Akauntan Nasional

Volume 15 • Number 9 Journal of the Malaysian Institute of Accountants OCTOBER 2002

(Established under the Accountants Act, 1967)

Budget 2003 : Private Sector Takes The Lead

However free fall of major bourses around the globe, stocks and financial woes in the US and Europe together with the global political and economic instability are some of the challenges that may dampen this effort

NAC 2002 : Oops! We Did It Again page 8

MIA 16th Annual General Meeting Two New Faces Elected page 3

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FROM THE EDITOR

Budget 2003 : Reinventing the Malaysian Economy

The 2003 Budget unveiled by Prime Minister Dato' Seri Dr. Mahathir Mohamad may be his last official Budget, given that 2004 will be his final year as the patriarch of Malaysia. Befitting his budgetary swan song, Dr. Mahathir chose to redesign the template for Malaysian economic growth in Budget 2003, instead of merely presenting a run-of-the mill Budget.

Most importantly, Budget 2003 sets the tone for the renaissance of the Malaysian Economy, by targeting incentives at key sectors with massive economic potential. Domestic economic activities gained greater prominence, particularly with incentives aimed at the small and medium enterprise (SME) sector. Services and agriculture are acknowledged as new engines of growth, complementing manufacturing. At the same time, Budget 2003 focuses on exports as a key economic driver by providing incentives for companies to create and enhance their export activities. Last but not least, Budget 2003 also aims to create overall competitiveness and productivity, and lower the costs of doing business.

SMEs were certainly in the limelight. Instead of providing a broad corporate tax cut, as anticipated by several quarters pre-Budget, Budget 2003 aimed tax savings squarely at the "backbone of the economy" : small and medium-sized enterprises with a paid-up capital of RM2.5 million and below. Hopefully, qualified SMEs will reinvest such tax savings in increasing their productivity and competitiveness through investment in ICT and training. And by doing so, SMEs in turn will help stimulate domestic economic growth.

The underlying strategy for the shift to domestic economic activities is a subject close to Dr. Mahathir's heart : *independence*. As observed by Dr. Mahathir, the country has been over-dependent on foreign direct investment (FDIs) and external trade, a formula that works less well today given Malaysia's relatively higher labour costs and the tremendously competitive arena of global trade. Although trade and FDIs will continue to play an important role in Malaysian economic development, their influence needs to be ameliorated by developing other growth engines.

Services will be an extremely vital new engine, as evidenced by Budget 2003's emphasis on tourism, healthcare and education. The availability of capital and the various tax incentives provided for in the Budget will ensure the sector attains its potential as one of the primary growth engines. Taking a leaf from the US economy, Malaysia intends to develop the services sector to take up slack in the manufacturing sector. In the US, the services sector has now outgunned manufacturing as its companies left for cheaper locales abroad, including Malaysia. Although we may have looked east previously, Malaysia needs to avoid the example of Japan, which lacks another economic engine to replace manufacturing, and is now stagnating.

While seeking new ways to make services grow, the challenge is also to restore dynamism to agriculture and buoyancy to mass manufacturing through new investments and technology. The goal of Budget 2003 is simple : All areas must be galvanised — services, value-added agriculture, manufacturing, and exports — so that a higher and sustainable level of economic growth will be generated.

Last but not least, Dr. Mahathir made another subtle point through Budget 2003. Overall, budgetary development expenditure — on education and ICT in particular — is aimed at promoting the triumph of brain power over horse power and the superiority of human capital over physical capital. Without intellectual capital, our vision of becoming a superior and developed knowledge economy will end in ruins, and Malaysia will forever be stuck on the cusp of full development. AN

Editor

Letters to the Editor

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

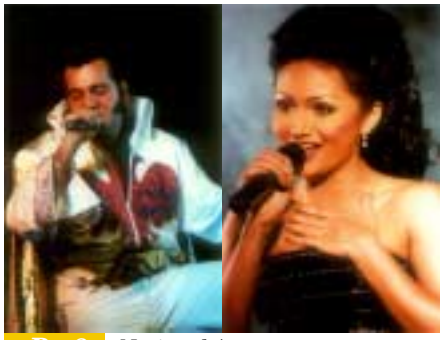
CONTRIBUTION OF ARTICLES

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

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

CONTENTS

Volume 15, Number 9 OCTOBER 2002



Pg 8 *National Accountants Conference 2002*

People Friendly Budget Pg 14

Pg 28 *Financial Reporting on the Net*

A Kampung Life Pg 58

Akauntan Nasional

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

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Malaysian Institute of Accountants
(Established under the Accountants Act, 1967)

VISION AND MISSION

MIA's Vision

- To be a globally recognised and respected business partner committed to nation-building

MIA's Mission

- To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders

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NOTICE TO MEMBERS

ANNUAL SUBSCRIPTION AND PRACTISING CERTIFICATE FEE : FIRST REMINDER

Please be informed that the First Reminder for the Annual Subscription and Practising Certificate Fee (for members in public practice) for the financial year 2002/03 has been sent out to all members in the first week of September 2002. Members who have not received the said Reminder are requested to write in to request for another copy.

The Institute would like to inform members that the Council has resolved to remove from the register of members, those members who do not settle their outstanding Annual Subscription by 31 December 2002. Accordingly, all members are reminded to settle their Annual Subscription before 31 December 2002. A readmission fee of RM500 will be imposed on members who seek readmission. AN

ANNOUNCEMENT

APEC RESEARCH GRANT

The APEC Finance and Development Programme has invited the Malaysian Institute of Corporate Governance (MICG) to participate in its offer of research grants for successful research proposals worth up to US$10,000. Research proposals are invited from members of MICG with themes that focus on cross-border finance and economic development.

The general focus for research proposals is aimed at upgrading the capacity of financial systems in APEC economies, so as to maintain high rates of economic growth in addition to financial and social stability.

The research topics can include studies of the role of the imported foreign financial services in strengthening capital markets, credit culture and fostering financial reform in the APEC region : studies of the role of foreign financial firms in transmitting know-how and technology between financial systems in different economies, assessment of impact of foreign participation in securities markets on the level and risks associated with the volatility of asset prices, studies of risks of cross-border capital flows and policy implications in general, studies of the role of International Financial Institutions and other international bodies in addressing volatile capital flows analysis of possible debt restructuring measures, etc.

The application form for this APEC Research Grant is available from MICG. The deadline for research proposals is not later than 30 November 2002. Preference will be given to members of MICG. AN

MICG
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Taman Tun Dr Ismail, 60000 Kuala Lumpur
Tel : 603-7726 2166 Fax : 603-7726 3226
e-mail : micg@ po.jaring.my

ATTENTION ALL PRACTISING MEMBERS!

NOTICE OF CHANGE OF ADDRESS FOR Bahagian Analisa Cukai Kementerian Kewangan Malaysia

Please be informed that applications and renewal of audit and liquidator licence should now be directed to the following address :

Ketua Setiausaha
Kementerian Kewangan Malaysia
Bahagian Analisa Cukai
Tingkat 6 dan 7, Blok Tengah, Presint 2
Pusat Pentadbiran Kerajaan Persekutuan
62592 Putrajaya
Tel : 03-8882 3000 (General Line)
Attn : Cik Nor Azlina bte Yusof
Cik Nor Azlina's telephone number (Direct Line) is 03-8882 3332. AN

NOTICE TO MEMBERS

TO ALL ACCOUNTANTS

1 EXTENSION OF TIME FOR SUBMISSION OF FORM C FOR YEAR OF ASSESSMENT 2001

We wish to bring to your attention that a letter has been received from the Inland Revenue Board (IRB) dated 29 August 2002 regarding the extension of time for submission of Form C for year of assessment 2001. A copy of the said letter can be downloaded from the Institute's website at http://www.mia.org.my under the Technical-Taxation-Circular link.

2 TAX CONCESSIONS GRANTED BY INLAND REVENUE BOARD FOR YEAR OF ASSESSMENT 2002

Further to the joint memorandum on the proposed amendments to the Income Tax Act relating to the self-assessment system of taxation by the Institute, the Malaysian Institute of Taxation (MIT) and the Malaysian Institute Of Certified Public Accountants (MICPA) to the Ministry of Finance (MOF) submitted on 21 March 2002, we have received a letter from the Inland Revenue Board (IRB) dated 28 August 2002, a copy of which can be downloaded from the Institute's website at http://www.mia.org.my under the Technical-Taxation-Circular link.

We are pleased to inform that the IRB has agreed to a one-month extension to the deadline for submission of the Form C beyond the six months as provided for in Section 77 (1A) of the Income Tax Act, 1967 for year of assessment 2002.

The IRB has also agreed to allow an additional revision of the estimate of tax payable (ETP) to be made in the ninth month of the year of assessment for 2002.

In order to facilitate a smooth operation of the revision made in the ninth month, companies are requested to comply with the relevant procedures as per the letter, namely to fill in Form CP204A with the necessary revision. The forms can also be downloaded from the Institute's website at the above mentioned address.

3 ADDITIONAL TAX PAYABLE UNDER SECTION 107C (9) AND 107C (10) OF THE INCOME TAX ACT, 1967 UNDER THE SELF ASSESSMENT SYSTEM

The Institute has received a letter from the Inland Revenue Board (IRB) dated 16 August 2002 on the additional tax payable under Section 107C (9) and Section 107C (10) of the Income Tax Act, 1967.

In response to the numerous queries that the IRB has received over this matter, the IRB has now clarified in the letter when and how the additional tax as well as penalties levied under this section is to be remitted to the IRB.

Members are urged to follow the procedures as highlighted in the said letter, a copy of which can be downloaded from the Institute's website at http://www.mia.org.my under the Technical-Taxation-Circular link.

4 FORMAT OF THE NOTICE OF ASSESSMENT UNDER THE NEW COMPUTER SYSTEM OF THE INLAND REVENUE BOARD

The Institute has received a letter from the Inland Revenue Board (IRB) dated 28 August 2002 on the various format of the notice of assessment under the new computer system of the IRB following the implementation of the self assessment system. A copy of the letter can be downloaded from the Institute's website at http://www.mia.org.my under the Technical-Taxation-Circular link.

Please note that the sample notice of assessment for the above can also be downloaded from the Institute's website at the above mentioned address. Members are advised to view the various format on the web. AN

CALLING ALL EXPERIENCED PRACTITIONERS WITH GOOD WRITING SKILLS

MALAYSIAN PRACTICE MANUAL

Our Institute, in collaboration with CCH Asia Pte Ltd, has embarked on a project to produce a Malaysian Practice Manual to help our practitioners raise their standard of work.

A task force has been set up recently to oversee the running of this project. We are now inviting experienced practitioners with good writing skills to join us as writers for the various topics which have been identified. You can choose to write on the topic which you are most familiar with.

If you are interested to become a writer, please contact Johnny Yong, our Manager of Practice Matters at Tel : 03-2279 9252 (Direct Line), Fax : 03-2274 1783 or e-mail : johnny@mia.org.my AN

PRACTITIONERS' EVENING TALK

FREE ORIENTATION SESSION FOR PROPRIETORS & PARTNERS OF NEWLY SET-UP NON-AUDIT FIRMS

Proprietors and partners of newly set-up non-audit firms are invited to attend an orientation session at the Institute. This session is organised by the Institute on a "free of charge" basis. As places are limited (50), it will have to be on a first come first serve basis. Please give your name and telephone contact numbers to the staff in the Practice Matters Department, namely Janet Leong (Ext. 250) and Sharon Koh (Ext. 125). The venue and date of the session are as follows :

VENUE :	Main Boardroom — Dewan Akauntan No. 2 Jalan Tun Sambanthan 3 Brickfields 50470 Kuala Lumpur
DATE :	Friday, 1 November 2002
TIME :	5.00p.m. *(to approximately 7.00p.m.)*

Topics to be covered in this session are Professional Indemnity Insurance (to be presented by a representative from a broking firm), and the Implications and Compliance Procedures of Service Tax for Public Practitioners. AN

Report on the 16th Annual General Meeting

Putra World Trade Centre, Kuala Lumpur
28 September 2002

The Malaysian Institute of Accountants is pleased to announce the election of two new members to its 30 member Council following the conclusion of the Institute's 16th Annual General Meeting (AGM) on 28 September 2002. Quek Jin Fong and Lam Fu Wing were elected to the Council under Section 8(1)(g) of the Accountants Act 1967 replacing Lim Huck Hai and Damanhuri Mahmod who had stepped down. Datuk Nur Jazlan Tan Sri Mohamed successfully retained his seat on the Council.


Quek Jin Fong


Lam Fu Wing

The Minutes of the 15th AGM together with the Institute's 2002 Annual Report and Financial Statements were passed. The Institute had received five Motions to be tabled at the 16th AGM and the Motions were contained in the Notice of Motions circulated to all members for their information and consideration prior to the AGM. At the Meeting, Motions 1, 2 and 3 were not put to a vote as the Proposers and Seconders of these Motions were not present to explain the reasons and rationale for these Motions. As notified in the provisional Notice dated 7 August 2002, the failure of either the Proposer or Seconder to be present at the AGM to speak in favour of the Motion would render the Motion void.

On Motion 4, upon listening to the explanation by the Proposer and subsequent to a debate, a procedural Motion was put forth by the Chairman that Motion 4 not be put to a vote. This was seconded by a Member from the floor (Membership No : 1046). In the subsequent show of hands, the majority of Members present were not in favour of putting Motion 4 to a vote.

Subsequent to the explanations on Motion 5 by the Proposer and a debate on this Motion, a procedural Motion was called by Albert Wong that Motion 5 not be put to a vote. This was seconded by Nik Mohd Hasyudeen Yusoff. The majority of Members present were in favour of putting Motion 5 to a vote and the result of the subsequent show of hands on Motion 5 yielded 114 in favour and 77 against. In accordance with Rule 18(3) of the MIA (Membership and Council) Rules 2001, a poll was then called by the Chairman. Eight Proxy Holders with a total of 607 votes were present at the AGM at the time of the poll. The result of the poll was 211 votes for and 592 votes against Motion 5. Motion 5 accordingly was lost. The Meeting adjourned at 6.00 p.m. and a Council Meeting was held immediately after. AN

PRESIDENT'S ADDRESS AT THE AGM

In his address, MIA President Dr Abdul Samad Haji Alias gave an update of the Institute's strategic blueprint among other key issues. All the constituents in the Institute's 18,000-strong membership are represented in the blueprint from the largest group, Commerce and Industry with 69 per cent total membership to the smallest group, the Government sector five per cent. No membership is excluded in the Institute's plan for the future.

The Strategic Steering Committee that was established in November 2001 to oversee the implementation phase of the blueprint is targeting to wrap up its work by end October 2002 before presenting to the Council for adoption. The five Working Groups representing Practitioners, members in Commerce and Industry, Government, the Academia and the Secretariat have met several times to identify and map out action plans aligned to the Institute's strategic objectives.

> "No membership is excluded in our plan for the future"

Status of Objectives

Dr Abdul Samad gave an overview of the current status of the Institute's five objectives. Towards achieving the first objective *to promote and regulate professional and ethical standards,* the

from left … Dr. Abdul Samad, Albert Wong, MIA Executive Director Ho Foong Moi and Registrar Mohammad Abdullah


MIA members exercising their rights at the AGM

Institute has initiated the Practice Review with the final version of the framework targeted to be made available to members in practice by end 2002 before its proposed implementation in early 2003. The Institute has also elevated ethics to its rightful place by establishing the Ethics Committee. The importance of Continuing Professional Education (CPE) as a tool to ensure accountants remain relevant and are significantly more knowledge-based and knowledge intensive cannot be trivialised. As such the Institute will further enhance its capability to monitor and regulate CPE compliance through the Institute's new IT infrastructure to be implemented next year. The IT system is expected to be able to audit all members instead of the current random CPE audit.

It is the Institute's hope that members do not see CPE as a burdensome item to be expensed off, rather it should be seen as part of a life long learning process and an investment for the future. In meeting the Institute's second objective *to enhance members' competency through continuous education and training*, more experienced and knowledgeable speakers in thought leadership, scholarship and entrepreneurship will be brought in. The Institute is also exploring the possibility of introducing certain web-based CPE courses as well as longer duration certificate-based CPE courses once the new IT infrastructure is in place.

Whilst the Institute has proposed several initiatives towards achieving the Institute's third objective *to enhance members' status*, members themselves need to move towards strategic and innovative thinking in addition to having a pioneering spirit in a globalised and progressively liberalised world. It is the Institute's aspiration that member firms and members in practice should begin to think more strategically and globally in line with the developments in the international arena. The World Trade Organisation (WTO) has been actively promoting multilateral liberalisation of trade in services on professional services of which accountancy is among the important services. While the WTO Member Countries have entered the stage of submitting their initial request lists for specific commitments, at the ASEAN level Member Countries have started the third round of negotiations at the regional level. The National Professional Services Export Council (NAPSEC) and Professional Services Development Centre (PSDC), the institutions established by the Government (and of which MIA is an active partner) are seeking ways and means to build the capacity of professional services providers and ensure export readiness among them. The way forward for member firms is to develop a vision of where they want to be and seriously consider forging strategic partnerships with innovative, competitive and sound foreign firms as an option to be pursued.

MALAYSIAN INSTITUTE OF ACCOUNTANTS

MIA's Vision

- To be a globally recognised and respected business partner committed to nation-building

MIA's Mission

- To develop, support and monitor quality and expertise consistent with global best practice in the accountancy profession for the interest of stakeholders

MIA's Objectives

1. To promote and regulate professional and ethical standards
2. To enhance competency through continuous education and training to meet the challenges of the global economy
3. To enhance the status of members
4. To lead research and development for the enhancement of the profession
5. To inculcate a high sense of social responsibility

Members at the registration counter before the commencement of the AGM

On the fourth objective *to lead Research and Development (R&D) for the enhancement of the profession*, several initiatives have been proposed by the Institute to ensure the profession remains a relevant, forward-thinking and innovative profession. However, the advancement, transition and transformation of the profession depends on thought leadership. Apart from contributions from Council members, Committee members and technical staff within the Secretariat, the Institute also depends on academicians and practitioners to undertake R&D for the well-being of the profession. At the end of the day, we need to ask ourselves whether we have added value and wisdom in our profession, contributed ideas and research-backed policy recommendations in our technical and position papers on key issues and challenges facing the profession.

The Institute is serious about its fifth objective *to inculcate a high sense of social responsibility* in an attempt to create equilibrium between professional and commercial pursuits among its members. As the President said, "We are serious about this noble goal and we should pursue it for the simple reason we should and we want to, not because we have to." Some of the proposed initiatives include:

- Providing opportunities to deserving accounting students and recognition to high achievers.
- Encouraging members to give free tax and other professional guidance and advice to those who cannot afford the services voluntarily.

> "At the end of the day, we need to ask ourselves whether we have added value and wisdom in our profession ...."

The Secretariat

Crucial to the effective and efficient implementation of the Institute's strategic direction is a strong Secretariat. In strengthening the Secretariat, a new IT infrastructure is scheduled to be implemented in early 2003. Apart from promoting a learning, innovative and knowledge-based organisation, an Audit Commit-

tee of Council has been established to promote good governance of the Institute's resources and operations. All these are being put in place in order for the Secretariat to :

Serve members better;

- Support the Institute and profession in facing the internal and external challenges; and
- Support the Institute's efforts in nation-building endeavours

Auditor Independence

A Memorandum pertaining to Auditor Independence was submitted to the Ministry of Finance in May 2002. Details of the recommendations contained in the Memorandum are in the Institute's 2002 Annual Report.

While reiterating the importance of auditor independence, the President also said the role of auditors and the issue of their independence must not be seen in isolation from the other key players in the capital market. He said independent auditors are as important to good corporate governance as are effective Audit Committees, Independent and Active non-Executive Directors, Board of Directors and Senior Management who are efficient, effective and honest.

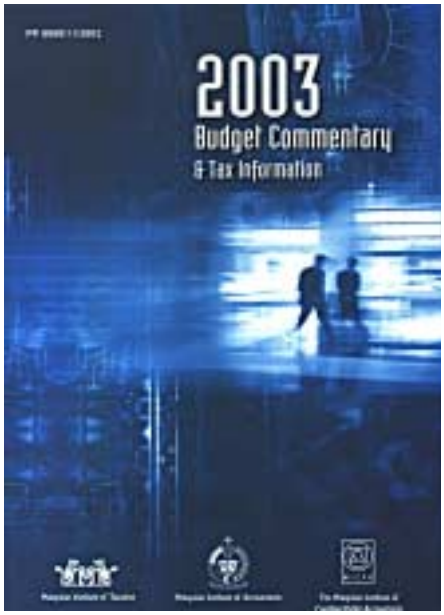
Public Relations

In educating the various stakeholders including the investing public and the media on the broader issue of corporate governance and corporate accountability including the delineation of duties and responsibilities of all parties concerned, a Public Relations Committee has been established at the Institute. The formation of this Committee is intended to improve the channels of communication *via* more proactive PR programmes.

MIA's Proposals Viewed Favourably in Budget 2003

Towards nation building, the Institute had submitted a Memorandum to the Ministry of Finance in May this year and the Government was favourable towards some of the Institute's proposals. Although the wordings may not be exact, the favourable changes to the tax laws pursuant to this Memorandum are :

- Refund of sales tax and service tax on bad debts;
- Abolition of service tax on services rendered to companies within the same group; and
- Introduction of New Section on Director's Liability.



In addition, the Government gave two other concessions ahead of Budget 2003 due to the urgency of the matter in response to the Memorandum. They are:

- One more revision of estimate tax payable — Sections 107(C) of the Income Tax Act for year of assessment 2002; and
- Extension of time, i.e. one more month to file corporate tax returns for year of assessment 2002. AN

NATIONAL ACCOUNTANTS CONFERENCE 2002

Malaysia's New Chartered Accountants — Securing the Credibility of the Profession

OPENING CEREMONY AND CONFERENCE

A good cross section of senior management staff, practitioners, academicians and government officers made up the record 1,500 participants who attended the two-day National Accountants Conference (NAC) from 17 to 18 September 2002 at the Sunway Pyramid Convention Centre, Petaling Jaya. Touted as the event of the year for the Malaysian Institute of Accountants (MIA), the Conference was an unprecedented success. A total of 11 foreign speakers presented a range of topics that discussed the state of the accountancy profession in the wake of international accounting scandals and their impact on global commerce.

The Minister of Domestic Trade and Consumer Affairs, Tan Sri Dato Hj Muhyiddin Hj Mohd Yassin, officiated the Opening Ceremony. Also present were the New Zealand High Commissioner, Mac Price, Deputy Accountant General, Mohamad Salleh Mahmud and Auditor General, Datuk Dr. Hadenan Abdul Jalil. Immediately following the launch of the NAC 2002, the Minister was invited to launch the inaugural issue of the Malaysian Accounting Review, a journal published by Universiti Teknologi Mara (UiTM) in collaboration with the Malaysian Accountancy Research and Education Foundation (MAREF) and MIA. This journal is a compilation of research papers that addresses significant issues in the field of accounting which are of relevance to the academia and the community at large.

In his address, Tan Sri Dato Hj Muhyiddin said one of the primary misconceptions prevalent within the Malaysian corporate sector and even the media is that the company's external auditor is responsible for the financial statements of the company. On the contrary, he said the board of directors is responsible for the financial statements of the company and for compliance with financial reporting and disclosure requirements. He stressed that the delineation of duties and responsibilities must be reinforced and clarified among all the key players in corporate financial reporting. The Minister also pointed out that as part of the

Record attendance ... 1,500 participants converged at the NAC 2002

Conference Organising Chairman, Albert Wong, receiving Tan Sri Dato' Haji Muhyiddin Yassin on his arrival at the Opening Ceremony

corporate financial reporting team, accountants must not look at due diligence merely as a compliance responsibility but rather to bring about higher professional standards, greater disclosure of information and more accurate representations.

Thailand's Sirivat Voravervuthikun, better known as Mr. Sandwich, made an excellent presentation of his experience in a matter of fact manner that kept the audience in rapt attention. Certainly living up to his simple motto of "Never, never, never give in", Sirivat who prevailed in the face of numerous setbacks, attributed his success to the strong support given to him by his wife. Constantly reiterating that the quality of his products were never compromised, his lip smacking sandwiches were quickly disposed of by the Secretariat staff who were privileged to receive samples the day before the Conference. Participants, though not privy to the sandwiches, were nevertheless able to taste Sirivat's crispy rice crackers, which were quite a treat.

Sirivat demonstrating how he stands at street corners selling his sandwiches and his latest product, the Sushi Brown Rice

Lead sponsor, SunSystems at their exhibition booth

Tan Sri Dato' Haji Muhyiddin Yassin launching the Malaysian Accounting Review

At the forum on "Revisiting the Role of Accountants" ... facilitator Norina Yahya (standing) with panel members (from left) Eddie Chan, Dr. Abdul Samad, Dato' N. K. Jasani and Dato' Syed Fakhri Barakbah

GRAND DINNER

Guest of Honour, Dato' Mohd Azlan Hashim being escorted to the Grand Conference Dinner by Dr. Abdul Samad

The Conference Dinner was certainly a blast with the presence of two very different but entertaining personalities. First to roar into the Sunway Lagoon Resort Hotel Grand Ballroom on his Harley Davidson was Elvis impersonator Suraj Singh. With his powerful vocals, easy charm and wisecracks, 'Elvis' had the audience almost believing that the real thing, aka Elvis the Pelvis, was in their midst. Soon as 'Elvis' exited the ballroom, the diminutive Kris Dayanti took to the stage for 45 minutes of sheer entertainment. Dressed in an elegant black strapless evening gown, Kris lived up to her reputation as Indonesia's best export. Her fan base among the

audience was evident as one member of the audience after another clambered up the stage to pose for photographs with her. Gone were the stone-faced corporate personalities, sombre accountants, stuffy academicians and serious government officials. Belting out many of her chart topping numbers, Kris had the captive audience eating out of her hands. Halfway through, Kris slipped out to change into a pink frilly gown that went down well with the audience. Of course, keeping the best for last, when Kris closed with her signature song, "*Menghitung Hari*", the appreciative audience ruptured into thunderous applause. The much awaited lucky draw ensued with the winner bagging a personal digital companion, the NEC MobilePro P300 which retails at RM1,888 courtesy of NEC Malaysia.

