Akauntan Nasional

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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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In the past, we had featured prize-winning articles from the Theme Booklets of the International Federation of Accountants (IFAC). But most of these articles were submissions from Anglo-Saxon countries such as the US and the UK.

We feel readers should also be exposed to ideas that originate from the Asian countries. Therefore, we have included an article originating from India in this issue, following the contribution from Malaysia in the previous issue.

We take this opportunity to alert readers that IFAC had urged all member bodies to create public awareness on a topic of great interest to everyone, i.e. the fight against corruption. We, therefore, encourage readers to take up the challenge and pen their thoughts on this subject.

This issue also contains a number of ideas which can be exploited for the benefit of the accounting fraternity such as Group Practice and Economic Value Added. The *Akauntan Nasional* also had the privilege of interviewing YBhg Dato' Megat Najmuddin Khas, President of the Malaysian Institute of Corporate Governance, whose views are both frank and futuristic. The interview article will give readers an in-depth understanding on several 'hot' corporate governance issues, as well as the role of MICG.

On our end, we will endeavour to make *Akauntan Nasional* a great magazine that the accountants can be proud of. The wheel of change has started turning, first with the number of pages increased to 60 pages effective from June 1999. The selection of articles will also be rigorous, and we will ensure that only quality, value added and interesting articles are published.

Further, we will gradually make changes to the layout and contents to make them livelier, as well as appealing to the wider tastes, while not forgetting that we are here first for accountants. In our attempts to enhance the quality and appeal of *Akauntan Nasional*, we welcome suggestions from readers on what they would like to have in the magazine.

And finally on the subject of '*surat layang*'. Regrettably, the culture of poison-pen letters has caught on with the accounting profession. The Institute's President has expressed his displeasure over such an unhealthy development, despite the high standards established for entry into the profession. Such a practice should stop completely. People who wish to criticise should have the courage to put their names to the letters they write. The door is always open for constructive criticisms and there is a website for this. In future, poison-pen letters will be given the only treatment that they deserve, i.e. thrown into the wastepaper basket without even reading them.

Editor

CONTRIBUTION OF ARTICLES

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

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

THE EDITORIAL BOARD

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

The functions of the Institute are, inter alia :

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

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

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

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

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Group Practice — An Idea Whose Time Has Come

Now and again, ideas are born. One such idea that may be worth considering is the concept of Group Practice through strategic alliances.

This idea is still at the embryonic stage. But the time may have come for accounting firms to explore this further. This idea is borne out of the recognition that, as single and small entities, the level of expertise or resources of accounting firms may be limited.

Therefore, Group Practice, including the formation of strategic alliances, will enable firms to network and help one another.

> Group Practice can help firms to expand and gain the exposure of operating in a bigger league. To-date, there are no indigenous accounting firms large enough to vie for big contracts, let alone win the confidence of multinational companies, financial institutions and the like.

Their co-operation may involve activities such as sharing of expertise, referrals and even seconding manpower resources when a firm suddenly finds itself critically understaffed.

Ordinarily, a firm may be reluctant to assist another firm, which may need outside assistance due to the confidential nature of professional work. It will be difficult for a firm to render assistance to another in the absence of a co-operative framework.

Due to the limitation of resources, there may be missed opportunities, which the smaller firms could have otherwise taken advantage of. This limitation may also make it more difficult to retain existing clients whose businesses have outgrown the accountants. Therefore, Group Practice is seen as a way of dealing with such issues.

Significantly too, Group Practice can also help firms to expand and gain the exposure of operating in a bigger league. To-date, there are no indigenous accounting firms large enough to vie for big contracts, let alone win the confidence of multinational companies, financial institutions and the like.

Further, the external pressure of globalisation and liberalisation of the services sector, including the accountancy profession, will be an added impetus for firms to pursue the idea of Group Practice. Indeed, Group Practice might just be an innovative response to the challenges of a more liberalised environment. Incidentally, the next round of negotiations with respect to the General Agreement on Trade in Services (GATS) will be held next year, which is not too long from now.

However, with more indigenous groupings, they might be able to provide some meaningful competition against the big foreign-controlled accounting firms in our country. Needless to add, national interest will be better served with greater, and not less, competition among firms for Malaysia's top 500 companies.

Group Practice will also open a window of opportunities for the local grouping to penetrate markets abroad, which would otherwise be almost impossible.

Beyond that, Group Practice will also open a window of opportunities for the local grouping to penetrate markets abroad, which would otherwise be almost impossible. By tying up with foreign firms abroad, the local grouping, for example, may be in a position to offer extended services to its clients who may have plans to venture overseas.

Currently, there are only a handful of indigenous firms pursuing the idea of Group Practice. However, the momentum could gather pace, especially with more firms coming to know about Group Practice.

Essentially, Group Practice is about some accounting firms that are prepared to co-operate in the delivery of services for their mutual benefit, yet desiring to retain their independence. They could operate under one name at the national level, while retaining their individual identities at the local level. At a later stage, they could consider pooling their resources together, say, a certain percentage of their profits to foot expenses incurred in promoting their joint activities. This would be a win-win situation for the affiliated firms.

A further appeal is that the voluntary arrangement can be worked out in such a way that the liability for each firm within the grouping does not necessarily increase with the affiliation, unlike in a partnership situation. Also, the grouping may choose to carry on in an informal basis or operate under a memorandum of understanding.

Geographically, the grouping can be organised locally, nationally, regionally or even internationally. The geographical border of the network of firms is only limited by the grouping's vision and goals.

To reiterate, Group Practice is an idea that should be pursued vigorously. To be sure, it will take a lot of initiative, effort and money to bring a number of firms together into a grouping.

It may be useful for interested firms to learn first-hand from the experience of those which have already formed such groupings. The First National Accountants Update Conference to be held in Penang on 26-27 November 1999 is a golden opportunity to learn more about this interesting concept, and a forum on "Strategic Alliances Among Firms" will be conducted.

Group Practice is about some accounting firms that are prepared to co-operate in the delivery of services for their mutual benefit, yet desiring to retain their independence.

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Feature

A Journey to the World of Value Accounting

By Subhrangshu Sekhar Sarkar, Lecturer, Department of Business Administration, Tezpur University, Assam, India

Introduction

A story goes like this. An accountant applied for a top job in a company. During the interview he was asked, "What is three times seven?". The accountant thought for a minute and replied, "22". Later, he realised his mistake and regretted why he did not say it was, "21" instead of "22". Dejected, he concluded that he would not be selected. However, a few weeks later, he got the job. His surprise made him enquire why he had been appointed, although he had given the wrong answer. The Chairman of the interview board replied, "You were the closest".

It is an agreed fact that accounting may not be an exact science. But, when it comes to preparing the accounts of a company, accountants do live up to their reputation — they run very close to giving a rosy picture of the company. There are those rare creatures who can knock-off figures with amazing clarity and represent them in a way that shows enhancement of the company's performance. For many reasons, a company's annual report containing the Profit and Loss Account and Balance Sheet may not raise the eyebrows of the stakeholders because it contains the usual 'frills', i.e. fancy decorations that thrill the reader — glossy pictures, colourful graphs, buoyant proclamations and the like. The bitter truth is that there could be more in store for investors and they should exercise care by reading between the lines. After all, annual reports form the basis for analysis. So, there is every reason to look beyond the balance sheet and to find out the exact answer.

The days have come when the stockholders have become very much alert about the fate of their investment. The conventional judgment tools may not serve their very purpose. Coincident with the remarkable rise in the stock prices during the 1980s, companies began defining performance in terms of 'shareholder value creation'. The long delayed post — World War II '*Pax Americana*' vision of a comparatively peaceful world trading freely seems to have arrived, finally. It has also triggered the worldwide emergence of market economies that have greater growth potential than the US economy.

It is an agreed fact that accounting may not be an exact science. But, when it comes to preparing the accounts of a company, accountants do live up to their reputation — they run very close to giving a rosy picture of the company.

Today's investors tend to invest globally, and therefore, with less emotion than in the past when they dealt more often with companies they knew personally. Now that the US, no longer is the world's only premier avenue for investment opportunities, investors would seek US companies to document the economic returns they generate. When a company is not returning its cost of capital, investors may want to make a top management pledge that any above-average compensation will be conditional on achieving such a return. Thus, the need is felt for a measure which has the ability to judge whether a company is returning its cost of capital. Indeed, such a measure is likely to be in demand, as board of directors and stakeholders increasingly see a need to know where their companies stand on this measure.

Today's investors tend to invest globally and therefore, with less emotion than in the past when they dealt more often with companies they knew personally.

Value migration is not simply about new products or new technologies; rather it is an entirely new way of doing business. It takes customer preference into account, while formulating business designs every three to five years.

Concept of Value Migration

Value migration is an emerging concept in financial management. The basic idea here is how the new, aggressive and successful smaller companies are beating their bigger established competitors. It is not because they are capturing market-share with new hot products. They may be playing by entirely new rules that are redefining their industries. The person behind this new concept is Adrian J. Slywotzky.

Slywotzky says that there may be a huge 'life and death' difference between *market-share* and *market-value*. An established company may be occupying a major portion of market-share of a particular product. But rather than taking comfort from having share dominance, the company should realise that such domination may be the first step towards eventual doom. This is because the company then becomes most vulnerable to the smaller, aggressive competitor who understands 'value migration'.

So, the million-dollar question is what is meant by 'value migration'? Value migration is not simply about new products or new technologies; rather it is an entirely new way of doing business. It takes customer preference into account, while formulating business designs every three to five years. This means that the market-share can evaporate or develop within this time-frame.

According to Slywotzky, there is a shift in what customers fundamentally look for in a particular product. The smaller companies may take advantage of the changing needs of the customers. But the big, successful and dominant companies do not recognise this fact. They do not see beyond their market-share numbers. They do not even consider the smaller companies and competitors.

Value migration is that which made new entrants like Microsoft, Intel and Novell shake corporate giants such as IBM and Compaq in the computing industry. In a value migrating market-place, the key question is not : 'what is this company good at?'. The key question should be : 'what will this company need to be good at in the future?'. The reason the second question is often poorly considered by leadership in ultra successful corporations is that the leaders spend very little time in customer visits. They often become tied up in addressing the problems and challenges inside their own functional entities, and they stop asking the fundamental business questions such as :

- Who is the customer?
- What does the customer want?
- Where is the customer heading?

Only about two to three per cent of today's established players are eagerly and earnestly looking for the next wave in their own industry. Microsoft has been successful because it did not just offer another computing product. It offered an entirely new way of doing business and as such redefined the rule for everyone doing business in their industry.

Value for customers can be created by a well-defined business design. But what is a business design? A business design is the totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will either perform itself or outsource, configures its resources, goes to market, creates utilities for customers and captures profits. It is the entire system for delivering utility to customers and earning profits from that activity. In the same way that a product goes through life cycles, business designs also go through cycles.

The belief that profitability follows market-share has become an increasingly shallow one. In truth, business design drives

Value migration is that which made new entrants like Microsoft, Intel and Novell shake corporate giants such as IBM and Compaq in the computing industry.

profitability and profitability drives market-value. The marketplace is in a dynamic state. Today's market leader has no warranty of being successful tomorrow. When a small, new company beats a market leader, it is not because of mismanagement, but because it reflects the increasing obsolescence of traditional business design and a pattern of value migration to business design, that maximises the utility for customers and profits for the companies.

The migration of value can affect a specific division of a company, a whole company or even a whole industry, as customers make choices about the business designs that best meet their needs. Value can migrate to other business designs within an industry or flow out of one industry into another with designs better configured to satisfy customers and make profits.

Concept of Economic Value Added

When Coca-Cola's CEO Roberto Goizueta and his number crunchers turned to an obscure accounting formula that, in essence, eschewed traditional company performance measures back in 1983, the business community should have sensed a revolution in the making. The corporate world has an incessant quest for a tool which measures value creation. Companies are always searching for just the right performance measure revenue, operating profit and earnings per share to drive compensation and motivate behaviour that boosts the stocks.

13 years later, the quest seems to have come to an end with the emergence of Economic Value Added (EVA) — a concept refined and popularised by US based consultants, Stern Steward & Company, which has been both hailed and assailed by the business press and corporate executives. In fact, Bennette Stewart in his book, *Quest for Value*, which was published in 1991, used the term EVA. Thus, EVA is actually Stern Stewart & Company's tradename for a specific method of calculating economic profit. However, Peter Drucker claimed he discussed EVA at a considerable length long back in 1964 in his book, *Managing for Results*. Yet it cannot be denied, without going into arguments, as to who invented EVA first. The concept became popular only after Stern Stewart & Company marketed it.

Other consulting firms are marketing their own brands of value-based management methods. The question is how do CEOs

> Rewarded by knock-out results, CEOs and investors are starting to peer into the heart of what makes companies really valuable by using the new tool called EVA.

> Unlike traditional Generally Accepted Accounting Principles accounting methods which measure shareholder returns, Economic Value Added measures how a company creates shareholder's wealth.

create and sustain an organisational value adding culture that is sharply focused on shareholder value. Rewarded by knock-out results, CEOs and investors are starting to peer into the heart of what makes companies really valuable by using the new tool called EVA.

A diverse group of nearly 200 corporations have followed Coca-Cola's lead, including major conglomerates, consumer products, telecommunications, financial services, manufacturing and media companies such as AT&T, Georgia Pacific Equifax, Briggs & Stratton and Polaroid. In increasing numbers they are turning to this new hot financial concept, EVA — a measurement tool that determines whether a business is earning more than its true cost of capital. EVA will give managers a clearer idea of whether they are creating (or destroying) shareholders wealth.

The concept has got its relevance because of today's investment climate. Under increased pressure from their institutional investors, companies are looking for new performance yardsticks. Unlike traditional Generally Accepted Accounting Principles (GAAP) accounting methods which measure shareholder returns, EVA measures how a company creates shareholder's wealth. The CEO wants to look at almost any business operation and see immediately if it is becoming more valuable or less valuable. The manager wants a measure to ascertain if each of the business operations, whether big or small, is increasing in value. The investor wishes to have a measure to spot stocks that are more likely than most to appreciate. For organisations that employ the concept, they tend to have a marked competitive advantage, since most other managers and investors may not be using it. Indeed, managers who run their businesses according to EVA have sharply increased the value of their companies. Investors who know about EVA, and know which companies are using it have grown rich. Little wonder that highly regarded corporations are embracing the concept.

Value creation for shareholders has also been a basic tenet of corporate governance. The problem lies with the process of measuring value creation. It is noted that the traditional measuring tools, such as, return on equity (ROE), earnings per share (EPS) and market capitalisation may not adequately reflect value creation. EPS or ROE does not take into account a firm's risk — adjusted cost of capital. Thus, when there are tools that are employed to measure corporate investment performance, it is impossible to say whether any given level of EPS or ROE is acceptable to investors.

To put it simply, EVA is just a way of measuring an operation's real profitability. EVA holds a firm accountable for the cost of capital it uses to expand and operate its business, and attempts to show whether a company is creating a real value for its shareholders. EVA is a better yardstick than return on investment (ROI) to encourage growth through investment in new products, equipment and manufacturing facilities.

EVA measurement also requires a company to be more careful about resource mobilisation, resource allocation and investment decisions. It effectively measures the productivity of all factors of production. A company's real economic profit is the amount it earns in excess of the cost of capital — a cost that appears nowhere in the balance sheet or income statement used to calculate EPS or ROE. In this sphere, the EVA is an effective tool. It is the profit realised after deducting the cost of all capital employed. It encapsulates the truism about the nature of profit.

In the words of Robert Goizuetta regarding EVA:

> *"You can only get richer if you invest money at a higher return than the cost of that money to you. Everybody knows that — but many seem to forget it".*

Both the lenders who lend money to the corporation and the investors who purchase its equity expect to receive at least the risk-adjusted rate of return. Without positive EVA performance or without at least the expectation of such performance in the future, this is not possible.

> EVA recognises both cost of borrowed capital and equity capital to arrive at true profit. The total cost of capital should be deducted from net operating profits.

Thus, what makes EVA so revealing is that it takes into account a factor that no conventional measure includes, i.e. *total cost of capital*. The traditional financial statements normally show only one component of the total cost of capital to arrive at net profits. Only the explicit cost of borrowed capital is considered. In contrast, EVA recognises both cost of borrowed capital and equity capital to arrive at true profit. The total cost of capital should be deducted from net operating profits.

When using traditional profit-based performance measures, divisional managers of a corporate entity tend to focus too much on the bottom-line, but under an EVA-based system, they are accountable not only for the earnings they generate, but also for the amount of capital they employ. Thus, it is not enough to maximise earnings, but at the same time the use of capital should be optimum.

In order for a company to create value for its suppliers of capital (debt and equity), its return on total capital must exceed its risk-adjusted weighted average cost of capital (WACC). EVA, then, is just the amount by which a company's pre-interest but after-tax net operating income (NOPAT) exceeds the charge for total capital.

For example, if a firm has RM500 million as total assets with a weighted average cost of capital of 10 per cent and it earns RM90 million, then its EVA would be RM40 million. Thus, expressed as a formula, EVA for a given period of time 't', can be written as :

$$EVA_t = NOPAT_t - WACC \times Total\ Assets_t$$

To the extent that EVA is positive, the firm is adding value for its shareholders. On the other hand, if the company's EVA is negative, the firm is destroying shareholders' wealth even though it may be reporting a positive and growing EPS or ROE.

The current demand for EVA is thus based on one simple idea, i.e. you cannot know whether your enterprise is creating wealth for your shareholders until you subtract the total cost of capital from income. The link between EVA and shareholders' wealth has led many leading corporations to formally adopt the EVA discipline. Also, analysts in Wall Street appear to have taken note of the rising popularity of EVA in the corporate world. Their stock picking tool-kit now includes EVA too. Investment banks such as Goldman Sachs and Credit Suisse First Boston are using EVA to analyse equities.

EVA is the centrepiece of a comprehensive financial management system. This implies that all policies, procedures, measures and methods companies used to guide or control their operations and strategies centre around EVA.

Advantages of EVA

EVA is the centrepiece of a comprehensive financial management system. This implies that all policies, procedures, measures and methods companies used to guide or control their operations and strategies centre around EVA. It is not a macro concept. It can be applied at a micro level to gauge the divisional performance of a company.

A regular monitoring of EVA will throw light on the problem areas of a company and may help managers take corrective measures. EVA can change a company's attitude and behaviour from top to bottom. It can caution or alert companies about the misuse of expensive capital.

Currently, many companies are using EVA as a basis for fixing managerial compensation. EVA recognises that even those with the smallest jobs in the organisation can create value. A company having a consistently high EVA implies that it has been successful in creating value for the business. It has effectively utilised the scarce resources available and invested them in the most profitable way. On the other hand, a company having an oscillating EVA or consistently negative EVA indicates that there is something wrong with the company.

A company can expect to derive the following benefits from the use of EVA in the organisation :

- Creating greater accountability among employees.
- Instituting a common framework in the organisation.
- Creating greater willingness to optimise resources.
- Increasing productivity through incentives.
- Linking corporate strategy to corporate result.
- Leading to an EVA-driven cultural revolution.

Conclusion

The growing demand for EVA in the corporate world has spurred competition. Consultants such as BCG, Braxton Associates, McKinsey and others have come up with their own models of value measurement tools to cater to the growing market. Investors cannot always discriminate between weak and unfortunate managements. The EVA technique of value accounting can serve as a key indicator of a company's performance. Investors can use it to give management a compass to steer by a clearer goal than just relying on stock price. In an increasingly complex and competitive world, EVA will help users to face challenges and enable them to become active players in the global business game.

Note : The International Federation of Accountants (IFAC) has kindly given its permission to publish this highly regarded article which appeared in IFAC's "Year 1999 Theme Booklet" in the Akauntan Nasional

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Feature

Economic Value Added — The Bottom-line Measure for Corporate Performance

By Dr. Ravilla Manohar, Senior Lecturer, Department of Accounting and Finance, College of Business Management, Universiti Tenaga Nasional

Rewarded by knock-out results, managers and investors of more than 200 American companies in recent years have turned to the economic value added (EVA) measure as a new way to gauge financial performance. Highly regarded corporations like Coca-Cola, AT&T, Quaker Oats, Briggs & Stratton, General Electric, CSX and many others have set up the EVA measurement system throughout their organisations. These companies have instituted financial discipline, encouraged managers and employees to behave like owners, and significantly have boosted shareholders' fortunes. EVA gave them a distinct competitive advantage to perform better.

Stern Stewart measured the stock performance of 67 clients over the first five or so years they used EVA, then compared each company with the 10 competitors in its industry closest in market capitalisation. The EVA crowd posted average annual returns of 21.8 per cent as against 13 per cent for the rival group.

EVA is cropping up all over the business areas including services sector. Community hospitals and postal services have employed EVA to improve efficiency. Increasingly more money managers are using it to pick up stocks.

EVA has moved from buzzword to financial phenomenon. It is today's hottest financial performance measure idea and getting hotter. The pre-eminent 'populariser' of the concept of EVA is Stern Stewart & Company of New York City.

What is EVA?

EVA is a measurement tool that determines if a business is earning more than its true cost of capital. A positive EVA indicates that business value is being created, while a negative EVA suggests wealth erosion. EVA refers to the value creation at the operational or function level of a company. It is the total pool of profits available to provide a cash return to those who provided

EVA has moved from buzzword to financial phenomenon. It is today's hottest financial performance measure idea and getting hotter.

capital to the firm. It gives managers a clearer idea of whether they are creating or destroying shareholder wealth. EVA is a company's net operating profit after taxes and after deducting the cost of capital.

EVA = NOPAT - C x Capital

where NOPAT = Net Operating Profit after Taxes

C = Cost of Capital or the Weighted Average Cost of Capital.

The cost of capital is the minimum rate of return on capital required to compensate debt and equity investors for bearing risk. The cost of debt is simply the interest rate of banks and or bondholders charge. The real cost of equity is what the shareholders could be earning elsewhere. NOPAT is profits derived from a company's operations after taxes, but before financing

EVA is a measurement tool that determines if a business is earning more than its true cost of capital. A positive EVA indicates that business value is being created, while a negative EVA suggests wealth erosion.

costs and non-cash bookkeeping entries.

In determining the capital, the business should include the amount paid for real estate, machines, vehicles and the like, plus working capital, reasearch and development (R&D), and employee training costs. Accounting rules do not permit R&D and training expenses like other assets. For EVA purpose, one can forget the accounting rules and calling them capital investments.

In practice, the computation of NOPAT for arriving at EVA is not so simple. Some adjustments become necessary to get the correct picture of income. For example, accounting earnings need to be converted into economic earnings.

One set of adjustments that require adding to the capital employed is the equity equivalent reserves. These are the adjustments that turn a firm's accounting book value to economic book value, which are expected to accrue some returns. They eliminate the potential distortions in the traditional net operating income. The set of adjustments include items such as deferred income tax reserves, cumulative goodwill amortisation, capitalised intangibles like R&D expenses, other reserves e.g. bad debts, inventory obsolescence and warranties. An adjustment to the after-tax operating profit will be required due to changes in the said reserves.

Stewart calculates firms' EVA in two ways : an operating approach and a financial approach. The financial approach builds up to the rate of return on capital from the standard return on equity in three steps : eliminating financial leverage, financing distortions and accounting distortions. As a consequence of the first two steps, NOPAT is a sum of returns attributable to all providers of funds to the company, and NOPAT return is completely unaffected by the financial composition of capital.

The operating approach begins by deducting operating expenditure including depreciation from sales, but other non-cash bookkeeping entries are ignored. Next, equity equivalent reserve adjustments are made. Interest expense being a finance charge is ignored, but other operating income is added to get the pre-tax economic profit or Net Operating Profit Before Taxes (NOPBT). Finally, the estimated amount of tax payable in cash on these operating profits is deducted, leaving NOPAT as the same amount as in the financing approach.

Experience of US Companies

Scores of American companies have turned to EVA and benefited from it. One of them is CSX Inter-model. At CSX, the concept was introduced in 1988. Prior to this, John Snow CEO of CSX had a lot of capital to worry about, a mammoth fleet of locomotives, containers and rail-cars. CSX Inter-model business had lost US$70 million in 1988. In other words, its EVA was negative US$70 million. The CEO gave an ultimatum to bring that EVA up to break-even by 1993 or to be sold.

The company geared up for the challenge. It reduced the containers and trailers from 18,000 to 14,000. As a result, there was a surge in the freight volume by 25 per cent. The company decreased the locomotive fleet to 100 from 150, a US$70 million reduction in capital. Further, the company also used three locomotives instead of the normal four to power trains and run at 25 mph (previously 28 mph). The three locomotives consumed 25 per cent less fuel than four. The company also curtailed idle man-hours.

Slower trains with more freight and surging productivity met the CEO's challenge. CSX Inter-model's EVA was US$10 million in 1992 and tripled in 1993. Wall Street noticed the changes. The stock surged to US$75 in 1993 from US$28 when the CEO of CSX Inter-model introduced the concept.

