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Editor, Akauntan Nasional
Dewan Akauntan, No.2, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur.
Tel: 03-2745055, Fax: 03-2741783

During the current economic situation, the central bank is indispensable. It plays the major role in supervising the monetary and financial system to ensure stability in our economy and thus facilitates growth of the economy. No doubt a smooth relationship between the Central Bank and the Ministry of Finance is a must to ensure the well-being of the people. However, the independence of the central bank with respect to the government has always been a very sensitive issue in a political economy.

When a developing country institutes monetary reform, the central bank should be given a reasonable degree of autonomy. It deserves certain powers and freedom to carry out its responsibilities effectively. This is the view of Dr Dawood M. Mithani of Universiti Utara Malaysia in his article entitled "Paradigms of Central Bank Independence in a Developing Country" which is in this month's feature article of the Akauntan Nasional. This article discusses the evolution of central bank independence in a developing economy.

This month's journal also features an article entitled "Linkage Between Intensity of Competition and Use of Performance Measures in Malaysian Manufacturing Firms" by Foong Soon Yau and Zainal Abidin Robani of Universiti Putra Malaysia. Their article examines empirically whether the nature of competition influences the type of key performance indicators used in Malaysian manufacturing firms. It is a fact that in order to know whether a firm is moving forward towards its ultimate goals, appropriate performance measures should be used to assist managers to evaluate the effectiveness of their strategies.

Management reports, according to this article, are usually influenced by financial indicators but management accountants should not ignore the non-financial performance measures in order to be more consistent with long-term effectiveness and profitability of firms. This article is beneficial to management accountants because the findings of the study in this article give them more insights to develop indicators perceived as relevant by line managers to track their strategic goal accomplishments.

In the Institute's news, the articles show the Institute has been actively involved in its endeavour to produce competent accountants by organising seminars which cover topics from finance to emotional intelligence. The Institute hopes accountants will give full support to the Institute's measures to guide the profession to a higher level.

Editor

CONTRIBUTION OF ARTICLES

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

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

Additional information may be obtained by writing to:
Editor, Akauntan Nasional
Malaysian Institute of Accountants
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur, Malaysia
Fax: 03-2741783 E-mail: communications@mia.org.my

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

The functions of the Institute are, inter alia:

(a) To regulate the practice of the accountancy profession in Malaysia;

(b) To promote in any manner it thinks fit, the interests of the accountancy profession in Malaysia;

(c) To provide for the training, education and examination by the Institute or any other body, of persons practising or intending to practise the profession; and

(d) To determine the qualifications of persons for admission as members.

Publishing Consultant
Executive Mode Sdn Bhd (317453-P)
Tel: 03-718 0184, 717 7545 Fax: 03-718 1450
E-mail: execmod@po.jaring.my
Homepage: http://www.jaring.my/executivemode

Printer
Ultimate Print Sdn Bhd (62208-H)
No. 12, Jalan 213
46050 Petaling Jaya
Tel: 03-793 6830/31/29 Fax: 03-793 6816

Published By
Malaysian Institute of Accountants
Registered Office and Address
Dewan Akauntan
No. 2, Jalan Tun Sambanthan 3, Brickfields
50470 Kuala Lumpur
Tel: 03-274 5055 Fax: 03-274 1783, 273 1016
E-mail: mia@mia.org.my
Homepage: http://www.mia.org.my

Rotation of Auditors in Public Listed Companies — A Need For Transparency

Rolling stones gather no moss - is an expression that fits the role of auditors who are rotated. What I mean by rotating auditors is that they do not hold the post of an auditor in a designated organisation for too long to act biasly or prejudicially. Auditors need to be rotated in order to ensure transparency of financial reports at least in public listed companies.

The Cohen Commission delineated an auditor's role as to *"provide a means of confirming or correcting the information received earlier by the market.... and help to assure the efficiency of the market by limiting the life of inaccurate statement information or by deterring its dissemination."*

Auditors need to be rotated in order to ensure transparency of financial reports at least in public listed companies

The Institute believes that integrity, independence and accuracy are vital elements needed to insist on auditors providing an independent opinion to those with an interest in a company. This is to show them that they have received from those responsible for its direction and management, an adequate account of proper conduct of the company affairs, the company's financial performance and position and future risks attached to the company.

Moreover, a recent research by Professor Roger Simnett of the School of Accounting at the University of New South Wales in Sydney, and Peter Carey, an accounting researcher of Monash University in Melbourne, found that auditors that stay with one company longer than seven years were less likely to qualify the accounts. They also examined the added costs procured, should a requirement to rotate be introduced. The academics estimated the cost of taking on a new auditor at 10 percent of the total audit fee for the first year of the work. However, they pointed out that this extra cost was mostly borne by the auditor, and not passed on as additional fees.

Retention of auditors in a company for too long may impair the independence of their report, as over a period of time they may develop a friendly, close relationship with the management of the company. Furthermore, if the auditors are too dependent on a major client for their main source of income, it will also lead to diminution of their independence over time.

The absence of laws on rotation of auditors have also resulted in a few firms remaining big in the country. Incidentally, these firms have a significant amount of foreign influence. The Institute is of the view that it is against national interest as

The Institute believes that integrity, independence and accuracy are vital elements needed to insist on auditors providing an independent opinion to those with an interest in a company

The absence of laws on rotation of auditors have also resulted in a few firms remaining big in the country

they can cover up any mistakes made and these mistakes can go unnoticed forever as long as they are auditors.

The view of the Institute is that the independence of external auditors is even more critical as the country advances into the new millennium, where there will be more rapid changes in the business environment in which the accountants work will become more complex with increasing risks. Even though, at present S172 (2) of the Companies Act 1965 provides a change of external auditors at every annual general meeting, this provision however is not effective as the same external auditors are continuously re-appointed.

The Institute, with the interest of the nation at heart, proposes that the provision of the Act should be amended as follows:

- A rotation of external auditors which will enhance public's perception on the independence of external auditors. This will in turn give the much needed boost in the level of confidence of corporate governance; and
- That the external auditors can be given security of tenure for say three to five years, after which another auditor is to be engaged, the former will be precluded from being rehired for a period of say ten years.

The Institute believes that these changes if introduced, will be able to overcome the question of independence, the lack of objectivity and integrity of financial reporting. This will eventually put to test the reliability and competency of accountants in place to promote investors' confidence.

Additional costs may be an argument against the rotation of auditors but it is contended that where there has been a change of auditors, the resultant tender exercise has always resulted in a lower fee being quoted even by the incumbent auditor!

Economically, rotation of auditors will provide a more "macro" view of auditors managing their audit function. In the long run, auditors would exercise higher standards of reasonable care and skill, which result in increased efficiency of the capital markets and producing better financial statements.

Politically, the Government obviously will want to create more credible-sized national firms which have very little foreign intervention. The likelihood of sensitive information pertaining to our Malaysian companies misused by foreigners under the guise of international quality control will be reduced and eliminated.

Thus the Institute feels that there are more advantages to implement rotation of auditors. It will have far reaching effects in the quality of audit reports and will improve the perception of the members of public at large with the quality of financial statements.

MIA BRANCHES

Northern Branch
Lot 4.01, 4th Flr, Acctax Corporate Centre
2, Jalan Bawasah
10500 Penang
Tel: 04-229 4203/229 5546
Fax: 04-229 5546
e-mail: mianb@po.jaring.my

Southern Branch
72A, Jalan Pingai
Taman Pelangi
80400 Johor Bahru, Johor
Tel: 07-333 0202
Fax: 07-332 2481
e-mail: miajbu@po.jaring.my

Sabah Branch
Damai Plaza III, 3rd Floor, CII
Jalan Damai
88300 Kota Kinabalu
Tel: 088-233 733
Fax: 088-261 290
e-mail: miakku@po.jaring.my

Sarawak Branch
2nd Floor
16, Jalan Bukit Mata Kuching
93100 Kuching, Sarawak
Tel: 082-418 427
Fax: 082-417 427
e-mail: miakch@po.jaring.my

Perak Branch
108, Jalan Raja Ekram
30450 Ipoh, Perak
Tel 05-255 9306, 254 9659
Fax: 05-255 5075
e-mail: miaiph@po.jaring.my

East Coast Branch
No. 1, 2nd Floor
Lorong Pasar Baru 2
25000 Kuantan
Tel: 09-514 4875, 514 4876
Fax: 09-514 4890
e-mail: miakn@po.jaring.my

Negeri Sembilan - Melaka Branch

Negeri Sembilan
Suite A, 1st Floor
39 Jalan Tunku Hassan
70000 Seremban, Negeri Sembilan DK
Tel: 06-763 1233, 761 1311
Fax: 06-763 7198
e-mail: miamlk@po.jaring.my

Melaka
302, Taman Melaka Raya
75000 Melaka
Tel: 06-282 6422, 282 6300
Fax: 06-283 7280
e-mail: miamlk@po.jaring.my

Feature

Paradigms of Central Bank Independence in a Developing Country

Dr. Dawood M. Mithani of Universiti Utara Malaysia, spells out some paradigms concerning the evolution of Central Bank Independence (CBI) in a developing economy

When a central bank possesses the requisite discretionary powers without any hindrances, then only can it be considered as genuinely independent

Introduction

By and large, the constitutional and functional relations between the central bank and the treasury in a developing country are very closely linked. The question of greater autonomy or independence of the central bank in its relationship to the government is apparently a very sensitive issue in a political economy. In economy discussion, time and again, this has been a recurring theme which has been widely debated over the years in several countries.

An attempt is made in this article to spell out some paradigms concerning the evolution of central bank independence (CBI) in a developing economy.

The Concept of Autonomy

The autonomy of a central bank essentially means its independence as a decision- making authority. This clearly implies separation of decision-making powers of the Central Bank and the Ministry of Finance. It necessitates that the rules and guidelines be spelt out for the central bank in the context of its major macroeconomic goals such as price stability and exchange stability, along with the cognizance of its privilege of discretionary powers to be used at free will in shaping and implementing the monetary policy in realization of these objectives. When a central bank possesses the requisite discretionary powers without any hindrances, then only can it be considered as genuinely independent.

In essence, the concept of autonomy of a central bank refers to the degree of independence enjoyed by the central bank in decision-making process, in farming and implementing its monetary policy. However, a good working relationship between central bank and finance ministry does not preclude that there will at times be differences on some specific issues in policy matters and actions involved as each has its own primary function and responsibilities. Indeed, the central bank and finance ministry must endeavour to work as natural allies in the pursuit of national economic objectives. A coherence of monetary and fiscal policies is essential to avoid conflicts and contradictions.

Key Indicators of CBI

The degree of central bank independence can be judged in the light of certain key indicators as follows:

1 Operational Freedom

The extent of freedom, the central bank has, to change of official interest rates, determine exchange rates parities, and select the mix of policy instruments by using its discretionary powers and undertaking open market operations as a credit management device rather than debt management device is critical in this regard.

A central bank wins the confidence of the public through its integrity in serving the good cause of the nation and its accountability would be appreciated by the legislative body

2 Appointment System

The manner in which the governor of the central bank is appointed and his terms of office and procedure of his removal crucially determine its degree of autonomy. The Federal Reserve Bank of America (Fed) provides a good example of a high degree of autonomy in this regard. By providing 14-year terms for the governors in the case of Fed, the central bank leadership in America is clearly insulated from short-term political pressures. Besides, the governors of the Fed can never be dismissed without a substantial cause.

3 Legal Framework

The extent to which a central bank is guaranteed autonomy in its relationship with the Treasury is to be inferred from the provisions in the central banking law of the country. The law prescribes the fundamentals of this relationship, which reflects the powers and degree of independence legally enjoyed by the central bank. A careful study and interpretation of the central banking legislation is, thus, essential in this regard.

4 Self-Financing

The central bank claims a greater degree of independence when it resorts to self-financing. In the U.S.A., for instance, the Fed is self-financing: its large source of income is the interest income earned through open market operations of the government securities. When a central bank depends on internal financing, it is clearly insulated from the powers of the purse used by the politically motivated government.

5 Integrity and Accountability

This is an objective test. A central bank wins the confidence of the public through its integrity in serving the good cause of the nation and its accountability would be appreciated by the legislative body. A central bank, therefore, cannot be devoid of any control by the government. In actual fact, the central bank is a para-government agency forming a part of the government at large. Nevertheless, it is essential that the fundamental independence of the central bank should be guaranteed and should never be jeopardized by undue government intervention.

The value of the central bank should, however, be reflected through its integrity in discharging its duties and working for the achievements of prescribed macroeconomic goals, especially, the price stability and maintaining harmony with the government through appropriate policy-mix in the best interest of national economy. A central bank then becomes a 'precious' institution where importance can never be neglected by any government in a developing economy.

Paradigms of Central Bank Independence

When a developing country institutes monetary reforms, it is essential that it should pay attention to the need of a reasonable degree of central bank autonomy as well. In this regard some important paradigms (P) are enlisted below:

PI: No Limitless Obligation to Provide Government Credit

The central bank should be free to decide the quantum of government securities to be held in its assets portfolio management. It follows that the central bank should not be under any obligation to give credit to the government sector beyond a level thought appropriate by its governing body.

P2: No Domination of Government Officials

Even when a central bank is empowered to determine its monetary policy solely by itself; its real independence becomes a myth if its governing body is dominated by the government officials' membership. If this is so, their approach and attitude matters. The government officials should act passively and give full opportunity to the central bank officials in the Board's meeting to express their candid opinion and views on monetary/financial matters. In actual fact, the government representatives are meant to observe and convey the right message to the government and not just impose government's whims on the country's apex financial institution.

P3: Governing Board Comprises Experts and Reflects Wider Representation

Besides statutory provisions, efforts should be made to ensure that experts and highly-qualified persons are appointed as members of the governing board of the central bank. Membership of the board should also reflect a wider representation from all the major economic sectors such as agriculture, industries (large and small), domestic and foreign trade, banking and finance, including professionals such as economists, cost and chartered accountants and veteran academicians in the field of economics and finance.

