by talking to them.

Often, financial reporting does not address directly either corporate strategy or the quality of the board and management, except for the disclosure of information that is often limited to operating and financial review. Thus, financial reporting must be designed in such a way that it must be able to supply the media with appropriate information (both financial and non-financial), with which the investing public or investors can judge the company's effectiveness in upholding the best practices on corporate governance and to enhance the value of the company's shares and its prospects in the long-term.

Quarterly Tracking and Review of Financial Management of Public Listed Companies

It is important to know that disclosure of information about a company's activities has its costs. In the case of quarterly reporting, I believe, the costs will not be higher than extracting information from accounting records and including it in the annual report. Nevertheless, I believe it is a worthwhile task for company directors of all PLCs, as the benefits derived from it will far exceed the costs in terms of performance and prospects of running a good company to benefit shareholders and investors in the long-term.

However, it is noted that financial markets, investment analysts and fund managers are usually too short-term oriented, looking for profits and dividend payouts. As a result, the stock market punters place too much emphasis on current performance while company directors and management expect incentives to be earned, with too little emphasis on the longer term prospects and growth.

As for quarterly reporting, if the information is disclosed with emphasis in the short-term, it can prove to be not much useful to investors, except for timely disclosure of information for them to make decisions, i.e. either to sell or buy for the short-term.

However, if the information is in the long-term interest, its disclosure needs to be comprehensive, reliable and up-to-date. The information should be regularly published by the companies and made readily accessible. In this context, I agree quarterly reporting is important, as it can act as a deterrent against corporate excesses, abuses or even frauds.

Normally in the stock market and for the investment analysts, I believe they tend to sell shares and will not hesitate indulging in window-dressing in a bull market. However, they will begin to conduct financial analysis for every investment decision they make and continue to do it as an important exercise in the bear market, provided that they can easily obtain all the information regarding the companies. This is where, I think, the best practices on corporate governance will contribute to the well-being of the company.

The quarterly reporting introduced by the Kuala Lumpur Stock Exchange (KLSE) this year aims at:

- Greater and more timely disclosure of information in financial reporting of company's results.
- Improved enforcement of existing rules and regulations as part of the move towards making audit committees effective and promoting good corporate governance.
- Awareness of increased sanctions imposed on company directors and PLCs for wrongdoing and poor internal control systems due to the lack of corporate governance.
- Greater emphasis on transparency and accountability of com-

pany directors, as the KLSE moves towards a full disclosure-based regime.

The KLSE's requirements for the PLCs pertaining to the quarterly reports are as follows:

- Submission of the quarterly report comprising the balance sheet, income statement and explanatory notes on a consolidated basis not later than two months after the end of each quarter.
- Quarterly report must include information contained in Appendix IIIA of the Listing Rules.
- Balance sheet, income statement for the current quarter must show comparative information (of immediately preceding year, as well as the year-to-date).

With the quarterly reporting regime in place, financial reporting is now operating in a more regulated environment.

As for the submission of the annual report, the audited accounts and the report itself must be issued to shareholders within a period not exceeding six months after the year-end. Notwithstanding this, the annual audited accounts, together with the Auditors' Report and Directors' Report must be submitted to the KLSE for public release within a period not exceeding four months after the year-end.

External Auditors — Challenges and Emerging Issues

The role of financial reporting through proper dissemination of information and regular disclosure thereof, and the effective method of presentation is to improve the effectiveness of the capital market and the efficiency in allocating resources among competing enterprises.

I would say without a doubt that a good financial reporting system produces information that is actually used by the investing public or investors. Financial reporting in this context is a generic term used to include financial statements and disclosure of information. Thus, external auditors have a direct interest in current efforts to urge for higher standards of corporate governance and greater accountability. They are entrusted with the responsibility of exercising a high standard of reasonable care and skills in their professional services, so as to achieve the following objectives:

- Enhance the efficiency of the capital market for allocation of resources.
- Present a true and fair view of financial statements that are of high integrity and objectivity for the investing public or investors.
- Bring greater benefits of accountability and responsibility of company directors and management for shareholders/investors.
- Establish an effective corporate governance regime for greater managerial performance.

… independence of external auditors is absolutely important, as our country advances into the new millennium where more challenges will be faced by company directors due to greater deregulation and complexity of the global economy.

The standards of independence of external auditors and their attitudes towards integrity and objectivity of financial reporting will always put a test on the reliability and competence of external auditors. These are challenges which external auditors would face from time to time, with the advent of the corporate governance regime. There will be constraints facing external auditors, especially when their audit firms are engaged in expanding their non-audit services such as taxation, business advisory services and information-technology consultancy services where they can expect to earn better margins for their professional work.

Auditing is a traditional compliance work, often restricted in scope for fee remuneration, but with greater inherent risks in complex business environments. As external auditors get to know their clients and company directors better, there is a tendency to be cosy in their long-established relationships, providing more non-audit services that might result in the lack of independence. Often, it is argued that their inside knowledge of the company management and shareholders would make them more efficient in their provision of non-audit work of corporate services such as mergers and acquisitions, and due diligence work.

Whatever the situation, external auditors should not lose sight of their role as a public watchdog and to promote investor confidence in the market-place. They have a statutory responsibility in overseeing the internal control matters, and for which members of the audit committee, assisted by internal auditors, have an onerous responsibility. I believe in this respect, the independence of external auditors is absolutely important, as our country advances into the new millennium where more challenges will be faced by company directors due to greater deregulation and complexity of the global economy.

I firmly believe it is essential that audit committees must be made effective, with capable auditors in them, so that they can play a key role in promoting effective corporate governance. Where external auditors are still able to provide a certain extent of non-audit work to company directors, they have to remain independent, balancing objectivity with costs, while being acutely conscious of the best practices on corporate governance at all times. In time to come, most audit firms will tend to be multidisciplinary in nature, and this is where, I think, real challenges lie ahead to ensure that effective corporate governance remains in force.

A Seminar on Managing Corporate Risks

In reality, the element of risk is omnipresent. We must acknowledge the existence of this phenomenon and deal with it in order to avoid being caught by surprise. We cannot avoid risks in our lives, but we can find ways to manage them. By denying the existence of risks, we could expose ourselves to serious and damaging consequences that might possibly take place in the future.

The Institute recently organised a seminar entitled, "Corporate Risk Management" to educate about 50 participants on how organisations can deal with the ubiquitous element of risk. The participants, who hailed from various industries, were impressed by Mr Kenny Tay's presentation skills at the seminar.

Kenny Tay, Principal Consultant of Finet Associates, conducted the one-day seminar, using several real-life and hypothetical examples to illustrate his points. By employing this method, Tay managed to convey his thoughts and ideas to the participants in an effective manner. He also tried to make the seminar as interactive as possible by encouraging participants to provide their input.

Tay got the ball rolling by highlighting how risks can affect a business. "Risks threaten the prospects of achieving a company's goals and can even cause failure. Risks affect a company by reducing its ability to compete, thereby threatening its ability to exist. The destruction of markets, production capacity and distribution facilities as well as the deterioration of a company's financial position can take place when a company fails to deal with the element of risk," said Tay.

Tay highlighted that the sources of risks can be classified into two types — internal and external. "The internal sources of risks are related to the company's management, operations and financial structure. A weak and incompetent management may eventually lead to the downfall of the organisation. Risks related to operations cover problems like breakdown of machinery and delays in production schedule. On the other hand, a company with weak internal controls may expose themselves to fraud risks. To mitigate these risks, an organisation has to consider upgrading the skills of its managers, implementing strong internal controls and revamping the corporate culture."

"The external environment in which corporations operate is also filled with various types of risks. Organisations have to deal with risks that relate to external factors such as the political and legislative scene, macroeconomics, market structures, industry structures and technology considerations. A company can mitigate external risks by, for example, anticipating economic cycles, diversifying its business as well as investing in research, and development of new products," said Tay.

According to him, if internal and external risks are not dealt with, they can cripple the operations of a company. Such risks can adversely affect the company's asset value, revenue, cost, performance, timing and schedule of activities, goodwill as well as organisational behaviour. "Unmitigated risks make the staff feel uncertain and insecure about working in an organisation. This situation can bring about an increase in the level of office politics and a decline of staff morale. This will lead to a collapse of the teamwork spirit and a general loss of direction," stressed Tay.

"That is why organisations need to establish a risk management programme.

Participants listening attentively to Mr Kenny Tay

This programme must be backed by a risk management policy. The risk management policy will define the company's objectives for and commitment to risk management. This policy should also state the relevance and importance of risk management to the company's overall objectives and the nature of its business. For the risk management policy to be effective, it must be communicated clearly to all levels of the company."

"The company should also have an organisational structure to accommodate the risk management programme. The Chief Executive Officer of the company should appoint a senior manager to establish a risk management system, and oversee its implementation and maintenance. The appointed person should also be responsible for the reporting of the risk management system's performance for the purpose of management review," said Tay.

"With a risk management policy and a proper organisational structure in place, the organisation can then go ahead and implement the formulated risk management programme. As with implementing other plans and programmes, the management should monitor and review the effectiveness of the risk management programme on a constant basis."

New Business Rules for the Networked Economy

Electronic commerce or e-commerce is going to revolutionise the way business is done in Malaysia. The growth of e-commerce is expected to gain momentum in the country as more corporations become aware of the competitive advantages that e-commerce offers in marketing their products and services. The success of e-commerce Web sites in the US will motivate our local corporations to 'think e-commerce' in the next millennium.

Mr. Bruce Elliot believes e-commerce will change the way business is done

E-commerce allows any business to reach out to the global market at a relatively low cost. With the rapid advancement of technology, the costs of setting up an e-commerce Web site are expected to decline further in the near future. Currently, the cost per transaction for selling on the Internet is already many times lower relative to traditional marketing and sales channels.

E-commerce may be a hot phenomenon, but can just anyone succeed in the networked economy? The answer is no. It takes a great concept and a unique selling proposition to prevail in the e-commerce arena. Mr Bruce Elliot stressed this point during the seminar entitled "E-Commerce Strategy for the Networked Economy".

The one-day seminar was organised by the Malaysian Institute of Accountants, in collaboration with the Infoscience Technology Group. The futuristic seminar managed to attract more than 50 participants. At the seminar, Elliot shared his vast knowledge and experience in the e-commerce and Internet industry with great effect. (Elliot is currently the Managing Director of the World Wide Web Institute. He is also the co-founder of Internet Prolink, an Internet company that was acquired by PSInet.)

At the onset of the seminar, Elliot said that the new economy is being driven by a profound development — individuals and companies worldwide are being linked electronically. "The

> "The Internet is a global medium that allows companies to communicate directly with customers located around the world. The introduction of e-commerce Web sites extends this concept further by allowing customers to make online purchases. With this development, the rules of doing business have changed in a drastic way."

Internet is a global medium that allows companies to communicate directly with customers located around the world. The introduction of e-commerce Web sites extends this concept further by allowing customers to make online purchases. With this development, the rules of doing business have changed in a drastic way," said Elliot.

"E-commerce brings about a situation where distance is no longer an issue. It allows companies to market and sell products as well as services to customers located anywhere in the world. This implies that the world is your customer and competitor at the same time. The digital business concept can connect a company with customers all over the world, but this exposes the company to worldwide competition. For example, Amazon.com has managed to sell books to 1.5 million customers that are located in more than 160 countries from an office in Seattle in the past three years."

"E-commerce also causes time to 'collapse'. With the advent of e-commerce, companies need to respond quickly in order to survive and thrive in the market-place. It is becoming increasingly important for companies to learn from and adapt to the needs of the market-place in real time. One fine example of a highly responsive company is Dell Computers. By allowing customers to custom-configure and build their own PCs via its electronic commerce-enabled Web site, Dell has revolutionised the process of selling PCs. Dell now sells more than US$10 million worth of PCs via its Web site every day."

Elliot said that the growth of the Internet is quite tremendous. "The Internet grows at an average rate of 10% every month. This means that your potential customer base will grow at more or less the same rate. The latest statistics show that there are 60 million Internet users spread over 160 countries."

"E-commerce can also change the nature of markets for products and services. Since buyers can have instant access to all types of information such as pricing and product specifications of different brands with the click of the mouse button, buyers will essentially have more bargaining power. With information available at their fingertips, buyers will strive to achieve maximum value for their money," said Elliot.

"Although sellers will have less bargaining power in electronic commerce-enabled markets, they will be given new opportunities. Businesses that offer unique products and services or the lowest prices on their e-commerce Web sites will survive and thrive. For example, Auto-by-Tel.com is a pure Internet enterprise that offers online shopping services for cars. The share price of this company has soared recently in view of its unique selling proposition."

Elliot believes that e-commerce will contribute to the more efficient functioning of markets. "The traditional middleman will be rendered irrelevant with the advent of e-commerce since buyers can now deal directly with sellers. In the new business environment, you will see the emergence of a new class of middlemen called infomediaries. Infomediaries will essentially take over the role of intermediaries," said Elliot.

"Infomediaries can help buyers to search for the best deals without much hassle on the Internet. They play the role of turning data into usable information via a community-based buying environment or powerful technology-based buying aids. Web portals such as America Online or AOL will give you an idea about what infomediaries are."

"Since e-commerce revolves around a one-to-one relationship and transaction, customers will also begin to demand customisation. There are some companies in the US that are already offering mass customisation of their products and services using e-commerce Web sites. With e-commerce technology, companies can custom-design their products and services for each individual customer. This means that companies can now achieve perfect market segmentation."

"The advent of e-commerce will also lead to the end of the fixed pricing system that has been around for quite some

More than 50 participants turned out at this futuristic seminar time. The availability of a one-to-one direct marketing channel gives buyers the opportunity to bid down the prices of goods and services," added Elliot.

Despite the revolutionary changes that e-commerce has brought about, Elliot believes that some fundamental business rules still apply. "Companies must still adhere to the principle that customer satisfaction is always the primary concern of any business. Furthermore, companies must not forget about traditional marketing strategies like branding as they are still relevant in the e-commerce age," said Elliot.

Later in the day, Elliot covered the issue of Web stock trading. He said that stock trading using the Internet is becoming a hot phenomenon in the US. With the availability of Web stock trading services, Elliot said that investors will be empowered to trade shares on their own without the assistance of stock brokers.

Editor's Note:

The seminar on e-commerce is certainly value for money. It has enlightened participants to the new ways of doing business. Equally important, it has shown that if businesses remain as they are in the next millennium, they will probably be overtaken by the fast-paced developments in the world of e-commerce. Some businesses might just fade away, while new ones emerge. Indeed, countries that adapt quickly to the new business rules for the networked economy are more likely to enhance their competitive advantage over those which choose to neglect it.

These then are the micro and macro challenges and opportunities that come with embracing e-commerce.

A Seminar on Income Tax (Amendment) Bill 1999 on Current Year Basis of Tax and Self-Assessment and the New Reporting Requirements

To update accountants on the recent development in the new tax system, MIA recently organised a half-day seminar in Kuala Lumpur, featuring Mr Lee Lee Kim, Mr Harpal Singh Dhillon and Mr Veerinderjeet Singh, three prominent tax exponents. As the Malaysian taxation system is moving towards the self-assessment system effective from the year 2001 with regard to companies, the Institute deemed it important to brief accountants on the new tax system because they will play a major role in implementing this system.

Full concentration ... participants listening attentively to the speaker

The first speaker during the seminar was Mr Lee Lee Kim who highlighted the Income Tax Amendment on current year basis on Part I, II, III and the Explanatory Statement. Thereafter, Mr Harpal Singh gave some useful hints and reminders that related to form-filling. Mr Veerinderjeet Singh then focused his attention on self-assessment by presenting his paper entitled "Issues with regard to Self-Assessment in Malaysia".

In his speech, Lee explained in detail the recent amendments to the Income Tax Bill. One of the points mentioned was on the tax waiver. Lee said that tax on the income of any person for the year of assessment 2000 shall be waived, except for the tax on income from an employment received by a non-citizen or non-resident individual who commences or ceases that employment in the year 1999. Dividends, notwithstanding that the dividends are treated as business income and income which is subject to withholding tax under section 109, 109b or 109c of the principle act.

Harpal Singh, during his talk, reminded participants that information ought to be accurate for the Inland Revenue Board randomly checks on companies and severe penalties will be meted out if companies are found guilty for giving false information.

"The company's information has to be included. The company has to state where it stands in the industry which it is in. Business information such as company's sales, income and salary have to be accurately reported," stressed Harpal.

Veerinderjeet, who spoke on self-assessment, pointed out that the rationale for implementing a self-assessment system is to achieve a greater degree of compliance. To achieve this, he stressed that Malaysian tax laws have to be as simple as possible. It would be best if the tax rates could be kept as low as possible and that the tax system should be monitored continually.

"The public should keep a good record of their business transactions and this could be achieved by informing and educating the public on all aspects of tax administration, which includes new tax laws and public relations," said Veerinderjeet.

There was an overwhelming response to the half-day seminar, with over 450 participants. A similar seminar was organised by MIA Sarawak in Kuching, Sibu, Miri and Labuan. All the seminars, which were presented by Mr Harpal Singh, received great response from the accountants. The Institute hopes that accountants will lend their support by participating in the Institute's future seminars and conferences for the advancement of the accountancy profession.

In Sarawak ... Harpal taking a short break with Sarawak Branch Committee Member, Mr Peter Chiew (extreme left) and MIA and MIT Members

Treasure Hunt to Serian-Ranchan Pool

MIA's Sarawak members, families and friends had a great time during the Labour Day holiday when they participated in the unusual treasure hunt organised by the Committee comprising Dr Lee Bee Chai, Ms Grace Hii, En Zaferi Borhan Mohd and Ms Lucy Read. The Dirtiest Car Team was navigated by Committee Member Mr Simon Tan Cho Kiang while the Winning Treasure Hunt Team received an unexpected shower in the cool waters of the Ranchan pool. After the hunt, the 70 hungry participants walloped the offering of hot dogs, burgers and lemang, as if they had been without food for several days!

Wet 'n Wild ... organisers and hunters had a splashing time

continued...

Getting ready … participants before the flag-off

Seminar on International Accountancy Standards (IAS)

Sarawak Branch Committee Member, Ms Grace Hii, presenting a momento to the speaker, Ms Josephine Edward

Ms Josephine Edward, Senior Technical Manager of the Institute, made a trip to Kuching recently to present a half-day seminar on IAS. Ms Josephine commented that this seminar gave her the opportunity to meet with fellow accountants who are based in Kuching. The seminar, which covered the major IAS especially IAS 20, attracted several participants, the majority of whom were from Government and statutory bodies. Member firms were also very supportive towards this seminar. All were keen to keep abreast of the latest developments in IAS and Malaysian Accounting Standards (MAS).

Isyarat Amaran Awal Kegawatan Ekonomi — 1999 NCMC

Kegawatan ekonomi yang melanda Malaysia sejak tahun 1997 telah memberi pengajaran kepada orang ramai dan pelbagai langkah telah diambil oleh pihak kerajaan dan swasta untuk menangani kegawatan ekonomi tersebut. Sebelum langkah-langkah memulihkan ekonomi boleh dijalankan, faktor-faktor yang menyebabkan kegawatan ekonomi harus dikenal pasti. Tanda-tanda awal yang menunjukkan negara tersebut akan mengalami kegawatan ekonomi juga harus dikesan supaya kesemua pihak boleh membuat persiapan yang berpatutan. Semasa Persidangan Pengurusan Kredit Kebangsaan (National Credit Management Conference atau NCMC) 1999 yang telah dianjurkan oleh Institut Akauntan Malaysia baru-baru ini, ceramah bertajuk "Isyarat Amaran Awal Kegawatan Ekonomi" telah disampaikan oleh Dr Ghazali Atan, Ketua Eksekutif dan Pengarah Urusan di Metrowangsa Asset Management Sdn Bhd.

Menurut Ghazali, Malaysia mementingkan keseimbangan di antara permintaan, pembekalan, fiskal dan imbangan pembayaran, dan mempunyai perancangan ekonomi yang bertujuan untuk mencapai pertumbuhan ekonomi dan keseimbangan makro sosioekonomi melalui imbangan pembayaran dan kekangan fiskal.

Salah satu daripada tanda-tanda yang menunjukkan bahawa keseimbangan makro telah diganggu, kata beliau, adalah apabila berlakunya pelaburan yang berlebihan yang mengakibatkan ketidakseimbangan di antara kadar pelaburan terserap yang sebenar dan secara teori. Pelaburan yang berlebihan pula akan mengakibatkan efisiensi pelaburan berkurangan.

"Jika pelaburan yang berlebihan berlaku di sektor awam, jurang fiskal dan jurang imbangan pembayaran akan berterusan dan kian meningkat. Apabila jurang fiskal dan imbangan pembayaran tidak lagi boleh ditampung, 'krisis hutang' seperti situasi pada tahun 1980-an akan berlaku," terang Ghazali.

Ghazali kemudiannya menerangkan penunjuk pasaran yang dapat memberitahu bila pihak berkuasa perlu mengadakan penyesuaian terhadap ekonomi. Di antaranya adalah apabila negara terpaksa meminjam untuk menyelesaikan hutang yang sedia ada dan mata wang yang disimpan semakin berkurangan.