It is a similar story in another capital-intensive business, Briggs & Stratton, which makes gasoline engines. The company had a miserable 7.7 per cent return on capital in 1990, way below its cost of capital at 12 per cent. A lot of changes had taken place in the company as well as its divisions after the introduction of the concept. EVA disciplined the company. The share price jumped from US$20 in 1990 to US$80 in September 1993.

One of America's most enthusiastic proponents of EVA was Coca-Cola's Goizueta. He had included a clear and persuasive description of EVA in Coke's annual report. He used simple metaphors to distil EVA. He said :

> *"When I played golf regularly, my average score was 90, so every hole was par five. I look at EVA like I look at breaking par. At Coca-Cola, we are way under par and adding a lot of value."*

America's Greatest Wealth Creators (1996)

COMPANY	Economic Value Added *$ million*	Capital *$ million*	Return on Capital *%*	Cost of Capital *%*
1. Intel	3,605	17,483	36.4	13.6
2. Philip Morris	3,119	42,885	20.1	12.5
3. General Electric	2,515	53,567	17.7	12.7
4. Coca-Cola	2,442	10,814	36.0	9.7
5. Microsoft	1,727	5,680	47.1	11.8
6. Merck	1,688	22,219	23.0	14.5
7. Bristol-Myers	1,515	14,107	24.1	12.8
8. Exxon	1,334	88,396	12.0	10.4
9. Johnson & Johnson	1,327	18,138	21.8	13.3
10. Abbot Laboratories	1,187	9,748	26.8	11.8

Source : Fortune, 10 November 1997, page 265.

At Harnischfeger Industries, Inc., the concept of EVA continues to be central to its strategic operating approach. The company adopted an EVA measurement system for performance measurement and compensation in 1993. It set a five-year plan for achieving positive EVA in all their businesses by 1998. To the surprise of everyone, all the businesses yielded positive EVA by fiscal 1996, two years ahead of the original five-year target.

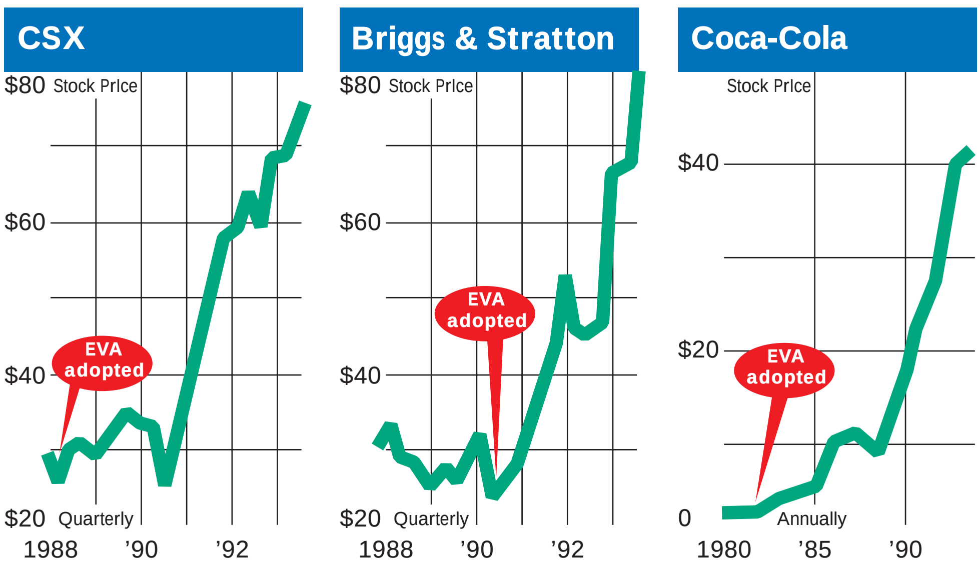
Performance of EVA Based Companies for the Year Ending 1998

COMPANY	Annual Compound Return of Company (%)*	Annual Compound Return of Peer Group (%)
Guidant	56.63	4.27
Vulcan Materials	30.11	3.82
Equifax	38.07	6.90
Monsanto	54.34	24.54
Premark International	33.49	5.38

* The performance measurement is shown for the first three to five years in which the company has used EVA, ending in 1998 for all companies except Equifax (1997).

Source : Fortune, April 1999.

Impact of EVA on Share Price Performance



Source : Fortune, 20 September 1993, page 34.

EVA is conceptually superior to accounting profits as a measure of value creation since it recognises the cost of capital and the riskiness of a firm's operation.

EVA Versus Traditional Performance Measures

EVA is conceptually superior to accounting profits as a measure of value creation since it recognises the cost of capital and the riskiness of a firm's operation. By way of EVA construction, target-setting may lead to maximisation of EVA. Traditional measures do not work that way. EVA differs from more traditional profit measurements such as earnings per share (EPS), return on assets (ROA) and discounted cash-flow in the following ways :

- EPS is silent about the cost of generating those profits, i.e. cost of capital. If the cost of capital (loans, bonds and equity) is, say, 13 per cent, then a 12 per cent earning is actually a reduction, not a gain, in economic value. Profits increase taxes thereby reducing cash-flow, so that engineering profits through accounting tricks can drain economic value. The real earning refers to real cash-flow after all taxes, interest, and other obligations have been paid.
- ROA measures the economic performance in a more realistic way, but simply ignores the cost of capital. For example, in its most profitable year, IBM's return on assets recorded over 11 per cent, but its cost of capital over the same period was almost 13 per cent. Bigger and leading organisations borrow capital at cheaper rates through favourable interest rates and invest in their operations at decent rates of ROA. This is being done without paying attention to the real return — EVA.
- Discounted cash-flow is very nearer to the EVA, with the discount rate being the cost of capital.

How to Achieve EVA

Establishing and implementing the value-added measures could be an extensive and expensive process. This can be done for a year or more of planning by experts in the financial and compensation area. The substantial costs incurred may be offset by the significant benefits in which the company derives in value creation.

In implementing EVA, one of the most important things is to get the people in the organisation to commit to EVA and understand the concept. Commitment on the part of the board of directors and senior executives is a must for implementing the value-added measures. Managers at lower levels must be cautious and at the same time evince interest to nurture and motivate employees.

Massive education and effective communication is required at various levels of human resources — executives, line managers and employees. Of course, a lot of training and money are required in creating such EVA knowledge and ultimately creating economic value for the organisation.

Business unit leadership is responsible for compensating its EVA goal for the fiscal year, discussing how it can be achieved and keeping employees informed about EVA progress for the year. The following tips will help to improve the EVA performance :

- Improve profitability without using more capital. Cost-reducing methods will help to improve profits. Scrutinising the business expenses, and identifying and eliminating unwanted expenses will also help to improve income-generation.
- Use less capital. Companies adopting EVA found this method as a most effective measure. Coca-Cola used plastic containers for concentrate instead of costlier metal ones. CSX figured out how to operate with 100 locomotives instead of 150. Quaker rescheduled production which required few warehouses. The amount saved by the companies can improve returns to shareholders via higher dividend or stock buy-back, etc.
- Capital investment can be made in high-return projects. Companies should ensure that the project earns more than total costs of the capital they require.
- Companies need to eliminate the non-strategic assets that do not generate operating profits, which is greater than the cost of capital.

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EVA as a Corporate Performance Measure

As a corporate performance measure, EVA has some powerful impacts on organisational behaviour. It helps the management, as well as employees, to understand the cost of equity capital. It also emphasises the need to earn sufficient return on all capital employed.

The EVA approach views the business in a new light. The concept makes the employees and managers think and act like shareholders. The approach creates new focus on minimising the capital tied to operations. EVA facilitates not only in cutting

> EVA measures the firm's value during a particular period through operating decisions it makes to increase margins, improve working capital management, make wise use of production facilities and redeploy under-utilised assets.

costs, but also reduces the use of excess capital.

Also, EVA growth helps to bring about two positive developments. There will be an increasing attention on investor wealth, while distortions in historical cost are eliminated. Consequently, a manager's attention is focused on the ways to increase EVA, rather than involving in unnecessary debate on accounting for reported earnings.

EVA measures the firm's value during a particular period through operating decisions it makes to increase margins, improve working capital management, make wise use of production facilities and redeploy under-utilised assets. Thus, the measure can be used to hold management responsible for all economic outlays that appear in the financial statements. The EVA system makes managers cautious about every dollar they spend in the business.

Apart from the above, EVA creates a common language for decision-making, especially in determining long-term decisions, settling budgeting issues and evaluating the organisational units performance. It also measures the potential of the strategic options. The quality of the management also changes for the better and its decisions will be viewed on a longer term basis.

The application of EVA to capital budgeting could be easier for managers since EVA methodology is similar to the valuation principles of the net present value (NPV) technique. In common, the NPV of a project is equal to the project's discounted EVA streams.

Since EVA is linked to share price performance, it classifies the managers' options, and provides a meaningful target to pursue for both internally and externally-oriented decisions. It helps the investors to spot stocks that are performing better. Wallace's study (1997) showed that companies using EVA have indicated a superior performance and a perfect correlation between EVA and share price performance.

> EVA can be employed to measure annual, half-yearly, quarterly or monthly performance of companies, evaluate strategies, allocate capital, price acquisitions or divestitures, restructure balance sheets and serve as the basis for incentive compensation.

EVA was also found to be useful for other management change programmes such as total quality management, quick response and total customer development.

By adopting the concept, the employees are challenged to think like, act like and are paid like owners, and feel responsible for and participate in the economic value of the firm. Teamwork will be fostered and everyone in the enterprise will take an active interest in the progress of the business.

The company's management can use EVA for various purposes like capital expenditure decisions, performance of subsidiary companies, individual divisions of the company or business segments.

EVA can be employed to measure annual, half-yearly, quarterly or monthly performance of companies, evaluate strategies, allocate capital, price acquisitions or divestitures, restructure balance sheets and serve as the basis for incentive compensation.

Benefits of EVA Incentive Plans

EVA measure generates value creation. It is an ideal basis for managers and employees compensation. It provides a startling new view of a familiar process.

Harnischfeger Industries of Brookfield, Wisconsin, US, has enjoyed greater growth and success over the past few years. This was due to the adoption of EVA and an EVA compensation plan in 1993. The plan consists of two familiar parts, a bonus and stock incentives, applied in new ways. Bonus targets are set up in each year as a percentage gain in EVA, determined by averaging last year's target (say, 10 per cent) and last year's result (say, 20 per cent). This can be the goal (at 15 per cent) for this year.

The best and powerful way is to coincide the interests of managers along with those of the shareholders in respect of their compensation to output from the EVA measure. This is even applicable to employees. In effect, employees at all levels will work in cohesion with the upper levels of management. By implementing the EVA-based incentive plan, employees participation will be active and effective, and they will be entitled for a stake in the results.

In order to increase the EVA, employees should be made to understand the role that they need to play. This will require a revision of the compensation system to get attention on creating value.

In order to increase EVA, employees should be made to understand the role that they need to play. This will require a revision of the compensation system to get attention on creating value. A better way for quick implementation is to change the old profit sharing plans into employee stock ownership plans.

The EVA concept should be made simple in order to help employees at all levels to understand the relationship between EVA and economic value. An effective EVA incentive plan should possess the following distinctive characteristics :

- The performance measurement objective needs to be clear and cannot be manipulated in respect of budget implementation.
- Once the target is fixed, there will be no need to alter the goals during the implementation of the plan.
- To make employees happy, bonus should be paid generously.
- To keep continuing the performance, the entire bonus is not to be disbursed within a year. This requires the setting up of an incentive plan bank account, where the entire bonus is deposited. A smaller portion is paid now and the balance amount paid out later and subject to a loss. The main objective is to keep EVA positive.
- Incorporate a cancellation clause. Persons who resign may lose their deposited bonus and for retirees, the balance amount is converted into a deferred bonus account.
- For a better concentration at middle and senior management levels, companies can pay a bigger proportion of the bonus in cash (around 80 per cent) and the balance invested in stock options. In order to make EVA more effective, the managers' reward should be matched with performance. The pay for performance ratio should be steeply sloped.

EVA and MVA

EVA is aimed at measuring the company's wealth creation over the past year. Earning a return greater than the cost of capital increases the company's value, *vice versa*.

Stewart defined another measure for listed companies to assess the value creation for shareholders. The difference between the company's market-value and book-value is called market value added (MVA). The concept is straightforward. First, add all the capital that has been invested by shareholders, lent by bondholders and banks, and retained earnings. Then, compare the value of outstanding stock and debt as evaluated by the market. If the company's market-value is greater than all the capital invested in it, then it has a positive MVA. Conversely, if the market value of a company is actually less than the capital invested, a negative MVA will exist in the company.

Whether a company has a positive or negative MVA depends on the level of rate of return compared to the cost of capital. All this also applies to EVA. Thus, a positive EVA also means a positive MVA, *vice versa*. MVA is equal to present value of all future EVA. An increase in EVA leads to an increase in MVA. In other words, it will increase the difference between the company's value and the amount of capital invested in it. EVA measures a company's success over the past year, while MVA is forward-looking, reflecting the market's assessment of a company's prospects.

Criticisms

Critics say that EVA is not a new discovery. EVA is practically the same concept of 'Residual Income' with a different name, and has been done in recent years. Alfred Marshall (1890) was one of the earliest proponents to mention the concept of residual income. He defined economic profit as total net gains less the interest on invested capital at the current rate. The concept appeared in accounting literature in the 1960s and 1970s, but did not get wide publicity with many companies. One of the possible reasons for the EVA concept becoming popular is that it was marketed with MVA and it offered a theoretically sound link to market valuation.

One of the problems with EVA is that it does not account for growth opportunities inherent in investment decisions. However, this can be overcome by focussing on year-to-year changes in

One of the possible reasons for the EVA concept becoming popular is that it was marketed with Market Value Added and it offered a theoretically sound link to market valuation.

EVA for firms with substantial assets in place in mature industries with few growth opportunities. For firms with fewer assets and substantial growth opportunities, emphasis should be placed on present value of expected future EVA. But by doing so, this may create a complexity of problems.

Critics also argue that EVA does not help directly in finding ways to improve operational efficiency, other than improving capital turnover. The concept also does not find directly the strategic advantages in order to earn abnormal returns and thus create shareholder value. However, it is often helpful to understand the basic ways in which EVA, and hence the wealth of shareholders, can be improved.

So far, the empirical research results are very limited and inconclusive. A study by Kenneth Lehn and Anil Makhija showed that "EVA and MVA are significantly positively correlated with stock price performance attesting to their effectiveness as performance measures". Another study by James David and Shimin Chen on 560 companies for the years 1983-1992 revealed that stock returns were correlated with EVA, but "the alignment is not nearly as perfect as suggested by recent articles". The authors concluded that "the off-line adjustments to operating income necessary to calculate EVA may not pass a prudent cost benefit analysis".

Conclusion

Despite its weaknesses, EVA seems to be a significant performance measurement and controlling tool for corporations. The concept led companies to maximise the shareholder wealth. While the traditional measures like EPS and ROA do not work that way, EVA shows financial performance with a new pair of glasses or offers a new approach particularly for companies, where equity is viewed as a free source of funds and performance is measured by some earnings figure. It allows the pay schemes to be tied to performance and as a result creates a mind-set throughout the organisation, which motivates and encourages managers and employees to think and behave like owners.

EVA is a bottom-line measure, which has some powerful impacts on organisational behaviour, and it maximises the shareholder wealth through the operating decisions.

Many countries are reported to be extending the use of EVA. Notable among them are Australia, Brazil, Germany, New Zealand, South Africa and Sweden. Apart from the United States, New Zealand companies comprising more than half the market capitalisation make use of EVA to determine incentive compensation.

In Malaysia, the Securities Commission has evinced interest on the subject and hosted a seminar on 26 April 1999. Well-known captains of industry and top government regulators attended the seminar. Joel Stern, a pioneer and leading advocate of EVA and the managing partner of Stern Steward & Co, addressed it. It is hoped that the management of Malaysian companies will, in future, respond favourably to the call made by the Securities Commission for adoption and disclosure of EVA performance in order to perform better and create wealth for shareholders.

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Feature

Creating Value with Internal Audit

By Robert Sharma, Technical Consultant, Australian Society of Certified Practising Accountants, Management Accounting Centre of Excellence

Abstract[1]

The role of the internal auditor in organisations is changing. Today's business environment requires the internal audit function to add value to the business by aiding the commercial business managers in business decision-making. This paper provides a perspective on the changes occurring in internal auditing. The paper has two principal objectives. The first is to discuss the directions that are currently emerging in internal auditing. The second is to discuss an outsourcing case study with a Big-5 firm (Ernst and Young) that demonstrates the changes that have occurred.

Introduction

Today's business environment, characterised by continuous change, increased competition, and global transformation, poses a number of challenges to organisations. To survive, organisations must continuously *create value* for both customers and shareholders through the use of technology and innovation, which results in effective resource utilisation [IMAPS-1, para7][2]. *Value creation* is defined as:

> *"Any activity or process that enhances a shareholder's claim on an organisation's resources, after all other claims on the organisation's resources by other stakeholders have been met"* (Birkett, 1998).

In recent times, the notion of *value creation* has been further extended to the internal audit function within organisations[3]. The traditional role of internal auditing typically involves "a review of the internal control structure" and "examination of financial and operating information through a detailed testing of transactions, balances and procedures" [AUS 604, para .05 (a) and (b)]. The internal auditor typically operated as the '*corporate policeman*' and often alienated the very audience that he/she was ostensibly meant to assist. These outcomes needed to change for internal audit to survive, particularly in an environment where organisations are constantly seeking to create value through continuous performance improvements and cost reductions. Internal auditors have begun to recognise the need to '*add value*' by working with management to help organisations achieve their strategic objectives rather than simply imposing costly and risk averse processes [Walz, 1997]. Therefore, the scope and objectives of internal auditing are tending to place greater emphasis on other elements such as "a review of the economy, efficiency and effectiveness of operations including non financial controls and … review of compliance with management directives and other internal requirements" [AUS 604, para .05 (c) and (d)].

> The traditional role of internal auditing typically involves "a review of the internal control structure" and "examination of financial and operating information through a detailed testing of transactions, balances and procedures". The internal auditor typically operated as the 'corporate policeman' and often alienated the very audience that he/she was ostensibly meant to assist.

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[2] The definition of *value creation* is open to numerous interpretations as it can be defined in terms of the relationship the organisation holds with its stakeholders. A stakeholders is defined as a group or individual who can affect or is affected by the achievement of the firm's objectives [Freeman, 1984]. Stakeholders of the firm include shareholders, customers, creditors, employees, public interest groups, and governmental agencies.

[3] The notion of *value creation* has already been applied to other services provided by auditors, particularly assurance services with the launch of The Special Committee on Assurance Services Report (1996), of the American Institute of Certified Public Accountants and the Report of the Joint Assurance Services Taskforce, (1997) by the ICAA and ASCPA. Assurance services are "independent professional services that improve the quality of information, or its context for decision-makers" Special Committee on Assurance Services Report, 1996.

In the merger and acquisitions case for Nationsbank (C), the internal auditor played a role that went beyond due diligence, control risk evaluation, and prevention and detection of fraud. The internal auditor played an active role in performance management by reviewing key performance indicator data on call response times with management, identification of 'backoffice' inefficiencies, and making recommendations for cost reduction.

This paper examines the extent to which the internal audit function participates in *value-creating* activities that traditionally fall within the scope of the business manager. First, a number of papers that emphasise the role on internal auditing in value creation, are reviewed and classified. Second, this paper examines how value-creating activities were undertaken in the case of an outsourced audit function with a Big-5 firm as the service provider. Finally, the discussion and conclusions are presented.

A Review of Trends

In order to determine the trends that are evolving in internal auditing, a review and analysis of content of journals held on a major electronic database from January 1997 - September 1998[4] was conducted. All papers that used the term 'internal auditing' in their text qualified for initial selection resulting in 299 papers. These papers were then reviewed and classified according to their major themes. The representative results from the analysis according to topic area, author, and description are summarised in table one and table two[5]. Three features were observed from the results. Each of these features is described below.

Feature One

The traditional role of the internal auditor is changing.

The trend analysis indicated that the traditional role of the auditor in due diligence, internal control, and fraud detection had changed. Table one summarises three cases that demonstrate how the role of the traditional auditor has changed in the areas of internal control evaluation, implementing technology, and due diligence. In the internal control study (A), the auditor had to evaluate five components of control that went beyond the traditional evaluation of the control environment, identification of the existence of the control, and monitoring of the control's effectiveness. Two new components were included as part of the control system evaluation : a comprehensive risk assessment[6] and communication of key findings to the board and staff[7]. In the implementing technology study (B), the role of the internal auditor went beyond identification of key control risks and the design of effective controls. The auditor played the role of a business management consultant and was required to acquire a number of skills. These skills included knowledge of SAP R/3 software, and understanding of platform and architecture issues for the software. The aim throughout the implementation process was to adopt a strategic mindset in order to meet management's objectives. Finally, in the merger and acquisitions case for Nationsbank (C), the internal auditor played a role that went beyond due diligence, control risk evaluation, and prevention and detection of fraud. The internal auditor played an active role in performance management by reviewing key performance indicator data on call response times with management, identification of 'backoffice' inefficiencies, and making recommendations for cost reduction.

4 Content analysis has been used in past accounting research in order to determine trends in major journal publication themes [Lehman and Tinker, 1987]. This time period was chosen in order to ensure that there was adequate diffusion of the Assurance Services Reports by the AICPA, the ASCPA and the ICAA within the Journals. The database that was used was the business periodicals on disc database, an internationally compiled database that holds over 1,200 journals.

5 There were several instances where authors covered the same topic area more than once. Providing an exhaustive list of examples would deviate from the main focus of this section, which was to identify trends. Therefore, in order to maintain the clarity of argument throughout the paper, only representative examples were chosen for the purposes of table one and table two.

6 The risk assessment process typically evaluates three kinds of risk : strategic, operational and financial. Strategic risks are risks that relate to the entire organisation and constitute the risk that management's goals and objectives will not be achieved in reality. Operational risks are the risks that operational business units would not achieve management objectives that are relevant to the business unit. Financial risks are the risks that financial balances would be misstated due to inadequate or ineffective controls. Auditors have tended to emphasise financial risks over strategic and operational risks. The COSO report (1992) and the Assurance Services Reports (1996, 1997) have drawn auditors' attention to the other risks.

7 The two components are also relevant to external auditors according to the Assurance Service Reports issued by the AICPA (1996), the ASCPA and the ICAA (1997).

TABLE ONE **Trends in Internal Auditing — Variation in Traditional Roles**

Topic	Author	Description
A. Evaluating internal controls though an integrated framework	Simmons (1997)	Reviews internal controls within the framework developed by the Committee of Sponsoring Organisations (COSO,1992) for a government department. Five components of internal control that must be present and functioning for achieving business objectives are : 1 The control environment. 2 Risk assessment. 3 Control activities. 4 Information and communication. 5 Monitoring. The five control components form an integral system that reacts dynamically to changing business conditions.
B. Implementing technology	Gibbs (1998)	Details the auditor's role during and after a major SAP implementation. Identifies the new skills and competencies being demanded of auditors. These include : 1 Focus on business objectives. 2 Adopting a strategic mindset. 3 Advanced IT knowledge (particularly, SAP R/3). 4 Adoption of innovative audit techniques to meet business objectives. 5 Developing consulting skills particularly on platform and architecture issues.
C. Due diligence	Trampe (1998)	Reviews the role of the internal auditor in mergers and acquisitions for a major US bank (Nationsbank). Internal auditors played a role that went beyond due diligence. The internal auditor operated in a cost saving capacity by : 1 Reducing costs of external auditors and consultants. 2 Enhancing customer retention by ensuring smooth changeover on systems. 3 Identifying backoffice efficiency and reducing risk. 4 Reducing internal and external fraud. The internal auditor developed and monitored the key performance operational indicators with management. These included response times on calls from customers, and calls that were abandoned.

Feature Two

There are new opportunities for internal auditors.

The second feature is that there are a number of new opportunities emerging for auditors that would typically fall within the domain of the business manager. Table two summarises these opportunities. The opportunities include preparedness for the year 2000, internet and intranet auditing, environmental management auditing, auditing the strategic plan, business process reengineering implementation, relationship auditing, auditing TQM, and facilitating organisational change. Internal auditors can draw on their knowledge of the business, knowledge of control risks, skills in interviewing, and understanding of business processes and controls to capitalise on these opportunities.

