Akauntan Nasional

Volume 14 • Number 6 Journal of the Malaysian Institute of Accountants JUNE 2001

Balancing Risk and Rewards

(Established under the Accountants Act, 1967)

Accounting in the Management of Construction Projects

What is Malaysia's No.1 songbird peeking at? Answer! Pls turn to inside back cover.

ISSN 1394 - 1763

9 771394 176008

Member Audit Bureau of Circulations (Malaysia)

Homepage : http://www.mia.org.my

CONTENTS

Volume 14, Number 6 JUNE 2001

Pg 14 *Does Contrarian Investment Strategy Work?*

Cookie(s) Monster Pg 39

Pg 60 *CAPA Conference*

Akauntan Nasional

The *Akauntan Nasional* is the official publication of the Malaysian Institute of Accountants (MIA) and is distributed to all members of the Institute. The views expressed in this journal are not necessarily those of the MIA or its Council. Contributions including letters to the Editor and comments on articles appearing in the journal are welcomed and should be sent to the Editor as addressed below.

Editor, Akauntan Nasional
Dewan Akauntan, 2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur, Malaysia
Tel : 03-2274 5055, Fax : 03-2274 1783, e-mail : editor@mia.org.my Homepage : http://www.mia.org.my

PUBLISHING CONSULTANT
Executive Mode Sdn Bhd (317453-P)
Tel : 03-711 3200, 3205, 3230 Fax : 03-711 3220
e-mail : executivemode@executivemode.com.my
Homepage : http://www.executivemode.com.my

PRINTER
Ultimate Print Sdn Bhd (62208-H)
40 Jalan Penchala, 46050 Petaling Jaya
Tel : 03-7787 5688 Fax : 03-7787 5609

PUBLISHED BY
Malaysian Institute of Accountants
Registered Office and Address
Dewan Akauntan
2 Jalan Tun Sambanthan 3, Brickfields
50470 Kuala Lumpur
Tel : 03-2274 5055 Fax : 03-2274 1783, 2273 1016
e-mail : mia@mia.org.my
Homepage : http://www.mia.org.my

FROM THE EDITOR

Catching Up

MIA Gets Ready For Another Busy Month

Last month has been particularly busy for the Institute. First, there was the Extraordinary General Meeting. At the end of a robust debate, the accountants voted to adopt the three proposed new Rules following the Accountants (Amendment) Act, 2001, that were tabled.

The Institute's proposed new Rules are now with the government. A decision in the interest of the accountancy profession and the nation is eagerly awaited by all parties concerned.

In this issue, we feature a run-through of the EGM and a look at the Rules that were passed by members for adoption.

The month of May also saw a successful joint conference between the Malaysian Institute of Accountants (MIA) and The Confederation of Asian and Pacific Accountants (CAPA). With the theme, *Accountancy in the Net Economy : Challenges and Prospects*, the Conference, which coincided with the CAPA Executive Committee Meeting attracted over 80 participants who had the rare opportunity to listen to an international line-up of speakers who spoke on key and emerging issues relating to the accountancy profession in the net-economy. In addition, issues on Internet Fraud and Training and Education were discussed and it was agreed that the modern times do play a significant role in fostering the change in focus in the business environment. This issue carries several reports on the conference for the benefit of our readers.

For those of you who were unable to attend the CAPA Conference, take heart, we have the prestigious 2001 National Accountants Conference coming up this August. The theme this year will be *Meeting the Challenges — Globalisation, Liberalisation and Changing Technologies* which is relevant to the present scenario in the accountancy profession. The Institute is in the process of confirming several expert speakers in these areas and the Conference is set to be a major event for the Institute this year. And to add icing on the cake, renowned songstress, Siti Nurhaliza will be making a special appearance to entertain us during the Conference dinner. What more could you want after a long hard day at the Conference than to listen to the sweet melodious voice of Malaysia's top artiste. So, why wait … register now and don't regret later!

Editor

Letters to the Editor

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

CONTRIBUTION OF ARTICLES

The *Akauntan Nasional* welcomes original and previously unpublished contributions which are of interest to accountants, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcome.

Manuscripts should be submitted in English or Bahasa Malaysia and range from 2,500 to 5,000 words (double-spaced, typed pages). They should be submitted in hardcopy and diskette (3.5 inch) form in Microsoft Word or Lotus Wordpro. Manuscripts are subject to a review procedure and the Editor reserves the right to make amendments which may be appropriate prior to publication.

"Rules Are Not Cast In Concrete"

If the atmosphere at the recent EGM was a reflection of the accounting fraternity's sentiment over the Accountants (Amendment) Act 2001, it was obviously one of concern and some uncertainty. The questions posed showed that members were unclear over several sections in the Act that are set to undergo changes and they made known their apprehension during the two-hour long EGM. The single designation of Chartered Accountant (CA) appears to have created some concern among accountants, in particular, the Public Accountants (PAs).

To some PAs, the single designation is perceived as a loss of certain 'rights and privileges' while the Registered Accountant (RA) is looking at the move as a positive step towards equal standing with the PA. In allaying the fears of the PA and setting right any misunderstanding on the part of the RA, MIA President, Abdul Samad Alias was quick to reassure members that their 'rights and obligations' remain status quo as the introduction of a practising certificate to differentiate practitioners from non-practitioners is stipulated in Rule 9 (1) of the MIA (Membership and Council) Rules, 2001.

The Rule states, *'A member shall not hold himself out as a member in public practice unless he holds a valid practising certificate issued by the Institute … '*, thus clearly defining who is entitled to render public practice services.

Despite the above assurance, the move to have only one classification for accountants has brought forth the issue of representation in the MIA Council level. The current composition of seven PAs and seven RAs in the Council is perceived to be fair.

However, the new Council line-up that will comprise of between 25-30 members with up to 20 members appointed by the government, does not reserve seats for public practitioners *per se*, thus the fear that there will be inadequate, or worse, no representation for public practitioners at Council level, as pointed out by a long-time practitioner at the EGM, is justifiable.

Moreover, with up to two thirds of MIA members being RAs, the remaining 10 elected representatives may well all be RAs. As such, it is understandable for public practitioners to be concerned about their future.

Mohamad Salleh Mahmud who represented the Accountant-General's office at the EGM said that his office was very much aware of this situation and gave the assurance that public practitioners would be adequately represented. Verbal assurances alone may not be sufficient to placate the concerns of members, however, it is a positive indication that the government is sensitive to their concerns .

> "It is imperative that when the changing of guard occurs, members' faith in MIA is not in vain."

It was virtually a no holds barred EGM with members strongly airing their views to their elected representatives on issues that affect the accountancy profession in the country. In tandem with their resolve to be transparent in all aspects of governance, Abdul Samad and his team must be commended for their frank answers.

In accepting both criticism and praise, the Council was sensitive to members' concerns and made every attempt to explain the proposed Rules and gave the assurance that members' concerns will be taken into account when future refinements are made to the Rules. Taking the cue from this assurance, members who were genuinely apprehensive of the changes forthcoming were nevertheless favourable to the proposed Rules and the clear majority in votes to pass the Rules was reflective of the maturity of members and the faith they have in their representatives to do right by them.

Abdul Samad's resounding assurance that "The Rules are not cast in concrete", gives members hope that the Council will ensure their concerns are given due consideration by the powers that be. The tenacity of MIA members in passing the Resolution is admirable and it is a reflection of their faith in the Council to do what is best for the accountancy profession in the country. It is imperative that when the changing of guard occurs, members' faith in MIA is not in vain.

VISION AND MISSION

The Malaysian Institute of Accountants is the exclusive accountancy body, representing the voice of all accountants in Malaysia and a leading partner in nation-building. The Institute is committed to serving the profession and the nation with integrity and professionalism.

Its mission is :

- To promote and monitor professional standards and integrity.
- To provide education and training to meet the challenge of the ever-changing global economy.
- To conduct and promote research and development for the enhancement of the profession.

MIA BRANCHES

State : **Johor**
Location : Johor Bahru
Chairman : Soh Siong Hoon, Sam

State : **Melaka**
Location : Melaka
Chairman : Lee Hin Kan

State : **Pahang**
Location : Kuantan
Chairman : Foo Tui Lee, Joseph

State : **Penang**
Location : Penang
Chairman : Teh Eng Hin, Steven

State : **Perak**
Location : Ipoh
Chairman : Soo Yuit Weng

State : **Sabah**
Location : Kota Kinabalu
Chairman : Alexandra Thien

State : **Sarawak**
Location : Kuching
Chairman : Tiang Kung Seng, David

MIA CENTRES

State : **Kedah & Perlis**
Location : Alor Setar
Chairman : Baqir Hussain Bin Hatim Ali

State : **Kelantan**
Location : Kota Bahru
Chairman : Billy Kang

State : **Terengganu**
Location : Kuala Terengganu
Chairman : Su Lim

THE ROLE OF THE ACCOUNTING PROFESSION IN MANAGEMENT OF CONSTRUCTION PROJECTS

By Gursharan Singh

Introduction

The general perception of the role of accountants (or the Accounts Department) in respect to construction projects has been that of a recorder of financial transactions pertaining to the respective projects. The accountants accept the financial documents (valuations, payments, claims, etc) as certified by the relevant designated experts.

The accounting profession has further strengthened this general perception of their limited role of account-keeping by its hands-off approach on other aspects of construction project implementation. The justification provided is that the various aspects of the construction project are the responsibilities of the relevant experts involved in the management, planning, designing, implementing, supervising, monitoring, etc. of the project. The other relevant technical and other professionals are responsible for their specific fields of expertise such as architects, engineers, quantity surveyors, land surveyors, landscape architects, interior designers/decorators, lawyers, project managers, internal auditors, etc. The accounting profession is correct in this view but to a limited extent only.

The Role of the Accounting Profession

The professionals possessing accounting expertise are generally part of the team that is involved from the very beginning and inception of any construction project. They advise on the sources of funds that will finance the construction of the project and its economic viability. The role of the accounting department will subsequently be generally relegated to that of examining the financial transactions and record-keeping only after a decision has been made by the Board of Directors. The extent of examination by the accountants is generally limited to compliance of the prescribed procedures and accepted financial controls. Thus, the possibility of future recovery of any overpayment, wrong payment or fraudulent payment would be greatly reduced if and when the loss is ever discovered. In some cases, individual accountants have gone beyond this limited role due to their personal interest in construction projects and thereby helped in preventing or minimising losses.

The accounts departments of most organisations are provided with, or have access to, all the relevant documents with financial implications pertaining to the construction projects. These include, among others the following :

(a) Budgetary approvals, tendering process and management of implementation.

(b) Contract documents and technical consultants' agreements.

(c) Performance bonds/insurance policies together with extensions granted.

(d) Advances, payments, recoveries, penalties, claims, final accounts.

(e) Utilities costs, facilities provided, reimbursable claims, variations approved.

(f) Local authorities/other payments — deposits or fixed charges.

(g) Periodical reports and monitoring/progress briefings.

The accountant is the last stage in the approval process of all financial transactions, particularly the payments. He is in the unique position to prevent overpayment, wrong payment or fraudulent payment. He will not be held responsible for any overpayment, wrong payment or fraudulent payment where the payments have been subjected to prescribed and approved internal controls, and the payment certificate approved and certified correct by the relevant

experts. The possibility of any recovery would be substantially reduced if and when the loss is subsequently discovered.

The Scope of Examination by the Accountants

It is not the intention here to suggest that the accountants take over the role of auditors. The objective is that the accountants should supplement and co-operate with the auditors for the common benefit of the organisation and its staff. The accounts department should examine those documents that have direct financial implications. These would include, among others, those listed above.

The accountant may not be responsible for the custody or maintenance of a contract register but he would have access to it at all times. He could base his examination on the information that is required to be recorded in the contract register that is essential for monitoring the financial and physical progress of any construction contract. A reasonably comprehensive contract register would provide particulars about those terms and conditions of contracts that are mandatory for compliance. The aspects would include, among others, the following :

(a) Basic information about the contract;

(b) Security clauses (performance bonds/ guarantees);

(c) Prescribed insurance policies (fire, workmen compensation, public liability);

(d) Mandatory payments (KWSP, SOCSO, C.I.D.B);

(e) Payments (interim, final);

(f) Contract cost (variations costs, escalation and other claims);

(g) Penalties for delays (liquidated & ascertained damages).

The Role of Management

It is the responsibility of any management to provide to the accounting department professionals the necessary support in the form of training opportunities in construction projects. The Board of Directors can better monitor and control the financial (and physical) progress of the construction projects. Appropriate preventive measures to reduce costs and delays (that also cost money) to some extent can be taken in the early stages. This will benefit the organisation in creating another stage in minimising if not preventing overpayments, wrong payments or fraudulent payments.

Conclusion

There may be a possibility of identifying losses and some recoveries if the auditor (internal or external) subjects the project to a comprehensive audit. However this possibility is also very remote because the limited manpower resources and facilities of the audit department may not permit it to spare the required resources and time for the required comprehensive audit. In the absence of any evidence of wrongdoings it may also not be possible for him to justify to the management the need for additional funds and resources for a special comprehensive audit.

It is important and long overdue for the accounting profession (and the management to support) to play a more proactive and comprehensive role and add value to its services by being involved in the examination of the many financial aspects of construction projects. They should not be over dependent on others but equip themselves with knowledge about the financial aspects in construction projects and their implications. This would assist them in upgrading the quality of their duties and add value to their contribution to the organisation, besides enhancing career prospects.

The accounting profession should remember that they possess accounting expertise while being aware that they may not possess in-depth knowledge about the technical aspects of construction projects. Similarly, technical and other professions have the expertise in their respective professional disciplines, not many have in depth knowledge about financial aspects in the technical documents and that they depend on others who may have some knowledge. Thus it is not in the interest of the accountants to have blind trust in other professionals but they should be aware of the many adverse possibilities. They should be able to ask some commonsense questions from the technical professionals either on their own or with the advice of their colleagues within the organisation. Thus when the technical professionals are aware that the accountants are alert and knowledgeable, the possibility of overclaims, overpayments or fraudulent payments will be prevented or minimised. AN

Note : The writer is currently a specialist trainer in construction projects.

SEGMENT REPORTING IN SELECTED DEVELOPING ECONOMIES

By Dr. Sangeeta Porwal, SENIOR LECTURER
Dr. Hamendra K. Porwal, PRINCIPAL LECTURER
& Lee Seng Fatt, LECTURER
DEPARTMENT OF ACCOUNTING AND FINANCE, UNITEN

There has been a tendency in the regions covered by the less developed countries (LDCs) to non-transparency. Consequently, the standard-setting agencies and the capital market regulators have been making continuous efforts to enhance the standards of disclosure in LDCs. Transparent corporate reporting provides impetus to active shareholding participation.

An organisation's image, the way it is seen by the outside world, is largely influenced by its reporting. Timely, accurate and regular reporting gives the impression of openness that breeds confidence in the integrity of the people involved. Openness reduces the chances of corruption. An economist, J. Bentham, once said, "sunlight is the greatest of all disinfectants, publicity the most efficient policeman"[1]. Segment reporting is a further step towards making corporate reporting more transparent.

Conceptual Basis for Segment Reporting

"While it is certainly possible to assess the overall financial health of the entity using consolidated financial reports, it is much more difficult to evaluate management's operating and financial strategies, particularly with regards to its emphasis on specific lines of business. For example, the extent to which operating results for a period are the result of the development of new products with greater potential for future growth, *vs.* mature product lines which nonetheless still account for majority of the entity's total sales, would be largely masked in the financial statements, which did not present results by business segment"[2]. Segment information is very relevant to assessing the risk and returns of a diversified or multi-locational enterprise.

> " … sunlight is the greatest of all disinfectants, publicity the most efficient policeman. Segment reporting is a further step towards making corporate reporting more transparent."

The main purpose of this article is to examine the provisions relating to the accounting standards concerning segment reporting in Malaysia and India. The main reasons for selecting these two developing countries for the study are — both these countries are rapid developing economies, who were once colonies of the British Empire, and are now part of the Commonwealth of Nations; both are democratic countries believing in transparency. There is a lot of coordination and cooperation between the two countries. These two countries have for long followed the accounting and reporting practices and procedures of the UK : hence their Companies Acts are quite similar.

After tracing segment reporting in different countries, in brief, in the following paragraph, examination of the provisions of segment reporting standards in Malaysia and India has been made in subsequent paragraphs. Since both the countries are members of the IASC, the accounting standards on segment reporting in these countries largely follow the pattern given in IAS 14 (Revised). Still the distinguishing features in the two standards have been highlighted in the following pages.

Segment reporting is a very recent development in rapidly developing economies towards full and fair disclosure. MASB 22 on *Segment Reporting* was issued in March 2001 in Malaysia. It was issued in India in October 2000 as a mandatory accounting standard AS 17. The former will become operative for financial statements covering periods beginning on or after 1 January 2002; while the latter came into effect in respect of accounting periods commencing on or after 1 April 2001. This standard was issued much earlier in the developed countries. In the US, the Financial Accounting Standards Boards (FASB) promulgated *Statements of Financial Accounting Standards 14* (SFAS 14) in December 1976. It was superseded by SFAS 131, which was first effective in June 1998. The UK adopted *Statements of Standard Accounting practice 25* (SSAP 25) in July 1990. The International Accounting Standards Committee (IASC) issued the revised standard on *Segment Reporting* (IAS 14) in 1999.

[1] Joseph Eby Ruin, *New Straits Times*, KL, 17 March 2001, p. 4.

[2] Epstein and Mirza, *IAS 99*, p. 670, Wiley, NY.1

Scope

This standard applies to enterprises whose equity or debt securities are publicly traded and to enterprises that are in the process of issuing equity or debt securities in public securities markets.

AS 17 also includes in its scope all other commercial, industrial and business reporting enterprises, whose annual turnover is more than Rs. 50 crores (RM 41.7 million). AS 17 further states that this standard should be applied in presenting general-purpose financial statements and that an enterprise should comply with the requirements of this standards fully and not selectively. MASB 22 does not specifically mention this. But it can be deemed to be applied to the Malaysian enterprises.

Objective

This standard aims at establishing principles for reporting financial information, about different types of products and services an enterprise produces, and the different geographical areas in which it operates — to help users of financial statements to :

(a) better understand the enterprise's past performance;

(b) better assess the enterprise's risks and returns; and

(c) make more informed judgments about the enterprise as a whole.

To clearly understand the provisions of this standard, it is necessary to know the definition of some special terms used herein.

A *business segment* is a distinguishable component of an individual product or service, or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

Factors that should be considered in determining whether products or services are related, include :

(a) the nature of the products or services;

(b) the nature of production processes;

(c) the type or class of customer for the products or services;

(d) the methods used to distribute the products or provide the services; and

(e) if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

A *geographical segment* is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Factors that should be considered in identifying geographical segments include :

(a) similarity of economic and potential conditions;

(b) relationship between operations in different geographical areas;

(c) proximity of operations;

(d) special risks associated with operations in a particular area;

(e) exchange control regulations; and

(f) the underlying currency risks.

A *reportable segment* is a business segment or a geographical segment identified on the basis of foregoing definitions for which segment information is required to be disclosed by this Standard.

AS 17 explains *enterprise revenue* as revenue from sales to external customers as reported in the profit and loss statement. MASB 22 does not define enterprise revenue.

IDENTIFYING REPORTABLE SEGMENTS

Primary and Secondary Segment Reporting Formats

It has been explained above that there are two types of segments — business seg-

ment and geographical segment. Further, there are two segment reporting formats — *Primary and secondary.* Paragraphs 27 and 28 of MASB 22 and paragraphs 19 and 20 of AS 17 explain primary and secondary segment reporting formats in the same manner.

The dominant source and nature of risks and returns of an enterprise should govern whether its primary segment-reporting format will be business segments or geographical segments. If the risks and returns of an enterprise are affected predominantly by differences in the products and services it produces, its primary format for reporting segment information should be business segments, with secondary information reported geographically. Similarly, if the risks and returns of an enterprise are affected predominantly by the fact that it operates in different countries or other geographical areas, its primary format for reporting segment information should be geographical segments, with secondary information reported for groups of related products and services.

Internal organisation and management structure of an enterprise and its system of internal financial reporting to the board of directors and the chief executive officer should normally be the basis for identifying the predominant source and nature of risks and differing rates of return facing the enterprise and, therefore, for determining which reporting format is primary and which is secondary, except as provided in sub-paragraphs (a) and (b) below :

(a) if risks and returns of an enterprise are strongly affected both by differences in the products and services it produces and by differences in the geographical areas in which it operates, as evidenced by a "matrix approach" to managing the company and to reporting internally to the board of directors and the chief executive officer, then the enterprise should use business segments as its primary segment reporting format and geographical segments as its secondary reporting format; and

(b) If internal organisational and management structure of an enterprise and its system of internal financial reporting to the board of directors and the chief executive officer are based neither on individual products or services or groups of related products/services nor on geographical areas, the directors and management of the enterprise should determine whether the risks and return of the enterprise are related more to the products and services or to the geographical areas in which it operates and should, accordingly, choose business segments or geographical segments as the primary segment reporting format of the enterprise, with the other as its secondary reporting format.

It would, thus, be seen that, for most enterprises, the predominant source of risks and returns determines how the enterprise is organised and managed. Organisational and management structure of an enterprise and its internal financial reporting system normally provide the best evidence of the predominant source of risks and returns of the enterprise for the purpose of its segment reporting. Therefore, except in rare circumstances, an enterprise will report segment information in its financial statements on the same basis as its reports internally to top management.

Business and Geographical Segments

Business and geographical segments of an enterprise for external reporting purposes should be those organisational units for which information is reported to the board of directors and to the chief executive officer for the purpose of evaluating the unit's performance and for making decisions about allocations of resources, except as provided in the following paragraph.

If internal organisational and management structure of an enterprise and its system of internal financial reporting to the board of directors and the chief executive officer are based neither on individual products or services or groups of related products/services nor on geographical areas, the paragraph above requires that the directors and management of the enterprise should choose either business segments or geographical segments as the primary segment reporting format of the enterprise based on their assessment of which reflects the primary source of the risks and returns of the enterprise, with the other as its secondary reporting format.

Reportable Segments

Paragraphs 27-32 of AS 17 and paragraphs 35-44 of MASB 22 discuss the criteria for determination of a reportable segment.

AS 17 states that a business segment or a geographical segment should be identified as a reportable segment if :

(a) its revenue from sales to external customers and from transactions with other segments is 10 percent or more of the total revenue, external and internal, of all segments; or

(b) its segment result, whether profit or loss, is 10 percent or more of :
   (i) the combined result of all segments in profit; or
   (ii) the combined result of all segments in loss, whichever is greater in absolute amount; or

(c) its segment assets are 10 percent or more of the total assets of all segments.

A business segment or a geographical segment, which is not a reportable segment as per the preceding paragraph, may be designated as a reportable segment despite its size at the discretion of the management of the enterprise. If that segment is not designated as a reportable segment, it should be included as an unallocated reconciling item.

If total external revenue attributable to reportable segments constitutes less than 75 per cent of the total enterprise revenue, additional segments should be identified as reportable segments, even if they do not meet the 10 per cent thresholds stated in the earlier paragraph, until at least 75 per cent of total enterprise revenue is included in reportable segments.