"Apabila keadaan yang tersebut berlaku, bank-bank serta pelabur-pelabur risau akan nasib mereka. Hutang-hutang semakin susah untuk dikutip dan keadaan pasaran saham semakin pasif. Para spekulator menyerang mata wang dan membantutkan pasaran saham," kata beliau.

Seterusnya, Ghazali menerangkan isyarat yang menunjukkan langkah-langkah penyesuaian yang diambil oleh pihak berkuasa telah mula memberi kesan kepada pihak awam. Di antaranya adalah apabila kadar faedah dinaikkan dengan tingginya dalam masa yang singkat, kadar fiskal semakin diketatkan dan perbelanjaan fiskal yang tidak diperlukan dipotong.

"Di Malaysia, ini dapat dilihat melalui langkah Bank Negara Malaysia yang meningkatkan kadar faedah untuk mempertahankan kadar mata wang. Apabila kadar pengangguran semakin meningkat dan diikuti dengan masalah kemuflisan terutama di dalam sektor hartanah dan pembinaan, ini mengesahkan bahawa kegawatan ekonomi sedang melanda sesebuah negara," terang beliau.

Walau bagaimanapun, sesebuah negara, seperti Malaysia, tidak akan berdiam diri apabila dilanda kegawatan ekonomi. Pelbagai cara telah diambil oleh pihak kerajaan untuk memulihkan keadaan ekonomi. Ghazali mengakhiri ceramah beliau dengan menerangkan tanda-tanda ekonomi sesebuah negara itu semakin pulih.

"Kadar faedah akan jatuh sama sekali dan pasaran saham akan kembali aktif. Pinjaman-pinjaman akan kembali diberikan kepada orang ramai dan ini akan membantu syarikat-syarikat. Dengan itu, kadar pengangguran akan turun," jelas Ghazali menyudahi teks ucapan.

Ceramah Ghazali telah menarik minat ramai peserta persidangan dan diakhiri dengan sesi soal-jawab di antara para peserta dan beliau sendiri.

International News

IFAC Press Releases

IFAC Issues Landmark Paper on Anticorruption

The governing Council of the International Federation of Accountants (IFAC) has approved a discussion paper urging accountancy bodies worldwide to unite with other professions, the business community, governments, regulators and others in facing up to the issues involved in the fight against corruption. Entitled "The Accountancy Profession and the Fight Against Corruption", the paper emphasises the detrimental effect that corruption has on a country's economic growth, capital market, culture and society, and the impact that corruption at a local level has on the wider global scene.

The paper recognises the key role of the accountancy profession in seeking to reduce corruption and urges accountancy bodies to take the lead at the national level in working with others to raise public awareness and find a way forward. For its part, IFAC's leadership will co-operate with worldwide organisations such as the World Bank, International Monetary Fund, OECD, World Trade Organisation and the United Nations in dealing with the problem.

"The document is intended to stimulate debate among the profession's two million accountants, as well as among other professionals, business community and governments and regulatory bodies'," said IFAC President Frank Harding. "As a key sector of the business community, the accountancy profession cannot wage this battle alone. A co-operative effort among corporate management, legislators and regulators, accountants and other business advisers is vital."

"Ultimately, we believe that accountants' adherence to the highest professional standards is one of the best defences against corruption," said John Gruner, IFAC's Director-General. "Yet we also recognise that even accountants' adherence to these high standards is not sufficient in dealing with the many forms of corruption that exist in today's complex world. Accountants' highly regarded reputation for integrity and objectivity positions us to take the lead in promoting debate to bring about change in corporate governance and organisational behaviour."

IFAC is the worldwide organisation for the accountancy profession. Its mission is to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest. Its current membership consists of 143 professional accountancy bodies in 104 countries, representing more than two million accountants in public practice, education, government and services, and industry and commerce. For more information about IFAC, go to http://www.ifac.org

Peter Johnston Appointed New CEO of the International Federation of Accountants

The Council of the International Federation of Accountants has named Peter Johnston, currently the Chief Executive and Secretary of the Institute of Chartered Accountants of Scotland, as its new Chief Executive Officer. He will be responsible for providing the strategic and management direction of the organisation. The appointment of Mr Johnston coincides with IFAC's recent restructuring initiatives, which are designed to foster a strong, cohesive international profession characterised by a worldwide commitment to harmonised international standards.

International Auditing Practices Committee Seeks Comments on Proposed Guidance on Assurance Engagements

In response to the increasing demand on accountants to provide assurance on a broad range of subject matters, the International Auditing Practices Committee (IAPC) of the International Federation of Accountants (IFAC) has released a new exposure draft (ED) providing guidance in this area. The proposed International Standard on Assurance Engagements is designed to help accountants meet the demand for services that increase the value of information for decision-making. Comments on the ED may be submitted to IFAC through 1 July 1999.

The above Standard describes the elements of an assurance engagement and the requirements for professional accountants undertaking such an engagement. In addition to providing the professional benchmark for these types of engagements, the Standard outlines the framework and general principles to be applied in developing specific standards for particular types of assurance engagements.

The proposed standard incorporates comments received on an ED released in 1997, i.e. Reporting on the Credibility of Information. "There was a strong view in the comment letters we received that although the proposal allowing for a range of assurance was conceptually sound, it appeared to pose implementation issues. The primary cause of that concern was the perceived difficulty in being able to communicate different levels of assurance to report users," emphasises IAPC Chairman Robert Roussey. "In response to these comments, and to increase the clarity associated with reporting, this new ED proposes that engagements be limited to providing two levels of assurance : high and moderate."

The new ED outlines the factors that would determine the appropriate level of assurance. The ED also gives guidance on reporting on the two levels of assurance. The ED recommends that the conclusion for an assurance engagement providing a high level of assurance will generally be expressed in the form of opinion. The IAPC recognises, however, that the current "negative assurance" form of reporting used for review engagements of financial statements may not be the most effective means of communicating a conclusion providing a moderate level of assurance. The guidance on this recommends that the report clearly indicates that a moderate and not a high level of assurance has been given.

IAPC invites comments on this exposure draft, particularly in two areas:

- Issues that may arise in the application of this proposed standard in practice.
- Suggestions on possible alternatives for reporting a conclusion that provides a moderate level of assurance, particularly using positive or negative assurance language.

Individuals may view the exposure draft on IFAC's Internet page, www.ifac.org

A Note to Readers

The Financial and Management Accounting Committee of the IFAC recently issued a booklet on "The Role of Management Accounting in Creating Value". It contains several high-quality, informative and readable papers from around the globe, including one from Malaysia, which was jointly authored by Associate Professor Mohammad Bakar and Puan Ainun Haji Abdul Majid from Universiti Kebangsaan Malaysia. *Akauntan Nasional* will feature these papers in its subsequent issues — so keep a look-out for them!

IASC Press Releases

IASC Publishes Revised Standard on Events after the Balance Sheet Date

The International Accounting Standards Committee (IASC) published changes to its rules on accounting for events after the balance sheet date. IAS 10 (Events After the Balance Sheet Date) makes three main changes to the existing rules, set out in IAS 10 (Contingencies and Events Occurring After the Balance Sheet Date) :

- If dividends are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date. An enterprise is required to disclose such dividends. An enterprise may disclose them either on the face of the balance sheet as a separate component of equity or in the notes to the financial statements. Under the old IAS 10, an enterprise was permitted, but not required, to recognise these dividends as a liability.

- A new disclosure requirement : an enterprise should disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise's owners or others have the power to amend the financial statements after issuance, the enterprise should disclose that fact.

- An enterprise should continue to prepare financial statements on a going concern basis 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. The new IAS 10 maintains the requirement that an enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.

Explaining the Standard, Liesel Knorr, Technical Director of IASC, said:

"In July 1998, the Board approved IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Among other things, IAS 37 superseded the parts of the old 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 make a limited number of substantive changes."

Liesel Knorr added:

"The most important change is the deletion of the previous option that permitted an enterprise to recognise a liability for dividends proposed or declared after the balance sheet date. The Exposure Draft (E63, issued in November 1998) proposed that this option should be retained. Commentators on the Exposure Draft had mixed views on this proposal. The Board finally concluded that the retention of this free choice would make it harder to compare financial statements. The Board also felt that the recognition of such dividends as a liability would often be inconsistent with IASC's Framework for the Preparation and Presentation of Financial Statements."

Liesel Knorr continued:

"The Board acknowledges that some enterprises may wish to report these dividends on the face of their balance sheet. They can still do this if they wish, but the dividends must be presented as a component of equity, not as a liability."

The Standard becomes operative for annual financial statements covering periods beginning on or after 1 January 2000.

Board of Studies Meeting with Overseas Academicians

To fulfil its several obligations, one of which is to provide for training, education and examination for the accountancy profession, the Institute recently had a luncheon with visitors from the University of Adelaide and the Vice-Chancellor of Universiti Putra Malaysia, YBhg Prof Tan Sri Dr Syed Jalaludin bin Syed Salim. The luncheon was also to foster a closer relationship between the Institute and the academia. The Institute was lead by its President, YBhg Dato' Hanifah Noordin, and MIA Council members who joined in the luncheon were MIA's Vice-President Mr Soon Kwai Choy, Mr George Ong and Mr Daniel Chian.

Dato' Hanifah presenting a momento to Mrs Mary O'Kane as Tan Sri Prof. Dr Syed Jalaludin looks on

***Persons in photograph (L-R)**: Prof. Ian Young (Univ. of Adelaide); YBhg Datin Kee Ming-Yuet (Prime College, KL); YBhg Prof. Tan Sri Dr. Syed Jalaludin bin Syed Salim (VC of UPM); Mrs Mary O'Kane (VC of Univ. of Adelaide); YBhg Dato' Hanifah Noordin (MIA President); Prof. Scott Henderson (Univ. of Adelaide); Mr Soon Kwai Choy (MIA Vice President)*

***Not in photograph**: Mr Daniel Chian (MIA Council Member); Mr George Euwan Ong (MIA Council Member); Mr Yue Sau Him (MIA Council Member)*

Career Talk in Accountancy at Kolej Tuanku Ja'afar

As the country's national accountancy body, one of MIA's functions is to promote the interests of the accountancy profession in Malaysia. With this vision in mind, MIA had participated in career talks held at various educational institutions to ensure that students are aware of the requirements needed to become a full-fledged accountant.

In deep conversation ... Tan explaining to the students on the path towards the accountancy profession

Dannie Tan and Thane pretty pleased with their student counselling work

In line with this, the Institute continued to play its role by participating at the Career Day Convention organised by Kolej Tuanku Ja'afar. The programme for the day began with the opening ceremony by His Excellency Mr Graham Fry, the British High Commissioner, and was then followed by career talk presentations from the various professions such as Engineering, Information Technology, Law and Accountancy.

"Career in Accountancy" was the topic presented to 40 Form Six students who showed keen interest in this profession. The talk was presented by Mr Dannie Tan, Honorary Secretary of MIA Negri Sembilan / Malacca Branch and Ms Thane of Membership Department. A career path on how to become an accountant and MIA's role in ensuring the growth of the accountancy profession was communicated to the students.

Apart from the talk, an exhibition booth had been set up to counsel the students. After the talk, the students proceeded to the booth for a question and answer session. Mr Tan Kong Hui, a Committee Member of the Negri Sembilan / Malacca Branch along with Ms Vasuki of Education Department answered the students' enquiries at the booth.

The event was successful with the students pleased with the information they had gained from our visit. As for the MIA delegates, the picturesque Kolej Tuanku Ja'afar with its vast country estate surrounded by hills and forest gave a very serene atmosphere, far from the noise and air pollution, they are so used to.

Career Talk at Inti College Sarawak

MIA Sarawak Branch Manager, Ms Lucy Read, and representatives from CIMA Sarawak Centre were recently invited by Inti College Sarawak to present a talk on "Career in Accountancy" to current accounting students of Inti College and prospective students. During the talk, Ms Read spoke on the functions of the Institute, the qualifications and ways to become a member of the Institute and the accountancy career opportunities in Malaysia.

L-R: Mr Wee Hun Been, Mr David Tiang, Ms Linda Teng, Ms T'en Nyuk P'in (Deputy Principal), Ms Lucy Read and Mr Simon Tan

Columns

MIT News

Professional Examinations

OF THE MALAYSIAN INSTITUTE OF TAXATION

One of the main objectives of the Malaysian Institute of Taxation (MIT) is to train and build up a pool of qualified tax personnel as well as to foster and maintain the highest standard of professional ethics and competency among its members.

One avenue of producing qualified tax personnel is through professional examinations. As such, MIT conducted its first professional examination in December 1995. To-date, the MIT has successfully conducted four examinations. The professional examinations also seek to overcome the present shortage of qualified tax practitioners in the country.

Examination Structure

The professional examination is currently held annually and is comprised of three levels.

FOUNDATION LEVEL

- Taxation I
- Economics & Business Statistics
- Financial Accounting I

INTERMEDIATE LEVEL

- Taxation II
- Taxation III
- Company & Business Law

FINAL LEVEL

- Taxation IV
- Taxation V
- Business & Financial Management
- Financial Accounting II

How To Register

You can contact the Institute's Secretariat for a copy of the Students' Guide. The Guide contains general information on the examinations and a set of registration forms which must be submitted with the necessary documents to the Secretariat.

Entrance Requirements

(a) Minimum Entry

- At least 17 years old
- At least two principal level passes of the HSC/STPM examination (excluding Kertas Am/Pengajian Am) or the equivalent.
- Credits in English Language and Mathematics and an ordinary pass in Bahasa Malaysia at MCE/SPM.

(b) Degrees, diplomas and professional qualifications (local/overseas) recognised by the Institute to supersede minimum requirements in (a).

(c) Full Members of local and overseas accounting bodies.

(d) Mature Age Entry (Minimum 23 years)

Exemptions

Exemption from specific papers in the professional examinations is available and extent of exemption granted will depend on qualifications attained and the course contents as determined by the MIT Council.

Exemption Fees

Foundation	RM50.00	per subject
Intermediate	RM60.00	per subject
Final	RM70.00	per subject

Examination Fees

Foundation	RM50.00	per subject
Intermediate	RM60.00	per subject
Final	RM70.00	per subject

DATES TO REMEMBER

SEPTEMBER 1

Closing date for registration as a student to sit for the examination of that year.

OCTOBER 15

Closing date for submission of examination entry for the examination of that year.

DECEMBER

EXAMINATION

MAAA News

MALAYSIAN ASSOCIATION
OF ACCOUNTING ADMINISTRATORS

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 Leck
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

SECRETARIAT OFFICE

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

Editor for MAAA News: Low Han Men, Aric

GETTING TO KNOW YOUR MAAA COUNCIL MEMBERS

This is the second part of our series to introduce to members the current MAAA Council Members by publishing their individual profiles. In the last issue, the profiles of 3 council members were published. Below are the profiles of another 3 council members; namely Lim Ah Leck (serving since 18.06.94), Mahadevan s/o Gengadaram (serving since 18.06.94), and Panneer Selvam (serving since 24.06.95).

LIM AH LECK

LIM AH LECK is the Director of AM Secretarial Services Sdn. Bhd (providing company secretarial services). He is a Registered Estate Agent by profession, operating his own real estate agency known as Tiram Realty in Johor Bahru and is the Chairman of the Malaysian Institute of Estate Agents (Johor Branch). Lim is actively involved in Toastmasters International, and is currently the Division A Governor for Malacca and Johor.

He is a member of ACEA (1997), MABE (1992), AMCCS (1996), MMIM (1986) and AMIS (1997).

MAHADEVAN S/O GENGADARAM

MAHADEVAN is an Associate member of the Association of Cost & Executive Accountants (ACEA), U.K. and an Affiliate member of the Malaysian Institute of Management (MIM). Currently, he is attached to a public listed MNC as a Corporate Accounting Analyst in the Corporate Accounting Department responsible for accounting in South East Asia. His present job responsibilities include providing accounting support to the regional markets in Singapore, Thailand and Philippines.

Mahadevan has recently been elected as the President of the Toastmasters Club (MIM, Petaling Jaya Charter), which is an international movement dedicated to the development of public speaking skills.

PANNEER SELVAM

PANNEER is a member of the Association of Cost and Executive Accountants (ACEA), U.K. He started his career in 1988 as an audit executive in an auditing firm. Since 1988, he has worked in several public listed companies including C.I. Holdings Berhad and MBf Finance Berhad.

Currently, Panneer is attached to Arab-Malaysian Merchant Bank Berhad, the largest local merchant bank. There since 1991, he now heads the finance department, which manages the largest listed Property Trust Funds in Malaysia.

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.

Laws and Regulations Applicable to the Malaysian Royal Customs and Excise Department 1999.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 LAW

The Malaysian Trade Classification Customs Duties Order 1999.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 MAL

Alphabetical Index to the Customs Duties Order 1999: Harmonised Coding System.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 ALP

White Paper Status of the Malaysian Economy.
Kuala Lumpur: Kerajaan Malaysia, 1999.

Call No.: 330.595 WHI

Kertas Putih: Status Ekonomi Malaysia.
Kuala Lumpur: Kerajaan Malaysia, 1999.

Call No.: 330.595 KER

Mid-term Review of the Seventh Malaysia Plan.
Kuala Lumpur: Kerajaan Malaysia.

Call No.: 330.595 MID

Pocket World in Figures.
London: The Economist, 1998.

Call No.: 330.0212 POC

Corporate Governance: 1998 Survey of Institutional Groups.
Kuala Lumpur: Kuala Lumpur Stock Exchange/ PWC, 1999.

Call No. 658 COR

Ethics Readings Handbook, 2nd ed.
Edited by Michael McDonald, Maurice Young. Vancouver: CGA.

Comparison of the EC Accounting Directives and IASs: A Contribution to International Accounting Developments - April 1999.
Belgium: Federation Des Experts Comptables Europeens.

Call No.: 657.072 COM

Current Year Assessment.
Kuala Lumpur: Lembaga Hasil Dalam Negeri.

Call No.: 336.2423 CUR

Taksiran Berasaskan Tahun Semasa.
Kuala Lumpur: Lembaga Hasil Dalam Negeri.

Call No.: 336.2423 TAK

ACCA Q & A - December 1998.
London: ACCA, 1999.

Call No.: 368.9595 ACC

International Accounting Standards 1999.
London: International Accounting Standards Committee.

Call No.: 657.0218 INT

1999 Miller GAAP Implementation Manual.
New York: Harcourt Brace & Company.

Call No.: 657.0218 MIL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Subject Index.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: General Index and Table of Cases Reported.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Cases Judicially Considered (A-M).
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Cases Judicially Considered (N-Z) and Legislation Judicially Considered.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

MASB Issues Five Exposure Drafts (ED) and a Revised Technical Release

ED 9 Consolidated Financial Statements and Investments in Subsidiaries

The objective of this Standard is to prescribe the basis for the preparation and presentation of the consolidated financial statements for a group of enterprises under the control of the reporting parent. It also puts forward the accounting treatment for investments in subsidiaries in the separate financial statements of the reporting parent. This Standard deals with instances on when a subsidiary should be excluded from consolidation and its prescribed treatment, consolidation procedures, disposals of subsidiaries, changes in stake and composition of a group.

This Standard should be applied in the preparation and presentation of the consolidated financial statements for a group of enterprises under the control of a reporting parent.

ED 10 Investments In Associates

The objective of this Standard is to prescribe the methods of accounting for investments in associates in an investor's consolidated financial statements, as well as in its separate financial statements. The Standard should be applied by an investor to account for investments in associates.

This Standard requires an investment in an associate to be accounted for in the consolidated financial statements under the equity method. An exception is made for investments that are acquired and held exclusively with a view to its disposal in the near future. If this is the case, the investment should then be accounted for under the cost method.

ED 11 Revenue

The objective of this Standard is to prescribe the accounting treatment for revenue arising from the various types of transactions and events. Revenue arises in the course of ordinary activities of an enterprise and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. This Standard deals with the primary issue of determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.

This Standard should be applied in accounting for revenue arising from the following transactions and events: sale of goods, rendering of services and use by others of enterprise assets yielding interest, royalties and dividends.

ED 12 Leases

The objective of this Standard is to prescribe the appropriate accounting policies and disclosure for both lessees and lessors to apply in relation to finance and operating leases. This Standard applies to agreements that transfer the right to use assets from one contracting party to the other. A lease is defined as an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

This standard, when operative, will enhance significantly the level of disclosures by reporting entities. New disclosures include: total of minimum lease payments reconciled to the present values of lease liabilities in three periodic bands; total gross investment in the lease reconciled to the present value of minimum lease payments receivable in three periodic bands; related finance charges; future minimum sublease payments expected to be received under non-cancellable sub-lease at balance sheet date; and accumulated allowance for uncollectable minimum lease payment receivables.

ED 13 Earnings Per Share

The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share. This improves performance comparisons among different enterprises, whether they have the same accounting period or different accounting periods using the same calculation. Even though earnings per share has limitations because of different accounting policies used for determining 'earnings', a consistently determined denominator enhances comparability.

This Standard should be applied by enterprises whose ordinary shares or potential ordinary shares are publicly traded and by enterprises that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets.