TABLE TWO **Trends in Internal Auditing — New Opportunities for Internal Auditors**

Topic	Author	Description
Year 2000 preparedness auditing	Carvill (1998)	Internal auditors with their knowledge of the business, skills in risk assessment, and internal control evaluation can aid with the year 2000 implementation and even create value through customer retention.
Internets and intranet auditing	Bodnar (1998)	Internal auditors can contribute to management's objectives by promoting cost reductions in addition to reviewing controls relating to network security.
Environmental management auditing	Picard (1998)	The breadth and depth of the internal auditor's knowledge and skills in investigation will allow internal auditors to become effective players in implementation of environmental standards such as ISO 9001 and ISO 14001.
Auditing the strategic plan	O'Shaughnessy and McNamee (1997)	Internal auditors can aid in auditing the strategic plan by evaluating its effectiveness in business operations. Objective evaluation of strategic plan directives at the operational level is critical for formulating an effective strategic plan.
Business process reengineering implementation	Lanza (1997)	Internal auditors can contribute to the reengineering of key business processes. In the US, Lafarge Corp used internal auditors to improve vendor and supply process management. The internal auditors : 1 Identified the audience. 2 Developed a preliminary questionnaire. 3 Interviewed staff and gathered data from untapped sources. 4 Formulated recommendations in a report.
Relationship auditing	Ratcliff and Brackner (1998)	Internal auditors can review the nature of relationships in organisations. Bad relationships can have a direct effect on an organisation's performance and effectiveness. Based on over 250 observations and interviews, two criteria need to be satisfied for good relationships : 1 All parties must benefit from the relationship. 2 The relationship must be mutually pleasant.
Auditing TQM and business process reengineering projects	Moore (1997)	Internal auditors can evaluate the effectiveness of TQM and business reengineering projects by measuring the levels of customer satisfaction, and attainment of organisational goals.
Organisational change agents	Jeffords *et al.* (1998)	Internal auditors can contribute as change agents by : 1 Serving managers with more than recommendations. 2 Recognising that audit recommendations don't change organisations, but people do. 3 Communicate early and communicate often. 4 Developing the powers of persuasion.

Auditors need to enhance their knowledge of technology in order to prepare for a variety of challenges emanating from the Internet and the year 2000 'millennium bug'.

Feature Three

Internal Auditors need new skills.

A final feature that emerges from tables one and two is that auditors *will need to enhance* their skills in at least four specific areas in order to create value. First, auditors need to enhance their knowledge of technology in order to prepare for a variety of challenges emanating from the Internet and the year 2000 'millennium bug'. Second, auditors need to enhance their knowledge and understanding of other quality standards that relate to the environment such as ISO 9001 and ISO 14001. Third, auditors need to become more aware of trends in business management such as TQM, business process reengineering, and strategic planning in order to remain focused and relevant to their clients. Finally, and most importantly, auditors need to develop a number of 'soft skills' in order to communicate more effectively and facilitate relationships[8]. These skills include : skills in change management and resiliency, listening, negotiation, marketing, and personality type understanding [Bennet, 1998].

In conclusion, the role of the internal auditor is fundamentally changing as the business environment evolves. There are now a greater number of opportunities emerging that also pose a greater number of challenges to the internal auditor. The next section discusses a case study, where the challenging opportunities facing the internal auditor are discussed within a particular context.

Outsourcing Case Study

Background

A Big-5 firm was engaged to provide outsourced internal audit services to a company engaged in the finance industry. The decision to outsource was based on a number of difficulties with the internal audit function including :

- poor relations between the internal audit team and management.
- a perception that internal audit was not adding value to the business.
- concern by the audit committee that internal audit was not effectively reviewing all of the risks that it should.

Management did not believe that reengineering the 'in-house function' would provide them with the assurance that was required, therefore the function was outsourced. The Big-5 firm provided the people, processes, and technology to plan, execute, and report all internal audit activity[9].

What was done?

A number of specific initiatives were undertaken at the planning, audit execution, communication, and reporting stages. Each of these initiatives was undertaken in order to address management's concerns with the in-house audit function.

Planning

On appointment of the internal auditor, the existing internal audit plan was reviewed. It focused on predominantly financial risks and was more concerned with testing to identify error, rather than conducting a process review to identify solutions.

Next, a risk assessment was initially performed to identify **all** the risks associated with the organisation, including strategic and operational risks (see figure one). The emphasis was not only on *"looking at the things that would go wrong"*, but also the risk that important business objectives would not be achieved. The assessment was executed using interviews with the senior management team, in order to ensure that the issues identified were the ones that concerned them. A review of the corporate strategies and plans was also undertaken in order to ensure that the exercise was complete. Once the relevant risks were identified, each risk was then rated according to its significance. Finally, an audit response to the risk was developed, where appropriate. The objective was to assist management to manage the identified risks. This approach resulted in creating a plan with management that was well understood and supported. In the course of developing the plan, there was a conscious attempt to ensure that the expectations of the audit committee were also addressed. Essentially, the internal audit plan was to go far beyond the financial threats facing the business, and in this manner, the opportunity to create value had improved.

The internal audit plan was to go far beyond the financial threats facing the business, and in this manner, the opportunity to create value had improved.

An example of how a risk was addressed through this process, was the risk that the organisation could lose key personnel through resignation. The risk was rated as significant, as staff

[8] An anonymous case study in 'Internal Auditor' documents two situations where open lines of communication and trust enabled two cases of fraud to be detected.

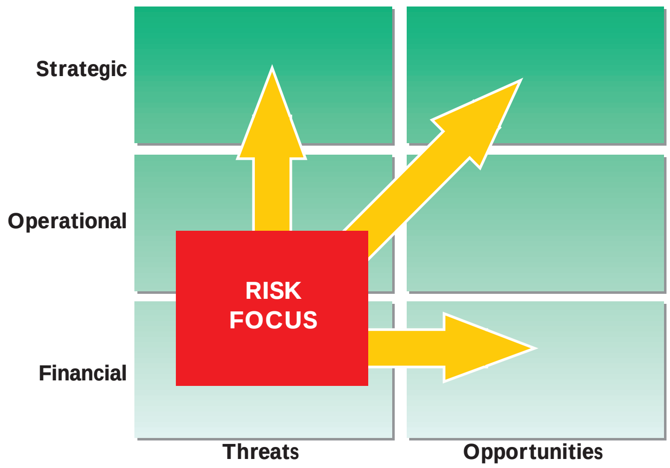
[9] The staffing levels and skills of the members on the audit team varied according to the nature of the task and its priority with respect to the entire organisation.

It is not possible for a general auditor to be an expert in all aspects of an organisation's activities. If the auditor is not reasonably proficient in the area being reviewed, it is unlikely the auditor will be entirely effective, or that the auditor will gain the respect of management, who often view the audit as a time-consuming activity, where they have to teach the auditor about the business.

turnover was high, and training new staff was a costly and time-consuming process. The audit response was to diagnose the reasons for the high turnover, and working with personnel consultants to identify initiatives that could be undertaken to reduce the incidence of staff turnover. The solutions included a performance assessment system that provided immediate feedback to staff, and the development of an incentive system to retain staff [10].

FIGURE 1

Audit Planning and Risk Focus



Audit Execution

Management had little regard for the internal audit process, therefore their respect had to be earned. A number of initiatives were undertaken to convince them that the audit process added value. These included the use of :

- Specialists.
- Business process approach.
- Control risk self-assessment.
- Technology.

[10] Another operational threat that turned into an opportunity followed from management's participation in the planning process. Management's involvement in the entire planning process, resulted in the organisation's business units recognising plan as a value-adding activity due to the level of commitment and support it received.

Specialists

It is not possible for a general auditor to be an expert in all aspects of an organisation's activities. If the auditor is not reasonably proficient in the area being reviewed, it is unlikely the auditor will be entirely effective, or that the auditor will gain the respect of management, who often view the audit as a time-consuming activity, where they have to teach the auditor about the business. The solution to this problem was to use *specialists* in the subject matter being reviewed. For example, in the case of a human resources system review, a human resources expert was included in the team to ensure the audit was properly planned and executed and that the findings were relevant and represented best practice. This resulted in gaining management's respect for the audit team, and recognition that auditors could add value given their objectivity.

Business Process Approach

This involved performing the audit in the context of the business processes already established, and assessing where those processes could be improved. The traditional audit testing was kept to a minimum as this generally added little value or understanding and was only needed to confirm the operation of the processes described to audit staff. This approach was beneficial in three ways. First, the negativity generated through the reporting of past errors was substantially eliminated. Second, costs in terms of personnel man-hours, and time to perform critical tasks was reduced. Finally, the suggestions that were made for improvement were more relevant to the business processes in

In the case of a human resources system review, a human resources expert was included in the team to ensure the audit was properly planned and executed and that the findings were relevant and represented best practice.

operation, and had a greater tendency to benefit the organisation in the future. For instance, in the case of the personnel review, the internal auditor reviewed remuneration processes, and the process for approval of training, recruitment, and terminations. The internal auditor did not audit individual transactions; rather the entire business process was considered.

Control Risk Self-Assessment

This involved internal audit assisting the management team to evaluate the quality of the control systems that they designed and implemented. This varies from the more traditional model where management design a system, and then ask for internal audit to sign off for that system, once it is well controlled and established.

In the case of this client, control risk self-assessment was implemented by way of the management workshops that were facilitated by internal audit. These workshops had the objective of identifying the key control risks for each key business activity and then devising a control solution that reduces the risk and fits comfortably within the business process. This approach had the advantage of achieving management buy-in and reducing the internal audit hours required to undertake a project. It also placed full responsibility for the suitability and adequacy of control in the hands of management, where it belongs. For this client, funds-management personnel were particularly wary of internal audit. A number of workshops were undertaken to jointly identify continuing control issues that impacted on the success of the business. Solutions were jointly determined and agreed, and in some cases the risk did not justify any further action, while in other instances specific risks required the implementation of specific controls. In this way, the internal auditor worked with the business and the management team to jointly determine and calibrate the risk and controls according to the needs of the business.

Internal audit was still required to provide assurance to the Board regarding the quality of the systems established through limited reviews of their operation. From management's perspective however, the time-consuming and often 'nit picking' audits were removed from the cycle, and commercially sensible controls were implemented.

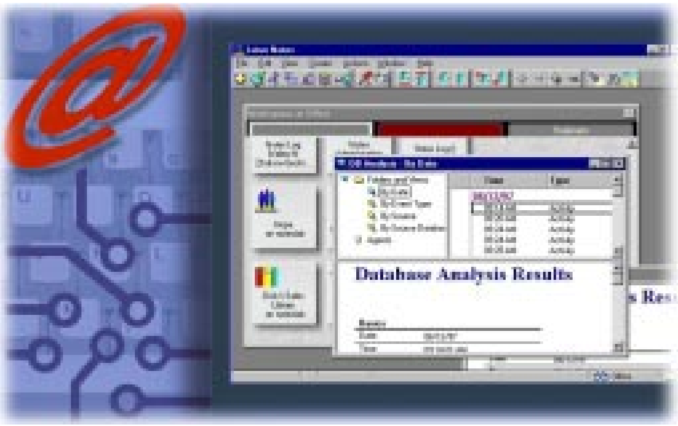
Technology

As with any other business process, the internal audit function was able to increase efficiency and the quality of the internal audit by using *technology*. The possible applications are many but the more common ones that were used included :

- Access to best practice information — working with the firm's own data bases of best practice, the internet, and professional providers — information that could assist the business to improve its processes was easily accessed. This information was included in reports to ensure that constructive and attractive solutions were offered. For example, best practice personnel management techniques were identified for the personnel review.

As with any other business process, the internal audit function was able to increase efficiency and the quality of the internal audit by using technology.

- Work paper systems and tools to automate audit processes, to improve efficiency, and improve quality were used by all team members.
- Communication, not just through e-mail, but also using information-sharing techniques including Lotus Notes™[11]. Lotus Notes allowed the internal audit team to share the audit file electronically in more than one location.
- Data interrogation software to search large volumes of data and to identify trends and is not necessarily apparent in the routine management reports provided another perspective and therefore added value to management.



Reporting of internal audit findings had always been an unpleasant experience for management.

Communication and Reporting

Reporting of internal audit findings had always been an unpleasant experience for management. The reports focused on errors and exceptions and were therefore negative in nature.

[11] Lotus Notes is a standard information-sharing tool that allows the sharing of information with other people in a defined group. The tools hold information in the form documents and include lists of audit programs for key account balances, and lists of experts in certain topic areas. Information can be read, searched, retrieved, used, and printed from Lotus Notes. Furthermore, new topics can be created and work areas can be customised on Lotus Notes.

The result was conflict and tension between internal audit and management. This relationship also resulted in a lower probability that audit recommendations would be implemented. In order to overcome this obstacle initiatives were undertaken.

- Where a detailed report was required, it included comment on the positive aspects of the function reviewed to ensure that an appropriate balance was communicated to senior management and the audit committee.
- Where possible, before preparing any report, workshops were held with the management group in the area being reviewed. The purpose of the workshops was to ensure that the issues identified were factually correct, that the solutions proposed were discussed and agreed, and that management were comfortable with the outcomes of the audit. The result of this was consensus and agreement on the way forward, which meant that the change needed, was far more likely to be implemented. Any report that was produced became a summary of issues and an agreed action plan.
- The internal audit function ensured that their recommendations didn't strive for a perfect world. The recommendations made by internal audit were made consistent with the organisation's appetite for risk. Most successful organisations are not risk averse because this would limit their opportunity to grow. The internal audit views therefore had to be consistent with the risk profile of the business.
- Finally, reports were kept brief and to the point in order to ensure that these would be read and acted upon.

Discussion

The Bridge between Theory and Practice

In order to measure the success of the internal audit function, a management survey was conducted at the end of the first year. The management survey constituted a set of questions developed according to criteria identified at the start of the audit. The survey called for an assessment of the performance of the internal auditing function in a number of key areas. Specifically, the following questions were directed at management :

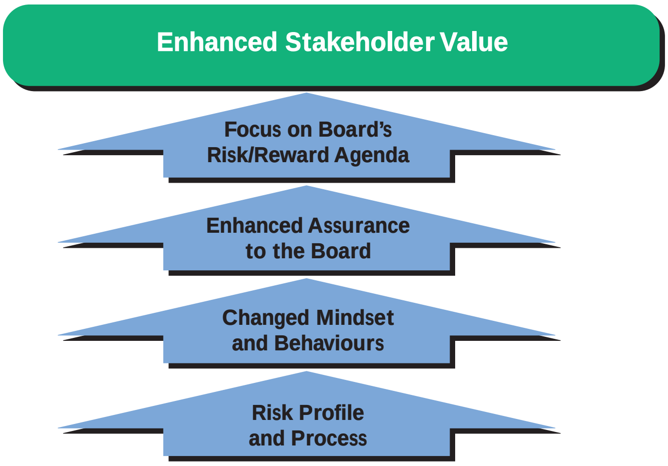
- Did the outsourcing internal audit function project achieve its objectives?
- Were the audit findings factually accurate?
- Were the recommendations appropriate?
- Did the recommendations add value?
- Did the project assist in the control of risk?

Management were unanimous in confirming that the performance of the internal audit function had significantly improved across all of these criteria. The overall business risk was reduced by the approach that was adopted by the new auditor. A potential area that management identified for improvement was individual project planning and management.

Furthermore, the outsourcing case suggests that a four-step approach can be usefully applied by the internal auditor to serve the interests of the board and management (see figure two). First, the internal audit function needs to gain an understanding of all the business risks, rating these risks according to management's understanding, and tailoring an audit approach that addresses both management's and the Audit Committee's objectives. Second, value to the organisation can be generated by placing an emphasis on communication and gaining the support and participation of management. To achieve this objective, positive aspects of the audit and business process improvement can be emphasised, and specialists and technology can be used as effective aids. Third, once management's 'mind-set' and behaviour has changed, the assurance to the board can be enhanced as management is actively involved in the planning, execution, and reporting process. Finally, the solutions that are delivered within the organisation need to be aligned with management's risk and reward agenda. This approach results in enhancing stakeholder value, as the goals of the internal audit department are aligned with those of the entire organisation.

FIGURE 2

Summary of Internal Audit Approach



Conclusion

This paper has had a dual purpose. The first purpose has been to review the trends in internal auditing. The second has been to review the trends within the context of a particular outsourcing case study.

Two primary conclusions can be drawn from the analysis. First, the internal auditor has an important role to play in future working more closely with the commercial business manager[12]. The

[12] See the Kennametal case by McMunn and DePasquale (1997) where employees are becoming internal auditors.

review of trends and the case study seem to suggest that the emphasis in the future would be on high-value recommendations that facilitate organisational improvement in terms of business process redesign, reduction of cost, reduction of time in key business processes, and enhanced profitability[13]. Second, there are a number of new opportunities emerging for internal auditors. However, internal auditors will need to be proactive in order to meet the challenges ahead. Internal auditors will need to make a significant investment in the acquisition of new skills in order to remain relevant. The skills that need to be acquired include those relating to information technology, quality control, and relationship management, to name but a few.

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[13] Similar sentiments are echoed in Walz (1997).

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Robert has published papers on a wide range of issues that relate to both financial and management accounting. The topics include cash-flow disclosures, management accounting system design, activity-based costing, and the exercise of managerial control.

*** A joint submission by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.**

Note: IFAC has kindly given its permission to publish this highly-regarded article in the Akauntan Nasional.

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Feature

Interview with YBhg Dato' Megat Najmuddin Khas, President, Malaysian Institute of Corporate Governance

Akauntan Nasional had the privilege of interviewing YBhg Dato' Megat Najmuddin Khas, President of the Malaysian Institute of Corporate Governance on 18 August 1999. The interview focused on various aspects of corporate governance, which are critical to the corporate scene in Malaysia.

The transcript of the interview clearly showed that YBhg Dato' Megat spoke from the heart. He struck a chord when he talked about the need for honesty and responsibility of directors of PLCs — basic values which are often neglected in the quest for quick profits. His actions were animated and his views were well-articulated. There was not a dull moment in the interview.

YBhg Dato' Megat is also the President of the Federation of Public Listed Companies Bhd.

Question *Dato', thank you for agreeing to be interviewed for our journal, Akauntan Nasional, on the subject of corporate governance. Indeed, corporate governance is the current buzzword in Malaysia. Can you tell us how did this come about?*

Answer Corporate governance in our country stretched way back to 1898. But its practice then had been unsophisticated. The real impetus to the development of corporate governance in our country was the Asian financial crisis in 1997-98. This was the period where the crisis exposed the weaknesses of many companies, including financial institutions. Several corporations were either bankrupt or came close to being so. Our companies came under close scrutiny of foreign analysts. The lack of good corporate governance contributed to the loss of investor confidence.

Against this background, corporate governance issues came to the fore, as our Finance Minister I, Tun Daim Zainuddin had said. If I may add, this is one positive aspect arising from the Asian financial crisis.

Question *When you refer to corporate governance, what do you exactly have in mind? What is corporate governance in a nutshell?*

Answer Essentially, corporate governance has all to do with honesty and responsibility of the board of directors. Unfortunately, these qualities are in short supply in the corporate world. You can see for yourselves the actions that have been taken and will continue to be taken by the authorities against dishonest and irresponsible directors. I am particularly concerned about such a 'disease', which ought to be dealt with.

Directors must go back to basics. Directors must not think

> "Essentially, corporate governance has all to do with honesty and responsibility of the board of directors. Unfortunately, these qualities are in short supply in the corporate world."

about themselves but the company. Directors must not be thinking of making quick profits all the time.

They must act responsibly and be honest in their dealings. They must think about others, and act professionally and independently. They must think about the consequences of their actions affecting the people, society and country.

Question *Dato', you rightly pointed out the need for directors to be honest and responsible. What do you think should be done to foster this?*

Answer An Implementation Project Team of the High Level Finance Committee on Corporate Governance has been set up to work on the various policy recommendations contained in the *Report on Corporate Governance*. A lot of implementation work needs to be done in this respect. But once the mechanism of corporate governance is put in place, and not forgetting the other legislations currently in force, the authorities will give irresponsible and dishonest directors that jolt to their senses.

As for MICG, it will be a body of conscience. MICG will be 'heavy' on training and education. The days are shortening for people who lack knowledge on the roles and responsibilities of directors to sit on the boards of companies.

Question *Will the training of directors be structured or unstructured?*

Answer For now, it is not mandatory for directors to attend formal training. But in time to come, I envisage mandatory requirements for aspiring directors of initial public offerings (IPO) companies to be properly trained.

For existing directors or Chief Executive Officers, I understand the practical difficulties in getting them to 'go back to school'. But we need to start somewhere. There are ways of getting them to attend briefings and be re-educated on the core areas of good corporate governance, including discharging their duties in an impeccable manner. The SC, KLSE, FPLC and MICG are working on this vital aspect of corporate governance.

Question *Let's now move on to the area considered by many people to be a thorny issue — enforcement of the proposed Malaysian Code on Corporate Governance. What are your views on this, Dato'?*

Answer It is true that enforcement is the hard part. But let's be reminded that no amount of enforcement and penalties will get rid off bad hats in the corporate world. There will always be crooks who will either blatantly flout the laws or exploit loopholes. You have just to take the case of drug-trafficking. Enforcement and the death penalty have not prevented drug dealers from carrying on with their deadly trade.

However, this is not to say that enforcement is unimportant. You can see for yourselves the actions that have been taken and will continue to be taken by the authorities against dishonest and irresponsible directors. I am particularly concerned about the sick corporate scene, which ought to be dealt with. There is now 'bloodletting', but this is necessary if we are to remedy the situation.

Therefore, I welcome the actions that are being taken by the Securities Commission to weed out the bad elements in the corporate world, and I expect more actions to follow in the future. There ought to be restitution. This will be good for our corporate sector, our economy and our country. I fear for our future generations if we continue to allow dishonest and irresponsible directors to carry on as usual.

Beyond enforcement, there is a place for self-regulation in the corporate sector. The *Report on Corporate Governance* underlined the importance of self-regulation.

Let me draw your attention to a quotation in the report [p. 10] :

> "... in some aspects of corporate regulation, self-regulation is preferable and the standards developed by those involved may be more acceptable and thus more enduring. Additionally, it allows for a more constructive and flexible response to raise standards in corporate governance as opposed to the black and white response engendered by statute or regulation."

In short, enforcement is not the 'be all and end all'. As important as the force of law is to many people including myself, let's not rule out self-regulation entirely for it has a rightful place in the corporate scene.

Question *What about coverage? Do you envisage corporations other than public-listed companies to be covered by the code, or will it be confined to PLCs?*

Answer The code will be applicable for PLCs. For a start, PLCs will be required to disclose yearly, under the KLSE Listing Rules, a narrative description as to how they applied the principles to their structures and processes. There will be guidelines to assist PLCs on the best practices in corporate governance, although compliance is not mandatory at this juncture.

There is a possibility that the coverage of the code might go beyond PLCs one day. By that, I mean, non-listed private companies, co-operatives and even public corporations. What is good for PLCs should also be good for them. The more corporations with good corporate governance, the better it will be for our society and economy.

Question *Earlier on, you stressed good corporate governance is important for the future generations. Are there plans to set up, for example, a chair on corporate governance in our local universities?*

Answer To be sure, good corporate governance is not just for PLCs. We want to inculcate the importance of good corporate governance at all levels, down to the school level. We have a heavy responsibility and the initiative lies with us. We cannot afford to miss out on our students. Just think for a moment. Several of those in their teens now will be leaders, captains of industry, directors, etc in the year 2020 and beyond. We must, therefore, lay a solid foundation right now; otherwise, we will live to regret it later.

"To be sure, good corporate governance is not just for PLCs. We want to inculcate the importance of good corporate governance at all levels, down to the school level. We have a heavy responsibility and the initiative lies with us."

Question *I am sure Dato' is a well-read man on corporate governance issues. If there are some 'must-read' books on corporate governance (apart from the Report on Corporate Governance which I mentioned earlier) what would they be?*

Answer I would recommend these books and publications (list was handed to Editor) :

- **Duties and Responsibilities of Directors and Officers** *by Prof. Robert Baxt*
- **Boards that Make a Difference** *by John Carver*
- **Reinventing Your Board — A Step by Step Guide to Implementing Policy Governance** *by John Carver*
- **Corporate Powers — Controls, Remedies and Decision-making** *by Loh Siew Cheang*
- **Principles, Practice and Prospects of Corporate Governance : The Malaysian Legal Framework** *by Philip Koh*
- **Strictly Boardroom — Improving Governance to Enhance Company Performance** *by Frederick G. Hilmer*
- **Future Direction — The Power of the Competitive Board** *by Ivor Francis*
- **The Fish Rots from the Head** *by Bob Garrati*
- **Principles of Corporate Governance : Analysis and Recommendations** (Vols. I and II) *by American Law Institute*
- FTMS periodical/bulletin on **"Corporate Governance"** (published 10 times a year)
- **Corporate Governance International** *published by Sweet & Maxwell Asia* for the Hong Kong Institute of Company Secretaries

Question *One final question, Dato'. What does the future hold for corporate governance in Malaysia?*

Answer This is a broad question. I hope the interest that has been generated so far will go on indefinitely. The bodies represented in MICG such as MIA, FPLC, MID, MAISCA, MACPA and the Bar Council are doing a good job in propagating good corporate governance within their membership and the general public. The level of co-operation is excellent, and I see bright prospects for the momentum to gather steam.

