Akauntan Nasional

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Akauntan Nasional

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Editorial

The last couple of months have been particularly busy for the Institute. First, there was the Extraordinary General Meeting. At the end of the robust debate, the accountants voted to adopt all the 24 resolutions that were tabled. "Should the government adopt all the resolutions, it will propel the accounting profession to greater heights", a point noted in the Institute's press release.

The Institute's proposed amendments to the Accountants Act, 1967 are now with the government. A decision in the interests of the accountancy profession and the nation is eagerly awaited by all parties concerned.

The next big event was the 1999 National Accountants Conference (NAC). It featured several prominent personalities who covered key and emerging issues relating to accountancy and auditing, business and economics, and information technology. This issue carries several reports on the NAC for the benefit of readers.

Going forward, the Institute will once again be much involved in the affairs of the nation. Its machinery has been geared up, as it prepares for the Budget Day on 29 October 1999. It has lined up several articles to be featured in the newspaper leading up to Budget Day. It will also go on air just before and soon after the Budget speech. Hotlines will be set up to answer queries on the budget issues.

Needless to add, it is hoped that the government will give due consideration to the Institute's several proposals to sustain recovery, reinvigorate economic growth and strengthen national competitiveness.

In particular, the expansionary budgets of the past should continue, at least for the next year or two, before consolidation takes place. Meanwhile, the business community and big debtors have been greatly helped by the sharp monetary easing, and perhaps the already low interest rates should not fall lower.

It is also hoped that human capital investment — a crucial factor in promoting sustainable and strong economic growth — is clearly defined in the Budget 2000, and followed through in subsequent budgets in the next millennium. Among other things, the Institute has proposed a world-class governance infrastructure for education.

Meanwhile, changes in the international economic, financial and technological landscape are taking place at a phenomenal pace. Therefore, our country and the accountancy profession will need to respond in a timely and effective manner. If not, we stand to lose our competitive edge to those who are prepared to ride on the wave of such path-breaking changes.

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.

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.

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Practice Review — A Tool to Enhance Quality Monitoring

> In general, the accounting profession in the country had been quite autonomous with few restrictive legal requirements and we hope that it could be kept that way.

The idea of Practice Review has yet to catch on in the country. However, practice review is not something new. In some countries such as Canada, New Zealand, Ireland and Hong Kong, Practice Review has already been in practice for some time now, and in Singapore it has been in practice for the last four years. Therefore, we are in some ways behind time. Ironically, we started off at about the same time as Singapore in drawing up the framework.

From the initial feedback that we got from audit firms, Practice Review has been looked upon negatively by some as a fault-finding exercise. This should not be the case.

It must be looked upon as an evolution of business practice in the country, to bring it in line with what is going on with the rest of the world and to answer the call for better corporate governance, transparency, accountability and enhancement of investors' confidence. It can be safely predicted that there will be more stringent requirements in the near future.

The audit firms should be getting used to the idea. If they do not inculcate it into their practice, they might one day find themselves having to bend to statutes requiring them to conform to the practice and the cost might be exorbitant, not only in monetary terms but also in terms of competitive advantage when we open our services sector under the World Trade Organisation requirements. In general, the accounting profession in the country had been quite autonomous with few restrictive legal requirements and we hope that it could be kept that way.

As studies have shown, self-regulation is the most effective form of regulation. This concept must be incorporated into the mental make-up of the practitioners and they should wake-up to the idea that they do play an important role in the enhancement of better business practice in the country and for the betterment of every stakeholder in the country.

One of the concerns regarding Practice Review is the confidentiality factor. The concern is understandable. However, it must be pointed out that there are by-laws governing disclosures that the accountancy profession have to adhere to. Legal precedents in countries that are having such practices, for example, in Hong Kong and Canada have shown that there have been no breaches as long as accountants comply with the rules and regulations.

Another concern would be the costs incurred. As a form of comparison, it would cost an audit firm with a sole practitioner between S$1,500-S$2,000 to conduct a review in Singapore, an exercise that could take around two to three days. The firm need only repeat the exercise after a period of about five years should the quality control within the practice be deemed acceptable. From this, it can be seen that the cost to pay in return for ensuring quality and reassurance to clients is minimal and im-

The idea of peer review was mooted in the early 1990s. The idea did not catch on because there were concerns about confidentiality and possible conflict of interest.

material.

As there are different audit approaches currently in practice, it is the consistency of the method employed and its application on comparable industries and sizes of operation, and the procedures whereby a conclusion is derived at that are important, rather than the nature of the conclusion itself.

As long as the audit methodology has shown that the auditing standards laid down are duly taken into account, the professional judgment should not be subject to undue questioning.

The question now is why shouldn't fellow practitioners review each other, or in other words, peer review be practised as an alternative? The idea of peer review was mooted in the early 1990s. The idea did not catch on because there were concerns about confidentiality and possible conflict of interest. Therefore, it is now proposed that a reviewer from an independent body such as the MIA be made to conduct the review to offset the doubts that were there in the first place. There is also the possible advantage of consistency of standards employed.

As mentioned earlier, the idea of Practice Review has yet to catch on. However, it is something that must be taken into consideration as we move into an era of more stringent requirements pertaining to financial disclosures and practices, or a regime of self-regulation.

Therefore, practitioners must do their part in bringing the country forward towards a more developed status. It is pertinent that the first step to be taken is now, especially when we are trying to show the rest of the world that we are sincere and capable in reforming our financial system to bring it to world-class standards. Significantly, a recent study on 'Peer Practice Review as a Possible Tool of Quality Monitoring in Malaysia', which was commissioned by the Malaysian Accountancy Research and Education Foundation (MAREF), concluded that it is timely to implement Practice Review.

It is now proposed that a reviewer from an independent body such as the MIA be made to conduct the review to offset the doubts that were there in the first place. There is also the possible advantage of consistency of standards employed.

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Feature

Lessons in Litigation, Australian Audit Cases

By Conor O'Leary, Lecturer, School of Accountancy, Queensland University of Technology, Brisbane, Australia

Introduction

Litigation claims against accountancy firms have increased dramatically in the last 10 years. Previously, such cases were rare and viewed with great interest. Nowadays, whereas still treated with great interest, they are becoming all too common. A snapshot of Australian litigation cases concerning accounting firms reveals the following large list[1]:

> Audit firms get sued not because they may have been negligent but because they appear to have the ability to repay losses.

Plaintiff	Defendants	Claims/Results
Duke Group	Ernst & Young, KPMG Peat Marwick and Others	Settled out of Court, reported sum A$35 million
Rothwells	KPMG Peat Marwick	A$40 million claim
National Safety Council of Victoria	Horwath & Horwath	Settled for A$2 million
Estate Mortgage	Priestly and Morris	Settled for A$31 million
AWA	Deloitte Ross Tohmatsu	A$4 million award plus costs
Tricontinental Bank	KPMG Peat Marwick	Settled for A$136 million
Linter Group	PricewaterhouseCoopers	No amount specified
Columbia Tea	BDO Nelson Parkhill	Nominal damages
Deposit & Investment	KPMG Peat Marwick	A$73 million claim
Farrow Finance	Day Neilson Jenkins & Johns, PricewaterhouseCoopers and Others	Class action initially A$740,000 but may rise to A$20 million
State Bank of South Australia	KPMG Peat Marwick and PricewaterhouseCoopers	Settled for A$120 million

The Australian situation is not unusual either. The same pattern appears worldwide. The following brief summary of litigation cases overseas was adapted from the August/September edition of *World Accounting Report*.

- In the United States, in March 1994 Deloitte & Touche paid US$312m to put to rest Government claims over the firm's work in the savings and loan industry.
- In Canada, Coopers & Lybrand are contesting a C$800m claim arising from their audit of Castor Holdings.
- In the United Kingdom several lawsuits have been taken out by shareholder groups against PricewaterhouseCoopers and Ernst & Whinney alleging negligent auditing in the Bank of Credit and Commerce International case.
- Finally in Italy, PricewaterhouseCoopers is defending a L1,000bn claim which commenced in April this year and concerns their audit of the Mondedison Company.

[1] Adapted from **Accounting Industry's Damages Bill**, *The Accountant* (UK), July 1994, p. 3.

Why is there such a worldwide increase in action taken against accountancy firms? One answer may be found in what academics [2] refer to as 'deep pocket' theory. This theory of auditing casts the audit firm in the role of insurer, in addition to the traditional roles of stewardship and information provider. Hence audit firms get sued not because they may have been negligent but because they appear to have the ability to repay losses. Consider the comments of Bill Small, Chairman of PricewaterhouseCoopers, when informed of the $1.1billion claim lodged against his firm. He considered it a shame the South Australian taxpayer would have to fund an unjustified ambit claim which is an attempt to make auditors' professional indemnity insurance pay for the negligence of directors, management and the State Government at the time [3].

Irrespective of the reason there is no doubting the increase in litigation against accounting firms for alleged negligence. Let us now review the findings of some historical negligence cases, and the lessons to be learned from them.

[2] Refer for example to Antle [1982, p. 514] and Gwilliam [1987, p. 55].

[3] Extracted from **SA Govt Slaps $1.1b Action on PW**, *New Accountant*, 15 Sept 1994, p. 6.

Section 1

Negligence Cases Concerning Liability to Clients

What is deemed negligent auditing has changed significantly over the years. The duty of skill and care which an auditor is expected to bring to each assignment is best summarised by Lopes L.J. in the Kingston Cotton Mill case of 1896. He stated that :

> *It is the duty of an auditor to bring to bear on the work he has to perform, that skill, care and caution which a reasonably competent, careful and cautious auditor would use.*

However what was reasonable competence, care and caution in 1896 would certainly not be deemed so today. The standards of reasonableness expected are increasing all the time and this is the problem for auditors. How do they ensure they are providing the service, which is reasonably expected of them? The following brief review of some historic cases assist in showing what was determined as unsatisfactory in the past.

Re : London and General Bank (1895) 2 Ch.166

Facts : A negligence action was taken by the company liquidator against the former auditor for failure to report to shareholders the existence of substantially over-valued book debts and the auditor's resultant recommendations to directors that no dividend be paid.

Established : The case established that the auditor's duty is to report to shareholders as clients, not directors. The principle of reasonable care and skill was also established.

Re : Kingston Cotton Mill Co. (No. 2)(1896) 2 Ch. 279

Facts : The liquidator tried to recover dividends allegedly paid out of capital. The manager had overstated inventories to produce profits, which did not exist. The auditor had relied on stock certificates signed by the manager. He had not physically observed inventories.

Established : Lopes L. J. made his often quoted statement summarising what level of care an auditor should practice. He also initiated the phrase that the auditor is a watchdog, not a bloodhound. This canine metaphor has been used in many cases since.

These two cases formed the basis for many subsequent court decisions concerning auditor negligence. The first significant Australian case in the area did not occur until 1970.

Pacific Acceptance Ltd. v. Forsyth & Others (1970) 92 WN (NSW) 29

Facts : Pacific Acceptance took action against its former auditors for breach of duty in their failure to warn Pacific of fraudulent and irregular aspects concerning certain sizeable loans to one client, who subsequently became a director of Pacific. The intention was that these sums be secured by mortgage of freehold property and bills of sale/assignment of real estate.

Established : The auditors were found liable for negligence in that they had failed to properly vouch and check the existence of proper securities used by the company to secure the advances. The auditors must search for themselves and not just accept representations.

Cambridge Credit Corp Ltd. v. Hutcheson & Ors (1985) 3 ACLC 263

Facts : Cambridge Credit Corp. was a real estate developer, which collapsed in 1974. Debentures issued previously had a clause in the deed that the ratio of debentures to shareholders funds should not rise above 5:1. If a number of irregularities in the 1971 accounts had been corrected the ratio would have been exceeded and the trustee for the debenture holders would have had the power to appoint a receiver.

Established : The auditors were found negligent and so liable for losses incurred because the company was allowed to continue trading when in financial difficulties.

The most significant recent Australian case on auditor's negligence occurred in 1992. It raised several interesting points and helps to demonstrate how the yardstick of reasonable care and skill has changed as time evolves.

AWA Ltd. v. Daniels t/a Deloitte Haskins and Sells & Ors (1992) 7 ACSR 759

Facts : The directors of AWA Ltd. sued the auditors for negligence. AWA had set up a foreign exchange operation in the mid-80s. The internal controls over the foreign exchange dealings were inadequate and the company suffered some $40 million in losses as a result. The company claimed the auditors were aware of the weaknesses at an early stage but failed to communicate the weaknesses to management.

Established : Justice Rogers ruled auditors should exercise an aggressive stance in their auditing and he considered they should have insisted company's management rectify the internal control weaknesses. On subsequent visits auditors should follow up on previously reported upon weaknesses to ensure they have been rectified.

The following table lists eight specific weaknesses referred to in the course of the legal action. Beside them are listed the specific statutory or professional pronouncements, which now cover these areas. Note the dates however. The vast majority of these were not issued until post 1990, well after the negligent practices had been performed.

It is an interesting list of points. On any individual audit, the firm may have escaped censure if one or two of the above weaknesses had crept into their work. The combination however appeared to bring about their undoing.

Weaknesses	AUSs/AUPs [4]
Auditors failed to gain an understanding of internal controls in the areas in which they did not intend to rely upon.	AUS 402, para. 31 (7/96)
Weaknesses discovered in internal controls were not reported to the appropriate level of management or on a timely basis. Neither were they followed up upon to ensure they were being rectified.	AUS 710, paras. 10, 25 and 28 (7/96)
Audit staff did not have adequate training, experience and competence in all areas.	AUS 206, para. 6 (7/96)
Audit independence had become compromised by close personal relationships. (Lack of rotation of the audit partner).	AUP 32, para. 51 (F) (8/92)
Auditors had not satisfied themselves about the keeping of adequate books and records in all areas.	S331 (E)(2)(e), The Corporations Law.
Letter of Engagement had not been updated and client's circumstances had changed significantly.	AUP 9, para. 7 (1/83)
Audit committees are a good tool for communication between auditors and all levels of management. Yet, none existed in this large public company.	AUP 31, (5/91)
Bank letters should only have been used as 'corroborative' rather than a 'primary' form of audit evidence. It should have been 'tailored' as necessary.	AUP 1, para. 10 and 14 (5/91)

Section 2

Alleged Negligence Cases Not Concluded Upon

The vast majority of negligence cases do not end up in court. Most are settled before matters get that far. Indeed, some are too big even for the courts to handle. Consider the Tricontinental Bank case. The judges *advised* the parties involved to reach a settlement as they considered the case too big and too involved to run through a full legal process.

As a result it is very difficult to learn lessons from these cases. What can be done is to examine some of the allegations from liquidator's statements of claim and various inquiries and Royal Commissions. These highlight 'alleged' negligent practices and it is crucial to stress the word 'alleged'. Actual negligence has not been proved or admitted in these cases. A very brief review of three of the more celebrated cases follows.

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Rothwells Ltd.

The McCusker Report on Rothwells Ltd. queried the audit performance in the following areas [5]:

- Failure to perform debtors' circularisations.
- Failure to report on a timely basis on the inadequacy of certain internal controls.
- Excessive reliance upon directors' representations and general explanations.

Tricontinental Bank

In January 1994, KPMG Peat Marwick paid $136m to the Victorian Government to settle any claims arising out of the accountancy firm's audit work on Tricontinental Bank. No liability was admitted and the settlement was deemed the best practical solution by the auditors. The claim had been for $1.1b.

[4] Statement of Auditing Standards (AUS) and Statements of Auditing Practice (AUPs).

[5] Adapted from **Rothwells : The Truth at Last**, *Australian Business*, 12 September 1990, pp. 26-30.