P4: Rationalization of Terms of Appointment and Tenure of the Members

To ensure perspective monetary policy, statutory provisions should ensure that members of the Bank's governing body would not be removed before the expiry of their terms of appointment on futile grounds. Moreover, it should be seen that their terms of appointment should not coincide with that of the government. For this reason, all the members of the governing body should be appointed at fixed intervals.

It needs to be recognized both in law and practice, the governor of the central bank is supervisor to the Bureaucrats

P5: High Status of the Governor

The Governor of the central bank should be given the status of a cabinet minister, so that he commands a better respect from the secretary of the Ministry of Finance. It needs to be recognized both in law and practice, the governor of the central bank is supervisor to the Bureaucrats.

P6: Governor's Interaction with the Parliament

The Governor of the central bank should be invited to participate in the budgetary sessions of the parliament rather than the government merely seeking his advice (which is often ignored) in the pre-budgetary formal meetings. He should be given an opportunity to present his views on the monetary and financial matters and make the members of parliament (MPs) aware of the monetary issues and problems of the economy. He also benefits by the interaction with some experienced and knowledgeable MPs having their candid comments and views on the course of monetary policy that serves the best interests of the nation.

Certainly, a central banker cannot afford to have policies that disregard the general trend and aspirations of the people.

P7: Financial Independence

To make it really independent, it is essential that the central bank is made financially independent. When it has to depend for its operations on financial assistance from the government it cannot function freely. This paradigm is not easy to be followed in many developing economic such as India where the central banks carry huge liabilities, on the one hand, and have meagre source of incomes, on the other.

P8: Use of Moral Suasion and Publicity

A central bank lacking a high degree of autonomy due to constitutional constraints should find a way out. It can acquire its strength of working and right course of decision making through moral suasion: spreading its message within the government circles as well as cultivating public opinion on the monetary issues. This can be achieved through its research output, publications and lectures delivered by its top officials.

A central bank works most efficiently when the best qualified, rigorously trained and devoted people man it

P9: High Calibre of the Staff and its Involvement

Autonomy is meaningful when there is excellence and accountability. A central bank works most efficiently when the best qualified, rigorously trained and devoted people man it. There should be enough scope for vertical mobility of the employees with improved qualifications and better performance. The staff from middle ranks should also be involved in decision-making process as far as possible. There should be sessions for open discussion of the monetary issues and problems to be solved by appropriate mould of the policy and measures to be adopted by the central bank. A consultative interaction with renowned academicians and professional economists can be fruitful in this regard.

The central bank's true strength and influence can be seen from the display of expertise and professionalism of its staff at the top level. It should, however, be ensured that at the top level there are no 'purely' political appointees

P10: Accountability

Autonomy cannot be devoid of accountability. In practice, it is not an easy task to make the central bank independent permitting it to use discretionary powers and yet be accountable for monetary management in the absence of a monetary planning or programming for the financial growth in the economy and under the conditions of financial indiscipline of the government in a country. On practical consideration, the central bank's accountability implies that its policies and working should be made explicit to the public at large whatever degree of autonomy it might be possessing. Moreover, its reports should be subject to scrutiny by the parliamentary committees.

Autonomy does not imply that the central bank should be aloof from the Ministry of Finance and other governmental agencies, such as the Economic Planning Unit or Planning Commission

P11: Coherence

Autonomy does not imply that the central bank should be aloof from the Ministry of Finance and other governmental agencies, such as the Economic Planning Unit or Planning Commission. It cannot operate in a vacuum. It has to consult various authorities in an extensive manner. It has to shape its policy in a best possible manner to make it result-oriented and more effective. This requires coherence of monetary/banking policy with fiscal, trade, industrial and agricultural policies in the national policy framework of the country without sacrificing much the actions needed for the goal of price stability. For effectiveness of the various wings of the macroeconomics policy, a "policy-mix" should be envisaged, from time-to-time, through appropriate co-ordination for reconciliation of conflicting objectives and harmonization of the policy-measures. For this reason, the central banker should behave like a "gourmet economist" rather than being "dogmatic" in his perception, analysis and dealing with the monetary problems and shaping the monetary policy in a mixed frame-work, from time-to-time.

P12: Legal Amendment

The central banking laws need to be suitably amended to grant, substantiate and protect independence of the central bank. The central bank in a developing economy has not to be just autonomous, it has to be strong and influential. The central bank's true strength and influence can be seen from the display of expertise and professionalism of its staff at the top level. It should, however, be ensured that at the top level there are no "purely" political appointees.

The legal autonomy is, though necessary to an extent, not a sufficient condition for evolving a strong and influential central bank. To be a strong apex financial institution, the central bank needs to acquire efficiency and give excellent performance. The central banker can exert its influence through his interaction with the political process without his political involvement. This requires that he should be in regular contact with the Prime Minister, Ministry of Finance, and the Economic Planning Unit and the concerned ministries, without any subordination to the political bosses. He should be capable of maintaining his dignity and never have a "Yes, Minister!" attitude. Indeed, a noble government with its prudence of restrained intervention and cooperation in the operations of the central bank can make it a strong authority, even if there is no legal independence guaranteed. Behaviour, attitude, actions and understanding are more important than the legal text.

Concluding Remarks

Since money can hardly manage itself, a central bank is indispensable. It is to be respected for its significance as an apex financial institution in performing the tasks of supervision, regulation and promotion of the monetary and financial system for ensuring better payment mechanism to facilitate the growth of market economy and stabilizing the value of the currency through appropriate monetary management. It deserves certain powers and freedom to carry on its responsibilities without a hitch. Hence, to do its job effectively and efficiently, a central bank in any country needs a distancing from day-to-day politics - whether leaders are Kings, Prime Ministers, Finance Ministers or members of the legislative body.

There are two facets of central bank autonomy: political and economic. When the central bank is insulated from political pressures in its policy-making the bank enjoys political autonomy.

Strengthening central bank independence is a necessary condition for effective monetary policy in a liberalized framework of financial system in a developing country

Political autonomy of the banks depends on its organizational structure – especially, the Board of Directors, which makes the policy decisions. A central bank is considered to have a low degree of political autonomy when its policy making board is comprised by government representatives and political appointees (based on the Ministerial recommendations or selection) with short term of office. This is commonly observed in several developing countries. Besides, the existence of explicit goals, such as price stabilisation is regarded as an index of a high degree of political autonomy.

A central bank's economic autonomy depends on freedom to implement policy measures to achieve its pre-determined goals. When a bank is compelled to finance the fiscal deficits without questioning on the issue of monetised deficit it ceases to have an economic independence. Autonomy is therefore, essentially the problem associated with the nature of the government-central bank relationship in discharging functions and policy-matters relating to the monetary and financial system of the country. Usually the drafting of the monetary programme and policy is a function of the central bank. But, in the absence of central bank autonomy it is quite likely that the Ministry of Finance may make undue alterations and sometimes completely change its course and purpose as well.

Autonomy implies that a smooth relationship between the Central Bank and the Ministry of Finance is ensured and sustained in the best interest of the nation – to maximise the welfare of the community: besides the government through fiscal measures, the central bank through pursuit of monetary stability and consequent price stability contributes in no small means to the common welfare. Monetary and fiscal interfaces cannot be segregated in pursuance of macroeconomics objectives. Ostensibly, a central bank cannot act independently to subserve its prime goals in monetary management. Contradictions in the behaviour of the fiscal and monetary authorities, however, need to be resolved through coherence rather than subordination. To that extent a reasonable degree of central bank independence is warranted.

Autonomy implies that a smooth relationship between the Central Bank and the Ministry of Finance is ensured and sustained in the best interest of the nation – to maximise the welfare of the community

Degree of central bank independence is an important determinant of policy choices and actions as well as the resulting performance – a successful monetary policy pursued by the bank. Strengthening central bank independence is a necessary condition for effective monetary policy in a liberalized framework of financial system in a developing country. When a developing country is undergoing monetary reforms with economic deregulation, reduced repression and distortions, transparency and clear market rules and reorganization and streamlining of role, responsibilities and operations of its central bank, it should also seek to enhance the degree of central bank autonomy.

By and large, central banks are semi-government institutions and cannot be fully politically autonomous. They are also required to subserve the social and economic objectives on the national agenda of the government, and so cannot claim unrestricted economic autonomy. Their independence is, therefore, to be claimed *within* and *not* *from* the government.

Autonomy of the central bank is, however, not the only solution or the best solution to the problem of controlling inflation and achieving the price stabilisation goal. Credibility, accountability and independence of the central bank are more critical in those countries where governments have an incentive to generate inflation than where governments are strong, stable, prudent and taking care for the best interests of the nation rather than fulfilling their own political motivation in playing the inflation games through their reckless spending by creating fiat money through debt monetization. World economic history reveals that central banks in many developing countries, from time to time, have compromised their ideals with the governments by monetizing their fiscal deficits and embarking on various pro-inflationary quasi-fiscal activities: such as lending to the government at low administeral interest rates, instituting directed credit programme for the banking sectors-especially, preferential refinancing of bank credit to priority sector, and granting interest subsidies to specific sectors, foreign borrowing for on-lending to government, exchange rate guarantees, managing multiple exchange rate arrangements, supporting poorly designed deposit insurance schemes, and accepting responsibility for exchange risk on external borrowings of the government. Such quasi-fiscal activities lead to expansionary credit flows, on the one hand, and losses – reduction in the net assets of the central bank, on the other.

The independence of a central bank from the government in its decision-making process and use of discretionary powers in monetary management is a necessary condition for its strength and effectiveness of the monetary policy; it is, however, not a compelling condition

The independence of a central bank from the government in its decision-making process and use of discretionary powers in monetary management is a necessary condition for its strength and effectiveness of the monetary policy; it is, however, not a compelling condition.

Central Banking is both a science as well as an art. Its policy works when the performance is made by the artists – who possess dual understanding of the highest level of theory cum the operational details of monetary policy (i.e., deep sense of financial institutions and instruments; context, approach, and nuances of seemingly identical actions in order to do meaningful empirical work/to interpret data and decide the right course of action. A mere application of theories and models without a meaningful operational context would bear no fruit of success in the real world. The central banker must have vision, wisdom, will and zeal to do best for the betterment of the country.

The degree of autonomy in reality and public acceptance of the independence of central bank depend on its performance as an apex financial institution and how well it is capable of defending its role as a leader, regulator and promoter in the country's financial system. In polity, independence is never given so easily; it needs to be earned through better performance and devotion by establishing a reputation and creating a public opinion in its favour.

In a developing economy, when a central bank is craving for autonomy it should look critically to the track record of its endeavours vis-à-vis its goals and the degree of success achieved to justify what and why it deserves before its desires. The question of credibility and accountability is always interlinked with the problem of autonomy.

To sum up when the economy is liberalised and degree of its market-orientation increase, a minimisation of government intervention should automatically follow in the financial system. A greater degree of autonomy, to enable the central bank to work efficiently, an independent central bank is thus warranted.

Feature

Linkage Between Intensity of Competition and use of Performance Measures in Malaysian Manufacturing Firms

Foong Soon Yau and Zainal Abidin Robani of Universiti Putra Malaysia examine how the nature of competition faced by manufacturing firms and other firm-related variables may influence the importance placed on the different performance indicators in firms

Abstract

Performance measurement systems should be aligned to firms' strategies to enable more effective monitoring of performance of firms' critical success factors. This study examines empirically whether the nature of competition influences the type of key performance indicator used in Malaysian manufacturing firms. Responses from the production managers of sixty-one manufacturing firms were analysed and the results indicate that the intensity of competition significantly influenced the overall emphasis on both the financial and the non-financial performance measures. There was no evidence to show that financial measures are more important than the non-financial measures in the manufacturing firms. The emphasis on the traditional budgetary control measures, namely budget vs. actual and cost variances, is even lower than that placed on certain non-financial measures, such as number of customers' complaints, percentage of on-time delivery and percentage of defective units. Significant differences in emphasis placed on various financial and non-financial measures are found between firms experiencing "very high" intensity and those experiencing "lesser" intensity of competition. The management accountants may heed the findings of this study to develop indicators perceived as relevant by line managers to track their strategic goal accomplishments.

Introduction

With the current economic slow down and the increasingly intense competition experienced in both the local and foreign markets, it is critical for managers to be given timely feedback in the form of appropriate performance indicators to enable them to act speedily to sustain the firms' commercial viability. Appropriate performance measures provide the effective feedback on whether a firm is moving toward its ultimate goals and that can assist managers to evaluate the effectiveness of their strategies. Performance measurement systems in firms, therefore, have to be aligned to the firms' strategies by enabling effective monitoring of performance of their critical success factors, otherwise these measures can lead to dysfunctional behaviour (Porter et al., 1975). The shift from the mass production strategy to mass customisation strategy provides a challenge to the accounting profession of instituting the right performance measurement system to facilitate the appropriate change in employee behaviour in organisations; as the saying goes, "what gets measured gets done".

Low cost strategy has given way to customer satisfaction and product quality as the strategic weapons in this highly competitive environment

Low cost strategy has given way to customer satisfaction and product quality as the strategic weapons in this highly competitive environment. For example, Krajewski and Ritzman (1992) found that the competitive priorities of US businesses had shifted from low price in their 1988 survey to on-time delivery in their 1990 survey. The competitive priorities ranked, in the order of importance, in their 1990 survey were: on-time delivery, consistent quality, high performance design, price, fast delivery time, product development speed, product customisation and volume flexibility. The traditional accounting-based measures often fail to capture the essence of these new strategic priorities. Accounting-based measures tend to be output-focused, rather than process-focused. As a consequence, they do not tell what went wrong and what to do next. Besides, factory operators seldom think in terms of the financial aspects of their work and that is not going to facilitate organisational learning. Accounting numbers also generally discourage investments in new technologies and human resources, even though these are vital to the long-term competitiveness of companies. Doyle (1994), for example, identified some of the factors that contributed to the inability or lack of capability of most Western and UK manufacturing companies to compete in the international market as these companies were being short-term oriented, such as emphasising on return on investment with less investments in developing new markets and in new manufacturing technologies. The Japanese competitors, on the other hand, emphasise on equal multiple objectives or goals, such as market share, profitability and innovation.