A segment identified as a reportable segment in the immediately preceding period because it satisfied the relevant 10 per cent thresholds should continue to be a reportable segment for the current period notwithstanding that its revenue, result, and assets all no longer meet the 10 per cent thresholds.

If a segment is identified as a reportable segment in the current period because it

satisfies the relevant 10 per cent thresholds, preceding period segment data that is presented for comparative purposes should, unless it is impracticable to do so, be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the 10 per cent thresholds in the preceding period.

MASB 22 also states the above criteria for determination of a reportable segment. In addition to the above, it also states that :

(a) two or more internally reported business segments or geographical segments that are substantially similar may be combined as a single business segment or geographical segment;

(b) a business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers; and

(c) this standard (para 41) encourages, but does not require, the voluntary reporting of vertically integrated activities as separate segments, with appropriate description including disclosure of the basis of pricing inter-segment transfers.

The Indian Standard does not specifically mention these.

The following example illustrates the three 10 per cent tests and the 75 per cent test.

An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in Table 1.

The reportable segments of the enterprise as per criteria laid down above will be identified as below :

(a) In accordance with criterion (a), segments whose total revenue from external sales and inter-segment sales is 10 per cent or more of the total revenue of all segments, external and internal, should be identified as reportable segments. Therefore, segments A and B are reportable segments.[3]

(b) As per the requirements of criterion (b), it is to be first identified whether the combined result of all segments in profit or the combined result of all segments in loss is greater in absolute amount. From the table, it is evident that combined result in loss (i.e., RM 100,000) is greater. Therefore, the individual segment result as a percentage of RM 100,000 needs to be examined. In accordance with criterion (b), Segments B and C are reportable segments as their segment result is more than the threshold limit of 10 per cent.

(c) Segment A, B and D are reportable segments as per criterion (c), as their segment assets are more than 10 per cent of the total segment assets.

Thus Segments A, B, C and D are reportable segments in terms of criteria laid down in the earlier paragraph.

Paragraph 28 of AS 17 gives an option to the management of the enterprise to designate any segment as a reportable segment. In the given case, it is presumed that the management decides to designate segment E as a reportable segment.

The subsequent paragraph requires that if total external revenue attributable to reportable segments identified as aforesaid constitutes less than 75 per cent of the total enterprise revenue, additional segments should be identified as reportable segments even if they do not meet the 10 per cent thresholds until at least 75 per cent of total enterprise revenue is included in reportable segments.

The total external revenue of Segments A, B, C, D, and E identified above as reportable segments, is RM 295,000. This is less than 75 per cent of total enterprise revenue of RM 400,000. The management of the enterprise is required to designate any one or more of the remaining segments as reportable segment(s) so that the external revenue of the reportable segments is at

[3] According to MASB 22, para. 36, segments A and C do not qualify to become reportable segments since their external sales are less than their inter-segment sales.

TABLE 1

amounts in RM'000	A	B	C	D	E	F	G	H	Total (Segments)	Total (enterprise)
SEGMENT REVENUE										
(a) External Sales	–	255	15	10	15	50	20	35	400	
(b) Inter-segment Sales	100	60	30	5	–	–	5	–	200	
(c) Total Revenue	100	315	45	15	15	50	25	35	600	400
Total Revenue of each segment as a percentage of total revenue of all segments	16.7	52.5	7.5	2.5	2.5	8.3	4.2	5.8		
SEGMENT RESULT										
Profit/(Loss)	5	(90)	15	(5)	8	(5)	5	7		
(a) Combined result of all segments in profits	5		15		8		5	7	40	
(b) Combined Result of all segments in loss		(90)		(5)		(5)			(100)	
Segment Result as a percentage of the greater of the totals arrived at (a) and (b) above in absolute amount (i.e., 100)	5	90	15	5	8	5	5	7		
SEGMENT ASSETS	15	47	5	11	3	5	5	9	100	
Segment assets as a percentage of total assets of all segments	15	47	5	11	3	5	5	9		

least 75 per cent of the total enterprise revenue. Suppose, the management designates segment H for this purpose. Now external revenue of reportable segments is more than 75 per cent of the total enterprise revenue.

Segments A, B, C, D, E and H are reportable segments. Segments F and G will be shown as reconciling items.

SEGMENT ACCOUNTING POLICIES

Segment information should be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or enterprise.

Assets and liabilities that relate jointly to two or more segments should be allocated to segments if, and only if, their related revenues and expenses also are allocated to those segments.

DISCLOSURE

Primary Reporting Format

The disclosure requirements in paragraphs 40-46 of AS 17 and paragraphs 52-68 of MASB 22 should be applied to each reportable segment based on the primary reporting format of an enterprise.

An enterprise should disclose the following for each reportable segment :

(a) segment revenue classified into segment revenue from sales to external customers and segment revenue from transactions with other segments;

(b) segment results;

(c) total carrying amount of segment assets;

(d) total amount of segment liabilities;

(e) total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets);

(f) total amount of expense included in the segment result for depreciation and amortisation in respect of segment assets for the period; and

(g) total amount of significant non-cash expenses, other than depreciation and amortisation in respect of segment assets, that were included in segment expense, and therefore, deducted in measuring segment result.

An enterprise that provides the *segment cash flow* disclosures that are encouraged by MASB 5, need not disclose depreciation and amortisation expense and non-cash flow expenses of such a segment.

AS 3 of ICAI only recommends cash flow statements. It is not mandatory. However, disclosure of information regarding operating, investing and financing cash flows of each reportable segment is relevant to understanding the enterprise's overall financial position, liquidity, and cash flows. Disclosure of segment cash flow is, therefore, encouraged, though not required.

An enterprise should present a *reconciliation* between the information disclosed for reportable segments and the aggregate information in the consolidated or enterprise financial statements. In presenting the reconciliation, segment revenue should be reconciled to enterprise revenue from external customers; segment result should be reconciled to a comparable measure of enterprise operating profit or loss as well as to enterprise net profit or loss; segment assets should be reconciled to enterprise assets; segment liabilities should be reconciled to enterprise liabilities.

Secondary Segment Information

Paragraphs 70-73 of MASB 22 and paragraphs 48-51 of AS 17 deal with secondary segment information. Provisions in both the standards are the same.

If the primary format of an enterprise for reporting segment information is business segments, it should also report the following information :

(a) segment revenue from external customers by geographical area based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10 per cent or more of enterprise revenue;

(b) the total carrying amount of segment assets by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets) by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all geographical segments.

If the primary format of an enterprise for reporting segment information is geographical segments (whether based on location of assets or location of customers), it should also report the following segment information for each business segment whose revenue from sales to external customers is 10 per cent or more of enterprise revenue or whose segment assets are 10 per cent or more of the total assets of all business segments :

(a) segment revenue from external customers;

(b) the total carrying amount of segment assets; and

(c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets).

If the primary format of an enterprise for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then the enterprise should also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10 per cent or more of enterprise revenue.

If the primary format of an enterprise for reporting segment information is geographical segments that are based on location of customers, and if the assets of the enterprise are located in different geographical areas from its customers, then the enterprise should also report the following segment information for each asset-based geographical segment whose revenue from sales to external customers or segment assets is 10 per cent or more of total enterprise amounts:

(a) the total carrying amount of segment assets by geographical location of the assets; and

(b) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets) by location of the assets.

OTHER DISCLOSURES

The provisions in the two standards in regard to other disclosures are also the same.

In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers should be measured on the basis that the enterprise actually used to price those transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements.

Changes in accounting policies adopted for segment reporting that has a material effect on segment information should be disclosed. Such disclosure should include a description of the nature of change, and the financial effect of the change if it is reasonably determinable.

An enterprise should indicate the types of products and services included in each reported business segment and indicate the composition of each reported segment, both primary and secondary, if not otherwise disclosed in the financial statements.

SUBJECTIVITY

Determining the composition of a business or geographical segment involves a certain amount of judgement. Similarly, if internal organisational and management structure of an enterprise and its system of financial reporting to the board of directors and the chief executive officer are based neither on individual products or services nor on geographical areas, the directors and management of the enterprise should choose either business segments or geographical segments as the primary segment reporting format of the enterprise based on their assessment of which reflects the primary source of risks and returns of the enterprise, with the other as its secondary reporting format.

ACCOUNTING PROBLEMS

Since segment revenue, as defined by the two standards, includes inter-segment sales, *transfer pricing* becomes an issue. The companies, generally, are required to use the same transfer prices for segment reporting purposes as are used internally. Since most segments are organisational profit centres, internal transfer prices generally reflect market prices.

Allocation of common costs is another problem in determining operating profit or loss. "Common costs are operating expenses incurred by the enterprise for the benefit of more than one operating segment. These costs should only be allocated to a segment for external reporting purposes, if they are included in the measure of the segment profit or loss that is used internally by the chief operating decision maker."[4]

"A problem can arise in distinguishing common costs from general corporate expenses. General corporate expenses are not operating expenses from the point of view of any operating segment; they are incurred for the benefit of the corporation as a whole and cannot be reasonably allocated to any other operating segment".[5]

Concluding Remarks

As stated earlier, both the standards under study are based primarily on the IASC standard — IAS 14 (Revised). Naturally, most of the provisions in the two standards are more or less the same. The members of the IASC issue standards in their regions in compliance with the IASs to ensure conformity in all material respects subject to local customs, usage, environment and the prevailing law. Some distinguishing features emerging as a result of the examination of the two standards is highlighted below.

AS 17 states in the standard that an enterprise should comply with the requirements of this standard fully and not selectively. This is not stated clearly in MASB 22, though it can be deemed to be applied to the Malaysian enterprises coming within the ambit of the standard.

AS 17 explains enterprise revenue as revenue from sales to external customers as reported in the profit and loss statement. MASB 22 does not define enterprise revenue. MASB 22 states that :

(a) a business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers;

(b) paragraph 41 encourages, but does not require, the voluntary reporting of vertically integrated business segments or geographical segments that are substantially similar and which may be combined as a single business segment or geographical segment. The Indian standard does not specifically mention these.

MASB 5 — 'Cash Flow Statement' is a required annual financial statement as per MASB 1 — Presentation of Financial Statements.

AS 3 — "Cash Flow Statement' in India is still a recommendatory statement. It is not a required statement as a part of annual financial statement. In view of the above, paragraph 64 of MASB 22 states that an enterprise need not disclose depreciation and amortisation expense, and non-cash expenses separately in primary reporting format. As per paragraph 45 of AS 17, disclosure of segment cash flow is encouraged, though not required. It further states that an enterprise that provides segment cash flow disclosures, need not disclose depreciation and amortisation expense and non-cash expense in the primary reporting format.

Promulgation of mandatory standards on segment reporting in the two countries under study, is an important benchmark towards transparent corporate reporting. This will make it easy to evaluate the management's operating and financial strategies. AN

[4] Delany, Adler, Epstein and Foran, *GAAP 98*, pp. 710-12, Wiley, NY.

[5] Ibid.

REFERENCES

"MASB 22 — Segment Reporting", 2001 MASB, Kuala Lumpur, Malaysia.

"Accounting Standard 17 — Segment Reporting", 2000, ICAI, New Delhi.

"IAS 14 (Revised) — Segment Reporting", 1999, IASC, London.

"SFAS 131 — Segment Reporting", 1998, FASB, US.

"SSAP 25 — Segment Reporting", 1990, ICAEW, UK.

Note : The authors are grateful to the above sources and others for assistance in the preparation of this article.

DOES CONTRARIAN INVESTMENT STRATEGY WORK?

By Lai Ming Ming
FACULTY OF MANAGEMENT
MULTIMEDIA UNIVERSITY
CYBERJAYA

The relentless market slides in the year 2000 and the first half of year 2001 have driven many stocks in the Kuala Lumpur Stock Exchange (KLSE) down, even into penny stocks where the current market prices are less than the par value of RM1.00. These loser stocks have suffered capital losses substantially. The disappointing stock performance has made many reconsider the adoption of the contrarian investment strategy of investing in loser stocks. Should investors pick up these loser stocks which have performed badly? Will their prices reverse and will they become winner stocks? Is this the right time to invest in them? This article addresses how the contrarian investment strategy (winner-loser anomaly) works in the context of the Malaysian stock market.

Introduction

A large body of observed long-run returns reversal in stock prices have been documented in finance literature, in particular after the discovery of the winner-loser anomaly (overreaction hypothesis), one of the recent contrarian investment strategies in 1985. Overreaction hypothesis or winner-loser anomaly is considered as the strategy that follows contrary thinking or contrarian investing. It was first popularised by Neil (1954), but Neil credited this to William Stanley Jevons in which

he stated Jevon's concept that "in making investment it is foolish to do just what other people are doing because there are almost sure to be too many people doing the same thing" (Neil, 1985, pp. 64-65).

The discovery of the winner-loser anomaly, as one of the contrarian investment strategies is mainly attributed to and advanced by De Bondt and Thaler in 1985. A contrarian strategy refers to the buying of stocks that have performed badly in the past and selling stocks that have been performing well over the same period. Investors overreact to the information in the stock market by overweighing the most recent information and underweighing earlier information. In subsequent periods, the price of winner (loser) stocks will be corrected down (up) to its fundamental values when the investors realise that they have overreacted to recent information. Hence, it is expected that investors who adopt the strategy will be able to earn above average returns by holding an arbitrage (loser-winner) portfolio through selling past winner stocks and then using the proceeds to buy past loser stocks as the stocks have overreacted to the recent information. Merton (1987, p.106) considered the work of De Bondt and Thaler to be : "particularly noteworthy because it represents a first attempt at a formal test of cognitive misperception theories as applied to the general stock market."

Literature Review

A review of the previous empirical evidence on the contrarian investment strategy in international stock markets is fruitful before the discussion of the results of the strategy that have been undertaken in the Malaysian stock market.

De Bondt and Thaler (1985) examined the monthly returns of stocks for the NYSE from January 1926 to December 1982. Winners and losers refer to the extreme portfolios. Winners (losers) are the ones whose residual returns are highest (lowest) as a whole during the portfolio selection period. By buying losers and selling winners, investors will be able to earn above average profits. It is because the past losers will reverse to become future winners and the opposite rule applies to current winners in which they reverse and become future losers. The results documented that the loser portfolio tended to outperform the past winner portfolio after 36 months of portfolio formation. The returns earned by the loser portfolio were 25 per cent higher than the winner portfolio. This reflected the overreaction phenomenon in the stock market where price reversal patterns were found. In addition, the reversal patterns occurred during the second and the third year of the test period. The results indicated that past returns could be used to predict future returns. De Bondt and Thaler (1987) had provided further evidence of this overreaction by examining the firm size and risk factors in explaining the overreaction hypothesis. The results were in support of the overreaction hypothesis.

Chan (1988) and Ball, and Kothari (1989) argued that the overreaction hypothesis as found by De Bondt and Thaler (1985) would disappear if they did control well for the time varying risk. The abnormal returns earned by investors were just to compensate for the additional risk they undertook on this contrarian strategy.

Some researchers had advocated that the winner-loser anomaly is another manifestation of the firm size effect. Zarowin (1990) examined the US stock market from the period of 31 December 1932 to 31 December 1977 for a three-year non-overlapping period. Then, Clare and Thomas (1995) observed that firm size effect was the manifestation of the reversal patterns for loser portfolio and winner portfolio found in the study when tested on the UK data. In contrast, Chopra, Lakonishok, and Ritter (1992) had controlled firm size and they found the existence of overreaction as well.

Apart from tests of the overreaction hypothesis in the US stock market, several empirical researches had also been conducted on other stock markets in the world. Kryzanowski and Zhang (1992) tested the overreaction hypothesis on stocks listed on the Toronto Stock Exchange over the period from 1950 to 1988. He found price momentum behaviour continued for the next one to two years for winner and loser portfolios. They concluded that the contrarian strategy did not work in the Canadian market.

Costa (1994) investigated the overreaction hypothesis by using the Brazilian stock market data over the period from 1970 to 1989. Similarly, Dissanaike (1997) examined the overreaction hypothesis on about 1,000 larger and better-known public-listed companies in the UK. Both results favoured the contrarian investment strategy.

Allen and Prince (1995) confirmed the findings of Brailsford (1992) when they extended the study of the anomaly of loser-winner portfolios in the Australian stock market from the period 1974 to 1991. The results indicated the existence of a slight reversal pattern for the winner portfolio. When the risk was controlled, the momentum and price persistence behaviour continued insignificantly.

Schiereck, De Bondt, and Weber (1999) examined the contrarian and momentum strategies on the Frankfurt stock market from 1961 to 1991. The findings indicated that both the contrarian and momentum strategies were economically and substantially interesting to investors.

Methodology

This paper examined the 12-month contrarian investment strategy by using 13 years of monthly returns from January 1987 to December 1999 of all the stocks listed on the main board of the KLSE. The availability of 13 years has produced 11 rank periods and its corresponding test periods. A 12-month contrarian strategy implies buying and selling stocks based on the previous 12 months cumulative market abnormal returns. The basic framework and testing procedures of De Bondt and Thaler (1985) are adapted in this paper. The raw data is obtained from the Thomson Financial Datastream database.

The stocks in each portfolio are held subsequently for an investment period such as for 3, 6, 12, and 24 months. 12-month in this case is referred to as the non-overlapping portfolio formation period (rank period) and the 3, 6, 12, and 24 months are referred to as test periods. Instead of using a specific number such as 35 top and bottom stocks, winners and losers are the top and bottom declines of 10 portfolios. The number of stocks in each portfolio varies from one rank period to

another. For example, the number of stocks ranged from 20 stocks in rank period one to 36 stocks in rank period five with this strategy.

Monthly returns for each stock in the sample are continuously compounded returns. They are computed as the difference between the natural logarithms of two consecutive monthly closing prices and are adjusted for stock splits, rights, and dividends. The return on month *t* is computed as the differences of the logarithm of closing price on month (t) and closing price month (t-1). The return formula ($R_{i,t}$) is :

$$R_{i,t} = LN\ (P_{i,t} / P_{i,t-1}) \qquad (1)$$

Market adjusted model returns are defined as :

$$U_{i,t} = R_{i,t} - R_{m,t} \qquad (2)$$

where $U_{i,t}$ is the market adjusted abnormal return of stock *i* in month *t*; and $R_{m,t}$ is the difference of the logarithm of the closing price index in the Kuala Lumpur Stock Exchange (KLSE) Composite Index on month (t) and closing price index month (t-1).

For each of the portfolio formation periods, the cumulative market adjusted abnormal return (CAR) for every stock is computed as follows :

$$CAR_i = \sum_{t=1}^{T} U_{i,t} \qquad (3)$$

where CAR_i is the cumulative market adjusted abnormal return of stock *i* in month *t*; and *T* is the last month (t = 12) of a formation period. Then, at month *T* (t = 12) the cumulative abnormal returns are ranked from high to low and the 10 portfolios are formed. Portfolio one is the winner portfolio while the loser portfolio is portfolio 10. The winner and the loser portfolio are then held for the next two years.

For every test period, we compute the cumulative average abnormal returns (CARs) of all stocks in the winner, loser, and loser-winner portfolios. The cumulative market adjusted abnormal returns for the winner, loser, loser-winner portfolios are computed at intervals of 3, 6, 12 and 24-months.

$$CAR_{p,Z,t} = \sum^{t} ((1/N) \sum_{i=1}^{N} U_{i,t}) \text{ for } p = 1, 10, 10 - 1 \text{ and } Z = 1, \ldots, 11 \qquad (4)$$

where Z is the test period and Z = 1, … ,11; N is the number of stocks assigned to each portfolio which may not necessarily be the same number for each of the ten portfolios; $CAR_{p,Z,t}$ is the cumulative average market adjusted abnormal return in month t of the test period Z, for the loser, winner, and loser-winner portfolios, p; $U_{i,t}$ is the abnormal return of stock i in month t.

The CARs are then used to test the performance of each portfolio and to compare the performance of the winner and loser portfolios as well as the loser-winner portfolios.

Overall, there are three hypotheses tested in the study, namely :

Hypothesis 1 : $CAR_{W,t} = 0$

Hypothesis 2 : $CAR_{L,t} = 0$

Hypothesis 3 : $CAR_{L-W,t} = 0$

The first hypothesis examines whether the cumulative average market adjusted returns (CAR) of the winner portfolio (portfolio one) for month 3, 6, 12, 24 are equal to zero. Whereas the second hypothesis tests whether the cumulative average market adjusted returns (CAR) of loser portfolio (portfolio 10) for month 3, 6, 12, 24 are equal to zero. If the first hypothesis is rejected and the CAR of the winner portfolio is positive, it means that there is a price momentum behaviour rather than a price reversal pattern. In contrast, if the CAR is negative, it implies that a price reversal pattern has occurred. The converse interpretation applies to the second hypothesis that tests on the loser portfolio. The third hypothesis examines whether the cumulative average market adjusted returns (CAR) of the loser-winner portfolio (portfolio 1-10) for months 3, 6, 12, 24 are equal to zero.

Results and Analyses

Results of CARs of loser, winner, and loser-winner portfolios of the 12 months contrarian investment strategy for the 11 rank periods and its subsequent test periods are presented in Table 1. The cumulative market abnormal returns (CARs) documented for the 11 rank periods on average reveal price reversal patterns. For loser-winner (arbitrage) portfolios, the number of the portfolios with the CARs above zero by the nature of the portfolio is none has subsequently reversed and reported on average about 6.75 out of 11 test periods with positive CARs, representing 61.36 per cent. On the other hand, the arbitrage portfolios earn CARs of 21.97 per cent after two years from the portfolio formation. It should be noted that, however, not all the arbitrage portfolios gain positive CARs. Two rank periods 1995 and 1997 exhibit negative CARs in the subsequent test periods. For example, rank periods 1987 and 1995, report – 5.90 per cent, – 9.75 per cent after two years from the portfolio formation period.

On the contrary, the loser portfolios with negative CARs have successfully reversed and exhibited on average about 6.25 test periods with positive CARs. Once again, consistent with the contrarian investment strategy, on average, the loser portfolios have indeed reversed and become winner portfolios and *vice versa*.

However, there is evidence which demonstrates that the contrarian investment strategy does not work well particularly during the bullish and bearish period. It should be pointed out that the bullish and bearish periods in the Malaysian stock market were the years 1993 and 1997. No return reversals are found starting the rank periods 1991 and 1992 and its subsequent test periods. On the other hand, in the rank period 1997, no reversal patterns are found in the loser stocks as what is expected in the contrarian investment strategy. These two interesting phenomena are explained below.

In Table 1, what we can see is the bull run momentum and it is more apparent in the rank period 1991 and 1992, in particular. The loser portfolio gained CARs of 66.37 per cent and 69.39 per cent after 24-months from its portfolio formation period 1991 and 1992, respectively. Once again, during this period, the loser stocks outperformed the winner stocks. The returns earned by the arbitrage (loser-winner) portfolios are less attractive as compared to just investing alone in loser portfolios. For instance, in the rank period 1992, the loser portfolio with – 4.6 per cent CARs has subsequently showed CARs

15.51 per cent, 29.24 per cent, 65.41 per cent, 69.39 per cent in the respective test periods of 3, 6, 12, and 24 months. Comparatively, the arbitrage portfolios exhibit 5.47 per cent, 14.05 per cent, 48.08 per cent, 60.71 per cent in the same corresponding test periods, respectively. Hence, this implies that the contrarian investment strategy might not work well.

