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Reinvigorating the Market

A revival of confidence and a slew of feel-good factors may be breathing sustainable momentum into Bursa Malaysia

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Institut Akauntan Malaysia
(Established under the Accountants Act, 1967)

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

Can the Market *Maintain its Momentum?*

In the race for superiority brought about by globalisation, market competitiveness is of paramount importance in attracting investment. With the challenge of achieving Vision 2020 looming above us, Malaysia needs to look at ways and measures to improve its market offerings to the rest of the world so that it will not be marginalised by other contenders emerging from this region.

In this month's issue, *Accountants Today* takes a look at the ups-and-downs of Malaysia's equity market, Bursa Malaysia. In recent years, Bursa Malaysia had been sidelined, thanks to the emergence of exciting growth stories in other booming markets, such as juggernaut China. In terms of trading volumes, by 2005, trading volumes had plunged to just 40% of volumes in 1996, testimony to how far we were lagging behind on the global investment radar screen.

However, things seemed to have changed for the better. The market rally that began circa the latter half of 2006 peaked in February 2007 when the Kuala Lumpur Composite Index swelled to a 13-year high of 1,285.1 points in late February, while volume rose to a record high of 4.7 billion shares traded, valued at RM4.07 billion.

The question now is: can the momentum be sustained? In this article, *Accountants Today* examines the feel-good factors – such as the M&A pipeline, ongoing GLC reform, and increasing liberalisation – that could prolong the euphoria – while weighing the negative factors that could derail the rally – like external market risks and the need to improve our competitiveness.

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Apart from that, we have also featured a Q&A session with Philips Lumileds Lighting Company Sdn Bhd's financial director Ravee Vasu. Philips Lumileds walked away with the overall excellence award at the National Award for Management Accounting (NAfMA) 2006 in December last year. Do read the article to find out more about Philips Lumileds' belief in using of management accounting to achieve business growth.

We hope you find the array of articles lined up in this month's issue insightful and interesting.

Happy reading! AT

Editor
Accountants Today

membership subscription notice 2006/2007

With regard to our notice pertaining to the Payment Advice for Membership Subscription Fees 2006/2007, we are pleased to announce that in addition to the conventional mode of payments via cash, cheque, credit card, online payment (www.maybank2u.com.my and www.rhbbank.com.my), we are introducing payment through credit cards (only Visa and Mastercard issued by banks and financial institutions incorporated in Malaysia) using Maybank's portal. For this service, you are not required to be a Maybank account holder.
We hope you will use the new mode of payment to your convenience. Thank you.

letters to the editor

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

contribution of articles

Accountants Today welcomes original and previously unpublished contributions which are of interest to accountants, business leaders, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcomed. Manuscripts should be submitted in English and range from 1,000 to 2,000 words. They can be submitted in hardcopy or softcopy. Manuscripts are subject to a review procedure without prejudice and the Editor reserves the right to make amendments which may be deemed appropriate prior to publication.

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WORLD news

Too Few Accounting Firms to Let Any Fail?

The future of the accounting industry may depend on the answer to a single question: With only four major firms left in the business in the US, are there too few to let any fail? So suggests an article from the *Washington Post,* recently syndicated to various newspapers and online news providers.

In the article, the writer suggests that five years after the indictment and collapse of the accounting giant Arthur Andersen, the US government remains skittish about how much to punish audit firms for misdeeds.

The author further notes that the firms and their Washington allies are warning that the companies are vulnerable to big verdicts that could steer them out of business, leaving clients with few choices, driving up costs, and throwing investors and markets into disarray.

"Even as the industry profits from a spike in accounting fees after the scandals at Enron and WorldCom, it is launching a bid to win relief from high-stakes court judgements that insiders say could spiral one or all of the firms into bankruptcy. To spread the word, the top firms recently launched a public policy centre and are turning to the Securities and Exchange Commission (SEC) for help.

"SEC officials are meeting with outside experts to consider ways to create safe harbours that would shield auditors from legal liability. Regulators also continue to assess whether to give their blessing to a strategy that would compel companies to bring disputes with auditors to an arbitration panel rather than a jury, according to sources briefed on the issue.

"But the issue of how much leeway to grant auditors remains something of a hot potato just a few years after a series of corporate blowups devastated investor confidence and tarnished the reputation of the accounting profession, which failed to detect widespread fraud," says the report.

The author argues that the debate is raging even as PricewaterhouseCoopers is attempting to stave off possible charges from Russian authorities over its work for oil giant Yukos, as Deloitte & Touche in February settled a claim involving its failed audit of Parmalat for US$149 million, and as KPMG and Ernst & Young continue to battle lawsuits from clients who bought improper tax shelters.

KPMG, it adds, narrowly escaped indictment over its marketing of abusive tax shelters in 2005, agreeing to pay the government US$456 million and avoiding a possible "death sentence." Ernst remains the subject of a tax investigation by federal prosecutors in New York. AT

E-accounting system made mandatory

India's Union Finance Minister, P. Chidambaram, said recently that the e-accounting system will be mandatory for assessees paying excise and service tax to the tune of Rs50 lakh and above.

After launching the Electronic Accounting System in Excise and Service Tax (EASIEST) in Delhi, Chidambaram said: "For all the assessees paying excise and service tax to the tune of Rs50 lakh and above per annum, it will be mandatory to make the payment through e-payment mode from 1 April 2007."

"E-payment is the most convenient method for payment of excise and service tax. In the course of time everyone will be required to use the e-payment mode. The ultimate goal is the data collection synergy in direct and indirect taxes," he was quoted in a report in *Ciol.com.*

The finance minister urged the manufacturers and industry businesses to pay excise duty correctly and punctually as the evasion of duty does not pay in the long run. He said there were deterrent measures to stop duty evasion and also soft measures to help the honest payers.

The Central Board of Excise and Customs, in association with the Principal Chief Controller of Accounts, the Reserve Bank of India and 28 Scheduled Banks, has introduced a simplified electronic accounting system for central excise and service tax payments called EASIEST.

According to the report, the scheme is conceptualised to address the weaknesses in the existing tax accounting system, which is a manual system. The manual system required the taxpayer to file four copies of Challan. EASIEST would require only a single challan for payment of central excise and service tax. It would capture all the essential information required from the assessee in relation to his tax payments.

EASIEST uses the electronic environment for expeditious transmission of tax information so as to ensure greater accuracy and reliability of tax payment data. As part of the ongoing e-governance initiative of the Government of India, it is also proposed to reconcile the data so captured from the single challan with the tax returns filed by central excise and service tax assesses. It would be uploaded and hosted on a central database for excise and service tax as part of the Automation Project in Excise and Service Tax (ACES). AT

US, EU agreement on accounting rules

The US and European Union regulators have agreed to recognise each other's rules for reporting corporate financial data by 2009, a move that may increase international investing and reduce corporate compliance costs, reports *Bloomberg.*

The wire service reports that European companies using international accounting standards now must reconcile financial data with US rules if their shares are listed on New York exchanges.

It adds that Securities and Exchange Commission (SEC) Chairman Christopher Cox

and Charlie McCreevy, the EU's Internal Market and Services Commissioner, said recently that they wanted to eliminate that requirement.

In a speech in Washington, the report quoted Cox as saying: "We are committed to this process, and we are not looking back. Benefits include increased investor access to foreign investment opportunities and entry into US capital markets by issuers that might otherwise be deterred from listing here because of the costs."

US regulators are increasing cooperation with their European counterparts to police companies, exchanges, hedge funds and private equity groups. McGreevy and Mark W. Olson, Chairman of the US Public Company Accounting Oversight Board, agreed separately that accounting regulators will seek "full reliance" on each other's work within two years, the report says.

European and US regulators will eliminate "costly reconciliation" requirements by recognising each other's financial reporting standards, which will trigger global economic growth, McCreevy said. He and Cox are following through with a plan announced by the SEC in 2005. AT

China's new accounting rules considered by IASB

The International Accounting Standards Board (IASB) has published proposals to amend international accounting rules, which could validate China's new regulations issued on 1 January 2007. The main change proposed by the IASB is to reduce the amount of information that entities are required to divulge about related parties in their financial statements.

Xinhua reports some entities that are related "only because they are each state-controlled or significantly influenced by the state" will be exempt from disclosure of transactions, according to the IASB proposals.

"The proposals aim to remove a significant burden of disclosure from some entities, particularly in jurisdictions with extensive state control of, and significant influence over, business," said IASB Chairman David Tweedie.

The Board believes that eliminating requirements that produce information that is of little or no value will benefit preparers and users of financial statements, he added.

Under China's new regulations, state-controlled entities are not necessarily regarded as related parties and transactions between them do not have to be reported.

"The new international accounting standards will use China's new accounting rules as a reference, as they are more cost-effective," Wayne Upton, Director of Research at the IASB, told *Xinhua*. "Chinese companies that want to go public overseas will have a much lighter workload if the proposals are implemented," said Wang Guoliang, Chief Financial Officer of PetroChina Company Limited. "State-controlled companies do have difficulties complying with the international rules."

"PetroChina uses communication and transportation ser-

vices from China Netcom (CNC) and other state-owned and state-controlled entities," he explained, "and under the current international standards, we have to make a lot of efforts to disclose all the transactions between them simply because we are all owned by the state."

A quarter of PetroChina's half-year report in 2006, before China's new accounting regulations came into effect, was devoted to information about related-party transactions. AT

Microsoft's new accounting software rivals QuickBooks

As if there weren't enough tussling in the technology world, two software giants are duking it out over — get this — bean counting. Internet-search giant Google recently cut a deal with Intuit, the 800-pound accounting software gorilla.

AccountingSoftware411.com reports Intuit's QuickBooks accounting package now features internal links to Google marketing tools such as AdWords and Maps. Not to be outdone, Microsoft fired back with a spanking-new Web-oriented accounting product of its own: Microsoft Office Accounting Professional. This application lives inside the sprawling software megalopolis that is Microsoft Vista and Office 2007.

"The Intuit deal brings Google right down into the heart of the Microsoft Office turf," the report quotes Joe Wilcox, a senior analyst at Jupiter Research.

The author asks the following question: I enjoy a good Godzilla vs. the Smog Monster techno-slugfest as much as the next fella. But would I — a professional gadget analyst and small-business owner (*www.blumsday.com*) — actually recommend one accounting package over another?

To find out, he ordered up a reviewer's copy of QuickBooks Premier (US$349.95 for one user), Intuit's top-of-the-line accounting package for small businesses, complete with built-in Google Marketing tools.

He compared it with Microsoft Office Accounting Professional 2007 (US$149 for one user), an extension of Microsoft Office 2007 that comes complete with Web-based marketing services. Some of them are part of the Microsoft Office Live initiative, and others are specific to Microsoft Office Accounting.

"Confusing, I know, but that's Microsoft for you. I put both applications to work in my small shop, where I produce consumer electronics content for radio, print, TV and the Web.

"Intuit's interface tries to visualise the financial life of your business. The different sectors of your enterprise are represented by icons on a large desktop. You go from one part of your business to another by clicking from one icon to another. Want to know who owes you what? Click on the INVOICES icon in the Customers section. Want to know which employee is working on what? Click on ENTER TIME in Employees. There are links for inventory, accounts, refunds and much more.

"It took me a moment to grasp the logic. But half an hour after I set up QuickBooks on my PC, I was running my business on the software. I sold a story and saw my receivables and net cash jump. I paid a bill and saw my payables shrink along with my cash reserves. QuickBooks is sort of the Jay-Z of virtual bean counters, slick and professional — if a bit cold," he writes.

Like QuickBooks, Microsoft Accounting provides a graphic representation of your business. But instead of Intuit's single large desktop filled with icons, Microsoft divides your shop into sections that run off tabs on the left side of the screen, *á la* Microsoft Outlook. That's no accident. "We see accounting as a direct outgrowth of the Microsoft Office suite," says Karan Khanna, marketing director for the Microsoft Office Accounting line of products. "We were working for a seamless Outlook and Word 2007 feel." AT

US Treasury Secretary Paulson to China: Open Up Financial Markets

Calling China a "global economic leader" and noting that over the past five years, the US and China spurred more than 50 per cent of global growth, US Treasury Secretary Henry M. Paulson Jr., told business leaders in Shanghai that "China's continued economic success is not only vitally important to the people of China, but also to the rest of the world."

Financial-Planning.com reports China must embrace reforms in its financial services markets.

"Open, competitive, world-class financial markets are the backbone of stable and balanced growth," he said. As such, he recommended "sound accounting standards, strong corporate governance, strong financial institutions, independent financial analysis and research, a meaningful disclosure regime and independent credit rating agencies."

According to the report, Paulson advised China to make sure all of its regions experience economic growth and that it doesn't over rely on exporting low-cost manufactured and industrial goods. He urged authorities to spur the growth of other sectors, including financial services and technology.

Noting that most bank savings accounts return 2.5 per cent in China — or a negative amount after inflation and taxes — he urged the country to embrace a "variety of savings and investment securities and vehicles."

Paulson also noted that China barely has an institutional financial services industry, and, as a result, retail investors cause volatility. The nation also needs to make it easier for professionals to enter the industry, thereby strengthening the fiduciary role, protecting investors and developing trust in the industry. Finally, Chinese regulators must allow innovation. "Today," Paulson said, "central authorities continue to be too involved in investment decisions that are more efficiently made by the market."

Finally — and perhaps Paulson's most calculated point — he called on China to allow foreign companies to become more involved in its financial markets. Currently, he noted, foreign asset management firms can own no more than 49 per cent of a joint venture in China, a 'restrictive' limitation. AT

WHY Accounting Rules SHOULDN'T DRIVE Strategy

Shahmir Shah

What happens when you deal with new accounting rules? One risk is the new rules could make managers commit strategic mistakes that might actually destroy value.

The new accounting rules merely move data from one page of an annual report to another. Yet we've already heard executives pondering plans to change capital structure policies, dividend payouts, or buyback programmes to accommodate greater volatility in shareholder equity as expenses and liabilities appear on balance sheets," according to a *McKinsey Quarterly* report.

With few exceptions, the report argues, these managers would be ill advised to use financial accounting changes to guide strategic decisions.

"Investors already know the level of pension liabilities from the ample disclosures in the footnotes to financial statements. With no new information, they will value businesses just as they did before.

"In short, managers should not change their behaviour merely because accounting rules have changed — and they must learn to ignore the pundits and to focus on investing in projects with a positive net present value (NPV), even if the next quarter's accounting earnings drop," argues the report entitled *Why accounting rules shouldn't drive strategy*. In its subhead, it tells readers in plain language: When changes in accounting rules provide no new information, they don't register with investors. Nor should they lead managers to shift focus.

The comment in the February report

was prompted by the recent decision by the US Financial Accounting Standards Board (FASB) to adopt new rules requiring companies to reflect the value of their pension funds on the balance sheet.

Coming on the heels of the move, the report said that critics almost immediately began complaining that the change would cause investors to rethink the value estimates of a wide swath of companies. Those with significant pension liabilities, the critics argued, would face lower valuations as they moved off-balance-sheet assets and liabilities onto the balance sheet.

Changes in accounting rules is an on-going affair in all jurisdictions. Hence, the article is a timely reminder to industry players. In essence, the article, first published in the Winter 2007 issue of *McKinsey on Finance,* urged readers to reflect on the past.

"Before managers make strategic mistakes, they would do well to recall some earlier episodes of controversy over changed accounting rules," it urged readers.

The first blast from the past goes back to the proposed new accounting rules for mergers and acquisitions in 2001. As usual, the proposal was greeted with much debate and intense lobbying.

The report states: "Before then, companies could, in certain well-defined circumstances, carry over the book value of an acquired company with no goodwill, using an accounting approach known as pooling of interest. After the rule changed, all transactions automatically generated goodwill, which is recorded as an asset and must be tested periodically for a loss in value. If the test indicates such a loss, the company must write down the difference and charge it against earnings. Either method results in identical cash flows, and therefore value, since any write-down of goodwill is a non-cash charge.

"Back in 2001, though, managers, lobbyists, and banks alike feared that the elimination of pooling accounting would make acquisitions more difficult, thus stifling activity. Yet four years later, such fears have proved unfounded; M&A volumes and values are back to their peaks before 11 September 2001. This makes sense. The value created by an acquisition is driven by the fundamental value of the acquired company, the price paid, and cash flow synergies, not from the way the company accounts for them on the balance sheet.

"The real value destruction came from managers, who prior to the rule change jumped through hoops — and spent substantial sums on accountants — in an effort to make the pooling of interest possible for deals that were straightforward takeovers. Take, for example, AT&T's acquisition of NCR in 1991. To get NCR to agree to pooling accounting, AT&T incurred costs on the order of US$500 million, according to outside-in estimates. That money was wasted because investors don't care about the accounting treatment of a deal. Similarly, executives still often use accounting rationales such as earnings per share (EPS) accretion to drive M&A decisions. Finance theory and practice make it crystal clear that using changes in EPS as a proxy for value creation is misleading at best and completely wrong at worst."

The second example highlighted by the article came in the 'accounting tempest erupted' in 2004, when FASB began requiring companies to account for employee stock option expenses on their income statements — more than ten years after the first attempt to change the rules.

The *McKinsey* report says: "Coalitions of companies, politicians, and business publications joined hands to argue that the change would ruin businesses, especially in the high-tech industry, by limiting their freedom to issue employee stock options.

"Of course, all the information necessary to put a value on issued and outstanding stock options had long been available in the footnotes to the financial statements of US listed companies. Investors, predictably, were nonplussed by the furore. Market participants had for years been able to estimate the dollar value of claims for employee stock options from the disclosures, and nothing in the rules change would affect the market's view of what companies are worth. One sell-side analyst we talked with summarised his feelings succinctly: "I don't care as long as the information is there."

"Rationally, the expensing of stock options should have been a non-event. But managers, partially driven by politics and punditry, started to base their compensation policies on accounting rules rather than the value employees added. Many well-known companies changed the way they compensate employees, moving away from options and toward other means, such as restricted stock options and straightforward cash bonuses. In itself, this could be a neutral move. It's the accounting-based rationale that indicates the wrong priorities of executives. Worse, about 900 companies from many industries decided to vest their options early, most likely to avoid option expenses in the first year that the new rule went into effect. This move had a negative NPV: employees who previously had to work for several years to gain access to options suddenly had the immediate right (though not the obligation) to exercise them. Since any increase in flexibility increases the value of options to employees, this early vesting inevitably drained value away from shareholders. Again, in some of these cases, the decisions may well have been based on a business rationale. Still, we doubt that it was a good one if the force behind the decisions was accounting rather than the creation of shareholder value."

"Too much time is wasted debating the impact of accounting rules that simply do not matter. In our experience, when managers plan to change capital funding or payout regimes, pensions, compensation, or other financial plans solely as a result of revised accounting rules, value is typically destroyed."

Having reviewed these two incidents, how should the financial fraternity react to the next wave of changes in the accounting rules?

The authors urged value-minded managers, boards, and advisers to be disciplined about keeping their focus on fundamentals.

Their word of advice: "Too much time is wasted debating the impact of accounting rules that simply do not matter. In our experience, when managers plan to change capital funding or payout regimes, pensions, compensation, or other financial plans solely as a result of revised accounting rules, value is typically destroyed. Shareholder value depends on cash flows and the cost of capital, not on the method of accounting for them." AT

Reinvigorating THE Market

Nazatul Izma

Malaysia used to be one of Asia's most vibrant equity markets before a reluctance to liberalise and a perceived lack of competitiveness made investors sideline Bursa Malaysia in favour of more exciting markets. The good news is that a revival of confidence and a slew of feel-good factors may be breathing sustainable momentum into Bursa Malaysia.

If statistics tell a story, they would certainly reveal that Malaysian equities were marginalised in just the short span of a decade. Just ten years ago, in the Asia ex-Japan region, the market capitalisation of Bursa Malaysia, then known as the Kuala Lumpur Stock Exchange, was second only to Hong Kong, noted licensed independent investment advisor Capital Dynamics Sdn Bhd in its investment newsletter *i capital*. But by the end of 2005, Bursa's market capitalisation had dropped to 6th place, while volume in 2005 was only 40 per cent of volume in 1996. In comparison, volumes on the Singapore Stock Exchange were three times larger than on Bursa in 2005 while volumes on the Thai stock exchange were double Bursa's in that same year.

"Investors have sidelined the Malaysian market in recent years with more exciting macro stories and lower valuations elsewhere," explained Arjuna L. Mahendran, Chief Economist and Strategist, Asia Pacific Credit Suisse, Singapore. The situation was exacerbated with the ongoing search for diversity and higher returns, as local institutions too started shifting money overseas with the liberalisation of investment rules that permitted 30 per cent of funds to be invested outside of Malaysia.

However, the tide seemed to have turned for the better by mid-2006. A rally that had begun burgeoning slowly in late 2006 — the Kuala Lumpur Composite Index hit a six and a half year high in October 2006 — peaked in February 2007 when the Year of the Boar came in with an almighty charge following the Chinese New Year celebrations. Buying by foreign institutional investors coupled with greater participation by retail investors after the Chinese New Year break propelled the KLCI to a 13-year high of 1,285.1 points in late February, while volume rose to a record high of 4.7 billion shares traded, valued at RM4.07 billion.

Optimistically, foreign funds were in the picture once again, which is critical for any market that wants to be in the mainstream. Capital Dynamics noted that "Foreign funds are beginning to fall in love with Bursa again." Credit Suisse supported this view, noting that a significant improvement in liquidity and sentiment had opened Malaysia to the investment world, causing a scramble for exposure.

But what goes up must eventually come down. Bursa's stellar run was interrupted by contagious jitters in other global markets. A retracement in regional and global markets subsequently caused the KLCI to close at 1,196.5 points for a reduced gain of 0.6 per cent at the end of February 2007, noted Public Mutual Berhad in a stock market report.