In view of that, non-financial performance measures have been developed to evaluate strategies and to make managers aware of the performance of the company's key success factors. Functional managers have been tracking the quality, market share and other non-financial indicators for a long time. Designing a management accounting system that helps management to improve organisational performance is a challenging task for management accountants. In this era of mass customisation, measures related to product quality, flexibility, delivery dependability and innovation are necessary. It is time that the management accounting systems formalise the reporting of these new performance measures and accountants should be seen to play a more prominent role in the process of strategy formulation, monitoring and evaluation by making available appropriate information for managers to evaluate and monitor their strategies. Management accounting systems should supply information that is more relevant to the evaluation of the company's key success factors. An ability to identify key success factors and monitoring their performances is critical for the accomplishment of corporate strategic goals and enhancement of organisational effectiveness in combating competition.

> Functional managers have been tracking the quality, market share and other non-financial indicators for a long time

In view of the many theoretical arguments for the need to link performance measures to strategy, this study proposes to examine empirically whether the nature of perceived competition influences the type of key performance measures used in the Malaysian manufacturing firms. Its findings may aid accountants to identify and formalise the reporting of the performance measures that are viewed by the line managers as critical in tracking organisational effectiveness in counteracting competition.

Since companies facing keen competition tend to value timely information feedback for decision making, the nature of competition may influence the relevance of the different indicators for monitoring performance

Literature Review

Richardson and Gordon (1980) proposed that different measures should be used to gauge manufacturing performance at different stages of a product life cycle and they found a general support among the Canadian manufacturers for their propositions. They postulated that performance measures at the early stage of a product life cycle, such as those related to innovation and flexibility, are generally more complex than those, such as cost measures, appropriate for mature products. Their field study of Canadian manufacturers has generally shown that performance measures appropriate for the early stages of a product life cycle were either non-existent or extremely crude. The use of performance measures appropriate for mature products will tend to inhibit the successful introduction of a new product and also lead to dysfunctional behaviour. Richardson and Gordon reckoned that the failure of management accountants to devise appropriate measures as serious since the future success of most manufacturers would depend on their ability and speed to introduce new, innovative and customised products.

The nature of the production process influences the type of performance measure adopted

Al Bhimani (1994) identified certain factors that influenced the types of performance measures adopted by UK companies. The nature of the production process influences the type of performance measure adopted. For example, the adoption of Just-in-time (JIT) and Total Quality Management (TQM) lead to greater emphasis on direct measures on material flow, inventory level, product delivery performance and quality. The successful introduction of the total quality management (TQM) concept in many organisations as a means to enhance quality awareness and improved product quality to compete in the global markets was found to be dependent on reliance of appropriate managerial performance measures by Chenhall, (1997).

Although Al Bhimani (1994) reported that most of the UK companies placed increasing significance on non-financial measures, Aziah et al. (1989) revealed that Malaysian manufacturers placed a greater emphasis on financial measures than on non-financial (or direct) measures. Aziah et al.'s study found that sales was the most used financial measure, while product quality was the most used non-financial measure. Residual income was the least used financial measure, while manufacturing flexibility was the least used non-financial measure.

Generally, there is no one measure that can provide a clear performance target for the various aspects of a business. Kaplan and Norton (1992) advocate a "balanced scorecard" that incorporates both the financial and non-financial performance measures that provide indicators on the financial perspective, customer satisfaction, internal business process and innovation and improvement of the business.

Since companies facing keen competition tend to value timely information feedback for decision making, the nature of competition may influence the relevance of the different indicators for monitoring performance. This study examines how the nature of competition faced by manufacturing firms and other firm-related variables may influence the importance placed on the different performance indicators in firms.

Methodology

Structured questionnaires were distributed to about 200 Malaysian manufacturing firms located in the West Coast of Peninsular Malaysia. Sixty-one completed questionnaires were returned and analysed. The questionnaires were directed to the production managers who were responsible for monitoring the manufacturing performance of the respective firms. The respondents were required to indicate their answers to most of the questionnaires on a 5-point likert scale.

Results and Discussion

The respondent firms ranged from manufacturers of food and beverages to heavy machines and motors parts. Electrical and Electronic firms and firms involved in manufacturing of chemicals or chemical-related products constituted about 67% of the total sample. A summary of the profile of the respondent firms is shown in Table I below:

TABLE 1

Profile of respondent firms

		Number of companies	Percentage (%)
Ownership:	Local	39	63.9
	Foreign	22	36.1
		61	100.0
Size:	Small & Medium scale	8	13.1
	Large scale	53	86.9
		61	100.0
Age :	Less than 3 years	2	3.3
	3 to 9 years	31	50.8
	10 years and more	28	45.9
		61	100.0
Net Profit Margin:	Less than 0%	4	6.6
	0% to less than 10%	21	34.4
	10% to less than 20%	26	42.6
	20% and more	10	16.4
		61	100.0
Sales Growth :	Less than 0%	2	3.3
	0% to less than 10%	18	29.6
	10% to less than 20%	32	52.4
	20% and more	9	14.7
		61	100.0

The respondents were required to rate their perceived intensity of various types of competition in their firms, as well as the importance placed on the various measures as key indicators in their evaluation of performance. The percentages of firms with very high and those with lesser perceived intensity of various types of competition are shown in Table II, while Tables III(a) and III(b) present the mean rating scores of the importance of financial and non-financial performance measures, respectively.

TABLE II

Percentages of firms with 'very high' and those with 'lesser' perceived intensity of competition

Type of competition	'Very high' intensity[1]	'Lesser' intensity
Competition in product quality	85.2%	14.8%
Competition in customer service	68.9%	31.2%
Competition in pricing	68.9%	31.2%
Competition in product variety	36.0%	64.0%
Competition in promotion and advertising	32.8%	67.2%

[1] *This group includes firms which rated the intensity of competition as either 'most important' or 'very important'.*

TABLE III (a)

Mean rating scores of importance of financial performance measures

Financial Performance Measure	Mean Rating Score
Cash Flow	1.88
Sales Growth	1.93
Gross Profit Margin	2.00
Inventory Turnover	2.07
Contribution Margin	2.20
Budget vs. Actual	2.31
Cost Variances	2.36
Debtor Turnover	2.37
Return on Investment (ROI)	2.38
Net Profit per Employee	3.21

Scale: 1 = most important; 5 = not important.

TABLE III (b)

Mean rating scores of importance of non-financial performance measures

Non-Financial Performance Measure	Mean Rating Score
Number of customers' complaints	2.02
Percentage of on-time delivery	2.00
Percentage of defective units	2.14
Industrial accident rate	2.30
Production cycle time	2.37
Number of machine breakdown	2.37
Level of inventory	2.39
Number of new products introduced	2.88

Scale: 1 = most important; 5 = not important

It is interesting to note that the mean scores of the traditional budgetary control measures, namely budget vs. actual and cost variances, indicate that they are not as important as some of the non-financial measures, such as number of customers' complaints, percentage of on-time delivery, percentage of defective units and even industrial accident rate.

Regression analyses of the average weighted score of financial measures and that of non-financial measures with the average weighted score of intensity of competition and certain firm-related variables show the following relationships.

AWFM = 1.59 + 0.063AGE + 0.495AWIC -
(p=0.012)

0.053PM - 0.07SG - 0.511SIZE + 0.163OWN.
(p=0.005)

AWNFM = 1.495 + 0.059AGE + 0.536AWIC +
(p=0.02)

0.006PM + 0.028SG - 0.461SIZE + 0.062OWN.

The results suggest that the firms experiencing a higher intensity of competition tend to place a greater emphasis on both the financial and non-financial measures as key performance indicators

The regression results indicate that both the average weighted score of financial (AWFM) and that of non-financial measures (AWNFM) are significantly related to the average weighted score of intensity of competition (AWIC). In addition, the average weighted score of financial measure (AWFM) is also significantly related to the firm's size (SIZE). The other firm-related variables, namely firm's age (AGE), net profit margin earned (PM), sales growth (SG) and ownership type (OWN), are not significantly related to either the average weighted score of financial or that of non-financial measures. The results suggest that the firms experiencing a higher intensity of competition tend to place a greater emphasis on both the financial and non-financial measures as key performance indicators. Large-sized firms tend to emphasise more on the use of financial performance measures than the small-sized firms. The average weighted score of financial performance measure was not significantly different from that of non-financial performance measure which suggests that the manufacturing firms, on the whole, place about the same emphasis on both types of measures in performance evaluation.

Further analyses of the means show significant differences in the emphasis placed on the two types of measures as important key performance indicators. The mean rating scores of the different financial and non-financial performance measures by type of competition are given in Table IV (pg 18). Firms with a very high perceived intensity of competition in customer service placed a significantly higher emphasis on five financial performance measures, namely budget vs. actual, cost variances, net profit per employees, inventory turnover and contribution margin and on six non-financial measures, namely percentage of defective units, number of new products introduced, production cycle time, percentage of on-time delivery, level of inventory and industrial accident rate, than those firms with lesser intensity of perceived competition in customer service. Firms with a very high intensity of perceived competition in product quality placed a significantly higher emphasis on two financial performance measures, namely cost variances and budget vs. actual, and on three non-financial performance measures, namely percentage of defective units, production cycle time and number of new products introduced, than those firms with a lesser intensity of perceived competition in product quality. Firms with a very high intensity of perceived competition in product variety placed a significantly higher emphasis on five financial performance measures, namely net profit per employee, budget vs actual, sales growth, cost variances and cash flow, and on two non-financial performance measures, namely, number of new products introduced and production cycle time, than those firms with a lesser intensity of perceived competition in product variety. Firms with a very high intensity of perceived competition in pricing placed only a moderately higher emphasis on two financial performance measures, namely budget vs actual and net profit per employee and on one non-financial performance measure, namely percentage of defective units, than those firms with a lesser intensity of perceived competition in pricing. Firms with a very high intensity of perceived competition in promotion and advertising placed a moderately higher emphasis on contribution margin and number of new products introduced than their counterparts with a lesser intensity of perceived competition in promotion and advertising.

Large firms placed a significantly higher emphasis on three financial performance measures, namely inventory turnover (p=0.006), return on investment (ROI) (p=0.027) and debtor turnover (p=0.07), and on two non-financial performance measures, namely industrial accident rate (p=0.06) and percentage of on-time delivery (p=0.10) than those small and medium scale enterprises. The differences may be attributed to the more formalised management control systems on inventory, debtors and asset investments in the large firms as compared to those of the small and medium scale enterprises. The emphasis on work safety and delivery performance is also more evident among large firms.

The emphasis on work safety and delivery performance is also more evident among large firms

Firms with high sales growth (i.e., ≥10%) placed significantly higher emphasis on two financial performance measures, namely return on investment (ROI) (p=0.002) and cash flow (p=0.03), and on four non-financial performance measures, namely number of new products introduced (p=0.02), production cycle time (p=0.03), industrial accident rate (p=0.03) and number of machine breakdowns (p=0.04), than those firms with low sales growth (i.e., < 10%). The greater emphasis on new products introduced and production cycle time might have contributed to the better sales growth performance.

TABLE IV

Mean rating scores by type of competition

Perceived Intensity of Competition	Product Quality		Customer Service		Pricing		Product Variety		Promotion & Advertising	
Performance Measure	High	Less	High	Less	High	Less	High	Less	High	Less
Financial:										
Gross profit margin	2.02	1.50	2.00	2.00	2.03	1.93	1.84	2.11	1.93	2.03
Contribution margin	2.19	2.50	2.07	2.85*	2.03	2.57	2.00	2.34	1.86	2.37*
Sales growth	1.90	2.29	1.90	2.06	1.90	2.06	1.73	2.08**	1.90	1.97
Return on Investment (ROI)	2.40	1.86	2.21	2.65	2.36	2.29	2.09	2.49	2.25	2.38
Net profit per employee	3.11	3.57	2.98	3.64**	3.02	3.53*	2.64	3.49***	3.05	3.23
Cost variances	2.21	3.14**	2.12	2.82**	2.19	2.65	2.00	2.51*	2.10	2.44
Budget vs. Actual	2.17	3.00*	1.98	3.00***	2.12	2.65*	1.82	2.54**	2.00	2.41
Cash flow	1.87	2.00	1.86	2.00	1.83	2.00	1.63	2.08*	1.67	2.00
Inventory turnover	2.07	2.00	1.97	2.67**	2.00	2.23	1.95	2.17	1.93	2.14
Debtor turnover	2.34	3.00	2.33	2.67	2.27	2.62	2.21	2.50	2.27	2.43
Non-financial :										
Percentage of defective units	1.98	3.14***	1.80	2.94***	1.97	2.50*	2.00	2.20	2.30	2.03
Percentage of on-time delivery	1.90	2.29	1.80	2.31**	1.95	1.94	1.81	2.03	1.85	2.00
Number of customers' complaints	2.02	1.71	1.87	2.25	1.88	2.25	1.95	2.00	2.15	1.89
Number of new products introduced	2.76	3.57**	2.58	3.56***	2.83	2.94	2.41	3.14***	2.55	3.03*
Level of inventory	2.34	2.71	2.22	2.81**	2.32	2.56	2.13	2.54	2.30	2.43
Production cycle time	2.24	3.29***	2.09	3.06***	2.24	2.69	2.09	2.54*	2.15	2.49
Industrial accident rate	2.34	1.50	2.16	3.17**	2.20	2.38	2.05	2.50	2.13	2.39
Number of machine breakdowns	2.36	2.43	2.27	2.62	2.34	2.44	2.18	2.49	2.30	2.41

Scale: 1 = most important; 5 = not important.