More lucky draws were in store on the second day. At the close of the Conference, an impromptu stage was set up just outside the Convention Centre. Conference Organising Chairman Albert Wong presented the prizes to the five lucky recipients. The consolation prizes comprising a weekend lunch for two at Melting Pot Cafe, Concorde KL and a dinner voucher for two at Dynasty Hotel, KL were respectively won by Phang Ka Liang and Sharifah Norjannah Syed Agil. Abdul Kadir Abdul Hamid bagged the third prize of a two nights stay at Coral Bay Resort, Pulau Pangkor valued at RM500 while Lim Beng Weh walked away with a RM500 credit for Direct Access Mastercard. Chiu Tze Ming was the envy of all when he bagged the grand prize of a RM3,000 travel voucher courtesy of Executive Mode Sdn Bhd. Not a bad haul at all for a two-day conference. AN

VIP Guests … (from left) Tan Sri Dato' Dr. Lim Kok Wing, Puan Sri Datin Tessie Lim, Datin Fauziah Kasturi, Dato' Shamsir Omar, YM Raja Dato' Seri Abdul Aziz, YM Tengku Datin Seri Ramlah Azizah and YM Raja Datuk Arshad Raja Tun Uda (with back to camera)

VVIP Table … (from left) Datuk Siti Maslamah Osman, Albert Wong, Madam Margaret Varghese, Dr. Abdul Samad, Dato' Mohd Azlan Hashim, His Excellency Peter Varghese, Datin Nonadiah Abdullah and Puan Jauriah Mohd Noor

"The King" in action

VIP fans (from left) … YM Tengku Datin Seri Ramlah Azizah, Kris and YM Tengku Datin Yusni Tengku Mohd Yusof

The stunning Kris Dayanti

Tax Dialogues

A total of three tax dialogues were held in Johor between the months of April to June 2002. At the closed door Johor Bahru Tax Dialogue with the Inland Revenue Board on 17 April 2002, MIA was represented by Branch Chairman Sam Soh and four members of the Taxation Sub-committee. Earlier the Branch had submitted a Memorandum to the IRB on various tax issues and queries including tax operational, administrative and technical matters. Also present at this dialogue were representatives from the Malaysian Institute of Taxation (MIT) and the Malaysian Association of Tax Accountants (MATA). The dialogue was chaired by Ng Oi Leng, Branch Head of IRB Johor Bahru.

Over 40 MIA, MIT and MATA members from Batu Pahat, Kluang and Yong Peng together with the respective IRB heads attended the Kluang Tax Dialogue chaired by Hajjah Noor Izzah Mansor, Head of IRB Kluang on 2 May 2002. It was a productive exchange of views on tax matters and queries ranging from S108 credit/Form R, field audit, self-assessment system to payment and refund of tax, among others.

The third tax dialogue was held in Muar on 20 June 2002 with over 20 MIA, MIT and MATA members from Muar and Segamat in attendance. Muar IRB Head, Haji Mohd Ali chaired this lively dialogue. AN

Tax Dialogue in Kluang ... MIA, MIT and MATA delegates together with the IRB officers. Hjh Noor Izzah Mansor, Sam Soh and Steven Chong (5th, 4th and 3rd from right respectively)

Tax Dialogue in Johor Bahru ... From left : S. E. Lai, Steven Chong, Sam Soh, Ng Oi Leng, Lee Li Ming and Tai Lai Kok

Members' Dialogue

Council Members Nik Mohd Hasyudeen Yusoff, Abdul Rahim Abdul Hamid, Raymond Liew and Datuk Nur Jazlan Tan Sri Mohamed together with the Chairman of the Small Practitioners' Working Group Peter Lim had a fruitful session with 80 MIA members at the MIA Members' Dialogue in Johor Bahru on 22 May 2002. Apart from being enlightened on the Institute's new strategic direction and revised By-Laws, members also raised pertinent questions relating to practice review, scale fees, globalisation, liberalisation of trade in services and public perception of the profession. AN

A cross section of MIA members at the Members' Dialogue

From left ... Peter Lim, Abdul Rahim, Nik Hasyudeen, Sam Soh, Raymond Liew and Datuk Nur Jazlan

Dialogue with Customs

A seminar on Service Tax organised by the Johor Branch Customs Department on 6 June 2002 received good response with 80 MIA members in attendance. Also present were Ibrahim Jaapar, Director of Johor Customs and Excise Department together with his deputy Haji Shaari Abdul Manaf. AN

Participants listening attentively during the dialogue

From left ... Haji Shaari Abdul Manaf, Ibrahim Jaapar and Sam Soh

MIA SARAWAK BRANCH

SARAWAK/KEDAH & PERLIS

Practice Review Forum in East Malaysian States

The Strategic Working Group overseeing the implementation of the Practice Review programme was represented by Council Member, Raymond Liew and Johnny Yong, Manager of Practice Matters at the practitioners forum conducted at the MIA Sabah Branch Office and MIA Sarawak Branch Office in September. Members were briefed on the detailed framework for the implementation of a quality assurance review programme in Malaysia and their comments, views and opinions were recorded and submitted to the Working Group to consider before finalisation.

Both branches' chapters had earlier held practitioners dialogues with their respective chapter members and their views were mentioned by the chapters' representatives at the branches' forum. Members' main concerns were the applicability of standard review on firms with varying size and control, capability of reviewer, confidentiality and most of all, financial burden on smaller firms. AN

Members taking a much welcomed coffee break in the Kuching office

Sabah members at the practitioners' forum in the Kota Kinabalu office

Raymond Liew (council member) with Sabah Branch Chairperson, Alexandra Thien listening attentively to the presentation on Practice Review Framework

Among the many participants at the forum held in Kuching office

Sarawak members pose for a picture during the tea break in the Kuching Office

(L-R) MIA Council Member, Raymond Liew with MIA Secretariat staff, Johnny Yong and Alice, Chairman of Sarawak Branch PPTC, Wan Idris Ibrahim and Sarawak Branch Chairman, David Tiang

Courtesy Call

MIA KEDAH/ PERLIS BRANCH

A courtesy call was made on the Pengurus Negeri, Suruhanjaya Syarikat Chapter Malaysia, Kedah on 30 June 2002, in conjunction with the incorporation of Suruhanjaya Syarikat Malaysia and the taking over of all the statutory duties of the Registry of Companies and Registry of Businesses. AN

Participants from L to R : Por Lee Tee, Chairman;, Shamsinah Salleh, Committee Member; Haji Najib bin Abu Samad, Pengurus Negeri, Suruhanjaya Syarikat Malaysia, Kedah; Chan Boon Jiunn, Committee Member; Jamilah Shuib, Secretary and Lim Han Ho, Treasurer

BUDGET 2003
An Overview

Did Budget 2003 fall short of expectations? Where *hoi polloi* were concerned, Budget 2003 was friendlier than previous editions, thanks to civil service bonuses, longer paternity leave, a RM100 million bond to ease chronic illnesses for the poor, no new sin taxes, and no new taxes, period. But, corporates may have found the Budget anti-climactic. The reason for their muted enthusiasm? Corporates were anticipating a business-pleasing tax cut to bring Malaysia in line with Singapore's corporate tax rate of 24.5 per cent and Hong Kong's 16 per cent. But Budget 2003 maintained corporate tax rates at 28 per cent.

By Nazatul Izma

Cutting budget deficits is not the reason for the government freezing the scissors, since the budget deficit has been trimmed from 4.7 per cent to 3.8 per cent. Although RM109.8 billion has been allocated for the 2003 Budget, up 9.2 per cent compared to 2002's allocation, "budget deficits are not an area of major concern," says Dr. Chin Yoong Kheong, partner in charge of KPMG Consulting and author of *Malaysian Taxation* and *Malaysian Taxation Practice*.

Learning to Fish

But corporates may be paying too much mind to the tax rate alone. Chin points out that Malaysia's effective tax rate is actually lower than 28 per cent, once the government's generous incentives — such as tax-free dividends and reinvestment allowances — are taken into account. "Albeit no cut in corporation taxes, Budget 2003 does have widespread incentives for businesses, notably the export sector," says Raymond Liew, chartered accountant and tax practitioner.

Instead of targeting tax rates, Chin advises corporates to examine the subtle motives of Budget 2003, which he personally rates as prudent and strategic. "The Budget tells us that we need to refocus on strategy and move towards higher value-added services and products. Tax rates are very tactical. It gives you a fish but doesn't teach you how to fish. The message of the Budget is 'Learn to Fish,'" adds Chin. Adds Liew, "It would seem that the budget is aimed to have the private sector take the lead yet again in driving the economic growth."

How does the Budget stimulate companies to take the initiative? Among other

things, by providing tax savings for select target groups and focused tax exemptions.

Significantly, only the SMIs (small and medium industries) with a paid-up capital of RM2.5 million and below got a tax break. Why? In an environment promoting domestic growth and reinvestment, SMIs are crucial cogs in the economic machinery. Their corporate taxes have been reduced by eight per cent from 28 to 20 per cent on chargeable income up to RM100,000, a savings of RM8,000 for profitable and viable SMIs that meet the RM2.5 million cut-off point. This measure is estimated to cost the government some RM270 million, estimates Liew. According to a *Star* report dated 21 September 2002, a minimum of 34,000 small and medium-size companies will enjoy this proposed tax cut.

Such reductions in SMIs' corporate tax aim to promote domestic investment, since FDIs (foreign direct investment) inflows are anaemic. Again, this is a strategic move, since FDIs can no longer be counted on as an economic driver in today's competitive global landscape. Nevertheless, relying on SMIs to galvanise domestic investment can only work if the tax savings of RM8,000 is wisely spent. For instance, Liew recommends that SMIs use the savings to upgrade their information and communication technology (ICT) savvy in order to enhance their competitiveness.

Since Budget 2003 also proposes significant tax exemptions for companies achieving a significant increase in exports, Liew suggests that SMIs become more export-oriented. "Budget 2003 spurs the country to be global players since the cost of doing business is reduced," he says. Specifically, Budget 2003 offers further income tax exemption of 50 per cent for local companies that penetrate new markets and 30 per cent for those that succeed in increasing exports. Plus, service tax on courier services to overseas destinations will also be abolished.

Here again, companies will need to strategize and formulate plans for capitalising on such boons. "Compare this new incentive with the existing tax exemption where statutory income equivalent to 10 per cent of increased export value for products is only given to exported goods which attain at least 30 per cent value added. One may then argue that only proactive SMIs would benefit from this scheme as many would be ignorant as to how to tap such benefits," says Liew. Again, the question of learning how to fish arises.

Future Focus Areas

Evidently, says Liew, Budget 2003 aims to diversify sources of growth through trade and domestic industrial activities without reducing the role of FDIs as well as ensuring the continued expansion of the nation's exports.

Apart from singling out SMIs, Budget 2003 also provides incentives to galvanise higher value-added areas that can drive future economic growth, such as logistics, tourism, education and health, notes Chin. "These are the higher value-added industries that the Budget strategically targets." For instance, Budget 2003 raised the size of the special tourism fund from RM200 million to RM400 million to promote this key sector.

In addition, Budget 2003 also emphasised Malaysia's potential as a hub for international procurement centres (IPCs), regional distribution centres and regional headquarters. "Why should goods and services be routed through Singapore when it's cheaper via Malaysia?" asks Chin rhetorically. "I think Budget 2003 addressed the issue of IPCs quite prominently." Significantly, to attract more operational headquarters (OHQ), companies and representative offices (RO) to operate in Malaysia, OHQs will be exempted from income tax for 10 years.

"Budget 2003 aims to diversify sources of growth through trade and domestic industrial activities without reducing the role of FDIs as well as ensuring the continued expansion of the nation's exports."

A Budget for Accountants?

Apart from laying the foundation for the nation's revamped economic strategy, Budget 2003 has also plugged several loopholes and remedied certain concerns. Significantly, the Ministry of Finance adopted several MIA proposals in drafting Budget 2003, particularly in the key areas of service taxes and income tax amendments.

Accountants benefited particularly from amendments to sales and service taxes, points out Liew. Previously, neither the Sales Tax Act, 1972 nor the Service Tax Act, 1975 made any provision for bad debts. Therefore, the licensee had to shoulder the tax burden even if his customers failed to pay for goods or services provided. This created a double-barrelled hardship for the taxpayer. Not only could he not recover his trade debts, but to add insult to injury, he also had to pay a sale/service tax on the uncollected debt. To eradicate this problem, MIA proposed that Section 14(2) of the Service Tax Act 1975 be amended, so that service tax becomes due and payable only upon receipt of payment. This will go into effect from 1 January 2003.

MIA also proposed that in the Sales Tax Act, taxable persons be allowed to claim bad debts in computing sales tax payable. In other words, sales tax already paid on bad debts should be allowed as a credit against sale tax payable in the next period.

Another welcome Budget measure, says Liew, is the encouragement of specialisation and sharing of common resources to reduce cost and to enhance efficiency. Under Budget 2003, professional services provided to companies within the same group will be exempted from service tax.

Explains Liew, "The professional services referred to are mainly in respect of management services rendered by a holding or group company to companies within the same group."

"Given this incentive, it would be a double bonus had the government granted group relief for losses between companies within the group. The current system of taxation where such group relief of losses is not allowed certainly acts as a notable handicap to many companies trading within a group structure," Liew comments.

"… the Ministry of Finance adopted several MIA proposals in drafting Budget 2003, particularly in the key areas of service taxes and income tax amendments."

MIA's Victories

Apart from gaining valuable ground in sales and service taxes, MIA's proposals for amending Section 75 of the Income Tax Act were also successful. Earlier, MIA proposed that Section 75 of the Income Tax Act, 1967 (ITA) be amended to make it clear that the principal officers of a company will be personally liable for the company's taxes only to the extent that they have improperly siphoned off the company's funds for themselves or their accomplices thereby causing the IRB to be unable to recover taxes from the company.

Furthermore, the Ministry of Finance has agreed to allow one more revision of estimates of tax payable for the year of assessment 2002, in response to requests and submissions by various professional bodies and private sector organisations, including MIA.

Previously, under Section 107(C) of ITA the Ministry of Finance (MOF) has approved (for Year of Assessment 2001 only) two additional revisions of the Estimated Tax Payable (ETP), whereby a company has the option to provide two additional revised estimates in the 3rd, 9th or 12th month of the basis period of a year of assessment. The approval was implemented through administrative measures.

"… the Ministry of Finance has agreed to allow one more revision of estimates of tax payable for the year of assessment 2002, in response to requests and submissions by various professional bodies and private sector organisations, including MIA."

MIA proposed that Section 107(C) be amended to incorporate the aforesaid administrative measures approved by the MOF into the ITA so as to allow taxpayers two additional revisions of the ETP to be effected in the 3rd, 9th or 12th months of the basis period for a year of assessment. AN

People Friendly BUDGET

SALIENT PROPOSALS OF BUDGET 2003

FOR THE INDIVIDUALS

- No new taxes and no increase in existing taxes.
- One month bonus or minimum of RM1,200 for civil servants.
- Paternity leave for civil servants increased from three to seven days.
- Stamp duty for the transfer of property between spouses and from parents to children to be reduced by 50 per cent.
- Tax exemption on compensation received by retrenched workers is increased from RM4,000 to RM6,000 for each year of service.
- All Malaysians to hold a multipurpose smart card, MyKad by 2005.
- To reduce parents' burden in meeting future educational expenses of children, Education Savings Fund to be established to finance higher education.
- RM100 million bond to help the poor with chronic illnesses, government to give ringgit for ringgit matching grant.
- RM979 million to be spent to equip teachers with notebook computers, projectors and related equipment.

FOR THE BUSINESSES/CORPORATE

- Corporate tax rate for SMI's with paid-up capital of RM2.5 million and below to be reduced from 28 per cent to 20 per cent on chargeable income up to RM100,000.
- Current pioneer status and investment tax allowance (ITA) for companies providing energy conservation services (expiring end 2002) to be extended until 31 December 2005.
- To encourage companies to invest in energy-saving equipment for own consumption, the write-off period for such capital expenditure incurred is reduced from three years to one year.
- Sales and service tax not collected by a company from clients to be regarded as bad debts and companies are eligible for a refund.
- Service tax imposed on professional services rendered within the same group of companies is to be exempted.
- Full income tax exemption for companies that record the highest increase in exports according to categories.
- To promote printing of books using quality paper, with the current five per cent and 10 per cent import duty and 10 per cent sales tax on such paper to be abolished.
- RM1 billion fund to encourage venture capital entrepreneurs in non-ICT fields.
- Government to offer Bumiputera contractors opportunities to secure larger contracts with the contract value of each class of contractor to be raised.
- Government to introduce "one village one industry" scheme involving development of small industries, which require between 10 and 100 workers.
- A non-rubber plantation, which plants 10 per cent of its plantation with rubber trees will receive accelerated agricultural allowance.
- Incentives for deep-sea fishing and modernising chicken and duck rearing systems from open to closed house.
- Automotive component manufacturers to receive better pioneer status and investment tax allowances (ITA).

FOR THE FOREIGNERS/NON-RESIDENTS

- 10 years tax exemption for foreign firms setting up Headquarters in Malaysia, no tax for expatriates on income from services rendered abroad.
- The condition that requires foreigners including expatriates to be in Malaysia on 31 December and 1 January the following year to be eligible to be taxed as residents, be waived.

By Raymond Liew

Budget 2003 is a people's budget and is designed to ensure that the interest of the nation is taken care of!

The celebratory mood that greeted Budget 2003 was due to the absence of new taxes! Once again, contrary to widespread speculation that the government was likely to reduce the corporate tax rate of 28 per cent under **Budget 2003** to create a more attractive business environment than in the neighbouring countries did not materialise — much to the displeasure of the corporate sector!

Budget 2003 was announced on *Friday, 20 September 2002* and received positive responses from the public although the responses received from the corporate sector was somewhat disappointing. The general comment was that the budget was passably prudent but the stimulus somewhat fell short of expectations.

Much has since been spoken of the budget following its announcement hence I will not delve into the general areas but will merely highlight the salient points and concentrate on a number of momentous issues that affect the following :

1. Individuals
2. Businesses/Corporate
3. Foreigners/Non-residents

The time has come yet again for the private sector to resume its role as the main driver of economic growth. The people, the rakyat and the individuals all have a role to play.

INDIVIDUALS

■ Multipurpose smartcard, MyKad

To kick start the government's new economic strategy, starting 1 January 2003; all newborn babies will be provided with a multipurpose smart card, MyKad which is

a lifelong identification document and a personal database. This course of action is in tandem with the government's intention to widen the use of information and communications technology (ICT) as such a move would remove the need for filling up of forms when dealing with government agencies and private sector. It is intended that by 2005, all Malaysians would possess MyKad and Malaysia would be the first country in the world to introduce such a scheme.

■ One month bonus or minimum of RM1,200 to civil servants

Certainly, the almost one million civil servants are happy that the government has agreed to give them a one-month bonus or a minimum of RM1,200 which would definitely help the lower income group coupled with the seven-day paternity leave and three days for death in the family.

■ Education funds

The allocation of RM850 million to implement single-session schools to enable students to spend more time not only for academic lessons but also for co-curriculum activities is commendable as this would reduce social ills.

■ Compensation on loss of employment

Generally, the proposed exemption for loss of employment for each year of completed year of service for compensation received from retrenchment or acceptance of Voluntary Separation Scheme (VSS) be increased from RM4,000 to RM6,000 is most welcome.

■ Occupation of premises

The occupation of premises for non-business purposes does not constitute a source of business income.

BUSINESSES/ CORPORATE

Albeit no cut in corporation taxes (or is there?), **Budget 2003** does have a widespread incentives for businesses notably the export sector. It would seem that the budget is aimed to have the private sector take the lead yet again in driving the economic growth.

■ Corporate tax for small and medium scale industries (SMIs)

If there is any consolation, no new taxes were imposed and among the biggest winners are the small and medium scale industries (SMIs) which will have their corporate taxes reduced by eight per cent from 28 to 20 per cent on chargeable income up to RM100,000 — a measure estimated to cost the government some RM270 million! Such proposed reduction in corporate tax for SMIs is one of the objectives of the government to promote domestic investment. In monetary terms, this is translated to RM8,000 which is a tax savings for the profitable and viable SMIs. Such an objective can only be achieved if the savings is wisely spent, and to cite an instance is to upgrade their information and communication technology (ICT) in order to enhance their competitiveness. With this added tax incentive, SMIs should be more export-oriented bearing in mind that **Budget 2003** also proposes tax exemptions for statutory income equivalent to 30 per cent of increased value provided a company achieves a significant increase in its exports. Compare this new incentive with the existing tax exemption where statutory income equivalent to 10 per cent of increased export value for products is only given to exported goods which attain at least 30 per cent value added. One may then argue that only pro-active SMIs would benefit from this scheme as many would be ignorant as to how to tap on such benefits.

■ Pioneer companies qualify for reinvestment allowance (RA)

To add fuel to further stimulate domestic growth and investment, **Budget 2003** provides perks for reinvestment. Businesses are provided with an option to qualify for Reinvestment Allowance (RA) prior to the expiration of their pioneer status period on the understanding that they surrender their pioneer status. Several categories of machinery including plastic extrusion machinery are included in the list of products eligible for pioneer status with 100 per cent income tax exemption for 10 years or an investment tax allowance (ITA) of 100 per cent for five years.

■ Incentives for knowledge-based economy

In a further move to attract companies to move towards knowledge-based activi-

ties, **Budget 2003** proposes that companies which have obtained knowledge-based status be granted Pioneer Status or Investment Tax Allowance (ITA) under the high technology industry incentive package. Furthermore, expenses incurred by companies to prepare the Knowledge-Based Master Plan will be allowed as deductions for income tax purposes. The technology industry leaders lauded the government's emphasis on information and communications technology (ICT) in education especially with the allocation of nearly RM5 billion between 2002 and 2008 to implement the teaching of science and mathematics in English in schools to train teachers and purchase educational aids, basic facilities and physical ICT infrastructure. Naturally, such moves gave a clear indication of the importance the government places in the development of ICT as one of the continuing key engines of growth.

■ Increased exports

Budget 2003 spurs companies to be global players since the cost of doing business is reduced, with a further income tax exemption of 50 per cent for local companies that penetrate new markets and 30 per cent for those that succeed in increasing exports. Not forgetting that the service tax on courier services to overseas destinations too will be abolished.

■ Acquisition of a foreign company

A locally owned company that acquires a foreign-owned company abroad for the purpose of acquiring high technology for production within the country or to gain new export markets for local products is granted an annual allowance of 20 per cent of the acquisition cost for five years.

■ Agriculture sector

As for agriculture, the sector is identified as the economy's third engine of growth. Companies consolidating rubber smallholdings will be rewarded under the Budget as will those who invest in rubberwood plantations, food production and food processing.

■ Family day

The expenses incurred by companies for sponsoring family days are now permitted as a tax deduction against profits!

FOREIGNERS/ NON-RESIDENTS

For non-residents, income on services rendered overseas shall not be taxable.

■ Residence status

Budget 2003 proposes that the requirements for an individual to be in Malaysia on 31 December of the current year and 1 January of the following year be abolished. Absence during the two days is deemed to be part of the temporary absence currently allowed. Such a relaxation would mean that the deemed non-resident would now enjoy the tax benefit of the sliding scale if she/he qualifies for the resident status.

■ Expatriates in Operational Headquarters (OHQ) and Regional Offices (RO)

The current legislation provides that expatriates working in Operational Headquarters companies (OHQ) and Regional Offices (RO) are taxed on their entire income even though they are frequently out of Malaysia in the course of their duties. **Budget 2003** proposes that such expatriates working in OHQ and RO be taxed only on that portion of chargeable income attributable to the number of days they are in the country. Such a move would act as an encouraging factor for expatriates to work in Malaysia.

■ Withholding tax on services rendered abroad

Payments to non-residents for services rendered abroad will not be liable to withholding tax of 10 per cent.

So, what's in it for you and I?

Retrenchment or loss of employment in this day and age is indeed frightening! The budget proposal for the compensation received by an employee who has been retrenched or has accepted a voluntary separation scheme (VSS) that is exempted from income tax and which is now increased from RM4,000 to RM6,000 for each completed year of service is indeed welcoming!

Unquestionably, the stamp duty on instruments of transfer of property without any monetary consideration between husband and wife and between parents and children is reduced by 50 per cent with effect from 1 January 2003 and is yet another welcome gift!

Another well received proposal from **Budget 2003** is that the income tax exemption on interest income from selected private debt securities earned by an individual, unit trust or listed closed-end fund is now extended to interest earned from securities or bonds guaranteed by the government and debentures other than convertible loan stock approved by the Securities Commission.

Over and above this, effective from the enactment of the Finance (No. 2) Bill 2002, **Budget 2003** proposes that Section 75 be amended and a new Section 75A be introduced in order to make any director and any other person who is involved in the management of the company's business operations and, either on his own or with one or more associates within the meaning of subsection 139(7), is the owner of, or able to directly or through the medium of other companies or by any other indirect means to control, more than 50 per cent of the ordinary share capital of the company, is jointly and severally liable for any tax due payable by the company. This new proposal is a welcome relief for many company officers, the like of nominees!

However, **Budget 2003** proposes that for the Year of Assessment 2003, a new Section 82A be introduced to require every person to keep records for a period of seven years from the end of a year of assessment for ascertaining his chargeable income and tax payable.

So, what's in it for the accounting profession?

Currently, sales tax or service tax on goods and services provided respectively which are payable by a licensee must be remitted within the taxable period al-

though the sales or service taxes have not been collected from the clients. This will soon change with the **Budget 2003**'s proposal, that the licensee is now eligible to apply for a refund of the tax provided the debts are deemed to be bad. The debts will be treated as bad if one of the following conditions is fulfilled :

- The licensee is unable to collect the debt after the expiry of 12 months from the date of payment of tax;
- The debtor has been adjudged bankrupt;
- The debtor has been placed under receivership or official assignee;
- The debtor has been ordered by the court to wind up; or
- The licensee has filed a claim in the court to recover the debt or initiated an action for the client to be adjudged a bankrupt.

The effective date for this proposal to take place is scheduled for 1 January 2003!

Another positive proposal from **Budget 2003** is the encouragement of specialisation and sharing of common resources to reduce cost and to enhance efficiency. It is proposed that the professional services provided to companies within the same group be exempted from service tax. The professional services referred to are mainly in respect of management services rendered by a holding or group company to companies within the same group.

Given this incentive, it would be a double bonus had the government granted group relief of losses between companies within the group. The current system of taxation where such group relief of losses is not allowed, certainly acts as a notable handicap for many companies trading within a group structure.

Still, looking at the brighter side, effective Year of Assessment 2003, a new subsection 111(1A) will be introduced to regularise procedures of the self-assessment system on overpayment of tax. Where a company has paid tax in excess of the amount payable by reason of tax set-off under Section 110, the income tax furnished by that company shall be deemed to have been served on that company on the day the return is furnished. A plus for the tax agent and his clients!

Better still, double deduction on expenses incurred for the promotion of export is extended to certain professional services such as legal, accounting (including taxation and management consultancy services), architectural (including town planning and landscaping services), engineering and integrated engineering (including valuation and quantity surveying), medical and dental.

Concluding remarks

Overall, the budget is holistic and directed towards the nation's economic growth with emphasis on domestic investment as a stimulus of growth. From past experience, civil servants who benefited from the additional bonus tend to spend more when they have higher levels of disposable income. Such a move would definitely reinforce consumer spending which would generate additional trading activities for the corporate sector, which in turn will increase their profit potential.

> "In this recovery process, we must be agile to act fast and respond to change in our environment. Only with the courage to implement measures, although unorthodox, can we safeguard the nation and overcome all challenges."
>
> Prime Minister, Dato' Seri Dr. Mahathir Mohamad

Given the volatility in foreign exchange markets, the Ringgit peg will continue to be maintained as this policy ensures that the Ringgit exchange rate remains stable which would help companies to overcome any undue fluctuations in dealing with overseas trade.