But the interest in corporate governance must go beyond being just a buzzword or an academic subject. Good corporate governance is meant to be worked out in practice. And that requires a shared ownership of this vision by all parties concerned. There must be conviction, commitment and co-operation. Only then will corporate governance soar to greater heights in the future. This is the legacy which we should be leaving for our future generations.

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Question *Any other final comments, Dato'?*

Answer I want to say to all the readers out there that directorship is a heavy responsibility. Before taking up the position, potential directors must do a self-assessment if they have the right material to be one. If not, it is better to stay away. The consequences of being convicted of an offence will be severe. They can even be jailed for years.

The other thing I wish to add is this : board of directors should not be just thinking of quick profits all the time. They should not be greedy. They should also think of their stakeholders and national interest. They must have a 'human face' in the way they operate. After all, this is what a caring society is all about.

Editor : Once again, thank you, Dato', for giving us the privilege to interview you for our publication.

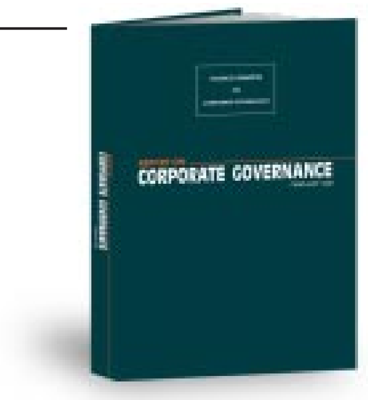
The comprehensive and policy-oriented *Report on Corporate Governance* (February 1999) by the Finance Committee on Corporate Governance can be obtained from :

Securities Industry Development Centre
Securities Commission
3 Persiaran Bukit Kiara
50490 Kuala Lumpur
(Tel : 03-6548683/6548000; Fax : 03-6515811)

It can also be downloaded from the SC's website :

http://www.sc.com.my

(Click "What's New", followed by "Latest In-House Publications").



The Proposed Malaysian Code on Corporate Governance

PART 1 PRINCIPLES OF CORPORATE GOVERNANCE

A. Directors

i *The Board* — Every listed company should be headed by an effective board, which should lead and control the company.

ii *Board Balance* — The board should include a balance of executive directors and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the board's decision-making.

iii *Supply of Information* — The board should be supplied in a timely fashion with information in a form and of a quality appropriate to enable it to discharge its duties.

iv *Appointments to the Board* — There should be a formal and transparent procedure for the appointment of new directors to the board.

v *Re-election* — All directors should be required to submit themselves for re-election at regular intervals and at least every three years.

B. Directors' Remuneration

i *Level and Make-up of Remuneration* — Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance in the case of executive directors. In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular non-executive concerned.

ii *Procedure* — Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

iii *Disclosure* — The company's annual report should contain details of the remuneration of each director.

C. Shareholders

i *Dialogue between Companies and Investors* — Companies and institutional shareholders should each be ready, where practicable, to enter into a dialogue based on the mutual understanding of objectives.

ii *Annual General Meeting* — Companies should use the AGM to communicate with private investors and encourage their participation.

D. Accountability and Audit

i *Financial Reporting* — The board should present a balanced and understandable assessment of the company's position and prospects.

ii *Internal Control* — The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

iii *Relationship with Auditors* — The board should establish formal and transparent arrangements for maintaining an appropriate relationship with the company's auditors.

PART 2 BEST PRACTICES IN CORPORATE GOVERNANCE

A. Board of Directors

i *Principal Responsibilities of the Board* — The board should explicitly assume the following six specific responsibilities, which facilitate the discharge of the board's stewardship responsibilities :

- Reviewing and adopting a strategic plan for the company.
- Overseeing the conduct of the company's business to evaluate whether the business is being properly managed.
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
- Succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management.
- Developing and implementing an investor relations programme or shareholder communications policy for the company.
- Reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Constituting an Effective Board

ii *Chairman and Chief Executive Officer (CEO)* — There should be a clearly accepted division of responsibilities at the head of the company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. Where the roles are combined, there should be a strong independent element on the board. A decision to combine the roles of Chairman and CEO should be publicly explained.

iii *Board Balance* — Non-executive directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgment to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct. To be effective, independent non-executive directors need to make up at least one third of the membership of the board.

Size of Non-executive Participation

iv In circumstances where a company has a significant shareholder, in addition to the requirement that one-third of the board should comprise independent directors, the board should include a number of directors which fairly reflects the investment in the company by shareholders other than the significant shareholder. For this purpose, a 'significant shareholder' is defined as a shareholder with the ability to exercise a majority of votes for the election of directors.

v In circumstances, where the shareholder holds less than the majority but is still the largest shareholder, the board will have to exercise judgment in determining what is the appropriate number of directors which fairly reflects the investment in the company by the remaining holders of the shares.

vi The board should disclose on an annual basis whether one-third of the board is independent and in circumstances where the company has a significant shareholder, whether it satisfies the requirement to fairly reflect through board representation, the investment of the minority shareholders in a company. The board should disclose its analysis of the application of the best practices set out above to the circumstances of the board.

vii Whether or not the roles of Chairman and CEO are combined, the board should identify a senior independent non-executive director of a board in the annual report to whom concerns may be conveyed.

viii *Appointments to the Board* — The board of every company should appoint a committee of directors composed exclusively of non-executive directors, a majority of whom are independent, with the responsibility for proposing new nominees for the board and for assessing directors on an on-going basis. The actual decision as to who shall be nominated should be the responsibility of the full board after considering the recommendations of such a committee. The nominating committee should :

- Recommend to the board, candidates for all directorships to be filled by the shareholders or the board.
- Consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder.
- Recommend to the board, directors to fill the seats on board committees.

ix The board, through the nominating committee, should annually review its required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board. This should be disclosed in the annual report.

x The board should implement a process to be carried out by the nominating committee annually for assessing the effectiveness of the board as a whole, the committees of the board and for assessing the contribution of each individual director.

xi The board should be entitled to the services of a company secretary who must ensure that all appointments are properly made and that all necessary information is obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Rules of Exchanges or other regulatory requirements.

xii *Size of Board* — Every board should examine its size, with a view to determining the impact of the number upon its effectiveness.

xiii *Directors' Training* — As an integral element of the process of appointing new directors, each company should provide an orientation and education program for new recruits to the board.

Board Structures and Procedures

xiv The board should meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities. The board should disclose the number of board meetings held a year and the details of attendance of each individual director in respect of meetings held.

xv The board should have a format schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands.

Relationship of the Board to Management

xvi The board, together with the CEO, should develop position descriptions for the board and for the CEO, involving definition of the limits to management's responsibilities. In addition, the board should approve, or develop with the CEO, the corporate objectives, which the CEO is responsible for meeting.

xvii *Quality of Information* — The board should receive information that is not just historical or bottom-line and financial-oriented, but information that goes beyond assessing the quantitative performance of the enterprise and looks at other performance factors such as customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on, when dealing with any item on the agenda.

xviii The Chairman of the board shall undertake primary responsibility for organising information necessary for the board to deal with the agenda and for providing this information to directors on a timely basis. If the Chairman is also the CEO, the board should also have in place a procedure to ensure that its agenda items are placed on the agenda and for providing this information to directors.

xix *Access to Information* — Directors should have access to all information within a company, whether as a full board or in their individual capacity, in furtherance of their duties.

xx *Access to Advice* — There should be an agreed procedure for directors, whether as a full board or in their individual capacity, in furtherance of their duties to take independent professional advice at the company's expense, if necessary.

xxi All directors should have access to the advice and services of the company secretary.

xxii Directors should appoint as secretary someone who is capable of carrying out the duties to which the post entails, and their removal should be a matter for the board as a whole. The board should recognise that the Chairman is entitled to the strong and positive support of the company secretary in ensuring the effective functioning of the board.

xxiii *Use of Board Committees* — Where the board appoints a committee, it should spell out the authority of the committee, and in particular, whether the committee has the authority to act on behalf of the board or simply has the authority to examine a particular issue and report back to the board with a recommendation.

xxiv *Remuneration Committees* — The board should appoint the remuneration committee, consisting wholly or mainly of non-executive directors, to recommend to the board the remuneration of the executive directors in all its forms, drawing from outside advice as necessary. Executive directors should play no part in decisions on their own remuneration. Membership of the remuneration committee should appear in the directors' report.

The determination of remuneration packages of non-executive directors, including non-executive chairmen, should be a matter for the board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

B. Accountability and Audit

Audit Committee

i The board should establish an audit committee of at least three non-executive directors, a majority of whom are independent, with written terms of reference which deal clearly with its authority and duties. The Chairman of the audit committee should be an independent non-executive director.

ii The duties of the audit committee should include the following :

(a) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.

(b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.

(c) To review the half-year and annual financial statements of the board, focusing particularly on :

- Any changes in accounting policies and practices.
- Significant adjustments arising from the audit.
- Going concern assumption.
- Compliance with accounting standards and other legal requirements.

(d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

(e) To review the external auditor's management letter and management's response.

(f) Where an internal audit function exists, to ensure that it is adequately resourced and has appropriate standing within a company, and to review the internal audit programme.

(g) To consider any related party transactions that may arise within the company or group.

(h) To consider the major findings of internal investigations and management's response.

(i) To consider other topics as defined by the board.

iii The Finance Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend meetings. Other board members may attend meetings upon the invitation of the audit committee. However, the committee shall meet with the external auditors at least once a year without executive board members being present.

iv The audit committee must have explicit authority to investigate any matter within its terms of reference, the resources which it needs to do so and full access to information. The committee should be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.

v The audit committee should meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.

vi The board should disclose in an informative way, details of the activities of the audit committee, the number of audit meetings held a year and details of attendance of each individual director in respect of meetings.

C. Shareholders

Relationship between the Board and Shareholders

i The board must maintain an effective communications policy that enables both the board and the management to communicate effectively with its shareholders, stakeholders and the public generally. This policy must effectively interpret the operations of the company to the shareholders and must accommodate feedback from shareholders, which should be factored into the company's business decisions.

PART 3 PRINCIPLES AND BEST PRACTICES FOR OTHER CORPORATE PARTICIPANTS

i *Shareholder Voting* — Institutional shareholders have a responsibility to make considered use of their votes.

ii *Dialogue between Companies and Investors* — Institutional investors should encourage direct contact with companies, including constructive communication with both the senior management and the board members about performance, corporate governance and other matters affecting shareholders' interest.

iii *Evaluation of Governance Disclosures* — When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional investors and their advisers should give due weight to all relevant factors drawn to their attention.

iv *External Auditors* — The external auditors should independently report to shareholders in accordance with statutory and professional requirements and independently assure the board on the discharge of its responsibilities under i and ii above in accordance with professional guidance.

Feature

At its 14th National Economic Briefing held on 20 July 1999, the Malaysian Institute of Economic Research (MIER) announced its updated domestic economic growth forecast to 1.8 per cent in 1999. The economic outlook for the Malaysian economy for the year 2000 is even better at 4.3 per cent. Below is the executive summary of MIER's National Economic Briefing.

Malaysian Economic Outlook, 1999-2000 : Executive Summary

World Economy to Show Modest Improvement

The world economy has stabilised and its growth this year is envisaged to be better than previously expected. The International Monetary Fund has projected that the global economic growth will accelerate to 3.4 per cent, from 2.5 per cent in 1999.[1]

The US economy is projected to continue with its strong growth this year, but is likely to moderate next year due to the expected higher US interest rate. Although the Japanese economy experienced a sudden growth earlier this year, a smooth recovery is still uncertain. However, there are strong expectations that a turnaround could materialise next year. In Europe, economic growth of the major economies is projected to moderate this year, but could pick up again in the year 2000. The recovering Asian economies will contribute positively to Malaysia's external sector.

Malaysian Economy Coming Out of the Woods

After a steep contraction of 7.5 per cent in 1998, the Malaysian economy is expected to come out of the recession with an estimated 1.8 per cent growth in 1999. The recovery would be driven mainly by public sector expenditure, rather than private sector consumption or investment.

Net exports will continue to contribute substantially to economic recovery. Increased public sector expenditure is linked to the fiscal stimulus package. Public consumption is estimated to expand by 9.5 per cent in 1999 (1998 : -7.8 per cent). Private consumption will remain sedated, as the job market is still in bad shape and the level of consumer confidence is low compared to the pre-crisis period.

Although confidence, as reflected by MIER's Consumer Sentiments Index, improved significantly in 2Q99, households remain cautious in their spending plans. The uptrend in the stock market, however, would enhance the household wealth which may induce consumption later on.[2] Private consumption could rise by a modest 1.5 per cent growth in 1999, from a 10.8 per cent contraction in 1998.

The recession has caused the private sector to be in financial difficulties and investment plans have been shelved. Nevertheless,

[1] However, a potential threat to the global economy could arise if the US stock market undergoes a major correction.

[2] Nevertheless, the stock market is not a reliable screen that would accurately portray the health of the real sector of the Malaysian economy, judging from past experience [MIER's Monthly Monitor, July 1999].

the shortfall in private investment will be compensated by larger public sector outlay. Business confidence made a comeback in 2Q99 as manufacturers reacted favourably to improving demand conditions, as reflected in the MIER Business Confidence Index which surged past the 50-point benchmark to 60.3 points in 2Q99 from 48.2 points in 1Q99. In view of this, MIER expects the gross fixed capital formation to expand moderately by 3.9 per cent in 1999, rebounding from a steep 42.9 per cent fall in 1998.

On the external side, exports of goods and services could recover by 9.6 per cent in 1999 because of better demand for electronic products (1998 : -0.2 per cent). Revival in domestic demand and export activities will result in imports rising by 12.8 per cent, compared to a sharp decline of 19.4 per cent last year.

In the balance of payment accounts, merchandise exports are projected to grow by 6.4 per cent in 1999, slowing down from a 28.9 per cent gain in 1998. Merchandise imports could grow at a faster rate of 9.3 per cent (1998 : 2.6 per cent). This will result in the merchandise trade balance registering a lower surplus of RM67.6 billion (RM69.3 billion in 1998). The services balance is projected to be in a deficit amounting to RM26.9 billion (1998 : RM23.4 billion). In sum, the current account balance could see a surplus of RM33.5 billion (12.2 per cent of Gross National Product) in 1999, compared to RM36.1 billion (13.4 per cent of GNP in 1998).

Given the depressed state of the domestic economy, excess production capacity and fixed exchange rate, inflationary pressures are expected to be subdued in 1999. The inflation rate is estimated to be low at 2.8 per cent in 1999, down from 5.3 per cent last year.

Better Economic Prospects Ahead

In the year 2000, economic growth is projected to accelerate to 4.3 per cent. This will be brought about by the recovery in the private sector, continuation of expansionary fiscal and monetary policies, and a better external environment with the acceleration of global economic growth.

Private consumption is forecast to grow by 7.3 per cent, while public consumption could rise by 8.2 per cent. Gross fixed capital formation is expected to expand by 9.4 per cent, with private investment regaining strength. Expectations of increased demand for electronic products would boost exports further. Exports of goods and services will continue to recover with a growth of 12.6 per cent, while imports could rise by 17.2 per cent. Higher import growth would reflect an improvement in aggregate demand.

In the merchandise account, exports are forecast to grow by 10.6 per cent and imports by 17.6 per cent in the year 2000. This will result in the merchandise trade surplus of about RM58.6 billion. With the services deficit at RM28.1 billion, the current account surplus would be at RM23.2 billion or 7.9 per cent of GNP. The inflation rate is forecast to edge up to 3.4 percent next year.

Malaysia's Real Gross Domestic Product
(RM million)

							BNM	MIER	
	1993	1994	1995	1996	1997e	1998p	1999f	1999f	2000f
Private Consumption	67,120	73,422	81,981	87,609	91,386	81,520	—	82,743	88,783
(% change)	*6.3*	*9.4*	*11.7*	*6.9*	*4.3*	*-10.8*	*1.1*	*1.5*	*7.3*
Public Consumption	18,078	19,500	20,682	20,833	22,423	20,665	—	22,628	24,484
(% change)	*8.4*	*7.9*	*6.1*	*0.7*	*7.6*	*-7.8*	*10.1*	*9.5*	*8.2*
Gross Fixed Capital Formation	57,413	66,668	81,895	88,624	96,744	55,258	—	57,413	62,810
(% change)	*17.8*	*16.1*	*22.8*	*8.2*	*9.2*	*-42.9*	*6.2*	*3.9*	*9.4*
Change in stocks	446	1,486	90	-1,900	-322	-234	—	258	550
Exports of Goods and Services	111,605	136,054	161,856	176,792	186,378	185,979	—	203,904	229,571
(% change)	*11.5*	*21.9*	*19.0*	*9.2*	*5.4*	*-0.2*	*3.3*	*9.6*	*12.6*
Imports of Goods and Services	115,745	145,417	179,878	188,666	199,488	160,857	—	181,383	212,669
(% change)	*15.0*	*25.6*	*23.7*	*4.9*	*5.7*	*-19.4*	*6.5*	*12.8*	*17.2*
Gross Domestic Product	138,916	151,714	166,625	183,292	197,121	182,331	—	185,563	193,529
(% change)	***9.9***	***9.2***	***9.8***	***10.0***	***7.5***	***-7.5***	***1.0***	***1.8***	***4.3***
Net Factor Payments Abroad	-8,799	-9,824	-11,422	-13,188	-14,416	-9,465	—	-7,882	-7,967
Gross National Product	130,118	141,890	155,204	170,104	182,705	172,866	—	177,681	185,562
(% change)	*10.1*	*9.0*	*9.4*	*9.6*	*7.4*	*-5.4*	*1.5*	*2.8*	*4.4*

p - preliminary; e - estimate; f - forecast

Note : The Malaysian economy recorded a positive growth of 4.1 per cent during the second quarter of 1999, ending the decline experienced over the past five consecutive quarters

Source : MIER (forecasts for 1999-2000 released on 20 July 1999); Ministry of Finance, *Economic Report* 1998/99 (released in October 1998); Bank Negara Malaysia; *Annual Report 1998* (released in March 1999).

Current Account Balance and Macroeconomic Indicators
(RM million)

							MOF		BNM	MIER	
	1993	1994	1995	1996	1997	1998p	1998e	1999f	1999f	1999f	2000f
Merchandise Balance	8,231	4,460	97	10,154	11,337	69,322	42,724	33,358	57,098	67,605	58,579
Exports (f.o.b.)	118,383	148,506	179,491	193,127	218,701	280,007	280,248	281,258	277,556	299,995	331,820
(% change)	*17.3*	*25.4*	*20.9*	*7.6*	*13.2*	*28.9*	*28.1*	*0.4*	*-1.6*	*6.4*	*10.6*
Imports (f.o.b.)	110,152	144,046	179,394	182,973	207,364	212,685	237,524	247,900	220,459	232,390	273,242
(% change)	*19.3*	*30.8*	*24.5*	*2.0*	*13.3*	*2.6*	*14.5*	*4.4*	*3.7*	*9.3*	*17.6*
Services Balance	-16,670	-17,005	-19,229	-19,414	-21,792	-23,381	-19,486	-19,395	-21,020	-26,933	-28,094
Current Account Balance	-7,926	-14,770	-21,647	-12,196	-14,153	36,068	20,065	11,013	29,537	33,504	23,170
(% nominal GNP)	-4.8	-7.9	-10.2	-5.0	-5.3	13.4	7.7	4.2	11.0	12.2	7.9
Inflation (% change in CPI)	3.6	3.7	3.4	3.5	2.7	5.3	5.0	3.5	<4.0	2.8	3.4
Unemployment rate (% change)	3.0	2.9	2.8	2.6	2.6	3.2	4.9	n.a.	4.5	4.7	4.3
GNS/GNP (% share)	36.3	35.3	35.6	38.9	39.4	41.9	—	—	40.2	40.9	38.8

f.o.b. - free on board; CPI - Consumer Price Index; GNP - Gross National Product; GNS - Gross National Savings; n.a. - not available

Source : MIER (forecasts for 1999-2000 released on 20 July 1999); Ministry of Finance, *Economic Report* 1998/99 (released in October 1998); Bank Negara Malaysia; *Annual Report 1998* (released in March 1999).

Institute News

YB Peter Nansian presenting a memento to YB Datuk Amar Dr. George Chan Hong Nam

MIA Sarawak Branch Annual Dinner

Recently, the MIA Sarawak Branch had one of its most memorable weekends. A Members Dialogue was held and it was well attended by Sarawakian accountants who were concerned on the future of the accountancy profession. The accountants were seen to be most responsive towards the Council's proposals for the accountancy profession. The lively dialogue was followed by the Branch's Annual Dinner. Among Sarawak's prominent figures were YB Datuk Amar Dr. George Chan (Deputy Chief Minister and Minister of Finance and Public Utilities), YB Tan Sri Datuk Amar Dr. Alfred Jabu A.K. Numpang (Deputy Chief Minister II and Minister of Rural and Land Development), YB Tan Sri Datuk Amar Haji Hamid Bugo (Sarawak State Secretary) and Yang Arif Datuk J.C. Fong (State Attorney-General).

On the following page is the speech delivered by the Institute's President, YBhg Dato' Hanifah Noordin during the dinner.

Dato' Hanifah is seen engaged in a lively discussion with Datuk Amar Dr. George Chan, while Mr. Soon is expressing his views to Datuk Amar Dr. Alfred Jabu A.K. Numpang and Datuk J.C. Fong

Mrs. Rose Nansian with Datin Paduka Puan Sri Empiang Jabu, Datin Annie Fong, Ms. Grace Hii and Puan Kalsom Jamil

What Kind of Accountants do we Wish to Create in the 21st Century?

By YBhg Dato' Hanifah Noordin, President, Malaysian Institute of Accountants

"What kind of company directors do we want to create in the 21st Century?" This question was posed at a recent Management meeting of the Malaysian Institute of Corporate Governance. It set the minds of members thinking long and deep. We should likewise ask ourselves : "What kind of accountants do we wish to create in the 21st Century?" Such a question may or may not have crossed our minds.

The Council of MIA had given the question considerable thought over the past months. We feel the time has come for the accountancy profession to modernise. Indeed, the end of this millennium is an opportune time to think about the beginning of a profession geared towards the Digital Age.

We are for modernisation not for its own sake. We are for it because of its immense benefits for our accountancy profession in particular and our country in general.

Let me now explain why we should actively consider modernisation :

1. *Firstly*, the advent of the computer and communication technologies, which are continually changing. These technologies sometimes change faster than the time we take to audit a company.
2. *Secondly*, the ascent of market forces in contrast to the descent of communism, which has the potential to increase the risk profile of businesses. No doubt, this will have implications for internal auditors in risk management.
3. *Thirdly*, the advance of liberalisation will bring with it both opportunities and challenges. I envisage major adjustments will be needed in time to come in our services sector, including the accountancy profession. The next round of negotiations with respect to the General Agreement on Trade in Services (GATS) will take place in the year 2000, will have implications for our services sector.
4. *Fourthly*, the arrival of globalisation will make our world 'smaller' — a global village. More than that, the battle for consumers' money, minds and markets need not be waged on the local turf. In an increasingly borderless global economy, aided by the sophisticated computer and communication technologies, competitiveness can be affected both at the national and firm levels. Countries and firms that adapt speedily to the new business rules for the networked economy are more likely to gain, while the laggards will pay a heavy price. This will have ramifications for the accounting fraternity, as our profession permeates through every type of businesses.

Therefore the accounting profession cannot afford to be laid back, in the face of such rapid economic, financial and technological developments. Our Institute is not prepared to take the huge risk of not moving ahead with the times.

This explains why our Council has proposed several changes to make the Accountants Act, 1967 relevant and forward looking. We feel the 32-year old Act has served its purpose. Its 'old body' will not be able to keep pace with the rapid changes that are taking place around the globe. The time has come for a major revamp of the Act.

We feel the 32-year old Act has served its purpose. Its 'old body' will not be able to keep pace with the rapid changes that are taking place around the globe. The time has come for a major revamp of the Act.

Among other things, we have a vision to modernise the accountancy profession — to latch on to the new wave of the 21st Century. We must not be caught napping.

Areas of Modernisation

I hope you will share our vision of a modernised accountancy profession and take ownership of that vision that is before us.

Specifically, we have in mind these changes, which will require amendments to the Act :

1 Corporatisation

Firstly, the accountancy profession, especially the 'Big-Five', are facing dreadful civil suits abroad, especially in the US and Europe. We must not allow this 'disease' to creep into our country, as it could hurt our accounting firms. Therefore, we are proposing to allow for the 'corporatisation' of accounting firms, which inevitably will require adequate capital and 'Professional Indemnity Insurance' coverage.