Technical Release (Revised) Share Buybacks — Accounting and Disclosures

The original Technical Release TR1, Share Buybacks and Financial Assistance, was drafted based on the original Section 67A of the Companies Act 1965. Section 67A was subsequently amended to permit shares repurchased to be held as treasury shares. However, the amendment removes the provisions relating to the giving of financial assistance. Additionally, the amendment allows for the use of the share premium account to provide for the consideration of shares repurchased. Accordingly, the revised TR1 is drafted to reflect the amendments to Section 67A of the above Act.

This revised Technical Release sets out the accounting methods for share buybacks by public listed companies. It prescribes the use of either the treasury stock method, the share retirement method, or a combination of both methods. It also deals with the disclosures of share buybacks by public listed companies.

In prescribing the accounting methods for share buybacks, the revised Technical Release considers the statutory provisions of Section 67A (as amended) of the Companies Act 1965, the Kuala Lumpur Stock Exchange's revised Guidelines Governing Purchase of Own Shares by Listed Companies, and generally accepted accounting principles on equity instruments.

Preface to Approved Accounting Standards

This preface has been approved by the Council of the Malaysian Institute of Accountants.

The Council has determined that approved accounting standards for members shall comprise of all accounting standards and technical pronouncements issued by the Malaysian Accounting Standards Board (MASB).

In addition to these standards, all statements issued by the Council relating to recommended practices including guidelines of best practices on accounting are to be regarded as opinions on best current practices, and thus form part of the generally accepted accounting principles (GAAP).

Further, the Council has determined that in the absence of an accounting standard or technical pronouncement issued by the MASB, standards and interpretations issued by the IASC shall form the basis of the guidelines of best practices in accounting for financial reporting.

The Council may inquire into apparent failures by members to observe applicable approved accounting standards and GAAP, which have been recommended by the Institute.

COMPLIANCE WITH GAAP

Approved accounting standards and IASs have paragraphs in bold typeface and plain typeface. Bold typefaces are meant to be mandatory and plain typefaces are interpretative commentary paragraphs. In addition, to provide guidance on its applications, appendices are annexed to each standard. The Council has determined that there should be no difference between the bold typeface and plain typeface paragraphs. The intention and spirit of each standard must be observed, and the application of the standard in totality is mandatory.

Reporting Compliance with Approved Accounting Standards

Published financial statements should contain a positive statement to the effect that they are prepared in compliance with applicable approved accounting standards.

Published financial statements should not be described as complying with applicable approved accounting standards, as well as international accounting standards issued by the International Accounting Standards Committee (IASC) where appropriate, unless they comply with each applicable approved accounting standard, each applicable interpretation issued by the MASB's Interpretations Committee, and each applicable IAS and each applicable interpretation of the Standing Interpretations Committee of the IASC respectively.

GAAP and the Auditor

The auditor's responsibility is to form an opinion and to report on the published financial statements. Where members act as auditors or reporting accountants, the onus is upon them to ensure compliance with applicable approved accounting standards in the financial statements of their clients in accordance with the requirements of the *applicable reporting framework*.

Where financial statements do not comply with applicable approved accounting standards and GAAP in one or more material respects, the auditor should ensure that the non-compliance is appropriately and adequately disclosed in the financial statements.

If the non-compliance has not been disclosed, or if, in the view of the auditor, the form and content of the disclosure in the financial statements is inadequate, he should :

a. consider whether the non-compliance affects his opinion having regard to the requirements of the *applicable reporting framework*, e.g. the true and fair requirement under the provisions of the Companies Act, 1965; and

b. report the non-compliance with the applicable approved accounting standards and GAAP in his audit report.

EFFECTIVE DATE OF THE APPROVED ACCOUNTING STANDARDS

The effective date from which members are expected to observe approved accounting standards and IASs are set out in the respective standards.

ACCOUNTANT

An Accountant is needed by a firm specialising in the food industry

Successful candidate will be based in China.

Salary and allowance will be commensurate with experience and qualifications

If interested, please contact

Tel: 02-220 7780/7781

Fax: 02-220 7786

or

e-mail:

mjhunter@pacific.net.sg

CALLING ALL MEMBERS! BE A MIA CPD SPEAKER

The Professional Development Committee of the Malaysian Institute of Accountants (MIA) has the challenging task of continuously upgrading and updating MIA members with the latest developments in the profession.

In our endeavour to deliver even greater quality events, we are providing an opportunity for members who are skilled in their respective fields and interested in being a speaker to share their experience with others in the profession.

Do contact us and provide us with details of your area of speciality in accountancy-related or management topics e.g. Financial Accounting, Management Accounting, Company Law Practices, Insolvency, Internal Auditing, Taxation etc. We are also open to other topics which are of interest to members.

We would be most happy to hear from you and look forward to working out possible events. Competitive fees will be paid to speakers.

One more plus point. As a Speaker for MIA, you will be fulfilling your CPD requirements too!!!

Correspondence with full c.v. and details of speaking experience should be faxed to:

HEAD, CONTINUING PROFESSIONAL DEVELOPMENT DEPARTMENT
MALAYSIAN INSTITUTE OF ACCOUNTANTS
at fax number: 03-273 5167 or e-mail: cpd@mia.org.my

BE ONE OF MIA'S SPEAKERS AND AT THE SAME TIME, EARN EXTRA INCOME AND FULFIL CPD POINTS REQUIREMENT!

Place your Recruitment Advertisements "FREE OF CHARGE" In Our Classified Pages

As part of the privileges accorded by the Malaysian Institute of Accountants, members and member firms will from January until December 1999, be entitled to place recruitment and positions wanted advertisements in the *Akauntan Nasional* free of charge.*

** size of ad space depends on availability and the discretion of the Editorial Board*

Akauntan Nasional

For bookings and enquiries, please call:
Ms Shazrina of Communications Department,
Malaysian Institute of Accountants at 03-2745055, ext 256.

Calendar of Professional Development Programmes

TOWN	DATE	PLEASE TICK R	TITLE	VENUE	CPD PTS
Kuala Lumpur	2 July	☐	Hands-on Internet Workshop	MSCB	16
	5-6 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	7-8 July	☐	Business Etiquette & Protocol for Corporate Managers	Carcosa Seri Negara	32
	12 July	☐	Evening Talk on Exit Levy	Eastin Hotel	4
	14-15 July	☐	Group Accounts (Repeat)	PJ Hilton	32
	19 July	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	26-27 July	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
	4-5 Aug	☐	Executive Letter and Report Writing (Repeat)	MIA	32
	26 Aug	☐	Managing Cash Flow Crisis	PJ Hilton	16
	7-8 Sept	☐	1999 National Accountants Conference	Sunway Lagoon Resort Hotel	32
	21-22 Sept	☐	Inventory Management for Finance & Non-Warehouse Manager	Eastin Hotel	32
Penang	13-14 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	16 July	☐	Evening Talk on Exit Levy	Sheraton Penang	4
	5 Aug	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	9 Aug	☐	Mergers and Acquisitions — Challenges and Opportunities in Year 2000 and Beyond	Hotel Equatorial	16
	16-17 Aug	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
Johor Bahru	26 July	☐	Evening Talk on Exit Levy	Grand Bluewave	4
	28 July	☐	Hands-on Internet Workshop	MSCB	16
	29-30 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	25 Aug	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	26-27 Aug	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
Sibu	3-4 Aug	☐	Practical Taxation — Introduction	Tanahmas Hotel	32
Miri	10-11 Aug	☐	Practical Taxation — Introduction	Dynasty Hotel	32

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

Contact Person: ______________________________

Organisation: ______________________________

Address: ______________________________

____

Tel: ____________________ Fax: ____________________

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

Malaysian Institute of Accountants
Dewan Akauntan
No. 2 Jalan Tun Sambanthan 3, Brickfields
50470 Kuala Lumpur.

Tel : 03- 2745055
Fax : 03- 2735167
E-mail : cpd@mia.org.my

Feature

Cash Flow Statement: An Empirical Study of the Disclosure Practices of Malaysian Companies

Ng Eng Juan, Associate Professor, School of Accountancy and Business, Nanyang Technological University examines the various disclosure issues relating to cash flow statements of Malaysian listed companies

IAS 7 (Revised) provides that the cash flows from operating activities may be presented in the cash flow statement using either the direct method or the indirect method.

INTRODUCTION

The Malaysian Institute of Accountants (MIA) has issued the revised International Accounting Standard 7 (IAS 7 (Revised)) "Cash Flow Statements", which requires presentation of a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

IAS 7 (Revised) is effective for financial statements covering periods beginning on or after 1 January 1996.

Thus, effective 1 January 1996, cash flow statements became an integral part of financial statements in Malaysia.

The objective of this paper is to study, based on published financial statements, the various disclosure issues relating to cash flow statements of Malaysian listed companies.

SOURCE OF DATA

The published annual financial statements covering periods beginning on or after 1 January 1996 of companies incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange form the purview of this study. A total of 85 annual financial statements were randomly selected to form the sample for this study.

EMPIRICAL RESULTS

This paper focuses on the disclosure issues for which IAS 7 (Revised) provides for alternative treatments, specifically:

1. direct and indirect methods of presenting operating cash flows,
2. interest and dividends received and paid, and
3. taxes paid.

1 Direct and Indirect Methods of Presenting Operating Cash Flows

IAS 7 (Revised) provides that the cash flows from operating activities may be presented in the cash flow statement using either the direct method or the indirect method (paragraph 18).

Under the direct method, IAS 7 (Revised) requires disclosure of "major classes of gross cash receipts and gross cash payments" (paragraph 18(a)).

Under the indirect method, the net cash flow from operating activities is determined by adjusting the net profit or loss for the effects of:

a non-cash items (for example, depreciation),

b items for which the cash effect are investing or financing cash flows (for example, profit on sale of fixed assets), and

c changes in the operating working capital (for example, changes in stock, debtors and creditors balances) (paragraph 18(b)).

IAS 7 (Revised) encourages enterprises to report cash flows from operating activities using the direct method. This is because the direct method (which requires disclosure of major classes of gross cash receipts and gross cash payments) provides information which may be useful in estimating future cash flows and which is not available under the indirect method (paragraph 19).

From Table 1, it may be noted that, despite the encouragement of IAS 7 (Revised) to use the direct method, the indirect method is overwhelmingly the more popular method. In fact, 91 per cent of the companies use the indirect method, while only 9 per cent of the companies use the direct method.

TABLE 1

Direct versus indirect method of presenting operating cash flow

Alternatives	Frequency	Percentage
Direct method	8	9
Indirect method	77	91
Total	85	100

One possible reason for the popularity of the indirect method is that preparers of financial statements are more familiar with it through its use in the computation of "funds from operation" in the now-superseded statement of changes in financial position.

Also, while it is generally agreed that the direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method, the indirect method may be deemed to be superior in that it shows the reconciliation between profit and cash flows which readily

provides the answer to questions such as why is that the enterprise, which has made a lot of profits, has no cash to pay its debts.

It may be interesting to note that in the USA, despite the encouragement of SPAS No. 95 "Cash Flow Statements" for the use of the direct method, the indirect method was found to be more widely used (the Accounting Trends and Techniques (1990) found that 97 per cent of the 600 companies surveyed used the indirect method in 1989). The results of this survey are not unexpected because while SFAS No. 95 encourages the use of the direct method, it requires that if the direct method is used, the reconciliation of net income to cash flows (i.e. the indirect method) be provided in a separate schedule. Given the requirement of SFAS No. 95 that the indirect method has to be disclosed even if the direct method is used, most companies will just take the easier route by simply using the indirect method.

It should be noted that IAS 7 (Revised) does not require the disclosure of the reconciliation of net income to cash flows from operating activities, where the direct method is used to report cash flows from operating activities. In this respect, the provisions of IAS 7 (Revised) seem to be more logical. It is really quite pointless to encourage the adoption of an alternative and at the same time penalise its use by imposing additional disclosure requirements.

One possible reason for the popularity of the indirect method is that preparers of financial statements are more familiar with it through its use in the computation of "funds from operation" in the now-superseded statement of changes in financial position.

2 Interest and Dividends

IAS 7 (Revised) provides that cash flows from interest and dividends received and paid should each be disclosed separately (paragraph 31).

IAS 7 (Revised) allows each interest and dividends received and paid to be classified as either operating, investing or financing cash flow.

(a) Interest paid

IAS 7 (Revised) provides that interest paid may be classified as an operating cash flow or as a financing cash flow (paragraph 33).

The rationale for classifying interest paid as an operating cash flow is that interest is normally taken into account in the determination of operating results. In such a case, a cash repayment of loan which includes both interest and capital may be reported as two separate components in the cash flow statement: the interest element is classified as an operating activity and the capital element is classified as a financing activity.

Alternatively, interest paid may be classified as a financing cash flow because it is a cost of obtaining financial resources.

Table 2 shows that about 90 per cent of the companies with interest paid present the interest paid as an operating cash flow, while only 10 per cent of them present the interest paid as a financing cash flow.

TABLE 2

Classification of cash flow arising from interest paid

Alternatives	Frequency	Percentage
Operating cash flow	66	90
Financing cash flow	7	10
Not applicable	12	N/A
Total	85	100

The rationale or classifying interest paid as an operating cash flow is that interest is normally taken into account in the determination of operating results.

(b) Dividends paid

IAS 7 (revised) provides that dividends paid may be classified as an operating cash flow or as a financing cash flow (paragraph 34).

The advantage of classifying dividends paid as an operating cash flow is that it assists users to determine the ability of an enterprise to pay dividends out of operating cash flows.

Dividends paid may, however, be classified as a financing cash flow because it is a cost of obtaining financial resources.

Table 3 shows the classification of cash flow arising from dividends paid. 85 per cent of the companies with interest paid present it as a financing cash flow, while only 11 per cent of the companies show it as an operating cash flow. There are also three companies that present dividends paid as an investing cash flow, which is obviously inappropriate.

TABLE 3

Classification of cash flow arising from dividends paid

Alternatives	Frequency	Percentage
Operating cash flow	7	11
Financing cash flow	56	85
Investing cash flow	3	4
Not applicable	19	N/A
Total	85	100

The advantage of classifying dividends paid as an operating cash flow is that it assists users to determine the ability of an enterprise to pay dividends out of operating cash flows.

(c) Dividends paid to minority interests

Minority interest in group accounts would be affected by three events, namely, acquisition or disposal of subsidiary companies, minority share of profits or losses of subsidiary companies, and dividends paid by subsidiary companies to minority shareholders. However, the increase or decrease in minority interests arising from acquisition and disposal of subsidiaries would have

The effect of minority interest on group cash flow is the amount of dividends paid by subsidiary companies to minority shareholders, and this amount should therefore be presented in the cash flow statement.

no cash flow impact. Also, minority interests in the profits or losses of subsidiary companies would also have no cash flow impact. Dividends paid by subsidiary companies to minority shareholders, on the other hand, represent an actual cash outflow. Thus, the effect of minority interests on group cash flow is the amount of dividends paid by subsidiary companies to minority shareholders, and this amount should therefore be presented in the cash flow statement.

Dividends paid by subsidiary companies to minority interests, as for dividends paid by the holding company, may be presented in cash flow statements as a financing cash flow or as an operating cash flow, as provided in paragraph 34 of IAS 7 (Revised).

Table 4 shows that almost all (88 per cent) groups which paid dividends to minority shareholders present it as a financing cash flow. There is only one group (6 per cent) that presents dividends paid to minority shareholders as an operating cash flow. There is also one group (6 per cent) that presents dividends paid to minority interests as an investing cash flow, which is obviously inappropriate.

TABLE 4

Classification of cash flow arising from dividends paid to minority interests

Alternatives	Frequency	Percentage
Operating cash flow	1	6
Financing cash flow	15	88
Investing cash flow	1	6
Not applicable	68	N/A
Total	85	100

(d) Interest received

IAS 7 (Revised) provides that interest received may be classified as an operating cash flow or as an investing cash flow (paragraph 33).

The rationale for classifying interest received as an operating cash flow is that interest received is normally taken into account in the determination of operating results.

Interest received may also be classified as an investing cash flow because it is a return on investment.

Table 5 shows the classification of the cash flow arising from interest received. Approximately two-thirds (66 per cent) of companies with interest received present it as an operating cash flow, and the other one-third (34 per cent) of the companies show it as an investing cash flow.

TABLE 5

Classification of cash flow arising from interest received

Alternatives	Frequency	Percentage
Operating cash flow	22	34
Investing cash flow	42	66
Not applicable	21	N/A
Total	85	100

Dividends received may also be classified as an investing cash flow because it is a return on investment.

(e) Dividends received

IAS 7 (Revised) provides that dividends received, as in the case of interest received, may be classified as an operating cash flow or as an investing cash flow (paragraph 33).

The rationale for classifying dividends received as an operating cash flow is that dividend income is normally taken into account in the determination of operating results.

Dividends received may also be classified as an investing cash flow because it is a return on investment.

Table 6 shows the classification of the cash flow arising from dividends received. All, except one, of the companies with dividends received present it as an investing cash flow. Only one company presents it as an operating cash flow.

TABLE 6

Classification of cash flow arising from dividends received

Alternatives	Frequency	Percentage
Operating cash flow	1	5
Investing cash flow	18	95
Not applicable	66	N/A
Total	85	100

(f) Dividends received from associated companies

In consolidated financial statements, "Investment in associated company" is accounted for under equity methods, as required by IAS 27 "Accounting for Investments in Associates". Thus, the investment in an associated company's account balance will change due to:

a) group's share of associate's profits or losses, and

b) dividends received from the associate.

Group's share of associate's profits and losses does not have any cash flow impact; whereas dividends received from the associate represents an actual cash inflow. Thus, the effect of investment in an associated company on group cash flow is the amount of dividends received from the associated company.

The treatments for dividends received from an associated company are the same as dividends received from other investees, discussed in (e).

Thus, dividends received from an associated company, as in the case of dividends received, may be classified as an operating cash flow or as an investing cash flow, as provided for under paragraph 33 of IAS 7 (Revised).

Table 7 shows the presentation of cash flow arising from dividends received from an associated company. Even though IAS 7 (Revised) allows the cash flow arising from dividends received from an associated company to be presented either as an operating cash flow or as an investing cash flow, all the companies present it as an investing cash flow, and none of the companies show it as an operating cash flow.

TABLE 7

Classification of cash flow arising from dividends received from associated companies

Alternatives	Frequency	Percentage
Operating cash flow	0	0
Investing cash flow	7	100
Not applicable	78	N/A
Total	85	100

From the tables, it may be noted that there is a certain amount of diversity in the presentation of interest and dividends received and paid. (It is also observed that there are instances of inappropriate disclosure practices [see Table 3 and Table 4]).

While the alternative treatments are allowed by IAS 7 (Revised), it may be argued that the diversity in the presentation will reduce comparability of the cash flow statements. More specifically, the diversity will impede analysis of companies' ability to generate cash flows from operating activities which is an important attribute in assessing the companies' going concern status during a period of economic slowdown.

It is interesting to note that in the US, SFAS No. 95 requires all interest and dividends received and interest paid to be reported as operating cash flows, and dividends paid as financing cash flows. In the UK, FRS 1 "Cash Flow Statements" requires all interest and dividends received and paid to be reported in the cash flow statement under a separate category named "Returns on investments and servicing of finance".

3 Taxes Paid

IAS 7 (Revised) requires cash flows arising from taxes on income to be separately disclosed (paragraph 35).

There may, however, be problems with classifying taxes paid into one of the three categories of operating, investing and financing activities. Firstly, there may be problems with the identification of the tax effects of each underlying transaction. For example, it may be difficult or impractical to separately identify the tax effects on the balancing charges or balancing allowances on disposal of fixed assets from the tax effects on the operating profits. Secondly, the cash flows of the tax effect and the underlying transactions that give rise to the tax effect may occur in different accounting periods. This is especially so in Malaysia, where the year of assessment is one year after the basis year.

In view of the abovementioned problems, IAS 7 (Revised) provides that cash flows arising from taxes on income should be classified as cash flows from operating activities unless they can be specifically identified with investing and financing activities (paragraph 35). When it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flow that is classified as investing or financing activities, the tax cash flow should be classified as an investing or financing activity, as appropriate. When tax cash flows are allocated over more than one class of activity, IAS 7 (Revised) requires the total amount of taxes paid to be disclosed (paragraph 36).

Table 8 shows the classification of cash flow arising from taxes paid. It is noted that all companies that pay tax present it as an operating cash flow. (There is one company within the sample that did not pay tax.)

TABLE 8

Classification of cash flow arising from taxes paid

Alternatives	Frequency	Percentage
Operating cash flow	84	100
Not applicable	1	N/A
Total	85	100

It is interesting to note that in the UK, FRS 1 requires all taxation cash flows arising from both revenue and capital profits to be reported in a separate section of the cash flow statement headed "Taxation".

The uniformity in practice in relation to the classification of taxes paid is commendable because it helps to enhance the comparability of the cash flow statements.

It is interesting to note that in the UK, FRS 1 requires all taxation cash flows arising from both revenue and capital profits to be reported in a separate section of the cash flow statement headed "Taxation".

CONCLUSION

This paper presents the results of an empirical study on the presentation of cash flow statements in Malaysia.