The Royal Commission into the collapse of the bank noted the following points, which may subsequently have been discussed as potential negligence on the part of the auditors[6]:

- Failure to adequately comment upon and follow up on internal control weaknesses and breakdowns.
- Failure to note the inadequacy of doubtful debts provisions.
- Failure to note the inadequacy of security held for certain loans.
- Failure to comment upon the bank's accounting policies concerning interest recognition.

National Safety Council (Victoria)

In April 1994 Horwath & Horwath paid $2m to the creditors of the National Safety Council (Victoria) to settle any claims arising out of their audits of that organisation in the late 1980s. The claim had been for $256m. Again the payment was made and no liability admitted. The liquidator's statement of claim had alleged the following negligent audit practices[7]:

- Excessive reliance on unsubstantiated statements by the CEO.
- Failure to verify the terms of major contracts.
- Failure to verify the existence and valuation of major fixed assets.
- Failure to perform debtors' circularisations.
- Preparation of grossly misleading audit reports.

Lessons from Negligence Cases

At this point it is useful to briefly summarise the lessons to be learned from actual negligence cases (section 1) and alleged negligence cases (section 2). To avoid negligence accountancy firms must :

i Ensure they comply with all relevant statutory requirements — as detailed in The Corporations Law — when performing audit engagements.

ii Ensure they comply with all relevant Statements of Auditing Standards and Statements of Auditing Practice.

iii Ensure they perform the work, which a reasonably competent, cautious and skilled auditor would perform.

Steps one and two are quite straightforward. But these should only be seen as a minimum standard of care. Consider the AWA case for example. At the time there were no relevant AUSs/AUPs to guide the auditors in the area of reporting internal control weaknesses etc. But absence of a guiding professional pronouncement is no defence against negligence. Consider this quote from a US judge in 1974 :

> *... we are not constrained to accept faulty standards of practice otherwise generally accepted in an industry or profession*[8].

What the courts look at is 'best practice' at the time, i.e. what are peer group firms doing. Hence auditors must ensure they are auditing in accordance with the best standards and practices currently being utilised by other members of the profession. The way to achieve this is by employing adequate quality control procedures. We shall review these in section 4.

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Section 3

Surveys of Matters Giving Rise to Potential Audit Negligence

Many lessons can be learned from reviewing individual audit cases as listed in sections 1 and 2. What is of greater benefit however is to review overall surveys on audit performance, searching for potential weaknesses and/or exposure to potential litigation. Such surveys are obviously rare but recently two have come to light, which offer great assistance in this area.

Australian Securities Commission's Auditor Surveillance Program

The ASC set up an auditor surveillance program to enable it to review the performance of various accountancy firms in the audit area. Firms are selected either on the basis of complaints received or else purely at random. Their files are then reviewed for quality. The New South Wales office of the ASC recently issued a summary of the findings of its surveillance programme[9]. They noted audit deficiencies and summarised that these deficiencies were generally caused by two major factors :

- Lack of audit independence, and/or
- Lack of technical competence.

These two causes are interesting and will be investigated further in section 4. The deficiencies were then further summarised into four categories :

1 Acceptance of management representations without adequate verification.

2 Failure to report departure from accounting standards.

3 Acceptance of 'creative' or questionable accounting practices in the absence of a specific accounting policy.

4 Inadequate documentation of audit planning and evidence gathering procedures.

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6 Adapted from **Trico : The Victorian Government's Loaded Gun**, ibid, p. 16-21.

7 Adapted from **How a $256m Negligence Claim was Settled for $2m**, *Business Review Weekly*, 25 April 1994, p. 24-28.

8 Hochfelder v. Ernst & Ernst (1974) 503 F 2nd 1100 7th Circ.

9 Adapted from **Auditing the Auditors**, *Australian Accountant*, October 1994, pp. 37-39.

The best defence against possible negligence suits is quite simply for audit firms to ensure they do not engage in negligent audit practices. This can be achieved to a very large extent by implementing adequate quality control procedures in accountancy firms.

It is interesting to compare this general list of weaknesses with the specific weaknesses listed in individual cases examined earlier. Similar problem areas appear over and over again.

Arthur Andersen Study of Factors Causing Litigation

In 1993 Arthur Andersen performed a review of all major litigation cases taken against the firm worldwide over the past 20 years. This gave them a database of some 300 cases to which they added 70 cases taken against other firms. They issued a summary of the results of this review[10] and it makes interesting reading.

The major findings were that litigation cases usually arose as a result of the audit entity being inherently risky as opposed to any sub-standard audit practices by the accounting firm. The following factors were then listed as inherent risk factors from a client's rather than an audit firm's viewpoint :

- Problems with the Chief Executive (CE)'s integrity, competence and/or experience.
- Personal dominance by the CE of the company and its systems.
- Financial instability of the business sector under review (banking, real estate, high technology, etc.).

Yet again the same potential problem points begin to appear. Other specific potential problems, which the study identified, were :

- Anomalous salary levels.
- Abuses of expenses.
- Directors with personal problems (drinking, gambling, divorce, etc.).
- Unrealistic audit deadlines.
- All audit queries being directed to one person.
- Previous audit recommendations being ignored.
- Audit entities who lack reputable bankers, solicitors, etc.

These two general studies highlight specific weaknesses noted in individually reported cases mentioned earlier. The same patterns emerge, hence audit firms should learn from these and avoid the pitfalls.

The best defence against possible negligence suits is quite simply for audit firms to ensure they do not engage in negligent audit practices. This can be achieved to a very large extent by implementing adequate quality control procedures in accountancy firms.

Section 4

Quality Control Procedures

Quality controls are those policies and procedures used by public accounting firms that help them achieve adequate levels of skill and competence on each engagement. Quality control is closely associated with auditing standards, statements of auditing practice and the Rules of Ethical Conduct (RECs). Procedures adopted by particular firms will vary depending on factors such as the size and nature of the practice, its geographical dispersion, its organisation and appropriate cost/benefit considerations.

In October 1995, AUS 206 — Quality Control for Audit Work was issued. It superseded the previously issued AUP 13 — Control of the Quality of Audit Work. It requires the firm to adopt quality control policies incorporating the following objectives and to implement appropriate procedures that provide reasonable assurance of achieving those objectives. The appendices to AUS

Quality controls are those policies and procedures used by public accounting firms that help them achieve adequate levels of skill and competence on each engagement.

[10] Adapted from **Practice Safe Auditing By Learning To Say No**, *Business Review Weekly*, 9 July 1993, pp. 84-85.

206 provide illustrative examples of related general quality control procedures. The table below summarises these objectives and provides an example procedure for each objective.

Some items are further covered by other pronouncements. For example the Joint Code of Professional Conduct (JCPC) of the Institute of Chartered Accountants and the Australian Society of Certified Practising Accountants, professional statement F3 — Changes in Professional Appointments, expands upon acceptance and continuation of clients. Further reference may be made to miscellaneous professional statements, APS 4 — Statement of Quality Control Standard, and APS 5 — Quality Control Policies and Procedures General Guidelines, both issued in 1982 which list 10 elements of quality control and illustrative examples of relevant policies and procedures.

One particular area worthy of further attention is audit independence.

AUP 32 Audit Independence

It is interesting to note from the general ASC review in section 4 and some specific cases mentioned in section 2 — AWA especially — that a lack of independence has contributed to an audit firm's undoing on more than one occasion. Independence is the cornerstone of auditing, yet unwittingly auditors have on occasion allowed this fundamental principle to be compromised.

AUP 32 Audit Independence was issued in August 1992 to provide further guidance in this area. The JCPC statement F1 — Professional Independence, deals with the more traditional threats to independence, shareholdings, loans, etc. AUP 32 considers some newer threats such as opinion shopping, tendering, etc. Some quality control procedures advised in AUP 32 are therefore worth considering. These are mentioned at paragraph 51 and include :

- reviewing previous files for threats to independence.
- independent (second partner) review of audit decisions.
- staff declarations of personal interests in clients.
- policies for immediate disposal of above.
- periodic rotation of audit staff.
- periodic rotation of audit partners.
- review of fee levels received from clients.
- adequate training of all staff.

Quality Control Objective	Requirements	Example of a Procedure
Personal qualities	Personnel in the firm should adhere to the principles of Integrity, Objectivity, Independence and Confidentiality as in AUS 1.	Obtain from personnel periodic written representations, stating their familiarity with the firm's independence policies and procedures such as prohibition of investments in clients, prohibited relationships, etc.
Skills and competence	The firm should be staffed by personnel who have attained and maintain the skills and competence required to enable them to fulfil their responsibilities.	Provide personnel with professional literature relating to current developments in professional technical standards and manuals containing firm policies and procedures on technical matters.
Assignment	Audit work should be assigned to personnel who have the degree of technical training and proficiency required in the circumstances.	In assigning staff to engagements consider the qualifications, planned supervision and potential independence problems. Also consider the need for continuity and rotation of personnel.
Direction and supervision	There should be sufficient direction and supervision of work at all levels. Whenever necessary, consultation should be made with those who have appropriate expertise.	Provide procedures for planning audits, including development of background information, proposed work programmes, manpower requirements and time estimates. Also consider current economic conditions affecting the audit.
Acceptance and continuance of clients	Evaluate prospective clients and review, on an ongoing basis, the association with existing clients. Consider independence, ability to service a client properly, and integrity of the client's management.	Communicate with the predecessor auditor. Enquiries should include questions regarding the integrity of management, disagreements as to accounting policies, etc., and reason for change.
Inspection	The firm should monitor the effectiveness of its quality control policies and procedures.	Determine objectives and prepare instructions and review programmes for use in conducting inspection activities.

Assessing Audit Quality

Having implemented quality control procedures firms must ensure these procedures are operating satisfactorily. There are three methods of achieving this, two which an audit firm can control, one which may be forced upon them.

Peer review is the independent review of a firm's quality control policies and procedures, and its compliance with these quality controls. It is conducted by another accounting firm. Such peer reviews are not mandatory in Australia. However, in light of the comments made in section 2, and how the courts are inclined to consider 'best practice' it is a policy well worth implementing.

Audit committees have an important role to play in assessing audit quality. One of the primary responsibilities of this committee is to ensure that a high quality audit service is obtained from the external auditors. Again audit committees are not mandatory in Australia but here again, 'best practice' should be considered. Auditors should recommend to all public company clients and other clients as well that they form an audit committee to improve the quality of the audit service.

Finally, The Institute of Chartered Accountants in Australia (ICAA) has introduced *practice reviews* with the above objectives in mind and also to demonstrate to the general public that members establish, maintain and comply with quality controls.

Summary

Litigation against accountancy firms is on the increase. Whether this be due to negligent practices by accountancy firms or simply aggrieved parties assessing accountancy firms' ability to pay for losses suffered, is a topic of much debate. However, a review of past negligence cases and some surveys of litigation and accountancy firm practices, reveal certain common threads running through all such cases. The major failings of accountancy firms appear to have been :

- failure to maintain independence.
- technical incompetence in certain areas.
- failure to assess the effects of poor internal controls or breakdowns therein on the organisation as a whole.
- overdue reliance on management representations.

Most negligent practices should be avoidable if firms implement appropriate quality control procedures, and review these procedures to ensure they are achieving the desired results. The institute pronouncements provide appropriate guidance on these areas. However ultimately every accountancy firm is responsible for ensuring its policies and procedures are on a par with those employed by other firms at the time. Courts view 'best practice' as the benchmark. If this extends beyond professional pronouncements firms must strive to reach that benchmark. By employing appropriate quality control mechanisms this should be achievable.

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Feature

Role of Management Accounting in a Network Economy

By Subrata Chakraborty, Professor, Dean, Indian Institute of Management (IIM), Lucknow, India

Introduction

Recent years have witnessed increasing discontinuities. There are quite a few successful knowledge businesses that have come to be created lately, literally overthrowing several age-old practices and taken-for-granted assumptions of business. Many tend to attribute the recent changes to the so-called information revolution. However, information on a 'stand alone' basis does not seem to cause the discontinuities we witness. It is the relentless act of connecting everything with everything else that appears to provide the basic impetus to discontinuities, giving rise to new forms of business — hitherto unknown and unseen — on a somewhat continuous basis, thus forcing many long-held business theories to go into oblivion. Today's global economy stands networked in which growth prospects arise from creation of value as opposed to the earlier belief that outpacing competition helps you grow. To cope with changes of external environment, growing organisations of current times are viewing themselves differently. Instead of seeing themselves as hierarchical reporting structures, these organisations have changed their orientation to one of a network of relationships, which are being put to work to create value for the ultimate user. The earlier approach of organising work on the basis of operational conveniences and/or specialised narrow skills is thus all set to make room for newer philosophies to guide organisational work. New philosophies are being put into use not only to facilitate quicker identification and speedier removal of all constraints of value creation and delivery, but also to aid in running the organisational systems in manners that could promote a culture of maximisation of value for customers — both external and internal.

To make matters worse, today's customers are much more discerning than ever before and are also becoming more demanding, as they seek to derive increasing greater value from their spending. Wealth in this new regime seems to be flowing directly from innovation, not optimisation. The need of the hour, therefore, is to do right things rather than doing things right. Perfecting the known does not appear to be much help any longer since business today is growing from seizing the unknown. With every passing year the best is getting cheaper in a networked globe, making it a cruel world for those hoping to make a buck. Prices seem to be on a downward slide, probably going to settle down near the free whereas, quality is completely open-ended at the top [Kelly, 1998].

Today's customers are much more discerning than ever before and are also becoming more demanding, as they seek to derive increasing greater value from their spending.

In such an environment, "what would be the roles of management accountants?", "what kind of value can they possibly add and how?", are questions that arise in many minds. This paper constitutes a humble attempt to grapple with these questions so as to gain some understanding on the kind of roles accountants are to play if they are to become a part in this overall effort or superior value creation.

Prices seem to be on a downward slide, probably going to settle down near the free whereas, quality is completely open-ended at the top.

Business challenges of today seem to revolve around the need to make a smooth and purposeful transition from 'reverse engineering' to 'break-through engineering', from an 'efficiency-centred' to a 'creativity-propelled' mode of competitive stance; and from 'knowledge exploitation' to 'knowledge exploration' in new critical areas.

Critical Business Issues

In a market where being value driven provides the competitive advantage, businesses are being left with little choice but to orient themselves towards customers. Many have begun to advocate use of tools like market-perceived-quality profiles and customer-value maps [Gale 1994] to achieve appropriate external alignment and also to streamline activities within. The following seem to emerge as crucially important organisational abilities for survival and growth.

- Understanding how a customer sees provider's performance *vis-à-vis* that of competition, as assessed through his/her use experiences.
- Capturing the above information and translating it in ways that help everyone focus on things that are important to provide more satisfying and delightful experiences to customers.
- Having strategies for continuous value enhancement and helping every one understand why those strategies are important.
- Identifying and managing key business processes that must work well for the most important customer needs to be met.
- Thinking about entirely new products/services that can help remake what the customers think about a product category.

Traditionally businesses have been inward looking, working through an operating chain comprising of supplier-input-process-output-customer.

Traditionally businesses have been inward looking, working through an operating chain comprising of supplier-input-process-output-customer (SIPOC). The current need is to reverse the sequence of activities in this chain with customer coming at the forefront. To imbibe the total philosophy behind this reversal requires an entirely new business mindset, not just refocusing of activities.

The companies are on the lookout for a method of business planning that could permit action learning. Secondly, they also desire to have a strategic navigation system in place that can provide data on both financial performance and customer value performance. All these call for bringing a long-term competitive orientation in business, in place of the short-term financial focus our organisations have been traditionally used to. Such a change becomes necessary because business challenges of today seem to revolve around the need to make a smooth and purposeful transition from 'reverse engineering' to 'break-through engineering', from an 'efficiency-centred' to a 'creativity-propelled' mode of competitive stance; and from 'knowledge exploitation' to 'knowledge exploration' in new critical areas [Koh, 1998]. Therefore, the classic questions businesses face today are :

- What business should we be in?
- How should the results be measured?
- What financial measures are appropriate (accounting *versus* cash flow measures)?
- How should capital be allocated across businesses?
- How to create good linkages with the company's budgeting, strategic planning, capital investment, and performance and review systems?
- How to identify where opportunity lies for greater value creation?