The price momentum in the bullish period 1993 is further supported by the work done by Mansor (1994) on the Malaysian stock market. He showed (p. 10) that "stock performance in terms of average return by sectors for the year 1993 is far beyond expectations. The sector spearheading the value surge was mining (680 per cent), followed by stockbroking companies within the finance sector (592 per cent), plantation (442 per cent), and trusts (373 per cent). These sectors were, however, not able to pull up the index performance because they represent only a small proportion of the total market value: mining (1.48 per cent as at 31 December 1993), stockbroking (1.72 per cent), plantation (8.52 per cent), and trust (0.22 per cent)." It should also be pointed out that some stocks had even experienced a gain of more than 1,000 per cent, which indicated that the price had jumped by more than 10 times over the year. However, there were also stocks which had exhibited capital gains of less than 10 per cent and finally only one stock experienced a capital loss.

In sharp contrast, the contrary observations and findings are found during the bearish periods. "Since July 1997, the currencies of all three second-tier Southeast Asian newly industrialised countries had fallen precipitously, with the stock markets responding in tandem (Jomo, 1998 p.1). Overall, the loser, winner, loser-winner portfolios have all demonstrated negative and poor cumulative average returns signifi-

TABLE 1

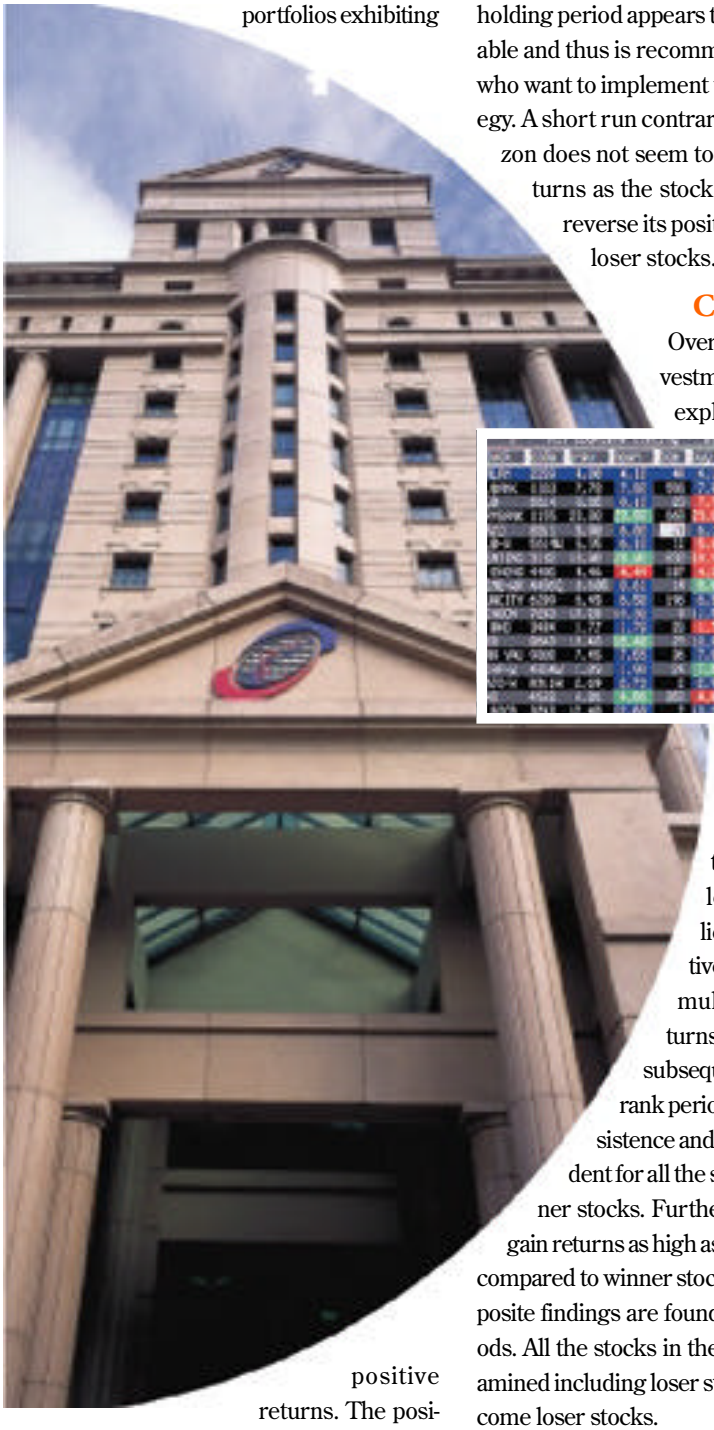
Cumulative Market Adjusted Abnormal Returns (CARs) Based on 12 Months Rank Period for 1987–1999

	Rank Period	3 Months	6 Months	12 Months	24 Months	Rank Period	3 Months	6 Months	12 Months	24 Months
	LOSER PORTFOLIO					WINNER PORTFOLIO				
87 Mean CARs	–67.86**	–2.25	–12.33	–35.80**	–8.49	47.84**	–2.15	–5.27	–11.00**	–2.59
88 Mean CARs	–62.64**	2.46	–1.96	20.31*	17.21*	(21.46)**	4.71	13.25*	18.47	14.00
89 Mean CARs	–50.46**	7.91*	–2.42	0.02	–1.72	97.07**	22.96**	13.55	0.64	–20.44**
90 Mean CARs	–48.03**	15.61**	4.76	–2.80	–16.69*	51.60**	–1.54	–3.64	–12.13*	–20.95**
91 Mean CARs	–49.69**	–13.71**	–22.11**	–11.52	66.37**	42.38**	0.46	–1.53	5.79	27.12*
92 Mean CARs	–46.00**	15.51**	29.24**	65.41**	69.39**	55.47**	10.04**	15.19**	17.33	8.68
93 Mean CARs	–41.21**	5.62	3.43	13.34	19.02*	159.42**	–21.19**	–32.95**	–10.92	–43.66**
94 Mean CARs	–48.82**	–5.21*	–15.19**	–15.71**	–6.38	62.75**	–2.22	–4.69	–12.57**	–2.32
95 Mean CARs	–54.39**	12.09**	20.11**	10.39	–71.45**	41.47**	6.47	12.49*	10.00*	–31.70*
96 Mean CARs	–37.95**	14.57**	6.75	–57.91**	–43.19**	63.49**	7.22*	–0.38	–70.21**	–61.90**
97 Mean CARs	–151.33**	33.45**	7.06	32.50**	31.57**	60.55**	–19.90**	–3.34	–26.16**	–52.27**
Average CARs	–59.85	7.82	1.58	1.66	5.06	63.96	0.44	0.24	–8.25	–16.91
Standard Deviation	31.53	12.68	14.98	33.20	42.38	36.72	12.65	13.81	24.87	28.64
CARs > 0	0	8	6	6	5	11	6	4	5	3
	LOSER–WINNER PORTFOLIO									
87 Mean CARs	–115.71**	–0.10	–7.06	–24.80*	–5.90					
88 Mean CARs	–84.10**	–2.25	–15.21*	1.84	3.21					
89 Mean CARs	–147.53**	–15.05*	–15.96	–0.62	18.72					
90 Mean CARs	–99.63**	17.15**	8.40	9.33	4.26					
91 Mean CARs	–92.08**	–14.17**	–20.59**	–17.32	39.26*					
92 Mean CARs	–101.47**	5.47	14.05	48.08**	60.71**					
93 Mean CARs	–200.62**	26.81**	36.38**	24.25**	62.68**					
94 Mean CARs	–111.58**	–3.00	–10.50**	–3.14	–4.06					
95 Mean CARs	–95.86**	5.62	7.63	0.40	–39.75*					
96 Mean CARs	–101.44**	7.35	7.13	12.29	18.71					
97 Mean CARs	–211.89**	53.34**	10.40	58.66**	83.84**					
Average CARs	–123.81	7.38	1.33	9.91	21.97					
Standard Deviation	44.03	19.54	16.91	25.35	36.38					
CARs > 0	0	6	6	7	8					

* denotes $p < 0.05$, ** denotes $p < 0.01$

Note : The cumulative average adjusted market returns (CARs) are examined against Newey and West (1987) t — statistics which are robust to autocorrelation and heteroscedasticity that corrected for the overlapping observations.

cantly. All the stocks including loser stocks become even greater loser stocks, particularly for the rank period in year 1997. In fact, an investor should avoid holding any stock during this period despite the loser-winner portfolios exhibiting positive returns. The positive returns of loser-winner portfolios should be treated with caution. The returns are due to the negative returns of winner portfolios, which are large enough to offset the negative returns of loser stocks, which are supposed to generate positive returns under the contrarian investment strategy. In the light of this result, this paper does not deny the possibilities of other factors like investor psychology and market sentiment in influencing the success of this contrarian investing.



As indicated earlier, four different test periods (holding periods) — 3, 6, 12, 24 months — were examined. A two-year (24 months) holding period appears to be the most profitable and thus is recommended for investors who want to implement this contrarian strategy. A short run contrarian investment horizon does not seem to generate higher returns as the stock prices need time to reverse its position, particularly the loser stocks.

Conclusion

Overall, the contrarian investment strategy can be exploited economically except for bullish and bearish periods. In the bullish period, the loser, winner, loser-winner portfolios have gained positive and substantial cumulative abnormal returns significantly for the subsequent months after the rank period. Positive price persistence and continuation are evident for all the stocks including winner stocks. Furthermore, loser stocks gain returns as high as 56.89 per cent when compared to winner stocks. However, the opposite findings are found in the bearish periods. All the stocks in the three portfolios examined including loser stocks continue to become loser stocks.

The recommended strategy will be to consider winner and loser stocks one to two years ago, buying the loser stocks and selling the winner stocks. The evidence documented thus far suggests that the incorporation of investor psychology and the direction of stock market changes in implementing this strategy would produce higher returns to investors. AN

REFERENCES

Allen, D.E. & Prince, R. (1995), "The Winner/Loser Hypothesis : Some Preliminary Australian Evidence on the Impact of Changing Risk", *Applied Economics Letter*, 2, pp. 280-283.

Ball, R. Kothari, S.P. (1989), "Nonstationary Expected Returns : Implications For Tests of Market Efficiency and Serial Correlation in Returns", *Journal of Financial Economics*, 25, pp. 51-74.

Brailsford, T. (1992), "A Test For the Winner-Loser Anomaly in the Australian Equity Market : 1958-87", *Journal of Business Finance and Accounting*, 19(2), pp. 225-241.

Chan, K.C. (1988), "On the Contrarian Investment Strategy", *Journal of Business*, 61(2), pp. 147-163.

Chopra, N., Lakonishok, J., & Ritter, J.R. (1992), "Measuring Abnormal Performance : Do Stocks Overreact?", *Journal of Financial Economics*, 31, pp. 235-268.

Clare, A., & Thomas, S. (1995), "The Overreaction Hypothesis and the UK Stock Market", *Journal of Business Finance and Accounting*, 22(7), pp. 961-973.

Costa, N.C.A. (1994), "Overreaction in the Brazilian Stock Market", *Journal of Banking and Finance*, 18, pp. 633-642.

De Bondt, W.F.M., & Thaler, R.H. (1985), "Does the Stock Market Overreact?", *The Journal of Finance*, 40, pp. 793-805.

De Bondt, W.F.M., &. Thaler, R.H. (1987), "Further Evidence on Investor Overreaction and Stock Market Seasonality", *The Journal of Finance*, 42, pp. 557-580.

Dissanaike, G. (1997), "Do Stock Market Investors Overreact?", *Journal of Business Finance & Accounting*, 24 (1), pp. 27-49.

Jomo, K.S. (1998), "Introduction : Financial Governance, Liberalisation and Crises in East Asia", *Tigers in Trouble*, Hong Kong : Hong Kong University Press. p. 1.

Kryzanowski, L. , & Zhang, H. (1992), "The Contrarian Investment Strategy Does Not Work in Canadian Markets", *Journal of Financial and Quantitative Analysis*, 27(3), pp. 383-395.

Mansor, M.I. (1994), "1993 Top Rated Sectors", *Investors Digest*, April, pp. 10-11.

Merton, R.C. (1987), "On the Current State of the Stock Market Rationality Hypothesis", in Rudiger Dornbusch, Stanley Fischer & John Bossons (eds), Macroeconomics and Finance : Essays in Honor of France Modigliani, Chapter 5, Cambridge, MA : MIT Press, pp. 93-124.

Neil, H.B. (1954), "The Art of Contrary Thinking", US : The Caxton Printers.

Neil, H.B. (1985), "The art of contrary thinking", 5th Ed. (first published in 1954), US : The Caxton Printers.

Newey, W., & West, K. (1987), "A Simple Positive Semi-definite, Heteroscedasticity and Autocorrelation Consistent Covariance Matrix", *Econometrica*, 55, pp, 703-708.

Schiereck, D., DeBondt, W.F.M., & Weber, M. (1999), "Contrarian and Momentum Strategies in Germany", *Financial Analyst Journal*, Nov/Dec, pp. 104-116.

Zarowin, P. (1990), "Size, Seasonality, and Stock Market Overreaction", *Journal of Financial and Quantitative Analysis*, 25(1), pp. 113-125.

MURABAHAH SALE :

An understanding of the application of the concept in facilitating the financing of a trade transaction by a financial institution

By Mohd Nasir bin Mohd Yatim
SENIOR LECTURER, DEPARTMENT OF ACCOUNTING AND FINANCE
COLLEGE OF BUSINESS AND FINANCE, UNITEN

The *Murabahah* concept is defined as either a cash or deferred payment sale at cost plus mark-up. It will then create an asset either in cash or *Murabahah* receivable. Apart from the creation of an asset as a result of this transaction, it generates revenue and gain as well as incurring expenses and losses that are attributable to the asset. The basic jurist rule for a *Murabahah* transaction is that the seller must inform the purchaser of the cost or profit, or both, arising from the merchandise being sold.

Type of *Murabahah* Transactions

In order to ensure the legitimacy of a *murabahah* transaction, the immediate preceding contract must be valid, free of any usury, and any fault on the goods must be disclosed. In addition to these requirements the seller must also disclose the terms of sale whether cash or credit.

A *murabahah* sale refers to the selling of a product owned by the seller at the time of negotiation and contracting. The issue that may arise here is about the mechanism in accommodating a request of purchase in which the seller does not own the goods at that particular time. This is where the *murabahah* to the purchase order mechanism applies. The idea of this kind of transaction is to enable one of the contracting parties to get the expertise of another party in pursuing with the *murabahah* transaction. Usually the purchase orderer is the buyer party in the *murabahah* to the purchase orderer, and the financial institution is the seller of the purchased asset or goods. In this instance, the buyer party will put up his request to the seller to purchase the asset and the former promises the latter to purchase the asset from him and promises him a profit thereon.

There are also cases of situations where the transaction is in the reverse mode. In the banking business, it is not the nature of the business to trade in goods. As such, the bank would normally request its customer, in order to benefit both parties in terms of the pricing and specification of the asset in which the customer is interested in. In this situation credit is the motive besides the ownership on the asset.

A point that one has to take note of is that a sale on credit is not an element of either the *murabahah* or the *murabahah* to the purchase orderer. Therefore, the *murabahah* and the *murabahah* to the purchase orderer transactions can be either for cash or credit in terms of its consideration. Another point, worthy to note, is that the two parties shall only conclude a sale after the possession of the ordered to the asset. However, the purchase orderer may not be obliged to conclude the sale. Therefore, the promise of the purchase orderer in the *murabahah* to the purchaser may or may not be binding. This ruling was decided by the early *shari'ah* scholars as well as the Islamic Fiqh Academy. As such, the purchase orderer has the privilege of either, to purchase the asset or to refuse it when offered to him by the purchaser.

Nevertheless, some modern *shari'ah* scholars have recognised the promise in this type of sale as binding for the purchase orderer. In other words, a *murabahah* sale with obligation on the part of the purchase orderer to accept delivery shall have to be concluded. This view has brought the divergence of a *murabahah* sale to the purchase orderer as one with obligation and

another without obligation to purchase.

In order to understand a *murabahah* sale to the purchase order with obligation to purchase, one must adhere to the following rules of the contract.

Firstly, if the purchaser accepts the request of the orderer, he will then purchase the asset. This purchase is construed as the execution of the legally binding mutual promise between the orderer and the purchaser.

Secondly, the purchaser offers the asset to the orderer who subsequently accepts it by virtue of the legally binding mutual promise and follows with the execution of a sale contract.

Thirdly, an earnest money, which is termed as *urboun* or *hemish geddiyah*, can then be taken by the purchaser at the point of agreeing to the mutual promise but before the purchaser purchases the asset. *Hamish gediyyah* is the amount of money paid in advance by the orderer of the purchase at the request of the purchaser to ensure the owner is serious in his demand for the asset. Should the orderer decline to purchase the asset, the actual damage incurred after the purchase of the asset by the purchaser is to be reimbursed from such a deposit. Thus in this situation the purchaser can have a recourse to the orderer for the amount of the damage incurred to him if the orderer declines to purchase the asset.

In the case of *murabahah* to the purchase orderer without obligation, the purchase orderer requests the institution to purchase an asset and promises to buy it later from the institution at a price including a mark-up as willingness to buy. According to *shari'ah* rules, the settlement of debts under *murabahah* to the purchase orderer should not be connected to the disposition of the goods sold, whether the result of the sale is positive or negative. In other words, the orderer is not obliged to settle this debt unless the asset itself is pledged as collateral for this debt. Another point that must be noted here is that, any depletion in the value of the asset shall not be the justification for any delay in the settlement of the debt once it is due for payment.

Understanding the Accounting Aspects of A *Murabahah* Sale

In order to appreciate the beauty of the services offered utilising this concept and mechanism, one must understand the accounting treatments that shall be involved in the *murabahah* sale transaction. There are several methods which are in use to measure *murabahah* receivables at the end of a financial period. There are also several methods that can be used to recognise the profits of a *murabahah* sale. Let us look at these items much closer and try to imagine the impressive points.

- **Valuation of assets available for a *murabahah* sale.**

There are several methods that can be used to measure assets. The use of a measurement method other than historical cost may not be relevant or reliable in the case of a *murabahah* to the purchase orderer with obligation. The reason is simply because the purchaser cannot afford to sell at a lower price than the cost of goods duly acquired for a *murabahah* sale to the purchase orderer or otherwise loss has to be incurred. Instead, the use of the historical cost method in measuring those assets for murabahah to the purchase orderer without obligation may not give relevant information to users of the financial statements. The purchaser may face the risk of not being able to sell the goods for an amount equal or more than the cost duly incurred. Thus, when the purchaser of goods is confronted with such a situation, the use of a realisation method or cash equivalent method is expected to give useful information to the users of financial statements in their decision-making.

- **Valuation of *murabahah* receivables.**

There are at least five approaches that are available for measuring *murabahah* receivables at the end of a financial period.

1. It can be measured at cash equivalent value, which is simply done by taking the debt amount due from clients less the provision for doubtful debt.
2. It can also be measured at book value, which is the amount required from clients without having to provide any provision for doubtful debts. In this case the loss arising from non-collection has to be recognised at the time of its occurrence once it is assured that collection is unlikely to happen.
3. It can also be measured at book value and doubtful debts are treated within a general provision for investment risks.
4. It can be measured at book value after providing for doubtful debts.
5. It can be measured at book value without any provision, however any evaluation method used must be disclosed as the accounting policy adopted for valuation purposes.

The cash equivalent value would be the most preferred method for the *murabahah* receivable due to various reasons such as representational faithfulness and matching of revenues with expenses as well as relevant information.

Recognition of Income

There are at least three approaches that are available for the recognition of profit of *murabahah* sales, in which payment is deferred or will be settled in a single payment in the future.

1. Profit can be recognised at the point of the *murabahah* sale.
2. Profit can be recognised at the time of receiving cash as either part or full settlement or payment for the *murabahah* sale.
3. Profit can be allocated over the tenure of the transaction which may cover the current and future financial periods of the transaction.

In order to provide more reliable and relevant information to users of financial statements, the profit allocation approach would be more preferred. This accounting treatment is also applicable to a credit sale, which is paid by instalments during the future financial periods.

In concluding the above discussion it is worthy to note the following alternatives to recognise profits of murabahah sales :

- At the time of selling the goods.
- At the time when the instalment is due.
- At the time of receiving the instalment.
- At the time of receiving all instalments.
- At the time of total cost recovery.

However the choice as to which method would be preferred will depend upon the basis of accounting in use or adopted for the recognition of income by a business entity.

THE WEALTH EFFECT ON ANNOUNCEMENTS OF AUDIT COMMITTEE FORMATION

By Shamsher Mohamad & Zulkarnain Muhamad Sori
DEPARTMENT OF ACCOUNTING AND FINANCE, FACULTY OF ECONOMICS AND MANAGEMENT
UNIVERSITI PUTRA MALAYSIA

This study investigates the wealth effects of announcements of audit committee formation by main board firms. The sample consists of announcements before, during and after the mandatory year (1994). The abnormal returns and cumulative abnormal returns were estimated to measure the wealth effect for 11 days surrounding the announcement date, using the standard event study methodology. Negative and significant abnormal returns and cumulative abnormal returns were observed during the five days before the announcement (including the announcement day) for all the sampled firms.

Introduction

Quality financial reporting in terms of the timely disclosure of material information and transparency are the hallmarks of good governance and indispensable to strong financial markets. Audit committees are an integral part of the whole system to ensure the transparency and integrity of financial reporting and instil investor confidence. Good governance promotes relationships of accountability among corporate participants and ensures that management's activities are in the best interest of the corporation and its shareholders. The audit committee's role is to oversee the quality of accounting policies, internal controls, and the independence and objectivity of the external auditors to deter fraud, anticipate financial risks and promote accurate, high quality and timely disclosure of financial and other material information to the board and other stakeholders.

In this respect the formation of audit committees should be construed as positive news and be reflected through an increase in the share price of companies that announce and initiate the formation. The increase in share price is due to the increase in demand for the shares of the companies, especially by institutional investors, in expectations of better transparency of a firm's activities. Before the imposition of the mandatory requirements in August 1994, some main board listed firms did take the initiative to form audit committees on a voluntary basis, probably to reflect to the market their good corporate governance practice and/or attract investment in their shares. It is expected that the announcement of the formation of audit committees by these companies would have a positive wealth effect.

After the mandatory imposition of the requirement, all listed firms had to form an audit committee and though this requirement is in the interest of improving the integrity and quality of our financial markets, it might have short-term repercussions on some firms whose current activities are not totally consistent with a standard code of good corporate governance practice. A negative wealth effect might be expected if the market believes that such mandatory requirements will be only to the extent of formation as per requirement, but not the effective functioning of the committee. A properly functioning audit committee requires proper coordination of efforts from many parties in the organisation, such as management, and internal and external auditors. This requires an investment of resources to effectively coordinate such activity, which most firms may not be willing to invest in.