The results reveal that there is diversity in presentation of certain cash flow items. Even though this diversity is allowed by the IAS 7 (Revised), it is argued that a uniformed practice would improve readability and enhance comparability of cash flow statements.

The diversity in the presentation of cash flows in relation to interest and dividends is of particular concern, for it impedes the assessment of the companies' ability in generating cash flow from operating activities. It is noted that the UK and the US accounting standards require a uniformed classification of these items.

The test results also reveal instances of inappropriate disclosure practices. It is hoped that more care is exercised so that such unfortunate occurrences will not recur.

Feature

Managing a Cash Flow Crisis

By Kenny Tay, Principal Consultant, Finet Associates

Kenny Tay enlightens us on how to deal with cash flow problems in an effective and efficient manner.

INTRODUCTION

Defining a cash flow crisis is essential. The term 'cash flow crisis' suggests acute 'cashflowritis'. It can be understood as a situation of severe 'cash flow mismatch' within an organisation.

This mismatch results in frequent interruptions in the normal business cycles and when it becomes critical, funds needed for essential payments of raw materials, wages and operating expenses may no longer be available. At the critical level, the business is usually operating under-capacity and is being threatened with closure, unless actions are taken quickly to avert the threat.

RECOGNISING A CRISIS

Beginning of a crisis — how it happens

Understanding the beginning of a crisis helps one to appreciate the possible root causes, and hence to avoid them. Any solution to the problem of 'cashflowritis' must address the root causes to be effective, even if relief is temporary. Some common causes that lead to a cash flow crisis are as follows:

Poor management

- Family dominance in private companies and personal egos of chief executives and their senior officers play a major role in causing the decline of a business and cash flow problems.
- Incompetence of key decision-makers, lack of formal planning, office politics and self-interest are key weaknesses of many businesses that fail.

During boom time conditions, effects of poor management are overshadowed by profitability and decent cash flow that can be quickly reversed when conditions change.

Family dominance in private companies and personal egos of chief executives and their senior officers play a major role in causing the decline of a business and cash flow problems.

Inadequate financial control

- Lack of financial control is a frequent contributor to companies facing decline and financial pressure. This often means an absence or inadequate cash flow forecasts, costing systems and budgetary control.

Many local small and medium-scale companies often suffer from this weakness.

Competition

- Product and price competition is a perennial cause of business decline that leads to an acute cash shortage. Products eventually become obsolete as new technology is developed, improved or where substitute products are introduced or simply there is a change of consumer preference.

Why do firms not develop new products then? This can be attributed to the following:

- Lack of success in product innovation.
- Belief that existing product lines are still the best.
- Lack of financial and technical resources to develop new products.
- Lack of ideas for new products.
- Price competition for a broad range of consumer and intermediate technology products has become severe. Developing economies and the recently reformed communist states have been pursuing market capitalism to boost economic growth

A firm with a higher cost structure is at a competitive disadvantage. Apart from the operating costs, the cost of maintaining relationships' and cost of 'privilege' add further to the cost of doing business and that translates into higher costs of goods and services.

and create employment. This results in excess production of goods and services that put pressure on consumer prices worldwide. Notice how the management 'gurus' created the new buzz-word — Customer Service. This is because price competition alone is no longer sufficient to generate sales and cash flows.

As an industry matures, price competition intensifies and the success factors change. Among the success factors that firms have to address are:

- Product market focus.
- Differentiated products.
- Efficient cost structure.

High-cost structure

- A firm with a higher cost structure is at a competitive disadvantage. Apart from the operating costs, the cost of maintaining relationships and cost of 'privilege' add further to the cost of doing business, and that translates into higher costs of goods and services. In others, maintaining unproductive family members and old school ties similarly increases the costs.
- Achieving a scale of economy helps to reduce cost and raises productivity. Many newer industries struggle to reach optimal production when there is costs increase such as the increase in prices of imported raw materials and components.
- Operating inefficiencies from allocation of advertising expenditure to production planning to equipment maintenance and labour productivity are essential considerations.

Change in market conditions

- Decline in demand for products and services occur with some cyclicality with boom and bust phases. Inability or refusal to recognise the cycles has been a glaring cause of trouble in the current economic context, particularly in the property development industry.
- Changing patterns of demand that companies are not quick to notice, and change may mean foregoing a competitive edge and chances of survival.

Lack of marketing effort

- Complacence and basking in past success is common. This encourages businesses and their management to continue 'more of the same'. Lack of product research, marketing and after-sales service result in falling sales revenue and cash generation.

'Big project' syndrome

- Big projects create excitement of quick and big profits. Costs and revenue are sometimes incorrectly estimated and financing is assumed to be available. Often it is putting the 'cart before the horse'. Privatisation and initial public offerings are the ultimate glories and rewards.

Misplaced diversification strategies

- Lured by the prospect of quick gains, companies jumped into the band wagon on the high road to China, Khazakstan, Romania, Turkey and South Africa. Unfamiliar politics, inadequately prepared managers and lack of long-term resources and management strategies have resulted in non- performing investments.
- A perceived inability to compete in established products and markets, contributed to companies joining in the foray in property development, assuming easy profits from a never-ending property boom.

Financial policy failure

- This is often brought about by the hurried pace to high economic growth utilising a combination of long and short-term credits. The laxed credit policies helped in fuelling the growth.

- This also encouraged companies to commit to new business possibilities ahead of funding arrangements in the frenzied pace of business in the past few years.

Over-trading

- Again the booming business environment had business executives letting down their guard on the assumption that fast cash returns could repay easy credit. The frenzied pace of business did not give time for serious planning and no-one wanted to be 'left out'.

When a cash flow crisis is accepted, dramatic actions are required to ensure that business decline does not result.

CRISIS AND CHANGE

When a cash flow crisis is accepted, dramatic actions are required to ensure that business decline does not result. One of the essential factors is the acceptance by senior management that there is a crisis of sufficient concern. In the current environment, the cash flow crisis stemmed from a wider re-adjustment of the local economy and the financial markets.

A bad situation may not be in a crisis stage or it could be critical. The options available for a crisis are considerably less than if it were at a late stage.

If the situation has changed to one of a critical level, then it is not only a matter of cash flow management, but a dramatic change has to be made in the way business is to be done in the organisation. In a crisis situation, normal decision-making and routines may have to give way to creative thinking in searching for viable solutions.

A short-term approach may be taken immediately within the company to generate as much cash flow as possible to allow normal activities to proceed without interruptions. At the same time, a total review is to be urgently implemented to restructure the way the company handles its customers, materials, human resources, equipment and creditors. Concurrent short-term and long-term actions may have to be instituted to prevent further deterioration of suppliers and management confidence.

It is fair to say that *a crisis always precedes a change*. Thus, a cash flow crisis may actually be a forerunner of major changes in the business that would see new ways a business is done in the post-crisis environment. It is not just solving a cash flow problem for the moment.

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A cash flow crisis may actually be a forerunner of major changes in the business that would see new ways business is done in the post-crisis environment.

SHORT-TERM STRATEGIES IN IMPROVING CASH FLOWS

Working Capital Management

Inventory

- Inventory comprises of raw materials, work-in-process (WIP) and finished goods. The nature of WIP makes it a priority to minimise the level of production. However, this decision would trigger off the area of head count management in the production function with consequences for overhead recovery.
- Finished goods and raw materials are easier to manage. Depending on the nature of the goods and the end-user industries, the levels of these stock components can be lowered by disposing them at concessionary prices or in exchange of goods for outstanding payments. During a crisis situation, the priority is to generate cash, sometimes unfortunately, at the expense of profit. Management must at this time decide whether profit is more important than cash.

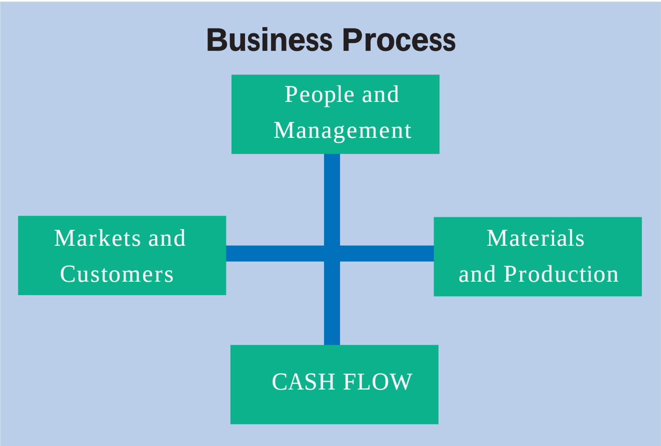
Accounts Receivables

- Deteriorating receivable quality is not unexpected for the average business. Efforts would continue but reliance of the cash flow from receivables must be discounted, especially in the prevailing financial context. Factoring as a way out is also less likely to be workable because of institutional constraints.
- While collection efforts must continue, new credits may have to be put on hold and activities should be on a cash basis or with acceptable payment guarantees. It is likely to be difficult to impose this on the existing trading relationships, but it is necessary if cash flow needs are to be met.
- The new customer base, which is willing to deal under the new conditions, has to be developed quickly. It may even call for an assessment of new product lines. That is the reason why companies have to undergo complete and dramatic changes in the way they do their businesses.

Cash flow is a function of managing people, products and markets.

Cash Flow

- Cash flow becomes scarce under these conditions. How a company is to react to the situation would depend on the extent of its regular or minimum cash needs within a specified time-frame.
- Once this regular requirement is established, the activities and responsibilities are made out to bring in the minimum cash flow. The activities include:
  - Revenue generation.
  - Receivables collection.
  - Inventory sell-down.
  - Short-term financing, if available.
  - Assets sale.



Cash flow is a function of managing people, products and markets. Any action in improving the cash flows from normal activities must then involve the three basic components. Ineffective management of one or the other may result in the opposite effect.

- Pitching the regular cash flow needs against the various cash generating activities, one can develop a cash flow profile or projection.
- If the cash flow profile suggests constant cash need over the next 6 - 12 months, it may be possible to determine the cash flow breakeven position In many instances, the cash need is the minimum requirement that in turn determines the minimum cash generating efforts in terms of cash sales, debtor collections and other actions.
- The use of the cash budget as a navigational tool is even more important now that a cash crisis is acknowledged. However, it is likely that management remains optimistic or in a denial stage, and expecting improvements to occur. Unless the management recognises and accepts a possible worst-case scenario, the cash budget would be very useful and there would be perpetual shortfalls to be explained month after month.

Eliminate Commitments

Capital Expenditure

- Understandably, the capital expenditure must be reviewed and postponed in a crisis situation, if possible. Prestigious projects such as the new corporate headquarters and the Chairman's executive jet may have to be shelved.

Stock Commitment

- Unwinding stock purchase commitments may have to be negotiated with trade creditors to minimise cash outflow problem. Arrangements may have to be made for stocks to be delivered to match production schedules or on J-I-T (just-in-time) basis. In other instances, economic order quantities may have to be reviewed both to manage cost and cash flows.

Credit sales may be less desirable in time of liquidity need. Cash sales would be encouraged with shortening credit periods and a lower credit limit for each customer.

Customers Credit Limits

- Credit sales may be less desirable in time of liquidity need. Cash sales would be encouraged with shortening credit periods and a lower credit limit for each customer.
- Encouraging early settlement of accounts is an on-going activity, and the effectiveness of the credit and collection policies would become apparent under present conditions.
- A full review of the current credit granting and collection policies may be required to re- establish control over this major part of working capital.

Solving a Cash Flow Crisis

When matters reach a crisis proportion, urgent issues must be dealt with quickly. These issues can be categorised into short-term immediate action plans and longer term issues that determine the long-term viability of the business.

These are outlined in the following table:

Immediate actions short-term	Continuing actions long-term
Freeze all capital expenditure	Review the ways business is done
Control working capital	Review core businesses
Revenue generation	Asset rationalisation
Cost control	Re-capitalisation
Scheduling liabilities	Mergers and acquisitions
Re-financing	Financial planning
Downsizing activities	Business philosophy and strategies

It shall not come as a surprise that some short-term actions are dependent on the decisions on longer term issues. For example, the disposal of properties to generate cash may be subject to a deliberation of whether such a step represents an exit out of the property market.

On the other hand, revenue generation may necessitate new capital expenditure that cannot be avoided. For example, increasing sales may require additional lorries to provide delivery service.

Revenue Generation

Active Sales

- *Discount Sales*
  Rapid cash generation may be urgent enough to persuade management to consider discount sales. The occasion can be utilised to get rid of excess or old stocks. Maintaining profit margins should give way to cash generation.

- *Direct Marketing*
  Rather than selling through conventional distribution channels, a company faced with a cash flow crisis may want to explore the possibility of direct sales to end-users or through a direct sales force that it can control. For example, a pharmaceutical manufacturer may wish to consider marketing its vitamin line by direct selling. It can either set up a new sales division or negotiate an arrangement with a direct selling company.

- *Franchising*
  As an alternative to direct marketing, a company may choose franchising as a means of extending the market base and widen exposure to the firm's products. The presence of franchisees may help minimise the cost of setting up a distribution network although some time may be required to organise and put it into effect. But time can be a luxury that the company cannot afford.

Rather than selling through conventional distribution channels, a company faced with a cash flow crisis may want to explore the possibility of direct sales to end-users or through a direct sales force that it can control.

- *Barter/Counter Trade*
  Strictly speaking, barter trade does not generate cash. But it can be explored to help minimise cash outflow through an exchange of goods for outstanding payments. This was seen in the last recession when contractors took units of completed houses in settlement for outstanding payments. Other instances may involve the exchange of finished goods for raw materials to keep the production going.

Sales and Promotion Effort

Unless a company considers its future to be limited, it may want to continue generating consumer interest in its product lines. This, however, requires cash outflow, which some companies may not be able to undertake while the cash crisis is yet to be resolved.

Cost Reduction Programme

Head Count Management

- Labour cost constitutes a major cost for many organisations and requires timely cash payments. It is often necessary to relook the manpower requirements of the company's activities to achieve some immediate cash savings.
- Retrenchment is a common strategy to cut cash flow costs, but there can be alternative strategies that call for redeployment of some employees into other operating areas such as marketing and customer service.

Material Management

- Materials in a manufacturing company can comprise as much as 80% of the total cost of production. Control of this item can yield some positive results. The examination of purchasing policies and practices, as well as terms of settlement can help in some cash flow savings.

- More efficient use of materials (i.e. less wastage), alternative materials and new sources of supply can together provide significant cost savings in cash flow terms.

Re-Scaling Activities

- Downsizing business activities often comes with a downturn in the economy. This entails reduction of stocks, debtors and human resources to survive during a period of tight liquidity.

Prioritising Liabilities

Scheduling Commitments

- Managing liabilities would be highly challenging as one can expect the creditors to react in the same manner as one reacts to customers. Where possible, creditors and short-term lenders are brought to negotiate for extended payment terms to a later date. This is not likely to be easy as creditors would be worried of rising credit risk and their own cash requirements.

- Apart from scheduling, cash strapped companies may need to renegotiate with creditors and bankers for refinancing. This may require the companies to commit to a rigid repayment scheme.

Where possible, creditors and short term lenders are brought to negotiate for extended payment terms to a later date.

Collateralisation

- In order to provide comfort, the company's creditors may need the firm to demonstrate its ability and resources available to the creditors. This may be necessary to procure continuous supply of raw materials.

- With collateral, the risk of business interruption is minimised. It may be necessary to assure the suppliers that payment ability of the firm remains satisfactory.

Elements for a Cash Flow Recovery

Cash flow recovery is really a matter of CHANGE and CHANGE MANAGEMENT

- ***Management Style and Attitude***
  - Executives change, or
  - Change executives
- ***Review and Reinforce Financial Control***
  - Centralise control
  - Re-working of forecasts and budgets
- ***Organisational Change***
  - A cash flow crisis is potentially terminal
  - A change in the manner/mind-set
- ***Product Market Re-orientation***
  - A changing consumer landscape requires that new competitive 'level playing field'
- ***Improved Marketing***
  - Maximising profit potential from product segments
  - Exploit marketing slack
  - Innovative selling
- ***Strategic Growth***
  - Can this be possible?
- ***Asset Reduction***
  - As a part of product market orientation
  - Working capital — fixed assets — operations
  - Divestment vs. liquidation of operations
- ***Cost Reduction***
  - Improved profits lead to cash inflow
    1. Strategic — against competitors
    2. Operational — efficiency and overhead recovery
  - Pricing vs. volume strategies
- ***Debt/Financial Restructuring***
  - Refinancing
  - Rescheduling
  - Restructuring

  - Maintaing cash inflows
  - Additional cash flows

LONG-TERM ACTIONS IN CASH FLOW IMPROVEMENT

Re-capitalisation

Shareholders

Cash infusion is a necessary part of this type of crisis management. This is either sourced from the company's shareholders or its bankers. Quite likely, the bankers would be reluctant to extend any support beyond some comfortable arrangements. The thrust of the issue is expected to be left to the owners of the affected company who would determine its survival and recovery.

Where the shareholders are unable to provide any more support like the bankers, it may still be an option to look to the management and employees for support.

Staff and Management Buy-In

Where the shareholders are unable to provide any more support like the bankers, it may still be an option to look to the management and employees for support. Creative structuring would be necessary and it depends on the attitude of all parties — employees, bankers and shareholders. This is commonly seen in management buy-out situations.

Outside Parties

Finally, the company may have to explore other options involving other outsiders to introduce long-term solutions. These outsiders may surface as potential shareholders if any deal is 'sweet' enough. These include :

- Creditors.
- Customers.
- Venture Capitalists.
- Government agencies.

Debt Finance

Non-Bank Debt

In the event of serious deterioration of financial conditions, it can only be expected that traditional lenders abstain from further involvement in financing the company. The company would need to explore non-traditional sources for loan funds.

Among these non-bank debt financiers include:

- Bank Islam.
- Employees' Provident Fund (EPF).

- Lembaga Tabung Angkatan Tentera (LTAT).
- Pemodalan Nasional Berhad (PNB) Group.

Requirements vary from one institution to another, but in the end the company seeking finance must prove beyond doubt its capabilities to remain successful and the rewards to the new supporters 'sweet' enough.

Capital Markets

- Sourcing funds for long-term operations from the capital market must be at a subsequent phase after a company resolves its immediate cash flow problems. But for long-term planning, it would be necessary to consider the option of participating in the capital market.
- Two options can be examined — a direct listing exercise or an acquisition of or by a listed company. The choice depends on the strategy the company intends to pursue and the quantification of the costs and investments.
- Access to the capital market allows the company to obtain funding for growth and development. The previous notion of 'cashing' out through the public flotation exercise would no longer be valid as the capital market becomes more transparent.

Sourcing funds for long-term operations from the capital market must be at a subsequent phase after a company resolves its immediate cash flow problems. But for long-term planning, it would be necessary to consider the option of participating in the capital market.

Asset Rationalisation

The disposal of assets is a necessary strategy to generate cash for the short-term. This usually focuses on the excess or non-essential assets of a cash-starved company. Excess motor vehicles and landed properties may have to be liquidated for immediate cash relief. Where essential assets have to be disposed, the decision becomes harder to make. An action to dispose the essential plant and equipment or operating premises may jeopardise the future of the company and its business image. As such, it should be avoided as much as possible.

Non-Essential Assets

For these assets, disposal would bring much relief. However, in a deteriorating asset market, disposal may not bring the best

Company head offices, executive jets, luxury cars and other deemed corporate symbols must be reviewed quickly for their contributions to the cash flow condition.

values. Management must be swift in making the disposal decisions and accept the lower values in exchange for financial flexibility. It may bruise the ego of those who initiated the purchase, but not willing to accept realities may be bruise the company further.

Company head offices, executive jets, luxury cars and other deemed corporate symbols must be reviewed quickly for their contributions to the cash flow condition.

Essential Assets

These assets are necessary for normal operating activities and where practical, they should be left alone. In desperate situations, they too may fall victim to buyers. If that were to happen, the cash-starved company needs to have alternative arrangements to maintain the normal level of activities. Otherwise, a disposal of essential assets may technically spell the end of the company. Among the options one can explore in conjunction with a disposal programme are:

- *Outright Sales*
  Here, the sale is expected to bring in positive cash flow. Concern would be on the price and effect on the company after the sale.
- *Sales and Lease Back*
  In order not to impair the normal operating capacity of the selling company, sale and lease back arrangements can be made. Traditionally, leasing companies are quite happy to deal with such arrangements. Beyond the leasing companies, similar deals can be struck with institutions such as Bank Islam,

Lembaga Tabung Haji, insurance funds and cash-rich companies. The essence here is the structure of an attractive deal that must be the result of some creative-thinking from the usual sale and lease back exercise.

- *Rental of Excess Capacity*
  Not all sales and lease back deals can be done. An alternative would be rental of spare manufacturing or warehousing capacity to companies in similar businesses. This may not be appealing on grounds of competition and security. This must be weighed carefully by the cash-starved company and its executives. Priority must be cash flow generation.

Some may consider contract manufacturing as a better alternative to rental of excess capacity.

- *Contract Manufacturing*
  Some may consider contract manufacturing as a better alternative to rental of excess capacity. This may entail some cash flow planning as it can be viewed as additional business. Strict contract manufacturing would only yield a fixed return, with working capital commitment the sole responsibility of the third party.