*** *significant at $p \le 0.01$.*

** *significant at $p \le 0.05$.*

* *significant at $p \le 0.10$.*

Performance measurement is an integral part of management monitoring and evaluation process and performance measures should forge the link between strategy and action plan

Conclusion

Performance measurement is an integral part of management monitoring and evaluation process and performance measures should forge the link between strategy and action plan. In view of the greater emphasis on the qualitative dimensions in the current competitive strategy, there are many advocates for a greater emphasis on non-financial measures to track performance of critical success factors of firms. In spite of that, most management accounting reports still exhibit the tendency to continue putting a high emphasis on traditional financial or cost measures. This is possibly because management reports are influenced by the apparent overwhelming reliance on profit and other financial indicators by Board members, bankers, investors and other external stakeholders. Management accountants must, however, be aware even though the non-financial performance measures are often ignored in their reports to managers, these indicators are implicitly taken into account in their strategy evaluation. Functional managers may even have their own informal information systems to provide them with the appropriate feedback to monitor the effectiveness of their strategy. Accountants can greatly enhance their strategic role through their involvement in the design of corporate data bases and incentive systems such that the appropriate timely feedback information would be generated to influence behaviour of functional managers towards the corporate strategic goal accomplishments. By heeding this challenge to de-emphasise the current focus on simple, aggregate, short-term financial measures and to develop indicators that are more consistent with long-term competitiveness and profitability of firms (Kaplan, 1983), accountants could further safeguard their future and influence in organisations. The findings of this study provide some insights on the use of performance measures by the production managers in tracking performance when faced with varying types and intensity of competition and that may aid accountants to identify the appropriate performance measures that are most needed by line managers to assess organisational effectiveness, as well as their strategic goals accomplishments. There appears to have no optimal mix of financial and non-financial measures for manufacturing firms. The level of emphasis placed on the different types of performance measures varies with the nature of perceived competition of the firm.

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Institute News

All About Group Accounts

The Institute recently conducted a two-day seminar-cum-workshop to enlighten participants on the subject of group accounts. The speaker at the seminar, Mr. Tan Liong Tong covered various aspects of group accounts using a combination of lectures and hands-on exercises. Mr. Tan is an Associate Professor of the faculty of Economics and Management, Universiti Putra Malaysia.

Mr. Tan eloquently delivering his lecture for the day

Participants look engrossed… the lecture must have been captivating

In the introduction phase of the seminar, Tan gave a basic definition of a corporate group. "A company that has control over another is deemed to be the parent company. The organisation being controlled by the parent entity will automatically be known as the subsidiary company," explained Tan.

"In the past, a parent-subsidiary relationship can only be ascertained if a holding company owns more than 50 percent of another company's shares. However, recent developments in the accounting arena have shown that the control factor is now more important than the ownership element in determining the relationship," added Tan.

"Control is measured by the holding company's ability to run the other company's corporate affairs. A holding company is deemed to have control if it can govern the composition of the board of directors as well as financial and operating policies of another company. The company being controlled will automatically be deemed as a subsidiary even if the holding company does not own more than 50 percent of its shares."

After providing the definitions of a group and subsidiary, Tan went on to explain the various accounting principles involved in carrying out a consolidation of a holding company's and its subsidiary's accounts.

"According to local and international accounting standards, a holding company is required to consolidate its accounts with those of its subsidiaries. In the present economic climate, a lot of local holding companies are reluctant to carry out accounts consolidation because their subsidiaries are making losses," said Tan.

After explaining the principles of accounts consolidation, Tan showed participants how to carry out a consolidation of profit and loss statements as well as balance sheets of a holding company and its subsidiary. During his demonstration, he illustrated the appropriate methods of treating double-entry items like minority interest and goodwill.

Throughout the seminar, Tan provided numerous account consolidation exercises for the participants to try out. Such exercises enabled participants to have a hands-on understanding of the mechanics involved in carrying out accounts consolidation.

Initially, participants were asked to try out simple accounts consolidation. Later in the day, participants were given more complicated problems that required them to consolidate the accounts of a holding company with those of its subsidiaries and sub-subsidiaries. Luckily, Tan was readily available to provide assistance to those who faced problems finding the solutions.

Preparing a Business Plan to Obtain Financing

Malaysian Institute of Accountants recently organised a seminar called *Preparing a Business Plan to Obtain Financing*. In this interesting one-day seminar, participants were enlightened on how to prepare business plans to obtain financing from banks and venture capitalists. The speaker of the seminar, Mr. Richard Y.K. Wong shared his enormous wealth of knowledge in preparing business plans with more than 60 eager minds.

According to Wong, business plans are of utmost importance in convincing foreign and local banks as well as venture capitalists to finance your projects or business ventures. Wong said that there is no shortage of venture capitalists in developed nations who are willing to embark on high-risk ventures. “To convince these venture capitalists, you will need a well-prepared business plan that outlines every aspect of the proposed business. Venture capitalists are willing to fork out millions of dollars to finance attractive and well-planned business ventures,” he continued.

Wong said that developing countries, especially with the onset of the financial crisis, are facing a shortage of capital. He believes that obtaining sources of financing from venture capitalists in developed countries is an attractive alternative to getting loans from traditional financial institutions like banks.

“Venture capitalists are not so concerned about securing collateral assets like shares and properties when they extend credit to aspiring entrepreneurs. Most of the time, they are preoccupied with whether the money they have invested will be able to generate high returns in a certain time-frame. In addition, they also have high risk tolerance levels.”

continued on next page…

Mr Wong explaining how to prepare convincing business plans

Hands on… participants trying out the exercises at the seminar

"Despite having the funds, venture capitalists lack the market knowledge to invest directly in developing countries. In view of this, they can only provide funds to local entrepreneurs who have the market knowledge but lack the necessary capital," added Wong.

According to Wong, business plans are crucial for not only obtaining financing but for other aspects of business as well. "Business plans are also important for securing joint-ventures, partnerships, franchise and distributorship agreements with foreign companies. Foreign companies need to know the local market size and competitive environment for their products and services. They also need to know the strengths and weaknesses of your company," said Wong.

"For example, before giving local distributorships to your company, foreign companies would want to know whether you have the proper resources to market their products and services in the local market. They would want to know the financial health, management structure and staff strength of the local company before committing themselves," added Wong.

According to Wong, a business plan should consist of qualitative and quantitative data. "Preferably, a business plan should have a balance of 60 percent quantitative data and 40 percent qualitative data. The quantitative data should cover things like market size information, industry-specific data, general macro-economic data, sales forecasts, profit and loss forecasts, cash flow projections as well as capacity projections," said Wong.

"On the qualitative side, you should provide information pertaining to management structure and corporate history. Most importantly, a business plan should have a concise executive summary at the beginning. The executive summary will convey a general idea on what the business plan is all about. A well-written executive summary can draw the reader's attention, so that he or she will be interested to read the entire business plan," explained Wong.

Tax Havens — A Convenient Escape

On 5 February, David Chong Kok Kong conducted a seminar at the Pan Pacific Hotel. The seminar was attended by a large number of participants, who were mainly accountants and lawyers. The topic of the seminar was ***Offshore Companies & Jurisdictions – Tax Planning & Use***.

Participants attentively listening to Chong's explanation

Appropriate with the economic turmoil in the region, the topic provided a path to the participants on possible escape routes to prevent their assets from being seized on claim of bankruptcy or winding-up. According to Chong, the usual option for a businessman to wriggle his way out of any possible loss of assets was by disposing his assets to others either as gifts or by a sale. This option however was not without flaws. Any assets disposed of within two years of the time of bankruptcy was considered void!

Therefore as iterated by Chong, it was only sensible to plan an asset protection trust to protect one's interests. Shifting the jurisdiction of one's assets to any known tax haven through the formation of a trust, which is good against the whole world if properly formed, could do this.

Chong listed and explained the number of tax havens that were available around the world. Historically, tax havens originated from the legend of '*The Wreck of the Ten Sails*' where it was said that in 1788, 10 ships travelling in a convoy were shipwrecked on a reef in the Cayman Islands. Apparently, the people of the islands rescued all on board, including a member of royalty. So grateful was King George III that he granted the Cayman Islands freedom from taxation, which they enjoy to this day.

Nevertheless, modern tax havens began as safe havens for assets fleeing persecution from evil regimes. Chong stressed that however these tax havens have unfortunately acquired a pejorative reputation as places where secretive people carry on their 'dodgy' transactions. Thus these places liked to be known as *International Offshore Financial Centres*. Chong alleged that half of the world's wealth was held offshore and that half of the world's financial transactions were concluded offshore.

Chong named a few of the tax havens that were available around the world. The most popular jurisdiction is *British Virgin Islands*. Even though quite inaccessible and has only 50,000 people, it offers a perfect treasure trove for people who seek to protect their assets. The statute in the jurisdiction issues bearer shares which have no bearer name, thus resulting in anonymity. The law there also requires no book keeping as such! There are many other extra privileges that attract businessmen to the haven, for example, it is cheaper and there is no need for a certain number of directors.

Bermuda on the other hand, represents the best of the tax havens. The bulk of business comes from capital insurance especially from the United States. Unfortunately, this is an expensive jurisdiction because of its own success.

There is also the *Caribbean, Cyprus, Jersey, Guernsey, Isle of Man, Bahrain, Mauritius, Singapore* and of course, our very own *Labuan*. In the Pacific Ocean, there are the ever-famous jurisdictions, *Cook Islands* and *Samoa*.

Chong delineated clearly the criteria for selecting a jurisdiction. He provided the participants with a checklist:

- Secrecy
- Little or no tax
- Political stability
- Ease of administration
- Low cost
- Non-interference
- Communications and travel
- Lawyers and accountants – their accessibility
- The prevalent law
- Language
- Geography

In short the seminar was interesting. Chong clearly explained to the participants all the uses and abuses of such tax havens. The tax havens were apparently used, as an escape route for fiscal avoidance or evasion, for personal escape from probate or matrimonial proceedings, for avoidance of business litigation or creditors, to escape political unrest or espionage and the most imminent reason was to hide moneys obtained from criminal activities.

Nevertheless Chong needed to be more animated to hold the participants' attention. Seminars like these would be more interesting if the presenters were able to present their lectures with more flair and animation. However, Chong's seminar ended on a cheery note followed by lunch.

David Chong sharing his ideas with two of the seminar participants

Sabah Branch Committee 1999

Sitting L to R: Lucy Read (Branch Manager), N.K. Foo (Treasurer), Alexandra Chin (Vice Chairperson), Michael Tong (Chairman), Soon Kwai Choy (Vice President of MIA), Soong Mei Wen (Secretary), Rita Wong. Standing L to R: Zainie Aucasa, Horace Ho, Jacob Pang (Sandakan Representative), Ho Yun Kong (Tawau Representative), Allen Tong, Thomas Chong. Not in picture: Chua Soon Lan, Vincent Pung, George Bandusena, Chin Che Kee (Labuan Representative)

CPD Programmes

DEBT RECOVERY - LEGAL PROCEDURES

14 CPD Points *1 March 1999* *Shangri-La Hotel, Kuala Lumpur*

We are now experiencing a 'boom in' litigation. Two folds is a very conservative estimate. As key personnel in the corporate world one must aspire to master the art of having the upper hand in the ever-evolving world of litigation. **Alex Chang**, a practising lawyer as well as the Advisory Editor at Malayan Law Journal will advise you on the six months open and shut strategy; the Options available to you; negotiation to avoid litigation and Pre-Trial data gathering.

MANAGING Y2K ASSESSMENT AND COMPLIANCE FOR Y2K MANAGER

32 CPD Points *4-5 March 1999* *Infoscience IT Centre*

In the remaining 10 months leading to the Year 2000 it is absolutely imperative to become aware of and to understand the major issues underlying the Year 2000 computer and embedded chips problem. This programme has been structured with the intention of helping companies and their Y2K project team members to effectively plan and manage their Y2K projects. It also provides a Y2K routemap of the major steps and procedures needed to successfully complete a Year 2000 project. **Tommy Tan** and **Chandra Arumugam** will adroitly take the participants through a step-by-step approach in planning and managing the Y2K.

CONFERENCE ON EMERGING ROLES FOR INTERNAL AUDITORS

32 CPD Points *9-10 March 1999* *Hotel Nikko Kuala Lumpur*

The roles of the internal auditor are now more demanding as greater expectation for corporate governance and new development emerges in the global arena. Today's business world, demands a reinventing of internal auditing practices which require a detailed security of operation, management issues and existing systems of your organisation. This conference has been designed to provide you with the latest moves to discover the changing needs and new skills in the auditing techniques used to achieve a level of excellence in current economic conditions. This conference caters for external and internal auditors; financial controllers of banks; corporate treasurers; company directors and operations managers.

BUSINESS PROCESS REENGINEERING

48 CPD Points *10-12 March 1999* *Infoscience IT Centre Kuala Lumpur*

Business Process Reengineering is the means to radically restructure the organisation, its information system and business functions to achieve significant jumps in efficiency, product or service quality and profitability say course leaders, **Tommy Tan** and **Chandra Arumugam**.

Business Process Reengineering is in many ways a natural evolution, and practical strategic application, of a number of approaches that have recently made an impact on the ways a manager looks at and changes organisations. They include TQM, time based competition and benchmarking.