This study attempts to investigate the wealth effect on firms that announced the formation of an audit committee before and after the mandatory date imposed by the Kuala Lumpur Stock Exchange (KLSE) (i.e. 1 August 1994).

Data and Methodology

One hundred and fourteen main board firms that had announced the formation of an audit committee before, during and after the mandatory date were sampled. The daily share prices, the value of the KLSE composite index and the effective date of the announcement of the audit committee formation were sourced from KLSE's library. The wealth effect was analysed for

11 days surrounding the announcement.

The standard event-study methodology as used in Brown and Warner (1985) was employed. The abnormal return (AR) for the common stock of firm *j* on day *t*, was calculated as follows :

AR = Observed Return – Expected Return

The observed return (OR) is the rate of return on common stock *j* for day *t* and estimated as :

$$OR = \left(\left(\frac{P_t}{P_{t-1}} \right) - 1 \right)$$

Expected return (ER) is the rate of return on the common stock *j* given its systematic risk (beta) and alpha and the returns on the composite index on day *t*. The alpha and beta of each firm is calculated using the market model. The expected return for security *j* is computed as :

$$ER = \alpha + \beta R_{mt}$$

Where,

$$R_{mt} = \left(\frac{CI_t}{CI_{t-1}} - 1 \right)$$

α = The average returns on stock *i* when the market index equals zero.

β = The slope of the characteristic line and measures the stock systematic risk.

$R_{m,t}$ = Return on market index in period *t*

The presence of wealth effect exists only if there are statistically significant abnormal returns (irrespective of negative or positive). If the abnormal returns are not significantly different from zero, then the returns are normal and the null hypothesis of zero abnormal returns cannot be rejected. The t-test statistics of average abnormal returns is calculated as follows :

$$t = \frac{AV_t}{\sqrt{\frac{\sigma}{n}}}$$

Where,

AV_t = Average risk adjusted return for the day – 5 to +5.

σ = The standard deviation.

n = The total number of sample.

The statistical significance of cumulative abnormal returns (CAR) is also tested and the t-statistic for CAR is estimated as follows :

$$CAR_t = \frac{CAR_{jt}}{SE(CAR_{jt})}$$

Where,

$$SE(CAR_{jt}) = \sqrt{(T \times \sigma^2_{AR} + 2(T-1) \times \sigma_{t,t-1AR})}$$

T = Number of days in the CAR statistics

$\sigma_{t,t-1AR}$ = The covariance between the current and lag period return

σ^2_{AR} = The variance of the abnormal return over the cut-off point

TABLE 1 Summary of the Average Abnormal Returns for Firms that Formed An Audit Committee before 1994, During 1994, After 1994 and All Periods at Mandatory Year

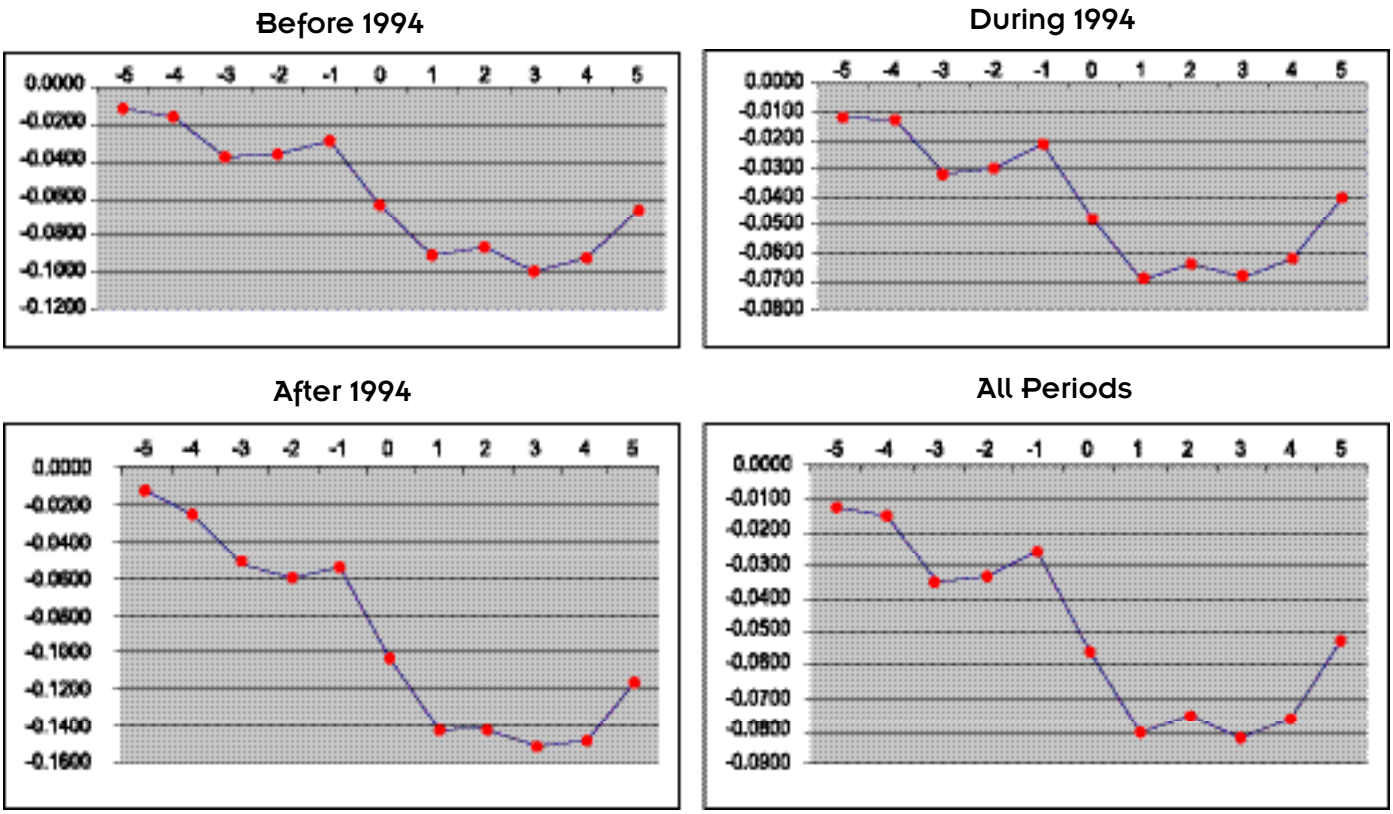
PANEL A : Time Series of Average Daily Abnormal Returns

	Before 1994			During 1994			After 1994			All Periods		
Days	AR	t	CAR	AR	t	CAR	AR	t	CAR	AR	t	CAR
– 5	– 0.012	– 0.691	– 0.132	– 0.013	– 1.334	– 0.101	– 0.012	– 0.335	– 0.262	– 0.013	– 1.546	– 0.122
– 4	– 0.005	– 0.275	– 0.137	– 0.001	– 0.065	– 0.102	– 0.014	– 0.392	– 0.277	– 0.003	– 0.332	– 0.124
– 3	– 0.022	– 1.247	– 0.158	– 0.019	– 1.966	– 0.121	– 0.026	– 0.720	– 0.303	– 0.020	– 2.474	– 0.145
– 2	0.003	0.155	– 0.156	0.003	0.292	– 0.118	– 0.009	– 0.245	– 0.312	0.002	0.224	– 0.143
– 1	0.006	0.331	– 0.150	0.008	0.816	– 0.110	0.007	0.187	– 0.305	0.007	0.894	– 0.136
0	– 0.034	– 1.985	– 0.184	– 0.027	– 2.766	– 0.137	– 0.049	– 1.359	– 0.355	– 0.030	– 3.721	– 0.166
1	– 0.027	– 1.554	– 0.211	– 0.021	– 2.211	– 0.158	– 0.039	– 1.075	– 0.394	– 0.024	– 2.954	– 0.190
2	0.004	0.222	– 0.207	0.006	0.590	– 0.153	0.001	0.028	– 0.393	0.005	0.599	– 0.185
3	– 0.013	– 0.746	– 0.220	– 0.005	– 0.493	– 0.157	– 0.009	– 0.261	– 0.402	– 0.007	– 0.864	– 0.192
4	0.007	0.389	– 0.213	0.006	0.608	– 0.151	0.004	0.098	– 0.399	0.006	0.721	– 0.186
5	0.025	1.470	– 0.188	0.022	2.280	– 0.129	0.032	0.874	– 0.367	0.024	2.895	– 0.163

PANEL B : Cumulative Abnormal Returns

	Before 1994		During 1994		After 1994		All Periods	
Period	CAR	t– stat	CAR	t– stat	CAR	t– stat	CAR	t– stat
(– 5, 0)	– 0.064	– 2.598	– 0.048	– 2.602	– 0.104	– 3.452	– 0.056	– 2.704
(+1, +5)	– 0.004	– 0.081	0.007	0.201	– 0.012	– 0.195	0.003	0.078
(– 5, +5)	– 0.068	– 1.099	– 0.041	– 0.796	– 0.116	– 1.378	– 0.053	– 0.945

FIGURE 1 Graphical CAR at Mandatory Date for Each Case of Audit Committee Formation



Findings

The distribution of abnormal returns for the pre-announcement period (–5, 0) and the post announcement period (+1, +5), are shown in Table 1. The wealth effects of firms that announce the formation of audit committee as at 1994, the mandatory year is summarised in Table 1 and the graphical presentation is shown in Figure 1.

Findings in Table 1 show that CAR over the 5-day pre-announcement period (including the announcement day) before, during and after the mandatory year, and also for the total period is significantly negative (–6.4%, t = – 2.598; – 4.8%, t = –2.60; –10.4%, t = –3.45; and –5.6%, t = –2.7 respectively). This negative significant CAR is mainly contributed by the announcement day effect, where market reacts negatively to the announcements. The CAR for other periods (+1,+5 : –5, +5) is not significantly different from zero.

The significant negative abnormal returns indicate investors perceive the mandatory requirement of audit committee as negative news, probably being sceptical on the effectiveness of such a requirement. The announcement requires a mandatory formation of the audit committee but does not elaborate the minimum quality of effort expected from such a formation. Besides, there is also a cost element the firm has to bear in forming and implementing the audit committee, whereas the benefits of having such a committee are uncertain.

Conclusion

The post-announcement did not show any significant drift of abnormal returns. The negative wealth effect could be due to investors perceived scepticism concerning the ability of firms to actually form the audit committee and effectively implement the concept. Firms are expected to comply with the mandatory formation of audit committees, but there is no requirement on the quality of output expected from the committee. Besides the factor of set-up costs, investors might not see the expected benefits from this exercise, as there are no guidelines on the actual implementation, and evaluation of the audit committee functions. This could also be due to a lack of understanding of the concept and/or fear of changing the current practices, which might not be entirely consistent with the accepted practice of good corporate governance.

These findings provide a challenge to the regulators to educate the corporate community on the importance and benefits of having an effectively functioning audit committee and to implement the concept firmly and fairly for all listed firms. The regulators need to provide a guideline not only on the formation but the actual implementation and evaluation of the functions of audit committees. Non-compliance should be dealt with transparently without bias. The concept is noble and consistent with the idea of creating a world-class capital and financial market in Malaysia, but we need a strong structural and legal infrastructure to implement it successfully. AN

REFERENCES

Zulkarnain, M. S., Shamsher, M. Annuar, M. N. and Mohamad Ali, A. H. (2000), "The Wealth Effects on the Announcements of News of Corporate Name Change Amongst Malaysian Failed and Non-Failed Listed Firms", paper presented in the Seminar Faculty of Economics and Management 2000, Bay View Beach Resort, Penang, pp. 1-14.

Brown, S. J. and Warner, J. B. (1985), "Using Daily Stock Returns : The Case of Events Studies", *Journal of Financial Economics*, Vol. 14, pp. 3-31.

RINGGIT POLICY — A CONFIDENCE GAME

By Kevin Chew

Three years after the onset of the Asian currency crisis, Malaysia's monetary conduct has once again come under increased scrutiny. The yen has fallen significantly to reach a low of Y126 against the US dollar towards end-March, the lowest level in two and a half years. This has created uncertainty and instability in regional financial markets, threatening a new round of competitive devaluation to levels not seen since the height of the Asian crisis. With the fall in regional currencies, there has been some concern that the involuntary appreciation brought about by the rigidity of the ringgit peg is rendering Malaysia increasingly uncompetitive. This has prompted a number of critics to predict a re-pegging or even an imminent demise of the peg.

To a degree, the current episode bears some resemblance to the events that unfolded before the onset of the financial crisis in 1997. Many East Asian countries, including Malaysia, had adopted a somewhat rigid quasi-US dollar peg exchange rate system (a managed float system with an explicit band around a central rate). When the dollar started to appreciate against the yen in early 1995, the real effective exchange rate of these regional currencies started to appreciate sharply, hence pricing their products out of the world market. Consequently this led to a sharp deterioration in their current account of the balance of payments which undoubtedly has been seen as a major catalyst to the onset of the Asian currency crisis.

Hence, shock absorbers were needed to cushion future external shock and to shield the economy from unnecessarily abrupt dislocation. Most of the crisis-hit countries (Korea, Thailand and Indonesia), except Malaysia, chose the conventional IMF approved method of a more flexible exchange rate regime. Under an inflation targeting monetary framework, interest rates are used as the key policy instrument. Malaysia, on the other hand, chose to fix the ringgit exchange rate to the US dollar in September 1998. Under a fixed currency regime, a country faces the policy dilemma (irreconcilable trinity of independent monetary policy, free capital flow and a stable exchange rate) of losing monetary control. To circumvent that, Bank Negara imposed capital control. This acts as a circuit breaker allowing Malaysia to set monetary policy in line with domestic needs.

Apart from developments in the currency market, recent economic numbers have also exacerbated the fear of a possible devaluation. The growth momentum of external demand is clearly decelerating. Exports, the key driver of the recent recovery, came off sharply to expand by only an annual rate of 4.6 per cent in February from a peak of 25 per cent in August last year. Likewise, February's industrial output growth, a good proxy of the health of the economy, also decelerated markedly to only 4.3 per cent (from the peak of 25 per cent in January last year). This was the lowest rate of factory output growth in nearly two years.

Much of the fall was due to manufacturers scaling back sharply on output in the face of slowing overseas orders for electronic products. Going forward, the outlook appears dimmer. Growth of electronics orders in the US, which normally leads Asia's electronic output by about three to six months, has plummeted from nine per cent in December to a one per cent contraction in February, foreshadowing weaker numbers ahead for Malaysia.

But given that other countries in the region have also suffered similar fate, the deceleration in export growth in Malaysia can only be attributed to the sharp contraction in external demand rather than a loss of competitiveness. Conversely, China, under a fixed peg, is still enjoying surprisingly brisk export growth.

Amid the worrying factors mentioned above, the brutality of the fall in Dow Jones further spooked the KL stock market, sending the KLCI reeling to below 600

points, the lowest in two years. As foreign selling played a big part in the recent sell-off, this would eventually feed back into the loop, causing further falls in Malaysia's external reserves.

Under a flexible exchange rate system, currency depreciation normally takes the pressure off the foreign exchange reserves to accommodate the outflow. But under a pegged system like in Malaysia, external reserves will have to bear the brunt of the adjustment process. Already Bank Negara's foreign reserves have fallen considerably because of short-term portfolio outflows, higher overseas investment, repayment of external loan payment for services, transfers and losses due to revaluation. Apart from that, we believe the fall in reserves could possibly be attributed to the perceived rise in the ringgit risk premium, causing the private sector to move funds offshore. From the peak of US$34.5 billion in April 2000, the reserves have fallen steadily to US$26.3 billion as at 14 April, a considerable paper loss of US$8.2 billion.

"The yen has fallen significantly to reach a low of Y126 against the US dollar towards end-March, the lowest level in two and a half years."

The government, however, has made it very clear that Malaysia would not re-peg for the sake of certainty and predictability. In it's Annual Report, Bank Negara also said that it would continue to maintain a stable and fundamentally sound exchange rate, and would not respond to marginal and short-term misalignments that can reverse within a short period in response to changes in sentiments. The central bank also said that it is the country's policy to maintain international competitiveness through efficiency and productivity gains rather than on the exchange rate. This is because competitive devaluation of currencies would not bring any significant gains but instead would lead to higher costs and a destabilised environment.

Prime Minister, Mahathir went even further, reiterating that Malaysia would review the peg only when the ringgit exchange rate appreciates by a significant 20 per cent against regional currencies. Taken the policy statements to-

gether, this could only mean that the government would review its current policy only when :

1. the overvaluation of the ringgit exchange rate is seen to be large; and
2. when the actual value of the ringgit exchange rate is out of line with its observed underlying fundamentals (long-term exchange rate misalignment).

To be sure, a re-pegging also carries serious downside economic risks such as higher import bills, imported inflation, higher US dollar external debt and an erosion of the nation's living standards. In addition, a re-pegging would also call into question the credibility of Bank Negara's commitment and its ability to further maintain the peg. This could heighten the ringgit's vulnerability to future pressures. Furthermore, there is no guarantee that a re-peg would be a cure-all for Malaysia's recent currency problems. Such recourse could even go terribly wrong — go ask Mexico.

Without a doubt, Malaysia's underlying economic fundamentals again are clearly still heads and shoulders above that of her neighbouring countries (except Singapore). Total foreign debt is not unduly high and inflation, which is hovering at slightly above one per cent, does not pose a problem. Short-term external debt has also fallen to very low levels thus lowering the probability of a sharp and sudden reversal of outflows. Furthermore, banks' non-performing loans (NPLs) remain relatively low and the risk weighted capital adequacy rate for the banking system is at least four percentage points above the international thresh-hold. And there is no asset bubble. In addition, external reserves, despite having fallen significantly over the past few months, are still sufficient to finance about four months of retained imports and they exceed short-term external debt by 5.7 times.

So far the ringgit exchange rate has only appreciated modestly against most regional currencies. Apart from the Indone-

Main Economic Indicators					2000				2001		
	1997	1998	1999	2001	1Q	2Q	3Q	4Q	Jan	Feb	Mar
Real GDP (yoy %)	7.3	–7.4	5.8	8.5	11.8	8.4	7.8	6.5			
Exports (yoy %)	12.1	29.7	12.2	16.1	22.1	16.9	21.6	5.7	10.3	4.6	–6.9
Manufacturing (yoy %)	12.7	33.0	14.3	17.0	20.4	18.1	23.9	7.0	12.7	6.0	
— Total E&E (yoy %)	14.1	35.9	20.6	18.1	22.1	18.6	24.5	8.8	13.9	3.2	
Imports (yoy %)	12.0	3.3	8.9	25.7	27.3	32.0	33.8	11.8	20.0	–1.3	2.2
Capital Goods (yoy %)	17.0	–17.4	–9.9	47.7	40.1	69.0	48.2	35.1	42.2	17.0	29.5
Intermediate Goods (yoy %)	10.9	10.6	14.0	25.6	27.7	30.3	35.5	11.1	15.2	–3.7	–2.0
Trade Balance (RM bil)	0.0	58.4	73.1	60.9	16.5	12.3	15.0	17.2	3.0	6.5	4.2
Foreign Reserves (US$ bil)	21.7	26.2	30.9	29.9	33.9	34.0	32.3	29.9	29.5	29.0	27.2
Industrial Production Index (yoy %)	10.6	–7.2	9.0	19.2	23.5	20.1	18.3	15.4	11.1	1.8	0.5
Manufacturing (yoy %)	12.4	–10.3	12.9	25.0	32.1	25.7	23.8	19.7	13,5	0.7	–0.1
— Export oriented	10.3	–7.3	12.8	31.6	38.3	30.7	31.9	27.4	16.2	3.5	
— Domestic oriented	14.6	–13.4	13.1	17.2	25.3	19.7	14.6	11.6	10.7	5.4	
Electricity (yoy %)	14.2	3.4	3.9	6.1	8.0	4.9	6.0	5.9	4.9	5.5	4.8
3-month Interbank Rate %	8.7	6.5	3.2	3.2	3.1	3.1	3.3	3.2	3.2	3.2	3.1
Base Lending Rate (BLR) %	10.3	8.0	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
REER (index)	77.3	77.8	77.0	80.8	78.2	78.4	79.0	80.8	81.5	81.7	
M1 (yoy %)	4.6	–14.6	35.7	6.5	28.2	13.7	8.6	6.5	6.5	3.9	5.2
M2 (yoy %)	22.7	1.5	13.7	5.2	9.0	6.8	5.0	5.2	6.0	5.5	5.6
M3 (yoy %)	18.5	2.7	8.3	5.0	5.8	4.1	5.1	5.0	6.1	6.7	4.5
Loans (yoy %)	26.5	1.3	0.3	5.4	–2.5	2.0	3.2	5.4	5.9	5.8	5.4
Broad Property (yoy %)	33.7	6.9	2.7	5.2	3.0	5.3	3.8	5.2	6.4	7.0	6.6
Consumption credit (yoy %)	39.3	–14.5	3.6	16.3	7.1	11.2	13.3	16.3	16.4	16.1	16.2
Car Sales (yoy %)	11.7	–55.3	74.0	17.7	17.9	26.9	12.4	8.6	24.6	24.9	2.9
Manufacturing Wage (yoy %)	10.2	5.7	–0.1	6.9	8.7	6.9	8.2	3.6	4.7	8.0	
CPI (yoy %)	2.7	5.3	2.8	1.6	1.6	1.4	1.5	1.7	1.5	1.6	1.5
Bad Cheque offenders (yoy %)	32.4	32.1	–26.4	–11.3	–18.4	–14.8	–9.1	–1.3	–2.6	0.2	11.4
Number of bankruptcies (no)	7,395	8,110	8,706	9,685	2,119	2,386	2,654	2,526	706	845	

sian rupiah, the local currency, year to date, has appreciated by about three to four per cent against the Korean won, the Thai baht and the Singapore dollar. Based on the real effective exchange rate (REER) calculation, most studies conclude that the ringgit exchange rate, at this moment, is either at fair value or only slightly overvalued. Certainly the appreciation is not anywhere near the level that would justify a policy change. Hence, it is clear that the recent rumblings for a re-peg are caused mainly by unjustifiable and perhaps prejudiced expectation.

But the economics of exchange rate isn't simply a function of observed fundamentals alone. It is also a confidence game (market psychology). Unfortunately, unjustifiable market expectations can sometimes turn into economic fundamentals if enough market players believe in them. Under such a situation, a loss of confidence can lead to an economic crisis that justifies that initial loss of confidence. This means that sometimes bad things do happen even to well-managed economies. The monetary authorities therefore need to halt the current slide in confidence from worsening into a self-validating panic.

" … a re-pegging also carries serious downside economic risks such as higher import bills, imported inflation, higher US dollar external debt and an erosion of the nation's living standards."

So what can the government do to lessen the pressure on the peg? Firstly, they should stay clear of controversies that could further hurt market sentiment. Secondly, there is a need for the government to maintain fiscal prudence. With the main engine of growth weakening, the Malaysian economy is clearly at a weaker point. The economy this year is likely to weaken substantially well below the government's recent forecast range of five to six per cent. Without an external safety net, it is tempting to pump-prime the economy as an attempt to help cushion the current slump in economic activity. In fact, a RM3 billion mini-Budget was announced recently with the promise of more to come, if necessary. However, it is important to note that this year marks the fourth year of successive deficit financing. Furthermore, in the face of a fall in export earnings, spending on projects could lead to further reserve leakage via higher import bills, especially if the projects are funded domestically.