2 Multi-disciplinary Practices

Secondly, the Western world has seen the development of multi-disciplinary practices, e.g. having lawyers as partners of accountancy firms. This is even practised in Thailand. With increased globalisation and liberalisation of trade and services, accountancy firms should be allowed to exploit synergetic opportunities and provide related professional services to their clients. However, we propose that non-accountant's shareholding should be restricted to 40 per cent.

3 Regulated Advertising

Thirdly, we propose to allow a form of regulated advertising through the by-laws. Essentially, this is in response to members' request from both the big and small firms to have the right to advertise. This is a forward-looking proposal.

4 Practice Review

Fourthly, the Institute proposes the 'Practice Review' to strengthen the audit processes and standards of accountancy practices in both big and small audit firms. We believe this will contribute to better corporate governance, which our government is actively promoting.

Concluding Remarks

I started my talk with the question : "What kind of accountants do we wish to create in the 21st Century?"

The answer really lies with you, i.e. whether Malaysian accountants will buy in the vision that has been set before us.

As for the Council, there is no doubt that we are fully convinced of the importance and urgency of modernising our profession. Our big concern is that if we fail to get our act together fast in view of the rapidly changing economic, financial and technological landscape in the Digital Age, our profession will run the big risk of being left behind.

I hope I can count on your full and undivided support for what we, as guardians of the accountancy profession, seek to do for ourselves and our country.

We certainly cannot ill-afford to have a category of Malaysian accountants known as 'dinosaur' accountants.

With increased globalisation and liberalisation of trade and services, accountancy firms should be allowed to exploit synergetic opportunities and provide related professional services to their clients.

Multi-disciplinary practices — an idea worth considering

IFAC News

IFAC Year 2000 Theme Booklet

The International Federation of Accountants (IFAC) is calling for articles for its "Year 2000 Theme Booklet". The theme is :

"The Challenge of Change — Organisational Development and Management Accounting".

The theme is highly appropriate as we are on the threshold of the next millennium, and in a new era of fresh thinking and change. The theme is intended to cover organisational change which management accountants will have to initiate, participate and implement.

The theme booklet will be disseminated globally to IFAC's 143-strong member bodies. The overall objective of the booklet is to impress upon readers that management accounting is a rich, vibrant and useful activity, especially at the senior management level. Senior managers are instrumental in bringing about change, which is intended to create value through the effective use of both financial and non-financial resources.

We, therefore, invite you to submit your article for the theme booklet through the Malaysian Institute of Accountants. The article selected for submission to IFAC will be awarded a prize of RM1,000 by MIA.

IFAC has issued a 'Guide for Authors', which can be obtained from the Institute (Attn : Mr V. Jegatheesan; tel : 03-2274 5055).

The deadline for submission of articles is **15 October 1999**. Articles should be sent to :

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

Corporate Codes of Conduct Subject of New International Study

Why are corporate codes of ethics used? How are they used? And when is their use effective? A new study conducted by the IFAC's, Financial and Management Accounting Committee (FMAC), explores answers to these and other questions regarding corporate codes of conduct for the benefit of both management and accountants.

The study reports findings related to 13 codes in eight corporations in four countries, based on personal interviews conducted with senior management. Two examples of the corporations are 3M Corporation (Australia) and the Fiat Group.

Entitled *Codifying Power and Control : Ethical Codes in Action*, the study analyses corporate codes in terms of their labels, value, guidance/direction, and behavioural components, as well as their creation, distribution and administration. The various uses of codes in the participating corporations are also described and analysed.

"The view of the use of codes emerging from this study contrasts with much of the normative literature about their desirability and formation. Codes are seen here as practical management tools, which can be used selectively to control employee behaviour differently under different contextual circumstances. This view has implications for management in planning, preparing, and utilising codes," says Professor William Birkett, a member of IFAC's FMAC and an author of the study along with Maria Barbera. Both authors are associated with the University of New South Wales, Sydney, and Australia.

This new study may be downloaded from the IFAC Web site (www.ifac.org).

IASC News

IASC Proposes Fair Value Accounting for Investment Property

The International Accounting Standards Committee (IASC) has published proposals for changes to its rules on accounting for investment property. The text of *Exposure Draft E64 : Investment Property*, is available from IASC's internet web site : http://www.iasc.org.uk. Printed copies of E64 will be mailed to IASC subscribers automatically when they are available and additional copies can be obtained from IASC. Comments should be submitted to IASC in writing by 31 October 1999.

E64 proposes that an enterprise should :

- measure all investment property at fair value.
- recognise all changes in the fair value of investment property in the income statement.

Explaining the Exposure Draft, Sir Bryan Carsberg, Secretary-General of IASC, said :

"The accounting proposed by E64 is a significant change from our current rules in IAS 25, Accounting for Investments. E64 requires a single accounting treatment, unlike IAS 25, which permits a choice of several different accounting treatments. Our Board believes that the proposed accounting will give a clearer picture of the activities and performance of enterprises that hold investment properties."

Sir Bryan Carsberg continued :

"This Exposure Draft deals with a relatively specialised project which is the final element of the core standards that we have been developing for consideration by IOSCO (the International Organisation of Securities Commissions). IOSCO has been working on the final stage of its evaluation of the core standards, recognising that investment property is a small part of the set. However, the Board of IASC believes that it is a matter of great urgency for IASC to issue a high-quality standard on investment property before the end of 1999, so that IOSCO can complete a timely assessment of IASC's core standards, knowing that IASC has strictly covered all the elements of that core. The Board of IASC plans to approve an International Accounting Standard based on E64 at a special Board meeting on 13-16 December."

Copies of IASC's Exposure Draft, E64, Investment Property, (ISBN 0 905625 73 0), may be obtained directly from IASC's Publications Department, 166 Fleet Street, London EC4A 2DY, United Kingdom, Telephone : +44 (171) 427-5927, Fax : +44 (171) 353-0562, e-mail : publications@iasc.org.uk, Internet Web Site : http://www.iasc.org.uk at a price of £10 each (US$17), including postage. The Exposure Draft can also be downloaded from IASC's web site for the purposes of submitting comments to IASC.

IASC's Standing Interpretations Committee (SIC) Issues Two Draft Interpretations

The Standing Interpretations Committee (SIC) has published two new Draft Interpretations to clarify two accounting, issues under International Accounting Standards (IAS). The two Draft Interpretations are available both in hard copy format and from IASC's internet web site : http://www.iasc.org.uk. Comments should be submitted in writing by 15 September 1999. The Draft Interpretations are :

- SIC - D17 : Share Capital — Transaction Costs.
- SIC - D18 : Consistency — Alternative Accounting Policies.

Commenting on the new Draft Interpretations, Sir Bryan Carsberg, Secretary General of IASC, said :

"International Accounting Standards are of increasing importance to the global capital markets. The SIC's draft interpretation on share capital transaction costs provides timely guidance, particularly to those enterprises which raise capital through the issuance of shares."

Sir Bryan continued :

"Requiring consistency in the application of International Accounting Standards is a key emphasis of the SIC's activities. The SIC previously dealt with two issues relating to alternative accounting policies in SIC-1, Consistency — Different Cost Formulas for Inventories, and SIC-2, Consistency — Capitalisation of Borrowing Costs. The SIC's Draft Interpretation on alternative accounting policies provides guidance on the manner of exercising the choice of alternative policies available under certain other International Accounting Standards."

Note :

- **SIC - D17 : Share Capital — Transaction Costs.**

The SIC agreed that transaction costs, defined as incremental external costs directly attributable to an equity transaction, should be accounted for as a deduction from equity. The Interpretation applies to transactions involving the issuance or acquisition of instruments of the reporting enterprise that are classified by that enterprise as equity and result in a net increase or decrease to equity. Typical examples of equity transactions subject to the Interpretation would include the issuance of common shares for cash and the acquisition by an enterprise of its own equity instruments. A stock exchange listing of shares already outstanding, secondary offering, share split or dividend would not be considered an equity transaction subject to the Interpretation.

- **SIC - D18 : Consistency — Alternative Accounting Policies.**

The SIC agreed that if one or more alternative accounting policies are available under an IAS or Interpretation, an enterprise should choose and apply consistently one of those policies unless the Standard or Interpretation specifically requires or permits categorisation of items (transactions, events, balances, or amounts) for which policies, are to be chosen. If a Standard requires or permits separate categorisation of items, a single accounting policy should be selected and applied consistently to each category. Additional guidance on the application of the Interpretation to specific choices available under IAS is provided in an appendix.

Library News

List of New Books in MIA Library

The following is a selection of new books in the Institute's library.

A New Deal for Asia, *by Dato' Seri Dr. Mahathir Mohamad,* Subang Jaya, Selangor : Pelanduk Publications, 1999.
Call no : 330.95 MAH

Accounting for Business Decision-Making, *by M. Fazilah Abdul Samad,* Kuala Lumpur : University of Malaya Press, 1998.
Call no : 657.48 FAZ

Federal Public Accounts 1997 (summary), *by Government of Malaysia,* Kuala Lumpur : Akauntan General Malaysia, 1998, complimentary copy.
Call no : 657.619595 AKA

ACCA Accounting Technician : Q&A's Level B, December 1998, London : ACCA, 1998.
Call no : 657.044 ACC

ACCA Accounting Technician : Q&A's Level C, December 1998, London : ACCA , 1998.
Call no : 657.044 ACC

LCCI Accounting — Third level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 6567.044 LCC

LCCI Cost Accounting Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

LCCI Business Statistics Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

LCCI Management Accounting Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1998.
Call no : 657.044 LCC

LCCI Bookkeeping and Accounts Q&A — Second level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

FEE Discussion Paper Towards a Generally Accepted Framework for Environmental Reporting, Brussels : FEE, 1999, complimentary from the publisher.
Call no : 657.8 FEE

Malaysia : Investment in Manufacturing Sector, Kuala Lumpur : MIDA, 1999, complimentary copy from MIDA.
Call no : 332.6 MAL

Auditing in Malaysia : An Integrated Approach, *by Alvin A. Arens, James K. Loebbecke, Takiah Mohd. Iskandar, S.D. Susela, Shaari Isa; edited by Margaret Boh,* Petaling Jaya : Prentice Hall, 1999, complimentary copy from the author.
Call no : 657.4509595 AUD

Cash — The Lifeblood of Business : Debt Collection and Prevention Strategies, *by Richard Y.K. Wong,* Kuala Lumpur : Leeds Publications, 1998, complimentary copy from the author.
Call no : 658.15244 WON

Petunjuk Amalan Ekonomi Islam, *by Abd. Al-Rahman Zaki Ibrahim,* Kuala Lumpur : Dewan Bahasa Pustaka, 1998.
Call no : 297.197 85 IBR

Malaysian Taxation, *by Yeo Miow Cheng, Alan,* Kuala Lumpur : PAAC, 1999, complimentary copy from the author.
Call no : 336.2 YEO

Advanced Malaysian Taxation, *by Yeo Miow Cheng, Alan,* Kuala Lumpur : PAAC, 1999, complimentary copy from the author.
Call no : 336.2 YEO

Malaysian Taxation, *by Ong Yoke Yew,* Kuala Lumpur : Resource Training & Consulting, 1999, complimentary copy from the author.
Call no : 336.2 ONG

1999 XYZ Model Financial Accounts, Victoria : CPD, 1999.
Call no : 657.3 XYZ

Inland Revenue Guidelines, Rulings and Practices, *by Chong Kwai Fatt,* Kuala Lumpur : Infoworld, 1999, complimentary copy from the author.
Call no : 343.59504 CHO

Sri Lanka Auditing Standards 1997, Sri Lanka : The Institute of Chartered Accounting of Sri Lanka, 1997, complimentary copy from the ICASL.
Call no : 657.45 SRI

Perakaunan : Theori dan Praktis, *by Shaari Isa,* Kuala Lumpur : Dewan Bahasa & Pustaka, 1997.
Call no : 657 SHA

MIA's Technical and Practice News

1. FINANCIAL REPORTING BOARD

■ Applicability of Standards Issued by IASC

The Board considered the applicability of the following standards issued by the IASC for issuance as guidelines of best practice on accounting for financial reporting purposes.

• **IAS 10 (Revised) : Events After the Balance Sheet Date**

There are three main changes to the existing rules :

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

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

iii An enterprise should continue to prepare financial statements on a going concern basis if events after the balance sheet date indicate that part of the enterprise is not a going concern but the rest of the enterprise is a going concern. IAS 10 currently requires adjustments to assets and liabilities in such cases. The new IAS 10 maintains the requirement that an enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.

Board members were invited to provide comments on the revised Standard prior to issuance as guidelines of best practice on accounting for financial reporting purposes to members.

• **IAS 39 : Financial Instruments — Recognition and Measurement**

IAS 39 completes the core set of International Accounting Standards agreed between IASC and IOSCO. IAS 39 is an interim measure towards a more comprehensive standard on financial instruments the work of which is currently undertaken by the IASC's Joint Working Group on Financial Instruments.

Under IAS 39, all financial assets and financial liabilities are recognised on the balance sheet; this includes all derivatives. They are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability.

Major issues raised in the Standard include :

i The use of fair values in accounting for financial instruments. Difficulties may arise when determining fair value in the Malaysian context.

ii Securitisation which might not be applicable in Malaysia since Malaysia only has forex and trade options.

iii Hedge accounting which has very complex recognition requirements.

The Chairman invited board members to comment on the Standard, on the fundamental and conceptual issues since the comments will be useful input to the IASC's long-term project on financial instruments.

■ Comments on ED 14 : Financial Reporting of Interests in Joint Venture Issued by MASB

The Board reviewed the above document which is the same as IAS 31 : Financial Reporting of Interests in Joint Venture. It was noted that SIC 13 : Jointly Controlled Entities — Non-Monetary Contributions by Venturers has dealt with paragraph 40 of ED 14.

The Board also noted that the ED allows the equity method as allowed alternative treatment when reporting of interest in a jointly-controlled entity in a consolidated financial statement.

2. NACRA

■ Preliminary Screening

Preliminary Screening was held on 6 July 1999 at KLSE. A total of 93 annual reports have been shortlisted.

3. MEETING OF THE SECURITIES COMMISSION'S WORKING GROUP ON ACCOUNTING ISSUES

A meeting was held on 24 June 1999 by the Securities Commission (SC) and attended by representatives from MIA, MASB, FPLC and MACPA to deliberate upon a finding during a compliance review conducted by the Financial Reporting Surveillance and Compliance Department (FRSC) of the SC, whereby a company was found to have included an amount reflected as 'deferred foreign exchange differences' as an adjustment to Profit Before Tax (PBT) in the cash-flow statement (indirect method).

The Working Group generally agrees with FRSC's stand that deferred exchange reserve amount should not be included and taken as an adjustment to PBT in the cash-flow statement.

Further, in reference to Para 28 of MASB 5, the Working Group was of the view that in order to reconcile the cash and cash equivalents at the beginning and the end of the period, the effect of the exchange changes on the cash and cash equivalents held or due in a foreign currency is included in the cash-flow statement separately from cash-flows of operating, investing and financing activities.

4. INSOLVENCY AND CORPORATE RESTRUCTURING PRACTICE BOARD

Judicial Management

The Multimedia Development Corporation (MDC) has expressed its interest in the proposed 'Judicial Management' framework and advised that they will be tabling the proposed bill at their next International Advisory Panel meeting in July and thereafter at their Implementation Council Meeting.

5. IASC BOARD MEETING IN WARSAW, POLAND

The IASC Board met in Warsaw, Poland. The meeting was attended by Mr. Tony Seah (board member) and assisted by Ms. Josephine Edward and Ms. Katharene Expedit.

The meeting discussed/deliberated on the following :

Investment Property

The board approved Exposure Draft E64, Investment Property. Under E64, investment property (including investment property under construction) should be measured at fair value and changes in fair value should be recognised in the income statement.

Reservations were raised on the use of fair value and the reliability issue surrounding 'fair value' measurement and the reporting of changes in fair value through the earnings statement which will have a significant impact on reported income.

Notable comments at the Warsaw meeting :

- Tony Seah raised that investment properties should be dealt with in IAS 16 and there is no necessity for a separate Standard.
- Canada does not support the ED since the definition of an investment property is unacceptable
- Australia supports the general thrust of the draft ED to the extent that it proposes requiring investment properties to be measured at current value and allowing changes in current value of investment properties to be recognised in the income statement (as part of profit or loss from operating activities) in the periods in which the changes occur.

Agriculture

The board approved Exposure Draft E65, Agriculture by a marginal majority vote. E65 deals with accounting for agricultural activity, which is the managed transformation of biological assets (living animal and plants) to yield agricultural produce awaiting further processing, sale, or consumption. Concern on the use of 'fair value' was also raised in the Standard. It was also agreed that a field survey will be undertaken to gauge the response to the proposals in the Standard.

Notable comments at the Warsaw meeting :

- Tony Seah brought to the board's attention that currently in Malaysia, comprehensive disclosures are being made by plantation companies on the yield, extraction rates, average selling price, mature/immature. This is in response to certain board members views that the information required or endorsed by the Standard is too onerous and may not be obtainable.
- Japan commented on Para 33 of the ED, which indicates that some type of agricultural produce could be fair valued after acquired or harvested. However IAS 22 does not allow agricultural produce to be fair valued after it has been classified as inventory. Japan believes that only net changes between the carrying amount of biological assets, which is the latest fair value and the fair value at the time of harvest should be included in the profit and loss.
- Nordic Federation is of the view that change to fair value accounting for biological assets is a big change for most of the world and there is only limited experience in measuring biological assets to fair value. They recommend that IASC conduct field test before issuance of final standard
- Canada did not support the ED since they are not convinced that fair values can be sufficiently reliably determined for all biological assets. They also propose that a field test of the proposals in the ED be undertaken before issuing the ED.

Shaping IASC for the Future

The board had a joint meeting on 30 June with IASC's Strategy Working Party (SWP) to discuss the comments received on the Strategy Working Party's Discussion Paper, *Shaping IASC for the Future*.

SWP's proposals :

- A single board (a unicameral structure) consisting of some full-time members and some part-time members. Some of the former would also be members of national boards of standard setters, some might be nominated by national standard setters but not be members of their boards and others might have no connection with national standard setting. They, and the part-timers would be chosen to achieve representativeness in terms of national origin (geographical distribution) and functional backgrounds, e.g. investor, preparer, auditor, academic, etc.
- Appointments would be made by 'trustees' chosen to give confidence that independence and representativeness would be emphasised in the composition of the board. All trustees should be appointed by named organisations and these organisations should also have responsibility for re-appointments in the context of fixed terms and limitations on total length of service permitted. Half the trustees should be appointed by international organisations, which could be presumed to serve the public interest, for example, the World Bank, IOSCO and others.
- Trustees would be given an 'oversight' responsibility. They would express views, report on performance and provide suggestions for improvements. They will also be responsible for constitutional change.
- The present category of membership held by professional accounting bodies would no longer have any active function. However, there might be scope for a new concept of membership, more in the nature of supporters' organisations, with categories of membership for professional accounting bodies, companies, and other organisations and perhaps with some link to fund-raising.
- Some, but not all, of the full-time members of the board would also be members of the boards of national standard setters.
- A co-ordinating committee would be established of senior officials in IASC and the leading national standard setters to co-ordinate agendas and arrange other aspects of co-operation including discussions of additional impetus towards convergence of standards.

Deliberations indicated that there is very limited support to the proposals and board's views were split.

Financial Instruments

The board received a progress report from the Joint Working Group (JWG) on Financial Instruments, which aims to propose, during the year 2000, a comprehensive standard on financial instruments for consideration by IASC and other accounting standard-setters worldwide.

Among the specific issues discussed by the board were :

- Loans with no quoted market value (by informal vote, the board indicated support for measuring such loans at fair value "if measurement feasibility problems can be overcome").
- The tentative position of the JWG that hedge accounting should not be permitted.
- Measurement reliability issues in fair valuing debt, focusing specifically on fair valuing debt that is used to finance non-financial assets and fair valuing an enterprise's own debt to reflect changes in the enterprise's credit risk.

New Projects

The board added four new projects to its agenda :

- Reporting Financial Performance — to consider whether further developments should now be made in reporting financial performance.
- Disclosure by Banks and Similar Financial Institutions — to consider the need to revise the presentation and disclosure requirements of IAS 30, particularly in light of developments in the industry and the issuance of IAS 1 (revised 1997) and IAS 39.
- Transition Requirements — to consider consistency of transition requirements for enterprises that adopt new or revised standards and for enterprises that adopt IASC standards for the first time.
- Pensions Plan Assets — to consider whether a revision to IAS 19 is desirable to address certain pension fund arrangements which are not 'plan assets' as defined in IAS 19 because the employer retains an obligation to pay the benefits directly.

In view of the importance of the SWP proposals and the finalisation of the standard on investment properties, there will be additional board meeting commencing in the week beginning 13 December 1999.

The next meeting of the board has been scheduled in Venice, Italy, on 15-19 November 1999.

MIT News

Professional Examinations

OF THE MALAYSIAN INSTITUTE OF TAXATION

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

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

Examination Structure

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

FOUNDATION LEVEL

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

INTERMEDIATE LEVEL

- Taxation II
- Taxation III
- Company & Business Law

FINAL LEVEL

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

How To Register

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

Entrance Requirements

(a) Minimum Entry :

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

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

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

Exemptions

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

Exemption Fees

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

Examination Fees

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

DATES TO REMEMBER FOR 1999 EXAMINATION

SEPTEMBER 1

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

OCTOBER 15

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

DECEMBER 13-17

EXAMINATION.

For further enquiries, please contact the Secretariat at Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur. Telephone : 03-2274 5055, Fax : 03-2274 1783

MALAYSIAN ASSOCIATION
OF ACCOUNTING ADMINISTRATORS

MAAA News

INCORPORATION AND AIM

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

MAIN OBJECTIVES

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

COUNCIL MEMBERS (1998/99 TERM)

Elected Members

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

MIA Nominated Members

Chian Ngook For, Daniel
Lam Kee Soon
Yue Sau Him

SECRETARIAT OFFICE

Malaysian Association of Accounting Administrators
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur.
Tel : 03-2274 5055 or Fax : 03-2274 1783
e-mail : maaa@mia.org.my

Editor for MAAA News : Low Han Men, Aric

GETTING TO KNOW YOUR MAAA COUNCIL MEMBERS

This is the third part of our series to introduce to members the current MAAA Council Members by publishing their individual profiles. Below are the profiles of the current President and Vice President of the Association.

IZHAR ABD KAHAR (President)

IZHAR, has been in the finance and accounting profession for more than ten years and has acquired extensive experience in the unit trust industry. Presently, he is Head of Finance and Accounting of Amanah Property Trust Managers Berhad, a post he has held since May 1996. Prior to that, Izhar has held various top management positions in the Arab-Malaysian Banking Group between 1990-96; he was Finance and Operations Manager in Arab-Malaysian Unit Trust, Assistant Accountant and Corporate Finance Executive in Arab-Malaysian Merchant Bank and Financial Accountant in Arab-Malaysian Property Trust Management.

In 1998, he was appointed to the Malaysian Standards Board's Working Group on the Draft Statement of Principles for Accounting and Reporting by Unit Trusts. Izhar holds a Diploma in Accounting from MARA Institute of Technology and a BSc Degree majoring in Accounting from Central Michigan University.

Izhar has been serving on the MAAA Council since 18 June 1994.

KOO YEW FOOK, ALLAN (Vice President)

ALLAN KOO is a Corporate and Management Consultant and runs a company secretarial and management consultancy practice in Petaling Jaya. Allan started his working career in the accounts division of the National Electricity Board. Since leaving the Board, he has moved into various positions in the fields of company secretaryship and management consultancy, including financial and accounting related services.

He holds a degree in Bachelor of Laws (LL.B.) honours from the University of Wolverhampton, United Kingdom. He is a member of the Malaysian Institute of Management (MIM), the Malaysian Association of Chartered Secretaries and Administrators (MAICSA), the Malaysian Institute of Taxation (MIT) and the Institute of Cost and Executive Accountants (ICEA).

Allan has been serving on the MAAA Council since 18 June 1994.

Model Insurance Company Accounts

The Institute received a circular from Bank Negara Malaysia on the above matter. Reference is made to notes on pages 15 and 16 relating to fixed assets, of BNM's guidelines JPI/GPI 15 : Model Insurance Company Accounts.

In view of the revision of IAS 16, Property, Plant and Equipment regarding the disclosure of the reconciliation of the carrying amount of fixed assets at the beginning and end of the financial period, the format on the notes on fixed assets as contained on pages 15 and 16 of the model accounts is hereby replaced with the revised format as on this page. The revised format is effective from the financial year ending on and after 30 June 1999.