FINANCIAL ACCOUNTING AND REPORTING UPDATE (REPEAT)

16 CPD Points *17 March 1999* *Petaling Jaya Hilton*

This seminar is organised to update participants on the current developments in the area of financial accounting and reporting. In this seminar, **Associate Professor Tan Liong Tong** will highlight the accounting issues of these recent developments and provide some thoughts on the accounting implications. Note that this seminar is being repeated due to popular demand. This seminar is organised in a lecture-cum-discussion style. Participants are encouraged to comment on the issues and implications of these new developments. Summarised notes on each of the topics will be provided as part of the course materials.

PRACTICAL TAXATION - INTRODUCTION

32 CPD Points
22-23 February 1999 (Promenade Hotel Kota Kinabalu)
24-25 February 1999 (Holiday Inn Kuching)
2-3 March 1999 (Grand Continental Kuantan)
9-10 March 1999 (Grand BlueWave Johor Bahru)
15-16 March 1999 (Shangri-La Penang)
17-18 March 1999 (Melia Kuala Lumpur)
22-23 March 1999 (Casuarina Ipoh)

This practical course will cover the principles and practices of the core tax issues and recent developments in taxation. This course conducted by Ong Yoke Yew, is designed for those who are interested to have a good understanding of business taxation.

IT PROJECT MANAGEMENT INCLUDING A MS PROJECT

48 CPD Points *24-26 March 1999*

The successful implementation of an IT project relies heavily upon the management and control of the implementation process. Once again Chandra Arumugam and Tommy Tan will take you through a three day workshop to make you understand the project management methodology and planning activities that must be in place to ensure the success implementation of IT projects. Participants will also be exposed to real-life project cases to identify and discuss the various issues within the projects.

For enquiries on MIA courses, please contact Angelia/Lea Kuan/Yoges at Tel: 03-274 5055 Fax: 03-273 5167 / 03-274 1783 Email: cpd@mia.org.my

IASC Update

IASC Approves Standard on Financial Instruments to Complete Last Major Project on the IOSCO Core Standards Programme

The Board of the International Accounting Standards Committee (IASC) has approved the first International Accounting Standard to deal with the recognition and measurement of all financial instruments. In approving IAS 39, Financial Instruments: Recognition and Measurement, IASC completed the last major project on a work programme agreed in 1995 with the International Organisation of Securities Commissions (IOSCO). The work programme called on IASC to complete a comprehensive core set of standards.

IASC Chairman, Stig Enevoldsen, welcomed the completion of IAS 39:

> "The approval of the final major standard on the IOSCO work programme of core standards is an event of historic importance to users and preparers of financial statements and will lead to real progress in accounting world-wide."

Stig Enevoldsen continued:

> "Recent events in the world's financial markets have shown the need for immediate improvements in accounting around the world. Our core standards will provide that improvement. Our standards now provide a comprehensive basis of accounting. They are of high quality - that is, they will result in transparency and comparability and they provide for full disclosure."

Stig Enevoldsen added:

> "By finalising our core standards, we have lived up to the commitment we made to IOSCO in 1995. It is now up to IOSCO to carry out a timely review of the core standards, so that IOSCO can consider endorsing International Accounting Standards for cross-border capital raising and listing in all global markets."

The approval of IAS 39 also marks an important milestone in accounting for financial instruments, a subject that IASC has been considering since 1989. Although various national standard setters have issued standards covering various aspects of accounting for financial instruments, IAS 39 is the first standard issued by any standard setter that deals with all financial instruments.

IASC Secretary-General, Sir Bryan Carsberg, explained the importance of IAS 39:

> "The world badly needs a standard on financial instruments. Under IAS 39, users of financial statements will get a much clearer picture of the way enterprises use financial instruments."

Sir Bryan Carsberg also explained that IASC's work on financial instruments would continue:

> "Although IAS 39 should bring about a substantial improvement in accounting for financial instruments, we recognise the need for further development. The Board is participating in an international Joint Working Group that is exploring the feasibility of fair valuing all financial assets and financial liabilities."

Stig Enevoldsen concluded by saying:

> "The core standards will give major companies all over the world the opportunity to adopt the same accounting, which is certainly a unique and historic opportunity for convergence towards one accounting language. I urge the world to take this historic opportunity."

Copies of IAS 39 will be available in early 1999, following a review of the final wording by members of the Board.

IASC Publishes a Discussion Paper Inviting Comment on Convergence on the Methods of Accounting for Business Combinations

The International Accounting Standards Committee (IASC) has published for public comment, a Discussion Paper which contains the text of a Position Paper prepared by the G4+1 Group of standard setters (the G4+1). The G4+1 comprises representatives of national standard setting bodies from Australia, Canada, New Zealand, the United Kingdom, and the United States together with representatives of IASC.

Each of the G4+1 member organisations has agreed to issue the G4+1 Position Paper for public comment. The Position Paper has not been considered by the Board of the IASC and does not necessarily represent the views of the Board. The Staff of the IASC is issuing the Discussion Paper to enable participation of the IAS constituency in the international debate on the methods of accounting for business combinations. International practice on accounting for business combinations is diverse, particularly in the allowed methods of accounting and criteria identifying when it is appropriate to apply a particular method. The G4+1 Position Paper indicates that "achieving convergence on the method(s) of accounting for business combinations would eliminate the cause of one of the most significant reconciling items". Thus, the international debate on the methods of accounting for business combinations is highly relevant to the goal of IASC in promoting the harmonisation of accounting standards.

The G4+1 Position Paper is solely concerned with the topic of convergence on the methods of accounting for business combinations and does not address detailed points of application of those methods. In considering the methods of accounting for business combinations, the following fundamental issues are addressed by the Position Paper:

a Whether a single method of accounting for business combinations is preferable to two (or more) methods;

b If so, which method of accounting should be applied to all business combinations; and

c If not, which methods should be applied and to which combinations they should be applied.

The G4+1 Position Paper concludes that the use of a single method of accounting is preferable, and that the purchase method is the appropriate method.

Sir Bryan Carsberg, Secretary-General of IASC, said

"the IASC Board has established a Steering Committee to review comments received in response to the G4+1 Position Paper and to consider whether changes are needed to the requirements of IAS 22 related to the method of accounting for business combinations. IASC has recently completed revisions to IAS 22 and has no plan to consider any further changes apart from the point of convergence on methods discussed in the G4+1 Position Paper."

Comments on the G4+1 Position Paper should be submitted to IASC in writing so as to be received no later than 31 March 1999. It would be helpful if commentators respond by E-mail and also send a hard copy of their response by post.

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Copies of the Discussion Paper, "*G4+1 Position Paper: Recommendations for Achieving Convergence on the Methods of Accounting for Business Combinations*", may be obtained direct from IASC, 166 Fleet Street, London EC4A 2DY, United Kingdom, Telephone: +44 (171) 427-5927, Fax: +44 (171) 353-0562, E-mail: publications@iasc.org.uk, Internet Web Site: http://www.iasc.org.uk.

IASC Board Meeting in Frankfurt, 14-16 December 1998

The IASC Board met in Frankfurt, Germany from 14-16 December 1998, when it approved:

- International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement
- SIC Interpretation SIC-16, Share Capital — Reacquired Own Equity Instruments (Treasury Shares)

MIA was represented by Board Member, Mr. Tony Seah and Ms Josephine, from the Technical Department.

Notable comments on IAS 39 raised at the Board meeting are as follows:-

- 12 countries voted in favour of the Standard including Malaysia. Malaysian Board Member, Mr. Tony Seah, was of the view that the financial markets need this Standard urgently and the recognition and measurement principles will provide a comprehensive basis for accounting financial instruments.
- UK abstained on the argument that full fair value of all financial assets and liabilities, with value changes in net profit or loss, should be made an allowed alternative.
- France and US decided to abstain in view of the complexity of the issues and the time constraints in clearly identifying and dealing with all the pertinent issues.
- The Australian delegation did not support the Standard due to inconsistencies in the measurement principles and the reliance on management intent when classifying the instruments as available for sale or held to maturity.

Under IAS 39, all financial assets and financial liabilities are recognised on the balance sheet, including all derivatives and will apply to all enterprises and not just public enterprises as proposed in E62.

Hedge accounting is permitted under IAS 39 in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective.

IAS 39 supplements the disclosure requirements of IAS 32 for financial instruments.

The new Standard will be effective for accounting periods beginning on or after 1 January 2001.

On transition to the new Standard, adjustments to bring derivatives and other financial assets and liabilities onto the balance sheet and adjustments to remeasure certain financial assets and liabilities from cost to fair values on initial adoption of IAS 39 will be made by adjustable retained earnings.

With the adoption of IAS 39, IASC has now competed all of the major projects on the work programme agreed in 1995 with IOSCO. The aim of that work programme was for IASC to complete a comprehensive set of high-quality 'core standards' that IOSCO can consider endorsing for cross-border capital raising and listing purposes in all global markets.

However the Board continues to explore the possibility of fair valuing all financial assets and financial liabilities in the primary financial statements. IAS 39 is an important step towards that objective. The Board is participating in a Joint Working Group formed by IASC and standard setters representing 13 countries, which aims to develop an integrated and harmonised international standard on financial instruments by the year 2000, for consideration by the participating standard-setters.

The next IASC Board meeting has been scheduled for 16-19 March 1999 in Washington, USA. This will be the first IASC Board meeting open to the public.

IFAC Update

IFAC Proposes New International Public Sector Accounting Standards

The International Federation of Accountants (IFAC) has taken another significant step in its landmark project to improve financial management and accountability by governments worldwide. Its Public Sector Committee (PSC) has released three new proposed International Public Sector Accounting Standards (IPSASs) for comment:

- Exposure Draft (ED) 6 *Consolidated Financial Statements and Accounting for Controlled Entities*
- ED 7 *Accounting for Investments in Associates*
- ED 8 *Financial Reporting of Interests in Joint Ventures*

Together, these proposed standards deal with accounting for ownership interests of various forms in other organisations. Governments typically hold a diverse range of investments ranging from ownership of entities that deliver core government services, investments in Government Business Enterprises (GBEs), minority shareholdings in related organisations, as well as interests in joint ventures.

"Given this range of interests, there is a clear need to establish generally accepted practice on how to account for the various types of investments that governments hold, as well as how to present consolidated financial statements in the public sector," says Ian Ball, Chairman of IFAC's Public Sector Committee. "The proposed standards will help to fill this need."

The PSC is currently considering responses that it has received on its proposed *Guideline for Governmental Financial Reporting*. Moreover, the publication of these three EDs coincides with the closure of the exposure period for the first five proposed IPSASs. The PSC may decide that comments received on the proposed *Guideline*, or on the first five proposed IPSASs, have generic implications for the structure of IPSASs. If so, the necessary changes will be made to these three IPSASs in the course of developing the final Standards.

To obtain as much input as possible in the development of the standards, the exposure drafts have been widely distributed to finance ministries, supreme audit institutions, professional accountancy bodies, IFAC subscribers, and other interested individuals and organisations. Other individuals may view the exposure drafts on IFAC's internet page, www.ifac.org.

The deadline for receipt of comments is April 30, 1999. These may be sent, preferably by e-mail to EDComments@ifac.org, or sent directly to IFAC headquarters at 535 Fifth Avenue, 26th Floor, New York, NY 10017, USA or fax +1/212/286-9570.

The publication of these EDs follows the publication of the first five proposed standards earlier this year. The IPSASs are based on International Accounting Standards issued by the International Accounting Standards Committee. They are applicable to all levels of government, and establish financial reporting requirements for the four common accounting bases adopted by governments - cash, modified cash, modified accrual and accrual.

ED 6: Consolidated Financial Statements and Accounting for Controlled Entities

ED 6 *Consolidated Financial Statements and Accounting for Controlled Entities* proposes requirements for the preparation of consolidated financial statements, as well as how to account for controlled entities in the controlling entity's separate financial statements.

Under the ED, consolidated financial statements should include all controlled entities, except where control is temporary or subject to long-term restrictions. 'Control' is defined as the power to govern the financial and operating policies of another entity so as to benefit from its activities. In the public sector, a controlling entity may derive financial benefits (for example, the receipt of a dividend) and/or non-financial benefits (for example, delivering social services in accordance with the controlling entity's objectives) from its ownership interests in controlled entities.

The ED discusses how to determine whether one entity controls another in a public sector context, and distinguishes between the two elements of control - the power element (the power to govern the financial and operating policies of the other entity) and the benefit element (which represents the ability of the controlling entity to benefit from its interest in the other entity). There is a decision tree to illustrate the application of the control definition in practice.

The ED outlines the consolidation procedures to be followed under the four bases of accounting used by governments, and proposes requirements on how to account for controlled entities in the separate financial statements of the controlling entity.

ED 7: Accounting for Investments in Associates

ED 7 Accounting for Investments in Associates proposes requirements for accounting for investments in associates using the equity method. Its scope is restricted to situations where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. This scope limitation recognises that in the public sector an entity may be able to exercise significant influence over another entity in ways that do not involve the holding of an ownership interest - for example, by providing grants or loans on concessional terms.

ED 7 applies only where the accrual basis or the modified accrual basis underlies the preparation of the financial statements.

ED 8: Financial Reporting of Interests in Joint Ventures

ED 8 *Financial Reporting of Interests in Joint Ventures* contains proposals for accounting for ownership interests in joint ventures in the financial statements of the investor. The ED applies to the four bases of accounting used by governments, and covers three types of joint ventures - jointly controlled operations, jointly controlled assets, and jointly controlled entities.

IFAC Releases Exposure Draft on External Confirmations

The International Federation of Accountants' (IFAC) International Auditing Practices Committee (IAPC) has released an exposure draft of a proposed International Standard on Auditing (ISA) on *External Confirmations.* Comments are requested by March 31, 1999.

"The release of the Exposure Draft on Confirmations is another step in the development of more detailed guidance on specific audit procedures," says Robert Roussey, Chairman of the IAPC. "The confirmation process is one of the more important audit procedures used in obtaining objective evidence from third parties. The proposed international standard will provide the appropriate guidance to auditors in considering whether, when and how to use confirmations in the audit process, as well as how to control the process and evaluate the results."