- What measures are to be put in place in order to assess whether the company is on the path to continuous improvement with regard to its customer offerings?
- Should the company be a one-nation or a global business?

Clearly, accountants' roles are to be carved out of the above, although accountants by themselves, may not be in a position to answer all of these questions in their entirety. Nonetheless, accountants can play quite meaningful roles in strategy development for exploitation of emerging opportunities, including exploration of new ones by providing timely signals. However, for this to happen the accounting function has to develop its own new mind-set so as to take on to its emergent role of 'insight provider', while moving out of its mould as a 'transaction processor', that it has played so far. Clearly accounting orientation is to shift more towards planning from that of reporting. The real challenge is to make it possible.

Understanding Customer Value

To be able to meaningfully link accountants' roles with the rest of the organisation it is important to clearly understand what customer value means. Many authors have defined customer value from many different perspectives. However, a definition provided by Anderson, Jain, and Chintangunta (1993) which says,

> *"Value in business markets is the perceived worth in monetary units of the set of economic, technical, service, and social benefits received by a customer firm in exchange for the price paid for a product, taking into consideration the available suppliers' offerings and prices"*

may be useful for us, since this takes note of things both internal and external to the organisation. Perhaps a simple way to start the analysis of customer value would be to treat it as the ratio of 'Got' to 'Cost'. Broadly, this would imply that the provider firm ensures that the 'Got' for the customer always exceeds his/her 'Cost'. Greater rewards would flow if it can make sure that this ratio, in case of a provider firm's supply, works out higher in customer's comparison with that of the competition. However, to make this an operating reality there is a need to streamline and monitor a firm's value delivery process. More importantly, the concept of customer value is to be made a purposeful management tool within an organisation, because people involved in creating and implementing customer value delivery strategies need a common framework for thinking about customer value. An essential lesson the sellers have to learn is consequences that customers want (or do not want) in use situations, since businesses grow by providing the desired consequences in use. To produce these consequences the providing organisation must identify the following [Woodruff, 1997], making sure that interpretation of each of these is free from provider biases :

- What do target customers value?
- Of all the value dimensions that target customers want, which are most important? Why?
- How well (poorly) are we doing in delivering the value that target customers want?
- Why are we doing poorly (well) on important value dimensions?

To create an internal organisation that answers the above four questions on an ongoing basis there is need to develop managers' mental models towards shaping customer value delivery strategy decisions. It is here that accountants are expected to play their role effectively, given their ability to bear on the problems and decision-making challenges of operating managers. Undoubtedly, therefore, the accounting focus needs to be shifted to value dimensions from now on.

Putting a Value Delivery Process in Place

To have an effective value delivery process a firm ought to have a value delivery strategy. This would mean identifying the 'hows' of creating the benefit consequences in desired use situations that management wants to accomplish for target customers through the product offer. To create consciousness of this, and the guiding operating mindset, accounting has to play a key role by answering questions like, "what adds greater value?" or, "what are the constraining factors in value creation and/or delivery?" on an ongoing and continuous basis.

To move on the operational plane, the strategy must get translated into internal customer value processes and requirements. One element in this translation task is the identification of internal organisational processes specifically designed to deliver value. These processes may lie within a single department or across departments. Accountants, with their inherent analytical capability, should be able to devise appropriate measures and to provide the much needed inter-departmental glue, working out a systematic process identifying corresponding techniques for converting customer value dimensions into internal product and process requirements.

An important aspect of translation of strategy is the implementation of a customer value delivery approach. This brings to the surface certain difficult issues such as assigning accountability of different parts of the value delivery processes. One crucial issue is tracking of performance. Traditionally, organisations had been good at tracking their financial performance; whereas in

An important aspect of translation of strategy is the implementation of a customer value delivery approach.

this changed situation they need also to be adept at tracking customer-value delivery performance. Accounting professionals, and with their help the others, must reconcile with the fact that customer value-related data are relatively softer, less quantitative, and require a broader set of information tools than what dominates current practice.

Role of Accountants

As indicated earlier, accountants have to move closer to business planning and directioning as opposed to their traditional preoccupation of providing information. They must orient themselves to help line executives find answers to questions like [Davenport and Beers, 1995] :

- What is the real purpose any process in use is currently serving?
- To what degree is it meeting the real needs of customers?
- What performance objectives is it achieving?
- How is it going to aid businesses as environments change?
- What aspects of the process may be eliminated?

Traditionally, accountants had been in the area of measuring, analysing, and reporting what has happened. However, the time has come for accountants to realise that what has not happened may hold more potential opportunities for the firm than what has happened. Hence, they need to be much more proactive in their work, making enough room to create a 'bias for learning' in organisation members instead of remaining overly obsessed with past performance. To make a beginning, accountants must attempt to quantify judgments in a form that enables their value to be assessed. In order to be effective in today's competitive marketplace, line executives need analytical help to understand which customer segments are easy to retain, which provide the healthiest margins, and which are better left to the competition. Likewise, senior managers would want financial data that help them to forecast operating profit by products, services, and distribution channels, in a form that is merged with relevant operating and market data so that they can plan and allocate resources sensibly [Iversen and Moran, 1998]. Accounting has to face up to these challenges.

Accounting should be able to provide guidance on how to achieve required cost efficiencies, improve output quality, and reduce processing cycle time. Accountants are to therefore work hand in glove with business-unit managers to create key indicators of operating performance at all company levels, as opposed to their habitual mode of functioning as isolated historians. Instead of spending too much time on managing the numbers they must now focus attention towards the company's long-term growth strategies, which among other things, would include tracking and identifying what the target customers are likely to value in the future. Through their analytical skills, they need to clearly bring out what is important for business growth, and also widely share the ideas that are necessary for organisations to progress and grow.

Accounting should be able to provide guidance on how to achieve required cost efficiencies, improve output quality, and reduce processing cycle time.

Instead of focussing attention on counter-productive efforts to reduce unit product costs, accountants must now shift their focus on activities that will increase profits and help their organisations remain on a path of continuous development and growth. The critically important message the accounting community must internalise is : financial control is no longer required to minimise the cost of achieving a given output — the focus has shifted to maximising value of output from given resources. To many, this may appear as just the two sides of the same coin. The reality however is, the coin does not remain the same any longer. This is the lesson accountants must learn and help others to learn.

Instead of focussing attention on counter-productive efforts to reduce unit product costs, accountants must now shift their focus on activities that will increase profits and help their organisations remain on a path of continuous development and growth.

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Professor S. Chakraborty is currently the Dean (Development and Resources Mobilisation) at the Indian Institute of Management, Lucknow, India. He has been involved in teaching and research of many facets of management for more than 25 years. His work has been published extensively. He has also been a keynote speaker in many international and national conferences. His research work has appeared in journals like, *International Journal of Quality and Reliability Management, International Journal of Operations and Production Management, International Journal of Production Research, Quality Forum, Total Quality Management, IPQR Transactions, International Journal of Management and Systems, Productivity, Sankhya, Opsearch, Omega* and several others. His work 'Cost Management for Mass Customisation' was adjudged as one of the most outstanding contributions of the world during 1995-1996 in the area of Financial and Management Accounting and has won the prestigious IFAC (International Federation of Accountants) Award.

His research work 'Vendor Development Strategies' received the citation of excellence having been cited with the Highest Quality Rating by ANBAR Electronic Intelligence which reviews all papers that appear in top 400+ management journals every year, published throughout the world. This work of Professor Chakraborty is retained in ANBAR Hall of Excellence at UK for winning the citation of excellence in 1996.

Professor Chakraborty has conducted several focussed programmes for top and middle management personnel, and consulted widely with many different types of organisations, big and small, drawn from various sectors of the Indian economy.

He is currently engaged in extending the concepts of quality in non-traditional areas such as library and information services, health care and family welfare, education, judicial and police services, etc. His present research interests are in the area of identifying culture-compatible systems and ways of managing organisational configurations, both focussed on developing better interfacing abilities in our work organisation to cope with the turbulent environment faced today.

Professor Chakraborty is currently in the governing body of the National Institute of Health and Family Welfare, New Delhi and sits on the technical advisory committees, and academic boards of many institutions and training resource centres, apart from being on the editorial board of several leading publications. He is a member of the celebrated literati club of the MCB University Press UK by virtue of his published contributions.

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Feature

The Harmonisation of Accounting Standards

By Dr. R. Iddamalgoda, National University of Singapore, Prof. A.C. MacGregor, University of Otago, New Zealand and Dr. K.L. Yap, HELP Institute, Kuala Lumpur

Introduction

Considerable diversity is currently discernible among nations, in both the income measurement and asset valuation practices adopted, and the quantity and quality of disclosure in published financial statements. Accounting issues such as research and development, consolidation, inflation, goodwill, inventory valuation, foreign currency transactions, capitalisation of borrowing costs and debt defeasance, are examples of areas of international reporting diversity. The inherent heterogeneity of the accounting environments of nations has been widely identified to be the primary cause of such diversity. Writers such as Fantl (1971); Von Colbe (1983); Pomeranz (1984); Gray *et al.* (1984); Samuels and Piper (1985); Nobes (1988); Nobes and Parker (1991), and Choi and Mueller (1992), for example, have observed the principles, practices and objectives of corporate financial reporting adopted by a country to be shaped by environmental factors such as, the type of economy and the stage of economic development, the political system, the tax system, the management and ownership structure of companies, the level of sophistication of the accounting profession, the legal system, and the stage of development of the capital market.

This diversity and the resultant lack of understandability and comparability of transnational financial reports has the potential to create substantial difficulty for users, preparers and auditors of such statements [Scott and Troberg 1980; Scott 1981; IASC 1982]. For example, multinationals may encounter problems of interpreting financial statements of foreign subsidiaries, which are prepared in accordance with differing accounting rules. In preparing group financial statements, costly and time-consuming adjustments may be required to financial statements of foreign subsidiaries in order to ensure compliance with the GAAP of the parent company's country of domicile. Additional reporting problems may be encountered by companies which seek to communicate meaningfully with a global audience of shareholders and debt-holders : for example, multiple financial reports based on foreign accounting practices may need to be prepared so as to ensure understandability, resulting in increased costs and delays in communication of financial information. Similarly, companies seeking listings on foreign stock exchanges may need adjustments to their financial reports to ensure compatibility with the accounting rules prevalent in the countries in which such listings are sought. Users of financial reports may be hampered by the need to be conversant with the accounting practices of other countries before they can understand and compare 'foreign' financial reports, resulting in serious difficulties and delays in investment decision-making. Message distortions caused by international reporting diversity may lead to sub-optimal investment decisions and thereby reduce the allocational efficiency of capital markets. International firms of accountants and auditors may be hampered by the need for familiarity with a variety of national reporting practices in order to effectively discharge their statutory audit responsibility. The mobility of staff may be impaired and substantial costs may need to be incurred in training staff in foreign reporting practices.

> Message distortions caused by international reporting diversity may lead to sub-optimal investment decisions and thereby reduce the allocational efficiency of capital markets.

In light of such difficulties, some have asserted that the securement of international harmony in financial reporting to be a desirable goal. Such harmony may enhance the comparability and usefulness of financial information which cross national borders, substantially reduce the current problems faced by preparers, users and auditors of transnational financial reports, and consequently, greatly facilitate the growth of international trade and the efficient allocation of resources in global capital markets. The rapid expansion of cross-border investment; the increased sense of economic interdependency among nations; advances in communications technology; and the emergence of new markets such as China and the former USSR may have added a sense of urgency to the quest for a common international accounting language. The onus of meeting this challenge has

The quest for international harmony does not command universal appeal. Critics have questioned both its desirability and feasibility.

inevitably fallen on the international accounting community [Rivera 1989; Barthes 1989; Wolk and Heaston 1992]. The need for substantial reduction (or ideally, total elimination) of international reporting diversity and the securement of the consequent benefits could therefore be viewed to have provided both the rationale as well as the impetus for the 1973 formation of the International Accounting Standards Committee (IASC). Over the past 25 years, IASC expanded its membership of professional accounting bodies to over 103 countries, and presently, it is generally acknowledged to spearhead the quest for global harmony in corporate financial reporting.

The quest for international harmony does not command universal appeal. Critics have questioned both its desirability and feasibility. On desirability, Choi and Mueller [1984, p. 25], for example, have argued that accounting being a service function, should be responsive to the specific environment of its operation. Such a proposition implies that since accounting environments differ among countries, accounting should also necessarily differ among countries. The amendment of accounting practices which are responsive to a country's environmental needs and demands for the sake of international harmony may therefore be considered undesirable since it may result in a deterioration of national accounting utility. Similarly, Samuels and Oliga (1982) viewed the international harmonisation process as essentially an effort to impose Anglo-American accounting principles and practices on developing countries, and cautioned that the adoption of international standards by such countries may be harmful since it would hamper the evolution of accounting systems best suited to their unique environments. Goeltz [1991, p. 85] observed the substantial growth of international investment and capital markets despite the absence of accounting harmony, and concluded that such harmony was *'probably neither practical nor truly valuable.'* On feasibility, critics have argued that the achievement of international harmony would require the daunting, if not impossible, task of changing the diverse national accounting environments and the accounting objectives generated by such environments [McComb 1976; Coleman 1981].

Despite such opposition, the IASC has pursued international harmony with undiminished enthusiasm, based on the presumption that the benefits of harmony outweigh any disadvantages. It seeks to secure this goal by the development of a set of international accounting standards (IASs) which are expected to be complied by preparers of corporate financial statements within its member countries. The International Organisation of Securities Commissions (IOSCO), which is interested in developing a credible set of reporting standards for multinational securities offerings, joined the IASC's Consultative Group in 1987, and thereby injected fresh vitality and urgency to the IASC's quest.

Although over the years, diverse opinions have been expressed on issues such as the institutional viability of the IASC, the desirability and feasibility of its harmonisation effort, and its effectiveness, a continuing sparsity is discernible of substantive empirical evidence in areas such as the economic consequences of international reporting diversity, the effect of diversity on user decision-making, and the cost-benefits of global accounting harmony. As observed by Choi (1989), in the absence of such evidence, the efforts to harmonise global reporting may be premature. With the increased efforts towards international harmonisation, we believe it is timely to examine the costs and benefits of such an endeavour. As objective evidence on the cost-benefit relationship is difficult, if not impossible to obtain, for the purposes of our survey, we elected to examine accountants' attitudes towards this relationship. Accountants are important stakeholders for the IASC, and as a group, are likely to be an informed source of attitudes.

Accountants are important stakeholders for the IASC, and as a group, are likely to be an informed source of attitudes.

This paper provides a synopsis of our survey and is organised as follows : In the next section, the literature on international harmonisation, is briefly examined. Thereafter, we report on our data and method, and on the results and conclusions of the survey.

Literature Review

The IASC was formed in 1973 by the leading professional accounting bodies of Australia, Canada, France, Japan, Mexico, the Netherlands, United States, United Kingdom and the former West Germany, to provide a vehicle for the pursuit of international harmony in corporate financial reporting. Its 1982 constitution (IASC 1982) established its objectives to be …

> *'to formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance, and to work generally for the improvement and harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements.'*

As evident from its constitution, the primary objective of the IASC, and in fact the major justification for its existence, is the securement of global accounting harmony. In the pursuit of such a goal the IASC seeks to influence and regulate international accounting practices through the medium of its authoritative international standards. More specifically, it seeks to influence national regulatory agencies to adopt its standards, based on the

premise that such adoption would engender international harmony. In countries in which its member body also possesses national regulatory responsibility, such as Canada, the IASC expects direct adoption of its standards. In countries in which national accounting regulation is by an agency independent of its members, such as France, Germany and the US, the IASC relies on the 'best endeavours' of its members to persuade the national regulator to adopt its standards [IASC 1988b, p. 76-77]. A key feature of the IASC is its voluntary nature. It lacks any powers of enforcement and its standards are intended to be persuasive rather than mandatory.