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Revised in July 1999

3. FIXED ASSETS
(a) GENERAL

	Freehold Land	Freehold Building	Leasehold Land	Leasehold Building	Work-in-Progress	Motor Vehicles	Furniture Fixtures & Fittings, Office Equipment	19X2 Total
Cost or valuation								
At January 1, 19X2								
Additions								
Additions through acquisition of subsidiary company								
Revaluation								
Disposals								
Transfer								
Exchange Adjustment								
At December 31, 19X2								
Accumulated Depreciation								
At January 1, 19X2								
Additions								
Charge for the year of subsidiary company acquired								
Revaluation								
Disposals								
Transfer								
Exchange Adjustment								
At December 31, 19X2								
Net book value								
At December 31, 19X2								
At December 31, 19X1								
Depreciation charge for 19X1								
Leased assets included above:								
Net book value								
At December 31, 19X2								
At December 31, 19x1								

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Revised in July 1999

3. FIXED ASSETS
(b) LIFE

	Work-in-Progress	Motor Vehicles	Furniture, Fixtures & Fittings, Office Equipment	19X2 Total
Cost or valuation				
At January 1, 19X2				
Additions				
Additions through acquisition of subsidiary company				
Revaluation				
Disposals				
Transfer				
Exchange Adjustment				
At December 31, 19X2				
Accumulated Depreciation				
At January 1, 19X2				
Additions				
Charge for the year of subsidiary company acquired				
Revaluation				
Disposals				
Transfer				
Exchange Adjustment				
At December 31, 19X2				
Net book value				
At December 31, 19X2				
At December 31, 19X1				
Depreciation charge for 19X1				
Leased assets included above:				
Net book value				
At December 31, 19X2				
At December 31, 19x1				

Articles for Contribution

Members are invited to contribute articles on any subject related to financial and management accounting for *Akauntan Nasional*.

Up to three published articles will be selected by MIA each year to be sent to the International Federation of Accountants (IFAC) for their annual article award. If the IFAC selects an article for an award, the author/s will receive a prize of RM1,000.

Manuscripts must be typed in double spacing on one side of A4 paper with wide margins. Kindly also send your contribution in diskette format, either in Microsoft Word or Lotus WordPro. A synopsis of about 200 words should accompany the article. Authors can hold propriety rights, but should give MIA the exclusive rights to publish, reproduce and distribute the abovementioned articles.

We look forward to your contributions, both to enlighten readers and to promote the interest of the accountancy profession.

Please send your articles to :

Mr. V. Jegatheesan, Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur.

Registration of Accountants

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

	REG. NO.
JOHOR DARUL TAKZIM	
BATU PAHAT	
KUAN CHENG TOON	14082/PA
LOK PEY LING	14009/PA
JOHOR BHARU	
ANTHONY FERNANDEZ JR	14118/PA
FUN FOOK NIA	14001/PA
LIM TONG LIONG	14091/PA
MOHD REDZA BIN ABU BAKAR	14029/PA
MUHAMAD FEASAL YUSOFF	14024/PA
ROSZILA BINTI IBRAHIM	14023/PA
VENKATASH A/L MAMIAR @ MANNAR	14051/PA
WONG PHEI CHIN	14065/PA
KOTA TINGGI	
SAW POH HUA	14244/RA
KULAI	
LIM TECK FUNG	14221/RA
NG CHYE HUAT	14186/RA
KEDAH DARUL AMAN	
ALOR SETAR	
LOW HOOI TENG	14247/RA
WAN BAK CHOI	14058/PA
KULIM	
NORHALINA BINTI BAHARUDIN	14122/PA
SUNGAI PETANI	
LEE SET YOON	14169/RA
MELAKA	
KNG BEE WAH	14083/PA
KOH CHIN KOON	14226/RA
SIOW KEE YEN	14084/PA
SOH CHIOW PHENG	14111/PA
SOH SIEW HONG	14038/PA
YIP TSEN YEE	14041/PA
ALOR GAJAH	
ZAITUN BINTI YAHYA	14240/RA
JASIN	
GAN ENG JOO	14127/PA
NEGERI SEMBILAN DARUL KHUSUS	
PORT DICKSON	
NURUL HAYATI BINTI MASROM	14280/RA
SEREMBAN	
CHAN SIEW TONG	14279/RA
KOK MING HU	14257/RA
LEE WEE TAK	14246/RA
NAZRITA BINTI MOHD NASIR	14175/RA
NG YEE LING	14016/PA
QUEK KHAI KIAT	14284/RA
PAHANG DARUL MAKMUR	
KUANTAN	
CHUA SAY HAND	14276/RA
PHOON SHWU FEEN	14030/PA
PERAK DARUL RIDZUAN	
IPOH	
CHEAM CHEE CHIAN	14015/PA
CHIN CHEE WEI	14264/RA
CHONG CHEN YEE	14241/RA
HO YOKE SEE	14275/RA
LEE KIM MAN	14100/PA
ONG CHENG MEI	14148/PA
SOO LOY THAI	14101/PA
WANG SAY YOONG	14042/PA
WEE SIAO TIENG	14020/PA
YIP CHOONG LING	14165/RA
TELUK INTAN	
TAQIYUDDIN AMINI BIN ABDUL SATAR	14068/PA
PULAU PINANG	
CHEE SUAN EAN	14018/PA
JEANNE GEH POH KIM	14060/PA
KOAY SEOK HEAN	14034/PA
LEE WAI LING	14129/PA
MOHD ZUHAIRI BIN HARUN	14045/PA
SEE JOHN KUAN	14123/PA
AYER ITAM	
LAU SIEW HEAN	14251/RA
LEE MIN PHAIK	14112/PA
BUKIT MERTAJAM	
KHOEK SU KIANG	14126/PA
ONG YEAM KOON	14181/RA
TANG BOON HIAP	14245/RA
BUTTERWORTH	
YEOH SOO PIN	14142/PA
GELUGOR	
CHEW HOOI NEE	14200/RA
EMMALYN TAN SU LYN	14140/PA
GEORGETOWN	
MONICA LIEW MEI LING	14124/PA
LEE TIANG HIANG	14090/PA
KHOR CHIN KOI	14110/PA
LEE LAY CHIN	14125/PA
ONG TAI LIANG	14168/RA
TAN ENG CHENG	14141/PA
TAN GAIK PHENG	14143/PA
PERAI	
CHEE SOO LING	14069/PA
RELAU	
KANG TEE YONG	14209/RA
SABAH	
KOTA KINABALU	
CHONG CHI MING @ ELVIS CHONG	14179/RA
GOH GIOK YEE @ ELIZA	14260/RA
JAINEY BIN SATOR	14283/RA
JOANNES P. PAUT	14079/PA
LEE JYH KIONG	14170/RA
ROGER MARC JOSEPH	14078/PA
SIAU SHUI FON	14019/PA
VICTOR TSEN TZE HEUNG	14266/RA
WONG FUNG YIN	14178/RA
TAWAU	
NG CHEE WAH	14006/PA
SARAWAK	
BINTULU	
HII MING TIING	14077/PA
KUCHING	
ADREA HAN JIA HUI	14098/PA
ASMADUYAH BINTI BUJANG	14239/RA
CHEONG HO YEN	14268/RA
CHONG KOK CHIEK	14172/RA
CHUA BENG CHENG	14099/PA
CHUNG LEE YIEN	14205/RA
FAREHAN BINTI HUSSIN	14269/RA
FELIX WONG CHUNG CHIN	14109/PA
JOSEPH MELAYU AK ENTALAI	14227/RA
KHO CHAI HUAT	14119/PA
KOK LEE CHIA	14064/PA
LEE SWIN YUN ISABELA	14201/RA
LIM BOO HIONG	14088/PA
LOLITA BINTI ALI	14216/RA
PETER CHIAM TAU MIEN	14085/PA
RAYAN ANAK NARONG	14238/RA
SHIRLEY WEE YIEN FUNG	14007/PA
TAN HUI LENG	14076/PA
TAN MENG KEE	14087/PA
TAN SIA KWANG	14011/PA
TAY CHEK HONG	14089/PA
WONG SIE KEE	14086/PA
MIRI	
NGUI NYUK LIN	14163/RA
SIBU	
HO POH HONG	14092/PA
SRI AMAN	
SHAHRIN BIN SHAARI	14027/PA
SELANGOR DARUL EHSAN	
AMPANG	
TAN CHOON NIAB	14261/RA
BATU 9 CHERAS	
WOON YUET WAH	14021/PA
BATU CAVES	
HALEELUR RAHMAN BIN ABDUL GAFFOOR	14189/RA
SHAHRUL AMIN BIN MUSTAFA ALBAKRI	14063/PA

	REG. NO.
SUHAINI BIN KASMURI	14208/RA
TONG KOK HING	14177/RA
HULU LANGAT	
MAZILA BINTI ISMAIL	14061/PA
UMI KALTUM BINTI MANSOR	14228/RA
KAJANG	
CHIA HAN-LIN	14198/RA
KLANG	
LAI KOK HENG	14102/PA
LEONG TUCK YEE	14147/PA
LOGESWARAN SINNIAH	14231/RA
MANIVANNAN MEYYAPPA	14159/RA
MANOJ M.V. KRISHNAN NAIR	14230/RA
NG CHEE GUAN	14263/RA
STANLEY WONG TAI PENG	14224/RA
KUALA SELANGOR	
YU SOO LING	14013/PA
PELABUHAN KLANG	
NG POH KHIM	14282/RA
PADMAH KUMARAN	14134/PA
PETALING JAYA	
AISHAH RAMLI	14117/PA
ANG KOK CHING	14273/RA
AW KIN PING	14156/PA
AZHAR BIN MOHAMMAD RADZI	14121/PA
CHENG HUI PING	14072/PA
CHIN SYM KHONG REBECCA	14250/RA
CHUNG TSUNG SHEN	14131/PA
DEREK NG YEONG HOCK	14164/RA
DING MENG HEE	14096/PA
ERIC BOON CHUAN KIT	14094/PA
FLORENCE CHUA LEI CHOON	14153/PA
FRANCIS CYRIL SINGAM	14005/PA
GOH JIUNN MING	14243/RA
JASON PHILIP HENDROFF	14049/PA
JENNY LEE SIEW GAIK	14210/RA
KEVIN CHAN U-MIN	14048/PA
KHOO GHI SOON	14249/RA
LEE MUN TAT	14184/RA
LIM BEE KIN	14236/RA
LIM SHU HWON	14113/PA
LIM SZE YEAN	14146/PA
LOH JOO SIN	14107/PA
LOO KIM WUI	14196/RA
LOW KOON POH	14130/PA
LUA POH HUAT	14043/PA
MAN PENG HOONG	14272/RA
MOHAMMAD FARISH NIZAR BIN OTHMAN	14095/PA
MOHD ASHRI ABD RAHMAN	14234/RA
MOHD HAIRUL BIN ABDUL HAMID	14173/RA
MOHD SABIRIN BIN MOHD SARBINI	14214/RA
NG CHENG SHIN	14192/RA
OOI SOON SAN	14237/RA
PERBAGARAN A/L K. KUPPUSAMY	14217/RA

	REG. NO.
SIEW FATT CHIN	14026/PA
SIVAKUMAR A/L PONNIAH	14116/PA
SUA HING MEE	14031/PA
SUZANNE NG BEE JUNE	14014/PA
TANG SOON BENG	14052/PA
TANG WEI YEE	14157/PA
TEO TECK HUAT	14213/RA
WONG KIN KOK	14235/RA
YAP CHOOI HOON	14267/RA
YEOH SUAN CHOO	14075/PA
YUHAIMI BIN YAHAYA	14219/RA
PORT KLANG	
NG CHEE SIONG	14270/RA
THAVARAJ PETER PONNIAH	14211/RA
PUCHONG	
CHNG CHEE HENG	14206/RA
LEE YEE YEN	14265/RA
WOO YIK LOON	14114/PA
RAWANG	
YONG HOW YIN	14128/PA
SERDANG	
ANGAK @ ABDUL KHALID BIN SUAIDI	14167/RA
SERI KEMBANGAN	
LEE HOON SENG	14074/PA
SHAH ALAM	
AMIR ZUHRI @ ZUL'ASRI BIN ZUBIR	14055/PA
AMIRRUDDIN BIN ISMAIL	14158/PA
AZNAL NIZAR BIN ABDULLAH	14281/RA
JAGATH GURU SITHAMPARAM	14232/RA
JAMALIAH BINTI ALI	14258/RA
MOHD ARIFF BIN MOHD ARIFFIN	14070/PA
SHAHLAN BIN HJ MD SHUKOR @ KADARI	14139/PA
THONG WEI CHE	14262/RA
ZAINAL BIN ABU BAKAR	14152/PA
SUBANG JAYA	
HAR WENG PUN	14050/PA
WOO SEE MING	14017/PA
SUNGAI BULOH	
LIM SIEW NGOH	14218/RA
TELOK PANGLIMA GARANG	
ARIZAL BIN YAHYA	14154/PA
TERENGGANU DARUL IMAN	
KEMAMAN	
KAMARUL ARIFFIN BIN NGAH	14039/PA
WILAYAH PERSEKUTUAN	
KUALA LUMPUR	
KHOO GHI PENG	14132/PA
ADY ALES BIN RAMLI	14155/PA
BOR CHUAN HUI	14097/PA
BORHANUDIN BIN HANAFIAH	14062/PA
CHAN MAY LING	14182/RA
CHAN YOKE SAN	14242/RA
CHAU NYOK HOI	14199/RA
CHAW YOKE LING	14054/PA

	REG. NO.
CHIN CHEE SENG	14274/RA
CHONG SOOK LENG	14203/RA
CHOO KAH LEONG	14204/RA
CHOOK KUI WING	14037/PA
CHUN KWONG PONG	14003/PA
FADZILAH BINTI MOHD SALLEH	14028/PA
FONG CHEE KHUEN	14254/RA
FOO SEAK TOON	14256/RA
GOH CHEE HONG	14162/RA
GOH SUI KIANG	14220/RA
HA BIN KHEAN	14212/RA
HO LEE FUNG	14093/PA
HOE POW SUM	14285/RA
IRENE LOK AI GEK	14145/PA
JENNIFER ONG BEE CHOO	14080/PA
JUHAIDAH BINTI SULAIMAN	14271/RA
JULIAN KOH LU ERN	14174/RA
KA LEON LEONG BIN RAHAN LEONG	14120/PA
KALWANT SINGH A/L BALWINDER SINGH	14166/RA
KHAIRUL RIZAN BIN MAT	14215/RA
KHOH CHEE BOON	14160/RA
KHOO SIM KEE	14187/RA
KOAY LEE CHERN	14004/PA
KOH YAP MING	14225/RA
KOK MUN CHOON	14044/PA
LALITA SANDRASEGARAM	14193/RA
LAM FUNG KAING	14105/PA
LAU YOKE LEONG	14053/PA
LEE CHAU YUEH	14103/PA
LEE CHIN KIEK	14191/RA
LEE KONG WENG	14115/PA
LEE KOOI HONG	14188/RA
LEE LAI KUEN	14202/RA
LEE MEI YEE	14036/PA
LEONG FOONG KUAN	14223/RA
LEOW KAR HUE	14002/PA
LIEW FEI SHANE	14073/PA
LOO SOO LAN	14180/RA
LOOI MEE KENG	14233/RA
MAK WAI LI	14248/RA
MAT TAHA BIN SHARIF	14259/RA
MOHAMAD ASRI BIN YUSOFF	14171/RA
MOHAMAD AZMI BIN ABU BAKAR	14185/RA
MOHAMAD SHAFI'AN KAMAL BIN GHAZALI	14195/RA
MOHD ILHAM BIN UDIN	14137/PA
MOHD RADZI BIN ABDUL HAMID	14035/PA
MOHD YUSREE BIN MOHD TAMYES	14067/PA
MOHD ZAWAWI SALIM	14040/PA
NAVINA A/P M. SENATHIPATHY	14197/RA
NG SOW FUN	14047/PA
NORMAIDAH BTE SAABDULLAH	14151/PA
OAN LI SAN	14022/PA
ONG MOOI SEE	14057/PA
PHANG KA LIANG	14161/RA

	REG. NO.
ROGAIZAT BIN ABDULLAH	14277/RA
SAMAD MAJID ZAIN BIN ABDUL MAJID	14222/RA
SEE KOK LEE	14190/RA
SELVARAJAH JEBARETNAM	14108/PA
SHANTI A/P C. MATHANESWARAN	14229/RA
SHEETAL KHARBANDA DHARAM PRAKASH	14150/PA
SHO KIAN HIN	14106/PA
SIEW HEONG WENG	14010/PA
SOPHIA WOO SOOK FONG	14071/PA
TAI SHAW HOONG	14255/RA
TAN HUI MEAN	14081/PA
TAN LEE LANG	14012/PA
TEH SUET HOONG	14207/RA
TEOH HOOI SAN	14104/PA
TEOH LENG TECK	14183/RA
WEE JUNE CHEONG @ GAI JUNE CHEONG	14056/PA
WONG CHEE KHOEN	14278/RA
WONG FUI SIN	14149/PA
WONG SIAW CHUI	14176/RA
WONG SOW YONG	14194/RA
WONG THIEN THAI	14025/PA
WONG YIK MO	14008/PA
YANI SHYLVIEANA BTE MOHD SHARIF	14133/PA
YAP HOAY LING	14059/PA
YAP KUEN WAI	14252/RA
YEOH HWI KHENG	14046/PA
YUZRAH BTE MAHMUD	14135/PA
ZAHARI BIN HAMZAH	14138/PA
ZULKIFFLEE BIN MOHAMED	14066/PA

SINGAPORE

CHNG TANG BUAY	14253/RA
WONG KIEW KWONG	14032/PA

Note: PA – Public Accountant
RA – Registered Accountant

RECLASSIFICATION FROM REGISTERED ACCOUNTANT TO PUBLIC ACCOUNTANT

	REG. NO.
LEE CHEE KHENG	4829
CHAN FOONG PING	12935
SOO THO HIM YIP	1438
YEOH HOR SAN	3724
MD. YUNUS BIN ABDULLAH	6542
LEE POH KWEE	8033
AZNAN BIN ABD GANI	9207
CHIN SHOON CHONG	10873
CHAI CHEAK SUAN	12007

RECLASSIFICATION FROM PUBLIC ACCOUNTANT TO REGISTERED ACCOUNTANT

	REG. NO.
TIMOTHY PHUA SENG LAM	181
TN. HJ RAMLI BIN IBRAHIM	540
YIM WENG KHEONG	1526
KOO SEE ENG @ KWA SEE ENG	2091
LEE EAN LEAN	2451
CHAU SIK CHEONG	3596
CHAN CHEE KEONG	3885
TAN LI LI	4030
GAN BAN TIAN	4314
GIAM SEU GEK	4316
TEOH KA NAI	5334
TEH AIK LEONG	5381
ZAHIRIN MOKHTAR	5676
CHEW GAIK IM	5850
CHRISTOPHER KOE SOO JIN	5981
KARYNE YEO SIEW MOI	6482
LIN HON KUEN	7791
CHEW EE WAN	8085
FOO TZE KHIONG	8101
GAN BOON HUAT	8363
RANJIT SINGH A/L GURDEV SINGH	8531
DAVID NG SENG CHOY	8979
JOSEPH CHNG YONG SENG	9251
NG AI KIM	10079
LOUISA POH CHENG EE	10664
LIM PIK YIE	11028
ONG EIAN KHENG	11192
JEOW FOONG LENG	11435
LAU CHIN KWANG	11444
CHAN SIEW PING	12094
FOO YIN KWAN	12213
LIM YEK SIM	12611
YONG YEW SUN	12950
KIEW JIN HUEY	13051
CH'NG ENG KHOON	13116

READMISSION

	REG. NO.
PHANG SENG LAN	11215/PA

RESIGNATION*

	REG. NO.
LEONG SAI CHEONG	315/RA
DATO' YEOH CHIN KEE	607/RA
THOMAS YUEN TUCK WONG	642/RA
NG ENG LEONG	672/RA
SEET CHIN CHAN	1003/PA
LOOI HOONG HENG	1343/RA
CHANG AIK LENG	3932/RA
ABBASBHOY HAIDER NAKHODA	4890/PA
IVY KOAY SOOK WAI	7278/RA
GERALD VINCENT EBENEZER	7586/PA
LIM SEONG HONG	9012/RA
WOO SAU WAN	11200/PA
CHRISTINE TOH SEOK HOON	11338/RA
LEE BEE KEOW	12193/PA

** Following their resignation, they are no longer an accountant*

RETIRED

	REG. NO.
N. SUKUMARAN NAIR	617/RA

REGISTRATION OF ACCOUNTANTS

Statistics as at 24 July 1999

Class	As at 1.7.99	Deceased	Resignation	Readmission	Admission	Sub-total	RA to PA	PA to RA	Total as at 24.7.99
Public Accountant	4,228	-	-5	1	158	4,382	9	-35	4,356
Registered Accountant	8,261	-	-9	-	127	8,379	-9	35	8,402
Licensed Accountant	34	-	-	-	-	34	-	-	34
Associate Member	7	-	-	-	-	7	-	-	7
TOTAL	**12,530**	**0**	**-14**	**1**	**285**	**12,802**	**0**	**0**	**12,802**

CALLING ALL MEMBERS! BE A MIA CPD SPEAKER

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

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

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

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

One more plus point, as a Speaker for MIA, you would be fulfilling your CPD requirements too!!!

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

HEAD, CONTINUING PROFESSIONAL
DEVELOPMENT DEPARTMENT
MALAYSIAN INSTITUTE OF ACCOUNTANTS
at fax number : 03-2273 5167
or e-mail : cpd@mia.org.my

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

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

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

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

Akauntan Nasional

For bookings and enquiries, please call :
Ms Shazrina of Communications Department,
Malaysian Institute of Accountants at 03-2274 5055, ext 256.

Malaysian Institute of Accountants

SEPTEMBER 1999

Calendar of Professional Development Programmes

TOWN	DATE	PLEASE TICK R	TITLE	VENUE	CPD PTS
Kuala Lumpur	2 Sept	☐	New Developments in Malaysian Taxation	Holiday Villa, Subang	16
	7-8 Sept	☐	1999 National Accountants' Conference	Sunway Lagoon	32
	21-22 Sept	☐	Inventory Management for Finance & Non-Warehouse Manager	Eastin Hotel	32
	4-5 Oct	☐	Tax Planning and Advisory Strategies	PJ Hilton	32
	12-13 Oct	☐	Group Accountants (Repeat)	Melia Hotel	32
	20 Oct	☐	Preparing Business Plan To Obtain Financing	Istana Hotel	16
	10-11 Nov	☐	Enterprise Resource Planning (ERP) — How to Select & Implement	Sheraton, Subang	32
	15 Nov	☐	Tax Planning for Employee	PJ Hilton	16
Penang	10 Sept	☐	Preparing Business Plan To Obtain Financing	Shangri-La Hotel	16
	11-12 Oct	☐	Tax Planning and Advisory Strategies	Shangri-La Hotel	32
	19 Nov	☐	Tax Planning for Employee	Shangri-La Hotel	16
	26-27 Nov	☐	First National Update Conference	Bayview Beach Resort	32
Ipoh	15 Sept	☐	Preparing Business Plan To Obtain Financing	Casurina Parkroyal	16
	14-15 Oct	☐	Tax Planning and Advisory Strategies	Casurina Parkroyal	32
	11 Nov	☐	Tax Planning for Employee	Casurina Parkroyal	16
Kuala Terrengganu	23 Aug	☐	Preparing Business Plan To Obtain Financing	Primula Parkroyal	16
Johor Bahru	20 Sept	☐	Preparing Business Plan To Obtain Financing	Grand Bluewave	16
	18-19 Oct	☐	Tax Planning and Advisory Strategies	Grand Bluewave	32
	17 Nov	☐	Tax Planning for Employee	Grand Bluewave	16
	Nov 22-23	☐	Enterprise Resource Planning (ERP) — How to Select & Implement	Grand Bluewave	32
Kuching	10 Sept	☐	New Frontiers of Performance Management through Target Cost & Balanced Scorecard	Holiday Inn Kuching	16
	29-30 Sept	☐	Tax Planning and Advisory Strategies	Holiday Inn Kuching	32
	9 Nov	☐	Tax Planning for Employee	Holiday Inn Kuching	16
	15 Nov	☐	Preparing Business Plan To Obtain Financing	Holiday Inn Kuching	16
Sibu	17 Nov	☐	Preparing Business Plan To Obtain Financing	Tanahmas Hotel	16
Miri	27-28 Sept	☐	Tax Planning and Advisory Strategies	Dynasty Hotel	32
	16 Nov	☐	Preparing Business Plan To Obtain Financing	Dynasty Hotel	16
Kota Kinabalu	11 Sept	☐	Advanced Cost Management Concepts for Competitive Strategies	Tanjung Aru Resort	16
	22-23 Sept	☐	Tax Planning and Advisory Strategies	Hyatt Kinabalu	32
	1 Nov	☐	Preparing Business Plan To Obtain Financing	Hyatt Kinabalu	16
	10 Nov	☐	Tax Planning for Employee	Hyatt Kinabalu	16
Tawau	20-21 Sept	☐	Tax Planning and Advisory Strategies	Belmont Marco Polo	32
	3 Nov	☐	Preparing Business Plan To Obtain Financing	Belmont Marco Polo	16
Sandakan	2 Nov	☐	Preparing Business Plan To Obtain Financing	Renaissance Sandakan Hotel	16

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

Contact Person : ______________________

Organisation : ______________________

Address : ______________________

____

Tel :______________ Fax : ______________

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

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

Tel : 03- 2274 5055
Fax : 03- 2273 5167
e-mail : cpd@mia.org.my

IFAC News

IFAC Year 2000 Theme Booklet

The International Federation of Accountants (IFAC) is calling for articles for its "Year 2000 Theme Booklet". The theme is :

"The Challenge of Change — Organisational Development and Management Accounting".