All in all, **Budget 2003** like its predecessors, seeks to achieve the following strategies :

- To strengthen economic growth through increased domestic expenditure, enhancing the role of the private sector and increasing competitiveness;
- To diversify sources of growth through trade and domestic industrial activities without reducing the role of foreign direct investment as well as ensuring the continued expansion of the nation's exports;
- To ensure equitable distribution of wealth between urban and rural areas, between high and low income groups and between the more developed and less developed States in the country.

The measures spelt out in **Budget 2003** will enable the country to achieve a gross domestic product (GDP) growth of between six and 6.5 per cent for the coming year. It continues to place the country in a position to compete for a fair share of the opportunities from globalisation and trade liberalisation as it transforms Malaysia from the Production-based economy (P-economy) to K-economy. It is appropriate for the government to emphasise on information technology and knowledge-based economy, as this will make the country more self-confident, independent and resilient in overcoming all obstacles and challenges while at the same time working towards achieving its Vision 2020' objectives.

On the whole, the public fiscal stance is more expansionary compared to year 2002 and thus positive to support growth for the forthcoming year. As for the "paradigm shift" to focus on the domestic sector, this is no doubt beneficial to jumpstart domestic activity in the near future. However, continual effort to attract foreign direct investments (FDIs) must continue otherwise given the size of our economy, relying on the domestic sector to drive growth averaging seven per cent (as stipulated in the Eighth Malaysia Plan) in the long run is certainly questionable.

Prime Minister Dato' Seri Dr. Mahathir Mohamad, who is also the Finance Minister, in concluding his more than two-hour speech said : *"In this recovery process, we must be agile to act fast and respond to change in our environment. Only with the courage to implement measures, although unorthodox, can we safeguard the nation and overcome all challenges."*

Budget 2003 is indeed the people's budget and is designed to ensure that the interest of the nation is taken care of! AN

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A Critical Analysis of the BUDGET 2003 Proposals on BUSINESS ENTERPRISES

By Choong Kwai Fatt

This is the first of a two-part article by Choong Kwai Fatt a tax consultant and lecturer at the Faculty of Business and Accountancy, University of Malaya. The second part of this article will appear in the November issue of *Akauntan Nasional*.

Introduction

The most honourable Prime Minister, Dato' Seri Dr Mahathir who is also the Finance Minister tabled the Finance (No.2) Bill 2002 on 20 September 2002 on the Budget proposals for the year of assessment 2003. The strategies of the budget are to increase domestic investment in all sectors with growing potentials; identifying and venturing into niché areas in the service, agriculture and manufacturing sectors; strengthening public sector finance and enhancing efficiency of the civil service and nurturing a progressive and harmonious society with high moral values and ensuring the well being of the *rakyat*, especially in rural areas. In summary the 2003 budget proposals aim to reduce imports, promote exports, reduce the over reliance on foreign direct investments in the long run and increase the per capita income of the *rakyat* in general.

This article will examine the impact of the budget proposals of 2003 on business enterprises, highlight the pitfalls to avoid and will suggest tax-planning schemes to maximise the benefits, if any. The writer also wishes the Malaysian Government to consider some of the refinements suggested in this article to ensure that the budget proposals achieve the strategies aimed at and to stimulate growth as planned.

Reduction of Corporate Tax Rate on Small and Medium Scale Companies

A small and medium scale company (SMC) refers to a resident company, which has a paid up capital in respect of ordinary shares of less than RM2.5 million at the beginning of the basis period for a year of assessment. This company will be accorded a preferential corporate tax rate of 20 per cent in respect of the chargeable income of up to RM100,000. The amount in excess of RM100,000 will be taxed at the existing tax rate of 28 per cent.[1] The SMC currently engaged in trading, manufacturing or even the servicing business would have an immediate tax savings of RM8,000 from this proposal with effect from year 2003, which in the opinion of the writer is too small of a value and will not stimulate the growth of SMCs.

A preferred alternative to stimulate the setting-up of SMCs will be either to implement a progressive tax rate (0 to 28 per cent) which is currently imposed on the co-operative society[2] or accord a preferential corporate tax rate of 20 per cent in respect of the chargeable income of up to RM600,000. This proposal no doubt reduces government revenue in the short run and may result in a deficit budget. The economists would agree that the growth of the SMCs would stimulate development in all sectors' and motivate more Malaysians to venture into SMCs. This will certainly increase domestic investment and stimulate economic growth.

The Dilemma of SMC Shareholders

The Malaysian income tax system currently practices a full imputation system between the company and its shareholders. Income tax paid by a company will be credited to the Section 108 account and will be imputed to shareholders upon dividend payments. Currently, shareholders are able to obtain a tax refund should their top

[1] Clause 23(a)(ii) of Finance (No.2) Bill 2002. This clause will be effective for the year of assessment 2003 and subsequent years of assessment.

[2] See Part IV, Sch 1 of the Income Tax Act 1967 (the Act).

marginal tax rate be below the corporate tax rate of 28 per cent. The proposal to allow SMCs to pay a lower corporate tax rate of 20 per cent on their first chargeable income of RM100,000 will be neutralised at the shareholders' level. Shareholders of SMCs will not benefit from the reduction of the tax rate and may end up paying an additional eight per cent in the event the individual top marginal tax rate exceeds 20 per cent or is a corporate company that is currently paying tax at 28 per cent. In essence, the reduction of the tax rate of eight per cent for the SMC is effectively washed out at the shareholders' level.

The new proposal revamps the operation of the Section 108 account of the SMCs allowing these companies to pay out their profit after tax as dividends at the rate of 20 per cent notwithstanding the fact that their chargeable income is taxed at the rate of 20 per cent on the chargeable income of RM100,000 and the excess of RM100,000 at 28 per cent. This will result in the under utilisation of Section 108 balances. In short, a dividend trap situation is created. (See Example)

It is regrettable to note that the operation of Section 108 account at the rate of 20 per cent for SMCs will result in some of the amount of Section 108 balances to be trapped in the SMCs and not franked out as dividends to shareholders. Furthermore the shareholders of SMCs that may be corporate companies or individuals with a top marginal tax rate exceeding 20 per cent will have the tax benefits washed out. Additional tax payable of up to eight per cent will be paid on dividend income received from the SMCs. This anomaly has to be rectified by the Government before the finance bill is gazetted as the Finance Act.

The writer suggests that the Government has the amount of chargeable income of RM100,000 after the preferential tax of 20 per cent credited to an exempt income account of which exempt dividends can be paid out. This would certainly ease out the anomaly and enable a smooth implementation of dividend payment through imputation system. A separate Section 108 account to capture the tax paid at 20 per cent is not advisable, as this would add more problems to the existing self-assessment regime.

EXAMPLE

I Manufacturing Sdn Bhd (IM) is an SMC manufacturer of canned food for the local market in Sitiawan. The company derives a chargeable income of RM250,000 for the year ended 31 December 2003. In this hypothetical example, we assume that the net profit for accounting purposes is also equivalent to the chargeable income.

I Manufacturing Sdn Bhd (IM)		Section 108 (based on tax paid)
	RM	RM
Chargeable income	250,000	
First RM100,000 — 20%	20,000	
Next RM150,000 — 28%	42,000	
	62,000	62,000
Net profit after tax	188,000	

IM plans to pay out all its profit as dividends to its shareholder company, Love Toys Bhd (LTB) who is not an SMC. The new proposal[3] requires the company to deduct tax at the rate of 20 per cent as franking credit for dividend payment. This means that the net profit of RM188,000 would represent the 80 per cent portion and the 20 per cent tax would then debit to the Section 108 account of IM.

IM		
Net dividend paid to LTB	188,000	
Amount debit to Section 108 (188/80% — 20%)		(47,000)
Un-utilisation of Section 108 amount		15,000

The un-utilisation of Section 108 balances over the years due to the fact that the tax on dividend is at 20 per cent while the SMC is actually paying tax at 28 per cent for its chargeable income exceeding RM100,000. This will result in a serious disintegration of imputation credit between the SMC and its shareholders.

Love Toys Bhd when receiving the net dividend will have the dividend taxed at gross dividend. As the shareholder of IM is not an SMC, the tax rate of 28 per cent will apply, resulting in an additional tax of 8 per cent. The tax saving at the SMC's level is then washed out.

LM		
Gross dividend (RM188,000/80%)	235,000	
Chargeable income	235,000	
Income tax payable @28%	65,800	
Less : tax credit on dividend (20% x RM235,000)	(47,000)	Imputation credit from dividend received
Net income tax payable	18,800	Additional 8% tax on dividend income

In the event that a shareholder of an SMC is an individual with a top marginal tax rate exceeding 20%, an additional tax of up to 8% can occur as seen from the above example.

[3] Clause 19(a) of Finance (No.2) Bill 2002. This clause will be effective for the year of assessment 2003 and subsequent years of assessment.

Abolishment of Service Tax and Sales Tax on Bad Debts

The Budget proposal to abolish service tax and sales tax on bad debts is indeed a welcome step to restore justice to the taxation system. Business enterprises that are already suffering from non-collection of bad debts cannot be held liable for service or sales tax on such trade debts. By collecting service or sales tax on bad debts, with all due respect, the Government is said to have unjustly enriched itself from the misfortune of business enterprises. The proposal takes effect from 1 January 2003.

The budget speech lists out several situations to be treated as bad debts of which sales tax and service tax may be refunded subject to some administration conditions, which will be determined by the Customs department. The situations are as follows :

a) the licensee is unable to collect the debt from the customer after the expiry of 12 months from the date of payment of tax;

b) the debtor is adjudged a

bankrupt under the Bankruptcy Act 1967;

c) the debtor is placed under receivership or official assignee;

d) the debtor is ordered by the court to wind up; or

e) the licensee has filed in court to recover the debt or the licensee has initiated action for the customer to be adjudged a bankrupt.

The writer feels that the above situations for a sales or service tax refund are too onerous as Malaysians are generally more friendly as compared to Western society. We do not like to resort to litigation activity as far as possible. Instead, we are willing to put in more effort to expand our businesses. If the Government seriously wishes to encourage locals to venture into business or is willing to assist the existing business enterprises to grow as a step to promote domestic investments, then the Government should accept the auditor's opinion[4] or the qualified accountant's report[5] as to whether a trading debt is bad, after all such opinion is in accordance with the Malaysian Accounting Standards.

In the event the business enterprises are unable to collect the trade debts for a period of 12 months, then service tax and sales tax on such trade debt should not be collected by the Government. The Government cannot be seen as unjustly enriching itself from the misfortune of business enterprises. After all, they are licensees of the government and as such cannot be held liable for the amount they have not collected. To do so will certainly increase the cost of doing business in Malaysia. If sales or service tax has been collected, such amount should be utilised as a set off against the existing service or sales tax payable. This set off mechanism will certainly reduce the burden of the Custom's department to process and pay a refund to the business enterprises as suggested by the budget proposals.

Abolishment of Service Tax on Services Rendered to Companies Within the Same Group

At present, a service tax of five per cent is levied on services rendered by a company to its related companies within the same group. The service tax system treats each company within the group as a separate entity notwithstanding the services provided among them are meant to promote efficiency in management or sharing of resources. The Budget proposes that professional services provided to companies within the same group be exempted from service tax of five per cent. These services however are restricted to services provided by public accountants, advocates and solicitors, engineers, architects, surveyors including valuers, assessors and real estate agents; consultants and management service providers. The proposal will be effective from 1 January 2003. This proposal is in response to the recent High Court decision of *Sarawak Shell Berhad v Ministry of Finance*[6] which ruled that a company specialising in oil exploration, providing management services to its related company is not liable for service tax on the management services provided as the company is not in the course of carrying on the business of management services.

The writer feels that the exemption of service tax within a group of companies should not be restricted to the above professional services but instead should be extended to other services such as advertising and consultancy. In addition, the proposal should be effective from budget day 20 September 2002 to avoid unnecessary confusion and promote a fair service tax regime. After all, services provided within the group merely act as cost allocation purpose which is not tantamount to carrying on a business. Business enterprises should rely on the ratio decided in the case of *Sarawak Shell* to avoid charging service tax on or after Budget day or more aggressively seek the court to declare that all prior service tax paid on intra group services to the Government are void and thus seek for a redress of the issue and refund of service tax paid.

Abolishment of Withholding Tax for Services Performed Abroad

Withholding tax is levied on a non-resident person who does not have a business presence in Malaysia but has trading with Malaysian entities. This non-resident person derives income from Malaysian entities and is liable to Malaysian withholding tax on interest income, royalties payment and special classes of income (installation fees, technical fees, management fees and rental for movable property) by virtue of the deemed derivation scope of the income[7].

[4] in the case of company

[5] in the case of sole proprietor or partnership, where available

[6] (2001) MSTC 3,851

The Malaysian entities especially in the manufacturing or information technology sectors rely heavily on the expertise of non-residents, resulting in the non-residents in most cases requiring the Malaysian entities to absorb such withholding tax. To relieve the Malaysian entities of the cost of carrying the business in Malaysia, the Budget proposes to abolish withholding tax of 10 per cent on technical advice, assistance or technical services in relation to management or administration of projects if evidence can substantiate that these services are performed outside Malaysia[8]. The proposal is effective from 21 September 2002.

Since withholding tax is due upon the *payment or crediting* of the debts to the non-resident, this would mean that any payment to the non-resident for services performed abroad on or after 21 September 2002 will not be liable to withholding tax notwithstanding the fact that such services may have been rendered prior to 21 September 2002. This writer's interpretation however is not conveyed to the business enterprises and thus may result in confusion as to the meaning of the effective date. Furthermore, as the finance bill is not gazetted, it may be better for the IRB to consider giving a blanket concession to Malaysian enterprises to apply the new law instead of having to pay withholding tax and claim a refund later. This is tax efficient for both parties.

Reduction of Withholding Tax on Non-resident Contractor

Non-resident contractor companies performing services in Malaysia are said to have a business presence in Malaysia. They will be liable to income tax at 28 per cent on the chargeable income. To prevent loss of revenue to the Government and to prevent such non-residents from avoiding to file tax returns, Section 107A of the Act was legislated to impose responsibility on the Malaysian enterprises payer (including the Government) to withhold a withholding tax of 15 per cent on gross payment of services to account for the non-resident contractor's possible tax liability and also five per cent on gross payment for services to account for the employees of the non-resident contractor's liability.

The non-resident contractor company, if able to substantiate that its employees are under the scheduler tax deduction scheme or are exempted from income tax on employment income, can apply for the refund of the five per cent of withholding tax. The 15 per cent portion on the other hand will be utilised to set off against its income tax liability of 28 per cent. In essence, the withholding tax imposed is not a final tax and merely affects the cash flow of the non-resident contractor. It is an advance payment of tax as the actual amount of tax payable by the company and its employees will be finalised upon the completion of the contract project. As the corporate tax rates and the individual tax rates have been reduced during the last five years, there is an excessive tax due for refund to the non-resident contractor by virtue of the withholding tax deduction of 20 per cent.

The non-resident contractor companies carrying on business in Malaysia have already been placed under self-assessment in the year of assessment 2001 and tax has been paid to the IRB monthly. This would mean that the company's cash flow will be substantially affected as the amount received has also been deducted a withholding tax of 20 per cent. In view of this, the Budget proposes to reduce the withholding tax of the non-resident contractors and its employees to 10 per cent and three per cent. The proposal is effective from 21 September 2002.

This proposal is a welcome one, as this will certainly reduce the burden of excessive withholding tax deducted as compared to the actual amount of income tax payable. In the writer's opinion, withholding tax on the employees (which will be three per cent) should be abolished all together. After all, the company currently has the responsibility under the Act to account for the employees' tax should there be defraud of tax of its employees[9].

Director's Liability for Non-Payment of Tax of the Company

The Finance Minister informed the *rakyat* through the budget speech that the tax authorities and Custom's department will intensify enforcement to enhance tax compliance to ensure the Government's revenue is collected timely to finance its expenditure and not lost through defraud of taxpayers[10]. In this regard, the Finance (No.2) Bill 2002 specifically codified a new Section 75A, imposing a strict liability on the directors of the company to jointly and severally be liable for the outstanding taxes not paid by the company. These directors must be the shareholders who control directly or indirectly more than 50 per cent ordinary shares of the company and manage the company during the period in which the tax is liable to be paid[11].

Section 75A is a penal provision and therefore should be applied progressively and not retrospectively. Directors who managed the company prior to year of assessment 2003 cannot be held personally liable for the income taxes of the company as such onerous liability was not law then. One cannot be held liable for an unknown law at the time of the management of a company and the separate legal entity concept between shareholders and the company must be upheld and enshrined.

On closer examination of Section 75A being legislated in Part IV of the Act, which relates to person chargeable to income tax instead of being legislated in Part VIII of the Act concerning offences and penalties, the legality to enforce Section 75A for a penal liability is questionable. In the writer's opinion, it is not enforceable and may lead to a legal battle in the Malaysian Courts for the learned judges to rule. It is therefore the hope that counsel for the tax authorities consider legislating additional provisions in Part VIII of the Act, making reference to Section 75A to enforce such penal liability. This will prevent unnecessary legal disputes and subsequent amendments to the Act. AN

7 Sec 15 and 15A of the Act were legislated to deem these income to be derived from Malaysia and levied withholding tax on the gross receipts. These are final tax on the non-residents. See *Choong Kwai Fatt, Malaysian Taxation* (2002 8th ed.) pp. 542-570.

8 Clause 7 of Finance (No.2) Bill 2002 and Appendix 4 of Budget Speech.

9 See sec 83, 120(1) of the Act.

10 See p 76 of Budget Speech.

11 Clause 15 of Finance (No.2) Bill 2002, to be effective on the coming into operation of this Act.

Note : The views expressed in this article are the author's and do not represent those of the Institute.

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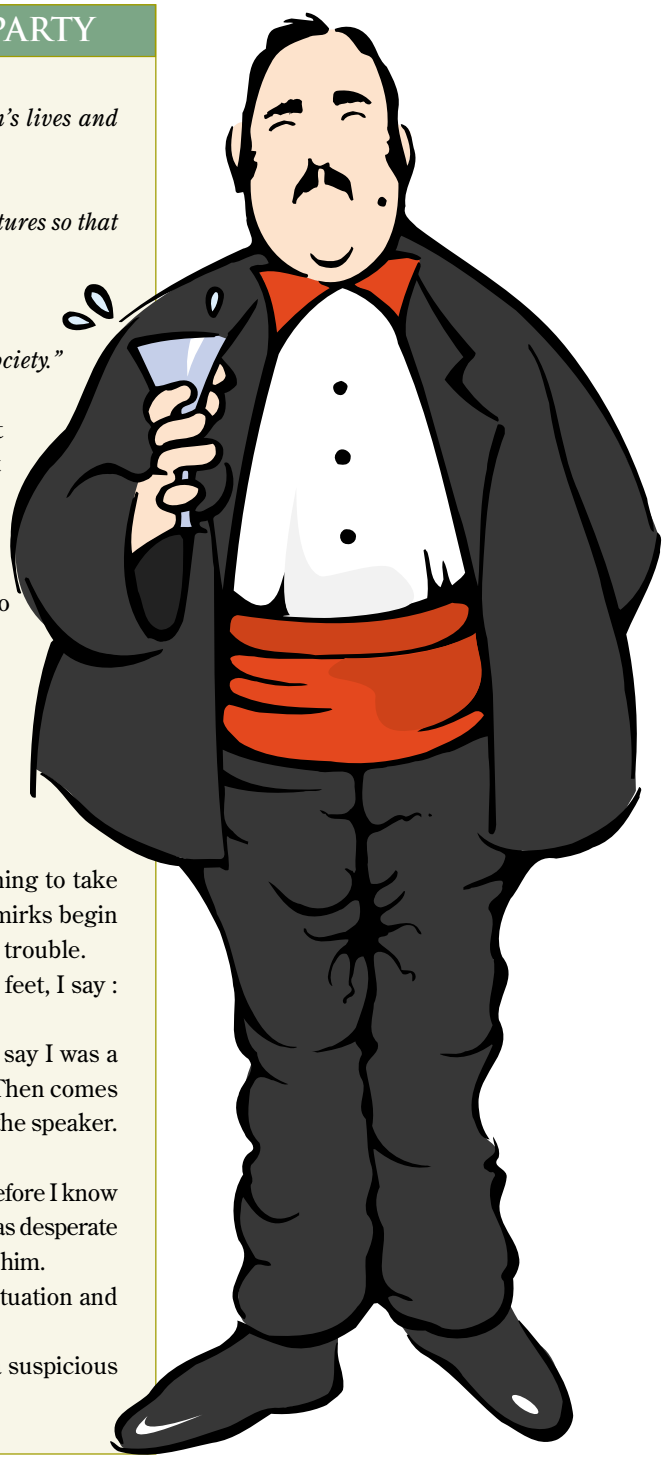
OH NO! THE AUDITOR IS HERE!

Internal auditors don't always receive the warmest reception from those outside the profession. Humour and a positive attitude can go a long way toward winning over the uninformed.

By William E. Chadwick

SCENE : CASUAL CONVERSATION AT A PARTY

"And what do you do?"
"I'm a nurse at Children's Hospital. I work in oncology saving children's lives and comforting grief-stricken parents."
"How about you?"
"I'm a high school guidance counsellor. I help young people plan their futures so that they can be happy, fulfilled working professionals."
"And you, sir?"
"I'm an attorney." Scowls begin to appear on the partygoers' faces.
"I defend the underprivileged to ensure they get fair treatment in our society." Frowns immediately turn to warm smiles.
Their eyes turn toward me. I quickly glance at my drink, hoping that it is empty so I can leave to refill my glass. I start to inch my way out of the room. Too late! Here comes the question I've been dreading since I arrived.
"Bill, where do you work?"
Although I'm proud of my profession, I've been through this scenario before. So, I try my best to avoid a direct answer.
BARRIER #1 : *"I work at Boston College."*
"Oh! Do you teach?" They always ask that. Educators are so well-respected.
BARRIER #2 : *No, I'm in administration."*
"Really. What do you do in administration?"
BARRIER #3 : *"I work in accounting"*
I can see now that their patience is wearing thin, and they're beginning to take this as a personal challenge. They figure I must have an awful job. Smirks begin to appear on their lips — always a dead give-away that I'm in serious trouble.
I've run out of barriers. In a low, sheepish voice, looking down at my feet, I say :
"I'm an internal auditor."
Suddenly, there are looks of disdain, scorn, and shock. Hey! I didn't say I was a habitual criminal out on parole. Internal auditors are the good guys. Then comes the question I've heard so often I can mouth the words in unison with the speaker.
"Are you an IRS mole?"
The pack immediately begins to back away toward other party guests. Before I know it, I'm standing there by myself scanning the room to see if anyone looks as desperate as I do. I notice a guy standing alone in a corner. I start walking toward him.
"Hi! Nice party. What do you do?" I say in an attempt to control the situation and my anxiety.
"I'm a mortician. Why else would I be by myself?" he says, giving me a suspicious squint of the eye.



Sound familiar? It's fair to say that those outside the profession have not always perceived internal auditors kindly, whether at a cocktail party or on the job. When I told a friend I was writing an article on humour and auditors, he replied, "Well, that should be a short piece" — everyone's a comedian.

As every auditor knows, internal auditing contributes major improvements to organisations by providing best practices in running a business, both operationally and financially. However, getting others to recognise their accomplishments can be difficult, because, by its nature, internal auditing often creates adversarial situations.

> "Unfortunately, internal auditors' accomplishments are often overshadowed by the bad news they must impart".

Communication between auditors and operating personnel is sometimes strained. Audit clients are often concerned that audit report recommendations will be embarrassing or even place their jobs in jeopardy. And, clients often see audits as disruptions to their workload that creates additional time pressures. Because of the negative reactions often elicited by an internal audit, practitioners need to show a high degree of sensitivity when conducting their work. By using humour and maintaining an upbeat attitude, auditors can make clients more comfortable and lessen their apprehension.

Accentuate the Positive

Audit reports that begin with negative statements can create communication barriers and make clients less inclined to cooperate with audit recommendations. Conversely, an audit report that begins by accentuating the positive can improve the relationship between the auditor and the client.

If most of what the audit client is doing is correct, even though there are certain suggestions to improve operations, the audit report could begin by stating : "We are pleased to report that … " Also, auditors may want to list the things the client is doing correctly before listing audit issues and related recommendations. A balanced format :

1. Sets a more positive tone at the beginning of the written communication;
2. Is more likely to be perceived as fair by operating personnel; and
3. Should result in improved cooperation.

Further, the meetings that follow the audit report can be confrontational. Auditors can use humour in these meetings to enhance communication, disarm hostility, and garner support from attendees. It is hard for people to be angry and uncooperative with someone who uses humour effectively. If anyone at the meeting verbally attacks the auditor, the other attendees will likely perceive the aggressor negatively, and they will support the auditor.

Note, however, that the humour employed in these situations should not be in the form of jokes. Self-deprecating humour can be particularly effective. Whatever type of drollery the auditor chooses, he or she should not focus on any issues about which attendees may be sensitive.

Surprise the Client

Mixing humour and the element of surprise can prove effective in obtaining audit report responses from clients. For example, last winter everyone at my university was preoccupied with the large amount of snow New England received. The roofs of several homes even collapsed. With this as a theme, I sent an e-mail to a tardy client, and in the subject line I wrote, "Roof Collapse." This got her attention. Then I wrote :

> *Unless your roof has collapsed due to snow, your audit report responses are due. If, in fact, your roof has collapsed, you can have until Monday (with a signed affidavit from your building inspector.) Now please stop shovelling and complete your responses.*

The audit client responded that she had been having a bad day until she received the e-mail and that it "made her day". Clients do not expect to receive humorous correspondence, especially from auditors. The client's responses arrived the next day and were agreeable to our suggestions.

In another situation, I sent a couple of e-mails to a client requesting his audit report responses, but the messages were ignored. Next, I called and got the client to verbally commit to sending the audit report responses, but still didn't receive them. Thus, I sent him the following e-mail, which works particularly well in an academic environment :

> *Based on our conversation last week, I assumed that your audit responses would be lying on my desk. Unfortunately, I can't seem to locate them. Please indicate which of the following events has occurred :*
>
> **A.** *My dog ate my audit report responses.*
>
> **B.** *My aunt passed away unexpectedly, and I had to fly to Omaha to do the Eulogy.*
>
> **C.** *My roommate had a nervous breakdown and I've had to nurse her back to good health. (She's still in pretty bad shape.)*
>
> **D.** *I have retired from Boston College. Please forward your request to someone else who might actually care — if you can find anyone.*
>
> *E. I am dearly sorry (once again) for my behaviour, and I am sending my responses as we speak.*

I titled this e-mail "My Dog Ate My Audit Report Responses." The client chose "E," and I now have a friend for life in that department.

Show Them a Different You

Another way to enhance acceptance of internal auditing is to communicate with co-workers in a non-audit setting. There are various ways to accomplish this, including joining an organisation's special event committees or company sponsored sporting teams. The internal audit group at Boston College sponsors a bake-off. After all, internal auditors must be risk takers!