A key feature of the IASC is its voluntary nature. It lacks any powers of enforcement and its standards are intended to be persuasive rather than mandatory.

In developing its standards, the IASC adopts an elaborate procedural due process, which includes the consideration of views of diverse constituencies. The expertise of the IASC is augmented by the views of its Consultative Group which presently consists of representatives from 14 organisations, including the World Bank, the International Chamber of Commerce — International Association for Accounting Education and Research. The Board meets its Consultative Group on a regular basis to discuss matters of principle and policy arising from the IASC's activities and the practical and conceptual issues that affect the international acceptance of IASC standards.

An initial and significant difficulty in any attempt to review the IASC's performance concerns the selection of a valid basis of assessing its effectiveness. Effectiveness is essentially a technical concept, and accordingly, the IASC's effectiveness could be assessed in relation to its progress towards the securement of its primary goal of international reporting harmony. However, as observed by Tay and Parker (1990) such harmony may be either *de jure* (i.e. harmony of accounting regulations among countries) or *de facto* (i.e. harmony of financial reporting practices among companies in different countries) and this dichotomy has implications for the assessment of the IASC's effectiveness. Nobes (1990) argued for the possibility of assessing the IASC's effectiveness in securing either *de jure* harmony, *direct de facto* harmony (i.e. its influence on companies directly) or *indirect de facto* harmony (i.e. its influence on companies *resulting* from its influence on national standard-setters), and for present purposes, a brief examination of the relative merits of these three bases may be useful.

To enhance the understandability and comparability of transnational financial reports, the IASC would eventually need to secure *de facto* harmony. However, it has never intended to secure *de facto* harmony *directly;* its intention has always been to influence corporate reporting *through* its influence on national regulatory agencies. There is good reason for the IASC's reluctance to appeal directly to companies : since no national standard-setter has abdicated its regulatory responsibility in deference to the IASC, if the IASC attempts to override national standards and appeal to companies directly, or is seen to do so, national regulators may perceive the IASC as attempting to usurp their authority. Consequently, the IASC could well risk withdrawal of national support for its activities. Since the securement of *direct de facto* harmony is not intended by the IASC, the assessment of its effectiveness on such a basis would not be appropriate.[1] In this light, the most appropriate basis for assessment would appear to be its progress in securing *indirect de facto* harmony. However, even if the IASC is successful in securing *de jure* harmony, non-compliance by companies with national standards would result in no *de facto* harmony. Compliance with national standards is often related to the enforcement capability possessed by national regulators, which in turn varies significantly among countries. Even in a country in which the national regulator has authority for legal enforcement of its standards (such as Canada), compliance may be weak if companies perceive the consequences of non-compliance to be minor. However, such possible negation of the IASC's *de jure* success needs to be viewed in light of the fact that the IASC has no control over the level of compliance achieved by national regulators. Accordingly, it may be reasonable to assert that even if the IASC is unsuccessful in securing *de facto* harmony, its progress in securing *de jure* harmony would provide a sufficiently valid basis for assessing its effectiveness.

[1] *Direct defacto* harmony *would* provide a valid basis for assessing the effectiveness of international standards on which there are no corresponding standards. However, such situations are extremely rare, since rather than being a trailblazer, the IASC has tended to establish standards only on issues on which national standards already exist in many countries. In fact, its IAS 39 on financial instruments has been its only attempt to develop a standard on an issue which had not been previously addressed by any national standard-setter. In this light, *direct de facto* harmony would provide an insufficient basis for assessment, since it would neglect the majority of international standards for which the IASC's influence needs examination.

The accounting policy decisions of national regulators may be influenced by a variety of environmental factors such as the needs of users of financial reports and the objectives of financial reporting; the stage of economic development; the tax and legal systems; the accounting profession and the economic consequences of policy alternatives.

However, the acceptance of *de jure* harmony as an appropriate basis of assessment fails to extirpate the inherent complexity of assessing the IASC's effectiveness. Any such assessment, irrespective of the basis chosen, is hampered by the problem of causation. The accounting policy decisions of national regulators may be influenced by a variety of environmental factors such as the needs of users of financial reports and the objectives of financial reporting; the stage of economic development; the tax and legal systems; the accounting profession and the economic consequences of policy alternatives. Additionally, the decisions of various organisations interested in regional or international accounting harmony, such as the IASC; the European Union; the Organisation for Economic Co-operation and Development; the United Nations; the African Accounting Council and the Arab Society of Certified Accountants, may affect national regulatory decisions. Since in such an environment the IASC's influence on a national regulation may be direct, indirect or nil, the isolation of its *precise* influence, which would obviously be essential for the assessment of its effectiveness, is fraught with difficulty.

Despite this problem, previous researchers have attempted to assess the IASC's effectiveness in securing both *de jure* and *de facto* harmony and have reported conflicting evidence : Nair and Frank (1981) and Doupnik (1987), for example, found evidence of increased *de jure* harmony which they observed to be coincidental to the period of the IASC's existence. The cautious inference of their findings is that the IASC may have been instrumental, to a greater or lesser degree, in engendering *de jure* harmony. However, their findings conflict with McKinnon and Jannell (1984) and Doupnik and Taylor (1985) who reported evidence of the IASC's ineffectiveness in securing *de jure* harmony. On *de facto* harmony, Evans and Taylor (1982) in an analysis of financial reports in five developed countries for compliance with five IASs, and Nobes (1990) in an analysis of compliance by US corporations with three IASs, the content of which was not covered by US GAAP, found evidence of the IASC's ineffectiveness. However, Taylor *et al.* (1986) reported evidence of the IASC's effectiveness in securing *de facto* harmony. Several limitations and deficiencies of previous empirical research have also been identified, especially relating to the reliability of data, the operationalisation of concepts and the research methods used [Nobes 1981,1987; Doupnik 1987; Tay and Parker 1990,1992; Van der Tas 1988,1992]. These limitations/deficiencies, together with the conflicting evidence generated by prior research, support the assertion that currently the empirical studies of the IASC's effectiveness are both incomplete and inconclusive.

However, *de jure* diversity has continued to be discernible on several accounting issues such as inventory pricing, construction contracts, research and development costs, goodwill, deferred taxes, leases, retirement benefits and financial statement consolidation, with the consequent potential to severely erode the comparability and usefulness of transnational financial reports. For example, in 1993, Weetman *et al* reported that profit measured in accordance with British accounting rules may be lower by as much as 34 per cent or higher by as much as 41 per cent when measured under US rules. The persistence of such diversity, *despite the promulgation of international standards on those issues,* could be intuitively suggestive of the IASC's ineffectiveness. A brief examination of the standards issued by the IASC in its early years provides useful insights into this apparent failure to secure *de jure* harmony.

In order to secure *de jure* harmony and its benefits, the IASC needs to satisfy two conditions : firstly, it needs to establish standards which *possess the potential* to generate such harmony, and secondly, it needs to secure the acceptance and compliance for its standards by national regulatory agencies. A review of the IASC's performance from its inception to the issue of E32 in 1989 reveals its difficulty in satisfying either of these conditions. Its reluctance to confront the problem of selection among competing accounting alternatives, or more precisely, its tendency to accommodate the existing practices of Western Europe, Canada and the USA, inevitably resulted in many international standards which permit a high degree of reporting flexibility [Gray *et al.* 1981; Choi and Bavishi 1982; Bromwich and Hopwood 1983; Most 1984]. Consequently, its standards were criticised as *'wimpish exercises'* [Shanahan 1990, p. 78], and merely a list of various accounting methods used worldwide rather than standards [Irvine 1988]. On the other hand, the IASC's 'accommodating' approach

The IASC's 'accommodating' approach was often defended by its proponents on grounds of the need to win support and acceptance for international standards

was often defended by its proponents on grounds of the need to win support and acceptance for international standards [Barthes 1989; IASC 1989a, p. 7]. They argued that during its nascence, survival should have been the IASC's primary concern. 'Accommodating' standards which offended nobody, had the potential to win support (or at least minimise opposition) for its activities and thereby facilitate its survival.

While the 'accommodating' standards issued prior to E32 failed to seek reductions in accounting diversity and therefore served little purpose, except perhaps to facilitate institutional survival, the relatively few attempts to change existing national practices failed, generally, to secure the acceptance of national regulators. In ensuring compliance with international standards, the IASC's reliance upon the 'best endeavours' of its professional membership has yielded disappointing results. For example, in countries such as France and Germany, the IASC member has little influence over the national accounting regulatory process. Similarly, in the US, the American Institute of Certified Public Accountants (AICPA), the key IASC member, no longer wields supreme influence over the US standard-setting agency — the FASB. Even in countries (such as Canada) in which the IASC member possesses national regulatory responsibility and the IASC expects direct adoption of its standards, such a privilege is not automatically extended to the IASC. In essence, national regulators in countries with well-established standard-setting procedures have generally tended to continue the practices prescribed by their national standards when in conflict with international standards.

A few countries such as Cyprus, Malawi, Malaysia and Zimbabwe adopted international standards as national standards whilst in others such as Egypt, India, Kenya and Nigeria, international standards were used as the basis for development of national standards. Most such countries, being in the developing world, may lack the funds and/or accounting sophistication needed to operate elaborate national standard-setting procedures. Therefore, such acceptance and compliance with international standards could be argued to be beneficial to those countries since the quality of national financial reporting would be enhanced, the international acceptability of financial statements originating from those countries would be assured, and the time and costs which would otherwise need to be expended in developing national standards would be substantially reduced [IASC 1988b]. However, the contribution made by such adoption of IASs towards the securement of the perceived benefits of international harmony is debatable. It is not unreasonable to presume that in the absence of international standards, such countries would adopt, reluctantly

or enthusiastically, the prevailing national standards of a developed country. The selection of the adoptee country may depend on factors such as historical ties, social, cultural and economic similarities, and political influence. Whatever the basis of adoption, the standards so adopted are likely to have been more restrictive than the IASC's 'accommodating' standards, and therefore it could well be argued that such an alternative approach to domestic standard-setting by developing countries may have resulted in greater enhancement of the comparability of transnational financial statements.

In 1989, the IASC issued **E32 : Comparability of Financial Statements** [IASC, 1989], a major project aimed at improving the quality of its standards. The specific objective of E32 was the elimination of most of the free choices of accounting treatment, which were then permitted by international standards. The IASC argued that such elimination would *'result in like transactions being accounted for in the same way, wherever in the world they are being reported'* [IASC 1989b, p. 1], and pledged future reviews of IAS's *'with a view to eliminating those free choices of accounting treatments that remain'* [IASC 1989a, p. 8]. Specifically, E32 proposed amendments to 29 accounting issues affecting 13 international standards. For each issue, preferred treatments were proposed based on four criteria : current worldwide practice and trends in national accounting standards, law and GAAP; conformity with its **Framework for the Presentation of Financial Statements** [IASC 1988a]; the views of regulators and their respective organisations such as IOSCO, and consistency within an international accounting standard and with other international accounting standards. With the issuance of E32, the IASC reiterated its search for international harmony at the highest possible level : the eventual establishment of a common international accounting language with a single practice for each accounting issue. Moreover, issued 16 years after the IASC's formation, E32 could be viewed as tacit acknowledgement by the IASC of the inherent deficiencies of its 'accommodating' approach to setting interna-

The IASC member has little influence over the national accounting regulatory process. Similarly, in the US, the American Institute of Certified Public Accountants, the key IASC member, no longer wields supreme influence over the US standard-setting agency — the FASB.

tional standards, or more precisely, the inevitable need for international standards which seek changes to, rather than encompass, existing practices.

The comments on E32 [IASC 1990a] by national regulators in several *independent* countries, the vital group that needs to be persuaded to accept E32, revealed general sympathy with the search for greater comparability of financial information, but substantial disagreement with specific E32 proposals. The major areas of disagreement were :

i the criteria used by the IASC in selecting 'preferred' treatments.

ii its choice of 'preferred' and 'allowed' treatments.

iii its choice of treatments to be eliminated.

iv the impracticability of the reconciliation requirement.

v its indecision on an appropriate measurement model.

Although the investigation of the merits of such dissension is beyond present purposes, the *extent* of dissent appeared to suggest that E32 was likely to secure, at best, only limited acceptance.

In July 1990 the IASC issued a Statement of Intent [IASC 1990b] on the future direction of E32, the key features of which were that five proposals (one relating to *IAS 17 — Accounting for Leases*' and four relating to *IAS 25 — Accounting for Investments*) were deferred for reconsideration pending completion of the IASC project on Financial Instruments; three proposals, relating to the use of LIFO for the assignment of costs to inventories (*IAS 2 — Valuation and Presentation of Inventories in the Context of the Historical Cost System*), the capitalisation of development costs (*IAS 9 — Accounting for Research and Development Activities*) and the capitalisation of borrowing costs (*IAS 23 — Capitalisation of Borrowing Costs*) were deemed to require substantive changes and therefore re-exposed for comment; 21 proposals were considered appropriate for incorporation in revised IASs without substantial changes, and the reconciliation requirement was abandoned. By December 1993, all of the revised IASs incorporating the adopted E32 proposals had been approved by the IASC's Board.

In July 1995, the IASC agreed with the IOSCO to complete a core set of 40 international standards by 1999. If endorsed by the IOSCO, it may recommend its membership to adopt such standards in cross-border offerings and listings as an alternative to national accounting standards. With the approval by its Board of **IAS 39 — Financial Instruments : Measurement and Recognition,** the IASC completed its core standards programme and the IOSCO is now expected to begin formal assessment of these standards. If the IOSCO fails to endorse the core standards, the IASC is likely to lose much of its impetus. Conversely, if the IOSCO's recommendation for adoption of the IASC's core standards is secured, it may be viewed as a significant step in the direction of international reporting harmony. However, the implementation of such a recommendation is not unlikely to be devoid of further obstacles. Resistance is likely to be encountered from securities regulators and exchanges in IOSCO member countries such as US, Japan and Canada, which have well-developed capital markets and national accounting regulatory procedures. Resistance may be highest when the national accounting standards-setter fails to endorse the adoption of international standards in lieu of national standards for multinational securities offerings. IOSCO members faced with this dilemma may well prefer to disregard the IOSCO recommendation so as to avoid possible friction with the national accounting standards-setter. Moreover, the IOSCO's intervention in the international financial reporting arena may be viewed by national standards-setters as an indirect exertion of pressure by the IASC into accepting international standards. If so, the IASC may be perceived to be attempting to usurp national regulatory sovereignty, and therefore may generate resentment. In any event, it is reasonable to assert that the next few years are likely to be critical for the IASC's global harmonisation effort.

Data and Method

The data for this survey comprised of responses to a postal questionnaire administered in 1997 to 1,000 professional accountants in six countries[2]. A total of 315 useable responses were returned giving a response rate of 31 per cent. Tests of normality confirmed that the data was not normally distributed. Accordingly, in addition to descriptive statistics, non-parametric tests such as the Friedman Rank test and the Jonkheere-Terpstra test were used in data analysis.