> "Investors have sidelined the Malaysian market in recent years with more exciting macro stories and lower valuations elsewhere."
>
> **Arjuna L. Mahendran, Chief Economist and Strategist, Asia Pacific Credit Suisse, Singapore**

Prime culprits were China, where fears of an overheating Chinese economy resulted in Shanghai's very own Black Tuesday in February 2007, where stocks plunged nine per cent overnight. Over in the US, worries about the integrity of a slowing economy pummeled by worries of defaults on subprime loans and rising interest rates caused investors to head for the hills.

However, interruptions such as these probably constitute a much-needed correction rather than an outright crash as feared. In hindsight, investors were probably overreacting. Despite another scary yet short sell-off in March 2007 thanks to the contagion effect, the local market adjusted well to external risks such as policy tightening in China, unwinding of the yen-carry trade and uncertainty in the US economy, albeit on reduced trading volume and increased volatility, said AmResearch Sdn Bhd in a report.

> "Fundamentally, we continue to believe that the market is firmly underpinned by supportive domestic macro cycles while the micro outlook remains equally strong."
>
> **AmResearch Sdn. Bhd.**

"Fundamentally, we continue to believe that the market is firmly underpinned by supportive domestic macro cycles while the micro outlook remains equally strong," wrote AmResearch. In addition, a slew of feel-good factors has cushioned investors by creating positive newsflow that bolsters confidence.

Fundamentals still look tolerable. According to Public Mutual Berhad in a market outlook report, on a valuations basis, the P/E valuation of Bursa Securities is 17.2 times for 2007 earnings, representing a 2.4 per cent premium to its 7-year average of 16.8 times. In terms of dividend yield, the market is underpinned by a gross dividend yield of 3.8 per cent, which is comparable to ringgit fixed deposit rates of 3.3 to 3.6 per cent for less than a year's tenure. If corporate earnings rise, valuations can afford to expand. *The Edge* reported in March that AmResearch raised its year-end target for the Kuala Lumpur Composite Index to 1,370 from 1,250 points, based on price earnings of 18 times as well as increasing earnings growth assumption from 14 to 17 per cent.

The strength of the ringgit against the USD has been another major driver. The ringgit fulfilled analysts' expectations when it hit a 10-year high of RM3.45 on 26 March on expectations that the government would lift the ban on trading ringgit offshore later this year", in view of the continuous rapid growth of foreign reserves.

Plus, the ringgit is expected to climb further. Citigroup Research revised its forecast for the ringgit, expecting it to strengthen to RM3.36 by year-end from its earlier forecast of RM3.45, due to "the relaxation (that) was a continuation of the gradual liberalisation of capital controls, beyond even the measures that were introduced in 1998 during the financial crisis," it said.

The ringgit's strength is backed by foreign reserves which had climbed to US$87.3 billion (RM301.4 billion) at mid-March, up some US$4.8 billion year-to-

date, and up from US$70.2 billion at end-2005. Citigroup expects the government to remove the last obstacle (non-tradability of the ringgit offshore) if foreign reserves continue to climb rapidly but some analysts feel the timing is premature for the ringgit's offshore trading.

Providing room for the ringgit to rise is just part of a more relaxed, laissez-faire attitude that signals further liberalisation from the government and is also good for creating an open investment climate that inspires confidence. "Credit has to be given for initiatives taken in the last two years such as liberalisation of the Exchange Control Act, the reorganisation of GLCs which include job cuts, such as that at Malaysia Airlines (MAS), and the willingness of the Badawi government to seek foreign partners for ailing GLCs such as Proton," notes Mahendran.

Other recent incentives announced by the Prime Minister at Invest Malaysia 2007 added pizzazz and stabilised confidence. The lacklustre property sector has suddenly regained its lustre as a hot spot with the announced waiving of the Real Property Gains Tax (RPGT) effective April 1 2007. The removal of RPGT would boost property market transactions, especially in the medium to high-end segment and could also attract greater foreign interest in Malaysian properties.

In addition, the development of the Iskandar Development Region (IDR) is expected to boost the property and construction sectors dramatically, say analysts. In his speech at Invest Malaysia 2007, the Prime Minister said the government had already allocated more than RM4 billion under the Ninth Malaysia Plan for infrastructure development in the IDR, and provided a liberal package of incentives tailored for foreign interests.

With domestic strength looking buoyant, any dents in investor confidence that will cause panic selling will primarily arise from external market risks. To accurately gauge the performance of the Bursa over the next 12 months, advised Capital Dynamics, see how the global economy will perform in that period. The US economy is expected to continue its current trend of "gradually slowing down," stated Capital Dynamics, but lower oil prices and an expansionary monetary policy will mean that any US recession will be shallow and short-lived. It rates Europe as seeing a decent year while China will slow down, while retaining its position as the global engine of growth. Public Mutual concurs, noting: "On a medium term basis, global equity markets will continue to be driven by the outlook for economic growth and interest rates in the US and the trend in oil prices. If US economic growth slows further amidst a sustained decline in the housing market, the US Federal Reserve may reduce interest rates in the latter half of the year to support economic activities. Expectations of a potential reduction in US interest rates remain a key factor underpinning the performance of global and regional equity markets."

Nevertheless, there also exist local obstacles that deter investors, especially foreign institutional funds, such as lack of size and low liquidity. "Among the difficulties for foreign investors in investing in Malaysia are the lack of liquidity and the small market cap of stocks. A typical mutual fund does not look at a stock until it crosses the US$1 billion threshold in market cap," explained Mahendran via e-mail. Therefore, the mergers and acquisitions being announced in key sectors like banking would be critical in creating larger investment vehicles that can boost valuations and sustain investor interest. A key fillip last year was the announcement of the mega-merger of Malaysia's plantation companies — Sime Darby Bhd, Golden Hope Plantations Bhd and Kumpulan Guthrie Bhd — via the Synergy Driver special-purpose vehicle. "Having a world class company, at least in size, will do much in directing interest to the Malaysia market. Synergy Driver will be the world's largest listed palm oil company with a potential market cap of more than US$8.5 billion. Its Crude Palm Oil (CPO) output will account for 5-6 per cent of global CPO production," said Mahendran. According to Mahendran, the merger will do much in improving Malaysia's competitiveness in the CPO industry, thanks to certain factors. One, the merged entity will enjoy better procurement procedures such as bulk purchases. Two, the merger will create a more optimal capital structure by leveraging on its stronger balance sheet and disposing of non-core assets. Three, there will probably be new and revitalised management team brought in to run the show. AT

CAPITAL MARKET RECORDS Broad-Based Growth IN 2006

A strong investor protection regime, progressive deregulation and liberalisation contributed to a significant improvement in investor confidence and this led to broad-based growth in the Malaysian capital market in 2006.

At a press conference in conjunction with the release of its *2006 Annual Report*, the Securities Commission (SC) said it had stepped up efforts to further strengthen governance through its gatekeeping, surveillance, supervision and enforcement functions.

In tandem with this, the SC increasingly relied on improving market and self-discipline through holding capital market participants to higher levels of accountability. This was achieved through the implementation of principles-based supervision and adoption of a strategic approach to enforcement.

The SC also introduced greater flexibilities to allow capital market intermediaries to respond more quickly to changing customer needs and to reduce their regulatory costs. The SC continued to strengthen the delivery of its services to all its stakeholders.

High growth in several market segments

The size of the Malaysian capital market, comprising debts and equities, expanded by 17 per cent or RM190.1 billion to RM1.3 trillion in 2006. This reflected the increasingly important role of the capital market in the national economy. The RM190.1 billion increase in the value of the market in 2006 over 2005 was almost equivalent to the total size of the market in 1990.

Total approvals for fund-raising exercises grew by 21 per cent to RM79.3 billion. With the increasing maturity of the Malaysian economy, there was greater reliance on the private debt securities market (PDS) for financing. Funds approved through PDS grew by 25 per cent to RM75.8 billion. This is significant as PDS approvals in 2006 were almost four times larger than the value of PDS approvals in 2000.

The average size of the 30 IPOs approved in 2006 at RM45 million was significantly higher than the RM31 million average size of IPOs approved in 2005. The new listings brought the total number of companies on Bursa Malaysia to 1,027. Total market capitalisation stood at RM848.7 billion as at end of 2006, as compared to RM695.3 billion as at end 2005.

Among the fastest growing segments of the Malaysian capital mar-

ket was the investment management industry. The NAV of the unit trust industry rose by 23.6 per cent to RM121.8 billion while funds under management increased by 29.2 per cent to RM164.4 billion. This rapid growth reflects increased outsourcing of fund mandates, expansion in product range and an appreciation in portfolio values.

Islamic capital market — increasing internationalisation and innovation

Through increasing levels of internationalisation and enhanced product development, Malaysia strengthened its position as one of the Islamic capital market centres. A significant development has been Malaysia's increasing ability to innovate sophisticated internationally accepted *Shariah*-compliant products.

Backed by a comprehensive and facilitative regulatory infrastructure, a wide range of financial intermediaries and a variety of products, the Islamic capital market grew rapidly. The SC approved Islamic *sukuk* amounting to RM42 billion in 2006. Today Malaysia originates 67 per cent of the world's *sukuk* issues. The year 2006 also witnessed the listing of the first two Islamic REITs with 86 per cent of stocks on Bursa being *Shariah*-compliant, accounting for RM548.4 billion or 65 per cent of total market capitalisation.

In 2006 Bank Negara Malaysia, SC and other stakeholders launched the MIFC initiative. This strengthened Malaysia's position as an international centre of origination and trading of ICM and treasury instruments, Islamic funds and wealth management services.

Strengthened gatekeeping, surveillance and enforcement for investor protection

The SC adopted a pre-emptive approach of managing governance risks to investors. In 2006, greater emphasis was placed on ensuring the SC only accepts quality corporate proposals with greater accountability imposed on advisors and professionals. This led to an improvement in the overall quality of IPO submissions to the SC.

Over the years, the SC built its capacity and capabilities for detection of financial reporting irregularities by improving systems and competencies. In 2006, the SC extended its corporate surveillance to bonds issued by PLCs. During the year the SC maintained surveillance on 333 companies, where 242 were part of its routine coverage while 91 were review cases requiring greater scrutiny. Its active corporate surveillance led to the uncovering of irregularities and enabled quick enforcement action.

In 2006, the SC implemented a principles-based approach to supervision. The SC said the existence of domestic intermediaries that demonstrate high standards of market conduct will allow the SC to increase its reliance on their internal control systems and self-discipline. The principles-based approach will also involve increased oversight and on-site thematic examinations. In instances where breaches occur, the SC has access to a wide range of regulatory actions, including prosecution and civil enforcement.

In 2006, SC's enforcement efforts focused on cases involving disclosures, fair treatment of investors, and advisors in meeting their due diligence obligations. Administrative actions accounted for 90 per cent of enforcement actions and offered the advantage of timeliness. These actions can be quite severe, such as barring submissions for a time period and a public reprimand, which has reputational consequences, as well as fines.

Major cases included actions against Granasia Corporation Sdn Bhd and Hospitech Resources Bhd for misleading disclosure, which led to reimbursement of public funds amounting to RM39 million. Hwa Tai Industries Bhd was reprimanded publicly and monetary penalties were imposed on its directors for failing to allocate shares fairly. The SC imposed a penalty of RM200,000 on Hwa Tai's chairman and non-executive director, who was also the single largest shareholder. The other directors were fined RM50,000 each.

The SC held advisors and professionals to higher standards and took administrative actions against Deloitte KassimChan, Hwang-DBS Securities and Affin Merchant Bank for not meeting their due diligence obligations.

Efficient service delivery to meet market needs

Mindful of the needs of the market-place, the SC achieved significant shortening of time frames for processing of corporate proposals. The approval time for big cap listings was down to one month from three months previously; registration of abridged prospectus was reduced to one day while approvals for standalone rights issues were made in a mere five days. Between 84 to 100 per cent of applications met the time charter in 2006.

These time charters were benchmarked against international standards and, in the interest of greater transparency and accountability, the SC published a quarterly scorecard. Reasons for rejections of corporate proposals are posted on its website.

Going forward

In 2007, the SC will focus on optimising regulatory efficiency to promote further growth and innovation. Its efforts in this direction will include promoting market efficiency and competitiveness, under which deregulation and liberalisation initiatives will be major aspects.

The implementation of the Capital Market Services Act will be a key component of measures to achieve an optimal balance between facilitative regulation and investor protection.

The year will see the SC continuing initiatives to strengthen investor knowledge; entrench Malaysia's lead as an international Islamic capital market and enhance the quality of regulatory services. AT

This report is based on the *Securities Commission's Annual Report 2006*.

"… the Securities Commission said it had stepped up efforts to further strengthen governance through its gatekeeping, surveillance, supervision and enforcement functions … In tandem with this, the SC increasingly relied on improving market and self-discipline through holding capital market participants to higher levels of accountability. "

Intellectual Capital Reporting

IN MALAYSIA

Amrizah Kamaluddin and Dr. Rashidah Abdul Rahman

Malaysia, like other developed countries, has taken initiatives to reposition itself in the fast-growing knowledge driven economy. The shift to the knowledge-based economy is part of a wider plan to achieve the targets of the nation's Vision 2020. It is a strategy to push Malaysia to achieve developed nation status in economic performance and technological capabilities by the year 2020. An evidence of Malaysia's transition towards the knowledge-based economy is the development of the Multimedia Super Corridor (MSC).

As a result of the competitive knowledge-intensive and rapidly changing business environment, more firms are creating value based on knowledge and investing more in soft factors such as human resources, research and development, organisational development and relationships rather than in tangible physical assets. The older forms of capital such as properties, labour and financial capital can no longer effectively explain and forecast the success of enterprises or nations in the current paradigm. As shown in the **diagram** , it is now accepted that intellectual capital – which consists of the tacit knowledge and innovativeness of employees (human capital), an infrastructure of human capital which includes a good working system, innovation and improvement processes (structural capital) and relationships external to the firm (customers capital) – are the key drivers of organisation performance and creation of future wealth (Bontis *et al.*, 2000, Riahi-Belkaoui, 2003).

Although intellectual capital has been recognised as the firm's wealth driver, there are many issues that are still being debated. In addition to the issue of the development of measurement models that best explain the invisible or hidden values of firms, various attempts have been made by companies and countries to develop an intellectual capital disclosure framework to reflect values unexplained by traditional accounting. For example, Scandia Insurance Company publishes supplementary 'Skandia Intellectual Capital Statements' that disclose its intellectual assets and non-intellectual assets. Another innovation is by the Danish Ministry of Trade. With the help of 17 Danish companies, it has developed guidelines for intellectual capital statements as a move to encourage companies to report their intellectual capital.

Further, adequate disclosure of information is often related to good governance. Therefore, efforts on disclosure, reporting and measurement of intellectual capital must be continued in order for Malaysia to keep abreast with excellent corporate governance practices. The following section examines the disclosure practices of Malaysian companies, based on previous research work.

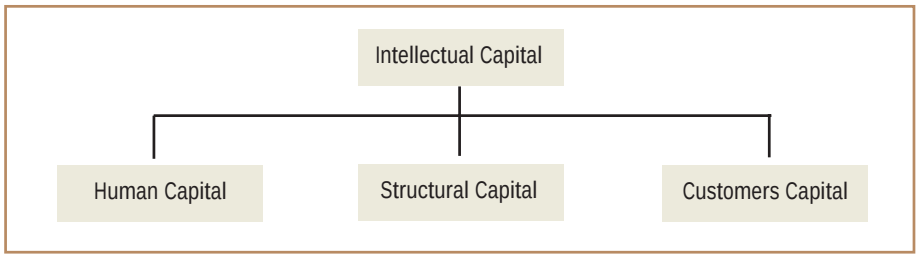
Corporate Reporting on Intellectual Capital

Previous intellectual capital research in Malaysia has been inclined towards investigation of the type and extent of disclosure of intellectual capital elements in the financial statements of Malaysian Companies. Khairudin *et al.* (2004), who searched for 60 intellectual capital terms in the 2001 annual reports of 792 listed companies in Malaysia, found that the level of disclosure is moderately high, ie. 46.5 per cent, with the technology industry leading the way. Kin and Krisnasamy (2005) also claimed that the level of disclosure with regards to 35 intellectual capital terms in the 2002 annual reports of 199 listed companies in Malaysia was low. Only 28.3 per cent of the companies disclosed information on intellectual capital in their annual reports. The two studies agreed that the items which were highly disclosed were confined to human capital such as "employee skill", "employee knowledge", "employee productivity" and "training and management qualities". The next intellectual capital terms highly disclosed were related to structural capital such as "information systems", "development cost or R&D" and "network". Though human resource related items were found to be highly disclosed, Choo and Abidin (2003), who examined corporate disclosure HR-related information in the 2001 and 2002 annual reports of 98 top Malaysian companies by market valuation, concluded that the extent of disclosure was still low. In general, the incidence of disclosing intellectual capital information in Malaysian annual reports is high quantitatively but not qualitatively (Khairudin *et al.*, 2004, Goh and Lim, 2004).

In another study, Goh and Lim (2004) noted that external capital was a highly disclosed item in Malaysian annual reports. Under this category, customer-related items such as "customers", "customers' loyalty" and "business collaboration" were highly or fairly disclosed. In reviewing 20 public-listed companies' annual reports for the period 2001 to 2003, Goh and Lim (2004) noted some convergence in the types of disclosure between Malaysian industries and those of developed countries such as The Netherlands, Sweden, and the UK. It was observed that firms in the four countries were disclosing more on external capital as compared to internal structures and human capital.

In another perspective, Bontis *et al.* (2000) investigated the inter-relationship between human capital, customer capital, structural capital and business performance for the services and non-services industries in Malaysia in 1999. The investigation on the inter-relationships is important for observing the synergy among the intellectual capital components and its link to business performance. The results of the study indicated that regardless of industry type, there is a positive relationship between human capital and customer capital. This indicates that a stronger customer market orientation is established as employees become more competent. It was also found that there is a relationship between customer capital and structural capital for both industry types, which implies that efforts made by industries to become customer-focused and market driven will generate competent organisational routines and processes that serve their customers efficiently. Even though the organisation's perspective on customers is being emphasised, which is to be more market driven and sensitive to customers' needs, the findings found by Khairudin *et al.* (2004) and Kin and Krisnasamy (2005) indicate that disclosures on customer-related items are still very low in Malaysia.

Diagram Components of Intellectual Capital



Therefore, companies in Malaysia must disclose more customer-related items in annual reports, to be in tandem with their effort to become customer oriented.

Another significant finding of Bontis *et al.* (2000) is that there is an important relationship between structural capital and business performance for both the services and non-services industries. This shows that development in structural capital will create sustainable competitive advantage which in turn produces high firm performance. Similarly, Kamaluddin and Sanusi (2006) found that traditional profitability performance, i.e. return on equity, was found to be positively related to the intellectual capital of Malaysian industries in the years 1999, 2000 and 2001. This study, which measured intellectual capital using Market to Book Model, also found that technology intensity was positively related to intellectual capital in 1999, which indicates that intellectual capital in Malaysia rises with the growth in knowledge and information technology.

As for banks in Malaysia, it was found that those with good financial performance as measured by the traditional measures may not have high value added in terms of intellectual capital. Goh (2005), who examined the intellectual capital performance of commercial banks in Malaysia for the period of 2001 to 2003, observed that there is a significant difference between rankings of banks according to intellectual capital performance/efficiency (measured via VAIC™) and traditional performance (represented by assets, net profit and shareholders' equity). The results indicated for example,that Maybank, which is the largest bank in terms of assets, net profit and shareholders' equity, had a lower intellectual coefficient than Hong Leong Bank.

In the same study, it was observed that the performance of human capital is higher than those of structural and physical capital for both domestic and foreign banks in Malaysia. This finding confirms the statement by Choo and Abidin (2003) that human resource plays a vital role in the success of a company as the economy changes from being capital intensive to knowledge-based. Thus, Malaysia in fact is strategically on the right track as human capital is laid as the main agenda under the Ninth Malaysia Plan.

Conclusion

Research has shown that there is an urgency on the part of practitioners and academic researchers to agree on a standard voluntary guideline for management in reporting of intellectual capital. The guidelines however should be applicable and acceptable across different countries, company sizes, industries and cultures in order to avoid understating the values of companies, hence failing to report or reflect growth in profits. There is a need for a competence theory to represent intellectual capital where organisational routines, processes and procedures, value of talented human resources and strong relationships with external parties are assigned power to create growth (Riahi-Belkaoui, 2003). This can be achieved through concept refinement and consistency in methodology and more empirical research in the area of intellectual capital.

The inconsistencies in the findings discussed above also imply a gap in interpretation and understanding of intellectual capital definitions and categories. Thus, further research in this area is required. AT

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ADVERT

Internal Auditors AND Value-Added Auditing

Nawal Kasim and Norhasimah Abdul Aziz

The role of internal auditors has become a significant component of the governance structure. Internal auditors are expected to support the board of directors in discharging the governance responsibility. It is essential that they evaluate their approach so that continuous improvement is achieved and value is added to the operations of the organisations. This article briefly explains the importance of value-added auditing (VAA) for internal audit departments. The discussion points out the need for VAA and the benefits organisations might gain from it.

During the past decade, internal auditors have been shifting their emphasis from the traditional compliance focus to a value-added focus. With the traditional compliance focus, the internal audit department was considered as an extension of the finance function. Its role was primarily related to the 'red and green' ink syndrome vouching. The value-added focus is an outgrowth of operational auditing and typically describes the internal audit work with demonstrated economic benefit (Williams and Wier, 2000).