While these are treated as longer term actions because of their potential side effects, some of them can also be regarded as short-term strategies. For longer term outlook, some forward planning may have to be done concurrent to the pursuit of immediate needs.

Mergers and Acquisitions (M&A)

- The possibility of M&A always looms when difficult times surface. Many organisations that are not prepared may find themselves disappearing from the next round of business recovery. An M&A exercise is a radical change and it totally restructures the people, facilities and financing
- The exercise can be a proactive or passive one. In a pro-active situation, the cash-starved company plans for an acquisition or merger that would result in cost savings, early improvement in revenue generation and access to cash flows to tie over short-term problems.
- A passive approach assumes that a stronger outside party would be interested to tie up with some strategic advantages that the company already has.
- Because M&A exercises do take time to consummate, it is important that there is early recognition of this possibility, and that management and shareholders are prepared.

The possibility of mergers and acquisitions always looms when difficult times surface.

- The merits of such an exercise can include:
  - access to cash resources.
  - new customer base and revenue generation.
  - economies of scale and cost-efficiency.
  - cash flow cost savings.
  - elimination of competition.
- The main difficulties in such an exercise include:
  - unwillingness to accept this as an option.
  - expectation that current cash flow problems are temporary.
  - competition is facing similar problems and would 'leave' the business.
  - ego to retain management control or major shareholding.

If some of these issues cannot be resolved, the M&A exercise would unlikely see the light of day.

CONCLUDING REMARKS

'Cashflowritis' is an issue not to be underestimated. If not properly dealt with in a timely fashion, it can cripple a company and even cause its early demise.

In view of this, it is fundamentally important that the company concerned respond strategically and expeditiously. Change must follow a cash flow crisis. And that would involve the careful selection and prompt implementation of both the appropriate short-term and long-term strategies to improve the company's cash flow position.

Feature

Accountants Must Think Globally

The phenomenon of globalisation and liberalisation can be likened to a double-edged sword. On the one hand, it brings in much needed capital and technological resources into our economy. On the other hand, it also threatens the existence and prosperity of local home-grown companies that are ill-equipped to face competition from world-class corporations.

Following the Asian financial crisis, the above development has been cited as one of the major causes of the Asian economic downturn. For example, Professor Jagdish Bhagwati, modern-day guru of international trade theory, has put a finger on the rapid financial liberalisation without an adequate policy and institutional framework as a major culprit of the Asian financial malaise. Free flow of global capital, he asserts, is not without its costs. As a result, several Asian Governments have become wary in accelerating their liberalisation plans.

No doubt, the flight of short-term capital out of the Asian economies in 1997 contributed to the collapse of investor confidence in the region. However, we must not forget that long-term capital or foreign direct investment (FDI) is a major contributor to the high economic growth rates that the region experienced for almost ten years before the onset of the crisis.

Unlike short-term capital, FDI is non-volatile. Foreign investors set up overseas production and marketing facilities based largely on the economic fundamentals and long-term potential of the host country. In view of this, they are not likely to panic and withdraw their investments if the economic conditions of the host country become somewhat less favourable in the short-run.

That Malaysia welcomes FDI is reflected, for example, in the Government's initiative to establish the Multimedia Super Corridor (MSC). This move has attracted the much-needed foreign resources to help develop the country's information technology (IT) industry. Malaysia needs the presence of the large IT multinational corporations (MNCs) that have the necessary capital, expertise and technology to propel it to the global IT arena.

In the process of achieving that goal, jobs will be created, while local companies will be able to find new business opportunities in serving the MNCs upstream or downstream. Needless to add, adequate investment in, and proper application of IT, will boost productivity. This is a critical factor in enhancing the prospects for sustained and strong economic growth in the 21st Century.

As mentioned above, globalisation and liberalisation have their advantages and disadvantages. There is a need to view them in the right perspective and to avoid swinging to either extreme.

In the same vein, local accountants should not be unduly worried by the external pressures to further open up the local services sector, which includes the accountancy profession, under the World Trade Organisation (WTO) framework. After all, competing with foreign-controlled accounting firms is not

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With regard to the WTO, it is a global organisation established to help achieve freer trade and also provide a forum for the resolution of trade disputes. The WTO operates on the principles of non-discrimination, transparency and reciprocity.

Non-discrimination means that member countries must treat all their trading partners alike, while transparency means that all countries should seek to replace disguised and unquantifiable protectionism with tariffs, which are apparent and more amenable to negotiated reduction. As for reciprocity, it implies that countries should make approximately equivalent concessions in trade deals, which would have a progressive effect on multilateral trade liberalisation.

With the advent of the WTO liberalisation of trade and services in the year 2002, foreign accountants may be practising in Malaysia with somewhat reduced restrictions if liberalisation gains further momentum. Similarly, Malaysian accountants wishing to practise overseas are likely to face fewer constraints. Hitherto, the Malaysian Government has made a commitment to bind our offer of liberalisation in the accountancy services sector under the WTO framework (see page 25).

The Malaysian Government has made a commitment to bind our offer of liberalisation in the accountancy services sector under the WTO framework.

As a first step towards liberalising the services sector, countries would need to recognise each other's qualifications. Under the WTO framework, there is an ongoing exercise to work out the Mutual Recognition Agreement (MRA) among countries. This would imply that if an accountant comes from a country where it does not have an MRA with our country, then the foreign accountant concerned will not be able to practise here. Conversely, if the accountant comes from a country with an MRA with our country, then the said accountant can practise in Malaysia, subject to the conditions under Malaysia's current offer.

Although the MRA does allow a foreign accountant to practise in Malaysia, the person concerned would still have to meet the requirements set by the regulator of the local accountancy profession, which is the Malaysian Institute of Accountants (MIA). The Institute has the sole discretion to decide whether the foreign accountant has the necessary qualifications and skills to practise as an accountant in the country.

Foreign accountants can choose to upgrade their qualifications, but it will ultimately depend on the criteria the national accountancy body sets in determining whether it wants to recognise their upgraded qualifications or not. They can also apply to qualify under the bodies as provided in the Accountants Act, 1967

Notwithstanding the above, it appears that there are adequate provisions to safeguard the local accountancy profession against excessive foreign competition. For example, foreign accountants will be required to abide by the residency requirement and a shareholding interest not exceeding 30 per cent. However, the local accounting fraternity would need to wrestle with the issue of whether such restrictions will be good for its profession and the country in the long-term.

Like other professions, the accountancy profession has undergone rapid changes in tandem with the ever-evolving business environment. Accountants would need to keep up with rapid technological changes in order to be effective and efficient in the next millennium. If the profession were to insist on keeping tabs on the entry of foreign accountants, it may deprive itself of the new technologies and expertise needed to move the accountancy profession to a higher plane.

To be sure, Malaysia lacks certain accountancy expertise and skills that are currently in high demand. For example, IT audit, accounting and reporting for intellectual capital, and forensic accounting are much sought-after expertise. In the case of forensic accounting, the expertise is needed for the purpose of fraud examination and analysis. Local organisations have to fly in forensic accountants from the developed countries such as Australia and Canada at a high cost in order to examine fraud cases.

Moreover, there have been news surfacing that certain accounting firms have already brought in foreign accountants with expertise not available in our country. Their work can simply be authenticated or signed off by the local accountants.

Such are the challenges that will require re-thinking on the part of the local accountancy profession. The beginning of the next millennium may be just the opportune time to strategise and chart new directions.

Over and above this, accountants should also be prepared and willing to "think globally". This will require a paradigm shift. Small minds must give way to those who can do great exploits with their knowledge, experience and skills. As a first step, accountants should jettison the mentality that they will always be on the losing end when our country opens up its services sector to the world. They should not forget that they can also gain by penetrating the markets abroad. To do this, they must get their act together early, because the day of increased liberalisation of the services sector is getting nearer.

Furthermore, the rapid advancement in IT has created new modes of delivery for the accountancy profession. Local accountants who rise up to these challenges and seize the opportunities can look to the world as their market. They can make a start by establishing their presence, especially in countries with British-based accounting systems such as Myanmar and Singapore. Indeed, their 'boundary' can extend further with greater ingenuity, efficiency and a pioneering spirit.

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Their views expressed in this article are their own and do not necessarily represent the views of the Institute.

The General Agreement on Trade in Services deals with the regulatory obstacles to international trade and foreign investment in services industries, including cross-border practice of accountancy and other professions. It sets out the rules to discipline government intervention in the market place to achieve the following purposes:

- Ensure that foreign or internationally-affiliated service providers, firms and professionals enjoy the same privileges as their domestic counterparts or competitors with respect to government regulation.
- Remove discriminatory obstacles to market entry and practice by persons from other countries by concentrating solely on those issues that relate to professional qualifications.
- Provide transparency to all service providers as to the rules governing recognition of qualifications.

Signatories to the GATS and its provision bind their national and sub-national regulatory authorities.

BASIC WTO PRINCIPLES

Market access, which when granted, has to be on a basis consistent with GATS and allow services to be supplied according to the preferred mode of delivery of the producer.

Most-favoured nation (MFN) treatment works on the principle of treating one's trading partners equally. Under GATS, if a country permits foreign competition in a sector, equal opportunities in that particular sector should be extended to service providers from all other WTO members. MFN applies to all services, except for some special temporary exemptions.

National treatment refers to equal treatment for foreigners and one's own citizens. Under GATS, it only applies where a country has made a specific commitment and exemptions are allowed.

Transparency, under GATS, is the making available of all relevant laws and regulations. Foreign companies and governments can inquire and obtain information about the rules and regulations of any service sector. Member countries are required to notify the WTO of any changes in the regulations applicable to the services that come under specific commitments.

Regulations governing the services sector have to be applied reasonably, objectively and impartially.

International payment and transfers for services supplied in a particular services sector should normally be unrestricted once a government has committed itself to open that sector to foreign competition.

Specific commitments refer to individual countries' commitments to open markets in specific sectors. The degree of openness is the outcome of negotiations. Malaysia's current offer of liberalisation in the accountancy services sector is an example of specific commitment. Where commitments are bound, they can only be changed or withdrawn after negotiations with the affected countries, which may lead to compensation. Owing to the difficulty of "unbinding", the commitments are almost guaranteed conditions for foreign exporters and importers of services and investors in the services sector to conduct their operations.

Progressive liberalisation is effected through further negotiations. The next round of negotiations with respect to GATS will be held next year. The objective is to extend the boundary of liberalisation by raising the level of commitments that appear in the schedules.

Malaysia's Current Offer of Liberalisation in the Accountancy Services Sector

Modes of supply: j *Cross-Border Supply* k *Consumption Abroad* l *Commercial Presence* m *Presence of Natural Persons*

Sector or Subsector	Limitations on market access	Limitations on national treatment	Additional Commitments
BUSINESS SERVICE	**SECTOR-SPECIFIC COMMITMENTS**		
Accounting, auditing and bookkeeping services (862)	jk None l Only through a locally registered partnership with Malaysian accountants or Malaysian accounting firms and aggregated foreign interest shall not exceed 30% m Unbound except as indicated in the horizontal section Residency is required for registration*	jk Auditing services must be authenticated by a licensed auditor in Malaysia l None m Unbound except for the categories of natural persons referred to under market access	m The qualifying examination to determine the competence and ability to supply the service for the purpose of registration with the professional bodies will be conducted in the English Language
Taxation services (863)	jk None l Only through a locally registered partnership with Malaysian accountants or Malaysian accounting firms and aggregated foreign interest shall in the partnership not exceed 30% m Unbound except as indicated in the horizontal section Residency is required for registration*	jk Taxation services must be authenticated by a licensed auditor in Malaysia l None m Unbound except for the categories of natural persons referred to under market access	m The qualifying examination to determine the competence and ability to supply the service for the purpose of registration with the professional bodies will be conducted in the English Language

** This is in respect of professionals being persons who possess necessary academic credentials, professional qualifications, experience and/or expertise which have been duly recognised by the professional bodies in Malaysia and registered with those respective professional bodies.*

Note: The General Agreement on Trade in Services (GATS) encompasses all globally traded services. This includes the four modes of supplying a global service as defined by GATS, namely, cross-border supply (i.e. services supplied from one country to another such as international telephone calls), consumption abroad (i.e. consumers or companies using a service in another country such as tourism), commercial presence (i.e. a foreign company establishing subsidiaries or branches to provide services in another country such as foreign banks establishing operations in another country) and presence of natural persons (i.e. individuals moving from their own country to supply services in another country such as consultants and fashion models).

Institute News

1999 National Credit Management Conference

The two-day national conference on credit management was timely and appropriate, as it dealt with critical issues of the day. Participants went away much better informed and equipped, among other things, on how to detect an economic downturn, and manage credit risks, non-performing loans and debt-restructuring. A timely reminder was the importance of being an all-round credit manager.

The Malaysian Institute of Accountants, in collaboration with the Association of Credit Management Malaysia (ACMM), organised a two-day national credit management conference to examine the various issues concerned with credit and debt management. The conference was co-sponsored by the Australian Institute of Credit Management, Association of Merchant Banks in Malaysia, Business Times, Fuji Xerox Sincere Service Centre and Executive Mode. The two-day conference was held at Shangri-La Hotel, Kuala Lumpur on 18-19 May 1999.

The conference was officiated by the Governor of Bank Negara Malaysia, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman. Tan Sri Dato' Seri Ali Abul Sulaiman also delivered the keynote address for the conference. The Minister of Foreign Affairs, YB Datuk Seri Syed Hamid Albar, was the guest of honour for the conference's dinner function that was held on the first day of the conference, while the Minister in the Prime Minister's Department, YB Dato' Dr Hjh Siti Zaharah Sulaiman delivered the closing address on the last day of the conference. The Institute was deeply honoured to have the presence of these guests of honour at the 1999 National Credit Management Conference.

Mr Billi P.S. Lim managed to motivate more than 300 participants with his inspiring talk on "Dare to Fail" on the second day of the conference

The objective of the conference was to review the critical lessons of the 1990s in the area of credit and debt management. The 1990s is a turbulent period that has been marked by upswings and downturns. The recent economic downturn has exposed and weakened the financial position of many corporations to a large extent.

To coincide with its main focus, "The Lessons of the 1990s — Credit Where Credit Is Due" was chosen as the theme of the conference. Besides highlighting and examining the critical credit issues of the 1990s, the conference also focused on ways to strengthen the financial position of corporations that have been weakened by the economic and financial crisis. Corporate recovery must be carried out expeditiously in order to bring about a swift economic recovery.

Experts in their respective fields were invited to present relevant discussion papers at the conference. The speakers include highly experienced practitioners and corporate leaders and analysts, who hailed from renowned organisations such as the Australian Institute of Credit Management, KPMG Asia Pacific, Baker & McKenzie Singapore, QSP Financial Information System, National Credit Insurance Broker, F&N, Coca-Cola, Metrowangsa Asset Management, Bank of Commerce, Ratings Agency Malaysia, Malaysian Rating Corporation and Credit Corporation Malaysia.

Among the discussion papers presented were:

- The Future of Credit Management — Trends in Developing Countries
- Managing Non-Performing Loans and Debt Restructuring

- Credit Risk Management in an Uncertain Business Environment
- Credit Risk in International Trade
- The Early Warning Signals of an Economic Downturn
- Lessons Learnt from Non-Performing Loans
- Effects of the Recent Amendments to the Bankruptcy Act 1967
- Credit Rating — Techniques & Issues
- The Role of the Credit Manager in Promoting Business Transformation
- Understanding Sovereign Rating
- Insolvency Laws — Need for Reforms.

There was also a special talk on "Dare to Fail" on the second day by the author of the book of the same title, Mr Billi P.S. Lim. He is a popular motivational speaker and founder of the Institute of Hardknocks. Using his sharp-witted jokes, Lim managed to impress upon 300 conference participants that failure should be viewed in a positive light. He said that all is not lost if we manage to learn from our mistakes, and do not lose the spirit and confidence to face challenges in the future.

Mr. Lam Kee Soon, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, YBhg Dato' Hanifah Noordin and Mr. S. Santhirasegaran taking questions from members of the press

YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, Governor of Bank Negara Malaysia accompanied by MIA President, YBhg Dato' Hanifah Noordin and MIA Vice President, Mr. Soon Kwai Choy

BNM Governor delivering his keynote address during the opening ceremony

With the sound of the gong, the conference commences

The VIPs at the opening ceremony (L-R) — Mr Soon Kwai Choy, Mr Steve Barratt, YBhg Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, YBhg Dato' Hanifah Noordin and Mr S. Santhirasegaran

YBhg Dato' Hanifah Noordin welcoming dinner guests

Mr. Goh Joon Hai, Encik Ahmad Salleh and Encik Abdul Aziz Ibrahim mingling outside the Grand Ballroom at the Shangri-la Hotel, just before the dinner started

YBhg Dato' Hanifah Noordin presenting a gift to YB Datuk Seri Syed Hamid Albar, while Mr Lam Kee Soon looks on

Camelia's rendition delighted the dinner guests

Nesan Ponniah entertaining the dinner guests with his brand of humour

Mr Soon Kwai Choy, YB Dato' Dr Hjh Siti Zaharah Sulaiman and YBhg Dato' Hanifah Noordin at the closing ceremony

YB Dato' Dr Hjh Siti Zaharah Sulaiman delivering her closing address

Learning the Lessons of the 1990's

The Malaysian economy is on the road to recovery. However, we must learn from our past mistakes in order to avoid being caught by surprise again in the future. Malaysian Institute of Accountants President, YBhg Dato' Hanifah Noordin said this in his welcome address at the opening ceremony of the 1999 National Credit Management Conference.

Hanifah elaborated that "The Lessons of the 1990s — Credit Where Credit Is Due" was chosen as the theme of the conference because there are invaluable lessons to be learnt from this turbulent period. "In the early 1990s, Malaysia and other Asian countries had experienced what the World Bank dubbed as "The East Asian Economic Miracle". At that time, the economies of most Asian countries, including Malaysia, were expanding at high growth rates over consecutive years," said Hanifah.

YBhg Dato' Hanifah Noordin believes that the local corporate recovery mechanism can be enhanced with the introduction of Judical Management

"As all of you know, the high economic growth pattern of the East Asian region was disrupted and subsequently reversed when the economic and financial turmoil broke out in the middle of 1997. This onset of the crisis marked the beginning of the end to "The East Asian Economic Miracle". When the economic crisis hit Malaysia, consumer and investor confidence took a nosedive almost overnight. When sales plunged, bad debts soared and financial institutions withdrew their lines of credit, many small and large organisations ended up technically insolvent. Deprived of the necessary cash flow to meet short-term credit obligations, the operations of these cash-strapped organisations were disrupted to a large extent."

"The severe cash flow problems faced by many organisations in the past two years could have been avoided or alleviated if they had adopted and practised sound financial and credit management policies in the first place. Nevertheless, we have to learn from our mistakes to make sure that we will not be caught by surprise again in the future," added Hanifah.

Hanifah said that a few years before the crisis actually broke out, an economics professor at the Massachusetts Institute of Technology (MIT), Dr Paul Krugman had predicted that the East Asian economic miracle would come to an end. "According to Krugman, the high growth rates of East Asian economies could not be sustained over a long time span. Krugman said that East Asian countries such as Malaysia relied on deploying and mobilising additional labour and capital resources to achieve high economic growth rates. Dr Krugman claimed that such a strategy could not be used to generate sustainable growth for a country over a long period of time. A country has to find new ways and strategies to utilise its current stock of labour and capital more efficiently," said Hanifah.

"His critical analysis of the East Asian economies should have given a strong warning signal to regional countries on the impending economic downturn. Krugman's analysis gave a fairly accurate description of the prevailing corporate culture during the pre-crisis period. Then, local corporations were somewhat obsessed with acquiring assets to enhance their balance sheets. To quench their thirst for assets, they went to the extent of depleting their cash reserves and even borrowing huge amounts of money from financial institutions."

"Worst of all, most corporations had acquired a huge amount of assets during the boom time, without considering whether these assets could really be employed to improve their capabilities to add significant value in the market place. Some organisations decided to acquire other companies at inflated prices in order to diversify into other industries, while others incurred huge capital expenditures to participate in expensive projects that offered dubious returns on investment."

Hanifah said that some organisations had over-leveraged themselves in their quest of acquiring assets. "They had borrowed heavily from the financial institutions to finance asset acquisitions and expensive projects, and as a result, their gearing position increased significantly. In addition, these corporations had weak liquidity positions since they had used up most of their cash reserves to finance the acquisition of assets."

"The onset of the economic crisis, which brought about the decline of investor and consumer confidence, exposed as well as exacerbated the weak financial position of local corporations that had high gearing and weak liquidity positions. When the economic conditions turned unfavourable, these asset-rich but cash-strapped corporations could not generate the necessary cash-flow to service their loans with financial institutions," said Hanifah.

"These organisations should have adopted and practised a more prudent credit and financial management policy. They should have relied on internal funds generated from their existing operations and business to finance corporate expansion at a sustainable rate. The heavy reliance on external borrowing exposed organisations to the various credit management risks. Some organisations even went to the extent of using short-term funds to finance long-term projects."