Question 1 of the questionnaire required respondents to indicate the perceived importance of various factors for international harmonisation. In *Question 2*, respondents were offered the opportunity to identify any other perceived benefits of harmonisation. In *Question 3*, we examined whether flexibility was an attribute perceived to be important for accounting standards. In *Question 4*, respondents were required to indicate how successful they believed the efforts for international harmonisation to have been over the past five years. *In Question 5*, we attempted to elicit the extent to which disclosure in standards should be constrained in the interests of commercial sensitivity. In *Question 6*, respondents were required to indicate the perceived importance of various costs associated with international harmonisation. *Question 7* required respondents to indicate any perceived additional costs of harmonisation and their importance. In the final four questions, we examined attitudes on how conservative accounting standards should be *(Question 8)*, whether standardisation affects professional judgment *(Question 9)*, the importance of the goal of :

a internal harmonisation *(Question 10)*, and

b international standardisation *(Question 11)*.

[2] The countries were : Australia, India, Malaysia, New Zealand, Singapore and the United Kingdom.

Results and Conclusion

Based on our analysis of the responses, we could identify the following perceptions among our respondents :

- Overall, respondents believed that efforts at harmonisation have been successful. This view was common to preparers, users and standards-setters.
- The benefits of harmonisation, in order of importance, were seen to be :
  - a the improvement it brings to financial reporting and to the operation of companies, and
  - b the facilitation of the efficient operation of capital markets and international trade.
- Some additional benefits of harmonisation which were identified were :
  - a benchmarking and the consequent comparability benefits.
  - b educational benefits through reduced diversity.
  - c reductions in accounting costs.
  - d savings in costs of standards-setting.
  - e the facilitation of financial analysis.
- The costs of harmonisation were perceived to be less important than its benefits, and were :
  - a the funding for international accounting bodies.
  - b compliance costs for companies.
  - c direct monetary costs borne by national accounting bodies.
  - d the loss of cultural relevance for national accounting.
- All respondents believed that the limits placed on mandated disclosure in the interests of commercial sensitivity should be fairly small. However, the standards-setters supported this view more strongly than users and preparers.
- Our respondents clearly felt that standardisation did not imply a threat to the exercise of professional judgment.

Accordingly, the conclusions of our survey are as follows :

- There are differences between users, preparers and standards-setters over such matters as the desirability of standardisation and mandated disclosure. Although it could be argued that these differences may create problems for standards-setters, due to the nature of the disagreement, we believe that this is unlikely to be an intractable problem.
- Because of the weakness of the measurement of 'culture', we are reluctant to generalise based on the results. However, by and large, 'culture' does not appear to be a cause of perceptions : that is, regardless of cultural background, accountants appear to share common perceptions on issues relating to international harmonisation.
- Within the limitations of the sample and method, it appears that all of the perceived benefits of harmonisation identifiable in the literature are seen as important by our respondents, whilst the related costs are seen to be less important. Arguably, accountants generally perceive the benefits of harmonisation to outweigh its costs.
- Although the responses are more mixed than for issue of costs and benefits, it appears that the efforts at harmonisation are seen to be successful. Nonetheless, our respondents generally felt that it was important to maintain flexibility in standards as this was not mandating disclosure too closely.

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1999 National Accountants Conference

The Malaysian Institute of Accountants (MIA) recently held the 1999 National Accountants Conference (NAC) on 7-8 September 1999 at the Sunway Lagoon Resort Hotel in Petaling Jaya. Over 600 accountants from all over Malaysia attended the accountants' annual event.

The Minister of Finance II, YB Dato' Mustapa Mohamad, officiated the Opening Ceremony of the 1999 NAC, while Minister of Technology, Communications and Multimedia, YB Dato' Leo Moggie, closed the Conference. A dinner was also held in conjunction with the Conference, which was graced by the Chief Minister of Sarawak, YAB Tan Sri Dato' Patinggi Dr. Haji Abdul Taib bin Mahmud. A scholarship presentation was also held where four students received RM15,000 each to study accountancy in local universities. In the following pages are photographic highlights of this memorable event.

Welcome to the Conference ... Mr. Daniel Chian extending a handshake to Dato' Mustapa Mohamad

Dato' Dr. Zeti and Dato' Mustapa Mohamad ... two key figures in engineering the country's economic recovery

Strong leadership ... Dato' Hanifah Noordin giving his presidential address

Arriving for the Grand Dinner Conference ... Chief Minister of Sarawak, Tan Sri Dato' Patinggi Dr. Haji Abdul Taib accompanied by Mr. Daniel Chian, Chairman of the Organising Committee

Among the guests who were present during the opening ceremony

MIA scholars with their mock cheques

Closing ceremony ... Dato' Hanifah Noordin accompanying Dato' Leo Moggie

Full attention ... participants concentrating on the speaker's presentation

How to Improve Your Competitiveness with the Internet

Organisations that want to survive in the next millennium have to assess how the advent of Internet Commerce can affect their business. If the impact is significant, organisations will have no choice but to create an online marketing presence in order to survive and thrive in the new business landscape.

Mr. Derrick Khoo, who presented a paper on electronic commerce at the 1999 NAC, said that local companies have to rise to the electronic commerce (e-commerce) challenge or run the risk of being marginalised in the near future.

"The Internet phenomenon is taking the world by storm. In December 1995, less than 10 million people worldwide were using the Web. Three years later, the number swelled to 140 million. Surprisingly, the US information technology industry accounted for a third of the total Gross Domestic Product growth in the last three years," said Khoo.

"The Internet itself will continue to evolve in the next few years. In the future, an e-Appliance might become the primary device for getting online. Unlike PCs, e-Appliances are mobile and compact devices that can be integrated into cars, mobile phones and even home appliances. The bandwidth of the Internet is also expected to grow very much larger in the next couple of years", predicted Khoo.

"The larger Internet bandwidth in the future will enable software companies to deliver applications to their clients on a rental basis. Businesses can then choose to rent software applications instead of buying them from software vendors. In essence, the Internet will challenge any previous traditional business model," added Khoo.

According to him, the value of global Internet business-to-consumer transactions will almost quadruple from US$6 billion in 1998 to US$22 billion in the year 2002. He said that the Internet offers vast opportunities as well as threats for businesses around the world.

"This projection indicates that online merchants will indeed capture a significant portion of the business that is currently done by traditional retailers. For example, the tremendous revenue growth of *Amazon.com*, which is a pure online book retailer, has been achieved at the expense of the traditional book retailers," noted Khoo.

"Besides, the Internet is also a good way to drive transaction costs down. Studies have shown that Internet banking can be cheaper by 100 times compared to the traditional branch delivery system on a per transaction basis. In view of this, a company that relies on Internet-based delivery systems can be many times more competitive than one that uses traditional methods."

Therefore, both large and small Malaysian companies have to cope with the opportunities and threats that the Internet brings in order to avoid being swept aside. "Basically, there are a lot of foreign competitors that are just waiting for the right moment to come into the local consumer market via the Web. Local corporations must be prepared to face this challenge or they will simply just fade away," concluded Khoo.

Harnessing the Benefits of IP Telephony

The Internet Protocol (IP) is a versatile technology that can deliver more than just Web pages. IP can also be used to send voice data over the Internet and this ability has lead to the emergence of IP telephony applications. IP telephony promises to deliver high cost savings for companies that tend to make a lot of international phone calls.

According to Mr. Yong Mow Cheng, IP telephony was brought about by the convergence of the analogue public-switched telephone networks (PSTN) and the digital IP networks. Yong delivered an interesting paper entitled *Business Implication of IP Telephony* at the recent 1999 NAC. Yong is the Managing Director of Computer Protocol Malaysia, a company that specialises in implementing IP, telephony and various networking solutions.

"By taking advantage of data communications technologies, IP telephony not only improves performance but also reduces costs. IP telephony technology presents new opportunities for developing revolutionary telephony applications. At the moment, IP telephony can cut down the costs of global communications via phone and fax to a large extent," said Yong.

Indeed, IP telephony can reduce the costs of calling as well as faxing to international destinations by more than 90 per cent. By utilising the existing Internet infrastructure to send voice and fax data, IP telephony can bypass traditional phone gateways.

According to Yong, IP telephony first started off as an experiment to send voice data over the Internet. "The first generation of IP telephony products were basically voice-over-the-Internet software that offered poor voice quality and user-friendliness. Over time, IP telephony moved away from being a PC-based application. Now, we can use the normal phone, instead of the PC, to access IP telephony gateways," added Yong.

"A company that plans to set up an IP telephony gateway would need to fork out money to get a leased line to the local Internet Service Provider. With this leased line, the company will then need to obtain the right software and hardware to set up the IP telephony gateway."

"With this IP telephony gateway running on leased line, the cost of making an international call via this gateway is virtually zero. There are no variable costs in utilising the IP telephony gateway to make long-distance calls or faxes. However, there are fixed costs incurred in setting up an Internet telephony gateway. These fixed costs include leased line subscription costs, leased line installation costs as well as system costs," said Yong.

"However, these upfront investments which may appear high initially could be recouped in a few months time. This means that any calls made after the break-even period will be considered free. This is an attractive benefit that no company can ignore," added Yong.

Adopting an Integrated Approach Towards E-commerce

In order to reap the full benefits of electronic commerce (e-commerce), companies are advised to adopt an integrated approach. Mr. Mitch Ruud said that companies must integrate their enterprise resource planning (ERP) systems with online marketing systems in a seamless manner to maximise the effectiveness and efficiency of their e-commerce undertakings.

Ruud said this while presenting a paper on e-commerce called *ERP Overview & Electronic Commerce Case Study* at the 1999 NAC. Ruud is currently the Manager of Strategic Business Relationships at Great Plains, a US-based company that specialises in developing ERP software solutions.

Ruud kicked off his presentation by providing some interesting figures on global e-commerce. He said that the Gartner Group, which is one of the leading information technology (IT) research agencies, projected that the global value of e-commerce business-to-business transactions will rise from US$8 billion in 1999 to US$280 billion in 2003.

"An organisation, which already has an ERP system in place, needs to be aware of its immense potential in being a powerful backbone for implementing e-commerce solutions. An ERP system integrates various functions of an organisation including financial, manufacturing, distribution, human resource and customer relationship management," said Ruud.

According to Ruud, companies can develop strong competitive advantages in the e-commerce arena by leveraging their existing ERP systems. "An integrated ERP and e-commerce approach makes more sense in the long-run. Such integration can reduce the amount of time required to fulfil orders as well as cut down on unnecessary administrative costs," added Ruud.

In his presentation, Ruud also outlined the eight critical success factors that companies have to pay attention to in order to prevail in the e-commerce arena. These factors are targeting the right customers, owning the customers' total experience,

streamlining business processes that impact the customer, providing a 360-degree view of customer relationship, allowing the customers to help themselves, helping the customers do their jobs, delivering personalised service as well as fostering the community spirit.

"E-commerce services need to offer user-friendliness, efficiency and high added value to the customer. Otherwise, customers will face high barriers in forging and maintaining long-term business relationships via the e-commerce medium", stressed Ruud.

Generating Assurance in Electronic Commerce

Electronic commerce, or more popularly known as e-commerce, is expected to take the global markets by storm. The growth of e-commerce has been quite phenomenal in the United States and its success is expected to be replicated in global consumer markets, including Malaysia soon.

The number of online retailers on the World Wide Web is projected to grow on an exponential basis in the next few years. Unlike traditional retailers, online retailers are endowed with the benefit of selling their products and services to anyone with Internet access living anywhere in this world on a 24-hour basis. Moreover, the total cost of setting up and hosting an e-commerce Website has become more affordable now and will continue to fall in the next few years.

Since e-commerce transactions can take place at a breakneck speed and often traverse across borders, the laws and regulations governing consumerism in a nation state can be rendered somewhat ineffective. With the barriers of entry dropping every year, online retailers are expected to emerge around the world, making the regulation of online selling close to impossible in the near future. Furthermore, the Internet has often been touted as an unregulated domain that has no political boundaries.

Therefore, there is a need for an equally sophisticated mechanism to curb abuses in the advanced e-commerce world. Trustworthy online merchants must be distinguished from unscrupulous ones.

This nagging problem can be solved soon with the global adoption of WebTrust, a joint effort of the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA). According to Mr. Lim Huck Hai, who delivered a paper entitled *Web Assurance Services in E-Commerce* at the 1999 NAC, the WebTrust initiative offers a seal of assurance approach.

Lim is the Director of KPMG Malaysia's Information Risk Management practice and has been extensively involved in providing e-commerce services to many big local corporations. He is a Certified Information System Auditor (CISA) and one of KPMG's accredited WebTrust practitioners.

"Before any online merchant can qualify to join the WebTrust initiative, it must allow itself to be audited by an accounting firm that has a WebTrust audit licence. The accounting firm will ensure that the online merchant meets several criteria before it can obtain the WebTrust logo or seal. With the WebTrust logo displayed on its Website, an online merchant will be able to offer a high level of assurance to its online consumers," said Lim.

According to Lim, WebTrust operates on three principles — business practices disclosure, transaction integrity and information protection. Whether or not an online merchant qualifies for the WebTrust seal is highly dependent on its performance in these three areas.

The business practices criterion looks at the terms and conditions of an online business, nature of its products/services as well as its after-sales services, while the transaction integrity criterion examines the efficiency and effectiveness of an online merchant in handling orders and billing its customers. The information protection criterion requires the online merchant to protect transmissions over the Internet and prevent outsiders from accessing private customer information.

The widespread adoption of WebTrust will undoubtedly help increase the level of consumer confidence in e-commerce Websites. WebTrust looks like a promising technology that can give consumers a sense of security when making online purchases.

National Economic Outlook — Year 2000/2001

The process of globalisation can have highly destabilising effects on economies, as shown by the Asian financial crisis. The global environment remains vulnerable to instability. While economic recovery is taking place in most countries, the global economy has still to contend with the rapid technological advancement that can have a big impact on economies in the future.

At the recent 1999 NAC, YBhg Dato' Dr. Zeti Akhtar Abdul Aziz, Deputy Governor of Bank Negara Malaysia, highlighted several significant developments in the Malaysian economy, and the risks and uncertainties facing the country.

According to Dato' Dr. Zeti, there are three important pre-conditions for sustainable growth :

- ***Environment of financial stability***

"Stability is not everything, but without stability, everything is nothing," asserted the Deputy Governor. The implementation of exchange controls in Malaysia has restored stability in the financial markets. The environment has allowed the implementation of growth-oriented policies, restructuring of the financial system at an accelerated pace and undertaking business activities to take advantage of the more favourable external outlook.

Stability is not everything, but without stability, everything is nothing.

Dato' Dr. Zeti stressing a point during the Q&A session, while Dato' Dr. Vincent Lowe (centre) and Tan Sri Clifford Herbert (right) look on

- ***Environment of macro-economic stability***

Price stability and a positive external balance are important. Malaysia's inflation has been contained at below four per cent, while its external reserves position would strengthen further, with export growth expected to outpace import growth.

- ***Strengthened banking system***

The continued efficient functioning of the banking system and continued access to financing will be crucial to the recovery process. The acquisition and removal of a significant portion of non-performing loans and the recapitalisation of several banking institutions have minimised the impact of the crisis on the Malaysian banking system.

Despite the greater stability in the global financial markets and improved prospects in the world economy, Dato' Dr. Zeti cautioned that Malaysia still faces several risks and uncertainties, namely :

- Any major correction in the major financial markets will have significant contagion effects on the rest of the world.
- Technological advancements are bringing about revolutionary changes that are shaping a new economic order. This will give birth to new risks. With the emergence of a digital economy based on networked human intelligence, markets no longer need to be physical, but can exist in the computer networks.

Therefore, the challenge is to cope with an environment of rapid changes, implying

businesses will have to operate in a more uncertain environment. According to Dato' Dr. Zeti, risk management is therefore vital. There is a need to identify the range of potential outcomes and to develop a framework in determining the levels of uncertainty and its respective associated risks.

Dato' Dr. Zeti also responded to several questions on the US economy. "The US, which is a consumer-driven economy, is currently engineering a soft-landing through a series of interest rate hikes since early this year. If the US economic growth is sustainable, then the downside risk on the Malaysian economy is reduced. On the other hand, a major correction in the US stock market would result in a significant slowdown in the US economy, with contagion effects on financial and export markets," cautioned the Deputy Governor.