The theme is highly appropriate as we are on the threshold of the next millennium, and in a new era of fresh thinking and change. The theme is intended to cover organisational change which management accountants will have to initiate, participate and implement.

The theme booklet will be disseminated globally to IFAC's 143-strong member bodies. The overall objective of the booklet is to impress upon readers that management accounting is a rich, vibrant and useful activity, especially at the senior management level. Senior managers are instrumental in bringing about change, which is intended to create value through the effective use of both financial and non-financial resources.

We, therefore, invite you to submit your article for the theme booklet through the Malaysian Institute of Accountants. The article selected for submission to IFAC will be awarded a prize of RM1,000 by MIA.

IFAC has issued a 'Guide for Authors', which can be obtained from the Institute (Attn : Mr V. Jegatheesan; tel : 03-2274 5055).

The deadline for submission of articles is **15 October 1999**. Articles should be sent to :

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

Corporate Codes of Conduct Subject of New International Study

Why are corporate codes of ethics used? How are they used? And when is their use effective? A new study conducted by the IFAC's, Financial and Management Accounting Committee (FMAC), explores answers to these and other questions regarding corporate codes of conduct for the benefit of both management and accountants.

The study reports findings related to 13 codes in eight corporations in four countries, based on personal interviews conducted with senior management. Two examples of the corporations are 3M Corporation (Australia) and the Fiat Group.

Entitled *Codifying Power and Control : Ethical Codes in Action*, the study analyses corporate codes in terms of their labels, value, guidance/direction, and behavioural components, as well as their creation, distribution and administration. The various uses of codes in the participating corporations are also described and analysed.

"The view of the use of codes emerging from this study contrasts with much of the normative literature about their desirability and formation. Codes are seen here as practical management tools, which can be used selectively to control employee behaviour differently under different contextual circumstances. This view has implications for management in planning, preparing, and utilising codes," says Professor William Birkett, a member of IFAC's FMAC and an author of the study along with Maria Barbera. Both authors are associated with the University of New South Wales, Sydney, and Australia.

This new study may be downloaded from the IFAC Web site (www.ifac.org).

IASC News

IASC Proposes Fair Value Accounting for Investment Property

The International Accounting Standards Committee (IASC) has published proposals for changes to its rules on accounting for investment property. The text of *Exposure Draft E64 : Investment Property*, is available from IASC's internet web site : http://www.iasc.org.uk. Printed copies of E64 will be mailed to IASC subscribers automatically when they are available and additional copies can be obtained from IASC. Comments should be submitted to IASC in writing by 31 October 1999.

E64 proposes that an enterprise should :

- measure all investment property at fair value.
- recognise all changes in the fair value of investment property in the income statement.

Explaining the Exposure Draft, Sir Bryan Carsberg, Secretary-General of IASC, said :

"The accounting proposed by E64 is a significant change from our current rules in IAS 25, Accounting for Investments. E64 requires a single accounting treatment, unlike IAS 25, which permits a choice of several different accounting treatments. Our Board believes that the proposed accounting will give a clearer picture of the activities and performance of enterprises that hold investment properties."

Sir Bryan Carsberg continued :

"This Exposure Draft deals with a relatively specialised project which is the final element of the core standards that we have been developing for consideration by IOSCO (the International Organisation of Securities Commissions). IOSCO has been working on the final stage of its evaluation of the core standards, recognising that investment property is a small part of the set. However, the Board of IASC believes that it is a matter of great urgency for IASC to issue a high-quality standard on investment property before the end of 1999, so that IOSCO can complete a timely assessment of IASC's core standards, knowing that IASC has strictly covered all the elements of that core. The Board of IASC plans to approve an International Accounting Standard based on E64 at a special Board meeting on 13-16 December."

Copies of IASC's Exposure Draft, E64, Investment Property, (ISBN 0 905625 73 0), may be obtained directly from IASC's Publications Department, 166 Fleet Street, London EC4A 2DY, United Kingdom, Telephone : +44 (171) 427-5927, Fax : +44 (171) 353-0562, e-mail : publications@iasc.org.uk, Internet Web Site : http ://www.iasc.org.uk at a price of £10 each (US$17), including postage. The Exposure Draft can also be downloaded from IASC's web site for the purposes of submitting comments to IASC.

IASC's Standing Interpretations Committee (SIC) Issues Two Draft Interpretations

The Standing Interpretations Committee (SIC) has published two new Draft Interpretations to clarify two accounting, issues under International Accounting Standards (IAS). The two Draft Interpretations are available both in hard copy format and from IASC's internet web site : http://www.iasc.org.uk. Comments should be submitted in writing by 15 September 1999. The Draft Interpretations are :

- SIC - D17 : Share Capital — Transaction Costs.
- SIC - D18 : Consistency — Alternative Accounting Policies.

Commenting on the new Draft Interpretations, Sir Bryan Carsberg, Secretary General of IASC, said :

"International Accounting Standards are of increasing importance to the global capital markets. The SIC's draft interpretation on share capital transaction costs provides timely guidance, particularly to those enterprises which raise capital through the issuance of shares."

Sir Bryan continued :

"Requiring consistency in the application of International Accounting Standards is a key emphasis of the SIC's activities. The SIC previously dealt with two issues relating to alternative accounting policies in SIC-1, Consistency — Different Cost Formulas for Inventories, and SIC-2, Consistency — Capitalisation of Borrowing Costs. The SIC's Draft Interpretation on alternative accounting policies provides guidance on the manner of exercising the choice of alternative policies available under certain other International Accounting Standards."

Note :

- **SIC - D17 : Share Capital — Transaction Costs.**

The SIC agreed that transaction costs, defined as incremental external costs directly attributable to an equity transaction, should be accounted for as a deduction from equity. The Interpretation applies to transactions involving the issuance or acquisition of instruments of the reporting enterprise that are classified by that enterprise as equity and result in a net increase or decrease to equity. Typical examples of equity transactions subject to the Interpretation would include the issuance of common shares for cash and the acquisition by an enterprise of its own equity instruments. A stock exchange listing of shares already outstanding, secondary offering, share split or dividend would not be considered an equity transaction subject to the Interpretation.

- **SIC - D18 : Consistency — Alternative Accounting Policies.**

The SIC agreed that if one or more alternative accounting policies are available under an IAS or Interpretation, an enterprise should choose and apply consistently one of those policies unless the Standard or Interpretation specifically requires or permits categorisation of items (transactions, events, balances, or amounts) for which policies, are to be chosen. If a Standard requires or permits separate categorisation of items, a single accounting policy should be selected and applied consistently to each category. Additional guidance on the application of the Interpretation to specific choices available under IAS is provided in an appendix.

Library News

List of New Books in MIA Library

The following is a selection of new books in the Institute's library.

A New Deal for Asia, *by Dato' Seri Dr. Mahathir Mohamad,* Subang Jaya, Selangor : Pelanduk Publications, 1999.
Call no : 330.95 MAH

Accounting for Business Decision-Making, *by M. Fazilah Abdul Samad,* Kuala Lumpur : University of Malaya Press, 1998.
Call no : 657.48 FAZ

Federal Public Accounts 1997 (summary), *by Government of Malaysia,* Kuala Lumpur : Akauntan General Malaysia, 1998, complimentary copy.
Call no : 657.619595 AKA

ACCA Accounting Technician : Q&A's Level B, December 1998, London : ACCA, 1998.
Call no : 657.044 ACC

ACCA Accounting Technician : Q&A's Level C, December 1998, London : ACCA , 1998.
Call no : 657.044 ACC

LCCI Accounting — Third level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 6567.044 LCC

LCCI Cost Accounting Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

LCCI Business Statistics Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

LCCI Management Accounting Q&A — Third Level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1998.
Call no : 657.044 LCC

LCCI Bookkeeping and Accounts Q&A — Second level : Suggested Answers to 1989-1998 Papers, Kuala Lumpur : SBT Professional Publications, 1999.
Call no : 657.044 LCC

FEE Discussion Paper Towards a Generally Accepted Framework for Environmental Reporting, Brussels : FEE, 1999, complimentary from the publisher.
Call no : 657.8 FEE

Malaysia : Investment in Manufacturing Sector, Kuala Lumpur : MIDA, 1999, complimentary copy from MIDA.
Call no : 332.6 MAL

Auditing in Malaysia : An Integrated Approach, *by Alvin A. Arens, James K. Loebbecke, Takiah Mohd. Iskandar, S.D. Susela, Shaari Isa; edited by Margaret Boh,* Petaling Jaya : Prentice Hall, 1999, complimentary copy from the author.
Call no : 657.4509595 AUD

Cash — The Lifeblood of Business : Debt Collection and Prevention Strategies, *by Richard Y.K. Wong,* Kuala Lumpur : Leeds Publications, 1998, complimentary copy from the author.
Call no : 658.15244 WON

Petunjuk Amalan Ekonomi Islam, *by Abd. Al-Rahman Zaki Ibrahim,* Kuala Lumpur : Dewan Bahasa Pustaka, 1998.
Call no : 297.197 85 IBR

Malaysian Taxation, *by Yeo Miow Cheng, Alan,* Kuala Lumpur : PAAC, 1999, complimentary copy from the author.
Call no : 336.2 YEO

Advanced Malaysian Taxation, *by Yeo Miow Cheng, Alan,* Kuala Lumpur : PAAC, 1999, complimentary copy from the author.
Call no : 336.2 YEO

Malaysian Taxation, *by Ong Yoke Yew,* Kuala Lumpur : Resource Training & Consulting, 1999, complimentary copy from the author.
Call no : 336.2 ONG

1999 XYZ Model Financial Accounts, Victoria : CPD, 1999.
Call no : 657.3 XYZ

Inland Revenue Guidelines, Rulings and Practices, *by Chong Kwai Fatt,* Kuala Lumpur : Infoworld, 1999, complimentary copy from the author.
Call no : 343.59504 CHO

Sri Lanka Auditing Standards 1997, Sri Lanka : The Institute of Chartered Accounting of Sri Lanka, 1997, complimentary copy from the ICASL.
Call no : 657.45 SRI

Perakaunan : Theori dan Praktis, *by Shaari Isa,* Kuala Lumpur : Dewan Bahasa & Pustaka, 1997.
Call no : 657 SHA

MIA's Technical and Practice News

1. FINANCIAL REPORTING BOARD

■ Applicability of Standards Issued by IASC

The Board considered the applicability of the following standards issued by the IASC for issuance as guidelines of best practice on accounting for financial reporting purposes.

- **IAS 10 (Revised) : Events After the Balance Sheet Date**

There are three main changes to the existing rules :

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

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

iii An enterprise should continue to prepare financial statements on a going concern basis if events after the balance sheet date indicate that part of the enterprise is not a going concern but the rest of the enterprise is a going concern. IAS 10 currently requires adjustments to assets and liabilities in such cases. The new IAS 10 maintains the requirement that an enterprise should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the enterprise or to cease trading, or that it has no realistic alternative but to do so.

Board members were invited to provide comments on the revised Standard prior to issuance as guidelines of best practice on accounting for financial reporting purposes to members.

- **IAS 39 : Financial Instruments — Recognition and Measurement**

IAS 39 completes the core set of International Accounting Standards agreed between IASC and IOSCO. IAS 39 is an interim measure towards a more comprehensive standard on financial instruments the work of which is currently undertaken by the IASC's Joint Working Group on Financial Instruments.

Under IAS 39, all financial assets and financial liabilities are recognised on the balance sheet; this includes all derivatives. They are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability.

Major issues raised in the Standard include :

i The use of fair values in accounting for financial instruments. Difficulties may arise when determining fair value in the Malaysian context.

ii Securitisation which might not be applicable in Malaysia since Malaysia only has forex and trade options.

iii Hedge accounting which has very complex recognition requirements.

The Chairman invited board members to comment on the Standard, on the fundamental and conceptual issues since the comments will be useful input to the IASC's long-term project on financial instruments.

■ Comments on ED 14 : Financial Reporting of Interests in Joint Venture Issued by MASB

The Board reviewed the above document which is the same as IAS 31 : Financial Reporting of Interests in Joint Venture. It was noted that SIC 13 : Jointly Controlled Entities — Non-Monetary Contributions by Venturers has dealt with paragraph 40 of ED 14.

The Board also noted that the ED allows the equity method as allowed alternative treatment when reporting of interest in a jointly-controlled entity in a consolidated financial statement.

2. NACRA

■ Preliminary Screening

Preliminary Screening was held on 6 July 1999 at KLSE. A total of 93 annual reports have been shortlisted.

3. MEETING OF THE SECURITIES COMMISSION'S WORKING GROUP ON ACCOUNTING ISSUES

A meeting was held on 24 June 1999 by the Securities Commission (SC) and attended by representatives from MIA, MASB, FPLC and MACPA to deliberate upon a finding during a compliance review conducted by the Financial Reporting Surveillance and Compliance Department (FRSC) of the SC, whereby a company was found to have included an amount reflected as 'deferred foreign exchange differences' as an adjustment to Profit Before Tax (PBT) in the cash-flow statement (indirect method).

The Working Group generally agrees with FRSC's stand that deferred exchange reserve amount should not be included and taken as an adjustment to PBT in the cash-flow statement.

Further, in reference to Para 28 of MASB 5, the Working Group was of the view that in order to reconcile the cash and cash equivalents at the beginning and the end of the period, the effect of the exchange changes on the cash and cash equivalents held or due in a foreign currency is included in the cash-flow statement separately from cash-flows of operating, investing and financing activities.

4. INSOLVENCY AND CORPORATE RESTRUCTURING PRACTICE BOARD

Judicial Management

The Multimedia Development Corporation (MDC) has expressed its interest in the proposed 'Judicial Management' framework and advised that they will be tabling the proposed bill at their next International Advisory Panel meeting in July and thereafter at their Implementation Council Meeting.

5. IASC BOARD MEETING IN WARSAW, POLAND

The IASC Board met in Warsaw, Poland. The meeting was attended by Mr. Tony Seah (board member) and assisted by Ms. Josephine Edward and Ms. Katharene Expedit.

The meeting discussed/deliberated on the following :

Investment Property

The board approved Exposure Draft E64, Investment Property. Under E64, investment property (including investment property under construction) should be measured at fair value and changes in fair value should be recognised in the income statement.

Reservations were raised on the use of fair value and the reliability issue surrounding 'fair value' measurement and the reporting of changes in fair value through the earnings statement which will have a significant impact on reported income.

Notable comments at the Warsaw meeting :

- Tony Seah raised that investment properties should be dealt with in IAS 16 and there is no necessity for a separate Standard.
- Canada does not support the ED since the definition of an investment property is unacceptable
- Australia supports the general thrust of the draft ED to the extent that it proposes requiring investment properties to be measured at current value and allowing changes in current value of investment properties to be recognised in the income statement (as part of profit or loss from operating activities) in the periods in which the changes occur.

Agriculture

The board approved Exposure Draft E65, Agriculture by a marginal majority vote. E65 deals with accounting for agricultural activity, which is the managed transformation of biological assets (living animal and plants) to yield agricultural produce awaiting further processing, sale, or consumption. Concern on the use of 'fair value' was also raised in the Standard. It was also agreed that a field survey will be undertaken to gauge the response to the proposals in the Standard.

Notable comments at the Warsaw meeting :

- Tony Seah brought to the board's attention that currently in Malaysia, comprehensive disclosures are being made by plantation companies on the yield, extraction rates, average selling price, mature/immature. This is in response to certain board members views that the information required or endorsed by the Standard is too onerous and may not be obtainable.
- Japan commented on Para 33 of the ED, which indicates that some type of agricultural produce could be fair valued after acquired or harvested. However IAS 22 does not allow agricultural produce to be fair valued after it has been classified as inventory. Japan believes that only net changes between the carrying amount of biological assets, which is the latest fair value and the fair value at the time of harvest should be included in the profit and loss.
- Nordic Federation is of the view that change to fair value accounting for biological assets is a big change for most of the world and there is only limited experience in measuring biological assets to fair value. They recommend that IASC conduct field test before issuance of final standard
- Canada did not support the ED since they are not convinced that fair values can be sufficiently reliably determined for all biological assets. They also propose that a field test of the proposals in the ED be undertaken before issuing the ED.

Shaping IASC for the Future

The board had a joint meeting on 30 June with IASC's Strategy Working Party (SWP) to discuss the comments received on the Strategy Working Party's Discussion Paper, *Shaping IASC for the Future.*

SWP's proposals :

- A single board (a unicameral structure) consisting of some full-time members and some part-time members. Some of the former would also be members of national boards of standard setters, some might be nominated by national standard setters but not be members of their boards and others might have no connection with national standard setting. They, and the part-timers would be chosen to achieve representativeness in terms of national origin (geographical distribution) and functional backgrounds, e.g. investor, preparer, auditor, academic, etc.
- Appointments would be made by 'trustees' chosen to give confidence that independence and representativeness would be emphasised in the composition of the board. All trustees should be appointed by named organisations and these organisations should also have responsibility for re-appointments in the context of fixed terms and limitations on total length of service permitted. Half the trustees should be appointed by international organisations, which could be presumed to serve the public interest, for example, the World Bank, IOSCO and others.
- Trustees would be given an 'oversight' responsibility. They would express views, report on performance and provide suggestions for improvements. They will also be responsible for constitutional change.
- The present category of membership held by professional accounting bodies would no longer have any active function. However, there might be scope for a new concept of membership, more in the nature of supporters' organisations, with categories of membership for professional accounting bodies, companies, and other organisations and perhaps with some link to fund-raising.
- Some, but not all, of the full-time members of the board would also be members of the boards of national standard setters.
- A co-ordinating committee would be established of senior officials in IASC and the leading national standard setters to co-ordinate agendas and arrange other aspects of co-operation including discussions of additional impetus towards convergence of standards.

Deliberations indicated that there is very limited support to the proposals and board's views were split.

Financial Instruments

The board received a progress report from the Joint Working Group (JWG) on Financial Instruments, which aims to propose, during the year 2000, a comprehensive standard on financial instruments for consideration by IASC and other accounting standard-setters worldwide.

Among the specific issues discussed by the board were :

- Loans with no quoted market value (by informal vote, the board indicated support for measuring such loans at fair value "if measurement feasibility problems can be overcome").
- The tentative position of the JWG that hedge accounting should not be permitted.
- Measurement reliability issues in fair valuing debt, focusing specifically on fair valuing debt that is used to finance non-financial assets and fair valuing an enterprise's own debt to reflect changes in the enterprise's credit risk.

New Projects

The board added four new projects to its agenda :

- Reporting Financial Performance — to consider whether further developments should now be made in reporting financial performance.
- Disclosure by Banks and Similar Financial Institutions — to consider the need to revise the presentation and disclosure requirements of IAS 30, particularly in light of developments in the industry and the issuance of IAS 1 (revised 1997) and IAS 39.
- Transition Requirements — to consider consistency of transition requirements for enterprises that adopt new or revised standards and for enterprises that adopt IASC standards for the first time.
- Pensions Plan Assets — to consider whether a revision to IAS 19 is desirable to address certain pension fund arrangements which are not 'plan assets' as defined in IAS 19 because the employer retains an obligation to pay the benefits directly.

In view of the importance of the SWP proposals and the finalisation of the standard on investment properties, there will be additional board meeting commencing in the week beginning 13 December 1999.

The next meeting of the board has been scheduled in Venice, Italy, on 15-19 November 1999.

MIT News

Professional Examinations

OF THE MALAYSIAN INSTITUTE OF TAXATION

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

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

Examination Structure

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

FOUNDATION LEVEL

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

INTERMEDIATE LEVEL

- Taxation II
- Taxation III
- Company & Business Law

FINAL LEVEL

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

How To Register

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

Entrance Requirements

(a) Minimum Entry :

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

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

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

Exemptions

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

Exemption Fees

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

Examination Fees

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

DATES TO REMEMBER FOR 1999 EXAMINATION

SEPTEMBER 1

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

OCTOBER 15

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

DECEMBER 13-17

EXAMINATION.

For further enquiries, please contact the Secretariat at Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur. Telephone : 03-2274 5055, Fax : 03-2274 1783

MALAYSIAN ASSOCIATION
OF ACCOUNTING ADMINISTRATORS

MAAA News

INCORPORATION AND AIM

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

MAIN OBJECTIVES

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

COUNCIL MEMBERS (1998/99 TERM)

Elected Members

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

MIA Nominated Members

Chian Ngook For, Daniel
Lam Kee Soon
Yue Sau Him

SECRETARIAT OFFICE

Malaysian Association of Accounting Administrators
Dewan Akauntan, No. 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur.
Tel : 03-2274 5055 or Fax : 03-2274 1783
e-mail : maaa@mia.org.my

Editor for MAAA News : Low Han Men, Aric

GETTING TO KNOW YOUR MAAA COUNCIL MEMBERS

This is the third part of our series to introduce to members the current MAAA Council Members by publishing their individual profiles. Below are the profiles of the current President and Vice President of the Association.

IZHAR ABD KAHAR (President)

IZHAR, has been in the finance and accounting profession for more than ten years and has acquired extensive experience in the unit trust industry. Presently, he is Head of Finance and Accounting of Amanah Property Trust Managers Berhad, a post he has held since May 1996. Prior to that, Izhar has held various top management positions in the Arab-Malaysian Banking Group between 1990-96; he was Finance and Operations Manager in Arab-Malaysian Unit Trust, Assistant Accountant and Corporate Finance Executive in Arab-Malaysian Merchant Bank and Financial Accountant in Arab-Malaysian Property Trust Management.

In 1998, he was appointed to the Malaysian Standards Board's Working Group on the Draft Statement of Principles for Accounting and Reporting by Unit Trusts. Izhar holds a Diploma in Accounting from MARA Institute of Technology and a BSc Degree majoring in Accounting from Central Michigan University.

Izhar has been serving on the MAAA Council since 18 June 1994.

KOO YEW FOOK, ALLAN (Vice President)

ALLAN KOO is a Corporate and Management Consultant and runs a company secretarial and management consultancy practice in Petaling Jaya. Allan started his working career in the accounts division of the National Electricity Board. Since leaving the Board, he has moved into various positions in the fields of company secretaryship and management consultancy, including financial and accounting related services.

He holds a degree in Bachelor of Laws (LL.B.) honours from the University of Wolverhampton, United Kingdom. He is a member of the Malaysian Institute of Management (MIM), the Malaysian Association of Chartered Secretaries and Administrators (MAICSA), the Malaysian Institute of Taxation (MIT) and the Institute of Cost and Executive Accountants (ICEA).

Allan has been serving on the MAAA Council since 18 June 1994.

Model Insurance Company Accounts

The Institute received a circular from Bank Negara Malaysia on the above matter. Reference is made to notes on pages 15 and 16 relating to fixed assets, of BNM's guidelines JPI/GPI 15 : Model Insurance Company Accounts.

In view of the revision of IAS 16, Property, Plant and Equipment regarding the disclosure of the reconciliation of the carrying amount of fixed assets at the beginning and end of the financial period, the format on the notes on fixed assets as contained on pages 15 and 16 of the model accounts is hereby replaced with the revised format as on this page. The revised format is effective from the financial year ending on and after 30 June 1999.