"The over-leveraged corporations found themselves strapped for cash. With the decline in the value of assets, these organisations faced difficulties disposing off their assets at acceptable prices to raise cash to meet their short-term obligations. When corporations were unable to service their loans, financial institutions ended up with high levels of non-performing loans. This development impaired the capacity of financial institutions to provide finance for viable economic activities," added Hanifah.

"We are glad that the Malaysian Government had adopted a proactive approach in solving the quagmire that our local financial institutions and corporations were facing. We applaud the Government for making significant progress in cleaning up the non-performing loans of the financial institutions, as well as restructuring and revitalising the local financial sector."

"The Government also realised that viable businesses with temporary cash flow problems can be nursed back to good health if they were given enough time. Accordingly, the Government introduced Pengurusan Danaharta Nasional Berhad and established the Corporate Debt Restructuring Committee (CDRC) to give cash-strapped companies more space to manoeuvre in settling their debts."

However, Hanifah believes that the corporate recovery mechanism in the country can be further enhanced with the introduction of judicial management. "Countries like the United Kingdom, Singapore and Canada have already been practising judicial management. In these countries, judicial management is found to be very effective in rehabilitating and turning around viable businesses with temporary cash flow problems. Judicial management is a provision that allows a company, or its directors or creditors, to apply for a court order to place the company under judicial management if it cannot pay its debts when they fall due. Judicial management can help produce a win-win situation for both creditors and debtors," said Hanifah.

"When a company is placed under judicial management, it will be granted protection from creditors who may want to put the company under receivership. At the same time, an independent body will be established to supervise the rehabilitation process, making sure that the management of the company comes up with a concrete restructuring scheme. This independent body will look after the interests of the debtor company and creditors."

"Judicial management can help prevent the mass liquidation of insolvent companies that cannot pay their creditors in the short-term. Liquidation usually creates a situation where the assets of the cash-strapped company are sold at fire-sale prices. In contrast, judicial management will allow for a more advantageous realisation of the company's assets," said Hanifah.

"The Institute hopes that the Government will look into the possibility of introducing judicial management to help expedite the rehabilitation of viable businesses that are facing short-term financial problems. We hope that the Government will amend the Companies Act 1965 to include the judicial management framework," added Hanifah.

The Future of Credit Management — Trends in Developing Countries

At the recent 1999 National Credit Management Conference, Mr Steve Barratt got the ball rolling on the first day by presenting a paper entitled *The Future of Credit Management — Trends in Developing Countries.* Barratt is currently the President of the Australian Institute of Credit Management (AICM).

Mr Steve Barratt speaking authoritatively on where credit management is heading

Barratt said that although countries may vary culturally, the globalisation of credit has meant that the vital importance of sound credit management to a company is universal. "It is in times of financial difficulties that the challenge to credit management is at its greatest, and the vital importance of highly-trained and far-sighted credit management staff is now, more than ever, critical to survival in large and small businesses," said Barratt.

"Looking at Malaysia, I see a country that has had a meteoric economic boom over the last ten years or so, only to be followed by a more recent correction. While companies were enjoying high growth, and there seemed to be no end to massive profits, credit management seems to have been pushed to the back when evaluating departmental importance."

"Somehow it did not seem to matter so much that there was 10 per cent written off every financial year when the company was surging ahead at growth rates of between 20 per cent and 50 per cent. Nothing could halt the rampage forward of the Asian Tiger economies. Only now, when flourishing corporate life has become more difficult, has the importance of sound credit management again been recognised by companies all over the world," added Barratt.

"My own observation is that the importance of credit management has not until recently been treated as very important within the developing Asian economies and, for that matter, elsewhere. In the past, credit managers were accorded very little recognition. The Americans have for a long time often positioned a credit manager on par with a sales manager in the corporate structure, but only in recent times has this started to become a more common occurrence elsewhere."

Barratt thinks that the "them and us" mentality is slowly giving way to "us". "I believe that this will inevitably occur in Malaysia as the traditional battle between the sales force and credit force gives way to an integrated approach, whereby sales and credit work together for a common objective, namely, to sell the product and be paid for it," said Barratt.

Later in his presentation, Baratt provided his view of the future directions credit management is taking. "As capable credit managers become vital to a sound company, and are in greater demand, their roles have to expand too. There is no doubt that credit managers of the new millennium will have to be multi-talented, highly-educated executives."

According to Barratt, tomorrow's credit manager has to understand a company's core business at all levels so that he or

"Credit managers must learn to look beyond traditionally narrow boundaries and see the big picture. A broad and informed view of every aspect of an employer's business is key to integrating credit management into the overall company structure. Knowledge of manufacturing, sales and advertising will be essential, as well as a detailed understanding of the industry in which the organisation operates and the factors which influence it."

she can tailor credit policies that add value to the company. The credit manager also needs to understand strategic planning for the whole organisation.

"Credit managers must learn to look beyond traditionally narrow boundaries and see the big picture. A broad and informed view of every aspect of an employer's business is key to integrating credit management into the overall company structure. Knowledge of manufacturing, sales and advertising will be essential, as well as a detailed understanding of the industry in which the organisation operates, and the factors which influence it," said Barratt.

"Too often in the past many so-called credit managers also had other tasks like office manager, personnel manager, bookkeeper or assistant accountant. Today's credit manager is beginning to assert his or her importance by providing confident and highly visible leadership within the credit department and elsewhere. The voice of the credit manager must become as influential as that of the sales manager."

"Credit managers of tomorrow must also be proficient in getting the message across. Implementation of effective credit policy now requires a highly developed capacity to negotiate at all levels and across all boundaries. They also must be able to forge strategic partnerships with external and internal players that contribute towards the differentiation of their organisations' services. They need to collaborate with lawyers, accountants, service suppliers and other independent experts to provide added value to the credit department," said Barratt.

"Tomorrow's credit managers must develop a direct interface with customers at a much wider level. By pre-checking the creditworthiness of potential clients so that the sales staff can approach the customers with more confidence, credit managers can help improve the effectiveness of the company's sales force. They should not necessarily be reactive to an application for credit. They should be proactive by having the initiative to offer suggestions to the company's sales force as well as providing advice to a customer experiencing financial difficulties."

Barratt said that credit managers must

> "There is little doubt that the current hot topic relating to credit management is the Internet. This global digital library, which has flourished on the back of the extraordinary explosion in computer and communications technology, offers the credit manager of now, and the future, a hitherto undreamed of source of information through instantaneous channels of communication."

also upgrade their IT-literacy in order to be effective in tomorrow's competitive business environment. "There is little doubt that the current hot topic relating to credit management is the Internet. This global digital library, which has flourished on the back of the extraordinary explosion in computer and communications technology, offers the credit manager of now, and the future, a hitherto undreamed of source of information through instantaneous channels of communication."

"The wide variety of information that is currently available to credit managers through the Internet merely gives a hint of what is to come. Companies such as the pioneer American company Dun & Bradstreet, also provide online services that permit credit managers to have almost instantaneous access to information that once would have been considered out of reach, or impractical to obtain within a feasible time-frame. Now, distance no longer impedes accessibility of information — only the training of staff and the sophistication of delivery systems within companies will be the constraints," said Barratt.

"There are now numerous software applications that provide a credit manager with a technical method of evaluating the creditworthiness of potential customers by using a formula for financial analysis. The benefits of credit scoring are the speed, the accuracy and the consistency, coupled with reduced personnel cost, better presented and more informative management reports and hopefully significant reductions in bad debts."

"An example of this technology is sometimes known as credit origination software. This is a programme that allows intermediaries to make on-the-spot automated credit assessment, while the decision-making criteria remain central. In the US, these programmes were originally developed for credit card companies which, because of the large number of applications being dealt with on a daily basis, could not justify significant time and resources in evaluating each applicant individually."

"Now, the use of credit scoring appears to be growing without entirely replacing that most valuable of all credit management skills, that is, informed judgment. Already these programmes are being utilised for expediting credit decision-making in very competitive markets like telecommunications and retail lending institutions. We have seen this in Australia where finance companies can, from small outlets in shopping centres, process applications for loans in a form that allows almost instantaneous approval by the head office. This minimises the chance of a customer of being lost to a competitor while waiting for such approval," added Baratt.

According to Baratt, credit managers must also master other advanced technologies such as e-commerce, e-mail, electronic data interchange or EDI, video conferencing, computer telephony and online banking in order to prevail in tomorrow's competitive business environment.

"Most importantly, credit managers of the future will have to be all-rounders. They will need to be equipped with a diverse range of skills to do their job effectively. They will need a good working knowledge in accounting, economics, strategic planning, law, information technology and marketing. Credit managers also must have a sound understanding of the global economy, as they need to understand the potential pitfalls of doing business in other countries," concluded Baratt.

Financial Reporting — Challenges and Emerging Issues for Media and Auditors

By YBhg Dato' Hanifah Noordin

This paper was delivered at the Malaysian Institute of Corporate Governance's Media Briefing at the Kuala Lumpur Stock Exchange on 9 June 1999. YBhg Dato' Hanifah Noordin, MIA's President, is also the Vice-President of the MICG.

Media Assessment of Company's Performance and Prospects

On this topic, I would comment that media assessment of a company's performance and prospects tends to be from a speculation perspective rather than stewardship functions of control and growth in the longer term. It is in this context that financial statements are viewed as historical, only important at a particular point in time for the communication of value-relevant information and to assist in the decision-making processes of the investors.

In Malaysia, some public listed companies (PLCs) are already performing at world-class standards, such as Telekom Malaysia Berhad, Malayan Banking Berhad, KL-Kepong Malaysia Berhad, Sime Darby Berhad, just to name a few. Of course, there are still some companies which are not geared up to perform at world-class levels because they are too complacent with themselves, and not prepared to measure themselves against the best. This is where I would emphasise that the best practices on corporate governance are to be promoted, so that every PLC can be made conscious to aspire for world-class standards.

Notwithstanding this, we have already seen some remarkable success stories of certain Malaysian listed companies in *Asiaweek's* published list of most admired companies in Asia. However, those companies which are not listed should make their own assessment and make every effort to join in the league, if they can.

Earlier, I commented that most media assessment of a company's performance and prospects are usually viewed in the short-term perspective, with them reporting mainly the bottom-line results and market capitalisation in terms of their net worth and shareholder return. In this connection, I would like to stress that media assessment can help, especially to instil upon such companies which are usually satisfied with what they are, without being bothered to become globally competitive. This, I feel, is due to complacency and ignorance of world-class standards for performance, inadequate research and development effort carried out for their products and services, over-reliance on financial measures of performance while adopting the national type of adversarial culture of competing among only local companies, and not in the global markets.

I would say media assessment is extremely useful in that it can play a key role in awakening companies on their performance and prospects, which should lead to enhancing shareholder value in the long-term, given that financial reporting is to provide information that can be used as a major force for change and improvement in corporate governance and effective management. They can also make companies more aware of their social responsibility and the impact of competition arising from rapid technological developments, globalisation, new employment patterns of knowledge workers and organisational structure, alongside with the increasing importance of environmental issues and stakeholders' concept.

Their contribution will have a big and lasting impact on disclosure of information, transparency of substantial transactions, accountability of company directors and companies, maintenance of public confidence, as well as upholding the best practices on corporate governance, so as to justify the legitimacy of their operations and business conduct.

The media must know that as the world business climate changes, amid the rise of economic liberalisation and globalisation, the rules of competition will also change rapidly. The effect of these changes is to influence company directors and management on the importance of investor relations and harmonious media publicity while, at the same time, maintaining closer relationships with employees, customers, suppliers, investors and the community. Through frequent dialogue and communications with stakeholders, they will be able to easily anticipate, innovate and adapt fast enough to sustain continuous success for their companies, while maintaining investor confidence.

Financial reporting is primarily concerned with the communication of information relevant to users, who will depend on it to assess fairly the company's prospects and its future share prices. Often, the communication of information is directed by extant statutes and reporting accounting standards, and it is usually in some ways the responsibility of company auditors to ensure compliance by company directors.

Whatever the situation, I perceive that shareholders would only look at financial reporting to be useful in assessing a company's performance and prospects in two dimensions:

Firstly, they use financial reporting as the means for companies to address the extent to which, and the circumstances under which, they are operating to achieve results with the objective to inform truly or otherwise, and the issues that are clear to shareholders and media are the effects of the information gap that usually exists, giving rise to a divergence between the company's disclosure and market expectations of investors.

Secondly, financial reporting is to provide shareholders with the correct perceptions of the way in which the investing public or investors will evaluate the information published by the company and the people who are behind the management, and how they use it to assess the company's financial position and its future prospects. These perceptions depend very much on the quality and quantity of information, and the analytical competence of the investing public to evaluate it, besides the information they can obtain elsewhere from the market place.

I believe the media assessment usually concentrates on share prices, price-earning ratios and market capitalisation as the performance benchmark for the company's success, ignoring somewhat those important factors or expectations such as shareholder returns, take-over threats, equity finance, share option schemes, perceptions of investors about the company's reputation/image, and its failure to comply strictly with the stock exchange listing obligations.

In order to help them understand a company's performance and prospects better, it is advisable for the company to set up investor relations programmes. This will enable the media to meet company directors and senior management more frequently, and to allow them to understand the affairs of the company, including its strategy and business policy, and not just whether the company has complied with the regulations. They must also be able to assess the calibre, experience, reliability and creativity of company directors and senior managers in charting the company's direction, as well as their confidence by talking to them.

Often, financial reporting does not address directly either corporate strategy or the quality of the board and management, except for the disclosure of information that is often limited to operating and financial review. Thus, financial reporting must be designed in such a way that it must be able to supply the media with appropriate information (both financial and non-financial), with which the investing public or investors can judge the company's effectiveness in upholding the best practices on corporate governance and to enhance the value of the company's shares and its prospects in the long-term.

Quarterly Tracking and Review of Financial Management of Public Listed Companies

It is important to know that disclosure of information about a company's activities has its costs. In the case of quarterly reporting, I believe, the costs will not be higher than extracting information from accounting records and including it in the annual report. Nevertheless, I believe it is a worthwhile task for company directors of all PLCs, as the benefits derived from it will far exceed the costs in terms of performance and prospects of running a good company to benefit shareholders and investors in the long-term.

However, it is noted that financial markets, investment analysts and fund managers are usually too short-term oriented, looking for profits and dividend payouts. As a result, the stock market punters place too much emphasis on current performance while company directors and management expect incentives to be earned, with too little emphasis on the longer term prospects and growth.

As for quarterly reporting, if the information is disclosed with emphasis in the short-term, it can prove to be not much useful to investors, except for timely disclosure of information for them to make decisions, i.e. either to sell or buy for the short-term.

However, if the information is in the long-term interest, its disclosure needs to be comprehensive, reliable and up-to-date. The information should be regularly published by the companies and made readily accessible. In this context, I agree quarterly reporting is important, as it can act as a deterrent against corporate excesses, abuses or even frauds.

Normally in the stock market and for the investment analysts, I believe they tend to sell shares and will not hesitate indulging in window-dressing in a bull market. However, they will begin to conduct financial analysis for every investment decision they make and continue to do it as an important exercise in the bear market, provided that they can easily obtain all the information regarding the companies. This is where, I think, the best practices on corporate governance will contribute to the well-being of the company.

The quarterly reporting introduced by the Kuala Lumpur Stock Exchange (KLSE) this year aims at:

- Greater and more timely disclosure of information in financial reporting of company's results.
- Improved enforcement of existing rules and regulations as part of the move towards making audit committees effective and promoting good corporate governance.
- Awareness of increased sanctions imposed on company directors and PLCs for wrongdoing and poor internal control systems due to the lack of corporate governance.
- Greater emphasis on transparency and accountability of com-

pany directors, as the KLSE moves towards a full disclosure-based regime.

The KLSE's requirements for the PLCs pertaining to the quarterly reports are as follows:

- Submission of the quarterly report comprising the balance sheet, income statement and explanatory notes on a consolidated basis not later than two months after the end of each quarter.
- Quarterly report must include information contained in Appendix IIIA of the Listing Rules.
- Balance sheet, income statement for the current quarter must show comparative information (of immediately preceding year, as well as the year-to-date).

With the quarterly reporting regime in place, financial reporting is now operating in a more regulated environment.

As for the submission of the annual report, the audited accounts and the report itself must be issued to shareholders within a period not exceeding six months after the year-end. Notwithstanding this, the annual audited accounts, together with the Auditors' Report and Directors' Report must be submitted to the KLSE for public release within a period not exceeding four months after the year-end.

External Auditors — Challenges and Emerging Issues

The role of financial reporting through proper dissemination of information and regular disclosure thereof, and the effective method of presentation is to improve the effectiveness of the capital market and the efficiency in allocating resources among competing enterprises.

I would say without a doubt that a good financial reporting system produces information that is actually used by the investing public or investors. Financial reporting in this context is a generic term used to include financial statements and disclosure of information. Thus, external auditors have a direct interest in current efforts to urge for higher standards of corporate governance and greater accountability. They are entrusted with the responsibility of exercising a high standard of reasonable care and skills in their professional services, so as to achieve the following objectives:

- Enhance the efficiency of the capital market for allocation of resources.
- Present a true and fair view of financial statements that are of high integrity and objectivity for the investing public or investors.
- Bring greater benefits of accountability and responsibility of company directors and management for shareholders/investors.
- Establish an effective corporate governance regime for greater managerial performance.

… independence of external auditors is absolutely important, as our country advances into the new millennium where more challenges will be faced by company directors due to greater deregulation and complexity of the global economy.

The standards of independence of external auditors and their attitudes towards integrity and objectivity of financial reporting will always put a test on the reliability and competence of external auditors. These are challenges which external auditors would face from time to time, with the advent of the corporate governance regime. There will be constraints facing external auditors, especially when their audit firms are engaged in expanding their non-audit services such as taxation, business advisory services and information-technology consultancy services where they can expect to earn better margins for their professional work.

Auditing is a traditional compliance work, often restricted in scope for fee remuneration, but with greater inherent risks in complex business environments. As external auditors get to know their clients and company directors better, there is a tendency to be cosy in their long-established relationships, providing more non-audit services that might result in the lack of independence. Often, it is argued that their inside knowledge of the company management and shareholders would make them more efficient in their provision of non-audit work of corporate services such as mergers and acquisitions, and due diligence work.

Whatever the situation, external auditors should not lose sight of their role as a public watchdog and to promote investor confidence in the market-place. They have a statutory responsibility in overseeing the internal control matters, and for which members of the audit committee, assisted by internal auditors, have an onerous responsibility. I believe in this respect, the independence of external auditors is absolutely important, as our country advances into the new millennium where more challenges will be faced by company directors due to greater deregulation and complexity of the global economy.

I firmly believe it is essential that audit committees must be made effective, with capable auditors in them, so that they can play a key role in promoting effective corporate governance. Where external auditors are still able to provide a certain extent of non-audit work to company directors, they have to remain independent, balancing objectivity with costs, while being acutely conscious of the best practices on corporate governance at all times. In time to come, most audit firms will tend to be multidisciplinary in nature, and this is where, I think, real challenges lie ahead to ensure that effective corporate governance remains in force.

A Seminar on Managing Corporate Risks

In reality, the element of risk is omnipresent. We must acknowledge the existence of this phenomenon and deal with it in order to avoid being caught by surprise. We cannot avoid risks in our lives, but we can find ways to manage them. By denying the existence of risks, we could expose ourselves to serious and damaging consequences that might possibly take place in the future.

The Institute recently organised a seminar entitled, "Corporate Risk Management" to educate about 50 participants on how organisations can deal with the ubiquitous element of risk. The participants, who hailed from various industries, were impressed by Mr Kenny Tay's presentation skills at the seminar.

Kenny Tay, Principal Consultant of Finet Associates, conducted the one-day seminar, using several real-life and hypothetical examples to illustrate his points. By employing this method, Tay managed to convey his thoughts and ideas to the participants in an effective manner. He also tried to make the seminar as interactive as possible by encouraging participants to provide their input.

Tay got the ball rolling by highlighting how risks can affect a business. "Risks threaten the prospects of achieving a company's goals and can even cause failure. Risks affect a company by reducing its ability to compete, thereby threatening its ability to exist. The destruction of markets, production capacity and distribution facilities as well as the deterioration of a company's financial position can take place when a company fails to deal with the element of risk," said Tay.

Tay highlighted that the sources of risks can be classified into two types — internal and external. "The internal sources of risks are related to the company's management, operations and financial structure. A weak and incompetent management may eventually lead to the downfall of the organisation. Risks related to operations cover problems like breakdown of machinery and delays in production schedule. On the other hand, a company with weak internal controls may expose themselves to fraud risks. To mitigate these risks, an organisation has to consider upgrading the skills of its managers, implementing strong internal controls and revamping the corporate culture."

"The external environment in which corporations operate is also filled with various types of risks. Organisations have to deal with risks that relate to external factors such as the political and legislative scene, macroeconomics, market structures, industry structures and technology considerations. A company can mitigate external risks by, for example, anticipating economic cycles, diversifying its business as well as investing in research, and development of new products," said Tay.

According to him, if internal and external risks are not dealt with, they can cripple the operations of a company. Such risks can adversely affect the company's asset value, revenue, cost, performance, timing and schedule of activities, goodwill as well as organisational behaviour. "Unmitigated risks make the staff feel uncertain and insecure about working in an organisation. This situation can bring about an increase in the level of office politics and a decline of staff morale. This will lead to a collapse of the teamwork spirit and a general loss of direction," stressed Tay.