"In terms of preparedness for risks, there are safeguards or circuit-breakers within the US and Malaysian economies. Nevertheless, the Malaysian private sector needs to develop a strong risk culture and price in the prospect of such risks," added Dato' Dr. Zeti.

Following the presentation, YBhg Tan Sri Clifford Herbert, the panellist for the plenary session, provided some thought-provoking comments on the Malaysian economy. He highlighted the need to look beyond just stability, and for the government to also deal with the issue of sustainability of economic growth for the year 2000 and beyond. "Increases in productivity and efficiency are important in the long-term," stressed Tan Sri Clifford. In the present environment of low interest rates made possible by the fixing of the exchange rate, the government should ensure savers enjoy a positive rate of return. It should also avoid repeating over-investing, especially in unproductive activities, as in the past.

Tan Sri Clifford also highlighted the importance of the services sector, which is the largest economic sector. There is much to be done to increase efficiency and productivity, especially in the face of further liberalisation of this sector in the next millennium.

In terms of preparedness for risks, there are safeguards or circuit-breakers within the US and Malaysian economies. Nevertheless, the Malaysian private sector needs to develop a strong risk culture and price in the prospect of such risks.

Creating the Right Business Image

"Acquiring goodwill throughout one's working life is the essential ingredient in the business world," said Ms. Sheena Dorai, Image Consultant of Impression Management Professionals. Her presentation showed the importance of having refined soft skills, which are often overlooked by people in the daily conduct of their businesses.

"Good manners and understanding business etiquette define business practice," said Ms. Dorai. Having manners mean having consideration for the feelings and self-esteem of others, while etiquette are a set of conventional rules for correct behaviour. These two elements are increasingly important in a rapidly changing business environment that is brought about by the globalisation of businesses.

According to Ms. Dorai, generally people have only four minutes to create the right impression of themselves. As accountants are expected by society to project a professional image and behaviour, they need to understand simple business graces. Here are the seven cardinal rules of professional behaviour :

- Adopting a positive attitude.
- Being professionally competent.
- Overcoming self-centredness.
- Being discreet.

Ms. Sheena Dorai sharing her thoughts

- Being considerate and sensitive.
- Being punctual.
- Learning the forms of courtesy and respect.

Ms. Dorai elaborated on three areas, namely, introducing oneself, handshake greeting and handling business cards, citing interesting examples of the do's and don'ts. "Proper introduction is crucial as it creates a good first impression from the business and social standpoint. Providing a firm handshake and giving out business cards in the correct manner also project the right business image," she stressed.

The concurrent session on "Creating the Right Business Image" was the most interactive in terms of participation. The session also provided useful tips on dealing with business visitors, pronunciation of names, and greeting people from different cultural and religious backgrounds.

Sabah Branch Activities — A Pictorial Report

President Dato' Hanifah Noordin, Council Member Mr. Daniel Chian and Sabah Branch Members, Mr. Michael Y.S. Tong, En. Zainie Aucasa and Ms. Alexandra Chin (not in the picture) called on TYT Tun Haji Sakaran bin Dandai on 30 July 1999

Presentation of a book by YB Datuk Tham Nyip Shen, Deputy Chief Minister and Minister of Industrial Development, to Dato' Hanifah Noordin during a courtesy call by the President on 30 July 1999

Courtesy call on YAB Datuk Seri Panglima Osu Haji Sukam, Chief Minister of Sabah on 31 July 1999 in Kota Kinabalu

Sabah members listening attentively to Dato' Hanifah Noordin as he briefs them on the proposed amendments to the Accountants Act, 1967 and re-engineering of the accountancy profession

Mergers and Acquisitions — Challenges and Opportunities in Year 2000 and Beyond

Dato' Dr. Haji Shafie sharing a lighter moment with Mr. Soon Kwai Choy

The Malaysian Institute of Accountants Northern Branch recently organised a Conference entitled 'Mergers and Acquisitions — Challenges and Opportunities in Year 2000 and Beyond' to provide an update on the regulations, procedures and considerations for a successful merger and acquisition exercise.

The Conference was officiated by YB Dato' Dr. Haji Shafie bin Mohd. Salleh, the Parliamentary Secretary, Ministry of Finance. In his keynote address, Dato' Shafie said that merger and acquisition have been identified as one of the most effective methods to facilitate the recovery process of local corporations that had been hard hit by the economic turmoil. Dato' Shafie was pleased to note the Institute's efforts in helping the smaller accounting firms to merge and become bigger entities, with the necessary strength, which would prepare them for the impending liberalisation of the local services sector under the World Trade Organisation framework.

Earlier, MIA's Vice-President, Mr. Soon Kwai Choy in his welcome speech spoke on the proposed amendments to the Accountants Act 1967, including the rationale and need for the Institute to conduct its own examination.

The highlight of the programme was a panel discussion chaired by Mr. Ng Swee Seng, the Organising Chairman. The 45-minute discussion was beneficial, with the panellists graciously providing their respective answers to over 20 questions posed by participants.

More than 150 participants attended the Conference, comprising senior managerial staff from the industry, accounting firms, legal firms and merchant banks.

A memento for Dato' Dr. Haji Shafie

Panel discussion in progress

Northern Branch Get-Together

The MIA Northern Branch hosted a get-together for members in July 1999 at Tanjong Country Club, Penang

After some refreshments, members were ushered into the Tanjong Theatre to view the tape on Bhopal — the Second Tragedy. Major Chow Cho Han, the Professional Development Sub-Committee Chairman briefed members on the Union Carbide Chemical Plant explosion in Bhopal, India in the mid-1980s which killed more than 2,000 people and injured a few hundred thousand others. He hoped that arising from the issues and lessons learnt from the tape, members would get a broader perspective in handling business and industrial issues. Thereafter, Major Chow facilitated a discussion with active participation from members on the international political, economic, social, legal and technological dimensions of the disaster.

During the next session, Branch Chairman Mr. Neoh Chin Wah said that the Branch is considering setting up a MIA Toastmaster's Club in this region. He invited Toastmasters to give an introduction on the club to members.

Thereafter, Mr. Neoh briefed members on the proposed amendments to the Accountants Act 1967. In his speech, Mr. Neoh hoped the briefing would help prepare members when they give their comments and feedback at the dialogue with the President and the Council.

Major Chow stressing a point in his talk

Mr. Khoo Tian Huat, Past President of Penang YMCA Toastmaster's Club, talking to attentive participants

Perak Branch Annual Dinner

The MIA Perak Branch held its Annual Dinner recently. The dinner was graced by the presence of YB Dato' Mohd Tajol Rosli bin Ghazali, Minister in the Prime Minister's Department. Over 400 accountants from the Perak region were present during the dinner that night. The guests enjoyed the evening and hope to be able to see each other again next year.

Mr. Lee Yat Kong, Perak Branch Chairman, giving his speech

The VIP table ... Dato' Hanifah Noordin, Dato' Tajol Rosli and Mr. Soon Kwai Choy were among the VIP guests

Accountant's Resounding Support to MIA Council

The accountants gave their thumbs-up to all 24 resolutions at the recent Extraordinary General Meeting (EGM) of the Malaysian Institute of Accountants (MIA). Should the government adopt all the resolutions, it will propel the accounting profession to greater heights.

An Opinion Poll leading up to the EGM also showed that a high percentage of respondents wanted innovative changes to the said Act as conceived by the Institute.

The MIA, with its 13,100 strong membership, is seeking to actively promote unification, self-regulation and modernisation of the accountancy profession in Malaysia. The results at the EGM clearly showed that accountants concurred with their Council in wanting to re-engineer the profession. The Institute's re-engineering of the profession is envisaged to bring about huge economic and non-monetary benefits, both to the profession and the country.

When the votes were counted, members at the EGM unanimously declared their support for the fundamental objectives, processes and principles of unification, self-regulation and modernisation of the accountancy profession. Almost 100 per cent of those eligible to vote called for a single designation of accountants — the choice being Chartered Accountant. "The single designation of Chartered Account-

The MIA, with its 13,100 strong membership, is seeking to actively promote unification, self-regulation and modernisation of the accountancy profession in Malaysia.

ant will facilitate the international marketing of the profession under the World Trade Organisation framework. It will also enhance the professional standing of accountants locally and abroad and promote a sense of belonging to the Institute," stressed Dato' Hanifah Noordin.

Members also upheld the democratic practices in the profession, as reflected in the 99.7 per cent who voted favourably at the EGM. Nearly 90 per cent of respondents at the Opinion Poll wanted the Council to be predominantly elected by members and partly appointed by the Minister of Finance on the advice of the Council.

The Council felt that the time has come for the country to produce world-class accountants through its own examinations. "MIA examinations will prepare Malaysia's future accountants to meet the global challenges that have emerged. Going for ward, the accountancy profession will need to brace for further liberalisation of the services sector, including accountancy, in the year 2002. Therefore, we cannot afford not to re-engineer the profession in the digital economy," said Dato' Hanifah. The majority of the members (88 per cent) shared the President's sentiment for the Institute to conduct its own examinations.

The MIA President found it hard to believe that there are some quarters who still oppose the proposed "Made in Malaysia" examinations designed to put the country on the world map. To allay any misgivings, Dato' Hanifah assured that the quality of the proposed examinations will be of the highest standards. "The syllabus will be based on the global accounting curriculum issued by the United Nations Conference of Trade and Development. We have gone to great lengths to engage the services of internationally recognised experts from three continents to assist in laying a solid foundation for the examinations," added Dato' Hanifah.

The EGM also saw over 90 per cent of the members present supporting the Institute's initiatives, namely, issuance of public practice certificates, introduction of corporate practices to reduce unreasonable risk on partners of practising firms, introduction of multi-disciplinary practices and regulated advertising.

On the back of the strong support from the recently concluded EGM, the Institute presented its forward-looking proposals to the relevant authorities.

L-R : Vice-President, President and Executive Director taking questions from the floor

Mr. Veerinderjit Singh articulating his views to the Council

MIA Accountancy Fair

Mr. Dannie Tan, Branch Secretary (centre) and En. Mohd. Noh Jidin (right) congratulating a student who won a lucky prize at the Accountancy Fair

For the first time in the calendar of the MIA Negeri Sembilan and Melaka branch, an Accountancy Fair was organised on 24 August 1999 at the Allson Klana Resort. The Fair was declared open by YAB Tan Sri Dato' Seri Utama Mohd. Isa, Menteri Besar of Negeri Sembilan. Also present at the opening was LHDN Seremban Director, En. Mohd. Nashoha bin Mohd. Amin, the State Education Director, Dato' Sudin Kamari, YB Mr. Lee Chee Keong and MIA President, Dato' Hanifah Noordin. The Fair's Organising Chairman was Dato' Dr. Nellie Tan-Wong, who is also the Branch Chairman.

The Fair was attended by more than 600 students from all leading secondary schools in the state. A whole day's programme was planned, covering accountancy career talks, quiz, a dialogue with MIA members and an exhibition participated by 10 leading colleges and software companies from Seremban and Melaka. There were also two lucky draws to attract visitors to the Fair. Participating colleges expressed great satisfaction on the response received at the Fair.

Opening ceremony ... L-R : Mr. A. Varan, Branch Vice-Chairman; YB Lee Chee Keong; Dato' Dr. Nellie Tan-Wong, Branch Chairman; YAB Tan Sri Dato' Seri Utama Mohd. Isa; Dato' Hanifah Noordin, MIA President; Dato' Sudin Kamari, State Education Director and En. Mohd. Nashoha Mohd. Amin, Pengarah, LHDN Seremban

Asian Economic Prospects Look Promising

Economic recovery is building steam in most of crisis-hit Asia and the only country that could suffer a recession this year is Indonesia. The uptrend in the US interest rates is not likely to derail Asian economies. Economic growth should pick up pace in the year 2000, as world interest rates remain generally stable. The Singaporean economy could even boom.

The massive fiscal spending packages could prompt the Japanese economy to grow by up to 1.5 per cent this year, which will allow it to absorb more Asian exports. And the yen looks increasingly likely to become more stable and stronger, allowing for more monetary easing in Asia.

"Ratings upgrades could rain across Asia and share prices may rise even further (although) windfall profits are probably behind us," predicted William Belchere, Merrill Lynch's Chief Economist of Asia. He presented this optimistic assessment of Asia at the recent 1999 NAC.

After slumping in 1997-98, the Asian stock markets rallied earlier this year, outperforming the other emerging markets. "It's been a very, very good year for Asia (as) a vicious circle turns virtuous," said Belchere. "And investors are bullish about Asia," he added.

The speed of Asia's export-led expansion could be affected if the US economy were to slow down, but the prospect, Belchere said, was unlikely. He expected the US economy to grow by between three and four per cent this year, and by three per cent in 2000. A vibrant US economy, which continues to be buoyed by strong consumption and investment growth, will underpin the continued expansion of the world economy. The Asian economies will benefit, as the US is their main export market.

There is another risk, i.e. a devaluation of the renmimbi. Currently, China is going through its second year of fiscal stimulation, with state spending driving growth. Monetary easing has lent its aid in sustaining economic growth.

However, its current account surplus has been shrinking, as imports have risen and exports have dropped. The trend is likely to continue which, some experts say, could eventually force devaluation. Only a few international banks are currently lending to China because of uncertainty over where the economy is heading.

Belchere, however, argued that "China does not need a devaluation", as its export share has grown through the crisis. Instead, he asserted that China could conceivably reinforce its fiscal stimulation — including building more houses to beef up its social security programme — and enhance monetary easing. It may also allow greater foreign exchange flexibility.

Fiscal expansion, Belchere said, holds the key to achieving China's goal of seven per cent growth. Also, renmimbi devaluation will hit Hong Kong hard and this would be out of keeping with China's efforts to establish itself as a responsible regional power.

Yet another downside risk is that Asia's growth could slow if governments, which have been working hard to stimulate demand (which fell by nearly 20 per cent last year) by keeping interest rates low and pumping money into economies, withdraw and the private sector fails to take up the

Mr. William Belchere sharing his optimism on the Asian economies

Asia's Asset Prices Sparkle

Year-to-date Performance of Asset Markets [2]

	Equity [2] (% change)	Currency (% change)	Bonds [3] (bps change)
China	40.4	0.0	-50.0
Hong Kong	32.7	-0.3	+22.0
Indonesia	46.2	1.9	-450.0
South Korea	60.2	0.9	-100.0
Malaysia	25.5	0.0	-270.0
Philippines	6.9	-2.5	-57.0
Singapore	48.8	1.2	n.a.
Taiwan	30.0	1.2	n.a.
Thailand	13.2	-5.6	-102.0

n.a. — not available

[1] As of 3 September 1999. [2] Equity returns are calculated in US dollars. [3] Sovereign or quasi-sovereign.

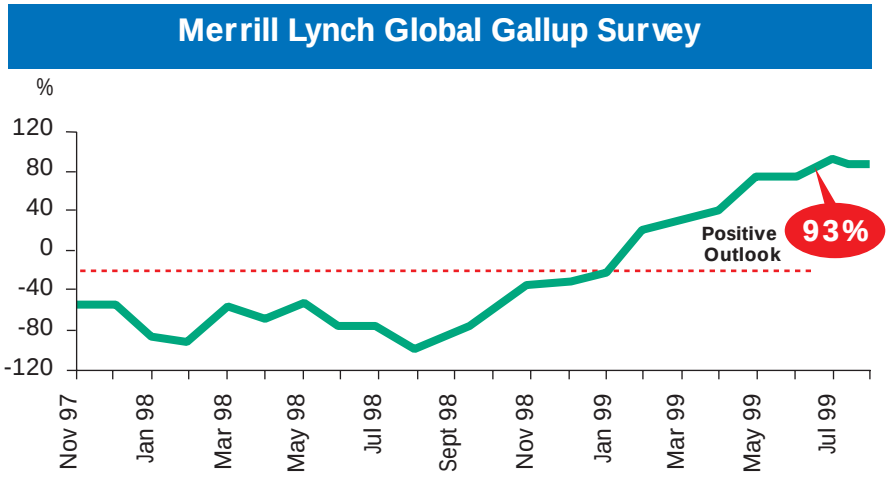
Source : Bloomberg, CEIC, Merrill Lynch.

slack next year. "There will be a slump if the private sector is not ready to go, but we don't think this will happen," predicted Belchere.