Continuing deficit spending is clearly not desirable given that unsustainable fiscal policy, even if it is only perceived, could trigger off further pressure on the peg. Empirical evidence does suggest that unsustainable fiscal policies could invite an attack on the fixed peg system sometimes even well before the monetary authorities run out of reserves.

Already, partly due to our weakening fiscal situation, international rating agency Standard and Poor's (S&P) has recently lowered its outlook for Malaysia's long-term foreign currency rating to stable from positive. This inevitably has further hurt sentiment.

Thirdly, instead of re-pegging, Bank Negara could raise domestic interest rates to make it more attractive to hold ringgit deposits. But surely an increase in interest rates, through the normal monetary mechanism, could derail an already fragile economy through higher lending rates. To avoid that, the monetary authorities may instead instruct the banks (burden sharing) to raise their deposit rates while keeping their lending rate stable. The central bank has done this before in August last year and it currently remains a possible policy avenue. After all, banks are currently enjoying a fairly wide margin. Deposit rates at the moment average at about 3.5 per cent while the average base-lending rate is about 6.8 per cent, a spread of more than 300 basis points!

Lastly, as a last resort, the government could again re-impose capital controls. This, however, is inadvisable given its potentially dire effects on investor's confidence.

Salvation could also come in the form of a narrowing interest rate differential between international and domestic rates. Also, it is hoped that intervention and jawboning by both the US and Japanese authorities could restore some stability to the US$/yen cross-rate. Additionally, China could help by asserting her strong commitment towards the fixed peg.

It is hard to predict how the myriad of events would pen out especially in moments such as these. Although the financial markets are now enjoying a period of relative calm, it is still too early to say that the problems are behind us. But this much is clear : at this point, Malaysia's economic fundamentals and developments do not warrant a radical change in the ringgit peg although we hope the government would adopt a more flexible approach under more stable conditions in the future. In the coming months, all eyes will definitely still be on the central bank's foreign reserve position. AN

IQ2001 figures likely to disappoint
Export growth decelarating sharply
Import growth weakening
Latest forex figures for 2H April shows a modest pick-up
Manufacturing output growth turning negative
Interest rates to remain soft
Money growth slowing down
Modest pick-up in loan demand
Manufacturing wage still stable
Growth in bad cheque offenders

TRAVELLING ALONE!

By Haris Hussain

Every holiday season, unaccompanied children make a journey by air to visit a parent, a far-flung relative or friends.But because there are no rules or procedures to ensure the safe passage of these children, some airlines are better than others at keeping an eye on this precious cargo. "There are regulations governing the treatment of pets on airlines but none for children travelling alone," said a Department of Civil Aviation official.

As a rule, children must be at least five years old to travel alone. Many airlines do not allow children younger than eight to fly a route that includes a connection.

Up to age 11, airlines offer a paid escort (typically a flight attendant, gate agent or contract escort) to shepherd your child between connecting flights, but the service is optional for children between the ages of 12 and 18. Any child under age 18 travelling on an international flight must present at check-in a signed note giving permission, destination and length of stay.

You must apply ahead of time — either when you book the flight, or when checking in at the airport — to enlist the services of an escort. Costs and rules vary with airlines, so it's best to check individual airlines for details on this.

Rules aside, not all children are ready to travel long distances by themselves. "Parents need to determine if their child is mature enough to handle the experience alone and to deal with unforeseen circumstances," said Nancy McBride, executive director of the Florida branch of the National Centre for Missing and Exploited Children, a watchdog group. "We'd love to say travelling is a joy and goes smoothly all the time, but we just know it isn't true."

While the Federal Aviation Administration (FAA) doesn't track the number of children who fly unaccompanied per year (similar numbers are non-existent here in Malaysia) — estimates range from a half-million to seven million children a year. The Department of Transport in the US keeps tabs on parents' complaints about problems their children encountered en route.

In 1998, the DOT received 82 complaints from parents (out of a total of 9,606 general airline complaints); last year there were 116 complaints from January to October (out of a total of 17,303 general complaints). Sources say the number of complaints rises and falls periodically.

But complaint letters from parents of children who flew on Continental, Northwest, TWA and other airlines are worrisome, nonetheless. Some examples :

More than a few children were bumped from reserved seats on overbooked flights, even though there were people expecting to meet them at another time and gate at the next stop.

It is not uncommon for children to travel unescorted even when parents arranged and paid for the escort service; some airlines refused to refund the fee even when the escort was a no-show.

One parent's child did not disembark at the gate that was assigned to the flight. After paging the child several times, the parent learned that the flight had arrived at a different gate, and that the child had been taken to an area designated for lost children.

Problems are likeliest to occur between connections. This is where kids can get lost in the system.

If children have to wait between connections and some ticket agent is responsible for them and gets busy, the agent's first line of duty is to the customers in line, not to the kids.

De-boarding is another chaotic phase of the trip and there's no way to keep up with children. For this reason, parents should choose an airline that keeps unaccompanied minors on board until other passengers have disembarked, so that the attendant can give them undivided attention.

Though a rare occurrence, there have been complaints from parents about situations where fondling has gone on. When kids are strapped into a seat it's not like they can run away from what's going on.

While most people are good and kind, (children) need to know what is unacceptable behaviour from a stranger, and if they're uncomfortable, to report it and ask to be moved to another seat in the plane.

It is therefore, important that parents go over basic stranger danger rules with children before they travel alone. Review good touch, bad touch, where to get help. Children should know that if somebody does grab them, they must yell, get someone's attention.

To further minimise any potential risk, parents can try to reserve their child a seat next to an empty one. The only regulation that has a direct bearing on this option is that a child can't sit in an exit row, under FAA guidelines.

Whether your child is a seasoned traveller or a novice, planning ahead can help guarantee a smooth flight. Book early, and let the ticket agent know that your child will be flying alone. Your best bet is to choose a non-stop flight early in the day to avoid the possibility of cancellation or a missed connection that can mean an unexpected overnight stay.

It is also important to ask several key questions when making your booking. Important questions to ask the ticket agent :

- What meals or snacks are scheduled, and is a children's meal available?
- If your child's flight includes a connection, is there a children's lounge available at the airport?
- If your child is on any kind of medication, what is the carrier's policy on dispensing prescription drugs? (Pack prescriptions in original containers inside your child's carry-on, with written instructions.)

Dry runs or rehearsals to the airport is a good idea so that you can point out airline personnel in uniform and review every aspect of the flight, from who will walk your child onto the plane to how to flush aircraft toilets. And practice using a pay phone.

On the big day, arrive at the airport at least an hour early — there is extra paperwork for children flying alone — and have your child's picture ID or birth certificate ready. If your child has a connecting flight, it won't hurt to remind the gate agent that he or she will need an escort.

The person meeting your child at his destination should be aware that the airline will require a picture ID; there also may be a form to sign before the child can be claimed. AN

You wouldn't consider making an important sales call in a dirty shirt and a pair of worn-out shoes, so why approach an investor with a balance sheet that doesn't portray your company in the best light?

A balance sheet is your best sales pitch for your business. There's no document so thoroughly scrutinised by a financier or so critical to his decision to lend you money. You'll have an easier time convincing him if you present a compelling story.

A balance sheet is a snapshot of your company's financial health at a particular time. The prettier the picture, the more you'll reassure lenders you can repay them.

THE BOLD FINANCIAL STATEMENT

By Lionel Haines

Your goal in structuring your balance sheet is to increase assets and reduce liabilities. Every extra dollar in assets you present without offsetting liability drops to the bottom-line as owner's equity. That's an important source of collateral : each bottom-line dollar can translate into US$5 to US$7 worth of credit.

To look your financial best, pay attention to how you list information. Start by identifying assets : everything the business owns or leases that has exchange or market value. List assets in order of their nearness to cash, or the ease with which they can be liquidated.

Cash. It's king. When preparing for a round of money raising, postpone as many spending decisions as possible.

Accounts Receivable. This is money owed to your business for goods or services already delivered. But if an unpaid invoice is more than 90 days old, write it off or get the customer to sign a promissory note, to convert the account to a "note receivable" (see below).

Notes Receivable. Document all of these IOUs to the business, even informal loans to employees and family. One way to build this category of assets and reduce operating expenses is to take a big chunk of your salary out of the company as a note receivable. The strategy may also save you Income tax.

Inventory. It represents the value of your company's raw materials, work in progress, and finished goods on hand. Check with your CPA about the best methods of valuation.

Fixed Assets. These include all tangible properties such as furniture, fixtures, office equipment, and machinery. If you must buy fixed assets before shopping around for new capital, always go for quality stuff so that it retains as much book value as possible.

Deposits, Prepaid Expenses. Among these are real estate, equipment, or vehicles that you personally own and lease to the company. You can use them to create additional assets. If the company pays you US$2,000 a month in rent, consider taking half that and increasing the security deposit : at the end of a year, you'll have a US$12,000 cash asset for the business that you can use tax-free until you declare the deposit forfeit.

Other Assets. These include patents, trademarks, copyrights, and royalty agreements, which should be reported if you're legally entitled to them.

Don't neglect the debit half of the ledger. Your job is to minimise liabilities, which are claims on assets, or, at least, to push the due dates as far away as possible.

Current Liabilities. These are debts such as notes payable to banks coming due within a year or less. Try to convert them to long-term liabilities to free up working capital.

Long-Term Liabilities. It pays to restructure long-term debt (due more than a year away) either to take advantage of reduced interest payments or to lengthen the payback period because it improves your cash-flow. Other ways to get long-term debt off the books : assume personal responsibility for it, especially if you're already guaranteeing it; report part of your salary or bonus as equity in the company.

Check with your CPA to make sure all changes are in accordance with generally accepted accounting principles. Since you're using the balance sheet to sell yourself and your company to the financial community, be certain the statement conforms to what you really are, while accentuating your good points.

Get started now. Your capital needs may be six months or a year away, but it's never too early to restructure your balance sheet. AN

Note : Lionel Haines has been both an entrepreneur and a venture capitalist. He is author of "How to Buy a Good Business".

Financial Planning Approach to Investment Strategies

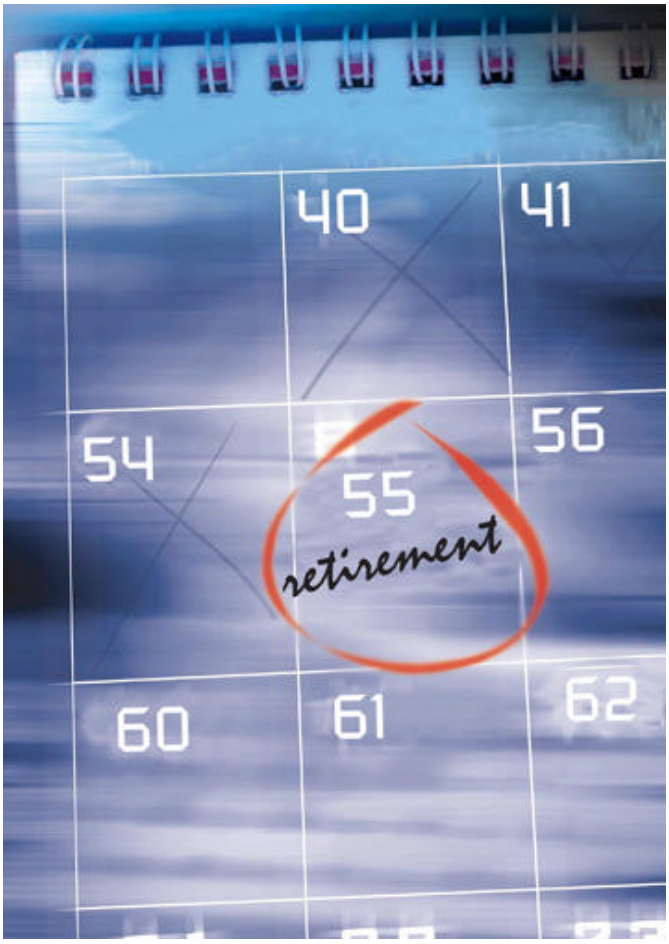
By Yap Ming Hui
MANAGING DIRECTOR, WHITMAN INDEPENDENT ADVISORS SDN BHD

If you have been accustomed to making investment decisions by the seat of your pants, you may be interested in knowing how the professionals would have done it differently.

Why is it important to have disciplined investment strategies? Without a proper investment plan, you may end up with a portfolio of investments you don't even like anymore and aren't sure why you bought them in the first place. Furthermore, without a structured plan, it is easy to be emotionally disturbed and to panic because you have no guide to tell you whether you should sell, hold or buy more. A disciplined strategy sets you on course in the beginning and provides direction when the unexpected happens or when emotions threaten to ruin the best-laid plans.

To understand the financial planning approach to investment planning, we must understand that the investment of funds in various assets is only part of the overall financial decision-making and planning. There are certain important issues that must be addressed before one starts to invest. Before investing, each individual should develop a master financial plan. Such a financial plan is based on the financial goals and objectives identified earlier.

As such, proper investment strategies are developed from your financial planning. The financial planning approach to investment strategies includes the following critical steps :



CRITICAL STEP 1

Invest with Goals or a Plan

In *Alice in Wonderland*, the heroine encounters a fork in the road and asks the Cheshire Cat whether she should travel to the right or left. The Cheshire Cat asks where Alice is heading, and she replies, "Anywhere will do." The sage feline's counsel is, "Then either road will take you there."

The same applies to investing. No financial plan or instrument can help you reach a goal that you have not defined.

As such, you need to think about your financial goals, in the short, medium and long-term. Your goals might include saving for a deposit to buy your dream house, your children's overseas tertiary education in 12 year's time or building up investment nest eggs for retirement in 20 year's time.

When establishing your goals, it is important to quantify them. You can determine your particular needs by purchasing a financial calculator or speaking to a financial advisor who can quantify your goals.

Whatever you goals are, it is important to take note of the time horizon required to achieve the goals. Time is Archimedes's lever in investing. Archimedes is often quoted as saying, "Give me a lever long enough and a place to stand, and I can move the earth." In investment, that lever is time.

(And the place to stand, of course, is on a firm and realistic investment plan and policy.)

How much time you have to achieve your goals will dictate how aggressive or conservative you need to be in your investment strategy. Your time horizon will determine how much, if any, you still need to save. It will also determine how liquid your investment needs to be and how much volatility you can tolerate. For example, if you are planning to start withdrawing income next year, you will want to have some of your funds in an asset class that are readily convertible into cash, in order to avoid the risk that they will be down in value at the time you need to liquidate. However, it does not mean your whole portfolio needs to be liquidated. Your real time horizon is the rest of your life. As such, you will want to establish different time horizons for portions of your portfolio.

The length of time investments will be held and the period of time over which investment results will be measured and judged, is the single most powerful factor in any investment program. If time is short, the highest return investments — the ones long-term investors naturally most want to own — will be undesirable, and the wise short-term investor will avoid them. But if the time period for investing is abundantly long, the wise investor can commit without great anxiety to investments that appear in the short run to be very risky.

CRITICAL STEP 2

Save more, Spend Less

"I cannot save for my retirement. All I can do is meet expenses. I just don't make enough money to put anything aside for the future." We hear statements like this all the time. The truth is quite different. Virtually all of us can, and must, save for retirement during our early career and prime earning years.

Are there any exceptions? Yes, rare ones. A few lucky people make enough money, or have enough self-discipline, to save for retirement effortlessly. A few unlucky people are beset by medical problems or other circumstances that make it literally impossible for them to save. When this is true, it is usually for a relatively short period.

It is important that we face the truth : unless you win the lottery or manage to buy the next hot issue, it will be tough to save for retirement.

People often look ahead to an expected bonus, profit sharing, proceeds of real estate sale, or another lump-sum infusion of cash, and promise themselves, "I'll put that aside for retirement." Then when the money comes, and the tax is paid, something invariably pops up — an overseas vacation, children's education expenses, an unexpected car repair or home renovation. "Well, that takes care of this year's bonus," they say, "I'll save next year's." The trouble is, next year may or may not bring another annual bonus, but it will certainly bring another excuse to spend rather than save.

With a simple calculation, we would know that the longer you wait, the more you must save to accumulate the amount you decide you will need when you retire. Consider these daunting facts :

To create a RM1,000,000 retirement nest egg for age 55, with 10 per cent compound total annual return on your saving, you must save and invest the following amounts :

- RM754 per month, if you start at age 30.
- RM1,317 per month, if you start at age 35.
- RM2,413 per month, if you start at age 40.
- RM4,882 per month, if you start at age 45.
- RM12,914 per month, if you start at age 50.

As you can see, being a retired millionaire at age 55 is a reasonable goal, if you start saving when you are young and save consistently. It becomes more and more difficult the older you grow and the later you start.

You may say to us, "But I don't have an ambition to be a millionaire. I just want too be comfortable." Based on the research, to maintain a person's working year's lifestyle in retirement, they should save 10 times their highest annual earned income. So, those who say that they do not want to be a millionaire, are essentially saying that they do not expect their household income to reach RM100,000 or more in their working life.

If you have higher expectations, you might be interested to know how a retirement nest egg is required for your dream retirement life-style if you are now 30 years of age and want to retire at age 55. With the assumption that the inflation rate is four per cent and after tax return on investment of eight per cent during retirement period, you would need the following sum to maintain the respective level of living standard :

For The Yearly Living Standard of (at current RM)	Amount Retirement Nest Egg Required at Age 55 if the Principal is to be liquidated (over 25 years till age 80)	Amount Retirement Nest Egg Required at Age 55 if Leaving Real Value of Principal Intact
48,000	2,113,854	3,460,198
60,000	2,642,326	4,325,261
120,000	5,284,651	8,650,521
180,000	7,926,978	12,975,782
240,000	10,569,303	17,301,042

CRITICAL STEP 3

Appoint a Financial Advisor and Develop Your Master Financial Plan with Him

Investment and financial advice on the internet, television, newsletters and other mass media, provides information to the public quite readily. The availability of this overwhelming information has a lot of benefits, but it has encouraged an ill-conceived impression; that any person can easily learn almost everything a financial consultants know. As a result, that person can make his own financial and investment plan and save in fees and commissions.

It is important for us to know that there is a huge difference between a person who has read a financial magazine and a financial consultant in the practice. If you have already accumulated a million from your business, you have obviously developed competencies and experience in your chosen business and industry. There is no way your financial consultant can acquire your professional abilities just by reading some books or information from the internet. Likewise, you cannot acquire an experienced and competent financial consultant's knowledge of financial and investment planning from the internet, newspaper, books and magazines.

It is undeniable that financial information

from various mass media can support an investor in their financial planning. However, such access to information should not eliminate the use of a professional financial consultant in developing master financial plans.

The advantages of appointing a professional financial consultant are :

1 *Navigating in the sea of threats and risks.* Since most people are unable to identify and assess the various types of risks and threats, and are not familiar with the variety of financial solutions available, the contribution of a financial consultant will generally be required in addressing the obstacles. Their job is to consider every conceivable risk and threat to your accumulated wealth, and maybe with the help of other specialists like lawyers, general insurers, tax consultants and others. The main objective is to avoid overlooking any potential financial threats and risk that might deplete our wealth unnecessarily.

2 *Navigating in the sea of financial products and services.* With the increasing number of unit trust funds, stocks and countless other investment options available to us in the global market, there are simply too many places to put out our money. As a result, most of us invest only in those investments with which we are familiar. By not having sufficient opportunity and effort to explore the various options, we run the risk of ignoring investments that offer the greatest prospects of helping us meet our financial goals. This is not to say that we would expect our professional consultant to consider every conceivable investment opportunity on our behalf. Their job, however, is to understand the advantages and disadvantages of various investment types and recommend them to fit into our financial circumstances. The objective is to avoid overlooking certain investment opportunities that may better achieve our goals than our existing investment vehicles.

3 *Keeping track of financial plan and implementation.* Effort and time is required to monitor and review the progress of financial and investment plans. Additionally, there is all the paperwork that accompanies doing everything yourself. It is also important to ensure that the portfolio continues to reflect the asset allocation you desire. As we all know, portfolios can drift from their original proportion and need to be regularly reviewed and rebalanced to maintain the desired risk return parameter. Employing a professional consultant frees yourself from this operation details so that you can spend more time on other important priorities in your life.

4 *Helping to exercise discipline in implementation.* The latest scientific study in the field of investing is called behavioural finance. The underlying premise of this study is that people do not always behave rationally under conditions of risk. It is at the time when market or investments aren't behaving as expected that investors are most vulnerable in violating their investment plan. That is when they have the greatest possibility to sell low or buy high, act on rumour, be susceptible to the tips of friends and respond emotionally rather than logically. The professional consultant's role, at that point, is to get the client back on track, remind him of the objectives of the investment plan, ensuring that it continues to meet the client's long-term goals.

As much as we do not believe in the do-it-yourself approach, we also do not encourage individual investors to hand their money to the consultants and let them decide. Instead, we would recommend the following working relationship between an individual investor and a financial consultant in a three-step process :

1 *'Incorporate' your personal finance and investment.* If you are serious about your financial future and success, you must approach your personal finance with a certain level of commitment. You should view your personal financial matters as a virtual company and appoint yourself Chief Executive Officer (CEO) of the company. If you really think about it, your success in your business is very much due to the commitment and dedication in managing it wholeheartedly and professionally. Basically, every family has the essentials of a business — income, expenses, assets and liabilities. Therefore, it makes every sense for you to view your personal finance as a company. You should take your virtual company as seriously as your other business.

2 *Appoint a Chief Operating Officer.* Just as in any successful corporation and business, a CEO would appoint a Chief Operating Officer (COO). The main duty of the COO is to attend to the day-to-day operations of managing the virtual company, giving you more time to run your own business. He will act on your behalf to deal with the respective financial service and product providers, which otherwise will approach and confuse you. It is the responsibility of a COO to obtain, process and recommend financial solutions that will enable you to run the virtual company profitably. For that service, you will pay the COO, just as the board of directors of a public listed company pays its COO to run the company.

3 *Establish a Master Financial Plan.* With the key personnel in place, you must set reasonable goals for your financial success. Clear and reasonable financial goals are very important. Without an overall financial master plan, it is impossible to make intelligent investment plans. The investments themselves — the stocks, unit trust funds, properties and so on — are merely means/vehicles for carrying out the financial plan. In developing a financial master plan, you'll set out the philosophies, goals, objectives and available resources. Based on the parameters developed in the master plan, you choose appropriate investments. In the example of retirement planning, the amount of required retirement income, the available capital assets, the incoming annual savings and the needed capital to achieve the retirement goals would be identified. The investment plan would then determine the asset allocation most likely to obtain the rate of return required to meet the objectives based on the level of risk you are willing to take. As such, it is very important that you spend some time with a financial consultant to delineate what are the exact financial goals you want to achieve in your life and develop a financial plan accordingly. AN

Note : In addition to contributing this regular column, Whitman Independent Advisors Sdn Bhd would also like to volunteer their services as the resource centre for all aspiring finanical consultants. All questions on financial planning can be addressed to Yap Ming Hui at the following address, yapmh@whitmanindependent.com.