"That is why organisations need to establish a risk management programme.

Participants listening attentively to Mr Kenny Tay

This programme must be backed by a risk management policy. The risk management policy will define the company's objectives for and commitment to risk management. This policy should also state the relevance and importance of risk management to the company's overall objectives and the nature of its business. For the risk management policy to be effective, it must be communicated clearly to all levels of the company."

"The company should also have an organisational structure to accommodate the risk management programme. The Chief Executive Officer of the company should appoint a senior manager to establish a risk management system, and oversee its implementation and maintenance. The appointed person should also be responsible for the reporting of the risk management system's performance for the purpose of management review," said Tay.

"With a risk management policy and a proper organisational structure in place, the organisation can then go ahead and implement the formulated risk management programme. As with implementing other plans and programmes, the management should monitor and review the effectiveness of the risk management programme on a constant basis."

New Business Rules for the Networked Economy

Electronic commerce or e-commerce is going to revolutionise the way business is done in Malaysia. The growth of e-commerce is expected to gain momentum in the country as more corporations become aware of the competitive advantages that e-commerce offers in marketing their products and services.The success of e-commerce Web sites in the US will motivate our local corporations to 'think e-commerce' in the next millennium.

Mr. Bruce Elliot believes e-commerce will change the way business is done

E-commerce allows any business to reach out to the global market at a relatively low cost. With the rapid advancement of technology, the costs of setting up an e-commerce Web site are expected to decline further in the near future. Currently, the cost per transaction for selling on the Internet is already many times lower relative to traditional marketing and sales channels.

E-commerce may be a hot phenomenon, but can just anyone succeed in the networked economy? The answer is no. It takes a great concept and a unique selling proposition to prevail in the e-commerce arena. Mr Bruce Elliot stressed this point during the seminar entitled "E-Commerce Strategy for the Networked Economy".

The one-day seminar was organised by the Malaysian Institute of Accountants, in collaboration with the Infoscience Technology Group. The futuristic seminar managed to attract more than 50 participants. At the seminar, Elliot shared his vast knowledge and experience in the e-commerce and Internet industry with great effect. (Elliot is currently the Managing Director of the World Wide Web Institute. He is also the co-founder of Internet Prolink, an Internet company that was acquired by PSInet.)

At the onset of the seminar, Elliot said that the new economy is being driven by a profound development — individuals and companies worldwide are being linked electronically. "The

> "The Internet is a global medium that allows companies to communicate directly with customers located around the world. The introduction of e-commerce Web sites extends this concept further by allowing customers to make online purchases. With this development, the rules of doing business have changed in a drastic way."

Internet is a global medium that allows companies to communicate directly with customers located around the world. The introduction of e-commerce Web sites extends this concept further by allowing customers to make online purchases. With this development, the rules of doing business have changed in a drastic way," said Elliot.

"E-commerce brings about a situation where distance is no longer an issue. It allows companies to market and sell products as well as services to customers located anywhere in the world. This implies that the world is your customer and competitor at the same time. The digital business concept can connect a company with customers all over the world, but this exposes the company to worldwide competition. For example, Amazon.com has managed to sell books to 1.5 million customers that are located in more than 160 countries from an office in Seattle in the past three years."

"E-commerce also causes time to 'collapse'. With the advent of e-commerce, companies need to respond quickly in order to survive and thrive in the marketplace. It is becoming increasingly important for companies to learn from and adapt to the needs of the market-place in real time. One fine example of a highly responsive company is Dell Computers. By allowing customers to custom-configure and build their own PCs via its electronic commerce-enabled Web site, Dell has revolutionised the process of selling PCs. Dell now sells more than US$10 million worth of PCs via its Web site every day."

Elliot said that the growth of the Internet is quite tremendous. "The Internet grows at an average rate of 10% every month. This means that your potential customer base will grow at more or less the same rate. The latest statistics show that there are 60 million Internet users spread over 160 countries."

"E-commerce can also change the nature of markets for products and services. Since buyers can have instant access to all types of information such as pricing and product specifications of different brands with the click of the mouse button, buyers will essentially have more bargaining power. With information available at their fingertips, buyers will strive to achieve maximum value for their money," said Elliot.

"Although sellers will have less bargaining power in electronic commerce-enabled markets, they will be given new opportunities. Businesses that offer unique products and services or the lowest prices on their e-commerce Web sites will survive and thrive. For example, Auto-by-Tel.com is a pure Internet enterprise that offers online shopping services for cars. The share price of this company has soared recently in view of its unique selling proposition."

Elliot believes that e-commerce will contribute to the more efficient functioning of markets. "The traditional middleman will be rendered irrelevant with the advent of e-commerce since buyers can now deal directly with sellers. In the new business environment, you will see the emergence of a new class of middlemen called infomediaries. Infomediaries will essentially take over the role of intermediaries," said Elliot.

"Infomediaries can help buyers to search for the best deals without much hassle on the Internet. They play the role of turning data into usable information via a community-based buying environment or powerful technology-based buying aids. Web portals such as America Online or AOL will give you an idea about what infomediaries are."

"Since e-commerce revolves around a one-to-one relationship and transaction, customers will also begin to demand customisation. There are some companies in the US that are already offering mass customisation of their products and services using e-commerce Web sites. With e-commerce technology, companies can custom-design their products and services for each individual customer. This means that companies can now achieve perfect market segmentation."

"The advent of e-commerce will also lead to the end of the fixed pricing system that has been around for quite some

More than 50 participants turned out at this futuristic seminar time. The availability of a one-to-one direct marketing channel gives buyers the opportunity to bid down the prices of goods and services," added Elliot.

Despite the revolutionary changes that e-commerce has brought about, Elliot believes that some fundamental business rules still apply. "Companies must still adhere to the principle that customer satisfaction is always the primary concern of any business. Furthermore, companies must not forget about traditional marketing strategies like branding as they are still relevant in the e-commerce age," said Elliot.

Later in the day, Elliot covered the issue of Web stock trading. He said that stock trading using the Internet is becoming a hot phenomenon in the US. With the availability of Web stock trading services, Elliot said that investors will be empowered to trade shares on their own without the assistance of stock brokers.

Editor's Note:

The seminar on e-commerce is certainly value for money. It has enlightened participants to the new ways of doing business. Equally important, it has shown that if businesses remain as they are in the next millennium, they will probably be overtaken by the fast-paced developments in the world of e-commerce. Some businesses might just fade away, while new ones emerge. Indeed, countries that adapt quickly to the new business rules for the networked economy are more likely to enhance their competitive advantage over those which choose to neglect it.

These then are the micro and macro challenges and opportunities that come with embracing e-commerce.

A Seminar on Income Tax (Amendment) Bill 1999 on Current Year Basis of Tax and Self-Assessment and the New Reporting Requirements

To update accountants on the recent development in the new tax system, MIA recently organised a half-day seminar in Kuala Lumpur, featuring Mr Lee Lee Kim, Mr Harpal Singh Dhillon and Mr Veerinderjeet Singh, three prominent tax exponents. As the Malaysian taxation system is moving towards the self-assessment system effective from the year 2001 with regard to companies, the Institute deemed it important to brief accountants on the new tax system because they will play a major role in implementing this system.

Full concentration ... participants listening attentively to the speaker

The first speaker during the seminar was Mr Lee Lee Kim who highlighted the Income Tax Amendment on current year basis on Part I, II, III and the Explanatory Statement. Thereafter, Mr Harpal Singh gave some useful hints and reminders that related to form-filling. Mr Veerinderjeet Singh then focused his attention on self-assessment by presenting his paper entitled "Issues with regard to Self-Assessment in Malaysia".

In his speech, Lee explained in detail the recent amendments to the Income Tax Bill. One of the points mentioned was on the tax waiver. Lee said that tax on the income of any person for the year of assessment 2000 shall be waived, except for the tax on income from an employment received by a non-citizen or non-resident individual who commences or ceases that employment in the year 1999. Dividends, notwithstanding that the dividends are treated as business income and income which is subject to withholding tax under section 109, 109b or 109c of the principle act.

Harpal Singh, during his talk, reminded participants that information ought to be accurate for the Inland Revenue Board randomly checks on companies and severe penalties will be meted out if companies are found guilty for giving false information.

"The company's information has to be included. The company has to state where it stands in the industry which it is in. Business information such as company's sales, income and salary have to be accurately reported," stressed Harpal.

Veerinderjeet, who spoke on self-assessment, pointed out that the rationale for implementing a self-assessment system is to achieve a greater degree of compliance. To achieve this, he stressed that Malaysian tax laws have to be as simple as possible. It would be best if the tax rates could be kept as low as possible and that the tax system should be monitored continually.

"The public should keep a good record of their business transactions and this could be achieved by informing and educating the public on all aspects of tax administration, which includes new tax laws and public relations," said Veerinderjeet.

There was an overwhelming response to the half-day seminar, with over 450 participants. A similar seminar was organised by MIA Sarawak in Kuching, Sibu, Miri and Labuan. All the seminars, which were presented by Mr Harpal Singh, received great response from the accountants. The Institute hopes that accountants will lend their support by participating in the Institute's future seminars and conferences for the advancement of the accountancy profession.

In Sarawak ... Harpal taking a short break with Sarawak Branch Committee Member, Mr Peter Chiew (extreme left) and MIA and MIT Members

Treasure Hunt to Serian-Ranchan Pool

MIA's Sarawak members, families and friends had a great time during the Labour Day holiday when they participated in the unusual treasure hunt organised by the Committee comprising Dr Lee Bee Chai, Ms Grace Hii, En Zaferi Borhan Mohd and Ms Lucy Read. The Dirtiest Car Team was navigated by Committee Member Mr Simon Tan Cho Kiang while the Winning Treasure Hunt Team received an unexpected shower in the cool waters of the Ranchan pool. After the hunt, the 70 hungry participants walloped the offering of hot dogs, burgers and lemang, as if they had been without food for several days!

Wet 'n Wild ... organisers and hunters had a splashing time

continued...

Getting ready … participants before the flag-off

Seminar on International Accountancy Standards (IAS)

Sarawak Branch Committee Member, Ms Grace Hii, presenting a momento to the speaker, Ms Josephine Edward

Ms Josephine Edward, Senior Technical Manager of the Institute, made a trip to Kuching recently to present a half-day seminar on IAS. Ms Josephine commented that this seminar gave her the opportunity to meet with fellow accountants who are based in Kuching. The seminar, which covered the major IAS especially IAS 20, attracted several participants, the majority of whom were from Government and statutory bodies. Member firms were also very supportive towards this seminar. All were keen to keep abreast of the latest developments in IAS and Malaysian Accounting Standards (MAS).

Isyarat Amaran Awal Kegawatan Ekonomi — 1999 NCMC

Kegawatan ekonomi yang melanda Malaysia sejak tahun 1997 telah memberi pengajaran kepada orang ramai dan pelbagai langkah telah diambil oleh pihak kerajaan dan swasta untuk menangani kegawatan ekonomi tersebut. Sebelum langkah-langkah memulihkan ekonomi boleh dijalankan, faktor-faktor yang menyebabkan kegawatan ekonomi harus dikenal pasti. Tanda-tanda awal yang menunjukkan negara tersebut akan mengalami kegawatan ekonomi juga harus dikesan supaya kesemua pihak boleh membuat persiapan yang berpatutan. Semasa Persidangan Pengurusan Kredit Kebangsaan (National Credit Management Conference atau NCMC) 1999 yang telah dianjurkan oleh Institut Akauntan Malaysia baru-baru ini, ceramah bertajuk "Isyarat Amaran Awal Kegawatan Ekonomi" telah disampaikan oleh Dr Ghazali Atan, Ketua Eksekutif dan Pengarah Urusan di Metrowangsa Asset Management Sdn Bhd.

Menurut Ghazali, Malaysia mementingkan keseimbangan di antara permintaan, pembekalan, fiskal dan imbangan pembayaran, dan mempunyai perancangan ekonomi yang bertujuan untuk mencapai pertumbuhan ekonomi dan keseimbangan makro sosioekonomi melalui imbangan pembayaran dan kekangan fiskal.

Salah satu daripada tanda-tanda yang menunjukkan bahawa keseimbangan makro telah diganggu, kata beliau, adalah apabila berlakunya pelaburan yang berlebihan yang mengakibatkan ketidakseimbangan di antara kadar pelaburan terserap yang sebenar dan secara teori. Pelaburan yang berlebihan pula akan mengakibatkan efisiensi pelaburan berkurangan.

"Jika pelaburan yang berlebihan berlaku di sektor awam, jurang fiskal dan jurang imbangan pembayaran akan berterusan dan kian meningkat. Apabila jurang fiskal dan imbangan pembayaran tidak lagi boleh ditampung, 'krisis hutang' seperti situasi pada tahun 1980-an akan berlaku," terang Ghazali.

Ghazali kemudiannya menerangkan penunjuk pasaran yang dapat memberitahu bila pihak berkuasa perlu mengadakan penyesuaian terhadap ekonomi. Di antaranya adalah apabila negara terpaksa meminjam untuk menyelesaikan hutang yang sedia ada dan mata wang yang disimpan semakin berkurangan.

"Apabila keadaan yang tersebut berlaku, bank-bank serta pelabur-pelabur risau akan nasib mereka. Hutang-hutang semakin susah untuk dikutip dan keadaan pasaran saham semakin pasif. Para spekulator menyerang mata wang dan membantutkan pasaran saham," kata beliau.

Seterusnya, Ghazali menerangkan isyarat yang menunjukkan langkah-langkah penyesuaian yang diambil oleh pihak berkuasa telah mula memberi kesan kepada pihak awam. Di antaranya adalah apabila kadar faedah dinaikkan dengan tingginya dalam masa yang singkat, kadar fiskal semakin diketatkan dan perbelanjaan fiskal yang tidak diperlukan dipotong.

"Di Malaysia, ini dapat dilihat melalui langkah Bank Negara Malaysia yang meningkatkan kadar faedah untuk mempertahankan kadar mata wang. Apabila kadar pengangguran semakin meningkat dan diikuti dengan masalah kemuflisan terutama di dalam sektor hartanah dan pembinaan, ini mengesahkan bahawa kegawatan ekonomi sedang melanda sesebuah negara," terang beliau.

Walau bagaimanapun, sesebuah negara, seperti Malaysia, tidak akan berdiam diri apabila dilanda kegawatan ekonomi. Pelbagai cara telah diambil oleh pihak kerajaan untuk memulihkan keadaan ekonomi. Ghazali mengakhiri ceramah beliau dengan menerangkan tanda-tanda ekonomi sesebuah negara itu semakin pulih.

"Kadar faedah akan jatuh sama sekali dan pasaran saham akan kembali aktif. Pinjaman-pinjaman akan kembali diberikan kepada orang ramai dan ini akan membantu syarikat-syarikat. Dengan itu, kadar pengangguran akan turun," jelas Ghazali menyudahi teks ucapan.

Ceramah Ghazali telah menarik minat ramai peserta persidangan dan diakhiri dengan sesi soal-jawab di antara para peserta dan beliau sendiri.

International News

IFAC Press Releases

IFAC Issues Landmark Paper on Anticorruption

The governing Council of the International Federation of Accountants (IFAC) has approved a discussion paper urging accountancy bodies worldwide to unite with other professions, the business community, governments, regulators and others in facing up to the issues involved in the fight against corruption. Entitled "The Accountancy Profession and the Fight Against Corruption", the paper emphasises the detrimental effect that corruption has on a country's economic growth, capital market, culture and society, and the impact that corruption at a local level has on the wider global scene.

The paper recognises the key role of the accountancy profession in seeking to reduce corruption and urges accountancy bodies to take the lead at the national level in working with others to raise public awareness and find a way forward. For its part, IFAC's leadership will co-operate with worldwide organisations such as the World Bank, International Monetary Fund, OECD, World Trade Organisation and the United Nations in dealing with the problem.

"The document is intended to stimulate debate among the profession's two million accountants, as well as among other professionals, business community and governments and regulatory bodies'," said IFAC President Frank Harding. "As a key sector of the business community, the accountancy profession cannot wage this battle alone. A co-operative effort among corporate management, legislators and regulators, accountants and other business advisers is vital."

"Ultimately, we believe that accountants' adherence to the highest professional standards is one of the best defences against corruption," said John Gruner, IFAC's Director-General. "Yet we also recognise that even accountants' adherence to these high standards is not sufficient in dealing with the many forms of corruption that exist in today's complex world. Accountants' highly regarded reputation for integrity and objectivity positions us to take the lead in promoting debate to bring about change in corporate governance and organisational behaviour."

. . . .

IFAC is the worldwide organisation for the accountancy profession. Its mission is to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest. Its current membership consists of 143 professional accountancy bodies in 104 countries, representing more than two million accountants in public practice, education, government and services, and industry and commerce. For more information about IFAC, go to http://www.ifac.org

Peter Johnston Appointed New CEO of the International Federation of Accountants

The Council of the International Federation of Accountants has named Peter Johnston, currently the Chief Executive and Secretary of the Institute of Chartered Accountants of Scotland, as its new Chief Executive Officer. He will be responsible for providing the strategic and management direction of the organisation. The appointment of Mr Johnston coincides with IFAC's recent restructuring initiatives, which are designed to foster a strong, cohesive international profession characterised by a worldwide commitment to harmonised international standards.

International Auditing Practices Committee Seeks Comments on Proposed Guidance on Assurance Engagements

In response to the increasing demand on accountants to provide assurance on a broad range of subject matters, the International Auditing Practices Committee (IAPC) of the International Federation of Accountants (IFAC) has released a new exposure draft (ED) providing guidance in this area. The proposed International Standard on Assurance Engagements is designed to help accountants meet the demand for services that increase the value of information for decision-making. Comments on the ED may be submitted to IFAC through 1 July 1999.

The above Standard describes the elements of an assurance engagement and the requirements for professional accountants undertaking such an engagement. In addition to providing the professional benchmark for these types of engagements, the Standard outlines the framework and general principles to be applied in developing specific standards for particular types of assurance engagements.

The proposed standard incorporates comments received on an ED released in 1997, i.e. Reporting on the Credibility of Information. "There was a strong view in the comment letters we received that although the proposal allowing for a range of assurance was conceptually sound, it appeared to pose implementation issues. The primary cause of that concern was the perceived difficulty in being able to communicate different levels of assurance to report users," emphasises IAPC Chairman Robert Roussey. "In response to these comments, and to increase the clarity associated with reporting, this new ED proposes that engagements be limited to providing two levels of assurance : high and moderate."

The new ED outlines the factors that would determine the appropriate level of assurance. The ED also gives guidance on reporting on the two levels of assurance. The ED recommends that the conclusion for an assurance engagement providing a high level of assurance will generally be expressed in the form of opinion. The IAPC recognises, however, that the current "negative assurance" form of reporting used for review engagements of financial statements may not be the most effective means of communicating a conclusion providing a moderate level of assurance. The guidance on this recommends that the report clearly indicates that a moderate and not a high level of assurance has been given.

IAPC invites comments on this exposure draft, particularly in two areas:

- Issues that may arise in the application of this proposed standard in practice.
- Suggestions on possible alternatives for reporting a conclusion that provides a moderate level of assurance, particularly using positive or negative assurance language.

Individuals may view the exposure draft on IFAC's Internet page, www.ifac.org

A Note to Readers

The Financial and Management Accounting Committee of the IFAC recently issued a booklet on "The Role of Management Accounting in Creating Value". It contains several high-quality, informative and readable papers from around the globe, including one from Malaysia, which was jointly authored by Associate Professor Mohammad Bakar and Puan Ainun Haji Abdul Majid from Universiti Kebangsaan Malaysia. *Akauntan Nasional* will feature these papers in its subsequent issues — so keep a look-out for them!

IASC Press Releases

IASC Publishes Revised Standard on Events after the Balance Sheet Date

The International Accounting Standards Committee (IASC) published changes to its rules on accounting for events after the balance sheet date. IAS 10 (Events After the Balance Sheet Date) makes three main changes to the existing rules, set out in IAS 10 (Contingencies and Events Occurring After the Balance Sheet Date) :

- If dividends are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date. An enterprise is required to disclose such dividends. An enterprise may disclose them either on the face of the balance sheet as a separate component of equity or in the notes to the financial statements. Under the old IAS 10, an enterprise was permitted, but not required, to recognise these dividends as a liability.

- A new disclosure requirement : an enterprise should disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise's owners or others have the power to amend the financial statements after issuance, the enterprise should disclose that fact.

- An enterprise should continue to prepare financial statements on a going concern basis 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. The new IAS 10 maintains the requirement that an enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.

Explaining the Standard, Liesel Knorr, Technical Director of IASC, said:

"In July 1998, the Board approved IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Among other things, IAS 37 superseded the parts of the old 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 make a limited number of substantive changes."

Liesel Knorr added:

"The most important change is the deletion of the previous option that permitted an enterprise to recognise a liability for dividends proposed or declared after the balance sheet date. The Exposure Draft (E63, issued in November 1998) proposed that this option should be retained. Commentators on the Exposure Draft had mixed views on this proposal. The Board finally concluded that the retention of this free choice would make it harder to compare financial statements. The Board also felt that the recognition of such dividends as a liability would often be inconsistent with IASC's Framework for the Preparation and Presentation of Financial Statements."