In the 2004 Audit Directors' Roundtable meeting held in the UK, the audit professionals defined the direction of internal audit for the next ten years, with a view to making the profession move towards the 'North-East', where internal auditors are expected to provide governance partnership, moving away from the traditional role of financial compliance audit (Wee, 2005). They are expected to support the board in discharging the governance responsibility. It is essential that they evaluate their approach to fulfilling their roles and responsibilities so that continuous improvement is achieved and value is added to the operations of their organisations.

Importance of VAA

As the role of internal auditors is traditionally focused on compliance, they may find it difficult to convince others that VAA is important and that a change is therefore justified. Some, including the auditors themselves, may not have even heard of the term "value-added auditing."

Business scandals involving auditors, are on the rise. Organisations are exposed to many types of malpractices. Even what was once the Big Five audit firms is now the Big Four with the collapse of Arthur Anderson. Thus there is a need to create awareness among the management teams of organisations that the role of internal auditors is becoming more relevant in the eyes of stakeholders. Moving North-East means that internal auditors must not only shoulder the responsibilities of being control checkers but must be able to provide their organisations with meaningful, accurate and timely financial information through VAA.

Internal auditors can and will have to be a partner to management in corporate governance teams. VAA can also be a platform from which internal audit departments can highlight to management that their existence is as important as any other department. Thus the issue of outsourcing or co-sourcing of internal audit functions may not arise.

Justification for VAA

Corporate crises have led to new expectations of and requirements for accountability, which in turn have led to new demands on the audit's function. This shows that the notion of corporate accountability has evolved beyond the traditional concept that a company is accountable only to its shareholders. There are other stakeholders, including employees, customers, suppliers, government and the public in general, who have an interest in financial reports.

The establishment of a strong internal

audit function has become a necessity in organisations. With the appropriate authority attached to the internal audit department, it acts as an independent body, reporting to a Supervisory Board or an Audit Committee of the Board of Directors. Internal auditors do much of the detailed audit work formerly performed by external auditors. Being a business life partner, the internal audit department needs to highlight its existence via VAA.

Sherer and Kent (1983) perceive internal auditing as "a bonding cost borne by senior managers to satisfy the demands for accountability made by external participants, especially shareholders". They also argue that the internal audit is an adjunct of the function performed by the external audit. The difference is that the cost of an internal audit is incurred directly by the managers, and the managers have an incentive to incur the cost of internal auditing if the total cost of the audit process, both internal and external, is less than the perceived cost of external auditing on its own. Such cost-savings may result from the internal auditor's specific industry knowledge and expertise.

Adams (1994) finds that the agency theory has its rationale in the internal audit. As with other intervention mechanisms like financial reporting and external auditing, internal auditing helps to maintain cost-efficient contracting between owners and managers. He outlines an agency theory framework for internal auditing research, which not only helps to explain the existence of internal audit in organisations, but also explains some characteristics of the internal audit department, such as its size and the scope of its activities. Schneider (1984) conducts a descriptive model study to examine three factors of internal auditing. The results show that external auditors view "work performed" by internal auditors as the most important factor, followed by "competence" and "objectivity".

Brown (1983) examines the criteria used by internal auditors that might be considered important by external auditors before they can place reliance on internal auditors' work. The findings indicate that independence of the internal audit function and satisfaction with the internal audit function are criteria taken into consideration by the external auditors. Many claim that the new definition of the internal auditing shifts the focus of the internal audit function from one of assurance to that of value added and attempts to move the profession towards a standards-driven approach with a heightened identity. This was reported by Bouraad (2000) and Krogstad et al. (1999).

The Institute of Internal Auditors (IIA) standards require the directors of internal auditing to make regular evaluations of the coordination that has been achieved between the two audit groups. The director should subsequently communicate the results of these evaluations to senior management and the board of directors. This is important because audit committees and stakeholders seem lately to be placing more reliance on internal auditors' work and credibility (Bouraad, 2000). The internal audit function has now become more important as compared to a decade ago. The professional rule-making bodies of the internal and external audit professions encourage cooperation in a wide variety of areas. Internal auditors should ensure that this situation works to their advantage. As internal audit roles continue to expand, efficient and informed management of all subsets of their function becomes more and more important. Maximising the relationship with external auditors can be a vital link in the operation and structure of successful value-added internal auditing.

Benefits of VAA

No doubt, there is criticism over auditors' failure to perform their duties as expected. The business scandals that have resulted in the collapse of Arthur Anderson will always be in the minds of the public. Governments and business communities no longer trust auditors to catch material errors. In essence, many people believe that the audit opinion has become worthless (Houck, 2003). Furthermore, many have started to re-evaluate the level of trust they put in the audit function as provider of assurance for investment and financial information, and the trend of solely depending on the audit as the best source of credibility for such information may have now become defunct, Humphrey (2000).

However, a study by Williams and Wier (2000) found that the internal audit department can be an alternative in which stakeholders can place their trust, provided that the department practices VAA. They outline 10 items (stated above) that can be beneficial to facilitate a creative atmosphere in internal audit departments and by which VAA is said to be present if the items are highly practiced.

1. Brainstorming sessions
2. Process flow mapping
3. Opinions of outsiders
4. Time compression studies
5. Mind mapping
6. Multimedia systems
7. Trade publications
8. Books for creative thinking
9. Software for creative thinking
10. Training seminars for creative thinking

Another benefit is the difference between the training hours per staff before adopting value-added auditing and the training hours per staff after adopting value-added auditing. Initially, the overall audit staff training hours increased for companies that adopted value-added auditing, thereby improving the audit process. Later, as they become more efficient, fewer training hours may be needed to accomplish the same results. The findings also proved that companies which adopt value-added internal auditing, may need fewer employees within the internal audit department compared to the traditional audit departments due to their efficiency.

Conclusion

Recent business conditions are causing internal audit leaders to revisit the purpose, scope, and operations of the internal audit function. Internal auditors are expected to produce value added results to enable them to be as important as other units in the organisation, with the overall objective of protecting and enhancing shareholders' wealth. Companies which adopt value-added auditing may need fewer employees within the internal audit department as compared to the traditional audit departments. On the other hand, they may require more training hours to improve the audit process at the initial stage and to change from traditional to value-added auditing. However, as they become more efficient, they may require less training time to accomplish the same results. AT

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MANAGEMENT ACCOUNTING:

An Integral Part of Business

Winning the Overall Excellence award at the National Award for Management Accounting (NAfMA) is no mean feat. Those who have walked away with the award are strong believers that the use of management accounting is key to achieving business sustainability and growth.

Having won the coveted award at the NAfMA 2006, Philips Lumileds Lighting Company Sdn Bhd, which beat nine other finalists, is one such organisation.

The NAfMA awards recognise best practices in management accounting by companies in Malaysia that lead to value creation and excellent business performance. One of the aims is to promote the application of management accounting techniques and systems within organisations in Malaysia.

NAfMA winners are assessed on eight criteria — leadership, management accounting information, resource management, customer/market focus, partnership management, value creation, business results and corporate social responsibility. These eight criteria are based on the management accounting concepts of the International Federation of Accountants (IFAC).

Accountants Today spoke to Philips Lumileds's Finance Director Ravee Vasu to gain more insight into Philips Lumileds' (PL) winning ways.

Accountants Today: *What was Philips Lumileds formula for its success at the NAfMA 2006?*

Philips Lumileds: There are a few reasons for our success. The most important is the fact that we have been nurturing a value-creating mindset throughout the organisation over the years. This mindset is focused on operational excellence and business success.

During this period, we were able to enhance our stakeholder value through the use of various management accounting tools and techniques. Of course, we have an excellent working culture with values put into place.

Top management was also excited about our participation in NAfMA and we gained their support throughout our preparation. We planned for success but it was not done overnight.

Accountants Today: *How does the company feel about winning the award? What does this award mean to your organisation?*

Philips Lumileds: Philips Lumileds is pleasantly surprised with our achievement after winning the highest award, as this is the first year we participated. We received many congratulatory messages from around the Philips world.

The national award is testimony to the fact that we have a highly contributing cross-functional team applying management accounting tools and techniques throughout the organisation.

Accountants Today: *How does the use of management accounting fit into your overall company strategy? What are the benefits that PL has reaped thus far?*

Philips Lumileds: For us in Philips Lumileds, management accounting is an integral part of our business process and it works very well. It has never been a separate role or function. We have benefited in every aspect, improving our stakeholders'value.

Accountants Today: *Which aspects of Philips Lumileds' organisational culture do you think most contribute to the successful implementation of its management accounting tools?*

Philips Lumileds: Excellent teamwork driven by the passion to succeed.

Accountants Today: *Seeing that PL is a multinational company in Malaysia (being a part of Philips Limileds Lighting headquartered in California), is management accounting being practiced across all PL companies around the world?*

Philips Lumileds: Philips Lumileds around the world believes and practices management accounting. Some of the tools and techniques may differ from site to site because of the nature of business at each location.

For example, a sales organisation may require a different set of tools and techniques as compared to a manufacturing environment.

Accountants Today: *The use of management accounting tools and techniques to achieve superior value creation and business performance in organisations seems to be on an uptrend worldwide. In your opinion, what drives this?*

Philips Lumileds: I believe this is driven by several factors but most importantly the mindset and attitude. Accountants of today are far different from what accountants believed their job was many years ago. We are really out there now with a "business" qualification (rather than an accounting qualification), driving organisations to perform better. So our purpose and emphasis as to why we exist today have changed.

Furthermore many business managers are also seeking out good financial advise through the use of management accounting tools and techniques so that everyone makes a better business decision. The mindset change at both ends help greatly.

Another point to add is the attitude of today's accountants. There is more business ownership and partnering for success.

Accountants Today: *What is your opinion of the NAfMA awards? How do you see them contributing towards the betterment of corporate Malaysia?*

Philips Lumileds: NAfMA provides an excellent forum to put companies under a single best-in-class platform. The award has been very visible to many business managers and CEOs.

It also further creates awareness of management accounting among organisations for superior value creation and business performance.

Management accounting promotes accountability and transparency. The national award recognises organisations in Malaysia in the pursuit of world-class business performance. We see this as a positive development for corporate Malaysia.

Accountants Today: *Do you see PL participating in the NAfMA 2007? If yes, are you setting your sights on winning? How do you plan to achieve this?*

Philips Lumileds: Philips Lumileds will continue to enhance and apply more and more management accounting tools and techniques in line with business needs. However, we may not participate in NAfMA 2007 due to other business priorities for this year.

Accountants Today: *What are the roles of accountants in business, in particular in Philips Lumileds' management accounting division/department in enhancing business productivity and adding value to the business?*

Philips Lumileds: We always seek opportunities to challenge ourselves and never get contented with today's performance. This approach always helps us seek and venture into new areas for our overall betterment and success. The role of accountants in Philips Lumileds is in line with business goals, which are aggressively set. AT

YB Dato' Dr. Ng Yen Yen (third from left), Deputy Minister of Finance, presenting the NAfMA awards to the managing director of Philips Lumileds Menko De Roos (second from left), at an awards presentation dinner ceremony in Kuala Lumpur on 7 December 2006. Looking on is Ravee Vasu (third from right)

ENHANCING Corporate Reporting

How do you make corporate reporting more relevant, informative and accessible?

A sample of a refurbished and revamped annual report is currently making its rounds, wooing corporate boys and those responsible for corporate reporting into giving it a thorough look.

The effort — a collaboration of four organisations, including an international accountancy body — is an initiative aimed at engendering debate and discussion on how the reporting model can be enhanced to better meet investor needs.

Formed last year, the Report Leadership Group comprises the Chartered Institute of Management Accountants (CIMA), PricewaterhouseCoopers LLP, communications consultancy Radley Yeldar and public-listed Tomkins plc.

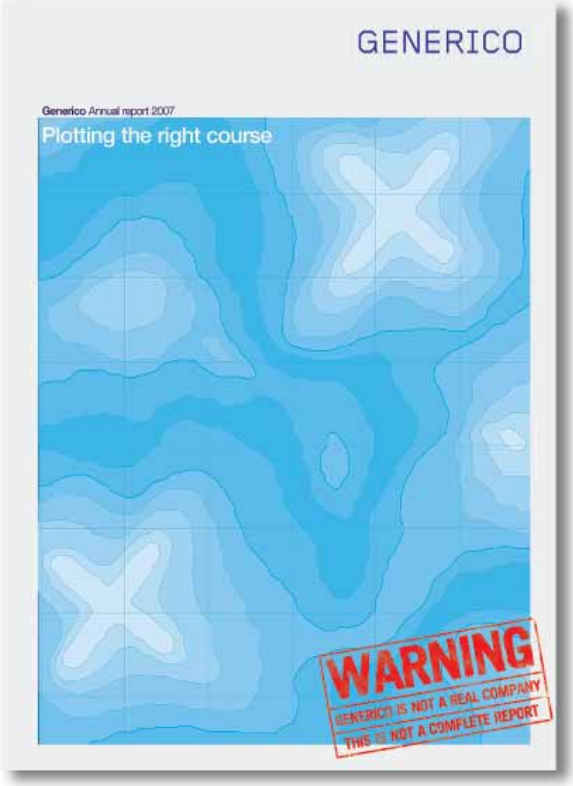
In a nutshell, the group believes that corporate reporting should provide investors with what they want without inundating them with unnecessary detail. In its view, this means understanding that corporate reporting goes well beyond issues of measurement and accounting.

In other words, do away with the sometimes lengthy and confusing annual reports that are dished out by some public-listed companies. On the other hand, you also have companies that give out the bare minimum of information, leaving investors in the lurch as to where the company is heading.

"We have put up a sample of what an annual report could look like," CIMA President John Coghlan told *Accountants Today* during his recent visit to Malaysia.

On what are the key features in the proposed annual report, he said that among other things investors would like to know where and how cash is generated and what are the key drivers for the company. "It's the type of information directors would use to make decisions," he said.

The group came together in the belief that reporting should be more accessible, practical, and effective in the eyes of the investment community.



The publication comes in two distinct parts. The framework document focuses on some of the issues that investors say they would like the reporting model to address. The second, a fictitious report of a company called Generico, shows how these issues can be addressed with creativity and thought.

To make its ideas practical and realistic, the group focused on what is achievable today within current Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) models by improving disclosure and presentation of information.

"We've set out to provide practical ideas that are intended to be today's reality rather than tomorrow's pipe dream. For some companies the disclosures will have gone too far, but our intention was to challenge established thinking and further the debate about what accounting and reporting are trying to achieve. Importantly, you can help to shape the way the Report Leadership project evolves by giving your comments, by actively participating, or by adopting the elements that appeal to you," the group said in a note to its targeted audience.

In an earlier press release, Report Leadership spokesman David Phillips, corporate reporting partner at PricewaterhouseCoopers LLP, commented: "Management spends significant time aggregating and recalculating data from internal sources to construct the figures demanded by regulatory reporting. It is like the creation of a large building, which analysts and investors then spend a lot of time deconstructing so they can see the individual bricks."

To bring its ideas alive the group has demonstrated how these can be applied in extracts from the annual report of "Generico". The annual report was the chosen presentation vehicle but the group recognises that in reality this report is in-

Coghlan: "We've set out to provide practical ideas."

creasingly seen as a compliance document. However, the real message of this initiative is to reinforce the information set that is important to investors and the way that it is structured.

As part of the initiative, Report Leadership seeks to align external reporting more closely with management reporting, recognise the complexity of business today and provide reporting that will adapt readily to other media.

Company chiefs and the whole spectrum involved in corporate reporting would naturally have plenty of questions.

An immediate and obvious query is whether companies will have to disclose more information.

In a guide on its website, the group acknowledges there is always pressure from investors and analysts for additional disclosure.

"Sheer weight of information remains a problem. However, additional disclosure needn't mean bulkier reports — if you can also leave out what investors don't need. Our ideas are meant to satisfy some of the demands from the financial community. But they should not automatically lead to the need to disclose additional information, as a large portion of the information featured in Generico's annual report is often currently reported outside the regulatory reporting model. Certainly, we believe there is scope for greater use of company websites to provide supporting detail — and downloadable figures. Much of the information provided in our report lends itself to this medium," it says.

But won't additional information lead to giving away key information to the competition?

"We recognise corporate sensitivities and the last thing your investors want you to do is weaken your business by giving away commercial secrets. Most companies can, however, indicate ranges and key drivers behind their businesses without giving away commercially sensitive information. It's this sort of information — the strategic priorities and non-financial drivers — behind the business that we would like to see more of in corporate reporting," it says.

And what about the call for more segmental breakdown in most major corporate reports? The guide says some companies do provide decent levels of segmental breakdown already — but it believes most should do more.

"In many cases, it is simple things, such as consistency between definition of the segments throughout a report, or splitting out head office costs instead of allocating them across segments. In general, investors want greater granularity on segmental disclosure," it says.

At the end of the day, one of the key desired outcomes is to improve navigation of annual reports. Of course, information is worthless if you cannot get your hands on it.

The group argues: "Much as companies might like the idea that everyone reads everything in their annual reports, they don't. In fact, the vast majority just skim read for key facts. Good navigational aids help readers find information quickly. Tabbing, contents, indexes, headers, footers are not rocket science — but you would be amazed at how many companies leave them out. Even just putting the name of the company and year of report on every page would help." So, folks, check it out. AT

"Management spends significant time aggregating and recalculating data from internal sources to construct the figures demanded by regulatory reporting. It is like the creation of a large building, which analysts and investors then spend a lot of time deconstructing so they can see the individual bricks."

David Phillips, Report Leadership spokesman and corporate reporting partner, PricewaterhouseCoopers LLP

A note from Report Leadership: Individuals can help shape the way the Report Leadership project evolves by giving comments, actively participating, or adopting elements of the proposed blueprint. On-going developments can be viewed at www.reportleadership.com.

THE Balanced Scorecard

Sir Andrew Likierman

Lots of firms have got one, but has it done them any good? Sir Andrew Likierman discusses how to tell whether introducing a balanced scorecard has worked out or not.

The balanced scorecard is one of the most widely used measurement frameworks in business. But, faced with the question: "How would you know whether it has been successful or not?" most companies would be forced to admit that they couldn't answer.

That's not really surprising. As with any management initiative, it's hard to define all the costs and benefits. There are identifiable costs, including those of setting up the IT and hiring external help, but the cost of internal training and the opportunity cost of staff time are rarely tracked. The benefits are even harder to pin down. You may hope to achieve "better decision making", but how much better? And what about the negative consequences of dysfunctional behaviour or a lack of focus caused by too many measures?

Even process benefits cannot easily be isolated. Gut instinct tells us that integrated information will be better than fragmented data. But is gut instinct enough? I have set out a four-stage process to provide a basis for answering these questions.

Stage 1
Identify the measurement problems

The starting point is to clarify objectives. Without a clear idea of what the scorecard is intended to achieve, you can't define, let alone measure, the benefits. According to CIMA's official definition, the balanced scorecard is "an approach to the provision of information to the management to assist strategic policy formulation and achievement". There's nothing wrong with that, but it's difficult to use it as a basis for defining success.

The next measurement problem is how to include all relevant costs and most benefits. The opportunity cost of time, which is often the largest single element when introducing new techniques, is rarely indicated in the calculation. The danger is that a few easily measurable costs are balanced against some hard-to-measure costs and a lot of hard-to-measure benefits.

Then there's the question of comparison: should the scorecard's effects be compared with what was happening before the scorecard was introduced, or compared to what would have happened if it hadn't been? The former is often misleading, since whatever the new technique has sorted out may have needed fixing anyway. Strategy can be linked to performance in more straightforward ways than by bringing in a balanced scorecard.

The next issue is the need to take account of the unexpected effects of implementation. This can come about because of over optimistic original proposals, or managerial over confidence about its ability to introduce the new technique. Unexpected effects may also include flawed design and implementation — a regrettably frequent occurrence with scorecards.

Lastly, there is the problem of linking a technique to subsequent changes in performance, even in small companies, not least because of the time lags between action and results. How difficult this is will depend on factors such as the time required for implementation, whether benchmarking is possible and whether there can be "before" and "after" comparisons.

Having identified the problems, you can take action before starting (stage 2, below) and by improving the measures (stage 3). But for some issues, it's crucial to understand that it may be possible only to mitigate them (stage 4).

Stage 2
Take action before starting

The starting point is a monitorable specification of the assumed costs and benefits. "Monitorable" means setting them out in a form in which progress can be tracked, not squeezing them into an implausible numerical straightjacket. This specification will provide a basis for what needs to be tracked, so you don't need to rely on a hunch or on what the scorecard's advocates have promised.

You should identify the way you will use information incorporating the new data as part of the specification, from corporate strategic decisions to individual incentive schemes. You also need to spell out the timescales involved.

You should identify all the risks to achieving the benefits, so that these can be included in the tracking. All initiatives have execution risks, caused not only by uncertainty over cost and time, but also by changing scope and specification. You need to build in actions to meet risk into the programme before it is implemented. Targeted training, for example, could mitigate the danger that the scorecard will not be used because it is not understood.

As with other techniques, the actions you could take before starting a full rollout could include piloting, if internal comparisons are possible and you have enough time. A study by Andy Neely and others at the Advanced Institute of Management Research compared 156 branches of a company that used a balanced scorecard with the same number that did not. Few organisations will have a control group of this size, but the comparison can be made with much smaller numbers. Clearly, you must ensure that the comparisons are not only valid but seen to be so. Otherwise there's a risk of getting into arguments about the validity of the conclusions.

Above all, you must adjust expectations about what can be delivered before starting — a reality check is easier if new techniques are scoped out systematically. It will be hard to keep everyone's feet on the ground if a technique is introduced as a result of overblown promises. It will then be a case of separating what the organisation knows it can achieve from what those who are selling the technique claim might ideally be possible.