Our bake-off takes place during the lunch hour the week after Thanksgiving and kicks off the holiday season. We decorate the room, making it a truly festive occasion. Departments compete with each other for plaques that designate 'Best Cooks' and 'Best Presentation'.

The 'Best Presentation' award has become particularly competitive, with people dressing up in a Boston College Eagle mascot costume, a giant chicken outfit, and — I think one of the funniest things the internal auditors did — as characters from the movie, *"The Full Monty"* This was major risk taking, as Boston College is a Jesuit University. The bake-off has been written up in the University newspaper, which portrayed the internal audit department in a very positive way.

We also prepare a cookbook that we sell to University personnel that includes pictures taken at the bake-off. Proceeds from the cookbook are donated to the Children's Hospital. Now you are probably saying, "this would never work in my company." Well, I previously sponsored a bake-off at Nixdorf Computer Corp., where it was also well received.

Participating in company-sponsored sporting programmes is also a good way to interact with employees in a positive setting. At Boston College, the internal auditors use the athletic facilities during lunch hours. A group of about 25 to 30 auditors and non-auditors play basketball three times a week. Participating in these games has helped establish very positive work relationships. It's very hard to be adversarial with someone who was your teammate — even if he or she is auditing your department.

Spread the Word

Internal auditors should be proud of the contributions they make to the internal controls of an organisation. Unfortunately, they rarely receive the recognition they deserve, because their accomplishments often are overshadowed by the bad news they must impart. Therefore, it is important for internal auditors to educate their clients on the value of internal auditing and build relationships that can withstand a negative audit. Using humour is a great way to begin that process.

Internal auditing doesn't have to be doom and gloom. Auditors need to let the world in on this well-kept secret and, at the same time, improve their image and enhance communication with their clients. AN

MAKE THEM LAUGH

When making presentations to people who have pre-conceived notions about the profession, internal auditors can create a positive tone by showing the following slide before they begin.

Dear Abby

I am getting married in the near future. However, some of my relatives have questionable backgrounds, and I am not sure whether I should tell my fiancé about them.

My cousin was arrested for shoplifting. My brother is a bank robber. My father is an embezzler. My niece was arrested for assault and battery. My nephew was indicted for insider trading violations, and my second cousin is an internal auditor.

My question, Abby, is whether I should tell my fiancé that my second cousin is an internal auditor.

It's reassuring to the auditor to hear laughter from the audience as they sit down and read it.

"… it is important for internal auditors to educate their clients on the value of internal auditing and build relationships that can withstand a negative audit. Using humour is a great way to begin that process".

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INTERNATIONAL MONETARY SYSTEM

The Bretton Woods System

By Wong Mun Fai

World War II brought about massive destruction in many countries in Europe, physically and financially. The world economic landscape was severely affected. International trade and payments were at a standstill due to the widespread imposition of trade restrictions and exchange controls. These trade restrictions and exchange controls were the main barriers to post-war economic recovery and had to be addressed with international efforts.

Birth of the Bretton Woods System

As early as 1942, the Americans and British shared common ground on international monetary matters. They were opposed to a system of freely fluctuating exchange rates, which they judged to have had adverse effects on the world economies on two counts, in the years immediately after World War I and in the 1930s when the Great Depression set in. They were also opposed to a system of absolutely fixed exchange rates. In addition, there was also a common view that unregulated and competitive trade restrictions were not beneficial to the international community. By contrast, both countries agreed that countries should be free to control certain capital transfers especially those of a short-term nature.

Sharing of such common ground brought them together to outline an international monetary system to deal with the monetary disorder following World War II.

They identified three major objectives :

1. the removal of trade restrictions;
2. the establishment of currency convertibility; and
3. the maintenance of stable exchange rates among various currencies.

In July 1944, an international conference of 44 nations was held in Bretton Woods, New Hampshire, to agree on a set of arrangements for removing exchange controls and for controlling exchange rate fluctuations. The International Monetary Fund (IMF) was established during this time to monitor the operation of the Bretton Woods System.

Features of the Bretton Woods System

The Bretton Woods System was also known as the Gold Exchange Standard. However, it was different from the Pure Gold Standard. Under the former, international reserves can consist not only of gold stock, but also of a pool of key foreign currencies.

The Bretton Woods System required that each member country of the IMF declare a gold value for its currency, known as the gold parity. The gold parity could be maintained directly or indirectly. The former relates to buying or selling home currency for gold at the official price. The latter refers to pegging home currency to

another currency that was tied to gold. For example, the US fixed the US Dollar (USD) price of gold at USD$35 per ounce.

The USD became the key currency in the system for a number of reasons :

1. it was one of the few convertible currencies;
2. it was the currency of the most powerful economy in the world; and
3. it was tied to gold.

The USD was considered to be as good as or even better than gold because holdings of USD could earn interest and did not incur insurance and storage costs as in the case of gold stocks.

An important point to note was that the foreign governments had the sole responsibility for maintaining the exchange rate between their home currencies and USD through central bank intervention. In contrast, the US Government was not responsible for maintaining the exchange rate between USD and other currencies.

Under the Bretton Woods System, exchange rates were fixed but adjustable. This was made possible by allowing exchange rates to fluctuate within a designated trading band, which was set at one per cent on either side of the exchange rates. The resulting trading band (two per cent) gave rise to upper and lower limits known as the upper intervention point and lower intervention point, respectively.

There were certain government policies that had to be present for the Bretton Woods System to work as intended. First, governments had to stand ready to buy and sell home currency for the key currency or gold at the official parity. Second, governments had to refrain from imposing exchange controls and other restrictions on foreign exchange transactions. Lastly, governments had to adjust the parities whenever Balance-of-Payments (BOP) surpluses or deficits were of a fundamental nature.

Development of the Bretton Woods System

The sustainability of any monetary system in which the currency values are fixed in terms of other currencies or in terms of commodities (such as gold) depends on public confidence in a currency. Since the inception of the Bretton Woods System, the USD had enjoyed great confidence until the US BOP position changed from surplus to deficit in 1950 and persisted until 1970.

After World War II, Europe required extensive capital goods from the US for reconstruction purposes. Such importation of capital goods called for substantial amount of USD. To help the reconstruction process in Europe, loans and grants amounting to approximately USD 20 billion were extended by the US to Europe under the Marshall Plan. From 1946 to 1949, the US registered a healthy BOP surplus due to strong demand for its exports, especially capital goods.

By 1950, there was a turnaround in the US BOP position. When the reconstruction process in Europe was nearing completion, importation of goods from the US dropped significantly, resulting in the US BOP moving into deficit. This marked the beginning of the US BOP deficits that lasted for over two decades.

Throughout the 1950s, USD flowed from the US into Europe, reversing the previous trend of USD flowing from Europe to the US. With the USD emerging as the most important intervention currency, foreign governments were accumulating USD to build up their reserves with the intention to defend their currencies should the need arise. The accumulation of USD also played an important role in moving the non-USD currencies towards convertibility. By 1958, the build-up of USD reserves in many countries led the foreign governments to relax their exchange controls, showing signs that these countries were progressing towards convertibility.

By 1959, foreign governments were accumulating USD more rapidly than they intended. With too much USD in hand, they began to step up conversion of USD to gold, fearing that the USD would lose its value against gold or other currencies. By 1960, official foreign claims against the US gold stock reached the size of the gold stock itself. Many foreign governments also converted their USD holdings into other currencies such as the Swiss Franc and the German Mark.

The persistent BOP deficit in the US eroded the confidence in USD, driving more and more USD to foreign countries. With the outbreak of the Vietnam War in late 1965, the US inflation rose to a new level, driving the USD down further. It was evident that the USD was overvalued against the Japanese Yen and major European currencies. Under the Bretton Woods System, a BOP deficit country should de-

value its currency while a BOP surplus country should revalue its currency.

Despite the requirement to devalue/revalue currencies by deficit/surplus countries to deal with BOP imbalances, the US and other countries was confronted with policy impasse. On the one hand, the US took the stand that it was appropriate for Japan and other European countries to revalue their currencies; since the exchange rates were maintained by foreign governments and only they were in a position to influence the exchange rates. On the other hand, the European countries insisted that the US should deflate its domestic economy to deal with its economic mismanagement.

According to observers, there were at least three reasons why the US was reluctant to devalue its currency. First, there was an implied guarantee that the US would not devalue its currency, which would result in other countries incurring a loss by cooperating with the US in this effort. Second, devaluation of USD would only benefit gold mining countries such as South Africa and the Soviet Union, which were in political disfavour to the US at that time. Last of all, any attempt to devalue the USD would only be perceived as an admission that the US economy had indeed been mismanaged.

As a result, devaluation of the USD never took place when it was much needed. In 1971, Germany was receiving massive capital inflow, emerging as a haven for funds. In the same year, official foreign claim against the US gold stock reached as much as three times the value of the gold stock itself. The US government could not cope with the rising claims and on 15 August, renounced its commitment to accept official exchange of USD for gold and imposed a 10 per cent surcharge on all imports into the US. These actions marked the end of the Bretton Woods System that had operated since World War II.

Why the Bretton Woods System Collapsed?

There were several reasons that contributed to the collapse of the Bretton Woods System. Although it was late to point them out, certain potential problems were already addressed by John Maynard Keynes while working out a suitable reserve currency to be adopted in the Bretton Woods System.

According to Keynes, national currencies were not to be used as reserves but a new monetary unit called the bancor be created. By eliminating national currencies as a reserve asset, the plan eliminated the difficulties associated with a multi-currency reserve system, such as the Gold Exchange Standard.

In proposing a new reserve asset, Keynes highlighted the so-called *n*th country problem, which later proved to be damaging to the system. When there are n countries in the world, each country deals with $n - 1$ exchange rates. If $n - 1$ countries fix their exchange rates against country n, then the exchange rate of *n*th country is automatically determined by the action of $n - 1$ countries. Therefore the *n*th country needs to do nothing to fix its exchange rate. As an illustration, five people are invited to choose five different sweets from a bowl. The last person to choose the sweet does not have a choice because his choice is determined by the action of others. However, if six different sweets are available, the situation will be different in the sense that the last person is also given a choice (two sweets to choose from).

In practice, the US defined its gold price at USD$35 per ounce. When other countries defined their currency values in terms of gold and USD was the intervention currency these countries would buy and sell in exchange for gold, the effect was equivalent to designating the US as the *n*th country. Being the *n*th country, the US was confronted with the *n*th country problem.

The *n*th country problem has both an advantage and disadvantage to the *n*th country. The advantage is that other $n - 1$ countries have to do the exchange rate market intervention and lose control of money supplies in the system, whereas the *n*th country is free to pursue its own economic policy. The disadvantage is that the *n*th country must accept whatever exchange rates that are presented to it.

Under the Keynes plan, the creation of the bancor would have added currency $n + 1$ to the system, therefore allowing all countries (including the US) to define their currencies in terms of the bancor. The bancor is not like other currencies that can be bought and sold in the private markets. However, like the other $n - 1$ countries, the *n*th country has to be concerned with the level of its bancor reserves with the IMF, as it is with the bancor reserves that these countries deal with their BOP imbalances.

The bancor could have been a solution to the *n*th country problem, meaning that the US would have been in a position to influence USD in terms of the bancor to deal with its BOP imbalances, instead of relying on other countries to take corrective actions.

Conclusion

Although the consistent BOP deficits in the US caused the collapse of the Bretton Woods System, the mechanism in the Bretton Woods System itself appeared to contain flaws in its design.

From a global perspective, the BOP deficits in the US was in fact necessary for reserves to grow, which facilitated world economic expansion and international trade. However, if the BOP deficits persisted, the USD held worldwide would grow in relation to the US gold stock. The mounting USD would erode confidence in the US's ability to exchange USD for gold. This phenomenon would lead to a "confidence crisis".

If the BOP deficits in the US were to be eliminated, there would be insufficient reserves held by foreign governments and the world economy would experience deflationary pressures. This phenomenon would lead to a "liquidity crisis".

As early as 1960, the "confidence crisis" and "liquidity crisis" were already recognised by Professor Robert Triffin. Professor Triffin called for the restoration of certain elements of the Keynes plan in the Bretton Woods System — currencies would be converted into a reserve asset created by the IMF rather than USD, and the new reserve asset could be increased by increasing the IMF quota of member countries on a periodic basis.

In other words, the introduction of this newly created reserve asset could be used to deal with the confidence and liquidity problems simultaneously yet effectively, and the collapse of the Bretton Woods System could have been avoided. AN

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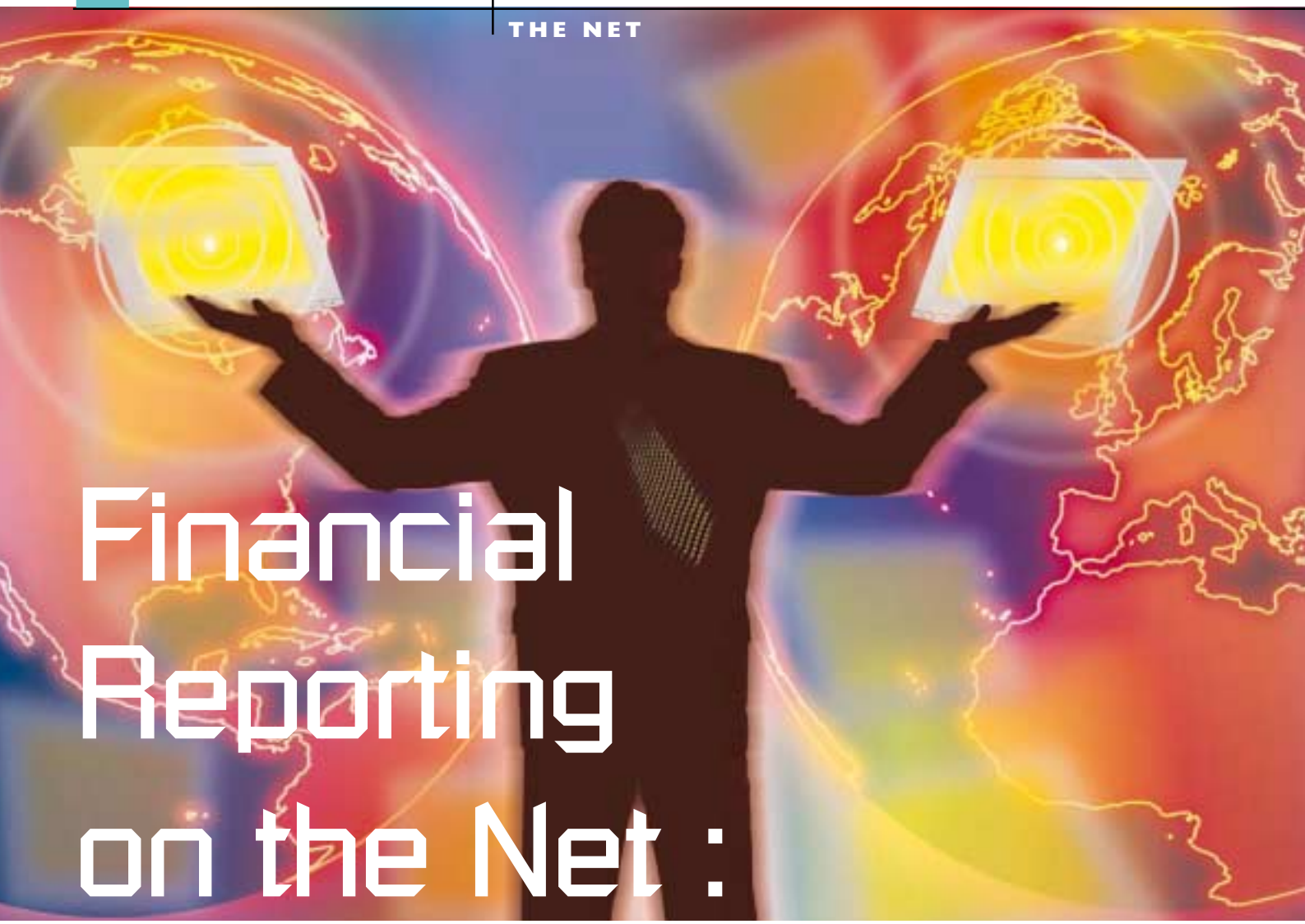

Financial Reporting on the Net : A Useful Investment?

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The Internet has been described as a new platform for distributing financial information. It is a platform that exhibits distinctive and attractive features that make it an effective option when compared with the traditional platform. In the first of a two part study, we examine the usefulness of financial reporting via the Internet (also known as the Net, the WWW, and the Web) to Malaysian companies as reported by chief financial officers (CFO) of listed companies. Hopefully, we can at the end answer the question of whether or not the amount spent in adopting this new platform is a worthwhile investment.

Financial Reporting Via Corporate Website

The quality and usefulness of financial statements are dependent on the accounting standards applied to prepare them. Compliance with the approved accounting standards is *prima facie* evidence that the financial statements show a true and fair view of the company's state of affairs. Currently, there is no definitive pronouncement from the regulator whether the publication of financial information, including financial statements, on the Internet have to comply with the provisions of the Financial Reporting Act 1997, approved accounting standards and Companies Act 1965.

The Internet with its distinctive and attractive features has been described as a new platform for distributing financial information. The distinctive and attractive features include plenty of space to add financial pages and even audio/video clips (Koreto, 1997). In this regard, companies have the potential to supply a huge amount (breadth) and range (depth) of information

— historical and future oriented financial and non-financial information, as well as the ability to constantly update the information and thus improve the timeliness of its delivery (Louwers *et al.*, 1998). In addition, the use of the Net enables companies to reduce printing and mailing costs and the time required to disseminate important information to users of financial information (Trites and Sheehy, 1997). All of these features are further enhanced if the financial information published in the websites is prepared using XBRL — the Extensible Business Reporting Language (for details log on to www.xbrl.org); an Internet based eXtensible Markup Language (XML) used to describe the information contained within the existing financial statements (Willis, 2000).

Notwithstanding the attractive features, there are problems associated with the Net as there is little or no guidance, even in the US, on the use of the Net for the disclosure of corporate financial information. The issues include the question of authenticity and credibility of financial information and the auditor's report disclosed on it (Debreceny & Gray, 1996 & 1999), the security and demarcations between statutory financial statements and other information published online (Koreto, 1997), and the duty (should there be one) of auditors for online statements (Trites & Sheehy, 1997). Finally, as different companies have different policies and practices on the use of the Net for financial reporting purposes, there is already a problem of non-standardisation of amount of data supplied and presentation modes of digital annual reports (Westarp *et al.*, 1998).

Analysis and Discussion of Findings

To gather the information concerning the usefulness of the Internet for financial reporting, questionnaires were distributed to chief financial officers (CFOs) (or equivalent appointments) of all companies listed on the Kuala Lumpur Stock Exchange (KLSE) as at the end of the third quarter 1998. Chief financial officers were chosen because of the important role they play as a strategic business partner in corporate management (Gray 1999; Measuring up, 1998).[1] The usable response rate was 247 (or 35.04 per cent) of 705 companies.

Table 1 reports the disclosure practices as claimed by the respondents. It is worthy to note that only 89 (36 per cent) of 247 companies have corporate websites; and of this number only 41 (46.1 per cent) companies disclose financial information on such sites.[2] These figures seem low when compared to those reported by earlier studies. Sixty-nine per cent of Fortune 150 companies have websites with 81 per cent of them disclosing financial information (Petravick and Gillett, 1996). In 1997, a study by Flynn and Gowthorpe revealed that 89 per cent of the first 100 Fortune Global 500 companies disclose their financial information on the Net. Lymer (1997) reports that 92 per cent of the UK's top 50 companies have websites with 60 per cent of them containing financial information of the companies. Finally, 56 per cent of listed companies in New Zealand have corporate websites, and of those, 73 per cent use them to disseminate financial information (Fisher *et al.*, 2002).

Both descriptive statistics and inferential statistics are employed for analysing the data. The former techniques include frequency analysis, mean and median as the measures of central tendency, and standard deviation and range as the measures of dispersion. The latter technique is primarily related to univariate analysis, which includes the chi-square test and independent sample *t*-test.

In studying the usefulness of financial reporting via the Internet the respondents were required to give their opinion on two major considerations :

1. Benefits of financial disclosure via corporate website to the companies
2. Benefits of financial disclosure via corporate website to the users.

1 This important role includes the involvement of the CFOs in (1) developing long term strategic planning, (2) making difficult business decisions unrelated to finance, and (3) helping to manage the future of the company and developing key strategies for the business (Measuring up, 1998). In another perspective, Riley (1999, p. 10) argues that the CFO has always been regarded as "an honest executive telling the CEO and the board the accurate picture about the numbers".

2 A recent check at the KLSE website indicates that as of 8 August 2002, 234 (28 per cent) of all listed companies have their own websites.

TABLE 1 Overall Disclosure Practices

	Yes		No		Total	
	n	%	n	%	n	%
Existence of corporate website	89	36.0	158	64.0	247	100
Disclosure of financial information on corporate website	41	46.1	48	53.9	89	100

TABLE 2 Benefits to the company (n = 41)

Disclosure of financial information on corporate websites is beneficial to the company because it has the ability to:	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
• attract potential customers	9	22.0	22	53.7	8	19.5	2	4.8	0	0
• attract local investors	7	17.1	28	68.3	5	12.2	1	2.4	0	0
• attract foreign investors	8	19.5	24	58.6	8	19.5	1	2.4	0	0
• promote transparency	4	9.8	29	70.7	8	19.5	0	0	0	0
• discharge accountability	0	0	20	48.8	15	36.6	6	14.6	0	0
• improve financial performance	1	2.4	14	34.2	14	34.2	11	26.8	1	2.4
• enhance managerial efficiency	2	4.9	16	39.0	19	46.3	4	9.8	0	0
• provide wider coverage compared to the traditional form of annual reports	15	36.6	19	46.4	6	14.6	1	2.4	0	0

Benefits of financial disclosure via corporate websites to the companies

Those respondents whose companies practice the disclosure of financial information on their websites were asked to evaluate the potential benefits of such a reporting policy. Table 2 summarises their responses.

A review of Table 2 reveals that over 75 per cent of the respondents either agree or strongly agree that such a policy benefits the companies because they are able to attract potential customers, local and foreign investors, promote transparency, and provide wider coverage compared to the traditional form of annual reports. Between 51 to 63 per cent of the respondents either cannot evaluate or disagree that such a policy benefits the companies in terms of their ability to discharge accountability, improve financial performance, and enhance managerial efficiency. Thus, it can be deduced, from the perspective of the companies, disclosure of financial information via the websites is an additional means of communicating with their major stakeholders, namely investors and customers.

Benefits to Users

The respondents are also required to assess the possible benefits to users of the facility to obtain financial information of companies via the websites. The analysis of their responses as presented in Table 3 suggests that a majority of the respondents (between 63 to 97 per cent) either agreed or strongly agreed that users stand to benefit most from the reporting policy of the companies to disclose financial information on corporate websites.

Even though the preceding analysis generally supports the notion that disclosure of financial information on corporate websites is beneficial to users, it is worthwhile examining whether such opinions differ significantly between two types of respondents;

1. a group of CFOs of companies with websites containing financial information; and
2. a group of CFOs of companies with websites that contain no financial information.

Table 4 reports the results of an independent sample *t*-test. It shows that in all respects, the means of the group consisting of CFOs of companies with websites containing financial information are higher than the group

TABLE 3

Benefits to users (n = 89)

Disclosure of financial information on corporate websites is beneficial to the users because it :	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
• helps users in the decision making process	11	12.4	60	67.4	14	15.7	3	3.4	1	1.1
• provides another medium of disclosure	20	22.5	62	69.6	4	4.5	3	3.4	0	0
• provides accessibility to the users	25	28.1	61	68.6	2	2.2	1	1.1	0	0
• is a cheaper means of gathering information on companies	25	28.1	51	57.3	10	11.2	3	3.4	0	0
• increases timeliness and efficiency in obtaining financial information	25	28.1	50	56.2	12	13.5	2	2.2	0	0
• makes investment decision-making process easier and faster	12	13.5	44	49.4	32	36.0	1	1.1	0	0
• the benefits of gathering information is greater than the costs when using the Internet/WWW	13	14.6	47	52.9	27	30.3	1	1.1	1	1.1
• provides inexpensive information	22	24.7	55	61.8	9	10.1	3	3.4	0	0

TABLE 4

Inferential Statistics : Benefits to Users

Disclosure of financial information on corporate websites is beneficial to the users because it:	Companies with websites and financial information (n = 41)			Companies with websites but no financial information (n = 48)			t-test
	Mean	Std. Dev.	Range	Mean	Std. Dev.	Range	(1-tailed prob)
• helps users in the decision making process	4.07	0.41	3-5	3.71	0.85	1-5	– 2.635*
• provides another medium of disclosure	4.22	0.47	3-5	4.02	0.73	2-5	– 1.543**
• provides accessibility to the users	4.27	0.50	3-5	4.21	0.58	2-5	– 0.522
• is a cheaper means of gathering information on companies	4.24	0.66	2-5	3.96	0.74	2-5	– 1.917*
• increases timeliness and efficiency in obtaining financial information	4.20	0.60	3 - 5	4.00	0.77	2 - 5	– 1.340**
• makes investment decision-making process easier and faster	3.95	0.67	3 - 5	3.58	0.68	2 - 5	– 2.568*
• the benefits of gathering information is greater than the costs if using the Internet /WWW	3.95	0.63	3 - 5	3.67	0.81	1 - 5	– 1.865*
• provides inexpensive information	4.17	0.63	2 - 5	4.00	0.74	2 - 5	– 1.174

Higher mean score indicates higher ratings of agreement (i.e., 1 = strongly disagree; 5 = strongly agree); * $p < 0.05$; ** $p < 0.10$

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of CFOs of companies with websites that contain no financial information. Furthermore, with the exception of two statements of benefits (no. 3 and 8), the means of the first group are statistically different and higher than those of the second group. This finding is supported by the argument that perhaps the main reason why companies are disclosing financial information on websites is because they perceive that greater benefits accrue to users of such information.

Reasons for not Adopting the Web Medium

The respondents of companies that do not have corporate websites and that have websites but do not disclose financial information on such sites are required to indicate their opinions on the various reasons that may explain their companies' reporting and disclosure policy. Table 5 reports their responses.

A significant majority (more than 70 per cent) of the respondents agreed that their policy not to adopt the Web for disclosure purposes is because there is no legal requirement, availability of other alternative forms for users to obtain information, and the need to maintain and update the information on websites. Interestingly, the respondents do not consider other reasons, including cost, expertise, concerns about security and proprietary information, to be factors that would cause them not to use the Net medium.