Overcoming Stress

By Bridget Menezes

Stress is an everyday occurrence in our lives. We are forced to deal with it consciously or unconsciously. Those who are intelligent will dwell on it and try to find a scientific approach such as time management, relationship counselling, personal development, motivation, etc. Those without means have their own ways of dealing with stress such as a night out with the boys or girls.

In the following write up, I am not going to repeat all the things you already know but I would like to explore the root cause of stress.

The root cause of stress is dissatisfaction. We are never satisfied because someone is always better than us. The question is, if we are satisfied, does our progress stop? Being dissatisfied stems from comparing ourselves with others. For example : If a person gets a promotion, he is very happy. But if on the following day, his companion gets a slightly higher promotion, satisfaction turns to dissatisfaction. Stress creeps in and relationships break.

Now we have a choice. Either we spend a lot of time and money dealing with symptoms of stress or we measure the price we want to pay for the so-called progress.

If we look back only a 100 years, a heart attack (one of the more serious stress related diseases) was a medical curiosity. Might this be because it was much easier to relax a century ago? This was a time when the quality of being was more important than the quantity of doing — when people themselves were human beings rather than human 'doings'.

Although we can't go backward in time, we can learn to re-construct a much more healthier and relaxed lifestyle for ourselves, and to find again some of that lost peace. The only condition is that we have to want to.

Stress is an over-used word. The triggers of

stress have evolved over time. And surveys show that, while working conditions have greatly improved, we are working longer hours, and juggling ever more pressure in our work and home-lives. Modern society expects us to be able to think quicker, work harder, and excel at everything we attempt. In the name of civilised progress, we have given ourselves a modern condition, which we call stress.

Taking steps to combat stress is like taking medicine to overcome illness. As a short-term measure, it is OK, but for a long-term point of view, we should ask the question : Why am I always falling ill? If we can find the cause of the illness, then medicine is no longer required. Likewise, if we can identify the root cause of stress, then, there will be no need to overcome stress. We are actually focusing on how to overcome the symptoms of stress rather than understanding the root cause of stress.

We often hear people say that they work better "under pressure". If we consider the adrenaline curve, we might be tempted to find some truth in this. For a while, as adrenaline levels rise with gently increased pressure, performance may improve. However, once adrenaline production reaches a certain level, pressure inevitably turns into increasing amounts of stress, and the slope of the graph begins a sharp descent, until finally it reaches the point of breakdown. If we push ourselves within our limits, we may find success; if we push ourselves beyond our limits, we will certainly become stressed. At times we begin to expect so much of ourselves that the places we go to and the things we do to unwind become triggers of stress in themselves.

Ultimately, we need to accept that although life can be stressful, this is not one of its intrinsic characteristics. If we learn to understand our needs and capabilities, we can take control of stress. Nothing forces stress upon us : we can all keep this modern demon at bay.

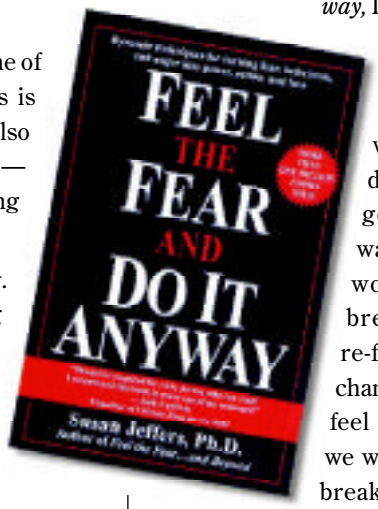
Symptoms of Stress :

Listed here are some of the telltale signs.

- **Loneliness**. We may feel isolated from friends and family, or have a lasting sense of being "lonely in a crowd".
- **Insecurity**. We may suddenly feel shy or exposed around people with whom we are usually filled with confidence. Or we may believe that we are always being judged or criticised.
- **Loss of concentration and memory**. We may find it hard to recall recent conversations or promises. We may often feel confused, so that understanding and retaining information could also be very difficult.
- **Not answering the telephone**. We could lack interest in others, and fight off their concern.
- **Fatigue and sleeping difficulties**. Although we may feel constantly tired, we could also find it impossible to get to sleep.
- **Tears and mood swings**. One of the most common symptoms is that we cry easily. We may also be prone to mood swings — bouts of exhilaration alternating with dejection.
- **Impatience and irritability**. We could find ourselves flying off the handle at any moment for trivial reasons; or we may snap at people, too quick to assume that they are accusing us.
- **Restlessness**. We could have difficulty sitting still over even short periods of time and we may fidget with our hands, twiddling our thumbs or play with the rings on our fingers.
- **Obsessive working**. Treating work as a refuge can be a stress symptom, although stress can also manifest itself as absenteeism.
- **Compulsions**. We may find it difficult to avoid over-eating, drinking, smoking or buying clothes. At the same time, our routines will become more rigid, and we will find it harder to do anything new.
- **Loss of appetite**. Food doesn't interest us any more. Either we don't eat, or, we over-consume junk food, or whatever is in the cupboard or fridge.
- **Fear of silence**. Silence may cause us discomfort, so that we "over-talk" when with other people or leave on the radio or television when alone. Conversely, we may be intolerant of noise.
- **Appearance obsessiveness**. We may become excessively focused on our looks, exercising and dieting compulsively.

To a greater or lesser extent, we have been given power by a number of influences — parental, educational, cultural. Over time these influences have also shaped our habits of thought and belief. Power is energy with a purpose, but anything that has become habitual has lost its purpose, and so forfeited its power. The power to change is essential if we are ever to annihilate stress, which is crucial if we are to relax.

In her book *Feel the Fear and Do It Anyway,* Dr. Susan Jeffers encapsulates the result of habituation : "If you always do what you've always done, you will always get what you've always got." In other words, unless we break habits and re-focus ourselves to change, we will always feel unrelaxed because we will never be able to break patterns of negative thinking.



We all have vast reserves of energy inside ourselves, but when purpose is lost and self-expression is blocked we fail to tap these phenomenal resources. The danger is that we will start to live on the surface of our lives, no longer active, but reactive. Unless we find and use the power to change, we drift at the mercy of random currents.

We cannot rely upon anyone else to do the changing for us. Self-belief and self-empowerment come, by definition, from within.

Habits, behaviour and attitudes cannot change overnight but with the right awareness and concerted effort, it is possible to effect a change in ourselves. This would then become the basis for a stress-free life. AN

Note : Bridget is a speaker and a para-counsellor on selected topics relating to self-improvement and mental health. She has spoken on topics such as Positive Thinking, Stress Management, etc. to various private and public institutions.

Do You Make The Most Of MEETINGS

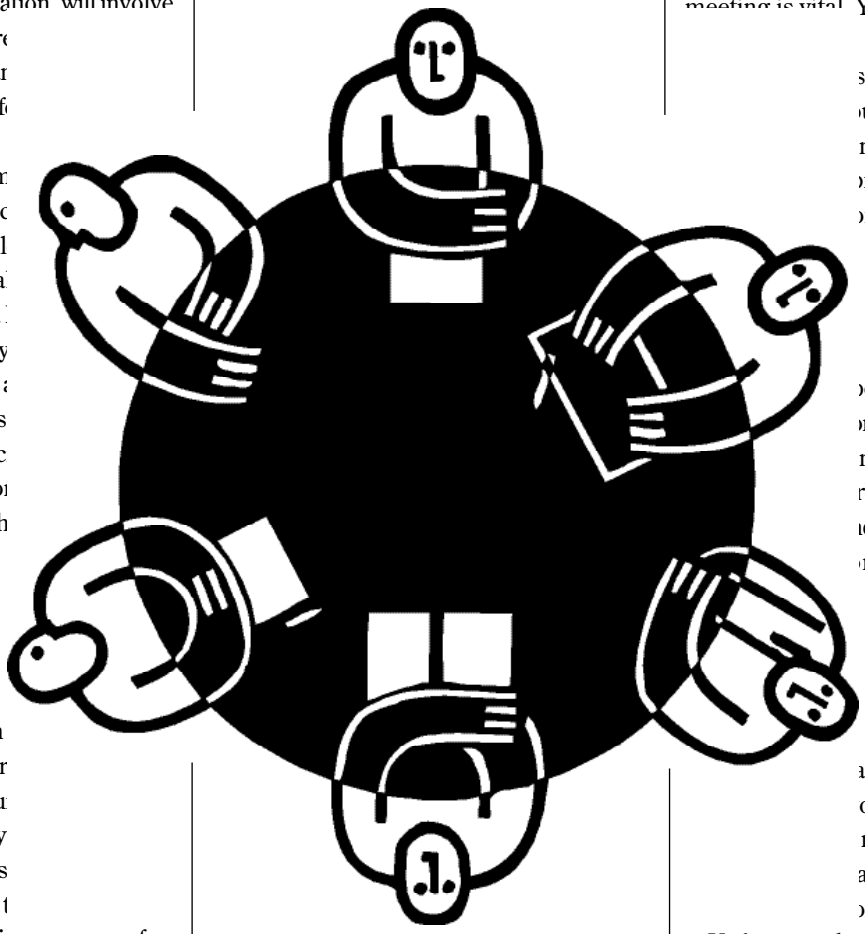
Whether it's a brief discussion with the boss, or an important presentation, you can have more meaningful meetings. Answer these questions to find out how to make the most of your time.

Most people in business get involved in meetings, even if it's only brief discussions with a colleague or boss. At other times, more formal presentations with clients, or someone from outside your organisation, will involve forward-planning and care. The secret of having mean is to know what they are f clearly determined goal.

Making a good first im pression is crucial to suc cess. Walking in with a smil on your face is essentia even if it's just in the office. the meeting is elsewhere, y meeting actually begins walk into the other person's Be friendly towards the sec receptionist who will infor person you're meeting th you've arrived. When you meet the person, smile, shake their hand firmly as you introduce yourself. Remember to carry your briefcase in your left hand, so that your is free; it will also help you to avoid a horrible clammy

Make sure you dress Some companies tend t dress, but for most meetings, a more formal approach is best. Suits should be pressed, shirts immaculate and shoes polished. Hair and fingernails should be clean and neatly groomed. The less jewellery and perfume, the better, and make sure you don't eat garlic the night before! As politics and business don't mix, avoid wearing anything that will identify you with any political, religious or social persuasion.

Where you choose to sit can have a dramatic effect on the outcome of a meeting. Usually, if the person you are meeting is sitting behind a desk, you will be offered a chair opposite. But if you're about to start talking business, move your chair so that you are sitting next to the person, you will be much more able to maintain control of the conversation and present any material without having to look at it upside down. However, if you're making a presentation to two people, get them to sit next to each other, so that you can address both of them at the same time, and they can both see any printed information easily.



Always choose a straight-backed chair, to help you stay alert and focussed, and avoid sitting in a low chair. When this happens, the person sitting on the higher chair is able to look down on you and has more power and control over the flow of the meeting. Choosing the right venue is important; business meetings are best conducted in the office, rather than a restaurant, because of the constant interruptions and lack of privacy.

Taking the right things along to the meeting is vital. You will need, pen, paper, appointment book, or a scheduled activities for at ur weeks. Remember to ness cards, and always briefcase before you leave r an appointment, so that a vital file, document or piece of information is not left behind.

Always confirm an appointment before leaving me or the office, especially ng journey is involved. If it rly meeting, particularly on day morning, take the person's home or mobile number, and give them yours, in case something crops up at the very last minute. Arriving on time is the best way to make a good impression. It shows ou take your job seriously, respect his or her time. If always call ahead to either r make an alternative date.

Unfortunately, the majority of meetings are poorly run and organised. If someone is scheduling a meeting, you and everyone else should know why, and as importantly, where. The best way to do this is to distribute an agenda in advance, with the venue clearly stated. There should be specific starting and ending times. Just because an agenda is drawn up, it does not

mean the meeting must take place, or that you have to be there. It is quite acceptable to phone if you feel your presence is not essential; often a few telephone calls will achieve as much. Or you may only be required for part of the discussion.

Knowing what is expected of you will help you prepare for a meeting by thinking about specific problems in advance, or ensuring you take along essential materials. If you are the organiser make sure others have the same information beforehand. At the conclusion of the meeting, the organiser should summarise the discussion and determine what is to be done next. Tasks should be clearly assigned with deadlines for their completion. If you are the person asked to do additional work, ask detailed questions and take notes about the format and date due. If another meeting needs to be scheduled, a date and time should be set before everyone leaves.

It is essential to keep minutes, which should be distributed within a few days. By making the last person to arrive take the minutes, you should see people's punctuality improve dramatically! Answer these questions to see whether you are attending meaningful meetings or sitting around wasting time. AN

1 Do you attend many meetings?
a. yes, far too many.
b. no, I try to limit them.
c. no, I seldom get asked to take part.

2 Do you have to organise many meetings?
a. yes, but I make sure they have a clear purpose.
b. yes , it gives me a feeling of power.
c. no, I wouldn't know what to do.

3 How do you organise meetings?
a. by distributing an agenda, with date, venue, times and aims.
b. by telling people a few minutes before.
c. by making use of teleconferencing if possible.

4 What impresses a client at a meeting?
a. arriving on time, well briefed and with any necessary material.
b. by taking them to an expensive restaurant.
c. a friendly smile, smart clothes and a firm handshake.

5 What makes for a successful meeting?
a. clearly determined aims and a clear conclusion.
b. asking only necessary people.
c. a good lunch.

6 What should you avoid at an important meeting?
a. letting your mobile phone ring.
b. being late and unprepared.
c. taking it too seriously.

7 What do you do if you think a meeting is unnecessary?
a. phone to discuss the agenda and clarify the aims.
b. say you can't go.
c. go anyway and waste time.

8 What is the worst thing you have ever done at a meeting?
a. fallen asleep.
b. brought the wrong information.
c. arrived two minutes late.

9 Why are most meetings so ineffectual?
a. because people use them to increase their status.
b. because people are poorly prepared and decisions don't get made.
c. often they are confrontations rather than a meeting of minds.

10 How could most meetings be improved?
a. by only having them if absolutely necessary.
b. by asking fewer people.
c. by not having them at all.

CALCULATE YOUR SCORE

1.	a. 10	b. 5	c. 0
2.	a. 10	b. 5	c. 0
3.	a. 10	b. 0	c. 5
4.	a. 10	b. 0	c. 5
5.	a. 10	b. 5	c. 0
6.	a. 5	b. 10	c. 0
7.	a. 10	b. 5	c. 0
8.	a. 0	b. 5	c. 10
9.	a. 10	b. 5	c. 0
10.	a. 10	b. 5	c. 0

66-100 : You should, as thought, have a clearly defined idea about why meetings are needed and what you expect to get out of them. You have probably had a lot of experience of meetings, good and bad, and have learnt by your own and other people's mistakes. You realise it is essential to have clear aims, to be on time, well prepared and to help people make meaningful contributions. Maybe you find you are often asked to chair meetings because of the skills you have developed. Well done; you are helping people use their time more efficiently and making what can be a bore into something useful and interesting.

35-65 : Like many people in business, you probably find yourself dragged into more meetings than you would like. Or maybe you find making presentations to outsiders difficult. Preparation is the key to overcoming both these problems. If you don't feel you need to be at a meeting, you should say so, having carefully worked out why, and gathered any information you need to supply. If one to one meetings are the problem, try practising at home or with a sympathetic colleague.

0-34 : You probably never get involved in meetings either because you are so hostile, or you make it obvious that you are bored. You probably never make any contribution to the discussion because you are always so badly prepared. Although meetings are often unnecessary, they are an important tool for business, so you better change your attitude quickly, or you may find you don't have a career any more.

How to Become RICH & FAMOUS

By Bill George

If you aspire to achieve great wealth, you could learn a lot from others who have found honest and original ways to make millions for themselves. This is true in all areas of life, that is, if you want to avoid making mistakes and suffer the consequences. Instinct, common sense, intuition and inspiration are some of the vital tools for a businessperson, but the experiences of these men and women can help those who wish to follow in their footsteps.

Self-confidence is an asset but so is humility. Remember, pride comes before the fall but if you have the humility to learn and to seek knowledge from others you can succeed.

The people you will read about here are just a few out of hundreds who have displayed brilliance, originality and courage to pursue their dreams relentlessly. Their experiences show us clearly that the sky is the limit but that you must also possess certain characteristics in order to succeed. Hard work, creativity, and perseverance are some of the other key characteristics needed to achieve your goals.

Modern Day Millionaires

Bill Gates

The richest man in the world, Bill Gates, showed an early promise of achieving greatness. One day his mother, a socialite, who had great aspirations for her son, found him lounging on his bed with his feet and sneakers folded up to his chest. He was deep in thought but his mother was clearly irritated with his behaviour. She demanded to know what he was up to but she received no reply. On her third attempt and only on raising her voice did she finally get his attention. His reply "Mom, can you please leave me alone, I'm thinking." That was when he was only in high school.

Under pressure from his parents Bill went on to university, but by then he had been bitten by the computer bug and he spent all of his free time tinkering with them. Bill decided to drop out of university when a proposal he made to the Los Angeles Police Department to develop a software program, won the bid.

It was the stepping stone to the formation of Microsoft, the company he formed with a couple of university mates. Microsoft was so ahead of its time that it was commissioned by IBM to write the DOS software for the IBM PC. This was followed closely by the legendary Windows software; a graphical user interface that is now standard software for most PC's worldwide.

Needless to say, Microsoft was an overnight sensation and an astounding success story by any standard. At the time Microsoft went public, Bill Gates personally owned 11,222,000 shares in the company. He became a cash millionaire by disposing of just 80,000 shares, while the remaining shares were valued at that time for about US$350 million.

Gates had broken new ground. He had proved that a small firm could compete with the giants and win the battle.

Richard Branson

Here is a man who, with little formal education, had rebelled against all the norms of traditional business practices and yet came out a winner. He wears jeans to work and shuns the tie and formal wear like the plague. He goes off ballooning round the world at his whims and fancy earning his company and his 'Virgin' brands, unsolicited but valuable publicity in the process.

Richard Branson is a millionaire who has made his fortune by finding niches in the marketplace and filling the vacuum with better and cheaper priced products and services. From fizzy drinks to condoms, airlines, music recording, insurance and even a radio station, Branson is always ready to seize the moment or opportunity and bring it home to a success story.

He has wisely diversified his interests and that gives added protection should any one venture experience difficulties, but so far he seems to have the Midas touch. His strategy has always been to provide better products at lower prices and that has won him the support of the masses. He comes across as a pleasant, uncontroversial down to earth person, and his high profile as a media personality has certainly gone a long way to endorse his Virgin brands worldwide. Here's another man who had the vision to see the opportunities and the courage to take on the challenges and come out a winner.

Anita Roddick

Anita is another classic example of a creative, original and exceedingly successful female entrepreneur. An avid traveller, she discovered in her journey's around the world, that there was opportunities for money to be made revolving around environmental and 'green' issues, while at the same time helping to empower native communities all over the globe.

With her contacts with tribal communities she was able to source raw materials and herbs from them and to formulate a brand of toiletries and body care products that refused to allow animal testing. This appeal to the conscience of the environmental conscious market segment was her winning formula.

The Body Shop, her company, is now established with hundreds of franchised outlets operating globally. The products are wrapped in recycled paper and the packaging design is totally 'green' in concept.

But it was not an easy ride for her in the early days. Strapped for capital and refused a loan by the bank, she approached a local garage owner and offered him 30 per cent shares in the company in exchange for £5,000. Today that gentleman is a multi-millionaire.

The Body Shop demonstrates the fact that what began as a fad or trend can sometimes be converted to a norm. If you visit some western countries today, it is hardly possible to visit a home that doesn't carry her product. Culture, fashion and buying habits are not set in stone; they change, given the right product and marketing. AN

Who Wants To Be Rich and What Does It Take?

This is the first part of five articles that will attempt to present the broad essentials of developing an attitude and work etiquette that will lead you to success in the world of business. In the process, your ultimate objective of achieving wealth beyond your wildest dreams can be realised.

All of us have secretly contemplated the idea of being wealthy and rich at least once in our lives. Most of us end up making meagre efforts and then throw in the towel. Not many of us pursue our dreams to its fulfilment. Surely the prospect of wealth, luxury, respect, splendour and the power to do almost anything you want and never again having to toil for a living are worthy ideals that should motivate everyone. But this in reality is not so.

We may all start out with dreams of having a big house, a large income, an expensive car, holidays overseas and to be free of debts. But statistics will prove that out of a hundred such aspirants, only two or three will succeed in achieving their goals by the time they retire. A handful will be comfortably well off, but the vast majority will have worked hard for most of their lives earning just enough to keep their heads above water. Did they do something wrong or is it that society does not allow success for everyone?

Does 'Luck' Have a Part to Play?

The answer lies in a combination of factors amongst which luck is very significant. Life is full of random events and meetings. Who we are, where we were born and the people we are in contact with are all random factors that can have an advantageous, harmful or neutral effect on our aspirations. To become rich we need to expose ourselves to the widest spectrum of people and activities that will open up or maximise the opportunities for us to take advantage of good investments. Having been at the right place and at the right time has made many a man a millionaire. Your environment has to be conducive; for instance, if you live in a remote village then you need to consider moving to a bigger city. Once there, cultivate as many contacts and be good to these people and maintain contact, one day they will be good for you.

Forging your own good luck is a matter of making simple and sensible decisions and taking positive actions throughout your life. Millionaires are people who do things, rather than wait for things to happen. They are the shapers of destiny, not victims of it. This is how you can make your own personal luck work for you.

You May Need To 'Trade' Your Job to Succeed.

Becoming rich is possible for anyone and trading is one of the most successful means of achieving this. This is because it is merely an extension of something we all do; we regularly trade for money. When we are employed, we are in actual fact trading our time for money, giving up our time for someone else's business. When we purchase or sell an item we are trading. All over the nation money moves from hand to hand in our daily transactions. You form part of this flow. With millions changing hands, the way to become rich is to find a way of making some of that money to flow in your direction.

Working for someone else and expecting to become rich is not very realistic; it happens rarely and mostly in high profile jobs. Actually others are getting rich at your expense.

Building up your own business is more likely to bring you great wealth. If you can find a way to provide a service or product, thereby diverting cash from other destinations to your whereabouts, you will become rich. It's that simple or is it? Read on.

The Profit Motive and Value for Money.

Some people feel very guilty about making a profit. Don't. The world we live in would not function if not for the profit motive. Profit inspires efficiency, creative marketing and greater competitiveness in the market place. People will buy from you only if they perceive your product to be worth its value. The definition of 'value' is the price someone is willing to pay for an item. Take a work of art by Van Gogh. It consists of a piece of canvass, some paint and a little effort and time by the artist but the price of the painting may reach millions because someone has determined it is worth it.

Deciding On What to Trade.

This is your mission, to search out a product or a service that can bring in the profits. Not an easy job but possible — millions of people all over the world are also trying to find that elusive idea that will make them their fortune. A few will succeed, the majority will fail, not because they could not locate a product or service but mostly because of negative attitudes and working etiquette that are not conducive for success. AN

INVASION OF THE BEAUTY SNATCHERS

By Anis Ramli

First they left the toilet seat up. Then they took over the sink. Now, a new kind of invasion begins in the bathroom — men borrowing their partner's best moisturiser.