Stage 3
Improve the measures

Improvements can start only if you focus on outcomes. Because there is a demand for measures of some kind, companies usually choose input measures — e.g., numbers of measures — since these are the most easily obtainable and there's an assumption that they will be good proxies for outcome measures. Alas, they rarely are. Claims that 40 measures for a scorecard must be better than ten without a scorecard ring hollow if the result is confusion about the company's priorities. In the case of activity — e.g., use of the scorecard — this may be a necessary condition for success, but it's certainly not sufficient. A new technique could distract attention from more important matters, be badly used or misused. Evidence of use is not enough.

Outcomes are harder to measure, but

there is no reason why doing so should be either complicated or expensive. Managers already have lots of questions, so it should be straightforward to ask, for example, whether they are using the information provided by the scorecard and whether it improves their ability to achieve their objectives. Such enquiries can be simple and do not need to involve structured questionnaires, but the questions should be asked over a period of time and be linked to the implementation schedule.

To obtain maximum value from feedback, it's essential to embark on a process of consultation before introducing a new technique. In a case study of a financial institution in the Netherlands, Geert Braam and Ed Nijssen of Nijmegen School of Management showed how workshops and discussions helped to achieve a successful scorecard implementation where a previous attempt to impose it had failed. Consultation will not only achieve a wider understanding of what's involved, but also help to win support from senior and line managers.

Better measures also mean understanding what others are doing. This may come from literature, conferences or direct experiences. New recruits or outsiders such as non-executive directors can add particular value if they have been involved in introducing a scorecard elsewhere.

Looking at the patterns of introduction elsewhere will help you to set milestones for cost, benefits and timing. This does not mean that there will be clear numbers; only that there will be a context for necessary decisions. It is easier to gain this context for the balanced scorecard than for many other management techniques, since many published case studies exist.

It's worth stressing that measurement does not mean quantification – many of the measures will be based on judgements — but nor does it mean vague statements that cannot be pinned down. For example, as part of the consultation process with senior and line managers, you need to spell out what "a better link between performance and reward" means in practice. The elements in the financial part of the scorecard will be a great deal easier than those of learning and development, but the temptation to go only for the easily measurable elements should be resisted. One of the reasons for introducing a scorecard is to get away from a simplistic approach.

Better measurement must also allow for flexibility, since there will be unexpected events that weren't part of the original plan. New information made available by a scorecard could improve project planning more generally. You need to capture such benefits as part of the information gathering process.

The Four Stages in a Nutshell

1 Identify the measurement problems
- Clarify objectives.
- Measure some costs (including opportunity costs) and most benefits.
- Identify a basis for comparison.
- Account for the unexpected effects of implementation.
- Make the link between a technique and performance.

2 Take action before starting
- Identify all — i.e., not only numerical — monitorable costs and benefits.
- Identify risks affecting costs and benefits, and act to manage them.
- If possible, and if conditions are right, run a pilot implementation in part of the organisation.
- Adjust expectations on what can be achieved — if possible, based on the organisation's past experience of introducing other techniques.

3 Improve the measures
- Move from input to output measures.
- Find out what others are doing.
- Establish milestones.
- Recognise the limitations of quantification.
- Build in flexibility.

4 Mitigate the remaining problems
- Analyse the evidence, not spurious numbers.
- Provide a good written commentary as part of monitoring all initiatives.

"It is crucial to measure the success of adopting a scorecard in order to determine whether you can do anything to increase its impact, remedy any problems and assess the credibility of further proposals."

Stage 4
Mitigate the remaining problems

Even after taking actions under sections 2 and 3, there will still be measurement problems that can't be resolved. You may then be tempted to take a sweeping and potentially misleading view based only on what is measurable. This is the moment for analysis based on evidence, which needs to come not only from finance but also from people on the ground. The evidence must be assessed dispassionately, particularly if the scorecard has been sold as the answer to a problem, with a bottom line or ROI. Far from demanding a spurious ROI based on a partial view of costs and benefits, you should base the analysis on a clear understanding that figures alone will be misleading.

It is, therefore, essential to provide a good written commentary. This should be realistic about the limitations of what has been measured, bearing in mind the length of time since the implementation began. Its conclusion should include both quantifiable and unquantifiable elements. So, for example, you should discuss any loss of focus caused by an excessive number of measures in terms of cutting the number of measures, not getting rid of the scorecard. The commentary should appear in a one-off report to senior management. Even better, it could be part of the regular reporting package to senior management on all new projects. Such reports provide a comprehensive view of how yesterday's projections on the whole set of the organisation's initiatives look today.

It is crucial to measure the success of adopting a scorecard in order to determine whether you can do anything to increase its impact, remedy any problems and assess the credibility of further proposals. Indeed the same approach can be used for introducing other management initiatives. The business world is littered with discarded balanced scorecards. Better measurement greatly enhances the chances that yours won't be among them. AT

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Going 'Paperless'

"One of the biggest challenges facing companies today is migrating from paper-intensive systems to paperless electronic systems. The more involved companies get with their paper systems, the more they open themselves up to mistakes."

Ken Miles, Food and Drug Administration, USA

Much has been written and said about shifting to a "paperless" office. More and more firms — in the US and in Europe, especially — are moving in the direction of a "paperless" office. In Malaysia this concept is beginning to be considered seriously by firms.

Among the reasons for delaying the move, principals of firms mention these:

- Too busy (doing business; other projects) — in other words, procrastination.
- Software and hardware too expensive — this is a myopic view that focuses only on the costs and not the benefits.
- Too difficult to implement (a combination of too busy and too expensive) — overwhelmed by the perceived scope of the project.
- Too many choices for software (creating inertia).
- Firm members are used to working with paper.

Going paperless isn't about being free from paper though there will be less paper. So, "paperless" office might not be the completely accurate terminology, but rather 'less paper'. In reality, going paperless is more about replacing the paper-based processes that hold the firm back with a method of electronic document management and workflow solution that will carry the firm forward into the future.

The often-cited benefits of moving toward a paperless office include greater efficiency, less time spent tracking down files, and saving of storage space. But it is also the case that organisations may be placing themselves in jeopardy without the use of proper workflow and document management tools. These shortcomings will cause bottleneck, and a misunderstanding of the process. Knowledge not retained in some type of retrievable form may be lost when turnover or a natural disaster occurs. Documents in a business process are a means to measure, manage and improve processes. Workflow and routing help organisations move information on a timely basis.

The Benefits of Going Paperless

Moving to a paperless environment — in addition to saving trees — has many benefits. Defining the benefits is critical in order to make the firm's decision makers understand and agree to it. The benefits of implementing a paperless strategy include:

- Office efficiency — no more time spent searching for documents.
- No lost documents.
- No office clutter.
- Significantly reduced need for office space (we have gotten rid of about 13 lateral and legal file cabinets).
- Firm members can work from remote locations since all client documents can be accessed remotely.
- The firm is able to have remote employees.

Cost savings

Cost savings can come in the form of reduced paper, printing and the real estate needed to store documents. However, some firms which have gone paperless have claimed that these costs are negligible.

Whatever the case, the cost savings of not having to file paper is a legitimate one. If the firm handles much filing work using administrative staff, the cost savings in staff hours spent on this will be significant. However, you must ensure other work is assigned to the firm members formerly doing this work since it is very easy for work to expand or contract based on the time available to do it in.

Improving efficiency

Efficiency improvement is one of the greatest benefits of a move to a paperless environment. Electronic storage enables faster access to documents. Also, since document management applications completely control the organisation logic used in storing documents, there is less time spent training and overseeing firm members in the storage process.

While it may be difficult to measure efficiency benefits, it is not difficult to understand that the amount of work that an employee can do is directly proportional to the available hours: the more hours, the more we can accomplish.

Subjective benefits

Subjective benefits are more difficult to quantify or see immediately. Improved client service value is among the most im-

portant benefit. A hectic work environment arising from difficulty in finding staff resources and handling job service opportunities will reduce, the firm's ability to perform timely service. Though there is some elasticity in this area of timely service, a continual decline in timeliness leads to client dissatisfaction. The efficiencies of an electronic document environment translate to faster service, which is of great value to clients. So, you will make money by providing better client service — the payoff for every accountant in public practice.

Another benefit of the paperless office is that its high level of organisation and the full-text search features that are part of most document management solutions make it easy to match a service or issue with documents that have been created for a similar situation. Essentially, services will become "products" and their supporting documents and work papers will be reused over and over again. Thus service efficiency and client satisfaction are improved. This 'productisation' process can also aid in the selling process since firms can now be more price competitive, while maintaining their profit margins.

Example **ROI Calculator for Going Paperless**

General		
# Firm Members	.....	
Average Firm Billing Rate ($)	RM	
Average Firm Hourly Cost Factor (%)	.....	
Costs		**# Firm Members**
Document Management Software ($)	RM	not applicable
DM Server, Scanners, etc ($)	RM	not applicable
Firm Planning Time (hours)	.....	not applicable
Information Setup	.....	not applicable
Training Time (hours)		
• Basic Training (per person)	.....	.....
• Administrator Training (total hours)	.....	.....
Efficiency Factors	**Estimated Weekly Benefit (Hours)**	**# Firm Members**
Saving documents	.....	.....
Retrieving documents	.....	.....
Reusing information on other engagements	.....	.....
Value Factors	**Value**	
Improved Client Service	RM	
Improved Selling Effectiveness	RM	
Improved Documentation Completeness	RM	
Improved Work Environment	RM	
Summary		
Year 1 Cost ($)	.....	
Year 1 Benefits ($)	.....	
Return on Investment (ROI)	.....	
Weekly Break-even Efficiency (hours/person)	.....	

It is not easy to get firm members to adequately document their interactions with clients, prospects, and others. This applies to any area any firm would want to improve in. Although document management tools and paperless office processes will not magically transform the situation, it *will* make it easier to create, edit, and retrieve documents. The easier it is to perform a task, the more likely the task will be done — and with less oversight and management.

A move to a paperless office will improve efficiency, make clients more satisfied, help the firm grow, and provide other benefits. This improved firm will be a better place to work, making it easier to retain and attract new staff.

Calculate the ROI for going paperless

Accountants are good with numbers; so calculate the return on investment to decide if it is worthwhile for the firm to go paperless. Some of the benefits above may be difficult to measure. However, it may be helpful to document our perception of the benefits (both subjective and objective). See example.

Because the costs and the transformative nature of an electronic document management are huge, 'grass-roots' efforts to implement them rarely succeed. It is important that there is support from management, and so a well thought out ROI analysis will help you get management buy-in.

Tools for a Paperless Office

There is a myriad of tools available on the market which can do a huge variety of tasks, helping to move your firm towards paperless engagements and workflow integration. For instance,

- **Engagement tools**. Such software tools enable accountants to work through an entire engagement process — setting up the entire engagement team, making available all work papers to the team, roll forward data from year to year – and allow management to track the status of any engagement.
- **Document management tools**. Such software transforms time-consuming

manual filing processes into a digital filing environment that makes it easy to find documents across your organisation. When you deploy a document management solution, you not only speed file, storage, and retrieval tasks; you also enable efficient collaboration for all your departments.

- **Practice management tools**. These are sophisticated software programmes which are designed to manage almost every aspect of your business. For instance, software such as the ProSystem fx Practice Management has modules you need for effective firm management such as: time and expense entry, contact management, billing and invoicing, project management and tracking, accounts receivable, and generating reports.
- **Reporting tools**. Preparing for monthly board reports, weekly management meetings and strategy sessions can take up a lot of time as well as being a stressful chore. Reporting tools can be simple —so powerful that they are able to generate financial diagnostics reports, health check reports, KPI variables and ratios reports, marginal cash reports, cash flow summary reports and multi period variance reports. For added flexibility, the software may even export reports to several different formats such as PDF, HTML, RTF and TIFF.

Electronic workflow management tools and systems can be customised to almost any situation, but some decisions need to be made up front. Without the right planning, you risk wasting time and money. *What problem is an electronic document management system going to solve?* That question, obvious though it may be, is one you have to have detailed answers to before you start shopping. "We have too much paper" isn't a good answer. Specific goals, such as "We need to offer remote access," "We want to cut filing costs," or "We have to enforce better security" will help you choose the best electronic workflow management system for your business.

Ideally, you should ensure the vendor from which you are purchasing the workflow tool provides support, training and consultancy services. Set-up and installation assistance together with training and consultancy will help bring your staff up to speed and help incorporate the new technology into your everyday workflow, along with showing you best practices for using the tool.

It is important that the system you choose allow for future expansion and easy integration of hard-/software because as your business grows, you will likely want to incorporate more workflow management tools to the existing system.

A paperless environment does not have to respond to everything, and some hard decisions will be required along the way. It can also then lead to more resources and time for real innovation.

Steps to Going Paperless

Of course, any change in established office procedures can be difficult. The importance of going into the process with the right expectations and frame of mind is critical. It will enable your firm to adopt a paperless strategy much faster and more efficiently, and you will more quickly achieve the tremendous benefits from going paperless. If you simply scan some paper files but don't change anything else, you will obtain only a fraction of the benefits. Here are some issues that you will face and suggestions to help smoothen the process of going paperless:

Step 1: Total commitment

Once the decision to go paperless is made, commitment from everyone involved is vital to the success of the endeavour. Going paperless for your firm doesn't mean doing things exactly as before except for making your paper files electronic. You must also be prepared to change the way things are done and be prepared for changes in your implementation strategy and plans in the event of unforeseen challenges.

Step 2: Analyse your firm's needs, list the critical goals you want to accomplish and the features your system must have

Here are some considerations:

- Are you a sole practitioner with no employees and no plan to add any, and just want to scan client files electronically?
- Do you need security for certain files?
- Do you need scanned documents available via the Internet for remote employees or clients?
- Do you want (or need) advanced document management features such as version control of your documents, and check-in and checkout document capabilities?
- Do you need it to integrate with your contact management system? (Your document management system should integrate with your contact management system.)

Tip: Plan ahead and implement a system that can grow with the future direction of your firm. For instance, you may not need security now, but if you plan to hire more employees, you will need a security feature later.

Selecting the available tools in the marketplace can be confusing as there are numerous vendors in the marketplace, so it is important you have fixed in your mind the critical goals you want to achieve.

Step 3: Select a software application and hardware (scanners)

Here are some important considerations for software selection:

- Features of the software—remember the considerations of step 2 above.
- Ease of use and ease of implementation. But be careful—don't select an application because it looks easy to use. Recognise that with some training and practice, you may adopt an application that provides many more features and benefits.
- Cost—but be sure that this is relative to the benefits it provides.
- Does it integrate with your contact management system?
- Does it integrate with other software applications that support your client services such as accounting and audit, tax, consult-

ing tool or practice management tools?

Considerations for selecting a scanner include:

- How much capacity do you need from an industrial scanner?
- How fast a scanner (in pages per minute) do you want?
- Consider the quality of the automatic document feeder—this is very important when scanning a pile of documents that are of different sizes or thicknesses.
- Do you need to scan in colour?
- Do you need desktop scanners as well?

Once your firm embraces going paperless, you will certainly be scanning more in volume and types of paper than you can possibly imagine. It is important to have a high-quality, high-capability scanner as part of your paperless strategy—so the cheapest scanner in the market may not be cheap in the long haul.

Consider adding several desktop scanners for certain personnel whose work entails working with a lot of documents. You may see significant improvement in the overall efficiency of your firm's scanning efforts.

Tip: Consider working with a consultant. You can work with a consultant earlier in the process, but be careful: many consultants work only with one particular solution, which is important in order for them to be experts. But this does not help you get an objective evaluation of the available alternatives. It may be better to do some investigating on your own first, and then find an expert who works with the particular program you have chosen.

Step 4: Implement the system!

Once your software and electronic filing system is set up, choose a date—i.e. from that point onward, all documents coming into the office or being created must be stored electronically.

Moving into the electronic system

Scanning old paper files and moving existing electronic files into the document management system is probably the first task that you can do. It's a huge task and may take one or two years to complete.

Tips:

- An administrative employee could be given a goal of a certain number of old client files to be scanned (and she earns a bonus for hitting the goal).
- Outsource document scanning under the supervision of an administrative person.

Changing the mindsets of firm members and clients

Firm members especially must be prepared to change their mindset as to how they will do their work from now on, e.g. it is not easy giving up the "habit" of reading from paper and holding paper in hand.

CPAs may require more than one computer monitor on their desk since they will be reading all documents from your computer. For instance, two computer screens—one showing the tax software programme and the other screen showing this year's source documents—would be a convenient setup. Some firms provide preparers with three screens, so one can see at a glance the tax program, the source documents, and last year's completed tax return. Some desks have a fourth screen turned toward the client so he can review his completed return without a printout.

You'd be surprised how many clients may find the idea of reducing the amount of paperwork they have to file away appealing. You may have to educate some clients about the benefits of receiving tax returns on CD. You may have to explain that they can bring the CD back each year to have another annual return added to it, and that they can print out a paper copy of their return anytime. Some tax pros have made the lure of the CD stronger by also including on it copies of all the paperwork, including filled-in organisers and third-party source documents that the client originally brought in to the office.

Unfortunately, someone will have to scan documents and burn them onto a CD and copy documents. Choose a person in your firm with experience making copies of returns or who has assembled returns. It will be his or her job to scan documents into the firm's computer system and burn CDs. Client tax packets will still be assembled, but in their new form they may comprise only a couple of pages and a CD.

Take note that going paperless is not just scanning documents. A comprehensive paperless strategy involves a document management system that deals with all documents regardless of their source—scanned, e-mailed, faxed, computer-generated (such as Word documents), and so on.

Decide when you are going to scan in source documents.

It's possible, of course, to continue working off paper documents when preparing tax returns—even if you're going paperless. You can still check off or highlight data as they are being entered into the system, and then scan in those sheets when a return is finished. Or, you can scan documents at the start of the preparation process, and electronically check or highlight information as it is entered into your preparation program.

It is advisable to scan documents into the system when they come in, instead of at the end of the preparation process. This can be a real advantage when dealing with complicated files that might involve input from several people.

Last words: Don't expect instant results. Even with a systematic approach, the process of implementing the system will take several months, while the benefits may take some years to be fully appreciated. Many companies have found that although the process took work on their part and wasn't without some hiccups, the answer to the question, "Was it worth it?" is a resounding yes! AT

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■ Moving (Change of Address) ■ Change of Firm's Name or Logo ■ Recruitment ■ Seeking Strategic Alliance OR Seeking Assistance Among Member Firms ■ Transfer of Technology/Expertise/Know-How ■ General Announcements ■ Locating MIA Member(s)/Member Firms.

To place your notice or advertisement, please contact Hani of the Development and Promotions Department at +603-2279 9200 (ext. 324 or 146) or Fax: +603-2274 1783

*** TERMS AND CONDITIONS APPLY**

Looking for Education Representatives

The International Institute of Chartered Strategists (ICS) has been approved by Kursk State Technical University (KURSK) through the Director of Marketing for Asian Region to provide online e-learning programmes to all qualified learners to attain prestigious Russian academic degrees.

Kursk State Technical University is a government owned university of the Russian Federation. ICS-KURSK online Bachelors and Masters are supported by web-based delivery system.

ICS is looking for Business, Commercial, Vocational Schools and Institutes, or Training and Development Corporations that are suitable for validation at degree-level to promote and articulate ICS-KURSK collaborative programmes.

INTERESTED please e-mail your details to our CEO, Dr. Christopher Heng (MIA 4418) at *ceo@ics-edu.com*

Amended Procedures and Requirements for Application and Renewal of Tax Agent Licence

Members are hereby informed that the Ministry of Finance (MoF) has amended the procedures and requirements for the application and renewal of tax agent licence.

The amendments and the forms for the application and renewal of tax agent licence *{Borang EC and Borang EC (1)}* can be downloaded from the Institute's website at *www.mia.org.my* or the MoF's website at *www.treasury.gov.my.*

Please note that the amendments take effect from 21 February 2007.

Should you require further information/clarification on the above, kindly contact:

Ketua Setiausaha Perbendaharaan, Bahagian Analisa Cukai
Tingkat 6, Blok Tengah, Kompleks Kementerian Kewangan
Presint 2, 62592 Putrajaya
Tel: 03-8882 3000 Fax: 03-8882 3893/03-8882 3894
Attn: Cik Nik Nur Firdaus binti Abu Bakar, DL: 03-8882 4308

Please be informed that the Institute is making all efforts to meet with the MoF to seek clarification on the amended tax agent licensing requirements. In the interim, members are advised to adhere to the above procedures and requirements. Please be guided accordingly. AT

Tax Investigation Framework

Please be informed that the *Tax Investigation Framework* which was recently issued by the Inland Revenue Board (IRB), can be downloaded from the IRB's website at *www.hasil.org.my* under the heading of 'Law & Regulations'. AT

Addendum to Public Ruling (PR) No. 2/2005

Please be reminded that the Inland Revenue Board (IRB) has issued an **Addendum to PR No. 2/2005: Computation of Income Tax Payable by a Resident Individual** to clarify the current tax treatment on deduction for husband and tax rebate for *zakat* or *fitrah* payments. The said Addendum can be downloaded from the IRB's website at *www.hasil.org.my* under the heading of 'Law & Regulations-Rulings-2/2005'. AT

Recommended Practice Guide (RPG) 7 — *Fees and Commission*

The Institute is pleased to inform members that the Council has approved the issuance of *RPG 7: Fees and Commission* in view of the repeal of By-Law B-6 following the introduction of the new By-Laws (On Professional Ethics, Conduct and Practice) which has been effective since 1 January 2007.