According to Belchere, profit expectation for Asian corporations continue to remain high. Fund managers seeing a favourable outlook outnumber those who are pessimistic by a record 93 per cent, with investors continuing to show a bias towards companies with large capitalisation, especially electronics and those closely connected to the business cycle.

The other risk is that oil prices have risen but, on balance, they are only "slightly negative" for Asia, he maintained. Higher oil prices would hit the Philippines, South Korea and India the hardest.

A bright spot is that Japanese and European banks are beginning to increase their exposure to Asia and that the trend, noted Belchere, is likely to continue. External withdrawal of bank credit to Asia has slowed since the last quarter of 1998 — good news for the Asian economies. The amount withdrawn last year was equivalent to a massive 13.2 per cent of Asia's Gross Domestic Product.



Across Asia, balance sheets are being repaired, banks recapitalised and corporations restructured. The pace of reforms, both in financial and corporate sectors, will determine the degree of improvement in the rate of return on investment. How Asia performs beyond 2000 "will rest on the foresight and determination shown by Asia's policy makers," said Belchere. Financing growth beyond 2000 will increasingly depend on net capital inflows. He added that complacency has no place in a recovering Asia and that bodies such as the MIA have a vital role to play.

International News

IASC News

Jim Saloman is New IASC Technical Director

The International Accounting Standards Committee (IASC) is pleased to announce that Mr. Jim Saloman has accepted appointment as IASC's Technical Director. He will be on secondment from PricewaterhouseCoopers in Toronto, US.

Mr. Saloman has been a partner in the National Accounting and Auditing Services Group of PricewaterhouseCoopers since 1986. In that capacity, he has developed firm-wide policies on accounting and auditing matters and has responded to client questions on complex accounting, auditing, and financial reporting issues. He was on secondment as Chief Accountant of the Ontario Securities Commission from March 1994 to November 1996 and then served as Chairman of the Accounting and Auditing Sub-Committee of IOSCO and a member of IOSCO's Working Party No. 1. He was also a member of IOSCO's Working Party on Multinational Disclosure and Accounting.

Mr. Saloman was a member of the IOSCO delegation on the IASC Board and has been a member of two of IASC's steering committees. He has been actively involved in the standard setting activities of the Canadian Institute of Chartered Accountants and is a CPA (Illinois, USA) as well as a Canadian Chartered Accountant.

"Jim brings to IASC an exceptional mix of experience in accounting standards," said Sir Bryan Carsberg, Secretary-General of IASC. "He has been a national standard-setter and regulator. He has also been on the firing-line resolving client questions and developing firm policies for implementing accounting standards. Jim's background with IOSCO will be particularly valuable to IASC over the next several years as we seek to gain additional recognition in the IOSCO member countries."

Mr. Saloman will take up his duties in September 1999 and continue to the end of 2001.

Press Enquiries :

Sir Bryan Carsberg, Secretary-General, IASC, Telephone : +44 (0171) 353-0565, e-mail : iasc@iasc.org.uk

Updates

Press Releases

Bank Negara Malaysia (BNM)

Press Release on 'Movement in BNM Senior Management' dated 25 August 1999

Bank Negara Malaysia announced that Danamodal Nasional Berhad's Managing Director, Dato' Mohamad Daud Haji Dol Moin, will resume his duties as Assistant Governor with BNM with effect from 1 September 1999. Dato' Mohamad Daud was seconded to Danamodal Nasional Berhad on 15August 1998. His position at Danamodal will be taken over by Encik Muhammad bin Ibrahim, who is presently the Director of Insurance Regulation Department, BNM.

The new Director of Insurance Regulation Department will be Encik Zakaria bin Ismail. BNM has also appointed Mr. Donald J. Rajakumar as the Director of Insurance Supervision Department. The appointments are effective from 1 September 1999.

Press Release on 'Economic and Financial Development : Malaysian Economy in the Second Quarter of 1999' dated 25 August 1999

The Malaysian economy recorded a positive growth of 4.1 per cent in real Gross Domestic Product (GDP) in the second quarter of 1999, ending the decline experienced over five consecutive quarters. The turnaround in economic activities was evident since February 1999. GDP growth emanated both from strong external demand as well as recovery in domestic demand. The expansion in the external sector since the fourth quarter of 1998 strengthened further, generating increases in income which provided the basis for the significant revival in private consumption. The expansion in domestic activity was further reinforced by measures taken by the Government to accelerate disbursements for projects under the fiscal stimulus package.

Of significance is that the economic recovery is being supported by continued strengthening of the macro-economic fundamentals, including low inflation, favourable trade performance, increasing external reserves, improved labour market conditions and a low external debt position, especially short-term debt. Reflecting these favourable developments, market sentiments improved further, as indicated by higher capital market activities, continued loan growth, increased property transactions and higher private consumption.

These developments are also supported by significant progress in the restructuring of the banking sector. Early completion of purchases of non-performing loans from banking institutions as well as progress in corporate sector restructuring enabled banks to focus on increased lending activities.

Although initial expansion in loans was low, loan approvals have now shown a marked increase. Disbursements have also increased, lending support to the expansion in economic activities. With the strong turnaround in the second quarter, GDP growth for the first half of 1999 is estimated at 4.1 per cent against a decline of 4.2 per cent in the first half of 1998. Expectations are for sustained growth in exports, while government expenditure will continue in the second half-year. Under these conditions, the economy should strengthen further in the second half-year, so that growth for 1999 as a whole is expected to be significantly higher than the official forecast of 1 per cent.

What do you Think?

A Members' Forum on Corporate Income Tax

Under the current tax system, all companies are treated the same. Incentives are given to specific industries which the government wishes to promote. This measure has its limitations, as it generally benefits the bigger corporations which have the resources to take advantage of the incentives. It also absorbs considerable government resources, for example, to verify and ensure that the incentives that have been granted are in order.

This was particularly evident during the economic and financial crisis in 1997-98 where the small and medium-sized industries (SMIs) found it difficult to obtain the funds when they were needed most. Delays in administering the fund allocation could be attributed to the unduly long time in getting the funds disbursed.

As part of the efforts to restructure the Malaysian economy, it has been suggested that Malaysia should introduce corporate income tax with *different* rates. The sectors which the government intends to promote (e.g. SMIs, software industries, etc.) could be taxed at preferential rates, say, 15 or 20 per cent, while the corporate tax rate can remain at 28 per cent for other sectors or industries.

The advantage of the above proposal is the big savings to be derived from a more efficient use of resources in administering the funds. It will also promote the growth of the whole industry, rather than specific companies. Nevertheless, there should not be too many tax rates, otherwise it could create confusion.

The Institute welcomes any input that members may have on the above matter, so as to enable the Institute to articulate its position effectively. Please submit your comments to the Secretariat (Attn. : Mr. K. S. Lim, Manager, Technical Department) before **30 October 1999**.

Fax : 03-2273 1016 e-mail : kslim@mia.org.my

MIT News

Malaysian Institute Of Taxation

How to become a Member of the Malaysian Institute of Taxation

Benefits and Privileges of Membership

The principal benefits to be derived from membership are :

1. Members enjoy full membership status and may elect representatives to the Council of the Institute.
2. Status attaching to membership of a professional body dealing solely with the subject of taxation.
3. Supply of technical articles, current tax notes and news from the Institute.
4. Supply of the Annual Tax Review, together with the Finance Act.
5. Opportunity to take part in technical and social activities organised by MIT.

Qualification Required For Membership

There are two classes of members, namely, Associate Members and Fellows. The class to which a member belongs is herein referred to as his status. Any Member of MIT so long as he remains a Member may use after his name in the case of a Fellow the letters FTII and in the case of an Associate the letters ATII.

Associate Membership

1. Any person who has passed the Advanced Course examination conducted by the Department of Inland Revenue and who has not less than five years practical experience in practice or employment relating to taxation matters approved by the Council.
2. Any person whether in practice or in employment who is an advocate or solicitor of the High Court of Malaya, Sabah and Sarawak and who has had not less than three years practical experience in practice or employment relating to taxation matters approved by the Council.
3. Any Registered Student who has passed the examinations prescribed (unless the Council shall have granted exemptions from such examinations or parts thereof) and who has had not less than five years practical experience in practice or employment relating to taxation matters approved by the Council.
4. Any person who is registered with MIA as a Registered Accountant and who has had not less than two years practical experience in practice or employment relating to taxation matters approved by the Council after passing the examination specified in Part 1 of the First Schedule or the Final Examination of The Association of Accountants specified in Part II of the First Schedule to the Accountants Act, 1967.
5. Any person who is registered with MIA as a Public Accountant.
6. Any person who is registered with MIA as a Licensed Accountant and who has had not less than five years practical experience in practice relating to taxation matters approved by the Council after admission as a licensed accountant of the MIA under the Accountants Act, 1967.
7. Any person who is authorised under sub-section (2)/(6) of Section 8 of the Companies Act, 1965 to act as an approved company auditor without limitations or conditions.
8. Any person who is granted limited or conditional approval under Sub-section (6) of Section 8 of the Companies Act, 1965 to act as an approved company auditor.
9. Any person who is an approved Tax Agent under Section 153 of the Income Tax Act, 1967.

Fellow Membership

1. A Fellow may be elected by the Council provided the applicant has been an Associate Member for not less than five years and in the opinion of the Council he is a fit and proper person to be admitted as a Fellow.
2. Notwithstanding, Article 8(1) of the Articles of Association, the First Council Members shall be deemed to be Fellows of MIT.

Application of Membership

Every applicant shall apply in a prescribed form and pay prescribed fees. The completed application form should be returned accompanied by :

1. Certified copies of :
   (a) Identity Card.
   (b) All educational and professional certificates in support of your application.
2. Two identity card-size photographs.
3. Fees :

	Fellow	Associate
(a) Admission Fee :	RM300	RM200
(b) Annual Subscription :	RM145	RM120

Every member granted a change in status shall thereupon pay such additional fees for the year then current as may be prescribed.

The Council may at its discretion and without being required to assign any reason reject any application for admission to membership of the Institute or for a change in the status of a Member.

Admission fees shall be payable together with the application for admission as members. Such fees will be refunded if the application is not approved by the Council.

Annual subscription shall be payable in advance on and thereafter annually before 31 January of each year.

MALAYSIAN ASSOCIATION OF ACCOUNTING ADMINISTRATORS

MAAA News

INCORPORATION AND AIM

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

MAIN OBJECTIVES

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

COUNCIL MEMBERS (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
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur.
Tel : 03-2274 5055 or Fax : 03-2274 1783
e-mail : maaa@mia.org.my

Editor for MAAA News : Low Han Men, Aric

GETTING TO KNOW YOUR MAAA COUNCIL MEMBERS

In this fourth part of the series to introduce to members our current MAAA Council Members, we are featuring YM Raja Noorhana binti Raja Harun and Tn Hj Hanapi Rasol who have both been serving in the Council since 24 June 1995.

YM RAJA NOORHANA BINTI RAJA HARUN

YM RAJA NOORHANA completed the final part of the Institute of Chartered Secretaries and Administrators (ICSA) examinations in Mara Institute of Technology in 1987. In the same year, she joined H.H. Ismail Management Services Sdn Bhd as an Assistant Company Secretary. In 1989, she changed her profession and started as a Tax Assistant at Syed Mubarak & Co., a public accountant firm before assuming her current position as a Tax Manager. YM Raja Noorhana graduated with an ICSA qualification in 1993 and was elevated to an Associate Member of the Institute soon after. In 1995, she was appointed as a Director and Company Secretary in Charminar Sdn. Bhd., a corporate secretaries and registrars company, where she is currently. YM Raja Noorhana is a keen musician. She plays some musical instruments such as the saxophone and has performed in many special functions during her college days in MARA.

HANAPI BIN RASOL

HANAPI was born in Muar, Johor in 1951. He started his career in the Accounts Department of PERNAS, followed by 20 years of service in the MARA Holding Group. He was Head of Accounts and Administration in one of the MARA Holding Group's subsidiaries before moving up as a Senior Manager. In early 1996, he ventured into a new career in the stock market by becoming a remisier attached to Jupiter Securities Sdn Bhd.

He holds a diploma in Personnel Management (UKM) and Diploma in Investment and Analysis (RIIAM). He is an Associate Member of the Institute of Cooperative Auditors Malaysia and a Member of the Malaysian Institute of Internal Auditors. Besides being a Council member of MAAA, he is also a Committee Member of the Malaysian Numismatic Society. In recognising his contribution to the society, specifically to small industries in Kelantan, he was conferred the Ahli Kelantan (AK).

MEMBERSHIP STATISTICS as at 15 September 1999

Accounting Administrators (A.Adm.)	451
Associate Accounting Technicians (AAT)	575
Total	**1,026**

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 Sections 22 & 23 of the Accountants Act 1967.

	REG. NO.
PHNOM PENH	
CHIN SEE YAP	14560/RA
JOHOR DARUL TAKZIM	
BATU PAHAT	
SOH LEE SAR	14433/RA
JOHOR BHARU	
CHAI MENG KA	14328/PA
CHAI YIT MIN	14465/RA
CHING LENG TEAM	14329/PA
GOH MEY LAN	14452/RA
KOH WIN TON	14574/RA
LIM HSIEN HOWE	14297/PA
LOW KAI CHUAN	14287/PA
SELVARAJAN A/L KARUPPANAN	14379/PA
SOO WAI MUN	14343/PA
TEO HUI NGIM	14339/PA
YEW NYUK SOONG	14337/PA
KOTA TINGGI	
TAI CHING ANN	14344/PA
SKUDAI	
MAIZATUL SHANAS BINTI SIDEK	14521/RA
SATHIA MOORTHI A/L RAMASAMY	14313/PA
YONG PENG	
YONG KENG SENG	14439/RA
KEDAH DARUL AMAN	
ALOR SETAR	
NG POH LIN	14573/RA
KULIM	
LIM SEOK CHENG	14500/RA
LANGGAR	
SOFIAH BINTI ABU SAMAH	14370/PA
SINTOK	
ZUAINI BINTI ISHAK	14596/AM
SUNGAI PETANI	
LAW SAI LING	14524/RA
MELAKA	
MELAKA	
ANG TECK SOON	14442/RA
KEE WEI CHOO	14558/RA
LOW KIA HAU	14576/RA
TAN MEI YEN	14295/PA