An independent sample *t*-test was performed to determine whether the opinions of the group of CFOs of companies with websites containing financial information and group of CFOs of companies with websites that contain no financial information are significantly different or otherwise. An examination of Table 6 shows that out of the 11 statement of reasons, only three are found to be statistically significant. The analysis suggests that : first, the CFOs of companies with websites that contain no financial information are unsure regarding the concern over disclosure of proprietary information on the Net. In contrast, the CFOs of companies with no websites tend to disagree with the statement. Second,

TABLE 5

Reasons for not adopting the Net / WWW medium (n = 206)*

The reason why my company either does not have a corporate website or does not disclose financial information on its corporate website is :	Agree		Agree		Neutral		Strongly Disagree		Disagree	
	n	%	n	%	n	%	n	%	n	%
• too costly to set-up and maintain *(n = 205)*	8	3.9	67	32.7	45	22.0	70	34.1	15	7.3
• requires expertise which is lacking in the company	5	2.4	80	38.9	29	14.1	74	35.9	18	8.7
• concern over disclosure of proprietary information	12	5.8	56	27.2	44	21.4	78	37.8	16	7.8
• no legal requirement	32	15.5	115	55.8	25	12.2	23	11.2	11	5.3
• costs incurred outweigh benefits to company	16	7.8	68	33.0	70	34.0	45	21.8	7	3.4
• there are alternative forms of obtaining information	40	19.4	151	73.4	4	1.9	5	2.4	6	2.9
• fear of losing competitive advantage	5	2.4	15	7.3	50	24.5	112	54.6	23	11.2
• need to keep information updated to be of use *(n = 205)*	28	13.7	126	61.5	21	10.2	22	10.7	8	3.9
• potential legal liability	3	1.5	46	22.3	91	44.1	56	27.2	10	4.9
• do not want to be too transparent *(n = 204)*	2	1.0	39	19.1	46	22.5	85	41.7	32	15.7
• concern over security of information *(n = 204)*	19	9.3	72	35.1	36	17.6	64	31.2	14	6.8

* unless otherwise stated

TABLE 6

Inferential Statistic : Reasons For Not Adopting the Net/WWW Medium

The reasons why my company either does not have a corporate website or does not disclose financial information on its corporate website is :	Companies with websites but no financial information (n = 48)			Companies with no websites (n = 158)			t-test
	Mean	Std. Dev.	Range	Mean	Std. Dev.	Range	(1-tailed prob)
• too costly to set-up and maintain	2.85	1.15	1-5	2.94	1.03	1-5	0.447
• requires expertise which is lacking in the company	2.73	1.12	1-4	2.96	1.08	1-5	1.233
• concern over disclosure of proprietary information	3.04	1.17	1-5	2.80	1.06	1-5	– 1.298 **
• no legal requirement	3.60	1.16	1-5	3.66	1.01	1-5	0.325
• costs incurred outweigh benefits to company	2.92	0.96	1-5	3.28	0.97	1-5	2.313 *
• there are alternative forms of obtaining information	4.00	0.85	1-5	4.05	0.73	1-5	0.373
• fear of losing competitive advantage	2.40	0.98	1-5	2.34	0.83	1-5	– 0.372
• need to keep information updated to be of use	3.73	1.03	1-5	3.69	0.95	1-5	– 0.210
• potential legal liability	2.79	0.82	1-4	2.91	0.87	1-5	0.870
• do not want to be too transparent	2.45	1.02	1-4	2.49	1.00	1-5	0.259
• concern over security of information	2.81	1.23	1-5	3.17	1.11	1-5	1.816 *

Higher mean score indicates higher ratings of agreement (i.e., 1 = strongly disagree; 5 = strongly agree); * $p < 0.05$; ** $p < 0.10$

whilst the CFOs of companies with no websites are unable to evaluate the statements pertaining to the costs and benefits of on line disclosure and the concern over security of information disclosed, their counterparts in companies with websites that contain no financial information tend to disagree with these two statements.

Concluding Remarks

The primary objective of this paper is to examine the perceptions of listed companies' CFOs toward the usefulness, *vis-à-vis* benefits and costs, of financial reporting via the Internet. As a conclusion, the findings of the study suggest that the benefits, both to the companies and the users of financial information, are perceived to be greater than the costs of adopting the Internet as another means of disclosing and distributing corporate financial information. To substantiate this finding, a causal analysis of selected corporate websites was undertaken to gauge the current practices. In this regard, the websites of six publicly listed companies were visited. These companies (and their URLs) were : Sime Darby Bhd (www.simenet.com), Genting Bhd (www.genting.com.my), Telekom Malaysia Bhd (www.telekom.com.my), Tenaga Nasional Bhd (www.tnb.com.my), British American Tobacco Bhd (www.batmalaysia.com), and IJM Corporation Bhd (www.ijm.com). In all instances, it was found that actual practices varied considerably in the nature, extent, format, and quality of financial information disclosed on the Web. For instance, the types of financial disclosures emerging on corporate websites include comprehensive digital annual reports; interim, summary, and/or partial financial statements; financial highlights in narratives/table form and/or in graphical charts format; and other selected financial information. Financial information is typically published on the Web in Adobe Acrobat's Portable Document Format (PDF) — though it is also believed in some instances that Hypertext Mark-up Language (HTML) has also been used. Further, there is an absence in the use of other multimedia technology to disseminate financial information, viz., sophisticated graphics, and/or streaming audio/video.

The reported practices (and its diversity) are consistent with those in other jurisdictions primarily because of the lack of generally accepted standards in Internet financial reporting. Obviously, in this situation the Internet is seen as a complement to the traditional method of distributing financial information; that is, the printed version. The financial information published on these websites lack dynamism, as users are unable to undertake any financial analysis online. This of course can be overcome if the financial statements are published in XBRL (Willis, 2000).

In the current situation whereby transparency and effective corporate governance are high on the agenda, companies that embrace the Internet to disseminate financial information would more likely than those that do not, attract premium from potential investors. This value-added investor relations strategy is plausible because the use of the Internet is a means for companies to differentiate themselves from others in this competitive and global market (Deller *et al.*, 1999; Ettredge *et al.*, 1998). The implication of the findings of this study is that some form of regulation is needed to ensure authenticity and credibility of the financial information and its accompanying reports disclosed on the corporate websites (Debreceny and Gray, 1996 & 1999). AN

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Note : This article has been adapted from a paper by the authors, "Financial Reporting on the Internet by Malaysian Companies : Perceptions and Practices", published in the *Asia Pacific Journal of Accounting* (1999), Vol. 6, No. 2.

Wealth Distribution :

How much will you leave behind for your Family?

By Yap Ming Hui

One of the most important aspects of wealth management for business owners is wealth distribution. When you mention wealth distribution or estate planning to your clients, most of them would equate it to writing a Will. They just focus on getting a Will written according to the regulatory requirement and overlook the financial aspects of wealth distribution.

Business owners seldom think of how much they will leave behind for their family when they eventually pass away. Those who are not well off would choose to leave it to circumstances. Those who are well to do think that there are more than enough assets left for their family. In fact so many successful business owners die without providing enough liquidity to pay their expenses, liabilities and taxes because they usually structure their assets to suit their living needs and not their needs at the time of death. Most of the times expenses during the estate administration are almost invariably greater than what one can anticipate.

As a trusted advisor for your clients, it is important for you to highlight the various expenses, liabilities and taxes that will reduce your clients' estate. In this article, I would like to share with you a few factors of impairment that would affect how much of the estate a person leaves behind.

Final Expenses

Final expenses are paid out of a person's estate before other liabilities no matter whether the estate is insolvent or not. In Malaysia, final expenses can range from a few thousands to tens of thousands, depending on the type of funeral held. If a person does not have much of an estate, final expenses alone can eat into the estate's worth substantially.

Medical Expenses Before Death

According to Malaysian statistics, out of 100 people who pass away in hospital, 17.1 per cent suffer from heart disease, 9.2 per

cent suffer from stroke and 9.1 per cent suffer from cancer before they pass away. Medical expenses for such treatment is not cheap. For those who can afford it they may have spent hundreds of thousand for their treatment. If these expenses are not settled, the estate is expected to pay for it.

Costs of Estate Administration

Costs of estate administration include the expenses of applying for the grant of probate or letter of administration, the expenses of identifying, gathering and protecting the assets, the professional fees of getting legal, financial and tax advice, the allowable commissions to personal representative for duties performed, the cost of investigating the claims of the estate and/or against the estate and the expenses of transferring the gift to the beneficiaries. Generally, a larger estate administration that is more complicated and more time consuming will incur higher estate administration costs.

Debts and Liabilities

After a person's death, the bank will want the money owed on the real properties. The finance company will want the money owed on the cars. The credit card companies will want payment on the outstanding balance. The electric, water supply and phone companies will send out their monthly statements without fail. These are a deceased person's debts and it will be passed on to the estate.

Contingent Liabilities

For most business owners, the personal guarantees that they signed to their banks, suppliers and other creditors are contingent liabilities to the estate. These liabilities do not affect their financial position directly but they are liable only upon the default of the first debtor, which is the business concern. In the situation whereby the business loses its credit standing to creditors due to the death of the key business owner, signed personal guarantees may become actual liabilities to the estate.

Unsettled Income Taxes

Effective from 1 November 1991, estate duty has been abolished in Malaysia. However, tax liabilities are still a concern to most business owners because the estate is liable for income tax. According to the Income Tax Act 1967 (Act 33) Section 64 the income up to the date of death and income during estate administration is still taxable.

Losses Due to Forced Sale of Assets

Without proper planning, a person's assets is doomed to suffer great losses in value if they need to be forced sale to settle outstanding liabilities, The reason is simple and obvious. According to a reputable property valuer, in a downturn economic situation, the forced sales of any property may easily bring about value loss of between 30 to 50 per cent due to the lack of buyers and financing from banks. So, it is always wiser to plan ahead in order to minimise unnecessary loss from the forced liquidation of your assets.

Losses Due to Liquidation of Business Interest

In a situation whereby the business interest has to be liquidated to settle outstanding liabilities, the liquidation value is often much lower than the going concern value. The forced sales of land, building, inventory, machinery and equipment and others owned by the business owners within a short period would result in a loss, more so when the economy is bad.

Most business owners are only concerned about liabilities and the cost aspect of estate planning when there is heavy estate duty imposed on the deceased's estate. In the absence of estate duty, a lot of them seem to underestimate other aspects of cost and liabilities in estate planning. Based on our company's experience, some business owners have sound financial standing when they are alive but the estate becomes insolvent when they pass away.

As a business owner, it is always a prudent practice to take into consideration the implication of all liabilities and contingent liabilities. These liabilities may or may not make the estate insolvent but it will definitely reduce the size of the estate that we intend to benefit our loved ones. As a trusted advisor to you client on financial affairs, you can suggest the following solutions to address the above-mentioned concerns.

SOLUTIONS

- **Walk through a hypothetical probate of your estate and find out how much will it cost.** Consult your financial advisor to anticipate how much expenses, outstanding liabilities and taxes will need to be paid and identify prospective sources of cash to settle them. Project into different possible scenarios to be prepared for the worst case situation. Make provision of adequate cash or liquid assets to cater for liquidity needs in various situations.
- **Use life insurance to pay expenses and liabilities.** The use of life insurance gives us the advantage of paying the bill at discount. Instead of having to pay RM1 debt with RM1, we can pay a RM1 debt with much less than RM1 with proper application of life insurance. To take advantage of life insurance, we have to make sure our clients are insurable. It will be too late to wait until you know you have major health problems. Never make assumptions about a person's health condition and insurability.
- **Use a trust structure as an asset protection tool.** In good times when people's net asset worth is so high and solid, they should take the initiative to lock some assets in a trust for the benefit of their loved ones. The main advantage of a trust is that it does not form part of the asset owner's estate therefore, the assets are protected from third party claimants such as creditors. However, a person's assets in a trust can only be protected if at the point of setting up the trust, he/she is not insolvent or anticipates insolvency.

It is important for you to highlight to your client that if their estate is worth their lifetime building, it is worth some effort to keep it. AN

Note : The writer is the Managing Director of Whitman Independent Advisors Sdn Bhd. He can be contacted via e-mail at yapmh@whitmanindependent.com

DOING BUSINESS IN SPAIN

By Sergey Frank

The role of the consultant as a chartered accountant, or any other professional, is not identical all over the world. Despite this fact and despite all efforts to move closer to a single global set of accounting standards, the necessary communication with the international client is still and will also remain subject to a different set of rules.

Spain is very different in the space of its regions : Manners vary in the capital, Madrid, as opposed to Barcelona, the capital of Catalonia, where business plays an important role and which often seems to be a little more hectic than the other parts of Spain. Again they are different in the Basque region, in the hardworking Galizia and in the strongly Arabic influenced Andalusia. Many regional differences also influence dialects, language, mentality and business behaviour. Keeping this variety in mind the following is going to describe the most important general tendencies in business behaviour irrespective whether the location is Madrid, Barcelona or Malaga.

The establishment of a personal relationship with your Spanish counterpart is important in order to create an individual contact and a considerable degree of trust. Your business partner is usually focused on people and very hospitable. You should regard a social invitation as an investment in a good and trustful relationship. A conversation may also deal with topics such as family and children. Important business is to be organised on a personal basis, if possible, and not only via phone or fax. You should show integrity and professional sympathy. You can negotiate business topics persistently and consistently as long as you ensure a personal atmosphere which is both, comfortable and friendly. It is very recommendable to take great care in the selection of the local representative in Spain. This person should be a door opener and have an excellent status with potential business partners as well as with authorities. Once he is appointed it is very difficult to turn to another person.

Status is very important in Spain and may be used as a door opener. Issues like the right university, the right area to live as well as the right car are essential for the image of Spanish executives.

The clocks in Spain do not only strike different from the UK but time is elapsing slower. This fact is applicable for business life but even more for dealing with public authorities and services where you may have to apply for any licenses. Hence it is important to consider time losses within the scope of project negotiations and particularly in the implementation phase of a business transaction.

You should avoid starting contract negotiations with the expectation that conditions are similar to your home country. You are better off to live with unforeseen difficulties. Thus, it is important for you to maintain a high level of flexibility in order to be prepared for unexpected issues. You should visit the offices of your counterpart between 9.30 a.m. and 1 p.m. and between 4 p.m. and 7 p.m. Spain is well known for its excellent and long lasting lunches and dinners. Dinner usually doesn't start before 10 p.m. As a visitor it is possible for you to invite your business partner for lunch or dinner. Top executives in Spain sometimes use the social opportunity of lunches and dinners to agree upon business transactions in principle whereas the details of such transactions and their implementation are discussed thereafter by middle management in the office.

During negotiations it is recommended to clarify the length of a lunch break in the beginning. If the negotiations continue right after lunch you should avoid eating a heavy meal and drinking wine. Your business partner may be used to it, but your

own ability to concentrate and as a consequence your performance in the following negotiation process during the afternoon will suffer to a great extent. You may doze off when important matters are discussed. At least your concentration level deteriorates considerably.

As a general rule you should not assume that all Spanish business partners speak English during negotiations. Younger people may, but older businessmen tend to speak French. Frequently, it is recommended to clarify the involvement of one or more interpreters in the beginning. It is very important to have documentation available, which is printed in the Spanish language. The same applies to business cards, which should be written in both languages, Spanish and English.

Negotiations put your counterpart in the position to represent and demonstrate themselves, especially in front of third parties. Interrupting each other as well as their foreign counterparts in mid-sentence during business meetings is quite common for the Spaniards. Conversational overlap is normal in Latin cultures, but is considered as rather unusual in Northern Europe.

Get used to a rather vivid business discussion. Frequently, your Spanish partner relies on quick thinking and spontaneous ideas rather than on a meticulous preparation. It may seem that everybody is communicating at once. Negotiations in Spain can be very intensive and lengthy but also very creative, especially during joint brainstorming sessions. However, a situation where a negotiating situation may lead to the point that the counterpart obviously loses face should be avoided. In such a specific situation it is better to paraphrase the critical issues diplomatically, to find a solution to the problem which leads to a more preferable situation for both sides or to discuss certain issues strictly confidential under four eyes. Even in potentially imbalanced situations such as the traditional buyer/seller constellation where the buyer has more leverage than the seller it may happen that if the results of one party are too obvious and exceed by far the pros of the other side, breakdown in negotiations may be likely. Here, the local representative may also be of help to lead you out of an impasse.

Despite possibly high temperatures business wear of Spanish business partners is most likely rather conservative. Trendy combinations are not to be found in most Spanish industrial sectors. Spaniards dress more formally then many other Europeans and wear navy blue and dark grey suits and on hot summer days also brighter ones. Ties are not only common but a must. The same applies to housing, cars and education, also to clothing : In Spain it is recommendable to convey an image of good taste and propriety and to wear well-made, name-branded conservative attire. AN

Note : The author is partner of Kienbaum Executive Consultants and Managing Director of Kienbaum Ltd., the London office of the Kienbaum Group. He is a worldwide-acknowledged author and speaker on international communication issues. www.Kienbaum.co.uk.

Note : The ideas put forward in the articles apply for the actual international consultation regardless where it is taking place. The articles aim to educate on different ways of doing business in different countries. This is important since it helps to understand international business. And this conclusion is vital because nowhere in business, especially in international consulting, can so much be gained and lost so quickly as in international transactions and projects. The articles were first published in *Accounting & Business*, ACCA's monthly publication.

FASB and IASB Hold Joint Meeting in Support of Convergence of Global Accounting Standards

As part of a continuing effort to bring about convergence of global accounting standards, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) met on 18 September 2002, at the FASB's headquarters in Norwalk, Connecticut. The joint meeting has demonstrated both organisations' continued commitment to converge accounting standards.

According to the press statement, which was made available to the Institute, both bodies have agreed on the need to produce common, high-quality accounting standards across the major international capital markets. The meeting which was held with a primary objective to discuss further projects the Boards have already undertaken jointly or will address jointly in the future to increase the international comparability of financial reporting.

The Boards also focused on current FASB and IASB projects in the areas of business combinations and financial performance reporting. The first of these projects was business combinations on which both boards had been working jointly to address the accounting relating to application of the purchase method. A second project on financial performance reporting was also covered during the discussion and the progress made to date by both organisations, which are currently pursuing similar projects.

The FASB and IASB also discussed the scope of an historic and very important joint project aimed at eliminating the key differences between existing US generally accepted accounting principles and international accounting standards. The staffs of both Boards, together with the staff of the Securities and Exchange Commission, have been working on developing the scope of this project.

Finally, the FASB and IASB also discussed revenue recognition — a project that the FASB recently added to its agenda and an area that continues to be the single largest source of financial restatements in the US and an area of growing international concern. The Boards had also explored prospects for launching a joint project on revenue recognition.

The FASB and IASB are committed to working together in support of convergence in accounting standards that contribute to the health and vitality of our global capital markets. AN

FASB's Plans Regarding the Accounting for Employee Stock Options

The accounting for employee stock options has received renewed attention in recent months. Over the past weeks there have been two important developments.

Several major US companies have announced their intentions to change their method of accounting for employee stock options to an approach that recognises an expense for the fair value of the options granted in arriving at reported earnings. We understand that a number of other companies are also considering adopting that method. The FASB applauds those companies because recognising compensation expense relating to the fair value of employee stock options granted is the preferable approach under current US accounting standards (FASB Statement No. 123, *Accounting for Stock-Based Compensation*). It also is the treatment advocated by an increasing number of investors and other users of financial statements. When the FASB developed FAS 123 in the mid-1990s, the Board proposed requiring that treatment because it believed that this was the best way to report the effect of employee stock options in a company's financial statements. The FASB modified that proposal in the face of strong opposition by many in the business community and in Congress that directly threatened the existence of the FASB as an independent standard setter. Thus, while FAS 123 provides that expense recognition for the fair value of employee stock options granted is the preferable approach, it permitted the continued use of existing methods with disclosure in the footnotes to the financial statements of the *pro forma* effect on net income and earnings per share as if the preferable, expense recognition method had been applied. Until now, only a handful of companies elected to follow the preferable method.

The International Accounting Standards Board (IASB) has concluded its deliberations on the accounting for share-based payments, including employee stock options, and announced plans to issue a proposal for public comment in the fourth quarter of 2002. That proposal would require companies using IASB standards to recognise, starting in 2004, the fair value of employee stock options granted as an expense in arriving at reported earnings. While there are some important differences between the methodologies in the IASB proposal and those contained in FAS 123, the basic approach is the same — fair value measurement of employee stock options granted with expense recognition over the vesting period of the options.

The FASB has been actively working with the IASB and other major national standard setters to bring about convergence of accounting standards across the major world capital markets. The Board has been closely monitoring the IASB's deliberations on share-based payments

and urges all interested parties to submit comments to the IASB on its proposal once it is released later this year. Additionally, the FASB plans to issue an Invitation to Comment summarising the IASB's proposals and explaining the key differences between its provisions and current US accounting standards. The FASB will then consider whether it should propose any changes to the US standards on accounting for stock-based compensation.

In the meantime, in response to requests by companies considering switching to the preferable method under FAS 123, the FASB also plans to consider at its 7 August public meeting whether it should undertake a limited-scope, fast-track project relating to the transition provision in FAS 123. Literally applied, the existing transition provision in FAS 123 would require companies that elect to change to the preferable method to do so prospectively for stock options granted after the date of the change. This transition provision was appropriate when FAS 123 was issued in 1995 because, at that time, companies did not have valuation information available relating to previous grants of employee stock options. However, that is no longer the case given the disclosure requirements that have now been in effect since 1995 under FAS 123. AN

John T. Smith Appointed to the IASB

Paul A Volcker, Chairman of the IASC Foundation Trustees, announced the appointment of John T. Smith, Partner, Deloitte & Touche, as a part-time member of the International Accounting Standards Board (IASB), beginning on 1 October 2002. Smith fills the vacancy left by Robert H. Herz, who resigned in June 2002 to become chairman of the US Financial Accounting Standards Board.

Smith currently serves as director of accounting policies for Deloitte & Touche, where he provides accounting consultation to Deloitte & Touche's national office and client service personnel, and oversees the development of guidance on accounting matters. In that role, he has established himself as a leading expert on standard-setting issues in general, and accounting issues related to financial instruments in particular. He is responsible for preparing his firm's responses to accounting standard-setting initiatives in the US and as a member of the Deloitte Touche Tohmatsu international accounting committee he participates in responding to IASB standard-setting initiatives. As a part-time member of the IASB, Smith will remain a partner of Deloitte & Touche.

Smith has participated in the activities of the IASB and its predecessor, the International Accounting Standards Committee. He is currently a member of the International Financial Reporting Interpretations Committee, from which he will resign, and has served as chairman of the IAS 39 (Financial Instruments) Implementation Guidance Committee.

Commenting on the appointment, Volcker said, "The Trustees are delighted to welcome John Smith to the IASB. In John, we have found someone with great technical skill, who understands the accounting issues facing auditors and preparers today and can bring a practical perspective on many of the difficult questions being addressed by the IASB."

Sir David Tweedie, Chairman of the IASB, commented, "John Smith will bring an enormous wealth of knowledge of both international and US accounting standards, making our drive towards convergence easier. As a leading expert on financial instruments, he will be invaluable in our efforts to tackle that increasingly critical and complex issue. Furthermore, as someone who is well-respected and remains active in the accounting profession, he will be a great asset in reaching our goal of consistent application of high quality global accounting standards."

John Smith will serve a five-year term, expiring on 30 June 2007. AN

CFO 2010 — The Role of the Chief Financial Officer in 2010

A recent study (No. 11) issued by the International Federation of Accountant's Financial and Management Accounting Committee (FMAC) examined *A Profession Transforming : From Accounting to Management*. This explored emerging trends from the view of 12 member bodies of IFAC representing six countries. Four of the bodies are specialist associations looking at the field of management accounting; the remaining eight are professional bodies seeking to be more responsive, and more representative, of their members working in management-related roles, in business and public practice.

The study explored the 12 professional associations in varying stages and states of transition to the future and each told their own story to date. The insights and changes they were pursuing individually were collectively indicative of an underlying or imminent transformation in the profession.

This is best summarised by stating that the findings identified that the finance function in organisations was transforming — in terms of a value added managerial focus, its area of organisational involvement, the capabilities expected from it and its leadership (the Chief Financial Officer), the consolidation, elimination or out-sourcing of much of its work responsibilities, and the radical reduction of its headcount.

It seemed sensible, therefore, to canvas the views of 10 leading chief financial officers to get them to tell their stories. This publication is the result of that exercise. The members of FMAC identified leaders in their field across many countries, businesses and public sectors. They agreed that this story would be best described through the facilitation of a leading author, and enrolled the help of

Robert Bruce, Accountancy Editor of *The Times*.

The Chief Financial Officers are all from companies with easily recognisable names and with views from North America and Europe, together with countries like Argentina and Hong Kong. It was encouraging, from an FMAC viewpoint, to note that all of them address the role of the CFO in the strategic direction of their companies.

This publication, *The Role of the Chief Financial Officer in 2010,* tells the story from the individual viewpoints of these CFOs which can be seen in the themes chosen :

- Developing a Vision for the Future
- Part of the Team — But Apart
- Managing the Information Flow
- Chief Planning Officer
- Moving Away from Transactions
- Strategic Changes to the Finance Role
- Treasury Will Take Priority
- Concern About Global Markets
- Becoming the Process Owner
- The Importance of Communication

Note : Copies of this paper may be downloaded free of charge from the IFAC website at www.ifac.org/store.

Overwhelming Response to the 16th World Congress of Accountants

The "Olympics" of the Accounting World is to take place in Hong Kong this November

Accountants from all over the world will be converging in Hong Kong for the *16th World Congress of Accountants*, the accounting profession's Olympic event to be hosted by the Hong Kong Society of Accountants (HKSA), from 18 to 21 November this year. The prestigious World Congress is held once every five years.

Registration numbers show that so far approximately 4,000 delegates from 72 countries will be attending this historic event — the first World Congress of the 21st Century and the first to be held in Chinese territory. One thousand, eight hundred registrations have already been confirmed from Mainland China, representing the largest contingent of delegates. The second largest group will be arriving from France, from where Rene Ricol, Deputy President of the International Federation of Accountants (IFAC), will attend the Congress as one of the keynote speakers.

Alvin Wong, President of the HKSA, is exultant over the response received. "I am delighted that so many industry representatives from around the world are showing such enthusiastic interest in attending the Congress, and that the largest proportion will be joining us from the Mainland to share their insights and visions amid the Mainland's entry into the WTO. This event will surely be a milestone occasion both for Hong Kong and the local accountancy profession," he said.

Given the rapid social, political, technological and economic changes occurring in all parts of the world, this year's Congress will take on the theme of *"Knowledge-based Economy and the Accountant"*. The programme will provide accountants with the opportunity to exchange ideas on how they can work together to provide services of consistently high quality in the public interest. The rich host of plenary sessions and workshops will address technological issues, corporate governance, ethics and auditor independence, as well as the application of international accounting standards, among other topics.

Prominent speakers at the Congress will include senior government officials from Mainland China and Hong Kong, CEOs and CFOs of well-known multinationals from around the world, as well as academics, regulators and leaders of the accounting community.

One of the highlights of the programme will be a workshop on *Ethics & Auditors Independence* (Workshop 8 in the afternoon of 20 November). It will be chaired by Marilyn Pendergast, Chairman of the IFAC Ethics Committee who will also be among the key speakers in the Plenary Session on 20 November. Issues to be examined in this workshop will cover challenges posed by the knowledge-based economy, ethical questions faced by auditors and management accountants, development of corporate ethical/value codes and also dangers regarding losing sight of independence and objectivity as the profession diversifies services to advise clients on strategic directions, design and implementation of systems.