Members can download the practice guide from the Institute's website at *www.mia.org.my* — Technical-Areas-Auditing-Guidelines. Please be guided accordingly. AT

MASB Releases Exposure Draft to Amend 10 Accounting Standards

MASB has released Exposure Draft ED 55 *Proposed Amendments to Financial Reporting Standards* to professional accounting bodies, regulators, users and other interested parties for comments.

The purpose of this exposure draft is to remove the remaining differences between 10 existing Financial Reporting Standards (FRSs) and International Accounting Standards (IASs) to eventually result in these FRSs being virtually identical to the respective IASs, says MASB Executive Director, Dr. Nordin Mohd Zain.

Prior to 2005 MASB made improvements to certain international standards by adding explanation, guidance and examples for clarity or by amending certain provisions to cater for local circumstances before the standards were issued for application in Malaysia. This was done to broaden the content of the standards to cover domestic and regulatory issues and to provide guidance to the local constituents for topics not addressed in the IASs.

Dr. Nordin says MASB has decided to review standards on *Cash Flow Statements*, *Construction Contracts*, *Income Taxes*, *Revenue*, *Employee Benefits*, *Accounting for Government Grants and Disclosure of Government Assistance*, *Borrowing Costs*, *Accounting and Reporting by Retirement Benefit Plans*, *Interim Financial Reporting and Provisions, Contingent Liabilities and Contingent Assets* with the view to converge them with the international standards.

He added that in line with the policy of convergence with International Financial Reporting Standards (IFRSs) and based on experience in implementing FRSs, MASB has decided to make FRSs issued prior to 2005 the same as the respective IASs. MASB considered this to be necessary in order to enjoy the full benefit of convergence.

"MASB believes that converging with IFRSs is the way forward and that there are benefits of convergence as Malaysia puts itself on a global screen for investments and trade," Nordin said.

Until the revised standards become effective, the requirements of the current version of the relevant FRSs shall remain in force.

Interested parties, including the business communities, are encouraged to study ED 55 and provide feedback to MASB by 16th April 2007. The exposure draft and clean copies of the full revised text of the 10 proposed standards are available on MASB website at *www.masb.org.my*. The public is encouraged to provide their comments electronically through ED Online on our website. Alternatively, copies of the exposure draft are available free of charge at:

Suites 5.01-5.03, 5th Floor
338, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel: 03-2715 9199 Fax: 03-2715 9212
e-mail: *masb@masb.org.my*
website: *www.masb.org.my*

This Exposure Draft consists of proposals to amend 10 Financial Reporting Standards (FRSs) listed below:

a) FRS 107_{2004}, *Cash Flow Statements*
b) FRS 111_{2004}, *Construction Contracts*
c) FRS 112_{2004}, *Income Taxes*
d) FRS 118_{2004}, *Revenue*
e) FRS 119_{2004}, *Employee Benefits,* Amendment to FRS 119_{2004} Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures
f) FRS 120_{2004}, *Accounting for Government Grants and Disclosure of Government Assistance*
g) FRS 123_{2004}, *Borrowing Costs*
h) FRS 126_{2004}, *Accounting and Reporting by Retirement Benefit Plans*
i) FRS 134_{2004}, *Interim Financial Reporting*
j) FRS 137_{2004}, *Provisions, Contingent Liabilities and Contingent Assets*

The Board has decided to review these Standards with the view to converge with the international standards, and invites comments on whether constituents agree with the proposed amendments to the above 10 FRSs, and if not, the reasons for disagreement.

FRS 114_{2004} *Segment Reporting* is not included in the list of amendments as the Board is in the process of reviewing IFRS 8 *Operating Segments*, which will replace FRS 114_{2004} once it is finalised. The Board plans to issue IFRS 8 as an exposure draft for public comments in the near future.

FRS 129_{2004} *Financial Reporting in Hyperinflationary Economies* is not included in the list of amendments as that Standard is already identical to IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Until the revised Standards become effective, the requirements of the current version of the relevant Financial Reporting Standards shall remain in force.

Background

When the MASB was set up in 1997, the Board subscribed to the policy of "harmonisation with International Accounting Standards (IASs)". Harmonisation involved using IASs as a basis in the development of accounting standards for Malaysia. The Board would carry out detailed examination of accounting standards and practices in other jurisdictions but recognised the IASs were the most appropriate basis for all MASB Standards. Up until 31 December 2004, all MASB Standards, apart from locally developed standards are consistent in all material respect with IASs. For locally developed standards, the principles underlying the recognition, measurement and disclosure requirements of those standards are consistent, with other relevant standards issued by the International Accounting Standards Committee (IASC).

IASC was reconstituted on 1 April 2001 with the birth of the International Accounting Standards Board (IASB), which took over the standard-setting responsibilities. The IASB has since committed to developing, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements. In addition, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

To move closer to world convergence of accounting standards, the MASB recognises the need to converge with International Financial Reporting Standards (IFRSs). As a first step, it has renamed MASB Standards to FRSs with effect 1 January 2005. In addition to the name change, MASB also renumbered the Standards to correspond to those of the IASs.

Purpose of this Exposure Draft

Prior to 2005, the MASB made improvements to a number of international standards by adding explanation, guidance and examples or by amending certain provisions to suit local circumstances. The MASB considered this to be necessary to broaden the content of the Standards to cover domestic, regulatory or other issues as well as to provide guidance for the local constituents on topics not addressed in the IASs.

In line with the policy of convergence with IFRSs and based on experience in implementing FRSs equivalent to IFRSs, the MASB has decided to align its accounting standards issued prior to 2005 (FRSs with a subscript '2004') with the respective IASs, both in terms of form and contents. In order to achieve this objective, the MASB ED 55 proposes to remove all the remaining differences between FRSs and IASs to eventually result in FRSs being virtually identical to IASs/IFRSs.

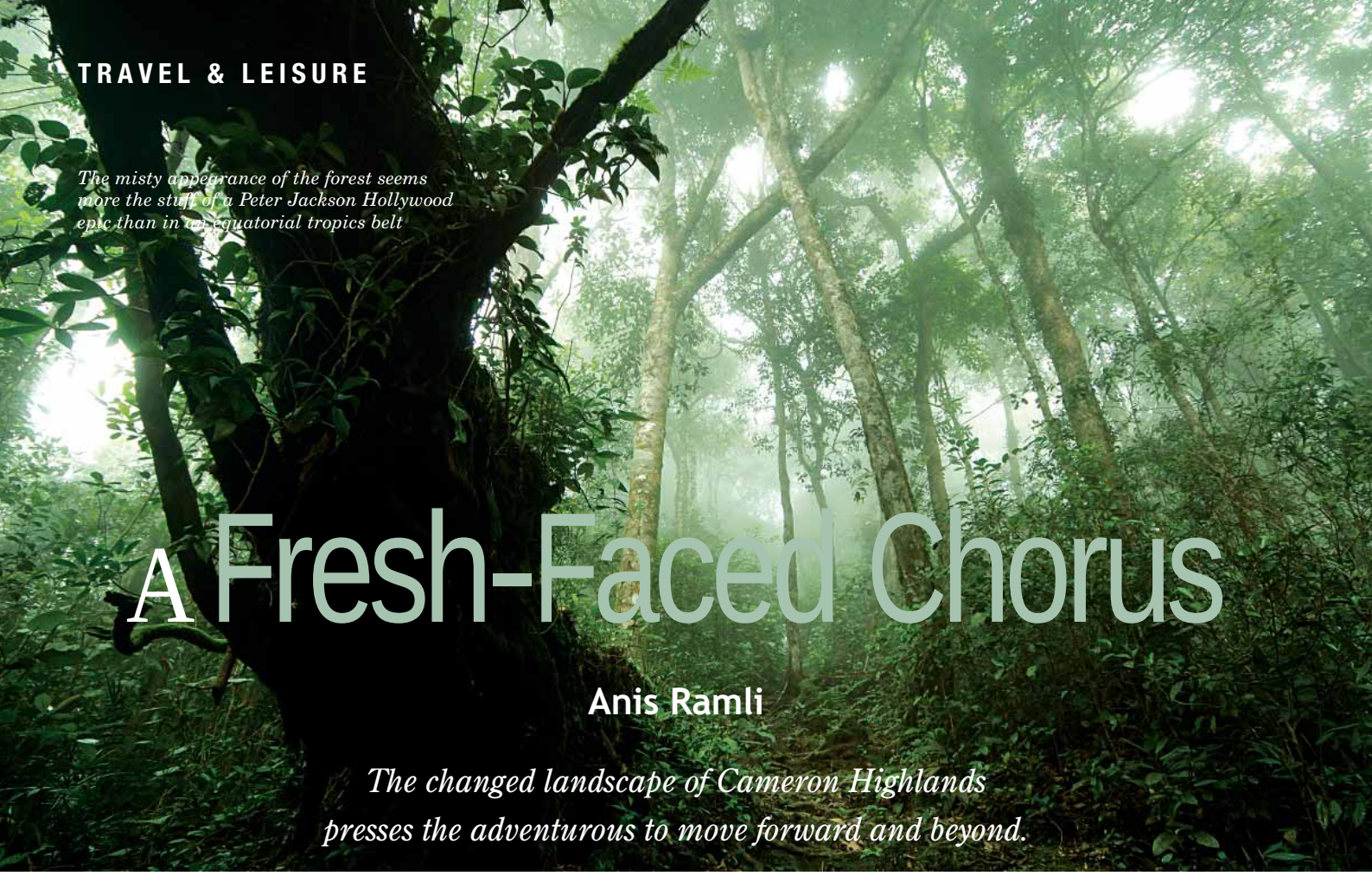
Format and structure of the 10 revised FRSs

The subscript '2004' will be removed from the revised Standards. Therefore, when the proposed amendments are finalised and issued as the revised approved accounting standards, they will be referred to as:

a) FRS 107, *Cash Flow Statements*
b) FRS 111, *Construction Contracts*
c) FRS 112, *Income Taxes*
d) FRS 118, *Revenue*
e) FRS 119, *Employee Benefits*
f) FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*
g) FRS 123, *Borrowing Costs*
h) FRS 126, *Accounting and Reporting by Retirement Benefit Plans*
i) FRS 134, *Interim Financial Reporting*
j) FRS 137, *Provisions, Contingent Liabilities and Contingent Assets* AT

Errata

We refer to the notice titled *Notice from IRB: Form BE for year of assessment (YA) 2006* which was published on Page 39 of the March 2007 issue of *Accountants Today*. The final paragraph of the notice should read "Taxpayers who have received Form B for YA2006 but who **do not** have business income are advised to file Form BE (printed copy) or e-BE (e-filing)" and not as printed. The error is regretted. AT



The misty appearance of the forest seems more the stuff of a Peter Jackson Hollywood epic than in an equatorial tropics belt

A Fresh-Faced Chorus

Anis Ramli

The changed landscape of Cameron Highlands presses the adventurous to move forward and beyond.

For years, Cameron Highlands has played to the local crowd who never seem to outgrow their hankering for their colonial past. And like a good host, the highlands roll out its warm, English hospitality, from Tudor-styled mansions complete with roaring log fire fireplaces to Sunday brunches packed with pot roasts and puddings.

Lately, however, there's a subtle wind of change blowing across the highlands, luring the adventurous to explore the valleys beyond the tea estates and strawberry farms. Like when the Cameron Highlands Resort planted its 56-room boutique hotel firmly between Tanah Rata and Brinchang, and along with it the exclusive signature spa chain of Spa Village. Suddenly Cameron is sexy again.

When everyone else rushes to the highlands with their pashminas and pullovers, you'll find yourself eager to disrobe and getting jiggy with it. After all, who can resist a soak in a tub filled with tea and a sitz-bath made of a plethora of plants, roots and flowers from the surrounding forests? Or the chance to curl your toes in the cool climate, cocooned in luxurious cotton cover as the therapist massages you with heated river stones?

Refreshing certainly comes to mind of the treatments laid out on the menu. Predictable therapies, long a staple in urban spa dwellings (think Shiatsu and Swedish massage), give way to exotic delights like *Minjau Asli massage* and *Lulur Batin scrub*, both healing therapies practiced for generations among the *Semai Orang Asli* of Cameron Highlands. You can't but help in between sips of your Cameronian tea to find bliss in the sights and smells of nature coming together in a fresh new way.

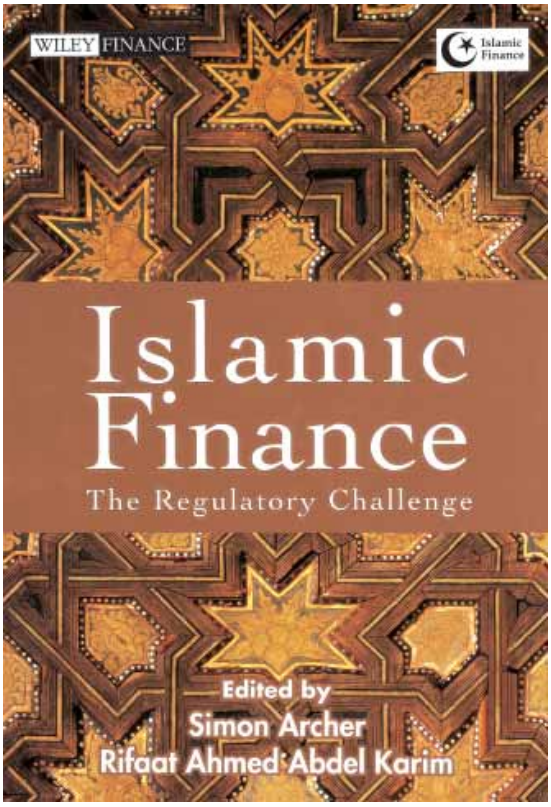
And that's when the need to explore the glorious greens that surround the valley comes a-calling. While the 18-hole golf course fronting the resort makes an easy escape, it's Gunung Brinchang, Cameron Highlands' highest peak, which beckons the bold and bored.

Just two minutes of leaving the tarred road behind and you find yourself in an eerie landscape shrouded in mist and mystery. The mossy green forest floor gently cushions the awkward steps of an urbanite hiking into the green abyss for the first time. The landscape is that of emerald woodlands, with all shades of green splashing from above and below, creating a kind of wild, enchanted garden.

The trails are sometimes muddy and soggy, and snake past clumps of tangling exposed roots, sentries of conifer trees standing tall, and various wild orchids and pitcher plants hanging within reach. Some are steep with a 70-degree incline that forces you to be on all your fours. Hikers venture into another four-hour trail to reach the peak of neighbouring Mount Irau. But even if the trails are done halfway, the forests' lichens, fungi and ferns — not to mention textbook Lord of the Rings ambience — will leave you romancing the hike long after you've left the highlands.

Alas, there's but one final stop in this journey of re-acquaintance. With the abundance of tea-and-scone stops that trail the highlands road, it only seems just to give the cuppa its due. And perhaps it's a blessing that none of those western chain coffee shops have made it up for you get to sample real home-cooked food and tea (or coffee) made with warmth and passion. For that reason, the T Café is a winner in our books. It does not pretend to be another slice of your ole England café. Nestled in a cosy room where entrance is through a climb up warm, wooden stairs that brings you face first to their tiny kitchen, T Café's real treat is the ambience. Warm, wholesome and homely. With mismatched wrought iron chairs, wooden tables and high-beam ceilings, it blends Cameron Highlands' old world charm and newfound modernity with just the right dose of simplicity. And oh, the scones are not bad, too! AT

Photograph taken by Freesoul Photography.



Islamic Finance

The Regulatory Challenge

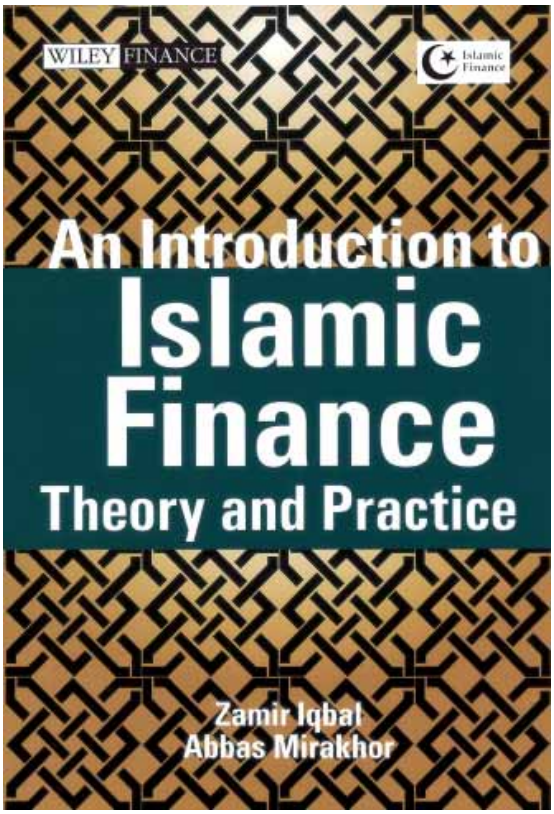
by Rifaat Ahmed Abdel Karim and Simon Archer

ISBN: 0-470-82189-2
PRICE: US$120.00

A regulatory guide to the fast-evolving world of Islamic Finance. The book is co-edited by Rifaat Ahmed Abdel Karim and Simon Archer, the world's foremost authorities on the subject.

About the book

The book aims to provide readers interested in the international financial services and their regulation with an in-depth evaluation of recent developments in the Islamic banking system. It addresses the need for banks to develop common Islamic international accounting and auditing standards that harmonise the differences between *Syariah* rulings, standardisation of acceptable banking practices, the development of standardised financial products, and the role of the *Syariah* Boards in establishing common rules regarding the permissibility of financial instruments and markets. AT



An Introduction to Islamic Finance

Theory and Practice

by Zamir Iqbal and Abbas Mirakhor

ISBN: : 0-470-82188-4
PRICE: US$49.95

Despite the incredible interest shown in Islamic Finance there is no credible introductory text on the subject. This comprehensive book from two leading experts will be welcomed by both practitioners and undergraduates.

About the book

This timely book offers comprehensive coverage on the fundamental theory of Islamic finance and banking, according to the core concepts of *'Riba'* and *'Shariah'* law. The authors explain clearly the distinct features of an Islamic financial system and how it compares with conventional systems. There have been a number of interesting developments in recent years and the authors discuss these fully, along with emerging issues that will influence future developments in Islamic finance. AT

Stormy Weather

Rajen Devadason

Recently I found myself taking a much-needed nap during a terrifying storm. Lightning had tripped the circuit breaker, so the house was shrouded in deafening darkness — each thunderclap was closer than the previous one.

Just before dozing off, I remember being profoundly thankful for the watertight roof protecting my loved ones and me against the equatorial downpour. In the brief interval between wakefulness and slumber, my mind drew a connection between the furious pelting outside and the recent global shocks all of us investors have had to deal with!

You'll remember that in rapid succession equity markets around the world were shaken by occurrences in China, Japan and the US. Those who avidly read the business pages (never mind whether they are paper or digital ones) have grown familiar with terms as disparate as 'unsustainable bubbles', 'unwinding the yen carry trade', and 'surviving a meltdown of the sub prime mortgage market'.

In all likelihood, between my completing this column and your reading it, a couple of other unsavoury external economic beasties may have reared their nasty heads and knocked markets back on their connected, collective rear end. Already, knowledgeable observers suspect a slowdown in US corporate earnings growth will be the next major hiccup we'll face.

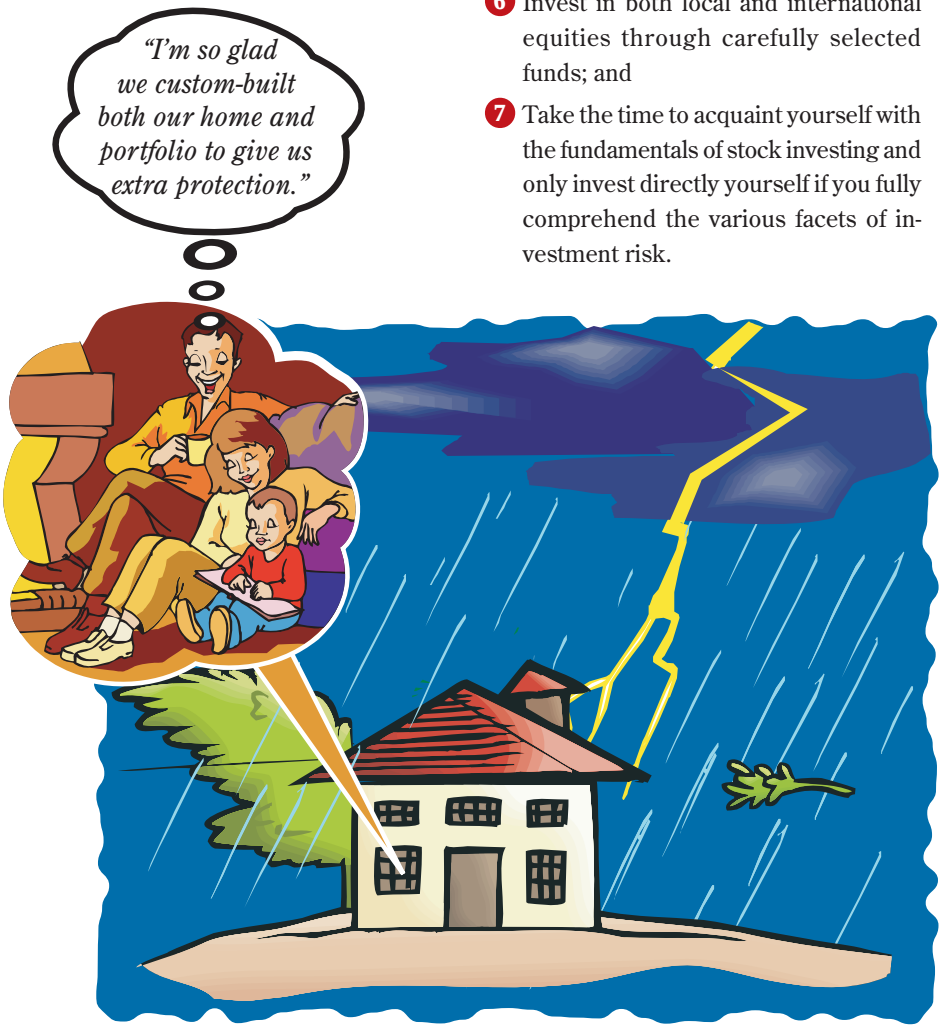
The good news — for the moment, at least — is that, quite frankly, Malaysia's *internal* economic fundamentals are fabulous! Corporate borrowing is low, corporate earnings are surging, inflation is manageable, and a general feel-good factor is tentatively spreading through layers of society like clouds of hot milk in coffee.