	REG. NO.
NEGERI SEMBILAN DARUL KHUSUS	
BAHAU	
TAN TENG CHAI	14291/PA
BANDAR BARU NILAI	
TAN SIEW KEE	14518/RA
MANTIN	
THAM HON SIN	14332/PA
SEREMBAN	
CHIN KEAT CHENG	14400/PA
HADIJAH BINTI BAHARIN	14587/RA
KWAN CHIEW PING	14290/PA
LAU CHEE KWONG	14459/RA
MAZNAH BINTI MALEK	14296/PA
MOK SUM WENG	14436/RA
SHASHI KUMAR A/L KANESAN	14437/RA
PAHANG DARUL MAKMUR	
BENTONG	
KERK EE HING	14497/RA
RAUB	
CHUA BAN GUAN	14288/PA
PERAK DARUL RIDZUAN	
IPOH	
CHEW PETE YEN	14440/RA
GAN SHWU HUA	14323/PA
LAU PEIK SAN	14484/RA
LIAM BEEN-EE	14588/RA
SAHARUDDIN BIN SAHAD	14331/PA
WONG JIA YIN	14317/PA
MENGLEMBU	
CHIA WAI HOE	14435/RA
SUNGAI SIPUT (U)	
NOR AZIZAH BINTI IDRIS	14412/PA
TAIPING	
KAMAL AZHAR BIN AHMAD	14553/RA
NG TONG CHIN	14449/RA
PERLIS INDRA KAYANGAN	
KANGAR	
CHAN SHU SAM	14373/PA
HARISHAH BINTI HASHIM	14589/RA
PULAU PINANG	
AYER ITAM	
CHIN KING CHIN	14390/PA
HOR HUEY CHUNG	14406/PA
LIM CHOON SEAN	14421/PA
TEOH CHEE YONG	14388/PA
BAYAN BARU	
CHAN SIEW HOON	14324/PA
BUKIT MERTAJAM	
CHONG GUET HWA	14461/RA
LIM EE KAY	14415/PA
NG BOON KANG	14304/PA
BUTTERWORTH	
TAI WAI YING	14411/PA

	REG. NO.
LIM MENG NGEE	14579/RA
GELUGOR	
CHAN YIT CHOOI	14408/PA
JESSICA ENG CHAI LIN	14460/RA
KHOR KIAT PING	14312/PA
LIM LUAN KHENG	14565/RA
YUSMINOV BINTI AHMAD	14456/RA
GEORGETOWN	
CHOO VEH KEN	14364/PA
FOO LI LIN	14540/RA
LEE OON KAR	14383/PA
LEE PHAIK IM	14357/PA
LOO YIN PENG	14424/PA
NEOH LAY TIN	14391/PA
SHUM KUAN HUEH	14523/RA
TAY PIT EU	14358/PA
WONG CHIN YEE	14572/RA
YAP PHENG PHENG	14571/RA
JELUTONG	
LOH MOOI KOOI	14590/RA
PENANG	
GOK CHING HEE	14570/RA
HO YIK TUCK	14578/RA
LIM SU LING	14409/PA
OOI AI CHEN	14315/PA
SONG CHING MING	14311/PA
TAN PEAI LING	14575/RA
PERAI	
YEOH AIK CHUAN	14294/PA
SUNGAI NIBONG	
LOH SWEE MAN	14569/RA
SABAH	
KOTA KINABALU	
CHIN LING LING	14369/PA
NAZARIUS DUNGANG	14567/RA
SUSIE LO SUK JIN	14405/PA
LUYANG	
CHANG KOK YUI	14286/PA
TAWAU	
FONG VUI LAN	14430/RA
SARAWAK	
BINTULU	
SANDRA CHAN LEE HUNG	14522/RA
KUCHING	
CHARLES LEE BOON FONG	14336/PA
DICKSON SAGA	14547/RA
LAI JOK MUI	14458/RA
NOOR AZIMAH BINTI ABDUL AZIZ	14299/PA
ROBERTSON AK LENGGEH	14438/RA
SIM YEW SZE	14338/PA
TANG MEE SAN	14314/PA
MIRI	
CHANG KOK WAH	14425/RA

	REG. NO.
ELIZA BINTI SULAIMAN	14483/RA
SELANGOR DARUL EHSAN	
AMPANG	
CHONG YOKE FOONG	14429/RA
OOI CHONG KWAN	14511/RA
TENGKU FADZLY BIN ENGKU MUHAMMAD DIN	14443/RA
THEAN YOKE FUN	14542/RA
BANDAR PUCHONG JAYA	
HIENG HENG LEE	14382/PA
BANDAR TUN HUSSEIN ONN	
HO KAI PING	14397/PA
BATU CAVES	
LALITH SHAMSIR BIN SHAMSUL	14335/PA
MA BEE LING	14564/RA
MOHAMAD ZHOHIR BIN BAKAR	14303/PA
PANG KHEN SWEEN	14502/RA
ROSLAN BIN ABD WAHAB	14320/PA
SHABIRIN BIN SUGIMAN	14543/RA
KAJANG	
TAN CHEE HOE	14293/PA
TAY CHIN SEONG	14346/PA
TEOH SIN KHOON	14305/PA
THANABALAN S/O PITCHAYMUTHU	14561/RA
KLANG	
CHANG CHIN YUN	14549/RA
HALIAS BIN ISMAIL	14445/RA
IDATUL AKMAR BINTI IBRAHIM	14593/RA
LEE TECK HUA	14340/PA
MANIMARAN S/O SANTHINAN	14377/PA
MAZHAIRUL BIN JAMALUDIN	14417/PA
P. SHANTHI A/P PALANIAPPAN	14566/RA
SAK SWEE SANG	14333/PA
TAN CHEU KEAT	14362/PA
TANG KETT LAY	14492/RA
PETALING JAYA	
ADRIAN LEE EU WEEN	14496/RA
CELINA LEE CHING LING	14385/PA
CHOW YIN HENG	14583/RA
FOO AI GAIK	14368/PA
FOO SEE SHAN	14499/RA
FOO SU CHENG	14581/RA
GEORGIA LOW YE WEE	14387/PA
GOH TAI WAI	14506/RA
ISKANDAR DZULKARNAIN BIN ABDULRAZAK	14529/RA
KAREN OOI EU PIN	14526/RA
KENNETH CHOO KOK KEONG	14399/PA
KHOO CHEE PENG	14490/RA
KOK SIEW HWEI	14401/PA
LEE BENG SEAH	14418/PA
LEE HUANG MENG	14422/PA
LEE YOKE FONG	14515/RA

	REG. NO.
LIM I-MEI	14349/PA
LIM KAH WEI	14363/PA
LOW CHING KEAT	14585/RA
OH CHIN LENG	14378/PA
RAJKUMAR S/O K.S. SAHASRANAMAN	14486/RA
SAKUNTHALA A/P C. SIVAPALASANMUGAM	14534/RA
SHALIZA BINTI YEOP ALI	14519/RA
SOO WAI MENG	14482/RA
TAN FOONG CHING	14389/PA
TAN MUI SIANG	14396/PA
TAN WEI TECK	14365/PA
VOOI SEANG YEN	14563/RA
WENDY KAM	14441/RA
WONG SEOK LENG	14493/RA
YAP CHEE SIONG	14367/PA
YONG BOON CHIN	14595/RA
PORT KLANG	
CH'NG @ CHING BOON LEE	14403/PA
KHOO TUAN PIN	14517/RA
PUCHONG	
CHEW CHIN PING	14533/RA
CHIA HON SHONG	14374/PA
EDWARD HUE CHEE HWA	14586/RA
LIM BENG HONG	14404/PA
LIM HUI PING	14318/PA
TEO HUEY LING	14352/PA
RAWANG	
AMI NUDDIN BIN AB MA ATI	14434/RA
YEE CHAI YUN	14372/PA
SEMENYIH	
ROBERT YOON SOOH CHEUW	14466/RA
SERDANG RAYA	
MOHAMED RIZAL ABDULLAH	14316/PA
SHAH ALAM	
AMIR ADHAM ZAINAL	14354/PA
CHAN ZOON HEONG	14447/RA
CHUAH SUH NUO	14330/PA
CLARENCE WONG KANG YEAN	14448/RA
IDA BINTI MOHAMMAD HANIPAH	14525/RA
LEOW WENG SOON	14427/RA
MAHZAN BIN NOORDIN	14546/RA
MOHAMMAD ZOL KARTINI BIN ABDULLAH	14334/PA
MOHD FAUZEE BIN TAHIR	14341/PA
NURANISAH HJ MOHD ANIS	14419/PA
OOI LAI HUAT	14298/PA
ROZILAWATI BINTI IBRAHIM	14510/RA
SABARIAH BINTI AHMAD	14556/RA
SAIFUL ANUAR BIN SABARUDIN	14467/RA
TAN CHEE LUEN	14582/RA
TAN LYE CHUAN	14503/RA
SERI KEMBANGAN	
LAU CHOON HOONG	14348/PA

	REG. NO.
SUBANG JAYA	
CHAN VAI QUAN	14551/RA
CHANG THOONG YING	14527/RA
JENNIFER LOPEZ A/P J. WILLIAM LOPEZ	14319/PA
LIM BOON TENG	14380/PA
ONG LEE YIN	14488/RA
SEET YEW LIN	14516/RA
SU SAI LAN	14509/RA
SUNGAI BULOH	
TANG SIKH YONG	14530/RA
WAN CHEW WAH	14539/RA
TERENGGANU DARUL IMAN	
KUALA TERENGGANU	
FAUZIAH BINTI MAHMUD	14577/RA
RUSDI BIN NGAH	14592/RA
WILAYAH PERSEKUTUAN	
CHERAS	
CHONG MAY LEE	14325/PA
KUALA LUMPUR	
AMIRUDDIN BIN AHMAD	14504/RA
ARNIZAH BINTI HASHIM	14350/PA
AZRI BIN MOHAMED YUSOFF	14356/PA
AZUDDIN BIN DAUD	14300/PA
CH'NG KOOI CHING	14489/RA
CHAN HON LIM	14450/RA
CHAN MOI FONG	14495/RA
CHAN WAI LING	14308/PA
CHAN YOKE PENG	14554/RA
CHEANG SIEW KIM	14451/RA
CHEN JEAN JONG	14548/RA
CHIN YOKE SUN	14545/RA
CHONG CHOONG KONG	14392/PA
CHOW KAH MUN	14594/RA
CHUA NIEN HAN	14413/PA
CHUNG SOOK CHING @ CHANG SOOK CHING	14321/PA
D. SATHI DAYA A/P DAYASEELAN	14355/PA
DORIS TAN CHUEN CHUEN	14366/PA
ER LAM CHAN	14398/PA
FAM LEE MIN	14513/RA
FAZIYATUN BINTI MOHAMED YAHYA	14514/RA
FONG KIN HONG	14292/PA
GIAM SIEW HUN	14453/RA
GOH CHEE KEONG	14501/RA
HASLINDA BINTI TUKIMIN	14536/RA
HONG SIEW GEOK	14393/PA
JU SIEW LEE	14446/RA
KAMARUL YUSRI BIN IBRAHIM	14494/RA
KHAW LIN LIN	14552/RA
KHOO SWEE KIAT	14469/RA
KOK CHEE KIT	14505/RA
KONG SOI LIN	14537/RA
KRISHNAN A/L K.S. MANIAM	14559/RA

	REG. NO.
KULJIT KAUR A/P S. TEJA SINGH	14457/RA
LAI ANN NEE	14471/RA
LAI KOK LEONG	14538/RA
LAM LEE SA	14322/PA
LEE CHIN CHUAN	14384/PA
LEE CHING PEI	14376/PA
LEE CHOON MENG	14327/PA
LEE KWAN POR	14301/PA
LEE PUI KEE	14361/PA
LEONG SIEW LENG	14307/PA
LIM TENG LAN	14310/PA
LIONG SIEW ENG	14498/RA
LIOW BEN YEN	14444/RA
LOH KAM HIAN	14345/PA
LOH LEE MOOI	14528/RA
MICHAEL LEONG KOK YEW	14423/PA
MOHD NADRI BIN ZAKARIA	14472/RA
MOHD NASIR BIN HJ. MD SAAD	14568/RA
MOHD ZAMZURI BIN DARUS	14347/PA
MONA LIZZA BINTI MUSTAFFA	14351/PA
MUHAMMAD FAIZAL BIN DEWAN	14473/RA
NOOR AZLINA BINTI MAON	14431/RA
NOR ZIYATI BINTI ABDULLAH	14535/RA
NORAHAZALIZA BINTI MAT NAH	14360/PA
NORAZMAN BIN TAMJIS	14326/PA
PARAMJEET SINGH S/O NAHAR SINGH	14371/PA
PETER WONG KONG YEW	14375/PA
PHUAH KEN BIN	14532/RA
POH MAY FURN	14432/RA
RATNARAJAH S/O NASARAJAH	14407/PA
ROHANA BINTI MOHD HANIFA	14474/RA
SAHADEVAN A/L MUNUSAMY	14309/PA
SEAH LEONG UOON	14463/RA
SHAMSOL BIN AMIN	14464/RA
SHARIFAH DELIMA BINTI SYED MARZUKI	14512/RA

	REG. NO.
SIAH CHIN WEE	14426/RA
SIVAKARAN A/L VISVALINGAM	14591/RA
SOLOMON SUNDARESWARAR JEYA A/L R JEYASINGAM	14416/PA
SOON LI YEN	14562/RA
SUHAIMI BIN AWANG CIK	14420/PA
TAMOI ANAK JANGGU	14395/PA
TAN DID HENG	14402/PA
TAN JOO GEOK	14353/PA
TANG LAI SEA	14306/PA
TAY JOE PENG	14342/PA
TEE YEN HA	14381/PA
TEO HUEY LING	14454/RA
TEO SIA YIAN	14520/RA
TOH HOON KHEE	14428/RA
U. YUIT TYNG @ WOO YUIT TYNG	14580/RA
WAN ZULKIFLY BIN WAN HASSAN	14487/RA
WONG SHAN TY	14410/PA
YANG CHIN LEE	14394/PA
YAP CHIN FATT	14555/RA
YAP LI HUEI	14468/RA
YAP THIAM LEONG	14359/PA
YAW KEM KEONG	14455/RA
YONG MUN HOCK	14584/RA
YOONG KIN HUI	14491/RA
YUZRIZAL BIN MOHD YOUSUF	14470/RA
ZAINI BIN JASAMI @ JASMI	14557/RA
ZAITI AKMAR BINTI MOHD SAID	14544/RA
ZORKARNAIN BIN ABD GHANI	14531/RA
ZULZASTRI BIN ABDUL MALEK	14386/PA
ZUTINA BINTI HUSSAIN	14508/RA
LABUAN	
VAN POK YIN DANIEL	14507/RA
SINGAPORE	
ANDREW TAN LYN SAN	14462/RA

	REG. NO.
TAN SHIN UEI	14414/PA
YAP KUAN KEE ALLEN	14541/RA
ENGLAND	
LONDON	
LENNY TAN KAH WAN	14302/PA

RECLASSIFICATION FROM REGISTERED ACCOUNTANT TO PUBLIC ACCOUNTANT

MAHANRA RAO GONDYAH	3610
LIAN MUI ENG	4331
WONG KHOI SOON	6553
NORILA BINTI HAJI YAHYA	9879
LEE KOK WAH	12256

RECLASSIFICATION FROM PUBLIC ACCOUNTANT TO REGISTERED ACCOUNTANT

CHEAH YEE KEONG	11725
HONG WAI FUN	13083
HOOI SOON WAI	13414
SURESH KUMAR	13448

RESIGNATION*

TAI KOON HOONG	1010/PA
ONG LAM WAH, DICKY	3117/PA
KEVIN LOH KEE WONG	8533/PA
TAN KIM EAN	9645/PA
CHUNG TZE LIAN	9855/RA
MARIE LYNDELL OLIVIER	10941/RA
CHEONG SOO MOY	13739/PA

** Following their resignation, they are no longer accountants.*

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

REGISTRATION OF ACCOUNTANTS

Statistics as at 27 August1999

Class	As at 24.7.99	Deceased	Resignation	Readmission	Admission	Sub-total	RA to PA	PA to RA	Total as at 27.8.99
Public Accountant	4,356	-	-5	-	139	4,490	5	-4	4,491
Registered Accountant	8,405	-1	-2	-	171	8,573	-5	4	8,572
Licensed Accountant	34	-	-	-	-	34	-	-	34
Associate Member	7	-	-	-	1	8	-	-	8
TOTAL	**12,802**	**-1**	**-7**	**0**	**311**	**13,105**	**0**	**0**	**13,105**