The proposed standard, would replace the existing standard on the confirmation of accounts receivable with a new standard dealing with confirmations in general. The existing standard includes a requirement to confirm accounts receivable where it is reasonable to expect debtors to respond. The new standard will require the auditor to determine whether the use of confirmations is an effective way of obtaining sufficient appropriate audit evidence.

The need to update the existing standard was identified as part of IAPC's ongoing process of consultation and codification, taking into account current developments and practice in auditing.

Comments may be sent to the Director General at IFAC by e-mail to EDComments@ifac.org. To obtain a copy of the exposure draft, contact the IFAC secretariat at + 1(212)286-9344 or visit the IFAC Web site http://www.ifac.org.

Corporate Credibility — Why a Harmonised Global Accountancy Framework Matters

By Frank Harding, President, The International Federation of Accountants

Frank Harding, President,
The International Federation of Accountants

In a recent speech on the state of US accounting, Arthur Levitt, Chairman of the US Securities and Exchange Commission, made the following observation: "The significance of transparent, timely, and reliable financial statements and its importance to investor protection has never been more apparent. The current financial situations in Asia and Russia are stark examples of this new reality. These markets are learning a painful lesson taught many times before: investors panic as a result of unexpected or unquantifiable bad news".

Corporate credibility, the ultimate key to success in the business world, is a fragile concept. But at the same time, it is the foundation upon which investors and other stakeholders - including employees, customers, suppliers, local communities and other pressure groups - base their confidence in the future success of an enterprise. This confidence can be all too easily damaged - not simply by performance failures but also by the revelation that an enterprise has followed less than rigorous standards in terms of the amount, quality and relevance of information provided to its stakeholders. The dramatic sequence of events leading up to the crisis in South East Asia exemplifies the problem all too well: foreign investors, having risked their capital on deals which were based on inadequate financial information, rapidly withdrew this funding when financial difficulties began to emerge, leaving Asian currencies under enormous strain and Asian businesses short of capital and resulting in the collapse of entire national economies.

The accountancy profession cannot be held to blame for the spiralling downturn of economies in South East Asia. This has been attributed to the inadequacy of local financial infrastructures and supervisory procedures. But the crisis has nevertheless brought the role of the accountancy profession sharply into focus. Under the threat of further financial crises on an even worse scale than in Asia and with world recession widely predicted, national governments, intergovernmental agencies and global financial institutions now have a real fear that the crisis in Asia will be repeated elsewhere and on an even greater scale. In the face of this threat they have been forced to look for ways of securing greater economic stability for the future. And at last, after several decades of largely unproductive debate, there is a growing recognition of the urgency of enforcing a core set of internationally recognised standards to ensure that the information upon which investors and other stakeholders base their decisions is transparent, comprehensive, reliable, consistent and internationally comparable.

The accountancy profession has long recognised the need for a globally harmonised accountancy framework. More than twenty years ago the accountancy profession took the initiative in creating the International Accounting Standards Committee (IASC) and the International Federation of Accountants (IFAC) to produce guidance in response to the increasingly international demands of the business community. It is currently up to and should remain up to these two bodies to develop internationally harmonised standards for the preparation and verification of corporate information.

The key role of IASC is to develop and promulgate International Accounting Standards (IASs). It does so using due process, exposing its ideas for early discussion and subsequently for comment once an exposure draft has been prepared. The final standard is eventually produced after appropriate consideration of comments received. A Standing Interpretations Committee looks at urgent issues arising either from the existing standards or as a result of new concerns relating to existing standards worldwide.

The responsibilities of IFAC are much wider. They include the development and promulgation of International Standards on Auditing (ISAs) and a Code of Ethics, education guidelines, studies and statements for the public sector and of assistance to those accountants in business or involved with IT, whichever branch of the profession they may be in. Insofar as accounting standards are concerned, IFAC's role is to assist in their promulgation and to encourage their development; IFAC is not involved in their development.

As far as auditing standards are concerned, IFAC's work has in the past concentrated on the verification of financial statements. But IFAC is now beginning to work on other areas where the opinion of the independent auditor can add value and credibility to the information provided by directors and management. Thus we can anticipate standards and guidance in areas such as prospective financial information, key performance indicators, corporate governance and in due course matters which may not primarily be financial in nature. In short, the auditing profession has recognised the growing needs of an increasing range of stakeholders for more extensive and more detailed assurance services beyond the traditional audit.

IFAC's member bodies - 143 independent professional bodies in103 separate countries - have undertaken to use their best endeavours to ensure that IFAC's standards and guidelines are introduced within their own countries. Thus, if the concept were entirely successful, there would be 103 countries where IASs and ISAs, together with internationally developed ethical and other guidance would be the norm. In some countries this is indeed the case but in many more it is not - frequently for good reasons.

Neither IFAC nor IASC expects any country to introduce its standards without giving them due consideration to ensure that they are appropriate for their jurisdictions. There may be good reasons why the standards or the ethics code cannot be implemented in full and remain unchanged - these may be for cultural or legal reasons or due to differing educational and other approaches to business. That said, however, there are unlikely to be significant modifications required to the international standards for them to be appropriate in all jurisdictions, although in many countries new legislation may be required. Thus IFAC and IASC would like to see and anticipate their standards being increasingly adopted throughout the world, albeit with minor modifications and adaptations as may be appropriate. They also acknowledge that additional requirements may be added but, if so, they would hope that national standards could in all cases state that compliance with those standards would ensure compliance with the international standards.

A further reason why the 143 member bodies have in some cases found it difficult to ensure that the international standards are introduced, despite their best endeavours, may be that the standard setters are not within their control. There are many countries where the standards in accounting and indeed in auditing are outside the control of the accounting profession - although the accounting profession may still play a significant part in the development of the national standards. Member bodies may well be trying to persuade the national standard setters to follow the international standards but the power to mandate them lies elsewhere.

Interestingly and significantly, in December 1996, government ministers at the Singapore ministerial meeting of the World Trade Organisation assigned a particular role to IFAC and IASC and indeed to the International Organisation of Securities Commissions (IOSCO). The final communiqué from the meeting included the following words: "we encourage the successful completion of international standards in the accountancy sector by IFAC, IASC and IOSCO". It was therefore acknowledged that the private sector bodies, IFAC and IASC, with the support of the international regulators, have to ensure that appropriate standards are developed and put in place, IOSCO of course having to use its influence on the regulators of individual securities exchanges to require those exchanges to allow financial statements of companies seeking or having a cross border listing to be produced and audited in accordance with IASs and ISAs respectively.

After a lull of almost two years during which the move towards global harmonisation made little apparent progress, the debate has again come to a head. In October the Group of Seven leading industrial nations issued a communiqué urging the need to develop a *lingua franca* for financial reporting and endorsing the role of IASC as the appropriate vehicle. At about the same time, the World Bank challenged the major international accountancy firms to refuse to give "clean opinions" on accounts which are not prepared in accordance with standards which are internationally acceptable and to take steps to ensure that the auditors themselves comply with internationally recognised standards of practice. The UN, taking matters a step further, shortly afterwards issued a draft report recommending that the major accounting firms should describe in their audit reports any discrepancies between the use of national accounting principles and the international standards.

While the above statements were almost certainly made in the light of the situation of South East Asia, the demand for high quality, internationally comparable information is just as relevant in the more developed nations. In Europe common financial reporting and auditing formats are mandatory under the various accounting directives; but each national government has nevertheless implemented the directives in a subtly different way so that, despite consistency of layout, there remain underlying differences which obscure transparency and comparability of information. Five European member states have introduced dispensations allowing major corporations to use IASs rather than comply with national standards for their consolidated accounts, but what happens when there is a conflict between the international and national requirements? In the meantime, the European Commission is looking into the differences between the directives and IASs: if the Commission is dissatisfied with the results there is a very real threat that, despite the best efforts of the profession, the current situation will be further complicated by the introduction of a third layer of standards at European level.

A globally harmonised accountancy profession will not prevent or cure corporate failures, but it will ensure that investors and other interested parties have prior warning of impending dangers and that they have an opportunity to take remedial action at the earliest possible stage. Where a company's financial health is not in question, reliable, transparent and internationally comparable information can only help to boost confidence and thereby promote future corporate prosperity. The need for harmonisation is self-evident - but it can only become a reality as a result of commitment and concerted effort by regulators, standard setters, financiers, business interests, the public at large and, of course, the accountancy profession.

Is it the Professional Duty of an Accountant to Expose Corruption?

By John Gruner, Director General, The International Federation of Accountants

John Gruner, Director General,
The International Federation of Accountants

Recently, I was in a meeting with a group of accountants on the subject of anti-corruption when the discussion leader asked us "Do you think it is the professional duty of the accountant to expose corruption?" I raised my hand in the affirmative. It seemed like a natural reaction and I think the general public would assume that this is what accountants do. After all, we are often thought of as 'public watchdogs'. Yet, I was in the minority in that group. In fact, there were a number of qualified statements and one participant even claimed that the question was unfairly placed. It seemed as though many of the participants felt very uneasy at being asked the question.

But we have to face up to the question, because anti-corruption is very much in the news. Just recently, Transparency International released its ranking of corrupt countries. The OECD, World Bank, the UN and other organisations have all spoken out against corruption. As these developments occur, one could naturally ask what should be expected of the accountancy profession. Yet too often, the profession is unable to state exactly what its role is, most likely because it has trouble defining the parameters of confidentiality.

Exposure of corruption to the public is a valuable weapon in the arsenal and accountants should be counted on to use this weapon. We do have some guidance on this subject, but it deals mostly with how to treat these situations within the organisation, when the real issue is exposing corruption outside the organisation. And it is here where the issue of confidentiality collides with the public's right to know concept. Or, to put it more bluntly, the responsibility of the accountant to 'blow the whistle'.

Confidentiality is a hallmark of the profession and virtually all of the ethical codes stress this concept. Accountants have key roles within organisations and access to their most sensitive financial (and often, non-financial) information. Whether serving a client as a public practitioner or in an employer/employee relationship, the need for trust is paramount. Any unnecessary breaks in this trust would have serious repercussions. Yet, confidentiality is not absolute. There are situations where legal or professional requirements could override that responsibility, in that accountants might be obliged to report findings and even suspicions to some particular regulatory or other office.

There is also the question of what kind of legal and governance frameworks exist to protect accountants. Accountants who expose corruption can suffer such untoward consequences as legal problems, loss of job, loss of client, loss of reputation, and perhaps, in the most extreme circumstances, loss of life. Accountants are quite naturally reluctant to speak out if there is not some type of structure to protect them when they have spoken out in good faith.

Then there is the definition of exactly what constitutes corruption. Bribery and illegal payments are probably what we think of first when we talk about corruption, but it can go much further. Tax evasion, money-laundering, drug trafficking and various other activities could very easily be included as corruption. Transparency International has tried to define corruption as 'the abuse of public power for private gain'. Accountants would like to see a more precise definition.

Given these uncertainties, it is understandable that accountants might not readily think it is their professional duty to expose corruption. But understanding the reluctance does not answer the question of professional duty — and we have to answer that question. Accountants need to change their mindset. Rather than emphasise the uncertainties and expect society to put the necessary structures in place, we should speak out more on the issue. Accountants are trusted business advisors with particular expertise in how organisations control and report their operations. If corruption exists in an organisation, an accountant is often the one who senses it. Reporting it, first internally but also externally if necessary, should be part of the job.

To design all the rules necessary to make this part of our professional duty will require the profession to involve others in society. We can be more forceful in seeing that they are engaged in the debate. Rather than shy away from the subject, we can confront it, clearly setting out why we need this debate. We can ensure that regulators, governments, the legal profession and the myriad others that must be part of the structure are working with us. Simply put, we can LEAD the debate on corruption. IFAC hopes to issue a paper that can offer that leadership sometime in mid 1999.

Leadership is rarely easy and in the subject of anti-corruption it will be no different. But we have an advantage in that the climate is ripe as we approach the 21st Century. Corruption is acknowledged as an enemy of economic development and, as noted above, more and more organisations are speaking out. I have always had the impression that the accountancy profession, which has a significant contribution to make, is too often ignored. We have to change that. As we do, we can see that the uncertainties that make us uneasy about the subject of corruption are put to rest.

I still believe that it is the professional duty of an accountant to report corruption. What we need now is international leadership from the profession to enable all accountants to believe the same thing without hesitation — and for the public to expect nothing less of us.

CAPA Update

Deliberations of the 51st CAPA Excom Meeting

The 51st Confederation of Asian and Pacific Accountants (CAPA) Excom meeting hosted by the Chinese Institute of Certified Public Accountants (CICPA) and supported by the Shanghai Institute of Certified Public Accountants (SICPA) was held in Shanghai, China on 26 and 27 October 1998.

Emerging Issues

Cyber Laws and Digital Signature Act

CAPA Excom's Technical Advisor for Canada, Mr. Robin Harding has carried out much research on the area of Digital Signature Act on behalf of CAPA and some of his conclusions were noted as follows:

- Much of the fundamental information on digital signature act is available on the various government websites.
- Many countries are dealing with this issue independently however in general, differences between countries are mainly in nuances rather than treatment. Some countries like Japan and Canada have carried out some fundamental research in the area.
- An effective role that accountants may take up is to monitor the impact of these legal systems on accountants.

The Excom commented on the merit of the work done by Robin and requested a brief overview to be sent to CAPA for dissemination to members via the CAPA publications.

Australia suggested that CAPA write to APEC regarding the Excom's concern that Digital Signature Acts if developed independently by member countries, may lead to incompatibility and retard its development.