Remember how I drew comfort from being in a secure, leak proof building during that violent rainstorm? Well, one of my core professional goals is to help elite financial planning clients and my most attentive readers gain a higher degree of actual and perceived financial security during these trying times.

The Certified Financial Planner Board of Standards defines financial planning as the process of meeting our life goals through the proper management of our finances. Thus, prior to further episodes of seismic stress upon our global economy, it's imperative for fragile, emotional human beings — namely, every one of us — to dig out, irrigate and nurture into existence personal oases of economic tranquillity.

To help you do just that, here's a clear 7-point blueprint:

1. Reorganise your budget to eliminate unnecessary financial wastage;
2. Channel your newfound financial surplus into savings;
3. Put in motion a crystal clear plan to pay down expensive consumer debt;
4. Use EPF's enhanced flexibility to pay down your mortgage each year using the funds that build up in your Account 2;
5. Layer money market and bond funds on top of your growing bank deposits;
6. Invest in both local and international equities through carefully selected funds; and
7. Take the time to acquaint yourself with the fundamentals of stock investing and only invest directly yourself if you fully comprehend the various facets of investment risk.



Today, the degree of interconnectedness of national equity markets is at an all time high. Savvy retail investors in Malaysia have long felt that for much of the last decade, our personal stomping ground, Bursa Malaysia, has been snubbed by big institutional investors. Thankfully, in keeping with the ebb and flow, indeed almost orbital nature of global capital flows, our time of abandonment has ended … for now.

This positive change began toward the end of 2006 when well-heeled foreign investors with pockets deep enough to rival the coffers of some developing nations started noticing Malaysia; they grew convinced our local bourse was undervalued for two reasons:

1. Our depressed valuations arising from long periods of absence from institutional radar screens; and
2. The resurgent economic growth we're likely to see this year and next fuelled by the aggressive rollout of numerous weighty 9th Malaysia Plan initiatives.

Local investors drew immense comfort from this renewed interest in Malaysia by megalithic foreign institutional players. Many long nervous domestic retail players thus started nibbling at our stock market after many years on the sidelines.

This resurgent interest from two distinct buying sources caused prices to head north. Our Composite Index (CI) skyrocketed. But … and this is a crucial point to note, as our stock prices ascended, the 'margin of safety' inherent in the valuations of many listed companies shrank.

That contraction plus the consistent trigger-happy behaviour of some institutional investors has made Bursa Malaysia hypersensitive to economic shocks. Thankfully, as mentioned, our local economy is doing extraordinarily well. The external situation, however, is less certain given the nuclear aspirations of Iran, fast depleting global oil reserves, America's growing mismatch between empty houses and sub-prime borrowers who can't get mortgages to buy them, and other factors that will gain greater media coverage in the months ahead.

Bottom-line: Stocks, either directly or via equity unit trust funds, are a vital part of any portfolio that aims to outpace inflation. But stock investing comes with a lot of volatility. So, for medium-term stability in your life, I urge you to follow the 7-step blueprint:

1. **Reorganise your budget to eliminate unnecessary financial wastage** — those who focus on spending only on items and services that elevate long-term satisfaction operate more effectively than those who spend their money impetuously without thought of tomorrow.
2. **Channel your newfound financial surplus into savings** — if you save money you do more than set aside financial resources for a rainy day; you create a powerful magnet for future wealth.
3. **Put in motion a crystal clear plan to pay down expensive consumer debt** — the yield asymmetry within a net worth statement means that in most cases the appreciation of assets is much lower than the costs associated with liabilities. So eliminate all forms of bad debt as fast as possible. At the end of 2006, Malaysians owed credit card companies an estimated RM20 billion. Even as our national total rises month by month, make it a personal goal to stop contributing unwisely to the profits of faceless financial institutions by permitting negative compounding to erase any hope you might harbour of attaining a bright economic future.
4. **Use EPF's enhanced flexibility to pay down your mortgage each year using the funds that build up in your Account 2** — there is nothing quite like the feeling of owning your own home outright … free and clear! The psychological benefits of achieving that major life milestone sooner rather than later are incalculable. So, race over to your nearest EPF office and ask for specific instructions and forms to expedite your first (or next) Account 2 withdrawal for that specific purpose.
5. **Layer money market and bond funds on top of your growing bank deposits** — you must get 100 per cent serious about building large cushions of liquidity in your life. First, you emergency buffer fund should reside in bank deposits (clear details on the construction of this cushion or buffer can be found at *www.freecoolarticles.com/FP1.htm*). Second, ensure your nest egg growth portfolio contains sufficient cash and fixed income instruments to provide stability and security during periods of intense equity price volatility.
6. **Invest in both local and international equities through carefully selected funds** – the range of available funds grows each day. For some that's more a bother than a benefit, but most Malaysians stand to gain from this burgeoning choice. Still, some level of discernment is necessary to sift the figurative wheat from the chaff. The way to do that is to accept personal responsibility for your development as a student of funds (a sensible step might be to read books and articles on the subject. To help ease you into this laudable programme of self-study, you're welcome to enrol yourself into my free 4-day e-Course *Avoiding Major UT Pitfalls*, which you'll find at *www.freecoolarticles.com/giftcentre.htm*).
7. **Take the time to acquaint yourself with the fundamentals of stock investing and only invest directly yourself if you fully comprehend the various facets of investment risk** — long-term investing is a wonderful, cerebrally challenging endeavour worthy of our attention. Sadly, most people never wake up to that truth. But you aren't most people! Make a commitment to study investing from books, magazines, courses and experts. To play safe, focus first on understanding investment risks before you get caught up in the promise of potentially high returns. (Another free e-Course you may help yourself to is *Understanding Investment Risk and Profiting From It* at *www.freecoolarticles.com/giftcentre.htm*).

In closing, remember few certainties exist in investing. Here's one:

The men and women who best prepare for the economic storms of life stand the best chance of surviving them … and one day sailing into port with a life-enhancing treasure!

If that thought appeals to you, here's another related one — stormy weather always lies somewhere ahead of us. Thankfully, you now have a viable theoretical framework to transform that rough economic weather from a feared fiend to a favoured friend. Will you put the blueprint to work? AT

Rajen Devadason, CFP, is a speaker, author and independent consultant. He is the CEO of corporate mentoring consultancy RD WealthCreation Sdn Bhd, which helps companies increase profits by teaching their best people how to enhance their personal effectiveness. His internationally read, free electronic magazine *GET BETTER* can be subscribed to at no cost at *www.RajenDevadason. com*. Rajen welcomes feedback at *rajen@Rajen Devadason.com*.

Repondez S'il Vous Plait

Dato' Raymond Liew

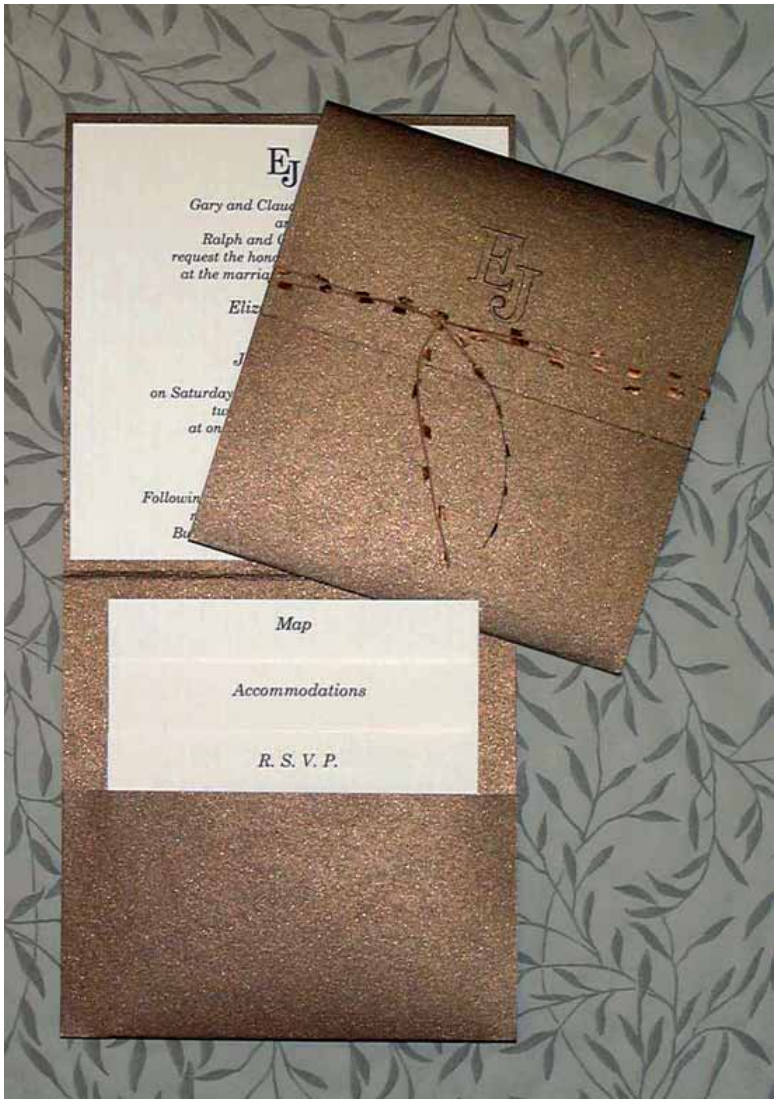
R.S.V.P. – Always asked … often forgotten

Many a time we have received printed invitations with R.S.V.P. clearly stated and I do mean clearly stated. Yet many of us, perhaps out of ignorance or incognisance, choose to disregard it altogether without a thought for the person inviting us.

R.S.V.P. is short for "repondez s'il vous plait," which is French for "please reply." By this phrase, the person who sends out the invitation is expecting a confirmation on whether you, or you and your partner (if both names are included) are attending the event.

Some of us are too proud of our "Asian" relaxedness to take the "Western" approach, and therefore refrain from responding to the R.S.V.P. request, preferring the "let's wait and see" option instead. In the West, certain etiquette codes are observed; so, should you receive such an invitation, you would respond by the deadline stated on the card.

Generally, R.S.V.P. is used for formal occasions such as wedding receptions, dinner parties and birthday parties. If an R.S.V.P. date is stated, one should respond before the deadline as a courtesy to the host. Just think of the trouble the host goes through in planning for the occasion. The number of persons attending determines the number of seats required, the seating arrangements, food and drink requirements, and the list goes on and on. If you are not sure about attending, you may want to tell your host before the deadline and, if possible, inform him or her again once you have decided. Even if you are not attending the occasion, it is customary to convey your regret as a matter of courtesy.



There is no right or wrong way to reply. You can use the telephone if you don't want to use the reply card sometimes included in such an invitation.

When you ignore an R.S.V.P. request, it raises the question of whether you are ignorant or just plain rude.

When you confirm you are attending an event, you attend, come rain or shine. It would be discourteous of you to confirm your attendance and fail to turn up. Just think how frustrated the host would be when you don't show up, as you are indeed ruining the party.

On the contrary, if you have responded that you are attending and now due to unforeseen circumstances you cannot, do inform the host immediately – it reflects your consideration and sincerity.

Similarly, when you have declined the invitation, do not turn up. And when you R.S.V.P. for only one, do not bring a companion along.

Only recently, I attended a grand wedding reception and the happy couple informed me that some 500 guests had confirmed their attendance; but to their horror and dismay, only half the ballroom was occupied. What should have been a joyful occasion for the new couple turned out to be a nightmare. I just couldn't help noticing the immense disappointment of both the bride and the groom.

As a matter of fact, the bride was almost in tears, refusing to proceed with the ceremony until she was coaxed into it which was almost a couple of hours later.

During the last Chinese New Year period, we attended the Lion Dance celebration of a company. The whole of the boardroom was booked for the event. I reckon there must have been at least 100 tables and this means 1,000 guests were invited to celebrate the auspicious occasion. Believe it or not, only some 350 guests turned up, making the Guest of Honour rather embarrassed, humiliated and uncomfortable. To cover for the shortfall, members of the management had to round up all their friends and staff members irrespective of their positions to attend on a last minute call. Subsequently, I learned from the management that many of the invited guests did confirm their attendance but, in view of the Chinese New Year's countless events, cancelled at the last minute, simply saying they were unable to make it.

"When R.S.V.Ps are ignored, it raises the question of whether you are ignorant or just plain rude."

"… bring along a small gift as a gesture of our appreciation for the hosts."

" Let us make a determined effort to be there if we have confirmed our attendance."

Many of these excuses are obviously concocted, the popular ones being traffic jams, ill health, children's problems, car trouble or inability to get away from another event. Whatever the excuses, we need to be mindful of the incalculable effort the hosts have taken and indeed we should consider ourselves privileged to be on their list. Let us make a determined effort to be there if we have confirmed our attendance.

On another occasion, we attended an open house event at a private residence during the Chinese New Year. Some invited guests brought with them not only their children but also those of their friends. Others brought their colleagues and friends for the free meal and, perhaps, the *angpows*. Surely, such a "kiasu" attitude ought to be eradicated from our culture.

We are Malaysians, and we are known to be hospitable and courteous; so let us not abuse our hosts' goodwill. Instead of bringing hangers-on along, let us bring along a small gift as a gesture of our appreciation. On this open-house occasion, the hosts had to order additional food from fast-food restaurants. How embarrassing for the poor hosts, not to mention that the place was too small to accommodate the large turnout and it was left in a mess after the event.

So the next time you see the word R.S.V.P. on an invitation card, please respond promptly out of plain good manners. And also mind the companions you are bringing along. AT

The writer can be contacted at *raymondliew@parkerrandall.com*.

The Concept of Group Work

Genevieve Wordsworth

Ever since Adam had to accommodate for the creation of Eve, the concept of the individual to work with companion(s) emerged. When people work in groups, there are two quite separate issues involved. The first is the *task* and the problems involved in getting the job done. The second is the *process* of the group work itself: the mechanisms by which the group acts as a unit and not as a loose rabble.

Without due attention to this process the value of the group can be diminished or even be destroyed; yet with a little explicit management of the process, it can enhance the worth of the group to be many times the sum of the worth of its individuals.

It is this *synergy* which makes group work attractive in corporate organisations despite the possible problems (and time spent) in group formation.

What is a Group?

A group of people working in the same room, or even on a common project, does not necessarily invoke the group process. If the group is managed in a totally autocratic manner, there may be little opportunity for interaction relating to the work; if there are factions within the group, the process may never evolve.

In simple terms, the group process leads to a spirit of cooperation, coordination and commonly understood procedures and mores. If this is present within a group of people, then their performance will be enhanced by their mutual support (both practical and moral). *Consider the opposite effect that a self-opinionated, cantankerous' loud-mouth' would have on your performance and then contrast that to working with a friendly, open, helpful associate.*

Why a Group?

Groups are particularly good at combining talents and providing innovative solutions to possible unfamiliar problems; in situations where there is no well-established approach/procedure, the wider skill and knowledge set of the group has a distinct advantage over that of the individual.

However, what makes it attractive to management is that a group-based workforce engenders a fuller utilisation of the workforce.

A group can be seen as a self-managing unit. The range of skills provided by its members, and the self-monitoring each group performs, makes it a reasonably safe recipient for delegated responsibility. Even if a single person could decide on a problem, there are benefits in involving the people who will carry out the decision.

The motivational aspect of participating in the decision will clearly enhance its implementation. There may well be factors, which the implementer understands better than the single person who could supposedly have decided alone.

The more the lowest echelons of the workforce become trained and understand the company's objectives and work practices, the better they are able to solve work-related problems.

Further, they will also individually become a safe recipient for delegated authority

Individually, through belonging to a group, each person can participate in achievements well beyond his/her own individual potential.

Group responsibility is enhanced, in an environment where accountability is shared.

Group Development

The development of a group has four stages:

1 Formation

Formation is the initial stage when the group first comes together. Since the grouping is new, the individuals will be guarded in their own opinions and generally reserved. Everybody is very polite and very dull. Conflict is seldom voiced directly, mainly personal and definitely destructive.

2 Storming

Storming is the next stage, when *all Hell breaks loose* and the leaders are *lynched*. Factions form, personalities clash, no one concedes a single point without first *fighting tooth and nail*.

Most importantly, very little communication occurs since no one is listening and some hold back, unwilling to talk openly. True, the battleground may seem a little extreme for the groups to which you belong. But if you look beneath the veil of civility, at the seething sarcasm, invective and innuendo, perhaps the picture emerges more into focus.

3 Normalising

At the normalising stage, the sub-groups begin to recognise the merits of working together and infighting subsides. A new spirit of co-operation is evident, every member begins to feel secure in expressing their own viewpoints and these are discussed openly within the group and significantly people start to listen to each other. Work methods get established and recognised by the group as a whole.

4 Performing

Performing is the culmination, when the group has settled on a system that allows free and frank exchange of views, and a high degree of support by the group for each other and its own decisions. In terms of performance, the group starts at a level slightly below the sum of the *individuals'* levels and then drops abruptly to its *nadir* until it climbs during *normalising* to a new level of *performing,* which is well above the start. It is at this elevated level of performance, the utilisation of group process rather than a simple group of staff is justified.

"A group can be seen as a self-managing unit. The range of skills provided by its members, and the self-monitoring each group performs, makes it a reasonably safe recipient for delegated responsibility. Even if a single person could decide on a problem, there are benefits in involving the people who will carry out the decision."

Group Skills

The group process is a series of changes, which occur as a group of individuals form into a cohesive and effective operating unit. If the process is understood, it can be accelerated.

There are two main sets of skills — *Managerial Skills and Interpersonal Skills*, which a group must acquire and the acceleration of the group process is simply the accelerated acquisition of these.

As a self-managing unit, a group has to undertake most of the functions of a Group Leader collectively. For instance, meetings must be organised, budgets decided, strategic planning undertaken, goals set, performance monitored, reviews scheduled, etc. It is increasingly recognised that it is a fallacy to expect an individual to suddenly assume managerial responsibility without assistance; in the group it is even more so. Even if there are practising managers in the group, they must first agree on a method, and then convince and train the remainder of the group.

As a collection of people, a group needs to relearn some basic manners and people-management skills. Self-opinionated, cantankerous loud-mouthed individuals should learn good manners, and the group must learn to enforce these manners without confrontation.

Accelerating Development

It is common practice in accelerating group development to appoint, and if necessary train, a "group facilitator". The role of this person is to continually draw the groups' attention to the group process and to suggest structures and practices to support and enhance the group skills. This must be only a short-term training strategy, however, since the existence of a single facilitator may prevent the group from assuming collective responsibility for the group process.

The strategy, aim of any group should be that every member performs facilitation equally and constantly! AT

Personal Crisis Hurts Work Performance

Charisma Mendoza

Trauma of personal crisis come in different shapes — family separation, serious illness in the family, death of a dear one, heartbreaks, divorce — the list is endless …

In the West, particularly in Europe and the US, the effect of these personal crisis at the workplace has had serious setbacks. Human resource departments have had to work closely with management, institutions of higher learning as well as consultant psychotherapists, to tackle the negative effects of this emotional stress on employees.

Motivating individual employees, the ability to monitor their ability to cope with the usual duties, relieving or lightening their workload on compassionate grounds and flexibility in managing those under duress, are some of the challenges that employers face.

Employees on their part should learn to cope with the emotional crisis, workout daily strategies to keep the stress from disrupting their work and take measures to limit personal problems from interfering with their overall job security.

How does the employee handle personal crisis at work?

Here are some practical strategies to help you cope, even though you may continue to hurt from the personal calamity.

- Realise that suffering alone will only depress you further.
- Personal calamity could strike at any time and could cost you your promotion or even the job, if you cannot cope.
- Work may be the last thing on your mind, but you still have to report for duty.
- Before you get hooked on to an extended unproductive mindset, take up your personal problem with your supervising manager.
- When speaking to your superior come straight to the problem, explain your state of mind and how you are planning to overcome your depressed state of mind. Listen to the advice of your supervisor.
- If you are emotionally stressed out, discuss with your employer for:
  i) emergency leave to work out the problem;
  ii) flexi-hours and reduced workload for an agreed period of time; or
  iii) counselling and therapy sessions.
- Do not go to the other extreme, of burying your sorrow, with extra work and taking on additional responsibility. It is a sure way to ruin your health and ability to cope with the personal crisis you face.
- Talking to your select inner circle of colleagues could help relieve your tormented mind, but again do not over burden them with long-winded narration of your crisis. Since everyone has personal problems at some point, these officemates could empathise with you and even volunteer to share your workload, plus comfort you in so many little ways.
- Jotting down the problems, that are distressing you, does also help get the emotions off your chest!
- Learn to relax but if the traumatic stress continues to persist, then there is danger of developing *post-traumatic stress disorder* (PTSD). Seek help from skilled therapists; do not neglect taking positive steps.