Liesel Knorr continued:

"The Board acknowledges that some enterprises may wish to report these dividends on the face of their balance sheet. They can still do this if they wish, but the dividends must be presented as a component of equity, not as a liability."

The Standard becomes operative for annual financial statements covering periods beginning on or after 1 January 2000.

Board of Studies Meeting with Overseas Academicians

To fulfil its several obligations, one of which is to provide for training, education and examination for the accountancy profession, the Institute recently had a luncheon with visitors from the University of Adelaide and the Vice-Chancellor of Universiti Putra Malaysia, YBhg Prof Tan Sri Dr Syed Jalaludin bin Syed Salim. The luncheon was also to foster a closer relationship between the Institute and the academia. The Institute was lead by its President, YBhg Dato' Hanifah Noordin, and MIA Council members who joined in the luncheon were MIA's Vice-President Mr Soon Kwai Choy, Mr George Ong and Mr Daniel Chian.

Dato' Hanifah presenting a momento to Mrs Mary O'Kane as Tan Sri Prof. Dr Syed Jalaludin looks on

Persons in photograph (L-R)*: Prof. Ian Young (Univ. of Adelaide); YBhg Datin Kee Ming-Yuet (Prime College, KL); YBhg Prof. Tan Sri Dr. Syed Jalaludin bin Syed Salim (VC of UPM); Mrs Mary O'Kane (VC of Univ. of Adelaide); YBhg Dato' Hanifah Noordin (MIA President); Prof. Scott Henderson (Univ. of Adelaide); Mr Soon Kwai Choy (MIA Vice President)*

Not in photograph*: Mr Daniel Chian (MIA Council Member); Mr George Euwan Ong (MIA Council Member); Mr Yue Sau Him (MIA Council Member)*

Career Talk in Accountancy at Kolej Tuanku Ja'afar

As the country's national accountancy body, one of MIA's functions is to promote the interests of the accountancy profession in Malaysia. With this vision in mind, MIA had participated in career talks held at various educational institutions to ensure that students are aware of the requirements needed to become a full-fledged accountant.

In deep conversation ... Tan explaining to the students on the path towards the accountancy profession

Dannie Tan and Thane pretty pleased with their student counselling work

In line with this, the Institute continued to play its role by participating at the Career Day Convention organised by Kolej Tuanku Ja'afar. The programme for the day began with the opening ceremony by His Excellency Mr Graham Fry, the British High Commissioner, and was then followed by career talk presentations from the various professions such as Engineering, Information Technology, Law and Accountancy.

"Career in Accountancy" was the topic presented to 40 Form Six students who showed keen interest in this profession. The talk was presented by Mr Dannie Tan, Honorary Secretary of MIA Negri Sembilan / Malacca Branch and Ms Thane of Membership Department. A career path on how to become an accountant and MIA's role in ensuring the growth of the accountancy profession was communicated to the students.

Apart from the talk, an exhibition booth had been set up to counsel the students. After the talk, the students proceeded to the booth for a question and answer session. Mr Tan Kong Hui, a Committee Member of the Negri Sembilan / Malacca Branch along with Ms Vasuki of Education Department answered the students' enquiries at the booth.

The event was successful with the students pleased with the information they had gained from our visit. As for the MIA delegates, the picturesque Kolej Tuanku Ja'afar with its vast country estate surrounded by hills and forest gave a very serene atmosphere, far from the noise and air pollution, they are so used to.

Career Talk at Inti College Sarawak

MIA Sarawak Branch Manager, Ms Lucy Read, and representatives from CIMA Sarawak Centre were recently invited by Inti College Sarawak to present a talk on "Career in Accountancy" to current accounting students of Inti College and prospective students. During the talk, Ms Read spoke on the functions of the Institute, the qualifications and ways to become a member of the Institute and the accountancy career opportunities in Malaysia.

L-R: Mr Wee Hun Been, Mr David Tiang, Ms Linda Teng, Ms T'en Nyuk P'in (Deputy Principal), Ms Lucy Read and Mr Simon Tan

Columns

MIT News

Professional Examinations

OF THE MALAYSIAN INSTITUTE OF TAXATION

One of the main objectives of the Malaysian Institute of Taxation (MIT) is to train and build up a pool of qualified tax personnel as well as to foster and maintain the highest standard of professional ethics and competency among its members.

One avenue of producing qualified tax personnel is through professional examinations. As such, MIT conducted its first professional examination in December 1995. To-date, the MIT has successfully conducted four examinations. The professional examinations also seek to overcome the present shortage of qualified tax practitioners in the country.

Examination Structure

The professional examination is currently held annually and is comprised of three levels.

FOUNDATION LEVEL

- Taxation I
- Economics & Business Statistics
- Financial Accounting I

INTERMEDIATE LEVEL

- Taxation II
- Taxation III
- Company & Business Law

FINAL LEVEL

- Taxation IV
- Taxation V
- Business & Financial Management
- Financial Accounting II

How To Register

You can contact the Institute's Secretariat for a copy of the Students' Guide. The Guide contains general information on the examinations and a set of registration forms which must be submitted with the necessary documents to the Secretariat.

Entrance Requirements

(a) Minimum Entry

- At least 17 years old
- At least two principal level passes of the HSC/STPM examination (excluding Kertas Am/Pengajian Am) or the equivalent.
- Credits in English Language and Mathematics and an ordinary pass in Bahasa Malaysia at MCE/SPM.

(b) Degrees, diplomas and professional qualifications (local/overseas) recognised by the Institute to supersede minimum requirements in (a).

(c) Full Members of local and overseas accounting bodies.

(d) Mature Age Entry (Minimum 23 years)

Exemptions

Exemption from specific papers in the professional examinations is available and extent of exemption granted will depend on qualifications attained and the course contents as determined by the MIT Council.

Exemption Fees

Foundation	RM50.00	per subject
Intermediate	RM60.00	per subject
Final	RM70.00	per subject

Examination Fees

Foundation	RM50.00	per subject
Intermediate	RM60.00	per subject
Final	RM70.00	per subject

DATES TO REMEMBER

SEPTEMBER 1

Closing date for registration as a student to sit for the examination of that year.

OCTOBER 15

Closing date for submission of examination entry for the examination of that year.

DECEMBER

EXAMINATION

MAAA News

MALAYSIAN ASSOCIATION
OF ACCOUNTING ADMINISTRATORS

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 Leck
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

SECRETARIAT OFFICE

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

Editor for MAAA News: Low Han Men, Aric

GETTING TO KNOW YOUR MAAA COUNCIL MEMBERS

This is the second part of our series to introduce to members the current MAAA Council Members by publishing their individual profiles. In the last issue, the profiles of 3 council members were published. Below are the profiles of another 3 council members; namely Lim Ah Leck (serving since 18.06.94), Mahadevan s/o Gengadaram (serving since 18.06.94), and Panner Selvam (serving since 24.06.95).

LIM AH LECK

LIM AH LECK is the Director of AM Secretarial Services Sdn. Bhd (providing company secretarial services). He is a Registered Estate Agent by profession, operating his own real estate agency known as Tiram Realty in Johor Bahru and is the Chairman of the Malaysian Institute of Estate Agents (Johor Branch). Lim is actively involved in Toastmasters International, and is currently the Division A Governor for Malacca and Johor.

He is a member of ACEA (1997), MABE (1992), AMCCS (1996), MMIM (1986) and AMIS (1997).

MAHADEVAN S/O GENGADARAM

MAHADEVAN is an Associate member of the Association of Cost & Executive Accountants (ACEA), U.K. and an Affiliate member of the Malaysian Institute of Management (MIM). Currently, he is attached to a public listed MNC as a Corporate Accounting Analyst in the Corporate Accounting Department responsible for accounting in South East Asia. His present job responsibilities include providing accounting support to the regional markets in Singapore, Thailand and Philippines.

Mahadevan has recently been elected as the President of the Toastmasters Club (MIM, Petaling Jaya Charter), which is an international movement dedicated to the development of public speaking skills.

PANNEER SELVAM

PANNEER is a member of the Association of Cost and Executive Accountants (ACEA), U.K. He started his career in 1988 as an audit executive in an auditing firm. Since 1988, he has worked in several public listed companies including C.I. Holdings Berhad and MBf Finance Berhad.

Currently, Panneer is attached to Arab-Malaysian Merchant Bank Berhad, the largest local merchant bank. There since 1991, he now heads the finance department, which manages the largest listed Property Trust Funds in Malaysia.

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.

Laws and Regulations Applicable to the Malaysian Royal Customs and Excise Department 1999.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 LAW

The Malaysian Trade Classification Customs Duties Order 1999.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 MAL

Alphabetical Index to the Customs Duties Order 1999: Harmonised Coding System.
Kuala Lumpur: MDC, 1999.

Call No.: 351.7246 ALP

White Paper Status of the Malaysian Economy.
Kuala Lumpur: Kerajaan Malaysia, 1999.

Call No.: 330.595 WHI

Kertas Putih: Status Ekonomi Malaysia.
Kuala Lumpur: Kerajaan Malaysia, 1999.

Call No.: 330.595 KER

Mid-term Review of the Seventh Malaysia Plan.
Kuala Lumpur: Kerajaan Malaysia.

Call No.: 330.595 MID

Pocket World in Figures.
London: The Economist, 1998.

Call No.: 330.0212 POC

Corporate Governance: 1998 Survey of Institutional Groups.
Kuala Lumpur: Kuala Lumpur Stock Exchange/ PWC, 1999.

Call No. 658 COR

Ethics Readings Handbook, 2nd ed.
Edited by Michael McDonald, Maurice Young. Vancouver: CGA.

Comparison of the EC Accounting Directives and IASs: A Contribution to International Accounting Developments - April 1999.
Belgium: Federation Des Experts Comptables Europeens.

Call No.: 657.072 COM

Current Year Assessment.
Kuala Lumpur: Lembaga Hasil Dalam Negeri.

Call No.: 336.2423 CUR

Taksiran Berasaskan Tahun Semasa.
Kuala Lumpur: Lembaga Hasil Dalam Negeri.

Call No.: 336.2423 TAK

ACCA Q & A - December 1998.
London: ACCA, 1999.

Call No.: 368.9595 ACC

International Accounting Standards 1999.
London: International Accounting Standards Committee.

Call No.: 657.0218 INT

1999 Miller GAAP Implementation Manual.
New York: Harcourt Brace & Company.

Call No.: 657.0218 MIL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Subject Index.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: General Index and Table of Cases Reported.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Cases Judicially Considered (A-M).
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

The Malayan Law Journal Consolidated Tables 1932 - 1998: Cases Judicially Considered (N-Z) and Legislation Judicially Considered.
Kuala Lumpur: MLJ, 1999.

Call No.: 348.0212595 MAL

MASB Issues Five Exposure Drafts (ED) and a Revised Technical Release

ED 9 Consolidated Financial Statements and Investments in Subsidiaries

The objective of this Standard is to prescribe the basis for the preparation and presentation of the consolidated financial statements for a group of enterprises under the control of the reporting parent. It also puts forward the accounting treatment for investments in subsidiaries in the separate financial statements of the reporting parent. This Standard deals with instances on when a subsidiary should be excluded from consolidation and its prescribed treatment, consolidation procedures, disposals of subsidiaries, changes in stake and composition of a group.

This Standard should be applied in the preparation and presentation of the consolidated financial statements for a group of enterprises under the control of a reporting parent.

ED 10 Investments In Associates

The objective of this Standard is to prescribe the methods of accounting for investments in associates in an investor's consolidated financial statements, as well as in its separate financial statements. The Standard should be applied by an investor to account for investments in associates.

This Standard requires an investment in an associate to be accounted for in the consolidated financial statements under the equity method. An exception is made for investments that are acquired and held exclusively with a view to its disposal in the near future. If this is the case, the investment should then be accounted for under the cost method.

ED 11 Revenue

The objective of this Standard is to prescribe the accounting treatment for revenue arising from the various types of transactions and events. Revenue arises in the course of ordinary activities of an enterprise and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. This Standard deals with the primary issue of determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.

This Standard should be applied in accounting for revenue arising from the following transactions and events: sale of goods, rendering of services and use by others of enterprise assets yielding interest, royalties and dividends.

ED 12 Leases

The objective of this Standard is to prescribe the appropriate accounting policies and disclosure for both lessees and lessors to apply in relation to finance and operating leases. This Standard applies to agreements that transfer the right to use assets from one contracting party to the other. A lease is defined as an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

This standard, when operative, will enhance significantly the level of disclosures by reporting entities. New disclosures include: total of minimum lease payments reconciled to the present values of lease liabilities in three periodic bands; total gross investment in the lease reconciled to the present value of minimum lease payments receivable in three periodic bands; related finance charges; future minimum sublease payments expected to be received under non-cancellable sub-lease at balance sheet date; and accumulated allowance for uncollectable minimum lease payment receivables.

ED 13 Earnings Per Share

The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share. This improves performance comparisons among different enterprises, whether they have the same accounting period or different accounting periods using the same calculation. Even though earnings per share has limitations because of different accounting policies used for determining 'earnings', a consistently determined denominator enhances comparability.

This Standard should be applied by enterprises whose ordinary shares or potential ordinary shares are publicly traded and by enterprises that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets.

Technical Release (Revised) Share Buybacks — Accounting and Disclosures

The original Technical Release TR1, Share Buybacks and Financial Assistance, was drafted based on the original Section 67A of the Companies Act 1965. Section 67A was subsequently amended to permit shares repurchased to be held as treasury shares. However, the amendment removes the provisions relating to the giving of financial assistance. Additionally, the amendment allows for the use of the share premium account to provide for the consideration of shares repurchased. Accordingly, the revised TR1 is drafted to reflect the amendments to Section 67A of the above Act.

This revised Technical Release sets out the accounting methods for share buybacks by public listed companies. It prescribes the use of either the treasury stock method, the share retirement method, or a combination of both methods. It also deals with the disclosures of share buybacks by public listed companies.

In prescribing the accounting methods for share buybacks, the revised Technical Release considers the statutory provisions of Section 67A (as amended) of the Companies Act 1965, the Kuala Lumpur Stock Exchange's revised Guidelines Governing Purchase of Own Shares by Listed Companies, and generally accepted accounting principles on equity instruments.

Preface to Approved Accounting Standards

This preface has been approved by the Council of the Malaysian Institute of Accountants.

The Council has determined that approved accounting standards for members shall comprise of all accounting standards and technical pronouncements issued by the Malaysian Accounting Standards Board (MASB).

In addition to these standards, all statements issued by the Council relating to recommended practices including guidelines of best practices on accounting are to be regarded as opinions on best current practices, and thus form part of the generally accepted accounting principles (GAAP).

Further, the Council has determined that in the absence of an accounting standard or technical pronouncement issued by the MASB, standards and interpretations issued by the IASC shall form the basis of the guidelines of best practices in accounting for financial reporting.

The Council may inquire into apparent failures by members to observe applicable approved accounting standards and GAAP, which have been recommended by the Institute.

COMPLIANCE WITH GAAP

Approved accounting standards and IASs have paragraphs in bold typeface and plain typeface. Bold typefaces are meant to be mandatory and plain typefaces are interpretative commentary paragraphs. In addition, to provide guidance on its applications, appendices are annexed to each standard. The Council has determined that there should be no difference between the bold typeface and plain typeface paragraphs. The intention and spirit of each standard must be observed, and the application of the standard in totality is mandatory.

Reporting Compliance with Approved Accounting Standards

Published financial statements should contain a positive statement to the effect that they are prepared in compliance with applicable approved accounting standards.

Published financial statements should not be described as complying with applicable approved accounting standards, as well as international accounting standards issued by the International Accounting Standards Committee (IASC) where appropriate, unless they comply with each applicable approved accounting standard, each applicable interpretation issued by the MASB's Interpretations Committee, and each applicable IAS and each applicable interpretation of the Standing Interpretations Committee of the IASC respectively.

GAAP and the Auditor

The auditor's responsibility is to form an opinion and to report on the published financial statements. Where members act as auditors or reporting accountants, the onus is upon them to ensure compliance with applicable approved accounting standards in the financial statements of their clients in accordance with the requirements of the *applicable reporting framework*.

Where financial statements do not comply with applicable approved accounting standards and GAAP in one or more material respects, the auditor should ensure that the non-compliance is appropriately and adequately disclosed in the financial statements.

If the non-compliance has not been disclosed, or if, in the view of the auditor, the form and content of the disclosure in the financial statements is inadequate, he should :

- **a** consider whether the non-compliance affects his opinion having regard to the requirements of the *applicable reporting framework*, e.g. the true and fair requirement under the provisions of the Companies Act, 1965; and
- **b** report the non-compliance with the applicable approved accounting standards and GAAP in his audit report.

EFFECTIVE DATE OF THE APPROVED ACCOUNTING STANDARDS

The effective date from which members are expected to observe approved accounting standards and IASs are set out in the respective standards.

ACCOUNTANT

An Accountant is needed by a firm specialising in the food industry

Successful candidate will be based in China.

Salary and allowance will be commensurate with experience and qualifications

If interested, please contact

Tel: 02-220 7780/7781

Fax: 02-220 7786

or

e-mail:

mjhunter@pacific.net.sg

CALLING ALL MEMBERS! BE A MIA CPD SPEAKER

The Professional Development Committee of the Malaysian Institute of Accountants (MIA) has the challenging task of continuously upgrading and updating MIA members with the latest developments in the profession.

In our endeavour to deliver even greater quality events, we are providing an opportunity for members who are skilled in their respective fields and interested in being a speaker to share their experience with others in the profession.

Do contact us and provide us with details of your area of speciality in accountancy-related or management topics e.g. Financial Accounting, Management Accounting, Company Law Practices, Insolvency, Internal Auditing, Taxation etc. We are also open to other topics which are of interest to members.

We would be most happy to hear from you and look forward to working out possible events. Competitive fees will be paid to speakers.

One more plus point. As a Speaker for MIA, you will be fulfilling your CPD requirements too!!!

Correspondence with full c.v. and details of speaking experience should be faxed to:

HEAD, CONTINUING PROFESSIONAL DEVELOPMENT DEPARTMENT
MALAYSIAN INSTITUTE OF ACCOUNTANTS
at fax number: 03-273 5167 or e-mail: cpd@mia.org.my

BE ONE OF MIA'S SPEAKERS AND AT THE SAME TIME, EARN EXTRA INCOME AND FULFIL CPD POINTS REQUIREMENT!

Place your Recruitment Advertisements "FREE OF CHARGE" In Our Classified Pages

As part of the privileges accorded by the Malaysian Institute of Accountants, members and member firms will from January until December 1999, be entitled to place recruitment and positions wanted advertisements in the *Akauntan Nasional* free of charge.*

** size of ad space depends on availability and the discretion of the Editorial Board*

Akauntan Nasional

For bookings and enquiries, please call:
Ms Shazrina of Communications Department,
Malaysian Institute of Accountants at 03-2745055, ext 256.

Calendar of Professional Development Programmes

TOWN	DATE	PLEASE TICK R	TITLE	VENUE	CPD PTS
Kuala Lumpur	2 July	☐	Hands-on Internet Workshop	MSCB	16
	5-6 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	7-8 July	☐	Business Etiquette & Protocol for Corporate Managers	Carcosa Seri Negara	32
	12 July	☐	Evening Talk on Exit Levy	Eastin Hotel	4
	14-15 July	☐	Group Accounts (Repeat)	PJ Hilton	32
	19 July	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	26-27 July	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
	4-5 Aug	☐	Executive Letter and Report Writing (Repeat)	MIA	32
	26 Aug	☐	Managing Cash Flow Crisis	PJ Hilton	16
	7-8 Sept	☐	1999 National Accountants Conference	Sunway Lagoon Resort Hotel	32
	21-22 Sept	☐	Inventory Management for Finance & Non-Warehouse Manager	Eastin Hotel	32
Penang	13-14 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	16 July	☐	Evening Talk on Exit Levy	Sheraton Penang	4
	5 Aug	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	9 Aug	☐	Mergers and Acquisitions — Challenges and Opportunities in Year 2000 and Beyond	Hotel Equatorial	16
	16-17 Aug	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
Johor Bahru	26 July	☐	Evening Talk on Exit Levy	Grand Bluewave	4
	28 July	☐	Hands-on Internet Workshop	MSCB	16
	29-30 July	☐	Hands-on Web Page Development Workshop	MSCB	32
	25 Aug	☐	Workshop on Financial Analysis with Microsoft Excel	MSCB	16
	26-27 Aug	☐	Workshop on Automating Tasks with Microsoft Excel	MSCB	32
Sibu	3-4 Aug	☐	Practical Taxation — Introduction	Tanahmas Hotel	32
Miri	10-11 Aug	☐	Practical Taxation — Introduction	Dynasty Hotel	32

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

Contact Person: ____________________

Organisation: ____________________

Address: ____________________

____

Tel: ____________ Fax: ____________

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

Malaysian Institute of Accountants
Dewan Akauntan
No. 2 Jalan Tun Sambanthan 3, Brickfields
50470 Kuala Lumpur.

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