"The current crisis in public confidence in the accounting profession, highlighted by the events since late last year, requires our profession to take thoughtful and decisive steps to regain the respect that we have maintained for over a century," says Miss Pendergast. "The names of WorldCom, Adelphia, Tyco, Imclone, Enron and others resonate around the globe as glaring examples of a corporate world gone amok — falling markets, massive losses for stockholders, employees — and an unprecedented focus on the role of accountants, both in public practice and those who work within the private sector, as well as the ethical context in which capital markets operate," she added.

Pendergast goes on to say that "the events of this year deeply concern the IFAC and its member bodies and we recognise the importance of prompt, principled and decisive action to regain public trust."

With the convergence of accounting standards and practices and the increased use of knowledge and technology globally, professional accountants in industry and public practice are looking for new ways to reinvent themselves and their services. Against this backdrop, the issue of International Accounting Standards will be another key feature in the Congress programme.

As Chairman of the International Accounting Standards Board (IASB), Sir David Tweedie will be a key speaker on this issue for the first Plenary Session in the morning of 19 November and the Chairperson for Workshop 7 scheduled for

IFAC

the afternoon of 20 November. Issues that Sir Tweedie will discuss will cover the key challenges ahead and the trends in standard setting, benchmarking progress in new standards, key country adoption and harmonisation.

A total of three Plenary Sessions, 13 workshops and two China Forums will be presented by a prominent line-up of over 70 high-profile speakers from 17 countries during the four-day Congress. Speakers of the China Forum will include Xiang Huaicheng, Minister of Finance of China and Zhou Xiaochuan, Chairman of the China Securities Regulatory Commission.

The World Congress is now offering special packages including the Day Pass, China Forums Special Pass and Student Pass. Registration for Full Delegate Package, the Day Pass for 19 November and Student Pass will close on 30 September 2002. Owing to limited capacity and overwhelming responses received for various social functions held during the Congress, in particular the Gala Dinner on 19 November, late registration cannot be guaranteed for the Gala Dinner.

For further information on the World Congress, please visit the Congress website : www.wcoa2002.com or contact the Congress Manager on tel : (852) 2917 0820/2968 0222. AN

IFAC Releases Paper on Financial Reporting on the Internet

Recognising the increasing use of the Internet as a medium for communicating financial information, the International Federation of Accountants (IFAC) has developed a paper outlining the responsibilities of directors and management to ensure high-quality transparent reporting through this medium. Entitled "*Financial Reporting on the Internet — Responsibilities of Directors and Management*," the paper describes control considerations when an enterprise uses the Internet for communicating with investors, creditors, analysts, and other Internet users.

The paper points out that the directors and senior management need to ensure that any financial information provided through the Internet has the same integrity as that published in paper form. Thus, it urges management and directors to develop an Internet Reporting Policy that includes the following :

- The types of financial information to appear on a corporate website and the format in which that information will be provided;
- How to differentiate between audited and non-audited financial information, as well as between information that is subject to securities and market regulation and information that is meant to supplement what is required;
- The use of hyperlinks;
- The frequency of changes to or updates to financial information; and
- Control issues such as the approval of financial information that ultimately appears on a corporate website and the security infrastructure.

"This paper is issued to stimulate discussion regarding issues faced by enterprises that, in addition to communicating financial information through the traditional paper medium, also choose to communicate financial information on their corporate website. The input that we receive will be provided to IFAC's technical committees who may initiate research in this area at a future date," explains Jim Sylph, director of the International Auditing and Assurance Standards Board (IAASB).

The paper may be downloaded at no charge from IFAC's website by going to the auditing section of IFAC online bookstore (www.ifac.org/store). Comments on the paper may be e-mailed directly to jimsylph@ifac.org. AN

IFAC Commits to Translating Public Sector Accounting Standards with IASB

Furthering its efforts to improve financial reporting by governments worldwide, the International Accounting Standards Board (IASB) and the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) will work together to translate the accrual basis International Public Sector Accounting Standards (IPSASs) into languages other than English. These IPSASs are based on International Accounting Standards (IASs) to the extent that the requirements of those IASs are applicable to the public sector.

"We are very grateful that the IASB has agreed to assist in translating the IPSASs. Translation of the IPSASs into different languages is essential to ensure that these standards are available to public sector entities around the world. This arrangement will enable the PSC to leverage the experience the IASB has gained in translating IASs and will ensure that the translations will be of a consistently high quality and prepared in a cost-efficient basis," said Ian Mackintosh, PSC Chairman.

"It is important that translations of international accounting standards, whether for the private or the public sectors, are of a consistently high quality. The IASB has expertise in translating the IASs on which many of the IPSASs are based, and the operational processes to deliver high quality translations in a timely manner. We are pleased to assist the Public Sector Committee in the translation process, thus helping them accomplish their important mission of improving governmental accountability," said Kurt Ramin, IASB Commercial Director.

The PSC has commissioned the translation of the first 18 IPSASs into French and Spanish through the IASB process. It is anticipated that the translated IPSASs will be available by the first quarter of 2003. The IPSASs may also be translated into other languages as resources permit. The PSC encourages professional bodies and other organisations contemplating translation of IPSASs to consider application of the IASB process to their translation. For more information about the IASB translation process, contact Kurt Ramin at the IASB (kramin@iasb.org.uk). AN

Tax Dialogues

A total of three tax dialogues were held in Johor between the months of April to June 2002. At the closed door Johor Bahru Tax Dialogue with the Inland Revenue Board on 17 April 2002, MIA was represented by Branch Chairman Sam Soh and four members of the Taxation Sub-committee. Earlier the Branch had submitted a Memorandum to the IRB on various tax issues and queries including tax operational, administrative and technical matters. Also present at this dialogue were representatives from the Malaysian Institute of Taxation (MIT) and the Malaysian Association of Tax Accountants (MATA). The dialogue was chaired by Ng Oi Leng, Branch Head of IRB Johor Bahru.

Over 40 MIA, MIT and MATA members from Batu Pahat, Kluang and Yong Peng together with the respective IRB heads attended the Kluang Tax Dialogue chaired by Hajjah Noor Izzah Mansor, Head of IRB Kluang on 2 May 2002. It was a productive exchange of views on tax matters and queries ranging from S108 credit/Form R, field audit, self-assessment system to payment and refund of tax, among others.

The third tax dialogue was held in Muar on 20 June 2002 with over 20 MIA, MIT and MATA members from Muar and Segamat in attendance. Muar IRB Head, Haji Mohd Ali chaired this lively dialogue. AN

Tax Dialogue in Kluang ... MIA, MIT and MATA delegates together with the IRB officers. Hjh Noor Izzah Mansor, Sam Soh and Steven Chong (5th, 4th and 3rd from right respectively)

Tax Dialogue in Johor Bahru ... From left : S. E. Lai, Steven Chong, Sam Soh, Ng Oi Leng, Lee Li Ming and Tai Lai Kok

Members' Dialogue

Council Members Nik Mohd Hasyudeen Yusoff, Abdul Rahim Abdul Hamid, Raymond Liew and Datuk Nur Jazlan Tan Sri Mohamed together with the Chairman of the Small Practitioners' Working Group Peter Lim had a fruitful session with 80 MIA members at the MIA Members' Dialogue in Johor Bahru on 22 May 2002. Apart from being enlightened on the Institute's new strategic direction and revised By-Laws, members also raised pertinent questions relating to practice review, scale fees, globalisation, liberalisation of trade in services and public perception of the profession. AN

A cross section of MIA members at the Members' Dialogue

From left ... Peter Lim, Abdul Rahim, Nik Hasyudeen, Sam Soh, Raymond Liew and Datuk Nur Jazlan

Dialogue with Customs

A seminar on Service Tax organised by the Johor Branch Customs Department on 6 June 2002 received good response with 80 MIA members in attendance. Also present were Ibrahim Jaapar, Director of Johor Customs and Excise Department together with his deputy Haji Shaari Abdul Manaf. AN

Participants listening attentively during the dialogue

From left ... Haji Shaari Abdul Manaf, Ibrahim Jaapar and Sam Soh

MIA SARAWAK BRANCH

SARAWAK/KEDAH & PERLIS

Practice Review Forum in East Malaysian States

The Strategic Working Group overseeing the implementation of the Practice Review programme was represented by Council Member, Raymond Liew and Johnny Yong, Manager of Practice Matters at the practitioners forum conducted at the MIA Sabah Branch Office and MIA Sarawak Branch Office in September. Members were briefed on the detailed framework for the implementation of a quality assurance review programme in Malaysia and their comments, views and opinions were recorded and submitted to the Working Group to consider before finalisation.

Both branches' chapters had earlier held practitioners dialogues with their respective chapter members and their views were mentioned by the chapters' representatives at the branches' forum. Members' main concerns were the applicability of standard review on firms with varying size and control, capability of reviewer, confidentiality and most of all, financial burden on smaller firms. AN

Members taking a much welcomed coffee break in the Kuching office

Sabah members at the practitioners' forum in the Kota Kinabalu office

Raymond Liew (council member) with Sabah Branch Chairperson, Alexandra Thien listening attentively to the presentation on Practice Review Framework

Among the many participants at the forum held in Kuching office

Sarawak members pose for a picture during the tea break in the Kuching Office

(L-R) MIA Council Member, Raymond Liew with MIA Secretariat staff, Johnny Yong and Alice, Chairman of Sarawak Branch PPTC, Wan Idris Ibrahim and Sarawak Branch Chairman, David Tiang

Courtesy Call

MIA KEDAH/ PERLIS BRANCH

A courtesy call was made on the Pengurus Negeri, Suruhanjaya Syarikat Chapter Malaysia, Kedah on 30 June 2002, in conjunction with the incorporation of Suruhanjaya Syarikat Malaysia and the taking over of all the statutory duties of the Registry of Companies and Registry of Businesses. AN

Participants from L to R : Por Lee Tee, Chairman;, Shamsinah Salleh, Committee Member; Haji Najib bin Abu Samad, Pengurus Negeri, Suruhanjaya Syarikat Malaysia, Kedah; Chan Boon Jiunn, Committee Member; Jamilah Shuib, Secretary and Lim Han Ho, Treasurer

MAKE MEMORY A Management Tool

By Davis Sharp

Although older people are often forgetful, ageing itself is not the cause. Memory can be just as affected by medication, illness, alcohol, depression, stress or isolation. If you or an older person, become increasingly forgetful, visit a doctor to see if there are any physical causes and if it can be remedied.

You can make life easier for somebody whose memory is failing by organising the household :

1. Label cabinet doors and drawer fronts with lists of their contents.
2. Paint hot water faucets with red nail polish.
3. Hang a large-type list of emergency numbers by the phone. Or buy a phone with memory features.
4. Place an oversized hook next to the door for keys.
5. Put up a big wall calendar and mark it with reminders of important dates.
6. Talk over upcoming events just before they occur.

MNEMONICS

Mnemonics is more than games we learn in our youth to jog our memory. It is a powerful device to aid your memory. The trick is to remember or recall something by making up a sentence using the first letters of the answer or framing a word or expression to memory. Here are a few examples, which you can build on :

- Daily errands say a trip to the cleaners, market, post office, gas station … Try this : *Clever Mothers Prepare Orange Gravy*
- The colours of the rainbow?
  VIBGYOR (viz., violet, indigo, blue, green, yellow, orange, red.)
- How to remember the direction of Stalagmites & Stalactites? *"When the mites go up the tights (tites) come down!"*
- The colours of certain chemicals (e.g. potassium, sodium, copper, calcium) when you burn them? *"Pop Soy found cog in car!" (Potassium, purple; sodium, yellow; copper, green; calcium, red).*
- Say you have carrots, bread, peanut butter and sugar in your shopping bag and you want to remember these … *"Cats become panicky before shower!"*
- What are the names of those lakes that together form The Great Lakes? Work it out yourselves, the hint word is *"HOMES".*

Having a good memory…

Starting life as a young Naval officer in the Royal Navy, I was always amazed how an Admiral of the Far East Fleet could remember us Junior Officers by name and even recall a conversation he had at a previous meeting with us individually! At that time there were thousands of officers and even more servicemen and we could be meeting him seldom, may be once in a period of twenty months or so. It is an impression that has left an indelible mark in my life!

Having a good memory certainly puts you ahead of friends, colleagues and competitors in both management and business circles. Developing your memory skills will certainly pay dividends. A good start will be in the home environment.

- Try to remember the name of a person you have just been introduced to, first make sure you have heard it correctly. (Ask it to be repeated or spelt out if you are not sure.) Then call the person by that name in your conversation and again when you say goodbye.
- If you find it difficult to remember the names of your friend's children straight, jot them down next to the friend's name in your address book. (Do the same with business contacts you do not deal with often.)
- Establish a place for putting such easily misplaced items as gloves, keys, reading glasses. Much of what people put down to bad memory is really nothing but bad organisation.
- Keep a pad and pencil near your telephone and also in your pocket, car and purse/handbag. Normally if you write something down you do not have to worry about remembering it. Make it a habit though to go through your list or pad at a set time every day e.g. right after your breakfast.
- Do not be afraid to talk to yourself! "No, you are not nutty!" For example if you are on your way out of the house when the telephone rings: put your car keys on the table and say out aloud, "OK, I am putting my keys on the dining table." It may sound silly, but it will help you fix the location of the keys in your mind.
- You can use the same principle if you have to take medicine daily. Before swallowing your pill say out aloud, "OK I am taking my pill now." You will not be wondering an hour later whether you have taken the pill. There are other techniques too e.g. moving your wrist watch from the left to right hand, shifting a particular object from your left pocket to the right pocket, simply loosening the knot on your handkerchief after you have completed the chore.
- Give your memory a regular workout by playing quiz games that demand quick recall or card games (such as bridge or concentration) that require you to keep track of the cards played.
- To remember the main points or topics of a talk you are about to give, associate each one with a room in your house. As you give your talk visualise yourself moving from one room to the next, thereby covering the topics.

Like I said earlier memory loss has a reason. Find that reason. Develop your memory to reap the benefit of success in your career and lifestyle. You do not have to step out of the bath and run naked shouting, "Eureka"! *("Now, who said that……?")* AN

LONE-RANGER :

Are you a Natural Born Loner?

Married couples often find themselves alone in the house without their partner. It maybe that you are 'single' and therefore currently unattached. When it comes to living alone : are you happy as the day wears on — content on being solo; or are you constantly flustered by the hazards of daily life; or do you send out an "all points alert for missing partner" …

TAKE THIS QUIZ TO DISCOVER!

1 Your partner is outstation on business and you are alone for one week. Do you :

a. Cope somehow, but miss the partner.
b. Breathe a sigh of relief & prepare to enjoy the week.
c. Loathe every minute.

2 When you are alone, do you :

a. Cook a full meal (dinner) for yourself.
b. Cook a light meal, something easy.
c. Snack on some leftovers or anything from the fridge.

3 Your fridge decides to freeze up, when your partner is still away. Do you :

a. Defrost it efficiently.
b. Uncertain, you damage the fridge in your attempts to thaw out.
c. Leave it be, because it's not your job anyway.

4 What is your favourite evening recreation?

a. Chatting with someone.
b. Watching television, listening to classical music, reading.
c. A bit of reading, television, going out to the cinema with friend.

5 Do you have your own private room or den in the house, which is taboo to others?

a. Yes, I need this to protect my privacy, my sanity.
b. No, why do you need it anyway. I've the house.
c. I would like to, but no : it's not possible with my housemate — my partner, and also I do not really mind sharing the house and all!

6 When it comes to household chores, do you :

a. Share the chores equally.
b. Do what is needed as and when required.
c. Like to have everything spic and span, hate it when someone creates a mess. Will do it on my own when this happens.

7 Your partner is home and your favourite programme comes on, but your partner is interested in something else. Do you :

a. Insist on watching your programme & will not take 'NO' for an answer.
b. Concede take a toss of the coin to decide what programme to watch.
c. Come to an alternate agreement with your partner to watch your programme this time round, and give the other the opportunity the next time round (or *vice versa*).

8 When you have a weekend beach holiday, do you plan to :

a. Invite as many friends and family as possible.
b. Have a special outing alone.
c. Take the partner or close family.

9 When it is your birthday, would you be :

a. Throwing a huge party, a gigantic birthday bash.
b. Asking a few close, intimate friends for dinner at home.
c. Celebrating the day alone or with the partner only.

10 At work in your organisation, do you prefer to work :

a. Individually alone.
b. As part of an office task team.
c. Ideally a combination of both of the above.

CALCULATE YOUR SCORE

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

70-100 : Well you are a natural born LONER. You are quite content with your own company and you like your life to run as you plan, almost no input from others. Wherever you are — at home, office or social venue — you tend to stick to yourself. Look it's fine, OK, if you are not lonely — but are you? Could shyness be a problem why you have this self-imposed 'shell' life? Consider carefully if that is the type you really like to lead. If not a little company wouldn't hurt eh?

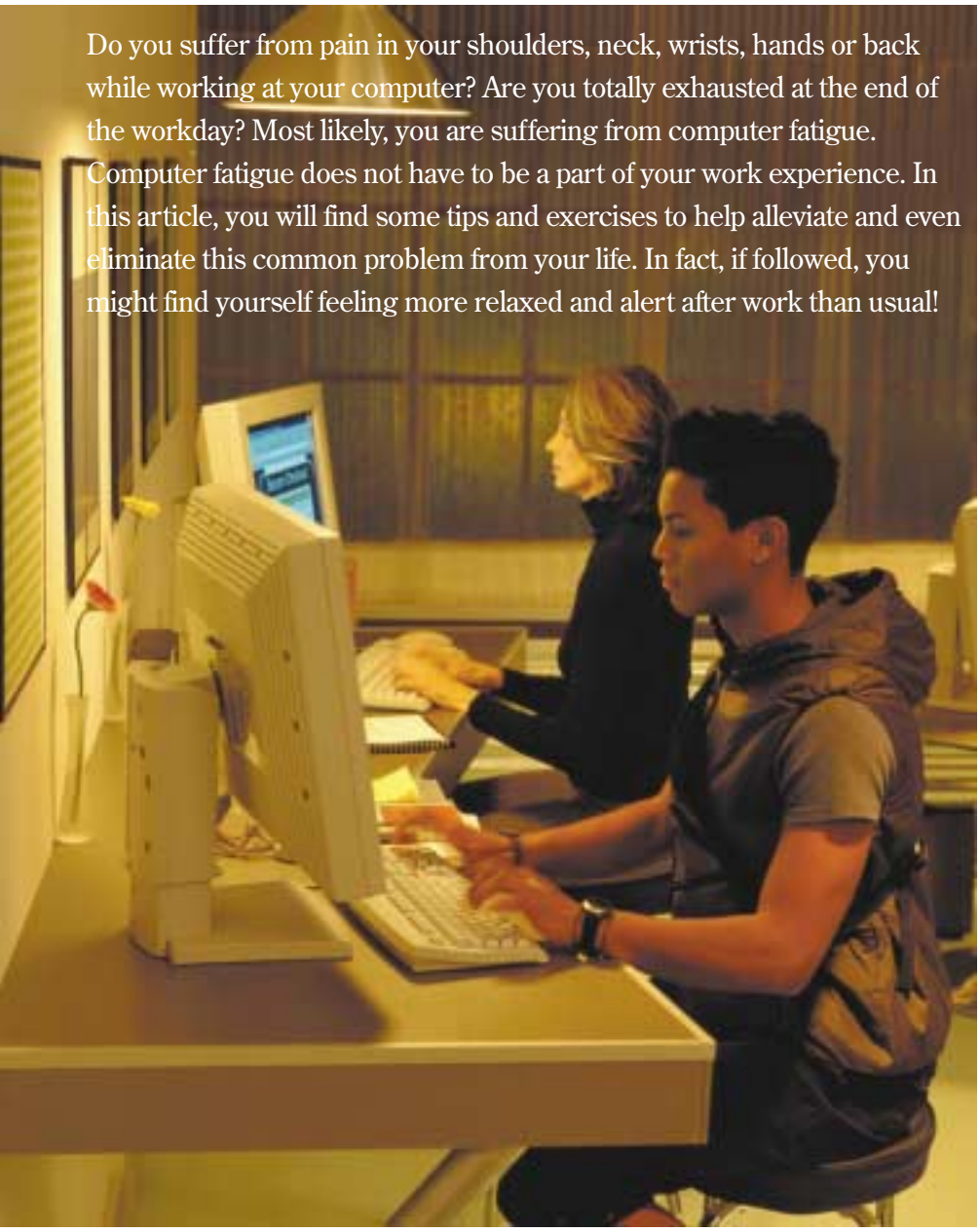
40-65 : You appear to have a healthy cocktail-mix of liking it in company as well as moments alone. You certainly enjoy the company of others but you reckon your own company is best sometimes! It maybe that those select quiet moments give you an opportunity to recharge your batteries for work and social pursuits.

0-35 : You hate being alone, so don't even try! You do best, you excel in the company of others. An empty house will be just that — you will be traversing from one room to the other aimlessly — bored and restless. Both at work and at play, you thrive when there is company and company is essential to your success. Do not give up your friends, they love you for what you are. AN

Combating COMPUTER FATIGUE

By Christina Chew, PROHIGHWAY HEALTHCARE

Do you suffer from pain in your shoulders, neck, wrists, hands or back while working at your computer? Are you totally exhausted at the end of the workday? Most likely, you are suffering from computer fatigue. Computer fatigue does not have to be a part of your work experience. In this article, you will find some tips and exercises to help alleviate and even eliminate this common problem from your life. In fact, if followed, you might find yourself feeling more relaxed and alert after work than usual!



As early as the 18th Century, doctors noticed that workers whose jobs required them to maintain certain body positions for long periods of time developed musculo-skeletal problems. Research in the last 20 years has clearly established the connection between certain job tasks and repetitive stress injuries (RSI's).

Two elements are at work here : "static work and force."

Static work refers to the musculo-skeletal effort necessary to hold a certain position, even a comfortable one. An example would be sitting and working at computers. Keeping your head and torso upright requires either small or great amounts of static work depending on the body positions we choose and their efficiency.

Force refers to the amount of tension that our muscles generate. An example would be tilting your head forward or backward from a vertical, neutral position. This results in four times the amount of force on your lower neck vertebrae, due to the increase in muscular tension necessary to support your head in a tilted position.

The term 'ergonomics' is derived from two Greek words : 'erg,' meaning work and 'nomoi,' meaning natural laws. Ergonomists study human capabilities in relationship to work demands. They have attempted to define postures, which minimise unnecessary static work and reduce the forces acting on the body. There are a few basic ergonomic principles, which one should follow which would help reduce our risk of injury :

- Work activities should be carried out with the joints at about mid-point of their range of movement. This applies particularly to the head, upper limbs and trunk.
- All work activities should allow the worker to adopt several different but equally safe and healthy postures.
- The largest appropriate muscle groups available should be used where muscular force is to be exerted.

You will probably recognise some of the following symptoms that can occur from static work and force as a result of working on your computer : backache, tight and/or sore shoulder muscles, hand soreness, eye-strain as well as aches and soreness in underused buttock and thigh muscles as well as just feeling generally stressed. Here are some things that you can do to help alleviate these problems.

Correct Posture and Positioning at Your Workstation

You can work more comfortably and safely if you incorporate the following ergonomic tips into your work style :

1 The most important piece of office equipment is your chair. It should have an adjustable seat. Adjust it so that it angles slightly down. This will help keep pressure off the lower back. If you have to work with keyboards for long periods, angle the seat down in front. Your chair should swivel and move. It should also have lower back (lumbar) support as well as adjustable armrests.

2 When working at the keyboard, maintain good posture. Make sure that your lower back is firmly against the chair back. Your back curves should be maintained with the use of a chair with good back support. If necessary, use a rolled towel or wedge pillow at the base of your back to support your lumbar spine.

3 Your feet should be well supported either on the floor or on a footrest when you are working to help reduce the pressure on your lower back.

4 Your shoulders should be relaxed and your arms kept close to your sides while working.

5 Your elbows should be kept at 100 to 110° when using the keyboard and mouse.

6 Try not to twist or bend your trunk or neck when working. Work for copying should be positioned directly in front of you and angled upward on a copyholder.

7 Keep work materials within close reach.

8 Change your position/tasks frequently.

Your Work Pace

Your work pace may also have an adverse effect on your health. It is important that you :

1 Work at a reasonable pace.

2 Take frequent breaks and rests during the day. If possible, take one or two minutes every 15-20 minutes and a five-minute break every hour. Every few hours you should get up and move around and do an alternative activity.

3 Keep your fingers and knuckles relaxed when working at the keyboard.

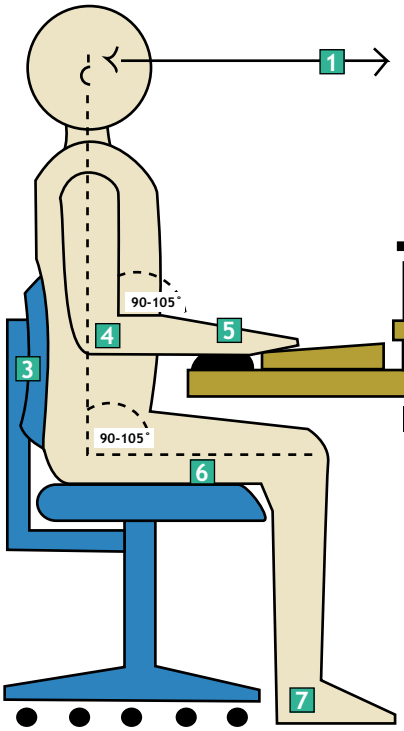
4 Do not hold a pen or a pencil when keying.

5 Do not hit the keyboard with excessive force. Most people use four times as much strength as needed. Type lightly.

6 Rest your eyes by refocusing on distant objects while working

7 Perform alternate tasks so that there is a change in your working position to avoid making the same movements for long periods of time.

8 Reduce repetitive motions as much as you can by the use of macros or software programs allowing "sticky keys". Scroll locks and keystroke combinations can reduce pointing device movements.



CHECKLIST for a User-Friendly Workstation	
1	The distance of the screen should be at arm's length (15-32") Top of screen must be at eye level; lower for bifocal wearers
2	The document holder should be adjustable to screen height
3	Seat and chair back easily adjustable for height and tilt. Lower back support provided by chair backrest
4	Height of the keyboard promotes relaxed arms with forearms parallel to the floor
5	If required, padded, movable wrist rest at the same height as the keyboard home row
6	Keep thighs parallel to the floor There should be ample legroom under the work surface
7	Rest feet firmly on foot rest or floor

Your Work Environment

1 Avoid excess reaching over the keyboard or work materials when writing at the computer.

2 The monitor should be positioned so that the viewed part of the screen allows you to keep your neck in a straight or neutral position. The monitor should be placed directly in front of you. The top of the computer screen should be slightly below the top of your head so that you are actually looking slightly downwards.

3 To eliminate excessive glare, position your monitor correctly. Reflections from windows or overhead lighting should be avoided.