Management Strategies

Stress management must be integrated into other managerial activities and should not be seen as a distinct or isolated activity. The key to effective management of stress through emotional instability, is to provide an environment in which individuals are able to speak openly and do not feel threatened. Sufficient time should be given to the employee to '*heal*' and the employer should have in its management team good counsellors.

The first and obvious task is to know what has happened and offer necessary support and consolation to the employee.

Address the situation by adopting the following initiatives:

- Appoint a senior manager who has the knowledge and confidence of the employee to talk frequently to the said employee.
- Assess the problem and if necessary approve few days off on compassionate grounds.
- Do not overburden the employee with important new tasks, instead lighten the workload and agree to "flexible hours" in the daily routine or offer the services of a temporary assistant. It is important that the employee does not feel the job is threatened!
- Motivating an employee under emotional strain is an important and difficult task. The Manager has to be proactive in determining how the individual is coping with the event and respond accordingly.
- Address rumours, gossip concerning individuals under stress by thorough, interactive methods.
- Be aware of varying, cultural differences of employees, control of the stress and the ways in which it is exhibited.
- Seek help of a Doctor and Consultant Therapist if task confronted becomes too technically demanding and beyond the scope of management.

"Motivating individual employees, the ability to monitor their ability to cope with the usual duties, relieving or lightening their workload on compassionate grounds and flexibility in managing those under duress, are some of the challenges that employers face."

Post-Traumatic Stress Disorder (PTSD)

When symptoms related to traumatic stress persist or reappear for several weeks, the person develops post-traumatic stress disorder. This serious complication of psychological stress requires referral to a specialist for treatment.

According to definition the following elements determine PTSD :

- a traumatic event.
- persistent tendency to relive trauma through thoughts, images, memories, nightmare that disturb everyday life.
- avoidance of any situation, thought, emotion or activity that may recall the trauma.
- sleep or digestive disorder.
- quick irrational temper, exaggerated startle reaction and marked hyperactivity.
- persistence of the above symptoms for extended period of one month and beyond. AT

Forum on Consultative Document No. 7 titled *Creating a Conducive Legal and Regulatory Framework for Businesses* issued by the CLRC

"The forum … primarily focused on the proposed responses to the questions posed by the CLRC in the document … It was a highly interactive and fruitful session, which enabled members to network, share their thoughts and provide feedback on the document."

The Malaysian Institute of Accountants (MIA) organised a Forum to discuss the 7th Consultative Document issued by the Corporate Law Reform Committee (CLRC), titled *Creating A Conducive Legal and Regulatory Framework for Businesses*. It was held on 5 March 2007 at the Concorde Hotel in Kuala Lumpur.

The main objective of the event was to create awareness among members about issues that were raised in the document as it was felt that some of the issues might have had far-reaching implications on them. It also gave members a platform to provide constructive views on the document and assist the MIA-MICPA Joint CLRC Working Group in responding accordingly to the CLRC.

The response to the forum was highly encouraging as over 300 members turned-up for the three and a half hour session. CLRC member, Datuk Abdul Samad Haji Alias (Dr.) briefed the members on the initiatives undertaken by the CLRC to date. Also present at the event was another CLRC member, Peter Lee Siew Chong who spoke on the topic titled *The Concept of Limited Liability Partnership*.

The forum, which was moderated by MIA's Council Member, Dato' Abdul Halim Mohyiddin, primarily focused on the proposed responses to the questions posed by the CLRC in the document. Panel members of the forum included Datuk Abdul Samad, Peter Lee Siew Chong, Peter Lim Thiam Kee, Abdul Halim Husin and Yeo Tek Ling. It was a highly interactive and fruitful session, which enabled members to network, share their thoughts and provide feedback on the document.

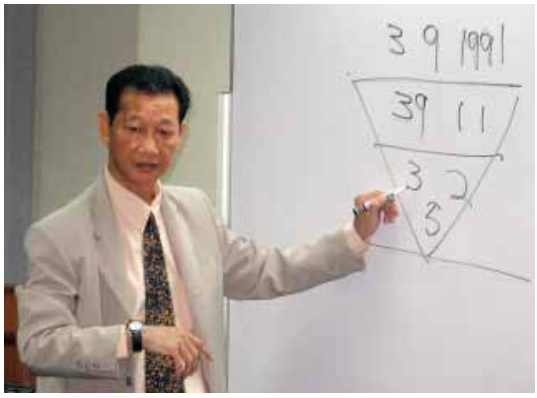
The CLRC was specially formed to provide strategic direction to the Companies Commission of Malaysia in its efforts to foster an operating environment that is conducive to companies and businesses including those in the professional domain. To date, seven consultative documents have been issued by the CLRC to the public for comments. AT

PENANG BRANCH

Understanding the Power of Numbers

A total of 55 members attended the evening talk at the MIA Penang Branch office

The MIA Penang Branch in collaboration with CIMA Penang and ACCA Penang organised an evening Talk titled *The Power of Numbers and its Energy*. This talk was held at the branch premises on 9 March 2007 with 55 participants from ACCA, CIMA and MIA.



The Pythagorean Triangle in detail … by Oliver Tan

The two-hour talk gave members an idea of determining their destiny by using a Pythagorean Triangle decoding method. The speaker for the evening, Oliver Tan, an academician and writer by profession elaborated on the power of numbers, the right time to tap opportunities, to know your directions and your wealth sector etc. Oliver is a researcher and a knowledgeable person in the discipline of Chinese metaphysics and numerology.

One of the highlights of the talk was a personal reading of numbers to gauge the participants' professional career path and partnership compatibility for business partnerships. This was very well received by the members as many were interested in seeking better business opportunities.

Apart from members attending the talk, we also had the Penang CIMA Branch President, Yeoh Pit Shing, the Chairman of ACCA Penang Member Network, Calvin Yeoh and MIA Penang Branch Chairperson, Adelena Chong amidst the participants. The welcome and closing speech for the evening was given by the MIA Penang Branch CPE and Education Sub-Committee Chairman, Danny Tan. The evening talk was a success and it also gave members the opportunity to mingle and network with each other. AT

ADVERT

Participants at the briefing listening attentively to the presentation

KELANTAN BRANCH

NAfMA Briefing in Kota Bahru

To start the ball rolling for the National Award for Management Accounting (NAfMA) 2007, a briefing was organised by the MIA Kelantan Branch on 10 February 2007. Yeo Tek Ling, MIA Council Member and Chairman of the NAfMA 2007 Organising Committee was the guest speaker at the briefing. Yeo briefed the participants on the NAfMA assessment criteria and the assessment process. The participants comprised auditors and representatives from SMEs and listed companies. AT

(L to R) SSM officer, Poon Chong Phui, Viviana Lim, Alexandra Thien, Goh Chee San, Najib Abu Samah, Mohd. Arif Bin Hj Hamzah, Mary Sipaun and Desmond Chu

SABAH BRANCH

MIA Pays Courtesy Visit to Sabah SSM

On 6 February 2007, the MIA Sabah Branch Committee and the Public Practice & Taxation Sub-Committee paid a courtesy visit to the newly appointed Sabah State Manager of the Suruhanjaya Syarikat Malaysia (SSM), Najib Abu Samah, at his office in Kota Kinabalu. The team was headed by Sabah Branch Chairperson, Alexandra Thien.

The visit was very fruitful as various issues were discussed at length. Among the important issues discussed were the new guidelines on the striking off of companies under Section 308 of the Companies Act 1965, Annual Return, Penalties, Electronic Filing and Directors responsibilities. AT

SABAH BRANCH

Courtesy Calls to Sabah Public Services Commission & Suria Capital

In an effort to raise awareness of the role of the Malaysian Institute of Accountants (MIA), the Sabah Branch Committee led by Branch Chairperson, Alexandra Thien, paid a courtesy call to two organisations in Sabah on 7 February 2007. The organisations were the Sabah Public Services Commission (SPSC) and Suria Capital Holdings Berhad.

At the SPSC, the committee met with its Chairman Datuk Ismail Awang Besar.

During the visit to both organisations, Thien and the other committee members explained the role and objectives of the Institute, membership statistics, statutory details and entry requirements for aspiring MIA members.

These visits are carried out as part of a strategy to increase MIA's awareness. AT

(L to R) Tuan Hj Rizal Othman, Mary Sipaun, Alexandra Thien, Datuk Ismail Awang Besar, Desmond Chu, Aileen Yeap and Viviana Lim

(L to R) Desmond Chu, Aileen Yeap, Alexandra Thien, Haji Zainie Abdul Aucasa and Catherine Linggian

Association of Chartered Certified Accountants ▼

Introducing ACCA BizTalk — featuring ACCA and Accenture

Luncheon Talk on *High Performance Finance in South East Asia.*

In a bid to encourage and support members' engagement and provide a platform for interaction and knowledge sharing between participants, ACCA introduced the first round of the ACCA Employer Outlook talk series, one of its latest CPD initiatives for 2007. For this round, ACCA and Accenture collaborated to organise a Luncheon Talk on *High Performance Finance in South East Asia* on 30 January 2007.

The talk was held in Kuala Lumpur attended by 45 participants representing various organisations and companies. Tay Kay Luan, ACCA Director for ASEAN and Australasia was present to give the welcome remarks.

Paul Prendergast presented a talk on High Performance Finance in South East Asia based on Accenture's new study over five years: *Moving Up the Value Chain: High-Performance Finance in Southeast Asia and Australia*. It is an in-depth take on how the shared services model addresses all these challenges.

A total of 25 guests were invited for the talk. They included Lim Beng Choon, Country Managing Director and Joan Hoi, Senior Executive (Partner) from Accenture Malaysia and Singapore.

Other guests included senior ACCA members and representatives from various companies such as ACE Synergy Insurance Bhd, Amcorp Group Berhad, Asiatic Development Berhad, Astro All Asia Networks Plc, BASF Asia-Pacific Service Centre Sdn Bhd, Bolton Berhad, CIMB Investment Bank Berhad, Commerce International Merchant Bankers Berhad, ECM Libra Berhad, Guinness Anchor Berhad, HLG Unit Trust Bhd, Hong Leong Assurance Berhad, IGB Corporation Berhad, Kai Peng Berhad, MAA Holdings Berhad, Malakoff Berhad, Malayan United Industries Berhad, Malaysian Airlines System Bhd, Memory Lane, Mycron Steel Berhad, PHN Industry Sdn Bhd, Sime Darby Berhad, Sime Plantations Sdn Bhd, Telekom Malaysia Bhd and Total Sports Asia. AT

Mr. Prendergast during his presentation

"It is an in-depth take on how the shared services model addresses all these challenges."

ACCA Member2Member (M2M)

In line with ACCA's commitment to support the development and progress of its members, various new programmes have been initiated for 2007. One of the initiatives is a new CPD series called, *ACCA Member2Member (M2M)*.

The programme features a series of talks that highlight successful ACCA members. These individuals will share their best practices to inspire other members to achieve their career goals and aspirations. YBhg. Dato' Khalid Ahmad, President of ACCA Malaysia Advisory Committee (MAC) officiated the first M2M session.

The first M2M session kicked off on 16 January 2007 featuring Arnold Kwan, Chief Officer — Citigroup Private Bank, Kuala Lumpur. Kwan, a chartered accountant who has worked in countries such as the UK and Singapore spoke at length on the importance of living a well-balanced life. His main message was that work-life balance is all about effectively managing the juggling act between paid work and the other activities that are important to a person.

The second session of M2M was successfully held in Kuching on 29 January 2007 with an interesting talk on alternative medicine. Dr. Lau Wee Hung, FCCA was featured as a speaker for the session titled 'Homeopathy: From Accounting to Healing in Kuching'. Apart from sharing his successful transition from accounting to alternative medicine, members were also given the opportunity to find out more about homeopathy. AT

Left Photo … Arnold Kwan engaging the audience with his experience in managing work-life balance

Right Photo … Dr. Lau Wee Hung shares the insights on homeopathy

For more information on other M2M sessions please email to *cpd.acca@my.accaglobal.com* or visit *http://malaysia.accaglobal.com/*

CIMA

Chartered Institute of Management Accountants ▼

CIMA's New Corporate Office

Mr John Coghlan, President of CIMA, signing the plaque on the official opening of the CIMA office

John Coghlan, President of CIMA, officiated the opening of the new office of CIMA Malaysia situated in a prestigious new building called 'KPMG Tower' in Bandar Utama, Selangor. Occupying 10,200 sq ft, the new office has facilities such as a WIFI /Internet Kiosk, a spacious library and a fully equipped training room.

The official opening ceremony was witnessed by Kathy Grimshaw, CIMA Director of International Development, Michael Eow, President of CIMA Malaysia and 100 corporate guests, members and students.

Cutting CIMA's 88th anniversary cake. (From left) Kathy Grimshaw, Director of International Development, Micheal Eow, President of CIMA Malaysia, John Coghlan, President of CIMA, Mrs Joan Coghlan and Sopiah Suid, Divisional Director of CIMA Malaysia

Besides celebrating 30 years in Malaysia, CIMA Malaysia was also celebrating the Institute's 88th anniversary. Michael Eow said, "We are surrounded by the lucky number 8 — 8 March 1977 was when we first set up the CIMA centre in Malaysia. Now our new office is located at No. 8, First Avenue, Bandar Utama and the building is shaped like the number '8'." CIMA was founded in 1919 in the UK and it was first known as the Institute of Cost Accountants. CIMA Malaysia became a Centre in 1977, a Branch in 1985 and a Division in 1989.

Eow added, "I'm proud to note the significant progress of CIMA Malaysia — first from a small office in Pekeliling Plaza in the 80s to IGB Plaza in the mid-80s and 90s, and to Kelana Jaya from the mid 90s to 2006. Finally we are here in this new office in Bandar Utama, a location that is in line with our brand aspirations of an international professional qualification.

Commercial interior designers and project managers DB&B Design Sdn Bhd were the company engaged by CIMA to take on this design and build project. Joe Chan, Senior Project Director at DB&B Design said, "CIMA's new office is testament to the fact that environmental branding can help a company convey their brand aspirations. The intricate balance of colours and a variety of design elements can help a company create a strong statement in relation to their brand."

With over 88,000 students and 70,000 members in 161 countries, CIMA is the financial qualification most aligned to today's business needs. CIMA has offices in Australia, Botswana, China, Hong Kong, India, Ireland, Malaysia, Singapore, Sri Lanka, South Africa, Zambia and Zimbabwe. AT

CIMA Accredits Training and Development Partners

John Coghlan (7th from left) and Micheal Eow (6th from left) flanked by the CIMA Training and Development partners

Eleven companies recently received accreditation from CIMA as its CIMA Training and CIMA Development Partners. They received their certificates from John Coghlan, President of CIMA, during an Employers' Luncheon held in Kuala Lumpur on 9 March 2007.

The CIMA Training Partners were Shell Shared Services Centre, Silverstone Berhad, TM Berhad, EGL Eagle Global Logistics, ProgramDNA Sdn Bhd and Sunway Shared Services Centre. The CIMA Development Partners were Hewlett Packard Malaysia Sdn Bhd, HSBC Bank Malaysia Berhad, Mitrajaya Holdings Berhad, BP Asia Pacific (Malaysia) Sdn Bhd and Unilever (Malaysia) Holdings Sdn Bhd

CIMA Training provides an effective route for CIMA to work together with employers to ensure that CIMA students are trained to the same consistently high standard around the world and that they will meet the rigorous requirements of membership. For the employers, it is a means to attract and retain the best employees and improve staff competence levels. CIMA has 116 CIMA Training partners in Malaysia and these include not only big companies but also smaller companies that aspire towards best practices in human resource development. Worldwide, CIMA has more than 2000 CIMA Training partners.

In his opening remarks, Michael Eow, President of CIMA Malaysia, said, "CIMA Development is a relatively new scheme that accredits employers for the continued professional development (CPD) of their employees throughout their career. It is an indication to employees that their lifelong development is being effectively managed, leading to better retention of intellectual capital for the company."

Eow added, "Through these two initiatives — CIMA Training and CIMA Development — it is our hope that together with employers, we can also develop and adapt the CIMA qualification to meet the ever-changing needs of businesses. In the last couple of years, the business environment has changed so much that the role of the accountant is no longer what it used to be. Accountants are now more involved in key decision making and interpreting financial information —— hence the key role of CIMA management accountants in business." AT

"Through these two initiatives — CIMA Training and CIMA Development — it is our hope that together with employers, we can also develop and adapt the CIMA qualification to meet the ever-changing needs of businesses."

CPA Australia ▼

Proposed financial reporting standards for SMEs

CPA Australia members are invited to comment on the proposed changes to the International Financial Reporting Standard (IFRS) for small to medium enterprises (SMEs), issued by the International Accounting Standards Board (IASB) in an Exposure Draft (ED).

Dr. Mark Shying, Senior Policy Adviser for CPA Australia, says "We want to hear from members around the world, their opinion of the new standard. For instance, whether the proposed standard is suitable for the reporting required of Malaysian companies with less than 10 employees. We also want to hear whether the proposed standard is appropriate for the reporting required of significant market players who, having delisted, now have private equity owners."

The proposed standard will provide a self-contained set of accounting principles that uses simpler language, simpler calculations, applies only the simpler IFRS options, and requires only those disclosures relevant to liquidity, solvency, and going concern.

It would apply to all companies currently required to lodge public-record financial statements, except for listed companies or deposit takers including banks and insurance companies.

CPA Australia hosted a number of forums that focused on the initial draft in late 2006. In addition, the proposed standard will be an item of discussion at the March meetings of CPA Australia's Asia Pacific Financial Reporting Advisory Group, and the Financial Reporting and Governance Centre of Excellence.

The Australian Accounting Standards Board is expected to expose the ED in March, together with an Australian wraparound that will identify how its proposals will work within the public and private not-for-profit sectors.

CPA Australia invites members to e-mail their comments by 30 June 2007 to *professional.standards@cpaaustralia.com.au* AT

"We want to hear from members around the world, their opinion of the new standard. For instance, whether the proposed standard is suitable for the reporting required of Malaysian companies with less than 10 employees."

Dr. Mark Shying, Senior Policy Adviser, CPA Australia

New Postgraduate Course Credits for CPAs

New credit arrangements for five postgraduate courses in risk management, business administration and financial planning mean that members who have completed the CPA Programme can claim credits when applying for any of these degrees.

With these credits, CPA Programme graduates can take advantage of university recognition of the quality of the CPA Programme to reduce the time and cost associated with obtaining a Graduate Diploma or Masters degree.

CPA Programme credits are now recognised by:

- University of New South Wales, Graduate Diploma in Risk Management — on campus and distance learning
- University of New South Wales, Master of Science and Technology in Risk Management — on campus and distance learning
- University of Southern Queensland, Master of Business Administration (International Business) — on campus and distance learning
- University of the Sunshine Coast, Master of Business Administration — on campus and distance learning
- University of the Sunshine Coast, Master of Financial Planning — distance learning

The University of New South Wales' courses offer two credit units, the University of Southern Queensland offers three credit units, and the University of the Sunshine Coast's degrees offer five credit points.

For further information on other degrees that recognise CPA Programme credits, please visit the Postgraduate Courses section of the website or e-mail: *masters@cpaaustralia.com.au* AT

"With these credits, CPA Programme graduates can take advantage of university recognition of the quality of the CPA Programme to reduce the time and cost associated with obtaining a Graduate Diploma or Masters degree."

Malaysia Divisional Council 2007/2008

The first Annual General Meeting for CPA Australia Malaysia division was held in Kuala Lumpur on 15 March 2007. The meeting included the announcement of the divisional council for 2007/2008.

- Christina Foo, *President*
- Rusman Amir Zaihan, *Deputy President*
- Josephine Phan, *Vice President*
- Ravi Navaratnam, *Vice President*
- Dr. Nordin Zain, *Vice President*

Councillors

- Margaret Chin
- Ranjit Singh
- Alex Ooi Thiam Poh
- Chong Aik Lee
- Suhaimi Badrul Jamil
- Andrew Heng
- Ramli Mohamed AT

The Malaysian Institute of Certified Public Accountants ▼

Young CPA Group Makes a Difference

The children having a fun time

One for the album … Young Professionals with the children

As Norman MacEwan says … *Happiness is not so much in having as sharing. We make a living by what we get, but we make a life by what we give.*

The Young CPA Group of MICPA was launched in 2004 with the aim to encourage the younger members, who are below the age of 40 to take part in the Institute's work and activities.

On the lovely Sunday afternoon of 18 March 2007, the Young CPA Group of MICPA, jointly with the Young MAICSA Group, visited Shelter Home 1 for children in Petaling Jaya. Shelter Home 1 is a home for children below the age of 12 who have been abused, neglected or abandoned by their families, parents or guardians.

The group of 15 young professionals spent some quality time and made a difference for the 14 children at the home. The group was very much welcomed by the children as they brought cheers and fun to the Home. During the three-hour stay, the group held a variety of activities for the children including singing, dancing and playing games. The children also did not want to miss the opportunity to show off their hidden talents. All in all, it was a heart-warming time to see the children really enjoying themselves.

> "Happiness is not so much in having as sharing. We make a living by what we get, but we make a life by what we give."
>
> **Norman MacEwan**

The children were later treated to a McDonalds lunch sponsored by the group, and each received a goody bag. AT

MICPA participates in Career Fair at SMK Convent Bukit Nanas

The Institute participates actively in career fairs and exhibitions across the country to promote accountancy as a career, and in particular to create greater awareness of the Malaysia CPA qualification.

On 20 March 2007, the Institute took part in an exhibition organised by Sekolah Menengah Kebangsaan Convent Bukit Nanas in conjunction with its Career Day. The objective was to increase awareness of the CPA qualification and the career opportunities open to professional accountants.