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Revised in July 1999

3. FIXED ASSETS
(a) GENERAL

	Freehold Land	Freehold Building	Leasehold Land	Leasehold Building	Work-in-Progress	Motor Vehicles	Furniture Fixtures & Fittings, Office Equipment	19X2 Total
Cost or valuation								
At January 1, 19X2								
Additions								
Additions through acquisition of subsidiary company								
Revaluation								
Disposals								
Transfer								
Exchange Adjustment								
At December 31, 19X2								
Accumulated Depreciation								
At January 1, 19X2								
Additions								
Charge for the year of subsidiary company acquired								
Revaluation								
Disposals								
Transfer								
Exchange Adjustment								
At December 31, 19X2								
Net book value								
At December 31, 19X2								
At December 31, 19X1								
Depreciation charge for 19X1								
Leased assets included above:								
Net book value								
At December 31, 19X2								
At December 31, 19x1								

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Revised in July 1999

3. FIXED ASSETS
(b) LIFE

	Work-in-Progress	Motor Vehicles	Furniture, Fixtures & Fittings, Office Equipment	19X2 Total
Cost or valuation				
At January 1, 19X2				
Additions				
Additions through acquisition of subsidiary company				
Revaluation				
Disposals				
Transfer				
Exchange Adjustment				
At December 31, 19X2				
Accumulated Depreciation				
At January 1, 19X2				
Additions				
Charge for the year of subsidiary company acquired				
Revaluation				
Disposals				
Transfer				
Exchange Adjustment				
At December 31, 19X2				
Net book value				
At December 31, 19X2				
At December 31, 19X1				
Depreciation charge for 19X1				
Leased assets included above:				
Net book value				
At December 31, 19X2				
At December 31, 19x1				

Articles for Contribution

Members are invited to contribute articles on any subject related to financial and management accounting for *Akauntan Nasional*.

Up to three published articles will be selected by MIA each year to be sent to the International Federation of Accountants (IFAC) for their annual article award. If the IFAC selects an article for an award, the author/s will receive a prize of RM1,000.

Manuscripts must be typed in double spacing on one side of A4 paper with wide margins. Kindly also send your contribution in diskette format, either in Microsoft Word or Lotus WordPro. A synopsis of about 200 words should accompany the article. Authors can hold propriety rights, but should give MIA the exclusive rights to publish, reproduce and distribute the abovementioned articles.

We look forward to your contributions, both to enlighten readers and to promote the interest of the accountancy profession.

Please send your articles to :

Mr. V. Jegatheesan, Dewan Akauntan,
No. 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur.

Registration of Accountants

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

	REG. NO.
JOHOR DARUL TAKZIM	
BATU PAHAT	
KUAN CHENG TOON	14082/PA
LOK PEY LING	14009/PA
JOHOR BHARU	
ANTHONY FERNANDEZ JR	14118/PA
FUN FOOK NIA	14001/PA
LIM TONG LIONG	14091/PA
MOHD REDZA BIN ABU BAKAR	14029/PA
MUHAMAD FEASAL YUSOFF	14024/PA
ROSZILA BINTI IBRAHIM	14023/PA
VENKATASH A/L MAMIAR @ MANNAR	14051/PA
WONG PHEI CHIN	14065/PA
KOTA TINGGI	
SAW POH HUA	14244/RA
KULAI	
LIM TECK FUNG	14221/RA
NG CHYE HUAT	14186/RA
KEDAH DARUL AMAN	
ALOR SETAR	
LOW HOOI TENG	14247/RA
WAN BAK CHOI	14058/PA
KULIM	
NORHALINA BINTI BAHARUDIN	14122/PA
SUNGAI PETANI	
LEE SET YOON	14169/RA
MELAKA	
KNG BEE WAH	14083/PA
KOH CHIN KOON	14226/RA
SIOW KEE YEN	14084/PA
SOH CHIOW PHENG	14111/PA
SOH SIEW HONG	14038/PA
YIP TSEN YEE	14041/PA
ALOR GAJAH	
ZAITUN BINTI YAHYA	14240/RA
JASIN	
GAN ENG JOO	14127/PA
NEGERI SEMBILAN DARUL KHUSUS	
PORT DICKSON	
NURUL HAYATI BINTI MASROM	14280/RA
SEREMBAN	
CHAN SIEW TONG	14279/RA

	REG. NO.
KOK MING HU	14257/RA
LEE WEE TAK	14246/RA
NAZRITA BINTI MOHD NASIR	14175/RA
NG YEE LING	14016/PA
QUEK KHAI KIAT	14284/RA
PAHANG DARUL MAKMUR	
KUANTAN	
CHUA SAY HAND	14276/RA
PHOON SHWU FEEN	14030/PA
PERAK DARUL RIDZUAN	
IPOH	
CHEAM CHEE CHIAN	14015/PA
CHIN CHEE WEI	14264/RA
CHONG CHEN YEE	14241/RA
HO YOKE SEE	14275/RA
LEE KIM MAN	14100/PA
ONG CHENG MEI	14148/PA
SOO LOY THAI	14101/PA
WANG SAY YOONG	14042/PA
WEE SIAO TIENG	14020/PA
YIP CHOONG LING	14165/RA
TELUK INTAN	
TAQIYUDDIN AMINI BIN ABDUL SATAR	14068/PA
PULAU PINANG	
CHEE SUAN EAN	14018/PA
JEANNE GEH POH KIM	14060/PA
KOAY SEOK HEAN	14034/PA
LEE WAI LING	14129/PA
MOHD ZUHAIRI BIN HARUN	14045/PA
SEE JOHN KUAN	14123/PA
AYER ITAM	
LAU SIEW HEAN	14251/RA
LEE MIN PHAIK	14112/PA
BUKIT MERTAJAM	
KHOEK SU KIANG	14126/PA
ONG YEAM KOON	14181/RA
TANG BOON HIAP	14245/RA
BUTTERWORTH	
YEOH SOO PIN	14142/PA
GELUGOR	
CHEW HOOI NEE	14200/RA
EMMALYN TAN SU LYN	14140/PA
GEORGETOWN	
MONICA LIEW MEI LING	14124/PA
LEE TIANG HIANG	14090/PA
KHOR CHIN KOI	14110/PA
LEE LAY CHIN	14125/PA
ONG TAI LIANG	14168/RA
TAN ENG CHENG	14141/PA
TAN GAIK PHENG	14143/PA
PERAI	
CHEE SOO LING	14069/PA
RELAU	
KANG TEE YONG	14209/RA

	REG. NO.
SABAH	
KOTA KINABALU	
CHONG CHI MING @ ELVIS CHONG	14179/RA
GOH GIOK YEE @ ELIZA	14260/RA
JAINEY BIN SATOR	14283/RA
JOANNES P. PAUT	14079/PA
LEE JYH KIONG	14170/RA
ROGER MARC JOSEPH	14078/PA
SIAU SHUI FON	14019/PA
VICTOR TSEN TZE HEUNG	14266/RA
WONG FUNG YIN	14178/RA
TAWAU	
NG CHEE WAH	14006/PA
SARAWAK	
BINTULU	
HII MING TIING	14077/PA
KUCHING	
ADREA HAN JIA HUI	14098/PA
ASMADUYAH BINTI BUJANG	14239/RA
CHEONG HO YEN	14268/RA
CHONG KOK CHIEK	14172/RA
CHUA BENG CHENG	14099/PA
CHUNG LEE YIEN	14205/RA
FAREHAN BINTI HUSSIN	14269/RA
FELIX WONG CHUNG CHIN	14109/PA
JOSEPH MELAYU AK ENTALAI	14227/RA
KHO CHAI HUAT	14119/PA
KOK LEE CHIA	14064/PA
LEE SWIN YUN ISABELA	14201/RA
LIM BOO HIONG	14088/PA
LOLITA BINTI ALI	14216/RA
PETER CHIAM TAU MIEN	14085/PA
RAYAN ANAK NARONG	14238/RA
SHIRLEY WEE YIEN FUNG	14007/PA
TAN HUI LENG	14076/PA
TAN MENG KEE	14087/PA
TAN SIA KWANG	14011/PA
TAY CHEK HONG	14089/PA
WONG SIE KEE	14086/PA
MIRI	
NGUI NYUK LIN	14163/RA
SIBU	
HO POH HONG	14092/PA
SRI AMAN	
SHAHRIN BIN SHAARI	14027/PA
SELANGOR DARUL EHSAN	
AMPANG	
TAN CHOON NIAB	14261/RA
BATU 9 CHERAS	
WOON YUET WAH	14021/PA
BATU CAVES	
HALEELUR RAHMAN BIN ABDUL GAFFOOR	14189/RA
SHAHRUL AMIN BIN MUSTAFA ALBAKRI	14063/PA

	REG. NO.
SUHAINI BIN KASMURI	14208/RA
TONG KOK HING	14177/RA

HULU LANGAT

MAZILA BINTI ISMAIL	14061/PA
UMI KALTUM BINTI MANSOR	14228/RA

KAJANG

CHIA HAN-LIN	14198/RA

KLANG

LAI KOK HENG	14102/PA
LEONG TUCK YEE	14147/PA
LOGESWARAN SINNIAH	14231/RA
MANIVANNAN MEYYAPPA	14159/RA
MANOJ M.V. KRISHNAN NAIR	14230/RA
NG CHEE GUAN	14263/RA
STANLEY WONG TAI PENG	14224/RA

KUALA SELANGOR

YU SOO LING	14013/PA

PELABUHAN KLANG

NG POH KHIM	14282/RA
PADMAH KUMARAN	14134/PA

PETALING JAYA

AISHAH RAMLI	14117/PA
ANG KOK CHING	14273/RA
AW KIN PING	14156/PA
AZHAR BIN MOHAMMAD RADZI	14121/PA
CHENG HUI PING	14072/PA
CHIN SYM KHONG REBECCA	14250/RA
CHUNG TSUNG SHEN	14131/PA
DEREK NG YEONG HOCK	14164/RA
DING MENG HEE	14096/PA
ERIC BOON CHUAN KIT	14094/PA
FLORENCE CHUA LEI CHOON	14153/PA
FRANCIS CYRIL SINGAM	14005/PA
GOH JIUNN MING	14243/RA
JASON PHILIP HENDROFF	14049/PA
JENNY LEE SIEW GAIK	14210/RA
KEVIN CHAN U-MIN	14048/PA
KHOO GHI SOON	14249/RA
LEE MUN TAT	14184/RA
LIM BEE KIN	14236/RA
LIM SHU HWON	14113/PA
LIM SZE YEAN	14146/PA
LOH JOO SIN	14107/PA
LOO KIM WUI	14196/RA
LOW KOON POH	14130/PA
LUA POH HUAT	14043/PA
MAN PENG HOONG	14272/RA
MOHAMMAD FARISH NIZAR BIN OTHMAN	14095/PA
MOHD ASHRI ABD RAHMAN	14234/RA
MOHD HAIRUL BIN ABDUL HAMID	14173/RA
MOHD SABIRIN BIN MOHD SARBINI	14214/RA
NG CHENG SHIN	14192/RA
OOI SOON SAN	14237/RA
PERBAGARAN A/L K. KUPPUSAMY	14217/RA
SIEW FATT CHIN	14026/PA
SIVAKUMAR A/L PONNIAH	14116/PA
SUA HING MEE	14031/PA
SUZANNE NG BEE JUNE	14014/PA
TANG SOON BENG	14052/PA
TANG WEI YEE	14157/PA
TEO TECK HUAT	14213/RA
WONG KIN KOK	14235/RA
YAP CHOOI HOON	14267/RA
YEOH SUAN CHOO	14075/PA
YUHAIMI BIN YAHAYA	14219/RA

PORT KLANG

NG CHEE SIONG	14270/RA
THAVARAJ PETER PONNIAH	14211/RA

PUCHONG

CHNG CHEE HENG	14206/RA
LEE YEE YEN	14265/RA
WOO YIK LOON	14114/PA

RAWANG

YONG HOW YIN	14128/PA

SERDANG

ANGAK @ ABDUL KHALID BIN SUAIDI	14167/RA

SERI KEMBANGAN

LEE HOON SENG	14074/PA

SHAH ALAM

AMIR ZUHRI @ ZUL'ASRI BIN ZUBIR	14055/PA
AMIRRUDDIN BIN ISMAIL	14158/PA
AZNAL NIZAR BIN ABDULLAH	14281/RA
JAGATH GURU SITHAMPARAM	14232/RA
JAMALIAH BINTI ALI	14258/RA
MOHD ARIFF BIN MOHD ARIFFIN	14070/PA
SHAHLAN BIN HJ MD SHUKOR @ KADARI	14139/PA
THONG WEI CHE	14262/RA
ZAINAL BIN ABU BAKAR	14152/PA

SUBANG JAYA

HAR WENG PUN	14050/PA
WOO SEE MING	14017/PA

SUNGAI BULOH

LIM SIEW NGOH	14218/RA

TELOK PANGLIMA GARANG

ARIZAL BIN YAHYA	14154/PA

TERENGGANU DARUL IMAN

KEMAMAN

KAMARUL ARIFFIN BIN NGAH	14039/PA

WILAYAH PERSEKUTUAN

KUALA LUMPUR

	REG. NO.
KHOO GHI PENG	14132/PA
ADY ALES BIN RAMLI	14155/PA
BOR CHUAN HUI	14097/PA
BORHANUDIN BIN HANAFIAH	14062/PA
CHAN MAY LING	14182/RA
CHAN YOKE SAN	14242/RA
CHAU NYOK HOI	14199/RA
CHAW YOKE LING	14054/PA
CHIN CHEE SENG	14274/RA
CHONG SOOK LENG	14203/RA
CHOO KAH LEONG	14204/RA
CHOOK KUI WING	14037/PA
CHUN KWONG PONG	14003/PA
FADZILAH BINTI MOHD SALLEH	14028/PA
FONG CHEE KHUEN	14254/RA
FOO SEAK TOON	14256/RA
GOH CHEE HONG	14162/RA
GOH SUI KIANG	14220/RA
HA BIN KHEAN	14212/RA
HO LEE FUNG	14093/PA
HOE POW SUM	14285/RA
IRENE LOK AI GEK	14145/PA
JENNIFER ONG BEE CHOO	14080/PA
JUHAIDAH BINTI SULAIMAN	14271/RA
JULIAN KOH LU ERN	14174/RA
KA LEON LEONG BIN RAHAN LEONG	14120/PA
KALWANT SINGH A/L BALWINDER SINGH	14166/RA
KHAIRUL RIZAN BIN MAT	14215/RA
KHOH CHEE BOON	14160/RA
KHOO SIM KEE	14187/RA
KOAY LEE CHERN	14004/PA
KOH YAP MING	14225/RA
KOK MUN CHOON	14044/PA
LALITA SANDRASEGARAM	14193/RA
LAM FUNG KAING	14105/PA
LAU YOKE LEONG	14053/PA
LEE CHAU YUEH	14103/PA
LEE CHIN KIEK	14191/RA
LEE KONG WENG	14115/PA
LEE KOOI HONG	14188/RA
LEE LAI KUEN	14202/RA
LEE MEI YEE	14036/PA
LEONG FOONG KUAN	14223/RA
LEOW KAR HUE	14002/PA
LIEW FEI SHANE	14073/PA
LOO SOO LAN	14180/RA
LOOI MEE KENG	14233/RA
MAK WAI LI	14248/RA
MAT TAHA BIN SHARIF	14259/RA
MOHAMAD ASRI BIN YUSOFF	14171/RA
MOHAMAD AZMI BIN ABU BAKAR	14185/RA
MOHAMAD SHAFI'AN KAMAL BIN GHAZALI	14195/RA
MOHD ILHAM BIN UDIN	14137/PA
MOHD RADZI BIN ABDUL HAMID	14035/PA
MOHD YUSREE BIN MOHD TAMYES	14067/PA
MOHD ZAWAWI SALIM	14040/PA
NAVINA A/P M. SENATHIPATHY	14197/RA
NG SOW FUN	14047/PA
NORMAIDAH BTE SAABDULLAH	14151/PA
OAN LI SAN	14022/PA
ONG MOOI SEE	14057/PA
PHANG KA LIANG	14161/RA

	REG. NO.
ROGAIZAT BIN ABDULLAH	14277/RA
SAMAD MAJID ZAIN BIN ABDUL MAJID	14222/RA
SEE KOK LEE	14190/RA
SELVARAJAH JEBARETNAM	14108/PA
SHANTI A/P C. MATHANESWARAN	14229/RA
SHEETAL KHARBANDA DHARAM PRAKASH	14150/PA
SHO KIAN HIN	14106/PA
SIEW HEONG WENG	14010/PA
SOPHIA WOO SOOK FONG	14071/PA
TAI SHAW HOONG	14255/RA
TAN HUI MEAN	14081/PA
TAN LEE LANG	14012/PA
TEH SUET HOONG	14207/RA
TEOH HOOI SAN	14104/PA
TEOH LENG TECK	14183/RA
WEE JUNE CHEONG @ GAI JUNE CHEONG	14056/PA
WONG CHEE KHOEN	14278/RA
WONG FUI SIN	14149/PA
WONG SIAW CHUI	14176/RA
WONG SOW YONG	14194/RA
WONG THIEN THAI	14025/PA
WONG YIK MO	14008/PA
YANI SHYLVIEANA BTE MOHD SHARIF	14133/PA
YAP HOAY LING	14059/PA
YAP KUEN WAI	14252/RA
YEOH HWI KHENG	14046/PA
YUZRAH BTE MAHMUD	14135/PA
ZAHARI BIN HAMZAH	14138/PA
ZULKIFFLEE BIN MOHAMED	14066/PA
SINGAPORE	
CHNG TANG BUAY	14253/RA
WONG KIEW KWONG	14032/PA

Note: PA – Public Accountant
RA – Registered Accountant

RECLASSIFICATION FROM REGISTERED ACCOUNTANT TO PUBLIC ACCOUNTANT

	REG. NO.
LEE CHEE KHENG	4829
CHAN FOONG PING	12935
SOO THO HIM YIP	1438
YEOH HOR SAN	3724
MD. YUNUS BIN ABDULLAH	6542
LEE POH KWEE	8033
AZNAN BIN ABD GANI	9207
CHIN SHOON CHONG	10873
CHAI CHEAK SUAN	12007

RECLASSIFICATION FROM PUBLIC ACCOUNTANT TO REGISTERED ACCOUNTANT

	REG. NO.
TIMOTHY PHUA SENG LAM	181
TN. HJ RAMLI BIN IBRAHIM	540
YIM WENG KHEONG	1526
KOO SEE ENG @ KWA SEE ENG	2091
LEE EAN LEAN	2451
CHAU SIK CHEONG	3596
CHAN CHEE KEONG	3885
TAN LI LI	4030
GAN BAN TIAN	4314
GIAM SEU GEK	4316
TEOH KA NAI	5334
TEH AIK LEONG	5381
ZAHIRIN MOKHTAR	5676
CHEW GAIK IM	5850
CHRISTOPHER KOE SOO JIN	5981
KARYNE YEO SIEW MOI	6482
LIN HON KUEN	7791
CHEW EE WAN	8085
FOO TZE KHIONG	8101
GAN BOON HUAT	8363
RANJIT SINGH A/L GURDEV SINGH	8531
DAVID NG SENG CHOY	8979
JOSEPH CHNG YONG SENG	9251
NG AI KIM	10079
LOUISA POH CHENG EE	10664
LIM PIK YIE	11028
ONG EIAN KHENG	11192
JEOW FOONG LENG	11435
LAU CHIN KWANG	11444
CHAN SIEW PING	12094
FOO YIN KWAN	12213
LIM YEK SIM	12611
YONG YEW SUN	12950
KIEW JIN HUEY	13051
CH'NG ENG KHOON	13116

READMISSION

	REG. NO.
PHANG SENG LAN	11215/PA

RESIGNATION*

	REG. NO.
LEONG SAI CHEONG	315/RA
DATO' YEOH CHIN KEE	607/RA
THOMAS YUEN TUCK WONG	642/RA
NG ENG LEONG	672/RA
SEET CHIN CHAN	1003/PA
LOOI HOONG HENG	1343/RA
CHANG AIK LENG	3932/RA
ABBASBHOY HAIDER NAKHODA	4890/PA
IVY KOAY SOOK WAI	7278/RA
GERALD VINCENT EBENEZER	7586/PA
LIM SEONG HONG	9012/RA
WOO SAU WAN	11200/PA
CHRISTINE TOH SEOK HOON	11338/RA
LEE BEE KEOW	12193/PA

** Following their resignation, they are no longer an accountant*

RETIRED

	REG. NO.
N. SUKUMARAN NAIR	617/RA

REGISTRATION OF ACCOUNTANTS

Statistics as at 24 July 1999

Class	As at 1.7.99	Deceased	Resignation	Readmission	Admission	Sub-total	RA to PA	PA to RA	Total as at 24.7.99
Public Accountant	4,228	-	-5	1	158	4,382	9	-35	4,356
Registered Accountant	8,261	-	-9	-	127	8,379	-9	35	8,402
Licensed Accountant	34	-	-	-	-	34	-	-	34
Associate Member	7	-	-	-	-	7	-	-	7
TOTAL	**12,530**	**0**	**-14**	**1**	**285**	**12,802**	**0**	**0**	**12,802**

CALLING ALL MEMBERS! BE A MIA CPD SPEAKER

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

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

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

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

One more plus point, as a Speaker for MIA, you would be fulfilling your CPD requirements too!!!

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

HEAD, CONTINUING PROFESSIONAL
DEVELOPMENT DEPARTMENT
MALAYSIAN INSTITUTE OF ACCOUNTANTS
at fax number : 03-2273 5167
or e-mail : cpd@mia.org.my

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

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

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

Akauntan Nasional

For bookings and enquiries, please call :
Ms Shazrina of Communications Department,
Malaysian Institute of Accountants at 03-2274 5055, ext 256.

Calendar of Professional Development Programmes

TOWN	DATE	PLEASE TICK R	TITLE	VENUE	CPD PTS
Kuala Lumpur	2 Sept	☐	New Developments in Malaysian Taxation	Holiday Villa, Subang	16
	7-8 Sept	☐	1999 National Accountants' Conference	Sunway Lagoon	32
	21-22 Sept	☐	Inventory Management for Finance & Non-Warehouse Manager	Eastin Hotel	32
	4-5 Oct	☐	Tax Planning and Advisory Strategies	PJ Hilton	32
	12-13 Oct	☐	Group Accountants (Repeat)	Melia Hotel	32
	20 Oct	☐	Preparing Business Plan To Obtain Financing	Istana Hotel	16
	10-11 Nov	☐	Enterprise Resource Planning (ERP) — How to Select & Implement	Sheraton, Subang	32
	15 Nov	☐	Tax Planning for Employee	PJ Hilton	16
Penang	10 Sept	☐	Preparing Business Plan To Obtain Financing	Shangri-La Hotel	16
	11-12 Oct	☐	Tax Planning and Advisory Strategies	Shangri-La Hotel	32
	19 Nov	☐	Tax Planning for Employee	Shangri-La Hotel	16
	26-27 Nov	☐	First National Update Conference	Bayview Beach Resort	32
Ipoh	15 Sept	☐	Preparing Business Plan To Obtain Financing	Casurina Parkroyal	16
	14-15 Oct	☐	Tax Planning and Advisory Strategies	Casurina Parkroyal	32
	11 Nov	☐	Tax Planning for Employee	Casurina Parkroyal	16
Kuala Terrengganu	23 Aug	☐	Preparing Business Plan To Obtain Financing	Primula Parkroyal	16
Johor Bahru	20 Sept	☐	Preparing Business Plan To Obtain Financing	Grand Bluewave	16
	18-19 Oct	☐	Tax Planning and Advisory Strategies	Grand Bluewave	32
	17 Nov	☐	Tax Planning for Employee	Grand Bluewave	16
	Nov 22-23	☐	Enterprise Resource Planning (ERP) — How to Select & Implement	Grand Bluewave	32
Kuching	10 Sept	☐	New Frontiers of Performance Management through Target Cost & Balanced Scorecard	Holiday Inn Kuching	16
	29-30 Sept	☐	Tax Planning and Advisory Strategies	Holiday Inn Kuching	32
	9 Nov	☐	Tax Planning for Employee	Holiday Inn Kuching	16
	15 Nov	☐	Preparing Business Plan To Obtain Financing	Holiday Inn Kuching	16
Sibu	17 Nov	☐	Preparing Business Plan To Obtain Financing	Tanahmas Hotel	16
Miri	27-28 Sept	☐	Tax Planning and Advisory Strategies	Dynasty Hotel	32
	16 Nov	☐	Preparing Business Plan To Obtain Financing	Dynasty Hotel	16
Kota Kinabalu	11 Sept	☐	Advanced Cost Management Concepts for Competitive Strategies	Tanjung Aru Resort	16
	22-23 Sept	☐	Tax Planning and Advisory Strategies	Hyatt Kinabalu	32
	1 Nov	☐	Preparing Business Plan To Obtain Financing	Hyatt Kinabalu	16
	10 Nov	☐	Tax Planning for Employee	Hyatt Kinabalu	16
Tawau	20-21 Sept	☐	Tax Planning and Advisory Strategies	Belmont Marco Polo	32
	3 Nov	☐	Preparing Business Plan To Obtain Financing	Belmont Marco Polo	16
Sandakan	2 Nov	☐	Preparing Business Plan To Obtain Financing	Renaissance Sandakan Hotel	16

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

Contact Person : ______________________________

Organisation : ______________________________

Address : ______________________________

____

Tel :____________________ Fax : ____________________

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

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

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Fax : 03- 2273 5167
e-mail : cpd@mia.org.my