Men and make-up in the same breath? Who knew. Once when beauty lies quietly in one corner of the ring, the fight now is on who gets the facial-pamper first. If men are willing to spend on colognes to smell good, why not go the extra mile to look good? They work hard to get those six-pack abs, but forget to notice those pores peering back at them in the mirror. And in case you haven't noticed, power deals and mega mergers are now done not only over the greens, but across facial salons and tanning beds.

Even giant beauty houses realise how important this discovery is. That's why men now have their own line of skincare products to play with. Even the terminology has morphed : cosmetics have

changed to dopp kits, and skincare to grooming essentials. While the ingredients don't differ much from what's in a woman's skincare product, packaging is everything. No frills, no fuss — just straightforward, sensible products. At some counters, male cosmeticians are even hired — another feel-good factor to consider when you're on your first buying spree. Consider brands like Clinique, Aramis and even the Body Shop which have a separate grooming line for men when you're unsure of what to get. Or drag your partner shopping — she'll be glad to get rid of you finger-dipping her beauty jar.

The men's guide to a mean facial :

- **Coming Clean**. Ditch the bath soap! It may be cheaper, but think where it was scrubbed last on the body. You don't want to put that on your face. Get a proper cleanser that will remove accumulated dirt and oil.
- **Scrub Up**. Exfoliate to remove dead skin that dulls the skin and clogs pores. Most men love this part of the routine. But overdoing it could only create more problems, especially if you're acne-prone.
- **Moisture Whip**. Once you're all clean and nice, soothe the dryness with a moisturiser — made for the face, not the body! AN

Beauty on the battle ground ... even the most fearsome do it

Munich's Towers — a unique skyline even at night

Munich Culture Club

By Anis Ramli

Nothing quite spells 'cosmo' than a quick dash through Europe. While the young, preppy Merc urbanites prefer the pseudo-sophistication of Bangsar, nothing ups the stakes in urbane-poker more than to zip through rustic Bavaria. The beat, the buzz, the bustle — it can turn any *jaguh kampung* into an overnight 'man of the world'. And no city clads itself in GQ chic more wildly than Munich. This long-time neo-boho quarter of Germany can stifle the yawn of even the high-brow bourgeois. Munich's dribbling with syrupy culture, but it's not your typical museum-and-gallery town. The cultural zeitgeists have gone beyond just imitating another narcissistic artsy playground. Doing culture in Munich comes down to doing it their style. Even if it's just a beer-and-pretzels siesta or a laidback cycling tour of the city, perking up for some euro elegance has never been so easy.

It's a Guy Thing

Museums in Munich are rarely the yawn-yawn type. More spectacular than a Disney theme park, they're like huge toylands for the toddler in you. And the two absolute must-sees are the BMW and the Deutches museums.

The BMW museum ... for diehard BMW fans, it's a garage goldmine

Home of the bodacious Beemer, Munich itself is an actual walking, living and breathing BMW gallery! The cars take to the city like the *beca* takes to Malacca. It's that common. But for diehard BMW fans, the museum is like a garage goldmine. Prototypes of the first BMW, legendary sport cars, futuristic and concept automobiles, aircraft engines plus BMW bikes gleam invitingly across the showrooms. In the face of Gen-Y yuppiedom, the museum's live, multimedia mix makes for a friendly approach to an otherwise jargon-laden techno field. Even if you're not Beemer-savvy, don't miss the chance to view some of the best in sculptured steel.

The Deutches Museum on the other

A steam locomotive in the Deutsches Museum

hand is the Tool Man world come to life. It's the place for all the world's techno gadgets and gizmos ever invented. Sailing ships, atom models, space probes, industrial robots, anything that has made a difference in our lives can be found here. Its collection of priceless artifacts and historical originals is huge and will bowl you over. You'll find the first car (Benz, 1886), the first electric dynamo (Siemens, 1866), the original V-2 rocket (Hitler's secret weapon) plus the bench at which the atom was first split (Hahn, Strassmann, 1938). There are hundreds of buttons to push, levers to crank, gears to turn and 46 departments that allow you to gleefully relive the impetuous childhood.


Munich ... the neo-boho quarter of Germany

Burping Festival

Given free reign to drink and not drive, you'd do good to visit any of the city's cosy beer gardens. It's the best place for all things local : beer, pot-bellied Bavarians and hearty meals. A sitting gets you in a Bavarian *joie de vivre* in a jiffy. When spirits are high and brain cells frozen by fermented malt, everybody becomes everyone's friend; and the sense of camaraderie is unmistakable. If you're new in town, fight the jet lag and hop to the nearest beer garden — you'll make friends faster than the locals can down their drinks. Of course, Oktoberfest is the Big Momma, but who needs the crowd when you can do it in style and leisure outside October. Some folks prefer to go to Munich's largest and oldest beer hall, the Hafbrauhaus. Unless you're dying for a glimpse of an Oompah band, the place is so antiseptically clean and touristy that you're better off being with one of the locals in the open-air stalls. These ubiquitous watering holes aren't that hard to find — often arbours with tentacled vines, Chinese lanterns and trellises. Biergarten Chinesischer Turm in the English Garden offers beer mugs large enough to bathe in and the occasional Oompah band appearance.

A Royal Rendezvous

Bavarians have a love affair going on with one of their rulers, the romantic King Ludwig II. The guy was considered a madman in his time for his architectural obsessions; but today is toasted in history books as the king who propelled Bavaria into the cultural realm. Munich's most photographed landmark, the Neuschwanstein (pronounced 'noish-ven-stain') castle — having graced every calendar, colour pencil covers and German travel books — was considered one of his best creations. Even Disney couldn't resist its multi-turreted mock medievalism. Giving it the Disney spin, they named theirs the Sleeping Beauty castle.

Ludwig's CV reads like a bestseller : King at 18, an illicit liaison with his lady cousin at 20-something, and death at 41 under mysterious circumstances. Now his mythical life is made into a musical. *Ludwig II The Musical* has live animals on stage, a threefold surrealist dream landscape, and a finale with a 30-tonne-deep gigantic pool as star. Watch the play, brush up on your German, and then catch the spectacular view of the original castle through the theatre's glass façade. The first and only musical to be staged at its original historic site, it will play until 2005. For information, log on to www.ludwigmusical.com.

Note : Trip courtesy of Lufthansa AN

Musical Theatre, Neuschwanstein

Resolution on Rules Passed at MIA EGM

THE DATE : **26 May 2001** THE PLACE : **Dewan Tun Dr. Ismail, Putra World Trade Centre**
THE SETTING : **MIA Extraordinary General Meeting**

As 26 May 2001 was the first weekend of the recent school-break, the Putra World Trade Centre (PWTC) was abuzz with many interesting activities that attracted numerous people, many of them school students thronging a book exhibition there. The boisterous crowd would have deterred many a person from visiting the Centre but not the MIA members who braved the waves of people and inadequate parking to be present at the Extraordinary General Meeting (EGM) held there on that day. Their determination to be present stemmed from a keen interest to listen to explanations on the proposed new Rules following the Accountants (Amendment) Act, 2001. The members used the opportunity to seek clarifications on their doubts and subsequently passed the Rules.

In drafting the Rules, the MIA Council had worked closely with the Accountant-General's office before putting forth three sets of Rules :

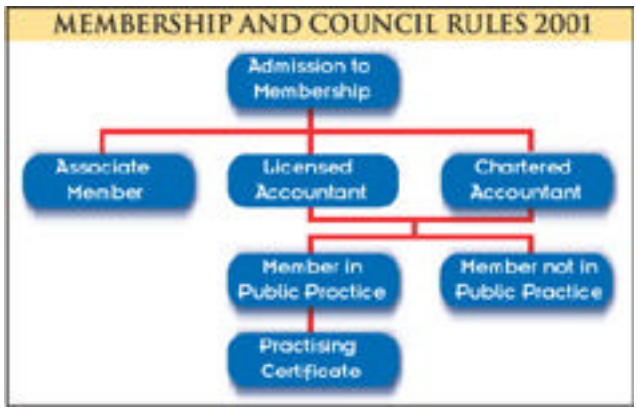
i. Malaysian Institute of Accountants (Membership and Council) Rules, 2001
ii. Malaysian Institute of Accountants (Disciplinary) Rules, 2001
iii. Malaysian Institute of Accountants (Qualifying Examination) Rules, 2001

In supporting the Resolution, the Rules give effect to the amendments to the Act. In brief, the Membership and Council Rules allow for the recognition and regulation of members in public practice. The Disciplinary Rules allow for greater transparency in the disciplinary process while the Qualifying Examination Rules will provide for an alternative avenue for admission to membership.

Malaysian Institute of Accountants (Membership and Council) Rules, 2001

The Rules cover Members in Public Practice, Public Practice Services and Practising Certificate. Rule 2 defines a 'Member in Public Practice" as a Chartered or Licensed Accountant who as a sole proprietor or in a partnership provides or is engaged in public practice services in return for a fee or reward.

Rule 9 provides that a member cannot hold oneself out to be a 'member in public practice' without a practising certificate. The requirements for a practising certificate include relevant work experience, a payment of RM250 per year being the practising certificate fee to be renewed yearly in July and being in full time practice.

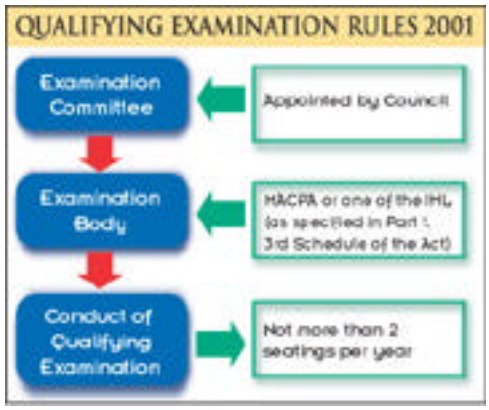


Malaysian Institute of Accountants (Disciplinary) Rules, 2001

With the introduction of the Disciplinary Appeal Board (DAB), the MIA (Disciplinary) Rules, 2001 provide for Rules to regulate the procedure of the DAB. The Rules also regulate the procedures of the Investigation and Disciplinary Committees and streamline them for greater transparency in investigation and disciplinary proceedings.

Malaysian Institute of Accountants (Qualifying Examination) Rules, 2001

These are NEW RULES for the purpose of regulating the conduct of the Qualifying Examination as provided in the amendments to the Act. The QE is basically designed for accountancy graduates who are not members of the 11 professional bodies recognised by the Act or who do not come from MIA accredited universities.



Prior to passing the resolution, members present at the EGM sought clarification on the impact of the amendments to the Accountants Act on the future of the accounting profession in the country, to which MIA President Abdul Samad Alias took note of issues raised and assured the members that their concerns will be taken into account when future refinements to the Rules are made on a later date. In passing the resolution,

'MIA members resolved that subject to the approval of the Minister of Finance and upon the coming into force of the Accountants (Amendment) Act 2001 (on the appointed date) and pursuant to Section 7 of the Accountants Act 1967, the following Rules :

1. *Malaysian Institute of Accountants (Membership and Council) Rules, 2001.*
2. *Malaysian Institute of Accountants (Disciplinary) Rules, 2001.*
3. *Malaysian Institute of Accountants (Qualifying Examination) Rules, 2001.*

be adopted in toto and shall come into force on such date as the Minister shall appoint.' AN

Frequently Asked Questions On The Accountants (Amendment) Act, 2001

Applicable upon commencement of the appointed date of the Accountants (Amendment) Act, 2001 and upon approval by Minister and gazette of Rules

MEMBERSHIP

1 Do all applicants for MIA membership have to sit for the MIA Qualifying Examination (MIA QE) after the announcement of the appointed date?

It depends.

As per Section 15 of the Accountants Act, 1967 individuals who :

(a) have passed the final examination of any of the Institutions of Higher Learning in Part 1 of the First Schedule and obtained not less than three years' working experience; or

(b) is a member of a recognised body specified in Part II of the First Schedule are eligible for admission as "chartered accountant" without having to sit for the MIA QE.

2 Would a current MIA member need to re-apply for membership as "Chartered Accountant (CA)"?

No, all current members of MIA, i.e. both Public Accountants (PA) and Registered Accountants (RA), based on Section 29 of the Accountants (Amendment) Act 2001, would automatically be known as "Chartered Accountant" on the appointed date.

However, members would be issued with new membership certificates upon returning their old certificates to the Institute.

3 Are the requirements for membership of MIA going to change?

The practical experience requirement would be standardised. For admission as a CA, an applicant shall satisfy the Council that :

(a) he has passed any of the final examinations specified in Part I of the First Schedule and has not less than three years' practical accounting experience in the service of a CA or in a Government department, bank, insurance company, local authority or other commercial, financial, industrial or professional organisation or other undertaking approved by the Council;

(b) he is a member of any of the recognised bodies specified in Part II of the First Schedule;

(c) he is eligible to sit for and passed the MIA QE and has not less than three years' practical accounting experience in the service of a CA or in a Government department, bank, insurance company, local authority or other commercial, financial, industrial or professional organisation or other undertaking approved by the Council;

(d) he has authority under section 8(2) and (6) of the Companies Act 1965 to act as a company auditor without limitations or conditions.

4 Do applicants with qualifications currently recognised by MIA such as ACCA, CIMA and the local Bachelor of Accounting degrees etc. listed in Parts I and II of the First Schedule to the Accountants Act 1967 have to sit for any examination?

No. MIA continues to recognise these qualifications for membership purposes.

MIA QUALIFYING EXAMINATION (MIA QE)

1 What is the purpose of the MIA QE?

It provides an avenue for those who do not currently possess a qualification recognised for membership under the Accountants Act 1967 to be admitted into the MIA. The MIA QE is intended to cater to the needs of students whose qualifications relating to accounting, business and finance are recognised by the Public Services Department (PSD), but not recognised by the MIA.

2 Who is eligible to sit for the MIA QE?

A person shall only be eligible to sit for the MIA Qualifying Examination if he possesses:

(a) qualifications relating to accounting, business or finance recognised by the PSD of the Government, or

(b) other qualifications approved by the Council.

3 What is MIA's role in the MIA QE?

MIA's role is to regulate the conduct of the MIA QE. The Institute does not conduct the examination.

4 Who will conduct the MIA QE?

The amended section 15A(1) states that the MIA QE shall be conducted by the Higher Educational Institutions specified in Part I of the Third Schedule or the recognised bodies specified in Part II of that Schedule.

Part I of the Third Schedule is as follows :

(a) Universiti of Malaya
(b) Universiti Kebangsaan Malaysia
(c) Universiti Teknologi MARA
(d) Universiti Utara Malaysia
(e) Universiti Putra Malaysia
(f) Universiti Islam Antarabangsa
(g) Universiti Sains Malaysia

Part II of the Third Schedule provides as follows :

The recognised body for the purpose of section 15A(1) is the Malaysian Association of Certified Public Accountants.

GENERAL/MISCELLANEOUS

1 Can a member advertise immediately upon the appointed date?

No, Section 18A only allows advertisements in accordance with by-laws made by the Council. There are no new by-laws on advertisements as yet. As such, members are required to comply with the current By-Law 7, which continues to operate. AN

Meeting of Friends

Visit by the Institute of Certified Accountants and Auditors of Thailand

The Institute of Certified Accountants and Auditors of Thailand (ICAAT) President, Nontaphon Nimsomboon was recently in Malaysia for a two-day working visit.

The ICAAT President's agenda was packed with a flurry of activities commencing with an official visit to the Malaysian Accounting Standards Board. This was followed by visits to the Kuala Lumpur Stock Exchange and the Malaysian Institute of Accountants before calling on the Auditor-General's office in Putrajaya the following day.

Nontaphon, whose delegation comprised of ICAAT Vice President, Penwan Thongdeetae; Manager, Anchan Janist; Director for Training, Chaweerat Supphatada and a representative from Thailand's Department of Commercial Registration, Parida Yaiaroon, were received by MIA President, Abdul Samad Alias. Also present were MIA Council members Goh Joon Hai and Nik Mohd Hasyudeen Yusoff as well as MIA Executive Director, Ho Foong Moi.

During the visit, Abdul Samad briefed the guests on the establishment of the Institute. He also explained the Institute's functions in regulating the accountancy profession in Malaysia. In addition, Abdul Samad also spoke about developments at the Institute following the Accountants (Amendment) Act 2001.

Warm welcome...MIA President, Abdul Samad Alias (third from right) welcoming ICAAT President, Nontaphon Nimsomboon (third from left) and his team to the Institute. Both Institutes held talks for more than an hour, discussing issues related to the accountancy profession and its challenges.

The ICAAT President, Nontaphon Nimsomboon (right), Vice President, Penwan Thongdeetae (middle) and representative from Thailand's Department of Commercial Registration, Parida Yaiaroon (left) listened attentively to the MIA President's briefing. Looking on is MIA Council Member, Nik Mohd Hasyudeen Yusoff

This was followed by a discussion session with the ICAAT delegates on issues pertaining to the accountancy profession in both countries. The team expressed interest in the 'mechanisms' that are practised in Malaysia. At the same time, Nontaphon also shared with MIA the development of the accountancy profession in his country and some of its challenges. With this discussion, he said, "We will be able to put our views forward effectively and work for the betterment of the profession together with MIA".

This idea was well received as it was in tandem with the mutual recognition, goodwill and cooperation among professional bodies which MIA is currently promoting. The visit lasted for one and a half hours and ended with both MIA and ICAAT exchanging tokens of appreciation.

MIA President (centre) presenting a token of appreciation to ICAAT's President

Visit to the Kuala Lumpur Stock Exchange (left to right) ... Parida Yaiaroon, Ho Foong Moi, Penwan Thongdeetae, Nontaphon Nimsomboon, Tan Kim Leong (KLSE Committee Member), Chaweerat Supphatada and Anchan Janist

ASEAN Accountants Meet in Brunei Darussalam

By Sazalina Kamarudin

The Malaysian Institute of Accountants (MIA), a member body of the Asean Federation of Accountants (AFA) attended the 71st AFA Council Meeting in Bandar Seri Bengawan, Brunei Darussalam, on 14 May 2001. The Institute's President, Abdul Samad Alias, and a representative from the Accountant General's Office, Abdul Ghani Haron, together with three other Council Members; YM Raja Abdul Aziz Raja Salim, Nik Mohd Hasyudeen Yusoff and Goh Joon Hai, with accompanying MIA's officer, Sazalina Kamarudin represented Malaysia in the meeting.

Except for Cambodia who has yet to become a member of AFA, the rest of AFA's member countries were represented in the meeting.

AFA Council Members deliberated on issues related to AFA's objectives, i.e. :

- To promote closer regional co-operation and assistance.
- To enhance the continuous development of the accountancy profession.
- To identify major problems in the profession and seek solutions.
- To provide a medium for the exchange of ideas.
- To represent Asean Accountants in their collective dealings with international organisations.
- To work with other regional groupings who need the assistance of Asean accountants.

The President of the AFA Council, Tan Boen Eng, who is also the President of the Institute of Certified Public Accountants of Singapore chaired the meeting. Some of the highlights of the meeting were the presentation of country reports, which focused on each country's development pertaining to the accountancy profession, as well as issues and developments which have a direct or indirect impact on the profession.

For Malaysia, Abdul Samad along with the other MIA Council Members briefed AFA Council Members on the current development of the profession in the country. They explained the Institute's functions in regulating the accountancy profession in Malaysia. In addition, the Institute also explained about the development at MIA following the Accountants (Amendment) Act 2001, as well as other matters pertaining to the Accounting Standards and Auditing issues in the country.

(From right to left) — Heading the Institute is MIA's President, Abdul Samad Haji Alias; YM Raja Abdul Aziz Raja Salim; Abdul Gani Haron and Sazalina Kamarudin. (Not in picture) Goh Joon Hai and Nik Hasyudeen

Pengiran Moksin (extreme left), a representative from the Brunei Institute of Chartered Accountants, with some of the delegates during the AFA dinner

The Institute also raised its concern on the current scenario of the accounting profession in the face of globalisation and trade liberalisation; and how developing countries need to work closely with developed countries, to extend greater cooperation and work towards mutual recognition among accountants in the region. Among other related issues discussed was the liberalisation of services under the Asean Framework Agreements — accounting, bookkeeping and auditing services

On this note, among the points raised by Malaysia was for Asean countries to face the liberalisation of services under the Asean Framework Agreements by equipping themselves with synergistic and collective strength in the accounting, bookkeeping and auditing services

Malaysia believes that this sector in the respective Asean countries would be moving at an accelerated pace in tandem with other services (e.g. construction, building, engineering) at the forthcoming Coordinating Committee of Services (CCS) to be held in Hanoi, Vietnam this month. The Ministry of International Trade and Industry which represents Malaysia at the CCS meetings have been working actively to prepare some of the offers to be made by Malaysia on seven sectors that include accountancy.

Representatives from Indonesia highlighted that in respect to accounting and bookkeeping, the challenges faced would

not be extensive as compared to auditing, taking into account the modes of supply as follows :

i. Mode 1 — Cross-border supply.
ii. Mode 2 — Consumption abroad.
iii. Mode 3 — Commercial presence.
iv. Mode 4 — Presence of natural persons.

The Indonesian Representative further elaborated that in the earlier CCS meeting, Indonesia had not given any commitment. However, at the next CCS meeting, it will offer to open up the bookkeeping and accounting service sectors. This will be subject to the overriding principle that it will be acceptable only if there is adequate protection of public interests.

After a lengthy discussion on this subject, it was subsequently agreed that AFA would deal with the sectors separately.

Another major subject discussed at the meeting was the topic of auditing services in the region.

Under the current set-up only members of professional bodies would be authorised to carry out audit work subject to obtaining a valid licence to practise.

In order to be able to obtain the necessary audit licence, there is a requirement for the applicant to be a member of a professional body. In order to be a member, the intended practitioner would need to sit and pass the respective professional examination. However, in some countries like the Philippines, Laos, Myanmar and Thailand, foreigners would not be permitted to take the CPA examinations (i.e. the restriction on citizenship requirement).

Abdul Gani Haron, representative from the Accountant-General's Office (left) with Nik Hasyudeen (middle), having a light moment with the host from BICPA

Goh Joon Hai sharing a light moment with ICAAT's Paitoon and BICPA's President, Chua Peng Chin (centre)

In addition, except for Singapore, Malaysia and the Philippines, the examination is conducted in their national language. In Malaysia, the residency requirement is required. This is subject to the Immigration Department, Ministry of Home Affair's approval. In Indonesia, only local firms are authorised to carry out statutory audits.

It was agreed that the Multilateral Mutual Recognition Agreements would overcome the aforesaid impediments. However, this would not preclude the countries from pursuing bilateral arrangements.

Overall, throughout the meeting, which was hosted by the Brunei Institute of Chartered Accountants, the Asean spirit of neighbourliness and friendship was evident. The next AFA meeting will be held in Singapore from 16-17 October 2001, during the same time of the 12th AFA Conference. AN

One big happy family ... AFA's delegates posing for a group photo with the President, Tan Boen Eng (seated fourth from left)

MIA and IRB Dialogue in Raub and Kuantan

Officials from the Malaysian Institute of Accountants (MIA) Pahang branch recently held dialogue and workshop sessions with Raub and Kuantan IRB officers. The event which took place on 10 and 12 May, was organised to educate member firms in Pahang on the new self-assessment system (Form C) introduced by the Inland Revenue Board. During both sessions, MIA and IRB officials also informed members on the importance of keeping updated financial records as well as tax agent liability. Members also took the opportunity to ask for further details related to current tax matters and also the possibility of further strengthening the cooperation between both organisations.