UNCTAD and ISAR

The United Nations Commission on Trade and Development (UNCTAD) and the United Nations Intergovernmental Working Group on International Standards of Accounting and Reporting (ISAR) have been playing a leading role in helping developing countries to raise their professional accounting standards.

Whilst IFAC and both UNCTAD and ISAR share a common interest in this area, IFAC and UNCTAD do not always share a common view on accountancy issues. One of these is UNCTAD's support for the establishment of a Global Accountancy Qualification.

continued on next page…

The concept of a global accountancy qualification has been widely discussed and opinions differ in IFAC and UNCTAD. CAPA supports IFAC view that whilst the concept may sound attractive, it would be extremely difficult, if not impossible, to put into practice.

Developments in this area will have implications on many CAPA members, and CAPA'S Executive Committee have been keeping a close watch on developments in this area and will make representations as necessary to both IFAC and UNCTAD to ensure that its members best interest are represented.

The CAPA Excom was informed that the next meeting of ISAR will take place in March 1999 and recommendations on this issue are expected to be made.

CAPA will support IFAC in continuing its work with UNCTAD and ISAR on the development of the accounting profession in developing countries. However, CAPA do not believe that ISAR should deal with accounting standards as there are already other more appropriate organisations dealing with it.

The CAPA Excom requests CAPA members to seek their government's support for IFAC's position and to seek leadership from IFAC on this matter.

Financial Crisis in the Asia Region

The financial crisis have had devastating economic impact in the region and the causes go far beyond the weaknesses in accounting, auditing and reporting standards of economies concerned. A draft report prepared for UNCTAD entitled" The *Role of Accounting Disclosure in the East Asian Financial Crisis: Lessons Learned?*" was reviewed.

It was agreed that CAPA's role is to encourage countries in the Asian region to pay more attention to reforming the legal framework for control as such laws encourage uniformity and higher standards of reporting; and transparency within key industries especially banking and also public sector reporting.

Membership Issues

1 Withdrawal of Membership

The Excom accepted with regret, letters from the Institute of Certified Public Accountants of Singapore and the Indonesian Institute of Accountants, expressing their wish to withdraw from membership. CAPA would keep its doors open should they wish to rejoin CAPA at some future date.

2 New CAPA Member

The Excom accepted the application for membership from the Institute of Chartered Accountants of Nepal. Their application was jointly sponsored by both the CAPA member Institutes in India.

3 Proposal for New Categories of Membership

The Excom felt that there is a need to review the existing Categories of CAPA Membership. Malaysia had volunteered to look into this area and their recommendations will be reviewed at the CAPA Excom meeting to be held in April 1999 in India.

4 Enhancing Member's Involvement in CAPA

Excom agreed with a proposal that CAPA members' involvement in CAPA should be enhanced and Australia, Sri Lanka and Malaysia are appointed as the implementation task force to move this project forward and to submit their detailed proposal.

Other Issues

1 Implementation Assistance for Competency Guidelines for Accounting Technicians

This is a follow on project following the successful completion of the Competency Guidelines for Accounting Technician, completed by New Zealand in 1998. It is envisaged that external funding will be required to proceed on its logical extension.

CAPA presented this implementation assistance project at the recent IAFAD (International Advisory Forum on Accountancy Development) meeting hosted by UNCTAD in Geneva.

Although the meeting was successful in moving many issues forward, CAPA did not sense any indication that the IAFAD meeting will at this juncture, lead to financial support for any CAPA promoted projects as originally anticipated.

It is agreed that CAPA will explore joint projects directly with the International Development agencies.

2 Corporate Governance as an issue for both Public and Private Sector in the CAPA Region

Australia suggested that CAPA identify areas of concern with respect to the CAPA region.

The Excom established a task force consisting of Canada, Australia, Hong Kong and Thailand to review this issue and present its recommendations. Mr. Robin Harding will lead the task force. This task force noted the work done by other organisations including IFAC, ICMG, Stock Markets and International Bar and will avoid any work that has already been done by other organisations.

3 IASC Royalty Fees

Excom noted the concern expressed by many members in the issue of royalties charged by the IASC. This has been brought to the attention if IASC who have assured that they are sensitive to the problems of our members, particularly in the developing countries.

CAPA will continue to monitor this area.

4 Millennium Bug (Y2K) — Computer Compliance Problem

Following a comprehensive review by Canada, CAPA recommend that members be very careful how they take on the issue of the Y2K problem. Members are reminded that Y2K compliance is the sole responsibility of the Board of Directors/Management of the organisations involved. Auditors/Accountants responsibility is to make sure the Y2K problem is publicly disclosed and to create awareness of the problem.

CAPA will present a report on this issue to all CAPA members through the CAPA Chronicle and its Homepage.

5 Compliance with International Accounting and Auditing Standards amongst CAPA Members

CAPA President, Robert Jeffery had preliminary discussions with IAPC and is supportive for CAPA to share/work with them in their effort towards compliance.

The European Regional Accounting body, Federation Des Experts Comptables Europeens (FEE) had carried out a comprehensive survey on their member's compliance with IAS and IASC. CAPA will look into the viability and effectiveness of carrying out a similar type of self-assessment for its members.

6 SMEs

IFAC has a task force looking into the accounting and reporting needs of the small and medium enterprises. IASC is believed to be planning to undertake a review of accounting standards which will be applicable to emerging or developing countries. FEE has also done some work in this regard.

India was requested to liase with IFAC, IASC and other organisations and to present to the CAPA Excom at the next meeting whether it is necessary and if so, how CAPA should progress with this issue.

Registration of CAPA

The Excom felt that it is necessary for CAPA to be registered in order to establish a separate legal identity. Without a separate legal identity, all CAPA member bodies can be jointly and severally held accountable for any legal actions taken against CAPA.

Having reviewed the situation, Australia proposed that CAPA be registered as a limited liability company. Hong Kong has been assigned to help put this into effect, including the drafting of the company's Memorandum and Articles which when put into effect, will replace the present CAPA Constitution.

Members will be kept informed of developments in this important matter.

15th CAPA Conference – Year 2000

Reservation for the conference site has been made for November 2000 in Manila, Philippines. Members are reminded to note this important event in their diary

SAFA Report

SAFA President reported on the following:

1. Annual competition held for best presented account at the SAFA level

2. New SAFA member, Nepal was encouraged by SAFA to make an application for membership of CAPA. This application was received and Nepal is now accepted into CAPA membership.

WTO sub-committee is developing accounting guidelines in SAFA countries and harmonised guidelines for professional education/examination/CPE, licensing regulation and others. The final report will be ready in May 1999

IFAC Matters

CAPA-IFAC Structure and Organisation

IFAC has set up a task force to review the structure and organisation of IFAC. One of the areas of concern to the CAPA Excom is that the new structure of IFAC's relationship with Regional Organisations will be conducive to more effective/synergistic interaction between CAPA and IFAC, benefiting both the members of CAPA and IFAC. CAPA and IFAC have been meeting regularly for discussion to ensure that this is achieved.

IFAC is also closely informed of CAPA's views through the SOTF Chairman, Mr. Fujinuma, who is a regular participant at the CAPA Excom meetings as Japan's representative. Mr. Fujinuma is presently the Deputy President of IFAC and will soon be taking over the helm of IFAC as it President.

Future CAPA Executive Committee Meeting

52nd Excom meeting, has been scheduled to be held in New Delhi, India in April 1999

New CAPA President and Deputy President

In accordance with the Article 44 of the CAPA Constitution, Mr. Carlos R Alindada took over the helm of CAPA as its new President at the end of the 51st CAPA Excom meeting. Mr. Robert JC Jeffery will be the immediate Past President. Mr. Alindada, who had represented Philippines will hold the post of President until the later part of the year 2000.

Mr. Ranel T. Wijesinha of Sri Lanka was elected Deputy President and will hold office for the same period.

Bahasa Malaysia

Kercerdasan Emosi di Tempat Kerja

Satu seminar bertajuk "Kecerdasan Emosi di Tempat Kerja" telah dianjurkan oleh MIA di Kuala Lumpur baru-baru ini. Seramai lebih kurang tiga puluh orang peserta telah menghadiri seminar tersebut yang dikatakan amat berfaedah dan berguna di alam pekerjaan.

Penceramah untuk seminar ini, Dr Edward Chan, adalah seorang ahli psikologi di sebuah pusat psikologi di Kuala Lumpur. Selain daripada memberi perkhidmatan psikoterapi kepada individu, keluarga dan kumpulan, Chan juga memberi ceramah dan seminar di dalam dan di luar negara, menyediakan perkhidmatan kaunseling dan membantu para pekerja di dalam perkembangan EQ (Emotional Quality) di tempat kerja.

Di seminar tersebut, Chan memulakan ceramah beliau dengan menerangkan sifat-sifat seorang pekerja yang ideal. Di antara sifat-sifat yang dinyatakan oleh beliau adalah kebolehan mendengar dan bertutur dengan baik, mempunyai keyakinan diri, bermotivasi untuk mencapai objektif syarikat dan mempunyai sifat kepimpinan dan kerjasama.

Chan kemudiannya menerangkan bahawa tekanan emosi akan membawa masalah kepada seseorang itu dan dia harus berusaha untuk mengatasi tekanan emosi. Tekanan emosi akan menyebabkan masalah terhadap kesihatan seseorang itu. Di antara penyakit-penyakit yang berpunca dari tekanan emosi adalah penyakit jantung, tekanan darah tinggi, migrain, asma dan penyakit kulit. Chan juga memberitahu bahawa terdapat kaitan di antara tekanan emosi dan sistem imunasi seseorang itu di mana sistem imunasi seseorang itu akan berkurangan apabila dia menghadapi tekanan emosi dan individu tersebut akan lagi

Dr Chan menyampaikan ceramahnya kepada sekumpulan peserta terbuka kepada pelbagai penyakit.

"Seseorang individu akan sentiasa berasa bimbang dan tertekan di mana beliau akan kehilangan arah di dalam penghidupan jika beliau tidak berusaha untuk mengawal emosinya. Individu itu juga akan kehilangan keyakinan diri, melepaskan peluang untuk maju ke hadapan dan tidak dapat menggunakan masa sepenuhnya untuk kerja . Ini akan mengganggu prestasi individu tersebut," kata Chan.

Chan menegaskan bahawa seseorang itu harus mempunyai kecerdasan emosi untuk berjaya di dalam karier masing-masing. Adalah amat penting bagi para majikan untuk mempunyai kecerdasan emosi kerana merekalah yang mengetuai bahagian masing-masing bagi mencapai matlamat syarikat. Seseorang majikan yang dikatakan mempunyai EQ yang tinggi mempunyai kesedaran terhadap kekuatan dan kelemahan masing-masing, bersikap terbuka terhadap pendapat orang lain dan mahu belajar dari kesilapan serta teguran.

Walaupun seseorang itu mempunyai kecerdasan emosi, ada juga masanya dia akan berhadapan dengan masalah yang mengakibatkan tekanan. Sewaktu seminar sehari yang dianjurkan oleh MIA ini, Chan telah mengajar para peserta cara-cara untuk menenangkan emosi melalui pengenduran otot dan ternyata cara-cara ini amat berkesan!

Di antara keperluan-keperluan yang penting untuk memupuk 'EQ' di dalam sesebuah organisasi ialah, yang pertama, organisasi tersebut hendaklah mempunyai pemimpin-pemimpin yang optimis. Kedua, cabaran yang 'tulen' di mana cabaran tersebut akan menunjukan kebolehan seseorang itu. Ketiga, para pekerja haruslah mempunyai perasaan setia kepada syarikatnya. Keempat, di dalam sesebuah organisasi perlu ada seorang ketua yang dihormati dan disanjungi. Ketua ini mestilah seorang yang berjaya di dalam organisasi tersebut dan menunjukan kepada para pekerja yang setiap masalah pasti ada jalan penyelesaiannya.

Pelbagai perbincangan di antara para peserta telah diadakan di seminar tersebut. "Perbincangan-perbincangan yang telah dilakukan oleh Chan adalah amat berguna dan saya yakin akan membantu saya mengawal emosi sewaktu bekerja," jawab salah seorang dari peserta yang hadir apabila ditanya mengenai seminar tersebut.

Penuh minat…para peserta berbincang semasa sessi perbincangan

MIA 1999 Annual Subscription

for all students registered under the MIA/ACCA Collaboration Scheme

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

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

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

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

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

Library News

List of New CD-ROM in Malaysian Institute of Accountants Library

The following is a list of new cd-rom acquired recently by the MIA Library. Members can view the cd-rom in the library. Contact the librarian for more information.