4 Avoid excessive reaching when working at the computer. Keep all necessary working materials within reach.

5 A keyboard tray should be used to properly position your keyboard and pointing device.

6 The copyholder should be in line with your monitor and keyboard.

7 Use your software to customise your computer.

Your Lifestyle

Exercise is essential to sustain strength, improve cardiovascular heart rate and counteract the strain of sedentary computer use.

If you have difficulty in finding the time to go to a gym, here are some helpful exercises and tips that you can carry out in your work area to help alleviate and avoid these energy-robbing aches and strains.

Workstation Exercises and Tips

Exercise your eyes to prevent eyestrain

- Just as your muscles need to be exercised so do your eyes. Look away from the computer screen every 30 to 45 minutes. Focus on the farthest object available. Use any stationary object that maximally stretches your visual focus e.g. tree, building, sign. When you feel that your eyes have adjusted (3-5 seconds), focus on another object that is half way between the previous object and your computer screen or even closer for a few seconds. Stare at each point long enough for your eyes to become comfortable. This exercise is great to do when you are on the telephone, while doing internet searches or waiting for a document to print.
- Palm your eyes every hour or so. Try to get into a reclining position if possible, then rub your hands together until heat is generated, then place your palms over

your eyes. Leave them there while breathing naturally, deeply and fully for three to five minutes. Relaxing the eyes calms your body and mind.

- Blink often when viewing the monitor.
- Natural tears are useful if you experience drying of the eyes.
- Reduce the glare on your computer screen by adjusting its placement and tilt, use a glare guard or window blinds and light filters.

Hands and Wrists

Most injuries that affect the hands and wrists are due to force/pressure resulting from repetitive strain.

- Massage the pad of your hand under each thumb. Use your thumb and massage the palm of the opposite hand using small circular motions. Starting with the thumb at bottom of the palm, press your thumb into your hand and move it smoothly towards each finger, including the thumb. This feels great and helps to keep your hands warm and supple.
- Chinese "chee-gung" handballs are widely available and fairly inexpensive and great for massaging your hands. Hold both balls in your palm and roll them around your hand. Work counter clockwise also. This activity is purported to have many traditional beneficial effects such as strengthening the hands, improving circulation to hands and fingers, and also helping in the prevention of arthritis and rheumatism in the arm and shoulder joints. Apart from a therapeutic point of view, they also look great on your desk!
- Stretch your fingers gently out like a cat clawing, keeping your wrists straight. Hold for 10 seconds. Relax, bending your fingers at the knuckles, while keeping your wrists straight. Hold for another 10 seconds. Stretch your fingers out again for a further 10 seconds.

Neck Stretch

- Stand or sit up straight relaxing your shoulders, looking straight ahead. Turn your chin slowly towards one shoulder. Hold for 10-20 seconds. Repeat on the other side. Complete each side twice.

Wrist/Forearm Stretch

- Stand or sit up straight. Hold one arm straight in front of you keeping your elbow straight. Push your palm away from you with your fingers up. Gently bend the wrist back by pushing on the fingers of the outstretched hand with the opposite hand. Hold for five seconds. Repeat on the opposite hand.

Upper Arm Stretch

- Stand or sit up straight with your shoulders relaxed, looking straight ahead. Put your hand on your back. Point your elbow towards the ceiling. Pull your elbow behind your head with your opposite hand until you feel an easy stretch in your shoulder or upper arm. Hold for 30 seconds. Repeat on opposite side.

Shoulder Stretch

- Sit or stand up straight relaxing your shoulders. Look straight ahead. Lift your shoulders towards your ears until you feel a slight tension in your neck and shoulders. Invite all the tension in your body to rise to your shoulders as you breathe in deeply. Then, imagine the tension being carried out of your body through your shoulders, down your arms as you exhale. Hold for five seconds and then drop your shoulders to their normal position. Repeat two or three times.

Upper Back Stretch

- Stand or sit with your shoulders relaxed looking straight ahead. Place your fingers behind your head and interlock them keeping your elbows out to the side. Pull your shoulder blades together at the back until you feel a slight tension in your upper back and shoulder blades without arching your back. Hold for eight to 10 seconds. Relax. Repeat several times.

Lower Back Stretch

- Stand with your feet about shoulder width apart and do not lock your knees. Place your hands just above your hips, pointing your fingers downwards. Push your palms forward gently bending back at the waist. Look straight ahead keeping your head forward. Hold for 10 to 12 seconds. Repeat twice.

Of the exercises listed here, even if you choose just one or two hints and exercises from each segment — the relief you will feel will make it far worth the effort! Happy exercising.

Best Prevention Methods

The best prevention technique is simply to take frequent breaks. Why not take a brisk 10-minute walk at lunchtime, do some deep breathing or just stand up by your desk and do some simple stretches. Short spurts of exercise taken throughout the day will help with weight loss and also help to lower heart rates. Use the stairs instead of the elevator.

During rest periods, relax your hands, let them go limp, shake them out, massage them.

You will be more productive if you break at least once every 45 minutes. The best approach is "20/20". This means that every twenty minutes you get up and move around and stretch for 20 seconds.

It is important to listen to the signals your body gives you. If you suffer pain in different areas of your body while at work, examine your work area and work practices to see if they may be causing the problems. Remember, small modifications to work procedures, posture, habits and/or workstation design can make a big difference in the way you feel at the end of the day. AN

Brief Profile on www.prohighwayhealthcare.com

ProHighway Healthcare Sdn Bhd provides health information to the public through its URL www.prohighwayhealthcare.com

Such information includes useful health tips that range from baby to elderly health as well as information on diseases, drugs, statistics and treatment contributed by various national organisations such as the National Cancer Society and Malaysian Aids Council.

Linkages with various other websites also provide wider and more comprehensive content. Other community services in the URL are :

1. **Healthcare Live Chat** that is on every Tuesday from 9.00 p.m. till 10.00 p.m. A medical specialist is present to "chat" online with the public over the Internet on a particular medical topic.
2. **Ask Dr Bella**. A question & answer column where the public can ask our team of medical specialists' health questions.
3. **E-Family Counselling** column, working with a team of professional counsellors from "Focus on the Family" to meeting the needs of the public.

ACCA's Business Navigator — A Practitioner's Tool for SMEs

The Association of Chartered Certified Accountants (ACCA) has organised a series of **FREE** seminars to introduce the "ACCA Business Navigator" at various venues in Malaysia — Kuala Lumpur, Kota Bharu, Penang, Kuching and Kota Kinabalu.

As the market is rapidly changing everyday, today's accountancy practices need to go beyond the normal routine and be adaptable to meet the challenges. Thus SMEs will require financial advisers who go beyond providing financial statements and will look for professionals who could provide real added value to the traditional services.

The ACCA Business Navigator has been designed to assist practitioners to organise and offer value-added services to SMEs. This is a complete and comprehensive business tool with step-by-step processes ranging from technical guidance, various business and financial analysis to marketing.

"The aim of having the ACCA Business Navigator is to make significant performance improvement to businesses, to help identify practical solutions and to implement change. Five key areas are analysed : better cash flow, improved profitability, higher returns to owners, improved long term stability. The seminar is a must for financial practitioners", said Janice Wong, ACCA's Manager for Member Services.

The seminars which were held from 24-28 June 2002 received a very good response from ACCA members and the public. Glenn Collins, ACCA Technical Adviser for Members Affairs from the UK was the speaker for the seminars. Previously he had worked for 15 years in a medium-sized practice as an audit manager and business advisor. He was particularly involved in business development advice for organisations with sales of up to £45 million.

The introduction seminars were part one of a series of two seminars. The second part of the seminars is called "ACCA Business Navigator — Accreditation Course". It is a one-day seminar in which the participants will receive a CD-ROM and workpack once they attend the course. The seminars will be held from 9-18 September 2002 at various venues : Kota Bharu, Penang, Kuala Lumpur, Kuching and Kota Kinabalu. AN

For further details please visit our website at www.accaglobal.com/business.navigator

ACCA Receives Second Queen's Award in 12 Months

The Association of Chartered Certified Accountants (ACCA) has received its second Queen's Award for Enterprise in the space of 12 months — its third in total. ACCA has been honoured for its continuing innovative work on social and environmental issues with the confirmation of the Queen's Award for Enterprise in the Sustainable Development category.

This award follows ACCA's honour in 2001 when it received a Queen's Award for Enterprise in International Trade, recognising the growth of ACCA and its role in 160 countries worldwide. ACCA's first Queen's Award, for Export Achievement, was presented in 1996.

The latest Award has been gained by ACCA in recognition of its continuous achievement in sustainable development through its Social and Environmental Issues Programme. ACCA has played a leading role in raising the profile of sustainable development and corporate social responsibility in both the accounting profession and UK companies. Its syllabus contains direct references to environmental and social accounting, reporting and auditing. ACCA has also developed one of the first award schemes to encourage organisations to produce social, environmental and sustainability reports, which has lead to events being planned in nearly 20 countries this year.

ACCA Chief Executive Anthea Rose said; " It is vital that businesses realise that the bottom line is not just about profit and loss, but also about the impact which their activities have on the communities and environments in which they operate. We have worked for more that a decade to raise the profile of sustainable development and corporate social responsibility, both within the accounting profession and the wider business community. We are doubly delighted to have received this award, particularly in light of the rare achievement of receiving a Queen's Award in consecutive years."

Upon receiving the news, Adelina Iskandar, Manager, Corporate Communications of ACCA Malaysia Sdn Bhd said that the Award is further proof of ACCA's high commitment towards promoting environmental reporting as the tool to measure an organisation's performance in environmental issues.

"In Malaysia, we are also following the footsteps of ACCA in UK — to launch and promote environmental reporting through our Environmental Reporting Award (ERA) soon this year. We are very proud of the award and it increases our motivation to further promote ERA in Malaysia and convince corporations in Malaysia of the importance of environmental issues and our roles to achieve sustainable development through the various actions of corporations." AN

CIMA

A Profession Transforming

There are many macro drivers of change that accountants should be aware of, President of CIMA UK, Harry Byrne, said in his Presidential Address at the CIMA Management Accounting Conference (CMAC 2002) in August in Kuala Lumpur. These include the globalisation of products and capital markets, business and competition driven primarily by the liberalisation of global capital and the information technology revolution. Other drivers of change are the transformation to a knowledge economy and the centrality of intangibles to wealth creation. The dynamics of change have speeded up together with increasing unpredictability and ambiguity.

Byrne added, "The new business environment is characterised by the empowerment of customers and the skills and empowerment of frontline staff to make organisations more responsive to customers. Increasingly, there are flexible organisational structures based on networks and alliances and these are refocused around core competencies. Shifts in the nature of management have placed a premium on better strategic management, decision-making and change management. All these result in a blurring of professional domains and the structures of professionalism."

Themed *Management Accounting in the 21st Century — Appraising Opportunities and Challenges*, the conference attracted more than 300 participants. In his Welcome Address before the Opening Ceremony of CMAC 2002, YBhg Dato' O. K. Lee, President of the CIMA Malaysia Division, told participants that management accounting is not so well defined in this region. Dato' Lee is confident, however, that this will change in time to come as the industry matures and as more and more employers understand the role of management accountants. "Studies on successful organisations worldwide clearly point to the potential of management accounting information as a competitive tool for planning, implementing, controlling and decision-making," he said

The Opening Ceremony was graced by Guest-of-Honour, YB Dato' Fu Ah Kiow, Parliamentary Secretary of the Ministry of International Trade and Industry. YB Dato' Fu Ah Kiow delivered the Keynote Address on behalf of YB Dato' Seri Rafidah Aziz, Minister of International Trade and Industry who was unable to attend. In her message, Dato' Seri Rafidah said, "Malaysian accountants should play a greater role in the region by forming strategic regional partnerships, while small local accounting firms should merge to prepare for competition. Malaysia's participation in the ASEAN Framework of Agreement on Services (AFAS) meant the liberalisation of accountancy services within the country was inevitable.

At the opening ceremony … YB Dato' Fu Ah Kiow (left), Harry Byrne (right) and YBhg Dato' O. K. Lee

Enjoying a break at CMAC — (from left) Ambalagam Marappan, P. Rajasundram and Tan Chee Phin

A section of the crowd at CMAC 2002

Malaysia, which currently allows a ceiling of 30 per cent foreign ownership of accountancy firms would liberalise the sector to allow 35 per cent equity from ASEAN members."

Dato' Seri Rafidah also urged accountants to exploit the opportunities offered by the progressive liberalisation of services offered under AFAS, citing examples of Cambodia, which allowed the establishment of representative offices; Indonesia and Thailand, which allowed 49 per cent foreign equity; the Philippines, which provide for partnership practice, Vietnam, joint ventures, and Singapore, where there were no limitations on equity.

The Scenario in 2010

The 2002 International Federation of Accountants (IFAC) study of Chief Financial Officers (CFOs) showed how the profession is responding to the challenges. The view that came out of the interviews with 10 top level CFOs was that the role of finance would change from one of transaction manager to communicator and strategist. It was always information, its uses and power, which lay in the heart of what each of them was saying.

The IFAC project brought a number of issues which indicate the role of the finance professional in 2010. The first is that of information provider. To improve strategic thinking and decision-making capability and to empower employees to manage operations on a day-to-day basis will require :

- Analysis, and not just quantity of reporting;
- User friendly systems which can handle a dynamic environment;
- Data integration and integrity; and
- Web-enabled decision support tools.

The finance professional will also act as a guardian involved in compliance, control and risk management. In addition, they may act as a partner to the CEO although the relationship would often depend on the organisation and its culture. A further challenge for management accountants and CFOs will be to communicate strategy internally and externally, particularly as management's credibility is one of the most crucial intangible value drivers common to all businesses today.

First class communication skills will be invaluable to finance professionals on two levels. Internally, written and verbal communication of very high quality will be needed, particularly as finance professionals will be increasingly moved into the front lines (at operational and strategic level) to develop non-financial people to be more financially aware. Externally, finance professionals will be subject to negotiations with funds providers, outsource and service providers, auditors, lawyers, business partners, customers, suppliers, governments and many others.

In essence, finance professionals need to review their role and re-invent themselves to face the challenges ahead. AN

Behn Meyer Accredited by CIMA as "Quality Approved" Training Partner

Behn Meyer & Co. (M) Sdn Bhd has been accredited by CIMA, UK as a "Quality Approved" training partner. CIMA is a leading international professional body with a recognised employer training scheme for management accountants.

CIMA provides two levels of accreditation in its Training Through Partnership Scheme — "CIMA Recognised Status" and "CIMA Quality Approved". As a Quality Approved partner, Behn Meyer joins the ranks of 2,000 CIMA accredited companies worldwide that demonstrate the best practical support for staff development measured in various areas. The assessed areas include financial support, review and monitoring procedures, study support and management involvement in staff training and development.

CIMA Malaysia Division announced Behn Meyer's accreditation in a press statement, which quoted the Company's Managing Director, Haji Mohd Razali Mohd Amin, as saying : "We are proud to receive CIMA's Quality Approved status and believe that this partnership will ensure that the best support and relevant practical experience are provided to CIMA students within our organisation to qualify as Chartered Management Accountants."

Behn Meyer is one of Malaysia's pioneer trading and manufacturing groups involved in fertiliser and crop protection products, speciality and fine chemicals, trading, export and engineering. It has six operating companies, each specialising in specific industries and supported by a wide network of branches, warehouses and logistics facilities throughout the country. AN

Behn Meyer's Managing Director, Haji Mohd Razali Mohd Amin, receiving the TTP Certificate from Sopiah Suid, Divisional Director of CIMA Malaysia Division

"The Way Up" — Sabah State Conference

16 and 17 August were special days for CPA Australia members in Sabah. It was the gathering of over 300 delegates at the newly built Sutera Harbour Resort near Kota Kinabalu for the Sabah State Conference. Themed "The Way Up," and with Mt. Kinabalu serving as the logo, the conference received much publicity.

YAB Dato Chong Kah Kiat who officiated the opening of the conference noted that it was a historical moment for CPA Australia as it was the first time that they had staged a conference in East Malaysia. He was of the opinion that the conference was one of the best planned and that topics for discussion were most appropriate, given the backdrop of uncertainties that the world was facing.

The Divisional President of CPA Australia, Albert Wong, and the National President of CPA Australia, Brian Blood, gave the welcoming address. Both emphasised the importance of corporate governance.

"We have a deep-seated obligation to contribute to research and debate, to forge practices that will ensure full accountability for outcomes and transparency of processes," said Albert Wong. When inducting young members to the profession, we exhort them to observe the trident qualities of "Competence, Integrity and Objectivity". He announced that the Malaysia Division had embarked upon research into and publication of a comprehensive financial reporting framework to guide members in their professional commitment.

Brian Blood was of the opinion that the public discussion on standards of corporate governance was healthy and brought to the fore "the basic standards that are at the very heart of holding the CPA Australia qualification".

The Faculty

The conference brought to centre stage a panel of experts and chief executives who shared their thoughts, skills and experiences on the Malaysian economy and business practices.

Warm Greetings ... Sabah Chief Minister, YAB Dato' Chong Kah Kiat was given a traditional welcome by the organiser, CPA Austalia

The Divisional President of CPA Australia, Albert Wong, giving his opening remarks

YAB Dato' Chong Kah Kiat together with Albert Wong and the National President of CPA Australia, Brian Blood, visiting an exhibitor's booth

Notable among the speakers were Dr. Mohamed Arif Abdul Kareem, Executive Director of the Malaysian Institute of Economic Research (MIER), YBhg Dato' Megat Najmuddin Khas, President of the Malaysian Institute of Corporate Governance (MICG), Dr. Veerinderjeet Singh, the Executive Director of Ernst & Young and YBhg Dato' Mohd Salleh Masduki, CEO of Commerce Dot Com Sdn Bhd. Also present were John Petty, a business consultant and incoming Australian Representative on the IFAC Financial Management Committee and Dr. Mohamed Arif Nun, Vice-President of the Multimedia Development Corporation Sdn Bhd.

The conference ended with a panel of CEOs from four companies, who shared their expectations and experiences of finance professionals.

On site observation of management strategies

On the following day, delegates were taken to visit two companies — Innoprise Wood Products, that manufactures wooden furniture for export, and the Orchid De Villa, an orchid farm, majoring in exports. At the core of the visit were briefings on key business strategies of the host company. AN

Top Candidates Honoured for Success in CPA Programme

For the first time in our operations in Malaysia, a special presentation ceremony was held on 2 August 2002 at the Hilton, Petaling Jaya, for candidates who excelled in the CPA Programme as well as members advancing to CPA and FCPA status. Tan Sri Dr. Wan Zahid Nordin, former Director-General, Ministry of Education, gave away the Special Awards and certificates for advancement to CPA and FCPA. Rob Turner, General Counsel of CPA Australia, who was in Kuala Lumpur was invited to present certificates to High Distinction achievers in the various segments of the CPA Programme in semester 1, 2002.

Chia Shin Ywee and Shantimalar Balasingham received the prestigious Australian *Business Review Weekly Award* for their outstanding performance in the semester 2, 2001 CPA Programme. The award is given to the top eight candidates in the world who complete the CPA Programme with a High Distinction in all five segments. The award also carries with it subscription exemptions for the journal.

Chee Wai Loon and Lily Yong were awarded for having achieved high distinctions in all the five subjects of the CPA Programme in semester 1, 2002. Chee also won the *Microsoft High Achievers Award*. This award is given to the top candidate in each Division who completes the CPA Programme with High Distinctions in all five segments. He received a Microsoft Office software package. His advice to those who wished to do well was, "Study hard and study smart". However, he added that it was better to learn and understand the material rather than studying for the sake of passing examinations.

The ceremony also saw 25 Associate Members being advanced to CPA status and the three who advanced to FCPA were Gan Ho Ong, Thomas Law Pick Ang and Razimah binti Abdullah.

Congratulations to all of you! AN

Members who achieved High Distinctions in the CPA Programme

MEMBERSHIP DRIVES IN KOTA KINABALU AND KUCHING

MALAYSIAN ASSOCIATION OF ACCOUNTING ADMINISTRATORS

Incorporation and Aim

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

Main Objectives

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

Council Members (2002 Term)

Elected Members

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

MIA Nominated Members

Manjeet Singh s/o Santokh Singh
Assoc. Prof. Dr. Nafsiah bt. Mohamed
Assoc. Prof Dr. S. Susela Devi

Secretariat Office

Malaysian Association of Accounting Administrators
Dewan Akauntan, 2 Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur.
Tel : 03-2279 9200 or Fax : 03-2274 1783
e-mail : maaa@mia.org.my

Editor for MAAA News : G. Mahadevan

The Membership Drive in both Kota Kinabalu and Kuching was held on 17 and 18 August 2002 respectively. Koo Yew Fook (Vice-President), Mok Kam Seng and Kasim Darus represented the Association. The Committee plan to have Membership Drives in the other regions of Sabah and Sarawak in the future. The programme included an address by the Vice-President of MAAA, Koo Yew Fook, a presentation about MAAA by Mok Kam Seng and a Q&A session. AN

Members listening attentively to the presentation

Vice-President, Koo Yew Fook in the midst of answering questions. Seated with him are Mok Kam Seng and Kasim Darus

A group photograph of the Council Members and members at the membership drive in Kota Kinabalu.

Koo, Mok and Kasim representing the Association in the Membership Drive in Kuching

A short presentation by Koo and Kasim

A Kampung Life

By Anis Ramli

Having been an urban dweller for as long as I can remember, I've forgotten how simple and rewarding a kampung life can be. Until Tanjong Jara Resort beckoned, that is.

I must say that I was intrigued by the whole "unmistakably Malay" motto that resurfaced at the turn of every brochure page of Tanjong Jara Resort. "We don't pretend to be something we're not," says General Manager Peter Bucher. "We're obviously in a land where everything is so deep-rooted in culture and that there's so much we could offer to the guests. So everything — from the way the resort was built to the services that we have to offer — is all centred around the richness of traditional *kampung* life."

Arriving at Tanjong Jara for the first time, the visitor will be left with no doubt of the resort's "Malayness". Its architecture reminisces the grandeur Malay palaces of the past. From the timbered rooftops to the intricate cravings along the wooden corridors, the romance and splendour of 17th Century-styled living is evident.

Initially built by the then Tourist Development Corporation (TDC), YTL Hotel & Resorts acquired the property in the mid-90s and turned it into five-star accommodation. "Even when it was built back then, TDC had the right idea to strike a balance between a holiday resort and the charming life of the surrounding kampung areas," Bucher explained. The natural lagoon at Tanjong Jara, coupled with the scenic beach and pristine jungle around the resort only added to its laidback and surreal setting.

The resort's spa complex is the ultimate treat for the senses

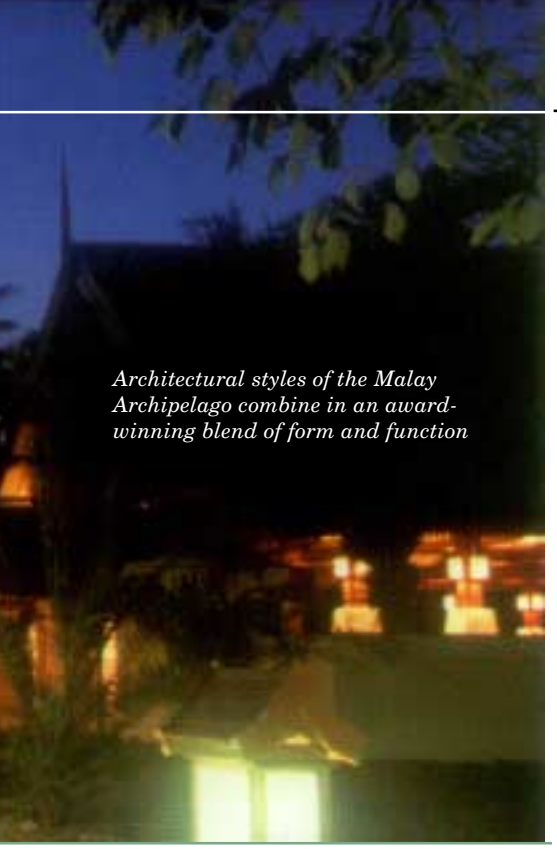
The Fisherman's Friend

The next-door kampung, in fact plays an important role to Tanjong Jara's "unmistakably Malay" experience. Made up of a small community of seasoned seafarers and fishermen, *Seberang Pintasan*, which still retains much of the old way of life, makes a pleasant day-excursion for guests who want to soak up a bit of *kampung* culture.

Everyone knows everyone else by name and everybody's business. Houses are clustered close together and folks still sleep without bolting their doors. The *kampung*'s boat builders continue to make boats the traditional way — without nails or blueprints — and pass on the trait to the next generation, just as their forefathers had before them. And if they're not fishermen, villagers make a living through rearing chickens and cows, giving a glimpse of the old life to the Tanjong Jara Resort guests that come for a visit.

"The day trips are especially popular," begins Bucher. "Many of our foreign guests — in fact even some of the KL urbans — haven't seen chicken laying eggs or how cows are milked. During these visits, they get to experience up close how things were done before there were supermarkets and convenience stores."

While the trips provide the guests with picture-postcard memories or something to write back home, for the resort though, the relationship with the *kampung* folks allows them to practice sustainable development. As Bucher explains, the resort gets its supply of eggs from the villagers, as well as milk. "This works to both our advantages. We get them at prices that are less competitive than the markets, and they in turn, continue to supplement



Architectural styles of the Malay Archipelago combine in an award-winning blend of form and function

their income on top of the fishing."

Previously, the resort got its supply of fish from the villagers as well, but then decided to go one step further. "We've actually got our own fisherman from the next-door village. I think we're the only resort that has a fisherman on our payroll!" Bucher exclaims with a smile. He says the resort decided to take on a fisherman for viable reasons. "Living so close by the sea, what better way to enjoy fresh seafood than to get them yourself? Our fisherman goes off at five in the morning and comes back by lunch hour. His catch goes straight to the kitchen and the guests benefit from this because they'll be having only the freshest of seafood."

This arrangement has also allowed the resort to better manage its resources. "Previously when we went to the market, we not only got fish that was overpriced, but couldn't really count on its freshness. And when there's a surplus, it's harder to pass them around when the quality's been compromised. With a fisherman on the payroll", says Bucher, "any surplus from the night's barbecue (the day's catch are put on grill and charcoal at The Nelayan restaurant) are passed to the staff cafeteria, while anything beyond that is sold to the staff at prices below market value."

"We've always made it a practice to take only what we want from the sea. We'd like to minimise wastage as much as possible and I think by doing this we are contributing to the sustainable development of the community."

A Good Homecoming

Recently, the resort adopted a *Suci Murni* concept to further enhance its unique Malay experience. "It's all about living the good wholesome life," Bucher says of the concept. "We encourage guests to join our staff in the mornings for a light workout that also includes laughter therapy." Inspired by the popularity of the Laughter Club that originated in India — where participants spend an hour exercising laughter for an all-over, feel-good feeling — Bucher says that laughing also works as a precursor to a good day. "Laughing just makes you feel good and has a funny way of destressing you."

Other programmes like hiking trips to the resort's backyard jungle, bamboo-rafting on *Sungai Klemin* (where guests are encouraged to make their own rafts), and the two-kilometre jungle trek to *Chemerong* waterfalls (the highest in the eastcoast) have all been designed to not only pleasure the guests, but also transport them to the fun-filled "*balik kampung*" days of before.