Workshop In Progress ... participants in Raub being briefed on the new self-assessment system

The MIA Pahang Branch was represented by Branch Chairman, Joseph Foo Tui Lee along with Yap Kim Fay, the coordinator for the dialogue and workshop session in Raub. At the same time, IRB was represented by their Branch Head, Tuan Haji Mohd Idris and Tuan Haji Mohd Nawawi, for the session in Raub and Kuantan respectively, along with two other IRB officers Abdul Aziz Hashim and Abdul Halim Omar as the speakers. AN

(seated from left to right) ... IRB Kuantan Branch Head, Tuan Haji Mohd Nawawi; MIA Branch Chairman, Joseph Foo, IRB Officer, Abdul Halim Omar being introduced by Abdul Aziz Hashim (far left)

The key people behind the project ... (left to right) Yap Kim Fay, Abdul Halim Omar, Joseph Foo, Tuan Haji Mohd Idris and Abdul Aziz Hashim

Annual Dialogue with the Inland Revenue Board

Over 200 members and their staff in Penang, Kedah and Perlis attended a dialogue with the Inland Revenue Board on 22 May 2001 at the Caring Society Complex, Penang. The dialogue which addressed 24 issues and concerns of members was led by Y.M. Tengku Kamarulzaman, IRB Penang Director; Narimah Senawi, IRB Deputy Head, Operations Division, Kuala Lumpur and Steven Teh Eng Hin, MIA Penang Branch Chairman. The Head and senior officials from all IRB offices in the northern region were also present. Prior to the dialogue, Narimah also conducted a briefing session on how to fill in Borang C. AN

Panelists (left to right) : Steven Teh Eng Hin, Y.M. Tengku Kamarulzaman and Narimah Senawi

A section of the audience

The CAPA Excom Delegates posing for a group photo with the host, Institute President, Abdul Samad Alias (standing first row, 2nd from left) and MIA's Executive Director, Ho Foong Moi (standing next to Samad)

The 57th CAPA Executive Committee Meeting

The Confederation of Asian and Pacific Accountants (CAPA), 57th Executive Committee meeting was held in Kuala Lumpur from 28-29 May 2001. The meeting saw its strength in the presence of the International Federation of Accountants' President, Tsuguoki Fujinuma and the Asian Development Bank's (ADB) Lead Financial Specialist, Francis Narayan at the two day meeting.

IFAC's focus in the 21st century is to "Move Towards a Global Self Regulatory Body" with the setting up of various committees, a public oversight board, Forum of Firms, Transnational Audit Committee, etc.

IFAC's new structure and ADB's plans would enhance and foster good financial reporting. CAPA is in full support of these measures. In addition, issues on Internet fraud as well as training and education were discussed, and it was agreed that the modern times do play a significant role in fostering the change in focus in the business environment. AN

From left to right ... Li Yong, Deputy President of CAPA; Ranel Wijesinha; Leong Chew Poon and Francis Narayan, Lead Financial Specialist of the Asian Development Bank

IFAC's President, Aki Fujinuma (left) receiving a memento from MIA's President, Samad, at the dinner hosted by the Institute

Grand Welcome Sets the Mood at the CAPA Goodwill Dinner

A welcome dinner hosted by the Malaysian Institute of Accountants in honour of the Confederation of Asian and Pacific Accountants (CAPA) Executive Committee delegates and MIA associates at Mandarin Oriental, Kuala Lumpur, last month saw the staging of a graceful welcoming show that livened up the evening. Present to welcome the guests were MIA President, Abdul Samad Alias, the Institute's Council Members as well as some MIA branches and centres chairpersons along with MIA's staff. AN

From left to right … Iszudin Mohd Amin (MIA Communications) and Ho Foong Moi (MIA Executive Director) with YBhg Tan Sri Khir Johari and YBhg Puan Sri Christine

From left to right … Kamilah Haji Lemin, Mohammad Abdul, Bill Kang, Stephen Khoo and Rosalinda D. Evangelista

MIA President, Abdul Samad Haji Alias (left) receives a memento from CAPA President, Ranel Wijesinha

From left to right … Roland Ma, Nik Mohd Hasyudeen Yusoff, Tan Kok Kwai, Yeo Tek Ling and Abdul Samad Haji Alias give a pre-dinner pose before proceeding to the dining hall

From left to right … YM Datin Seri Tengku Ramlah Azizah, YM Raja Datuk Seri Abdul Aziz Raja Salim, Prof. Madya Dr Ibrahim Kamal and Joycelyn Morton enjoying the presentation by the string quartet

A relaxing after dinner photo … (seated from left to right) Dr. Wan Jamaliah Wan Jusoh, Dr. Nordin Mohd Zain, Beh Tok Koay, Abdul Rahim Abdul Hamid, Dr. Abu Hassan Md Isa, Shoko Yamazaki; (standing from left to right) Leong Chew Poon, D. C. Bajaj and Khoo Ho Tong

From left to right ... Tan Boen Eng, Li Yong, Abdul Samad Haji Alias, Ranel Wijesinha, Francis Narayan, Aki Fujinuma, YBhg Puan Sri Christine and YBhg Tan Sri Khir Johari

From left to right ... YM Tengku Dr Akhbar Tengku Abdullah, Aki Fujinuma, Yeo Tek Ling, Albert Wong and Tan Kok Kwai

Accountancy in the Net Economy : Challenges and Prospects

May 30, 2001

We are now in the era where information technology drives economies, and companies both big and small have invested a lot of money on gaining access to the world of the Internet. To meet these new challenges, accountants need to understand how their initiatives can impact their bottom-line. With this in mind, *Accountancy in the Net Economy : Challenges and Prospects* was the chosen theme for this year's Conference, jointly organised by the Malaysian Institute of Accountants (MIA) and the Confederation of Asian and Pacific Accountants (CAPA) held recently at the Mandarin Oriental, Kuala Lumpur. Over 80 participants were at the one-day conference that addressed accounting issues in the net economy such as e-commerce, legal implications and the future of accountants. CAPA President, Ranel Wijesinha, was the special guest together with MIA President, Abdul Samad Alias. The following are excerpts from what was presented by the international line-up of speakers :

Future of Accountants in the New Economy — IFAC : Moving Towards a Global Self-Regulatory Body

The first speaker for the day was Tsuguoki Fujinuma, President of the International Federation of Accountants (IFAC), who is also the Chairman of the International Forum on Accountancy Development (IFAD). IFAC is a worldwide organisation comprising of 153 national professional accountancy organisations from 113 countries representing over two million accountants. Its activities include the setting of international accounting standards, acting as agents for change, i.e. auditors' liability issue, liberalisation of accountancy services and money laundering.

Tsuguoki or Aki as he is popularly known, spoke at length on the new strategies of IFAC in meeting current and anticipated environment demands. This included responding to globalisation, satisfying regulators' and investors' demands, meeting rising expectations of business, keeping up with technological development, focusing on the growing importance of accounting in developing countries, preparing for the enlarged role of public sector accounting and acting globally to build a platform for global financial architecture which is also the vision of IFAD. In formulating the new strategies, IFAC has undertaken several new initiatives. Among these are :

1. Establishing a Compliance Committee.
2. Performing quality assurance reviews of Forum of Firms (FoF) members to enforce application through the Transnational Audit Committee (TAC).
3. Creating a Public Oversight Board.
4. Building a platform for global financial architecture through IFAD.
5. Renewing relationships with the International Accounting Standards Committee (IASC).
6. Responding to the needs of small and medium practices (SMPs) and small and medium enterprises (SMEs).

Aki's talk also included detailed explanations on :

1. IFAC's self-regulatory regime : compliance monitoring, enforcement and oversight.
2. Strengthening standards/guidance setting.
3. Achieving compliance committee objectives.
4. Reasons for establishing the FoF and the FoF's membership obligations and the role of the TAC which is the executive arm of the FoF.
5. Objectives and role of the IFAC Public Oversight Board (POB) that includes the selection of initial members of the POB and the steps taken to ensure the POB's independence.

Investment Environment in China and the Development of China's CPA Profession

Li Shuang, the Vice Secretary General of the Chinese Chamber of Certified Public Accountants (CICPA) spoke at length on the investment environment in China and the development of China's CPA profession. Li who presented the paper on behalf of China's Assistant Minister in the Ministry of Finance, Li Yong, gave the audience an insight into the development of China's CPA profession. It was obvious that the opening up policy and gradual liberalisation of the investment market in the late-70s has contributed significantly to the development of China's CPA profession. The opening up policy attracted a flood of foreign investors who insisted on a CPA system in accordance with international practices, namely a system in which the statutory audit is conducted by private audit agencies instead of governmental organisations. The improving investment environment in China in the 90s gave Chinese enterprises more opportunities to attract overseas investment and this was a key contributory factor in standardising the Chinese CPA profession. With good support from the Chinese government, the CPA profession, in recent years, has adopted a series of measures to further develop the profession. This included :

i. A rectification campaign that effectively regulated the practice of CPAs and greatly enhanced the quality of accounting information.

ii. A structural reform of CPA firms that saw the firms sever linkage with their sponsoring organisations in terms of personnel affiliation, financial affairs and business connections. In its place accounting firms were restructured into partnerships and limited liability firms in which CPAs were the major capital investors.

iii. A merger campaign to promote the establishment of large scale CPA firms to improve service quality. This campaign helped optimise the distribution of accounting firms and regulate the small and disorderly firms by promoting a three-tier structure in which large, medium and small firms coexist rationally.

Participants at the Conference

iv. A personnel training and practising standards establishment to improve practitioners' competency.

v. Strengthening supervision, improving supervision systems and measures, and imposing penalties on deviations from professional standards. From 2000, CICPA developed a supervision system that involved the co-operation of government departments, a reporting system of big transactions, a peer review system, public complaint and media exposure.

vi. Rectification of professional organisations engaged in business assurance services. The main aim of this campaign was to clear up qualifications, delink and structure reform and standardise development. One significant achievement is the merger of CPA regulatory bodies, CPVs and tax agents.

As China's accession to WTO draws near, the Chinese CPA profession has identified ways to further develop the profession and improve the investment environment. These include :

i. Actively promoting the enactment of professional laws, regulations and standards, in line with a professional regulatory system comprising of legal restriction, government supervision and self regulation.

ii. Further improving the professional supervision system and increasing supervision capacity.

iii. Opening China's accounting market more widely and actively participating in international coordination and cooperation.

Legal Framework and Issues on E-commerce : Intellectual Property Rights and Value

T. Kuhanandan who is the Managing Partner of his own legal firm M/s Badri Kuhan, Yeoh and Ghandi is the President of the Asian Patent Attorneys Association (APAA) Malaysia Group and Vice President of the Malaysian Intellectual Property Association (MIPA). He presented a paper on *Legal Framework and Issues on E-commerce : Intellectual Property Rights and Value*. In his presentation, Kuhanandan spoke at length about the information technology age and the intellectual property age that are upon us. Unlike before, the foundation of commercial power has shifted from capital resources to intellectual property (IP) such as technological know-how, patents, trademarks, copyrights and trade secrets that make up the central resource for creating wealth in almost all industries. Businesses must be IP-conscious in order to obtain and maintain a competitive advantage in any industrial or commercial environment. Executives who run companies and investors who capitalise on them need to identify, understand, develop and ultimately convey IP assets of the companies to compete successfully for capital. The three steps followed by firms that successfully develop and maintain advantages based on IP are :

1. Aggressively identifying, classifying and creating IP.
2. Carefully managing the IP once identified.
3. Communicating the IP positions to customers, investors and competitors to ensure full value of the IP portfolio is reflected in stock prices.

IP is a tool for competitive advantage

i. *IP for Protection*
Protects and safeguards all new technology, inventions and creations.

ii. *Using IP Database Information*
The IP Database Information that is found both in the IP Registration Office and SIRIM can be utilised to get new ideas for innovation and to keep abreast of state-of-the-art technology.

iii. *IP Portfolio Management*
Including IP Portfolio Management as a part of the business strategic management framework can add competitive advantage to the business.

iv. *IP as a Profit Instrument*
IP can be used as a 'profit' instrument when the company strategises to license to sell an IP Right.

v. *Barriers to Entry*
IP provides barriers to entry for a business. The mere fact that a company has aggressively secured significant IP in a new technology is sufficient to discourage a potential competitor from entering the market.

vi. *IP as Goodwill*
IP is an intangible asset to a business and has value as goodwill. It is important to know how to value IP and then harness its potential.


Issues on Net Economy drew keen interest from participants

The fast developing new economy in this cyber era has brought about a lot of challenges to the accounting profession. The inclusion on the balance of IP Rights (IPR) as intangible assets has brought about some controversy as it can easily conflict with the prudence principle. IPR are now being valued independently as they have become the core of any business in purchase, merger, takeovers, due diligence and in making strategic decisions and in asset management. IPR are no longer Goodwill under General Accepted Accounting Practice, as with a value it becomes a chargeable asset for any financial assistance. These are the challenges, so what about the prospects? That is left to the accountants to take the cue and create the sensation forthwith. AN

To be continued in the next issue :

The Relevance of International Standards and Guidelines to Economic Stability and Prosperity by Francis B. Narayan, Lead Financial Management Specialist of the Asian Development Bank.

Evaluating Net Reporting by Jocelyn Morton, Immediate Past National President of CPA Australia.

Acceptance of IASC Standards in Global Stock Markets by Robin Hamilton Harding, F.C.A, former Chief Financial Officer of Bell, Canada.

David and Team Get Down To Work

After the successful President's Dialogue with MIA members, Sarawak Branch Chairman, David Tiang visited all three local chapters, Sibu, Bintulu and Miri, to conduct similar dialogues to inform members of the amendments to the Accountants Act, 1967, and the role of the Institute. Tiang met with all the respective chapter committee members after the dialogues to discuss improvement in services to the increasing number of accountants in the chapters.

After the members' dialogues, Sarawak Branch and Chapters held their annual IRB dialogues to discuss issues pertaining to the latest amendments to the Income Tax Act and Self-Assessment System, and the increasing role of tax agents. These dialogues are important platforms aimed at improving professionalism and efficiency, and enhancing better working relationships between tax agents, IRB Officers and taxpayers. Wan Idris Wan Ibrahim, PPT Chairman led the Sarawak Branch in the annual dialogue which was chaired by IRB Sarawak Director, Tuan Hj Wan Adnan bin Hj Wan Abas and assisted by Senior Assistant Director Josephine John and other senior IRB officers at their new office in Wisma Ting Pek Khiing, Jalan Padungan, Kuching. Josephine explained in detail the role of tax agents and the code of conduct. AN

Andy Chia, MIA Chapter Chairman (seated sixth from left); Mohd Sait bin Ahmad, IRB Senior Assistant Director (seated fifth from left) and members in the impressive IRB conference room in Miri

(R-L) Tuan Hj Wan Adnan bin Hj Wan Abas, IRB Director; David Tiang, Branch Chairman; Teo Kin, MIA Branch Treasurer and Tan Jin Chai, MIA Member sharing local 'kuih' during the dialogue break

Philip Tong, Sibu Chapter Chairman (right) and Quah Sin Hor, IRB Assistant Director in Charge

Ngu Woo Hieng, Bintulu Chapter Chairman (seated third from right); Saibun bin Salam, Head of IRB Bintulu (seated third from the left) with MIA members and IRB Officers

MAAA EXAMINATION — DATELINE MAY 2002

MALAYSIAN ASSOCIATION OF ACCOUNTING ADMINISTRATORS

Incorporation and 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 (2000/2001 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
YM Raja Noorhana bt Raja Harun
Yong Yoon Kee

MIA Nominated Members

Lam Kee Soon
Yue Sau Him

Secretariat Office

Malaysian Association of Accounting Administrators
Dewan Akauntan, 2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur.
Tel : 03-2274 5055 or Fax : 03-2274 1783
e-mail : maaa@mia.org.my

Editor for MAAA News : Low Han Men, Aric

The long awaited MAAA pre-professional examination is expected to be held in May 2002.

This was the date targeted by the Joint Task Force comprising of MAAA's Task Force headed by Allan Khoo, Vice-President and Chairman of the Education & Training Committee and Universiti Malaya, Faculty of Business & Accountancy (FBA)'s Steering Committee, headed by Mohd Sarif Ibrahim, Head of the Department of Financial Accounting & Audit of the FBA.

The Joint Task Force held its first meeting on 3 May 2001 to establish the terms of reference and to come up with a proposed curriculum. MIA nominated Council member, Associate Professor Dr. S. Susela Devi, to liase between the MAAA and the FBA, whilst Professor Dr. Mansor Md Isa, Dean of the FBA and Ng Kok Thye, Deputy Dean of the FBA were appointed Advisors of this consultancy project. With that, it was agreed that the FBA would act in the capacity of academic consultants.

The meeting also decided that the examination would comprise of four stages with a total of 25 subjects and 89 credit hours. Students who completed the first two stages of the examination would be awarded a *Certificate in Accounting* while graduates of the MAAA examination would be awarded a *Diploma in Accountancy.*

The Joint Task Force is currently working on the following :

- Finalising the examination syllabus.
- Obtaining the necessary approvals from the National Accreditation Board and Ministry of Education.
- Accrediting learning centres to conduct the examination courses.
- Applying for paper exemptions from local universities and professional accounting bodies for MAAA graduates to pursue further studies.

Meanwhile, the MAAA Promotions & Publicity and Membership Committees, headed by Izhar Abd Kahar and Kasim Darus respectively, have drawn up a schedule to promote the examination throughout the country. The road show will kick off in June 2001 beginning in the Klang Valley. Members are encouraged to look out for further news of the road shows through circulars and the soon to be launched MAAA website. As talks are planned outside Klang Valley as well, we hope members in other states will volunteer their assistance to make the necessary arrangements in their respective states and encourage prospective students to attend the talks. If you would like to volunteer, please contact Norzainah of the MAAA secretariat for more information. AN

ACTIVITIES IN JUNE 2001

- **MAAA TEA TALK** on *"Self Assessment — Malaysian Tax System, Changes & Implications to the Tax"* by P. Ganesan, Deputy Director of the National Tax Academy, Inland Revenue Board. The Talk will be held from 5.45 p.m. to 7.30 p.m. on Friday, 15 June 2001 at the Conference Room, Level 1, Dewan Akauntan, 2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur. Members and the public are welcome. For enquiries, please contact Thane or Norzainah of the MAAA secretariat at 03-2274 5055.
- **MAAA's 11th ANNUAL GENERAL MEETING** will be held at 10 a.m. on Saturday, 16 June 2001 at the Conference Room, Level 1, Dewan Akauntan, 2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur. Members are requested to be punctual.

New President for CIMA Malaysia

Dato' O. K. Lee, Chairman of the Federation of Malaysian Manufacturers (FMM), Northern Branch, was elected as the new President of the Chartered Institute of Management Accountants (CIMA) at its 24th Annual General Meeting held on 19 May 2001. Following the AGM, Dato' Lee was installed as CIMA's 5th President amidst a glittering ceremony attended by about 100 guests, CIMA members and staff. Among the guests were representatives from the professional accounting bodies, local Universities and Chief Executive Officers of multi-national companies.

The installation ceremony reflects the true CIMA tradition of a smooth transition in leadership. Dato' Lee takes over from Tuan Haji Muztaza bin Haji Mohamad, the previous President who held the helm for three years. In his inaugural presidential address, Dato' Lee stressed that the future thrust of CIMA would be in three areas — to increase the recruitment of CIMA students, to enhance the status and welfare of CIMA members and to strengthen ties with other professional accounting bodies.


Dato' O. K. Lee

CIMA's presence in Malaysia grew steadily from being a CIMA Centre in 1977 to a Branch in 1985 and finally in keeping with its membership and student members, into a Division in 1989. Today, the Division has 2,300 members and more than 4,000 students. Globally, there are over 50,000 CIMA members and 67,000 students.

The CIMA qualification is recognised worldwide as the financial qualification for business, where the syllabus emphasises on management and decision-making skills. The examinations are conducted twice a year in May and November. A number of reputable local colleges offer full-time and part-time study for CIMA students. AN

CIMA Malaysia Welcomes its New Divisional Director

Sopiah Suid came on board as the new Divisional Director of CIMA Malaysia Division on 16 March 2001.


Sopiah Suid

Prior to her current position, Sopiah headed the Corporate Communications Department of the Putra World Trade Centre, a premier convention and exhibition centre in Malaysia. She has extensive work experience in the communications and media industry, having also worked with the New Straits Times Group, a major publisher of newspapers and magazines in the country.

She holds a Master of Arts Degree in Organisation, Planning and Management in Education from Reading University, England, and a Master of Science Degree in Biology from Loyola University of Chicago, US. She received her Bachelor of Arts Degree from Monmouth College, US.

Puan Sopiah's appointment will bring a strategic dimension to CIMA Malaysia Division and help ensure the growth of the Division into the 21st century. AN

List of New Books Available in the MIA Resource Centre

Financial Strategy : Adding Stakeholder Value, edited by Janette Rutterford, Chichester : John Wiley & Sons, 1998.
Call No. : 658.152 FIN

The Strategy Reader, edited by Susan Segak-Horn, Oxford : Blackwell Publishers Ltd., 1998.
Call No. : 658.4012 STR

Contemporary Strategy Analysis, by Robert M. Grant, Oxford : Blackwell Publishers Ltd., 1998.
Call No. : 658.4012 GRA

Research Methods for Managers, 2nd ed., by John Gill and Phil Johnson, London : Paul Chapman Publishers, 1997.
Call No. : 658. 57 GIL

Business Research, by Jill Hussey and Roger Hussey, London : Macmillan Press, 1997.
Cal No. : 658.57 HUS

Human Resource Management : A Strategic Introduction, 2nd ed., by Christopher Mabey, Graeme Salaman and John Storey, Oxford : Blackwell Publishers Ltd, 1998.
Call No. : 658.3 MAB

Strategic Human Resource Management : A Reader, edited by Christopher Mabey, Graeme Salaman and John Storey, London : SAGE, 1998.
Call No. : 658. 3 STR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Cambodia, by Francis B. Narayan and Ted Godden, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Mongolia, by Francis B. Narayan and Barry Reid, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Uzbekistan, by Francis B. Narayan and Barry Reid, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Pakistan, by Francis B. Narayan and Ted Godden, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Papua New Guinea, by Francis B. Narayan and Ted Godden, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in People's Republic of China, by Francis B. Narayan and Barry Reid, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Vietnam, Vol 1, by Francis B. Narayan and Ted Godden, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR

Diagnostic Study of Accounting and Auditing : Financial Management and Governance Issues in Selected Developing Member Countries, by Francis B. Narayan, Ted Godden, Barry Reid and Ma. Rosa P. Ortega, Manila : Asian Development Bank, 2000.
Call No. : 658.15 NAR