Standards and Companies Acts on CD-ROM
The full text of all extant ASB, ASC and APB documents
And the Companies Acts 1985 and 1989
ASB Publications (Release 3, 1998) cdCOM3

The Practitioner's Library: Accounting and Auditing
AICPA; PPC; FASB (Release 98-11) cdACC1

Certified General Accountants' Association of Canada
Leading the Way in Technology (1998) cdCGA1

British Companies Legislation
CCH (1998) cdCOM3

British Company Law Library
CCH (12/96 - 6/98) cdLAW1

GAAP Practice Manual
Allan B. Afterman
Warren, Gorham & Lamont
(Release 54, October 1998) cdGAA2

GAAP Compliance Advisor
Allan B. Afterman
Warren, Gorham & Lamont
(Release December 1998) cdGAC5

International Accounting Standards on CD-ROM
The full text of all International Accounting Standards and current Exposure Draft.
IASC (Release 3, 1998) cdIAS3

Registration of Accountants

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

	REG. NO.
JOHOR DARUL TAKZIM	
JOHOR BAHRU	
MARGARET HO SOONG FONG	13575/PA
NG WOON CHIANG	13678/RA
NOR FAZILAH BINTI MOHD RAZALI	13583/PA
PHANG PENG @ PHANG KOON KIEW	13669/RA
TANG TZE MIEN	13593/PA
TAY TZE CHIOU	13608/PA
KLUANG	
JEAN CHIN MING WOOI	13589/PA
SEGAMAT	
TEY SOO LENG	13635/RA
YONG PENG	
TAN YOK TIAN	13638/RA
KEDAH DARUL AMAN	
ALOR SETAR	
AHMAD ZAINI BIN ABDULLAH	13577/PA
YUSNITA BTE AYUB	13576/PA
SINTOK	
SHAMSUL NAHAR BIN ABDULLAH	13723/AM
SUNGAI PETANI	
TAN WERN CHIANG @ TAN BOON KANG	13627/PA
KELANTAN DARUL NAIM	
KOTA BAHRU	
WAN NORZAINI BINTI WAN ZAIN	13707/RA
MELAKA	
BATU BERENDAM	
GAN PEI LING	13605/PA
MELAKA	
LIM CHOO MING	13610/PA
PANG CHEE MING	13670/RA
NEGERI SEMBILAN DARUL KHUSUS	
SENAWANG	
HO MEE LAING	13629/PA
SEREMBAN	
ASMAZATUL YUSFIZIATI BT MOHD YUSOF	13637/RA
VALLUVAN S/O A.PERAMUTHU	13652/RA

	REG. NO.
PAHANG DARUL MAKMUR	
KUANTAN	
TAN SIEW TYNG	13675/RA
TEMERLOH	
SABARIAH BTE ABDULLAH	13639/RA
PERAK DARUL RIDZUAN	
BATU GAJAH	
NG LEE TENG	13586/PA
IPOH	
CHAN YING WEI	13581/PA
CHAO KAR PO	13709/RA
TAM CHEE LENG	13640/RA
KAMPUNG KEPAYANG	
TAN KANG FUN	13644/RA
MENGLEMBU	
CHEN CHEE HEE	13705/RA
TELUK INTAN	
SHARIZAM BIN KAMARUZZAMAN	13634/RA
PERLIS INDRA KAYANGAN	
ALOR SETAR	
RAZIATUN BINTI HASHIM	13600/PA
KANGAR	
SUHAIMI BIN LEBAI ABAS	13632/RA
PULAU PINANG	
AYER ITAM	
GARK CHEE JIN	13574/PA
LEE KEE GIAP	13696/RA
YEOH MENG YAU	13612/PA
BAYAN LEPAS	
CH'NG ENG KIN	13667/RA
LIM SIEW LEAN	13655/RA
BUTTERWORTH	
CHAN WAI SIM	13578/PA
SHAHUL HAMEED BIN ABDUL KUDDUS	13609/PA
TEH KAM WENG	13582/PA
GEORGETOWN	
ALAN ONG KAH BOON	13615/PA
TANG BOON KEAT	13684/RA
YEOH EWE PENG	13711/RA
PENANG	
GOH SIEW HEONG	13636/RA
YAP MEI YOON	13587/PA
YEOH BOON SAN	13624/PA
SABAH	
KOTA KINABALU	
CHIA TZIN TANG	13695/RA
LEE SENG KENG	13717/RA
LEE WEI FONG	13689/RA
PENAMPANG	
FEELEY BACHEE	13650/RA

	REG. NO.
SANDAKAN	
DIONYSIA @ AUDREY BINTI ALOYSIUS KIBAT	13601/PA
SARAWAK	
KUCHING	
ANDREW JORIS NOYEN	13641/RA
ARTHUR HII LU CHOON	13645/RA
SELANGOR DARUL EHSAN	
AMPANG	
MOHD NASIR BIN MOHD YATIM	13722/AM
ROSINI BT WAN ABD RAZAK	13611/PA
SOON CHEE HONG	13720/RA
WONG SU LIN	13585/PA
BATU CAVES	
ABDUL RAZAK FAIZ BIN SULAIMAN	13628/PA
KRISHNAN A/L KANNAN	13674/RA
CHERAS	
HO WAI KEE	13687/RA
KAJANG	
HO SHU FERN	13719/RA
WAN MOHD SILMI BIN MOHD YAACOB	13626/PA
KLANG	
CHUI WING HOE	13704/RA
MARIAH BT ABDULLAH	13702/RA
NG CHEW YONG	13613/PA
NG SOH TENG	13659/RA
NG SWEE KHIM	13698/RA
VINCENT CHIN YUEN CHOON	13706/RA
PETALING JAYA	
ABU TALIB BIN MOHAMED	13708/RA
CHAN CHOONG HAU	13656/RA
KARTHIGASU A/L KANNU	13623/PA
KHILMI BIN YUSOP	13712/RA
KHOO MEI YEE	13643/RA
SOONG CHEE WAI	13680/RA
TAN WEI SEONG	13618/PA
TERENCE OH HOCK SOON	13647/RA
TIONG LING LING	13617/PA
WONG SHU MAI	13595/PA
PUCHONG	
YUHANA BIN MANAN	13718/RA
SEMENYIH	
CHIA KING HONG	13690/RA
SHAH ALAM	
HAIRIL JASLAN BIN JAAFAR	13633/RA
MOHD ANUAR BIN MAZUKI	13701/RA
NEOH CHIEW LEE	13658/RA
NORITA BINTI SULAIMAN	13699/RA
PHUA KHIA GOOM	13651/RA
ZULKARNAIN BIN ISMAIL	13664/RA
SUBANG JAYA	
GOH GUIT HUANG	13688/RA
SOO CHOON MENG	13654/RA
WONG FOO SENG	13620/PA

	REG. NO.
TERENGGANU DARUL IMAN	
DUNGUN	
RAJA AZHARI BIN RAJA ALI	13713/RA
WILAYAH PERSEKUTUAN	
CHERAS	
WONG POH SEM	13692/RA
KEPONG	
LEE SOOK KIM	13599/PA
KUALA LUMPUR	
ANDREW CHAN YIK HONG	13676/RA
AZIMI BIN MOHAMAD	13603/PA
AZLAN BIN MOHAMED ISMAIL	13715/RA
BONG CHAN LOONG	13666/RA
BRIAN WONG WYE PONG	13721/RA
CHAN SOOK LENG	13661/RA
CHAU YEE MAI	13646/RA
CHEN SIEW VOON	13592/PA
CHIN CHEW MUN	13622/PA
COLIN CHOO NEE ANN	13619/PA
EMILY WEE AI HOON	13668/RA
ENG KOK SIONG	13663/RA
FADZILAH BT ABDULLAH	13677/RA
FIRDAOS BIN AHMAD	13679/RA
FOH CHEE SING	13621/PA
HABIBAH BINTI ABDUL HAMID	13631/RA
HAMSIAH BINTI KHALID	13604/PA
HANIFAH BIN SALJI @ HAMZAH	13665/RA
HAZRIN BIN HAJI HATIM	13616/PA
HEW YING TUANG	13597/PA
IZANA BINTI AHMAD	13649/RA
KHAIRUL MUPHINORA BT MAHIZAN	13691/RA
KU ASMA'LAILAH BT KU AHMAD	13588/PA
LAI CHEE KEONG	13648/RA
LEE CHIEN SENG	13591/PA
LIEW SOKE WAH	13606/PA
LIM CHEE SHEONG	13590/PA
LIM CHU FOONG	13697/RA
LOW CHUI FONG	13703/RA
LOW LAI KUAN	13580/PA
MICHELLE LEONG	13700/RA
MOHD ZAKIR BIN OMAR	13682/RA
NG EEK MEEN	13673/RA
NG SHU TSUNG	13598/PA
NG SIOW YEE	13614/PA
NG WAI HENG	13594/PA
NORALIZA BT ABDUL MALEK	13642/RA
NORHAYATI BINTI ADNAN	13714/RA
NORLIZA BT AHMAD	13694/RA
RICHARD LEE TEIK BENG	13685/RA
SHING YEE LING	13596/PA
SIM JOH KHUANG	13625/PA
TAN CHEE HOCK	13607/PA
TAN KIM GUAN	13653/RA
TAN LAW KUAN	13657/RA
TAN TIEN KOK	13660/RA
TEH CHAU CHIN	13584/PA
TEOH CHENG KANG	13716/RA
TOH YING YING	13672/RA
UBAIDILLAH BIN SHEIKH ABDULLAH	13693/RA
VIJAYARUBAN S/O MURUGESAN @ MURUGASU	13710/RA
WONG HUA SONG	13662/RA
WONG KHENG YONG	13681/RA
WONG MUN LING	13683/RA
YAP PENG BOON	13579/PA
YAP PHAIK LING	13671/RA
YEE HUN LEEK	13573/PA
ZAITON MD YUSOF	13686/RA
SINGAPORE	
TAN YAM TECK	13602/PA
DUBAI	
JEBEL ALI	
CHING YOU KUANG	13630/RA

Note: PA – Public Accountant
RA – Registered Accountant
AM – Associate Member

RECLASSIFICATION FROM REGISTERED ACCOUNTANT TO PUBLIC ACCOUNTANT

HO YOKE MOON	10596
CHOW SIEW MENG	12244

RECLASSIFICATION FROM PUBLIC ACCOUNTANT TO REGISTERED ACCOUNTANT

TENG HOI KWAN	3870
TOH MAY FOOK	4037
KHOO POOI YIN	8142
ONG BENG CHYE	10086
LEE MEI YEE	10692

READMISSION

SEOW WEI TANG	5143

RETIRED

PHUA SENG LAM	181

REGISTRATION OF ACCOUNTANTS

Statistics as at February 5, 1999

Class	As at 7.12.98	Deceased	Resignation	Readmission	Admission	Sub-total	RA to PA	PA to RA	Total as at 5.2.99
Public Accountant	4088	-1			57	4144	2	-5	4141
Registered Accountant	8001	-1		1	92	8093	-2	5	8096
Licensed Accountant	36					36			36
Associate Member	3				2	5			5
TOTAL	**12128**	**-2**	**0**	**1**	**151**	**12278**	**0**	**0**	**12278**

MAAA News

MALAYSIAN ASSOCIATION
OF ACCOUNTING ADMINISTRATORS

INCORPORATION & AIM

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

MAIN OBJECTIVES

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

COUNCIL MEMBERS (1998/99 TERM)

Elected Members

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

MIA Nominated Members

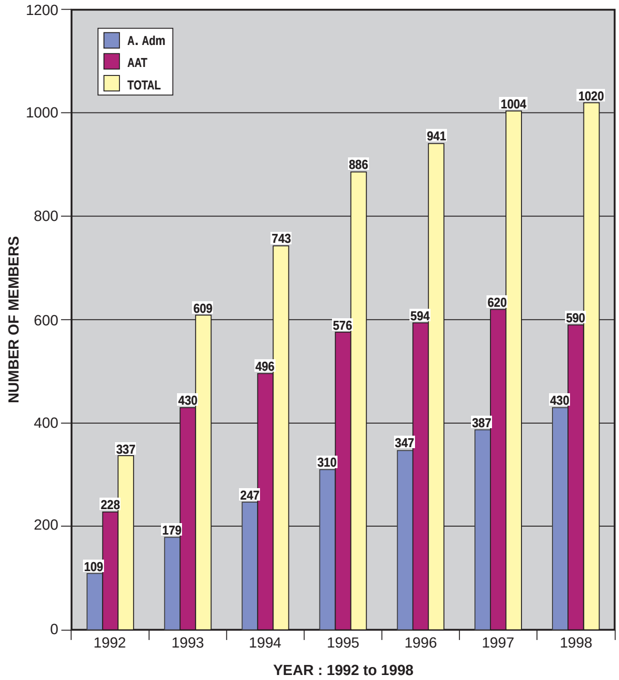
Chian Ngook For, Daniel
Lam Kee Soon
Yue Sau Him

SECRETARIAT OFFICE

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

Editor for MAAA News: Low Han Men, Aric

MAAA MEMBERSHIP GROWTH (1992 - 1998)



Presently, there are two categories of MAAA membership namely Accounting Administrator (A.Adm) and Associate Accounting Technician (AAT(M)). The Association recognises certain qualifications to be admitted as members of the Association.

The following have recently been admitted as Associate Accounting Technicians members of the Association:-

Chong Yien Chien *(Memno. 1077)*   Ong Aik Seng *(Memno. 1078)*
Kok Lai Yin *(Memno. 1079)*

Associate Accounting Technicians may be eligible for elevation as follows:-

i. After a period of five (5) years of relevant accounting experience (which must be wholly in supervisory level) from the date of his admission as an AAT(M); or
ii. Upon obtaining the necessary qualification for the elevation.

The following are members recently elevated as Accounting Administrators:-

Loi Hai Kuan *(Memno. 167)*   Poon Chung Hiang *(Memno. 273)*
Chian Soor Ngoh *(Memno. 274)*   Leow Woon Jyh *(Memno. 393)*
Chee Nyuk Yen *(Memno. 402)*   Tan How Joo *(Memno. 481)*
Omar bin Othman *(Memno. 547)*   Lim Siong Heng *(Memno. 945)*

For further information and membership application form, please contact the MAAA Secretariat office.

UPDATING OF MEMBERSHIP DATA AND SURVEY

We wish to inform that members will be receiving a form to update the Association's database. A questionnaire has also been included to conduct a survey on how members of the Association can be better served. We hope all members will spare some time to complete the form cum questionnaire.

MIT News

Professional Examinations

OF THE MALAYSIAN INSTITUTE OF TAXATION

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

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

Examination Structure

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

FOUNDATION LEVEL

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

INTERMEDIATE LEVEL

- Taxation II
- Taxation III
- Company & Business Law

FINAL LEVEL

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

How To Register

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

Entrance Requirements

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

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

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

(d) Mature Age Entry (Minimum 23 years)

Exemptions

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

Exemption Fees

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

Examination Fees

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

DATES TO REMEMBER

SEPTEMBER 1

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

OCTOBER 15

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

DECEMBER

EXAMINATION