"At the end of the day," says Bucher, "we are still a resort that works to provide a good and memorable holiday experience to the guests. The only difference is, we go back to the grassroots. We take advantage of the fact that we are in Terengganu and this is the eastcoast. We try to introduce a slice of the locals' lifestyles to whoever stays with us. After all, what makes a place interesting is its people and culture." AN

An endless stretch of golden sand

Two pools, two perfect spots to relax … unwind … enjoy

Getting there

From Kuala Terengganu airport, drive along the coastal highway towards Dungun. It is a two hour drive. From Kuantan airport, it's 1 hour 45 minutes.

When to go

Anytime is a good time. Forget the dreaded rainy season. This, in fact is as good a time to go as any because at the resort, there's always something to do anytime of the year.

What to bring

Sunblock, sandals, cotton pants and t-shirts.

Rooms

Choose from Bumbung with a garden view, Serambi with a private terrace or Anjung along the coastline with a large sunken bath and a private garden

Offers

Get in touch with Tanjong Jara directly for a 3D/2N package of only RM699 nett, meals and beverages included! Call (09) 845 1100

Draft Letter of Engagement — Taxation services for Companies

The Institute has issued a guide titled 'Draft Letter of Engagement — Taxation Services for Companies' for members. Members can download the guide from the Institute's website at http://www.mia.org.my under the Technical-Taxation-Circular link. The letter serves as a guide for members in carrying out their duties as tax agents pursuant to the Income Tax Act, 1967. The letter is a basic draft to assist tax agents to prepare their own letter of engagement *vis-a-vis* their clients. Tax agents are advised to reformat the letter to suit their particular needs and circumstances.

Please note that this guide issued by the Institute is to be regarded as opinions on best current practice. However, the opinions in the guide are not the official opinions of MIA or its Council. Any views and opinions are provided gratuitously and without liability. Neither the Institute, its Council or any of its Committees nor its employees shall be responsible or liable for any claims, losses, damages, costs or expenses arising in any way or in any connection with any person relying upon such information or opinions.

The following are clauses which may be included in the letter of engagement for taxation services to be rendered to companies. They serve as a guide for members in drafting their letter of engagement for their tax practices. Members should make the relevant changes or modification where necessary to suit the actual circumstances of their tax engagements.

Introduction

"We would like to thank you for appointing our firm as your tax agent. We are pleased to confirm our acceptance and set out below our understanding of the terms of this engagement for your approval."

Terms of Engagement

The primary responsibility for ensuring that the information provided to the Inland Revenue Board (IRB) is complete and accurate rests solely with the Company. As your tax agent, our scope of services are as follows :

a) **Year of Assessment (YA) 2000 Current Year Basis**

We shall prepare your tax returns based on the information provided by you and submit them together with your tax computation and audited accounts to the IRB by the tax filing deadline.

The tax returns and computation will be forwarded to you for comments and approval prior to our submission to the IRB.

b) **Year of Assessment 2001 and Subsequent Years of Assessment (Self Assessment)**

We shall obtain from you, your estimated tax payable for YA 2001 and subsequent years of assessment to be furnished to the IRB in the prescribed form and to revise these estimates if you so require. Currently, under the provisions of the Income Tax Act, 1967 (ITA), the prescribed form should be submitted not less than 30 days before the commencement of the basis period for a YA, or any other time frame as approved by the IRB, and the revision needs to be made in the 6th month of the basis period for that YA.

We shall prepare your tax returns for each YA based on the information provided by you and submit them to the IRB. Under the ITA, the returns should be submitted within six months from the date following the close of the Company's financial year or any other time frame as approved by the IRB.

The tax returns and computation will be forwarded to you for comments and approval prior to submission of the returns to the IRB.

We shall advise on the amount of corporate tax to be paid and the dates by which the Company should make the payments. If appropriate, we shall assist in claims for refunds, if tax has been overpaid. Please note, however, that the payment of tax due for each year of assessment is the responsibility of the Company.

Other Services Offfered

"We also offer services in respect of the following, at your request, upon terms and fees to be mutually agreed :

a) We could assist you in preparing a provisional tax computation based on your forecast results for the relevant financial years for the purpose of computing the estimated tax payable for YA 2001 and subsequent years of assessment under the self assessment system (SAS);

b) Under the SAS, the tax returns may be subject to field audits by the IRB. Where an audit occurs, your Company may be requested to produce documents, accounting records or other evidence to support the income tax returns lodged. In this context, we could assist you in attending to the IRB's queries.

c) We are also pleased to provide at your request tax consulting services."

Company's Responsibility Pursuant to the Engagement

"It is the statutory responsibility of each taxpayer to ensure that all returns of income are correct. The responsibility for compliance with the provisions of the Income Tax Act, 1967 lies with the Board of Directors of the Company and as such, this responsibility cannot be delegated to a tax agent. You should supply us with full details of all sources of income arising together with full information of any expenses or allowances, which may be available for tax relief. Before signing your tax return, please ensure that it is complete and correct to the best of your knowledge and belief.

We wish to highlight for your attention that it is not within the scope of our duty or responsibility as your tax agent to verify the accuracy and correctness of the information and documents provided to us. As

your tax agent, we are not responsible for any under-statement of tax liability of the Company due to incomplete, inaccurate or incorrect information/documents provided to us. Please ensure that all relevant documents and information are provided to us promptly (i.e. … weeks before filing deadlines) to enable us to meet the filing deadlines and to support or explain the claims made in the tax computation.

We cannot be held responsible for any consequences arising from any delay or refusal on the part of the directors/Company to sign relevant documents or to advise us of transactions and information necessary for the proper performance of our duties.

The Company shall be responsible for payment of its tax due for each year of assessment."

Professional Indemnity

"You agree to indemnify and release us and our personnel from any claims, liabilities, costs and expenses relating to our services in this engagement except to the extent determined to have resulted from negligence or intentional and deliberate misconduct of our firm or its personnel.

You will also release us and our personnel from any claims, liabilities, costs and expenses relating to our services in this engagement attributable to any misrepresentations made by you."

Our maximum liability shall not exceed … times the amount of fees paid for the services relating to our engagement.

Ethical Guidelines

"We are bound by the ethical guidelines of the relevant professional Institute and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines".

Retention of Records

"Upon completion of our work, we will return to you all original documents provided by you to us.

Whilst certain documents may legally belong to the Company, we do not intend to retain correspondence and other papers which are more than seven years old. If you would like us to retain any specific documents, please inform us in writing."

Fees

"Our fees shall be invoiced as work progresses to include all disbursements, government service tax and out-of-pocket expenses. Our fees are based on the degree of responsibilities and skill involved and time spent. Our fee for the proposed services set out above is estimated to be RM.

Separate fees will be charged for additional services rendered including protracted dealing with the IRB.

Our invoices are payable upon presentation."

Regulatory Requirements

"We are obliged to make available our files to regulatory authorities in the exercise of their powers."

Agreement of Terms

"This letter supersedes any previous engagement letter or agreement for the similar period covered and will remain effective until terminated in writing by either party hereto.

If you agree to the terms of our engagement set out above, please sign and return the attached copy of this letter to us."

Acceptance

"We agree to the terms of your engagement as set out above."

For and on behalf of

Name : Date :

CESSATION OF MEMBERS

Please be notified that pursuant to Rule 7(1) of the Malaysian Institute of Accountants' (Membership and Council) Rules 2001, the following persons have been removed as members of the Institute from 26 July 2002.

Abdul Halim Bin Abdul Rahman	1844
Abdul Latiff B. Mohd Said	2166
Abdul Rahim B. Isahak	5460
Abdul Rahman Bin Samad	10525
Abdul Rahman Haji Siraj	8155
Adam Ali Ibrahim	9674
Adderina Binti Kaharudin	11380
Afifa Malina Bt Hj Amran	10939
Agnes Jeyamalar Thuraisingam	5478
Ahmad Masmi Bin Ibrahim	9797
Ahmad Nazri Bin Mohd Zain	7542
Andrea Han Jia Hui	14098
Ang Poh Wah	5819
Anuar B. Jaafar	1152
Azi Rahimee Bin Mohamed	10659
Azmah Binti Sardam	15469
Azman Bin Ismail	7470
Azri Bin Mohamed Yusoff	14356
Ban Poh Gaik	7950
Bathmanathan A/L Sinniah	7924
Bau Chian Hui	8621
Chan Siew Ping	12094
Chan Yee Soon Geoff	336
Chan Yen Choon	9261
Chandran A/L Kunju	13375
Chang Sui Loong	2887
Che Omar Hj Saidin	8133
Cheah Chiew Min	8848
Cheah Pek Yoke	6674
Cheah Seng Kee	6411
Chee Siew Sim Susan	5199
Chen Swee Yu Susanna	5695
Chen Yoke Lian	8330
Chen Yow Seong	6366
Cheng Teck Wah @ Cheng Teck Weng	1177
Cheong Angan	6741
Cheong Swee Keong	8314
Chew Ming Hon	13348
Chew Yoke Chan	6263
Chey Shoun Wha	4218
Chia Kook Vee	1875
Chin Leong Kee	5939
Chin See Siong	2802
Ching You Kuang	13630
Ch'ng Teck Ngee	868
Chong Ah Kew @ Chong Han Sin	1189
Chong Chee Seng	9323
Chong Kok Keong	2805
Chong Nyoke Yin	6019
Chong Shiong Joo	9144
Chong Soon Min Dennis	5133
Choo Eng Kong Peter	1060
Choo Kim Hong	2199
Choo Seng Gee	2201
Choo Voon Chee	9896
Christopher Chang Tze Kun	13564
Chua Kok Seng Richard	2503
Chung Tsung Yun	10679
Chung Yee Nee	6691
David Tan Hong Eang	7229
Devadason A/L Neelakandarow	11184
Doreen Teresa Theseira	4205
Edward Pang Kee Guan	10850
Emma Mazlin Binti Mohd Shariff	15353
Eugene Khoo Kong Hooi	7072
Fadzilah Binti Mohd Salleh	14028
Fadzilah Bt Abdullah	13677
Farooq Ahmed	13005
Fauzi Bin Awang	6797
Fong Lai Lai	4968
Foo See Shan	14499
Foong Seng Choy	473
Francis S/O Asirvatham	11614
Gan Boon Huat	8363
Gan Kim Tay	5192
Ganendra A/L Sathiamoorthy	7663
Gee Kok Kuen	9046
Gong Ngie Aik	2597
Gooi Mooi Chiew	3498
Gue Kok Leong	14745
Habibah Binti Ismail	12918
Hafidzah Binti Hashim	12664
Haironnazli Bin Esa	10478
Halim Dahlan	504

Han Jiew Juan	6474
Han Yit Huan	9482
Hanafiah Binti Hasin	16342
Hasbollah Bin Md Esa	9559
Hazini Bt Md. Ross	5422
Heng Kah Leong	2221
Hiew Chang Chun	10712
Ho Wye Keong	1239
Hoh Kim Hyan	4422
How Ching Kau Laurence	5209
Hussain Ahmad Abdul Kader	7439
Hutchinson Gerard Patrick	13792
Ining Bin Sinten @ Alexander Sintin	11617
Irene Lok Ai Gek	14145
Ismail Syed Mahmud	7098
Jamie Vong Phui Foon	13130
Kamarul Nizam Bin Abu Bakar	10721
Kartina Kamaruddin	7410
Kelsey Nicholas James	5812
Kho Chay Yong Jessie	11400
Khong Kee Keong	2911
Khoo Tian Soo	2754
Koay Hooi Gan	5917
Kong Sen Hua	5550
Krishnan Muthy A/L Veerappan	8193
Kueh Chin Poh	11852
Kwan Kah Yew	13450
Kwan Poh Choo	12919
Lai Kok Heng	14102
Lai Poon Ken	2242
Lau Choon Hoong	14348
Lau Eng Hoo	9037
Lau Yen Bin	1852
Law Ching Chuan	13362
Lee Guan Hong	10540
Lee Hean Kok	11070
Lee Kin Cheong	6956
Lee Kong Chuan	8600
Lee Lay Yem	6329
Lee May Fun	7610
Lee Meng Hieng	3223
Lee Moong Peng	13546
Lee Swee Siek	3647
Lee Tian Seng @ Lee Tian Sing	11422
Lee Yen Lek	5032
Leong Mun Wey	2256
Lian Choy Ling	11018
Lian Kok Meng Alexander	1305
Liew Nyoke Khuan	3350
Liew Teck Liong	12743
Lim Hean Lee	8692
Lim Seong Hong	9012
Lim Soh Sau	2941
Lim Tiong Jin	16286
Lim Wai Yong	10446
Lim Wee Ling	4174
Lim You Sua	10539
Lo Hing Dat	7681
Loh Chor Huat Billy	6555
Loh Kok Keong	3953
Loh Siew Keow	8937
Loke Chai Hua	5425
Low Eng Kiat	2282
Low Tuck Seng	360
Lucy Tan	9187
Mohamad Anuwar Bin Ab Rahman	11373
Mohamad Fozi Bin Tunggal	11489
Mohamad Shahrul Annuar Bin Abdul Razak	7967
Mohamed Zainurin Bin Mohamed Zain	9521
Mohd Arzuna Bin Che Abdullah	15133
Mohd Azmi Manap	7018
Mohd Nasir Bin Deraman	12812
Mohd Rashid Bin Mahiddin	12530
Mohd Salleh Hassan	6440
Mohd Shamsudin Bin Ramli	7265
Mohd Yazid B. Zakaria	10522
Mohd. Fairuz Bin Abdul Latiff	15034
Mok Chee Kong	5505
Muhamad Adnan Bin Said	11958
Muraly Daran S/O M. N. Menon	1367
Mustapha Bin Annuar	2115
N. Sukumaran Nair	617
Naimat Bin Sukri	6430
Nambar Ak Rangeb	11104
Ng Beng Sai	10315
Ng Boon Kwan	11040
Ng Hong Boo	8886
Ng Kiat Guan	8050
Ng Ko Seng	2765
Ng Kong Weng	9036
Ng Lee Lian	10351
Ng Teik Hong @ Eng Teek Boon	125
Nguoi Ing Tiing Lawrence	3541
Nilin Rukmal Wijesooriya	8450
Nor Hisham Bin Mohd	10121
Nor Zakwan Bin Haji Md Yunus	11691
Noraziah Binti Hashim	12449
Omar Bin Othman	6389
Ong Eng Chew	1395
Ong Loo Wah	7893
Ong Say Yaun	884
Ooi Chin Hock	6998
Othman Bin Hitam	893
O'Toole Peter John	11152
Paragash A/L C. R. Suberamaniam	2770
P'ng Tat Hean	3375
Putra Tuan Besar	9865
Rajathurai Suppiah	1982
Ramalinggam A/L Arumugham @ Pushpalingam	10068
Ranjini Magesan	13139
Ranjit Singh S/O Joginder Singh	13784
Rashidi Zainal Abidin	7040
Ravindran A/L P. N. Nambiar	10306
Rezal Zain Bin Abdul Rashid	8516
Ricardo Joseph Raymond	10959
Robiah Binti Nordin	9154
Rohaida Binti Abdul Latif	15692
Rohaida Binti Hod	15397
Rohana Bt Abdullah	13311
Rohani Binti Maidin	11522
Rohaya Bt Said	10690
Rohayati Binti Malek	16288
Rose Hanita Binti Jedin	12458
Rosenah Abdul Rashid	6528
Rozihasni Binti Shekh Zain	15422
Rudzila Bt Subli	7815
Sadikin Bin Aton	8827
Saidin Bin Idris	7424
Salina Binti Yaacob	10934
Santhanasamy A/L Subbiah	9857
Santhini Chandrapal	2678
Sazali Bin Mohd Ariffin @ Mohamed Ramly	10243
Selvarani A/P Ganasan	5855
Shammi Kumar S/O Kontilas Preniji	7887
Shamsiah Mustafa	12703
Shanthi Ramachandran	8491
Shazali Bin Akbari	7160
Sim Hang Khiang	2046
Sin Siew Man	7245
Sivanesan A/L K Sivalingam	8309
Sivapragasam S/O Appacutty	245
Somching Tanakamanusorn	5565
Sonny Ng See Hun	11473
Soo Kwong Wah	10989
Soo Sau Fong	8781
Suid Bin Bakar	6541
Suis Sylvester	10499
Sukhdarshen Singh	5406
Syarifuddin Bin Sulaiman	15743
Syed Azarin Bin Syed Zainal Abidin Jamalul	10109
T. K. Ramasamy	555
Tan Chin Han	5738
Tan Chin Kok	12085
Tan Ching Beng	7532
Tan Ching Pding	9741
Tan Gek Hua	2695
Tan Geok Heng	1490
Tan Joon Hoe	5985
Tan Kian Guan	12219
Tan Kian Hong Jeremy	5044
Tan Lay Beng	2697
Tan Lay Hong	5578
Tan Liang Pio	10538
Tan Men Siong	8381
Tan Seng Peng	5234
Tan Swee Paik	5994
Tan Yew Beng	4354
Teen Kim Hock	209
Teo Chi Mean	11047
Teo Geok Mooi	6786
Teoh Chin Pang	9268
Teoh Joon Leng	15663
Tham Wai Loong	11990
Thean Su Peng	11016
Thomas Abraham	4782
Tiong Ing Siong	4512
Toh Chin Poh Anthony	9206
Umi Kalthom Binti Hamdan	11699
Usman Ali Bin Mustaffa	4359
Uthuchia Pillay Ramasamy	8819
Vaheesan A/L Vijayendra	11438
Vasantha D/O Rajasegaran	6859
Vimala Dayananthan	11072
Vimala Devi C. Krishnasamy	12459
Wan Chee Seng	6574
Wan Mamat Bin W Daud	13551
Wan Mohd Ghazali Bin Wan Sulaiman	8917
Won Hon Sa	3574
Wong Boon Choo	6631
Wong Chai Hung	7641
Wong Chung Shun Raymond	13428
Wong Kam Hoong	3878
Wong Kok Hong	6576
Wong See Kett Bernard	2000
Wong Yih Yin	5161
Wong Yoke Meng	11122
Woo Lai Mun	14974
Wu Siew Nam	5401
Yam Hong Leong	8037
Yang Chee Hai	332
Yap Cheong Seng	2730
Yap Foo Leong	4715
Yap Sook Yean	9978
Yazid Bin Mohammad	12017
Yeo Ah Seet	4777
Yeo Kok Keong	7907
Yeoh Wah Sin	15087
Yong Hiok Shu	5380
Yong Pung Seng	11402
Yuen Chin Yau Laurence	7486
Yusoff Khan B Ibrahim Khan	2057
Zaid Bin Kader Shah	8729
Zaidi Bin Zainal Abidin	12486
Zauyah Bte Abdul Hamid @ Md Hussain	10413
Zulazli Bin Awang Mosa	12671
Zulzastri Bin Abdul Malek	14386

NON-AUDIT FIRMS REGISTERED WITH MIA

FROM 1 AUGUST 2002 UNTIL 27 SEPTEMBER 2002

AUDIT FIRM NAME	NF NO
JOHOR DARUL TAKZIM	
Sathia & Co. Suite 5.10, Level 5, Menara TJB 9, Jalan Syed Mohd. Mufti 80000, Johor Bahru Tel : 07-222 9000 Fax : 07-222 9002	0282
Hon Accounting & Secretarial Services 6925, Jalan Sri Putri 12/2 Taman Putri Kulai, 81000 Kulai Tel : 012-7582382	0293
Herbert Tan & Associates 4, Jalan Bentayan, 84000, Muar Tel : 06-953 9005 Fax : 06-953 9005	0298
KEDAH DARUL AMAN	
Baqir Hussain & Associates 126 B, 1st Floor, Kompleks Alor Setar Lebuhraya Darulaman, 05100, Alor Setar Tel : 012-4789400	0307
MELAKA	
B. C. Lim & Co. 15-B, Jalan M4, Taman Merdeka Batu Berendam, 75350, Melaka Tel : 06-294 7625	0296
PERAK DARUL RIDZUAN	
C. Y. Ng & Co. 77A, Jalan Leong Sin Nam, 30300, Ipoh Tel : 012-5216715	0291
Chew Soon Chuan 35, Jalan Larut, Taman Lake View 34000, Taiping Tel : 05-807 1737 Fax : 05-807 1737	0301
C.P. Lim Management Consultancy No. 313, First Floor, Jalan Kota 34000, Taiping Tel : 05-808 3800 Fax : 05-807 3800	0281
PULAU PINANG	
P. S. Ooi & Co. 3A-26-08, N-Park, Jalan Batu Uban 11700, Gelugur Tel : 019-2161787	0306
T. Y. Tai 29, Jalan Salween, 10050, Georgetown Tel : 04-229 9359 Fax : 04-228 6921	0287
Khor, Heng & Associates 14 Lintang Delima 4, Green Lane 11700, Georgetown Tel : 04-899 0337 Fax : 04-899 0272	0299
SARAWAK	
K.T. Law & Co 125, 1st Floor, Parkcity Commerce Square 97000, Bintulu Tel : 086-338 477 Fax : 086-338 455	0288
Chai Jee Kong & Co. Lot 555, 1st Floor, Jalan Ang Cheng Ho 93100, Kuching Tel : 082-243 684 Fax : 082-243 684	0303
Kueh Chen Chen & Co. 2nd Floor, Lot 864, Block 2, STD 101, Jalan Club, 95000, Sri Aman Tel : 083-322 577 Fax : 083-322 577	0294
SELANGOR DARUL EHSAN	
J.H. Associates C-2-4, Acardia Apartment, Jalan USJ 11/1 UEP Subang Jaya, 47620 Tel : 012-2169777	0309
Razak Othman & Co. No. 31-1B, Jalan Medan Bukit Indah 5 Taman Bukit Indah, 68000, Ampang Tel : 03-4295 6284 Fax : 03-4295 6437	0292
Kl Management Services 20, Jalan SS 22/7, Damansara Utama 47400, Petaling Jaya Tel : 019-3911706 Fax : 03-7725 9107	0279
OAL Associates 29A-C, 3rd Floor, Jalan Besar 68100, Selayang Baru Tel : 03-6138 3986 Fax : 03-6138 5386	0283
S. L. Yong & Co 18A, Jalan PDR 5 Kawasan Perniagaan Desa Ria, Jalan Balakong 43300, Seri Kembangan Tel : 03-8962 2013 Fax : 03-8962 2014	0300
V. H. Chen & Associates 17, Jalan BS 5/4 Taman Bukit Serdang, Section 5 43300, Seri Kembangan Tel : 03-8943 5397 Fax : 03-8943 5397	0284
K. L. Yong & Associates 15 Jalan 32/51B, Section 32 40460, Shah Alam Tel : 018-2214039	0302
WILAYAH PERSEKUTUAN	
Ahmad Faisal 403, Tkt 2, Jalan Tuanku Abdul Rahman 50100, Kuala Lumpur Tel : 03-2694 4764 Fax : 03-2694 4764	0295
Cheong Siew Kai & Co. 63B-C Jalan Alor, 50200, Kuala Lumpur Tel : 03-2144 6715 Fax : 03-2142 7571	0289
Tan Chee Hoe & Co. 20-2, Medan Setia 2, Plaza Damansara Bukit Damansara, 50490, Kuala Lumpur Tel : 03-2095 9373 Fax : 03-2094 7392	0286
Soong & Co. 2-4-8, 4th Floor, KLH Business Centre 2, Jalan Kasipillay, Off 2 1/2 Miles Jalan Ipoh 51200, Kuala Lumpur Tel : 012-2383287	0308
Zul Arifin Associates 95-C, 3rd Floor, Jalan Ipoh 51200, Kuala Lumpur Tel : 03-4043 0513 Fax : 03-4043 0813	0280
Thian Lim & Co 17-2-2, Jalan 4/62D Medan Putra Business Centre Off Jalan Damansara, 52200, Kuala Lumpur Tel : 03-6272 1078 Fax : 03-6277 3795	0285
S. P. Ko & Co 262-1-1, Wisma Mutiara Genting Jln Air Jernih, Off Jln Genting Klang Setapak, 53100, Kuala Lumpur Tel : 03-4021 5423 Fax : 03-4021 5423	0310
Sahril & Associates 34-1F, Jalan AU 1A/4A Taman Keramat Permai, 54200 Kuala Lumpur Tel : 03-4253 3679 Fax : 03-4253 3679	0297
Suhaimi Sudar & Co. 16-2G, Jalan AU 1A/4A Taman Keramat Permai 54200, Kuala Lumpur Tel : 03-4251 7139 Fax : 03-4251 7139	0305
K. S. Loke & Associates 2 Taman U Thant 3 55000, Kuala Lumpur Tel : 03-2142 2477 Fax : 03-2142 2477	0290
L. C. Chong & Associates Block J7-0-4, Desa Pandan 55100, Kuala Lumpur Tel : 03-9282 6525 Fax : 03-9283 4284	0304

AUDIT FIRMS REGISTERED WITH MIA

FROM 1 AUGUST 2002 UNTIL 27 SEPTEMBER 2002

AUDIT FIRM NAME	AF NO
JOHOR DARUL TAKZIM	
J. K. Tan & Associates 44-B, Jalan Abadi, Taman Tebrau Jaya 80400 Johor Bahru Tel : 07-332 6105 Fax : 07-332 6181	1454
SELANGOR DARUL EHSAN	
K.H. Tan & Co. 60B & 62B Jalan SS 22/21 Damansara Jaya, 47400 Petaling Jaya Tel : 03-7728 8485 Fax : 03-7728 8852 e-mail : mchryta@pd.jaring.my	1459
WILAYAH PERSEKUTUAN	
Azuddin & Co. 66-1 Jalan 2/23A, Danau Kota Off Jalan Genting Klang 53300 Kuala Lumpur Tel : 03-4142 8851 Fax : 03-4142 2400 e-mail : azuddin@mnz.com.my	1452
H.S. Teoh & Co G14-1-01, Metro Prima, Jalan Prima 7 Batu 7, Kepong, 52100 Kuala Lumpur Tel : 03-6257 4478 Fax : 03-6257 4478 e-mail : teohhooisan@hotmail.com.my	1457
K. T. Chng & Associates 8A, Jalan Nyonya, Pudu 56100 Kuala Lumpur Tel : 03-2143 1300 Fax : 03-2143 1301	1456
Ng Yoke Ling & Co 11th Floor, Plaza Permata, Jalan Kampal Off Jalan Tun Razak, 50440 Kuala Lumpur Tel : 03-4041 1188 Fax : 03-4041 0880	1450
S. Y. Lim & Co. 8-3-13 La Villas Condominium Jalan 3/21B, Setapak Garden 53000 Kuala Lumpur Tel : 012-6635926 e-mail : limsy@pd.jaring.my	1465
Y. F. Lee & Associates 5-3-4, Suite 3, Danau Business Centre Jalan 3/109 F, Danau Desa 58100 Kuala Lumpur Tel : 03-7982 2139 Fax : 03-7983 3139 e-mail : yflee@pc.jaring.my	1453