> "… a career in accountancy is both challenging and demanding, and commands high rewards."

MICPA's Membership Officer, Cik Adzlyn Aladzimy explained to the students who visited the booth that accountancy is an important profession and that accountancy has become one of the most popular courses pursued by young Malaysians. She added that a career in accountancy is both challenging and demanding, and commands high rewards. She highlighted that the CPA Malaysia qualification is a gateway to a wide horizon of career opportunities and it is highly valued by many employers. AT

IFAC

IAASB Proposes New Requirements for the Audit of Related Parties and Makes Further Progress on Clarity Standards

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), is seeking comments on an exposure draft (ED) of proposed International Standard on Auditing (ISA) 550 (Revised and Redrafted), *Related Parties.* The IAASB is also seeking comments on proposed ISA 570, *Going Concern*, which has been redrafted in the new style designed to enhance the clarity of IAASB pronouncements.

Related Party Relationships and Transactions

The involvement of related parties in major corporate scandals encouraged the IAASB to review its current auditing standard on the subject. Following earlier consultations, the IAASB has decided to re-expose its revised proposals because of the significance of the changes made in response to the consultations.

The overall aim of the project is to enhance the auditor's consideration of related parties and related party transactions in an audit of financial statements, establishing an approach that requires the auditor to assess the risks of misstatement and direct audit work accordingly. The proposals in the re-exposure draft are intended to make the auditor's responsibilities clearer, distinguishing those cases where the accounting framework includes disclosure and other reporting requirements, and those where it includes no or inadequate requirements.

The exposure draft includes a new definition of a "related party" to serve as a minimum level for the purposes of the audit. It also improves the delineation between the auditor's procedures to identify relevant risks of material misstatement and his or her responses to the assessed risks. The proposed standard also emphasises the need for the auditor to be aware of related parties and the extent to which they affect the financial statements, even where the financial reporting framework applied in preparing the financial statements does not establish requirements for related parties (or does so inadequately).

John Kellas, Chairman of the IAASB, explains: "The proposed standard makes clear that the auditor has three objectives in considering related parties: to obtain sufficient evidence about the required accounting and disclosure of related party information and transactions; to understand how related party transactions and relationships affect the view given by the financial statements; and to identify fraud risk factors arising from related party relationships that may require further consideration."

New Clarity Exposure Draft

As part of its comprehensive programme to enhance the clarity of its standards and facilitate convergence, the IAASB has also issued an exposure draft of proposed ISA 570 (Redrafted). The exposure draft forms part of the IAASB's ambitious 18-month programme to redraft existing standards and to develop new and revised standards following the new drafting conventions, which were developed after extensive consultation with interested parties, such as the IAASB's Consultative Advisory Group and national auditing standard setters, and public consultation. The new drafting conventions are explained in the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*, which was issued in January 2007. AT

Comments on the exposure draft of proposed ISA 550 (Revised and Redrafted) are requested by 30 June 2007. Comments on the exposure draft of proposed ISA 570 (Redrafted) are requested by 31 May 2007. The EDs may be viewed by going to *www.ifac.org/EDs*. Comments should be submitted by e-mail to *EDComments@ifac.org*. They may also be faxed to IAASB ED Comments, at +1-212-286-9570 or mailed to IAASB ED Comments at 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website.

IFAC Board Focuses on Strategy, SMP and Convergence Issues

At its meeting recently in New York City, the Board of the International Federation of Accountants (IFAC) agreed to assist the International Accounting Standards Board (IASB) in obtaining feedback on its proposed *International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs)* through field testing and other means. In addition, it agreed to strengthen collaboration with regional accountancy organisations to encourage greater alignment with the IFAC strategy. The Board also discussed the need to more effectively engage various stakeholders in the convergence process, work more closely with the investment community, proactively address small and medium practice (SMP) and SME issues, and communicate more consistent global messages about the value and integrity of the profession. An approach for translating key sections of the IFAC website was also approved.

During the meeting, Professor Stavros Thomadakis, Chairman of the Public Interest Oversight Board (PIOB), commented on the PIOB's progress in overseeing IFAC's public interest activities and expressed its satisfaction to date with the cooperation it is receiving from IFAC and its independent boards.

A major portion of the meeting was devoted to strategic planning issues. As part of that process, regulatory, standard setting and business leaders provided insights and views to help shape the Board's priorities and future agenda. Guest speakers were:

- Mark Olson, Chairman of the US Public Company Accounting Oversight Board (PCAOB), who highlighted the importance of standards setters, such as the PCAOB and the International Auditing and Assurance Standards Board, continuing to closely monitor each other's work and agendas;
- Professor Robert Kaplan of the Harvard Business School and co-author of the Balanced Scorecard, who spoke on the implications of the balanced scorecard for enhanced business reporting; and
- Paul Pacter, IASB Director of Standards for Small and Medium-sized Entities, who outlined the proposed IFRS for SMEs.

Among other matters, Mr. Pacter urged all Board members and regional accountancy organisations to encourage responses from their respective constituencies on the proposed standard and perceived challenges to its adoption. IFAC President Fermin del Valle stated, "IFAC is highly supportive of this project and recognises the considerable progress made. To ensure that the final standard meets the needs of the SMP/SME marketplace, it is crucial that IFAC and its members help the IASB seek out and capture the views of all

relevant constituents, primarily SMEs, SMPs, and users of SME financial statements."

The Board meeting followed a meeting with more than 30 chief executives of national accounting organisations in over 25 countries, which was designed to bring those organisations' perspectives to the deliberations of IFAC's planning.

Exposure Drafts for Small and Medium-sized Entities

The International Accounting Standards Board has published for public comment the Exposure Draft of its International Financial Reporting Standard for Small and Medium-sized Entities:

- Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities
- Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities — Basis for Conclusions
- Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities— Draft Implementation Guidance — Illustrative Financial Statements and Disclosure Checklist

The aim of the proposed standard is to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, non-listed companies and are based on full International Financial Reporting Standards (IFRSs), developed primarily for listed companies. By removing choices for accounting treatment, eliminating topics that are not generally relevant to SMEs and simplifying methods for recognition and measurement, the resulting draft standard reduces the volume of accounting guidance applicable to SMEs by more than 85 per cent when compared with the full set of IFRSs. As a result, the Exposure Draft offers a workable, self-contained set of accounting standards that would allow investors for the first time to compare SMEs' financial performance across international boundaries on a like for like basis. AT

Comments to be received by 1 October 2007.

Non-Audit Firms

FROM 1-28 FEBRUARY 2007

New Registration

NON-AUDIT FIRM	NF NO.
KELANTAN DARUL NAIM	
Ridzwan & Co 5337-D, Tingkat 2, Jalan Sultan Yahya Petra Lundang, 15150 Kota Bahru Tel: 019-954 6510 Fax: 09-743 4510 e-mail: ridzwantax@yahoo.com.my	**0865**
NEGERI SEMBILAN DARUL KHUSUS	
Ananth & Co. Lot 62, Kuala Lukut, 71010 Port Dickson Tel: 06-651 0399 Fax: 06-651 0399	**0866**
PULAU PINANG	
LSY & Associates 163-D-4, Wisma Seri Perak, Jalan Perak 10150 Penang Tel: 012-482 3595 Fax: 04-210 7212 e-mail: lohsysl@gmail.com	**0859**
SABAH	
Iwan Hassan & Co Lot 51, Tingkat 1, Block G, MDLD 4499 Bandar Wilayah, Jalan Bunga Raya 91100 Lahat Datu Tel: 089-888 841 Fax: 089-885 377 e-mail: demarco741107@yahoo.com	**0861**
SELANGOR DARUL EHSAN	
Zuhrin Ahmad & Co. No. 27B-1, Jalan Sepadu C 25/C Axis Premier Industrial Park Section 25, 40400 Shah Alam Tel: 03-5121 5397 Fax: 03-5121 5397 e-mail: zuhrin_ahmad@yahoo.com	**0864**
WILAYAH PERSEKUTUAN	
Affandi Kamal Consulting Suite 33-01, 33rd Floor, Menara Keck Seng 203 Jalan Bukit Bintang, 55100 Kuala Lumpur Tel: 03-2116 5915 Fax: 03-2116 5999	**0863**
Anthony Consulting 98, Jalan Bunga Tanjung 2, Taman Muda Cheras, 56100 Kuala Lumpur Tel: 03-9132 6678 Fax: 03-9132 6678 e-mail: anthonyconsulting@yahoo.com	**0862**
S.M. Yap & Co M 2D/17, Jln Pandan Indah 4/3A Pandan Indah, 55100 Kuala Lumpur Tel: 012-208 5614 Fax: 03-9274 8655 e-mail: smyapjo@yahoo.com	**0858**
WP Management Services 68-5-3, Jalan 5/101C, Cheras Business Centre Batu 5 Jalan Cheras, 56100 Kuala Lumpur Tel: 03-9131 2699 Fax: 03-9131 2693 e-mail: neetcoms@streamyx.com	**0860**

Audit Firms

FROM 1-28 FEBRUARY 2007

New Registration

AUDIT FIRM	AF NO.
JOHOR DARUL TAKZIM	
G.K. Lye & Co. 39A, Jalan Besi 1 Taman Sri Putri, Skudai 81300 Johor Bahru Tel: 07-554 5737 Fax: 07-554 4737 e-mail: gklye@streamyx.com	**001890**
PULAU PINANG	
KFF 11-3-6, New Bob Centre Jalan Gottlieb 10350 Penang Tel: 04-228 5310 Fax: 04-229 4893 e-mail: keefatt@gmail.com	**001895**
SELANGOR DARUL EHSAN	
YLDL 12-2 Jalan PJU 8/5C Perdana Business Centre Bandar Damansara Perdana 47820 Petaling Jaya Tel: 03-7729 2731 Fax: 03-7728 6025	**001891**
WILAYAH PERSEKUTUAN	
Cheong, Pun & Teoh 12-2, Jalan Utara Off Jalan Imbi 55100 Kuala Lumpur Tel: 03-2141 1577 Fax: 03-2141 3575	**001896**

Ceased Operation

JOHOR DARUL TAKZIM	
Y.L. Chee, Loh & Associates 43A, Suite 101, Jln Perang Taman Pelangi 80400 Johor Bahru	**1108**
WILAYAH PERSEKUTUAN	
Yee Pak Chee 7.02, 7th Flr Bgn Lee Yan Lian Jalan Tun Perak, P.O. Box 10318 50718 Kuala Lumpur	**0226**

Errata

We refer to the "Members' Update" column that was published on page 57 of the March 2007 issue of *Accountants Today*. We wish to inform you that in the second column for New Registration of Audit Firms, the title of the table (highlighted in black) should be Audit Firm and not as printed. The error is regretted.

List of New Books

Available in the MIA Resource Centre

ACCOUNTING

IFRS: Operating Segments, London: IASB, November 2006.
Call No.: 657.0218 INT

Basis for Conclusion on IFRS: Operating Segments, London: IASB, November 2006.
Call No.: 657.0218 INT

Guidance on Implementing IFRS: Operating Segments, London: IASB, November 2006.
Call No.: 657.0218 INT

Manual of Accounting UK GAAP 2007: The definitive guide to UK accounting law and practice, Surrey: CCH, 2006.
Call No.: 657.0941 MAN

Manual of Accounting Management Reports and Governance 2007: A Guide to the UK reporting requirements common to users of IFRS and UK GAAP, Surrey: CCH, 2006.
Call No.: 657.0941 MAN

The Accountant's Manual: Special Issue, Pyrmont: Thomson, 2006.
Call No.: 657.0202 ACC

AUDITING

Practice Note 19: The Audit of Banks and Building Societies in the United Kingdom (Revised), Surrey: FRS Publications, 2007.
Call No.: 657.45 AUD

Practice Note 20: The Audit of Insurers in the United Kingdom (Revised), Surrey: FRS Publications, 2007.
Call No.: 657.45 AUD

Practice Note 24: The Audit of Friendly Societies in the United Kingdom (Revised), Surrey: FRS Publications, 2007.
Call No.: 657.45 AUD

Bulletin 2006/5: The Combined Code on Corporate Governance: Requirements of Auditors under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange, Surrey: FRS Publications, 2006.
Call No.: 657.45 AUD

Consultation Papers: The Need for Guidance to Aid the Implementation of Auditing Standards on Smaller Entity Audits, Surrey: FRS Publications, 2007
Call No.: 657.45 AUD

Auditing Practices Board: Standards and Guidance 2007, Surrey: FRS Publications, 2007
Call No.: 657.45 AUD

Discussion Paper: Promoting Audit Quality, Surrey: FRS Publications, 2006.
Call No.: 657.45 DIS

COMPANY LAW

A Consultative Document on Members' Right and Remedies: 6, Corporate Law Reform Committee, Kuala Lumpur: CCM, 2007.
Call No.: 346.0668 CON

A Consultative Document on Creating a Conducive Legal and Regulatory Framework for Businesses: 7, Corporate Law Reform Committee, Kuala Lumpur: CCM, 2007.
Call No.: 346.0668 CON

CORPORATE GOVERNANCE

Corporate Governance Survey Analysis 2006: Insights from the Top 10 PLCs: A Joint Study by MSWG & NUBS, Kuala Lumpur: MSWG & NUBS, November 2006.
Call No.: 658.4 COR

A Guide for Retail Shareholders, Kuala Lumpur: MSWG, December 2006.
Call No.: 658.4 GUI

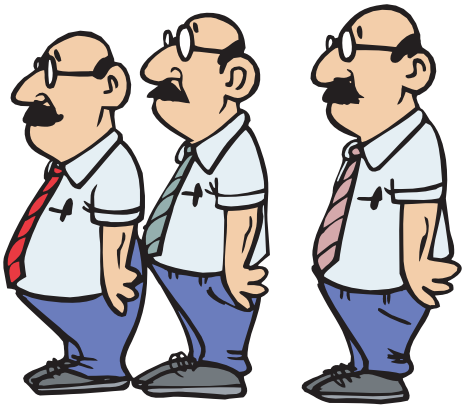
A Guide of Best Practices for Institutional Shareholders, Kuala Lumpur: MSWG, January 2007.
Call No.: 658.4 GUI

Report on the Observance of Standards and Codes (ROSC): Corporate Governance: Malaysia, Washington D.C., The World Bank, September 2006.
Call No.: 658.4 REP

MOTIVATION

Chasing Daylight: How my Forthcoming Death Transformed my Life, by Eugene O'Kelly, New Delhi: Tata McGraw-Hill Publishing Co Ltd., 2006.
Call No.: 158.1 OKE

… Counting on Humour



Working Man's Zen

• Do not walk behind me, for I may not lead. Do not walk ahead of me, for I may not follow. Do not walk beside me either. Just pretty much leave me alone.

• The journey of a thousand miles begins with a broken fan belt and a leaky tyre.

• It's always darkest before dawn. So if you're going to steal your neighbour's newspaper, that's the time to do it.

- Don't be irreplaceable. If you can't be replaced, you can't be promoted.
- Always remember you're unique. Just like everyone else.
- Never test the depth of the water with both feet.
- If you think nobody cares if you're alive, try missing a couple of car payments.
- Before you criticise someone, you should walk a mile in their shoes. That way, when you criticise them you're a mile away and you have their shoes.
- If at first you don't succeed, skydiving is not for you.
- If you lend someone $20 and never see that person again, it was probably worth it.
- If you tell the truth, you don't have to remember anything.
- Some days you are the bug; some days you are the windshield.
- Good judgement comes from bad experience, and a lot of that comes from bad judgement.
- The quickest way to double your money is to fold it in half and put it back in your pocket.
- A closed mouth gathers no foot.
- Duct tape is like the Force. It has a light side and a dark side, and it holds the universe together.
- There are two theories to arguing with women. Neither one works.
- Generally speaking, you aren't learning much when your lips are moving.
- Experience is something you don't get until just after you need it.
- Never miss a good chance to shut up.
- We are born naked, wet and hungry, and get slapped on our behind … then things get worse.
- There is a fine line between "hobby" and "mental illness."
- No matter what happens, somebody will find a way to take it too seriously.
- There comes a time when you should stop expecting other people to make a big deal about your birthday … around age 11.
- Everyone seems normal until you get to know them. AT

Applicants Speak…

"I KNOW HOW TO DEAL WITH STRESSFUL SITUATIONS: "I'm usually on Prozac.When I'm not, I take lots of cigarette and coffee breaks."

I SEEK A JOB THAT WILL DRAW UPON MY STRONG COMMUNICATION & ORGANISATIONAL SKILLS: "I talk too much and like to tell other people what to do."

I'M EXTREMELY ADEPT AT ALL MANNER OF OFFICE ORGANISATION: "I've used Microsoft Office."

I'M HONEST, HARD-WORKING AND DEPENDABLE: "I pilfer office supplies."

MY PERTINENT WORK EXPERIENCE INCLUDES: "I hope you don't ask me about all the McJobs I've had."

I TAKE PRIDE IN MY WORK: "I blame others for my mistakes."

I'M BALANCED AND CENTRED: "I'll keep crystals at my desk and do Tai Chi in the lunch room."

I HAVE A SENSE OF HUMOUR: "I know a lot of corny, old jokes and I tell them badly."

I'M PERSONABLE: "I give lots of unsolicited personal advice to co-workers."

I'M WILLING TO RELOCATE: "As I leave San Quentin, anywhere's better."

I'M EXTREMELY PROFESSIONAL: "I carry a Day-Timer."

MY BACKGROUND AND SKILLS MATCH YOUR REQUIREMENTS: "You're probably looking for someone more experienced."

I AM ADAPTABLE: "I've changed jobs a lot."

I AM ON THE GO: "I'm never at my desk."

I'M HIGHLY MOTIVATED TO SUCCEED: "The minute I find a better job. I'm outta there."

I HAVE FORMAL TRAINING: "I'm a college drop-out."

I INTERACT WELL WITH CO-WORKERS: "I've been accused of sexual harassment."

THANK YOU FOR YOUR TIME AND CONSIDERATION: "Wait! Don't throw me away!"

I LOOK FORWARD TO HEARING FROM YOU SOON: "Like, I'm gonna hold my breath waiting for your stupid letter thanking me for my interest."

Calendar of Professional Education Programmes

TOWN	DATE	PLEASE TICK ✔	TITLE	VENUE	CPE HOURS
Kuala Lumpur and Selangor	4 April	☐	Deductible Expenses and Capital Allowances	Hilton Petaling Jaya	8
	5 April	☐	Business Performance Management Focused on Strategy Execution & Profatibilty	Hilton Petaling Jaya	8
	9-10 April		Financial Instruments (FRS 132 and 139)	Hilton Petaling Jaya	16
	9-11 April	☐	Practical Accounting	Melia Hotel KL	0
	11 April	☐	Understanding the Fundamentals of Deferred Taxation	Concorde Kuala Lumpur	8
	11-12 April	☐	Understanding Bonds	Hilton Petaling Jaya	16
	12 April	☐	Preparation and Presentation of Cash Flow Statements (FRS 107)		8
	16 April	☐	Auditors and Fraud	Grand Plaza Parkroyal KL	8
	16-17 April	☐	Deferred Taxation	Hilton Petaling Jaya	16
	18 April	☐	Accounting for Non-Financial Assets	Crystal Crown Hotel PJ	8
	19 April	☐	Auditors and Fraud	Hilton Petaling Jaya	8
	19-20 April	☐	Financial Reporting Standards and Salient Features	Crystal Crown Hotel PJ	16
	19-20 April	☐	Practical Auditing	Hilton Petaling Jaya	16
	24-25 April	☐	Securing Trade Financing: To Supplement Conventional Banking Facilities	Grand Plaza Parkroyal KL	16
	25 April	☐	Implementing Activity Based Costing and Activity Based Management	Crystal Crown Hotel PJ	8
	26 April	☐	Withholding Tax and Tax Audit	Hilton Petaling Jaya	8
	27 April	☐	First Small and Medium Practices Forum on Diversification — Compliance to Value Enhancement	Grand Plaza Parkroyal KL	8
	3 May	☐	Understanding Public Rulings	Hilton Petaling Jaya	8
	3 May	☐	Deferred Taxation	Crystal Crown Hotel PJ	8
	8 May	☐	Fundamental Skills in IS Auditing	Crystal Crown Hotel PJ	8
	10 May	☐	Preparation of Corporate Tax Computation	Hilton Petaling Jaya	8
	14-15 May	☐	Public Practice Programme	Grand Plaza Parkroyal KL	16
	15 May	☐	Public and Advance Rulings by IRB	Hilton Petaling Jaya	8
	16 May	☐	Deferred Taxation	Concorde Kuala Lumpur	8
	16-17 May	☐	Securing Trade Financing: To Supplement Conventional Banking Facilities	Hilton Petaling Jaya	16
	17-18 May	☐	Finance for Non-Finance Managers and Executives	Hilton Petaling Jaya	16
	18 May	☐	Half-a-Day Complimentary Programme on "How to Maximise Your Wealth Beyond Investment Returns"	Vistana Hotel KL	4
	21-22 May	☐	Advanced Corporate Tax Planning	Grand Plaza Parkroyal KL	16
	23-24 May	☐	Improving Budgeting Process Strategies	Hilton Petaling Jaya	16
	24 May	☐	Audit of Construction Projects	Crystal Crown Hotel PJ	8
	24 May	☐	Public and Advance Rulings by IRB	Grand Plaza Parkroyal KL	8
	24 May	☐	The Secret to Success: Building a More Sustainable Future	Hotel Nikko Kuala Lumpur	8
	28-29 May	☐	Financial Reporting Standards and Salient Features	Concorde Kuala Lumpur	16
	30-31 May	☐	Financial Instruments (FRS 132 and 139)	Concorde Kuala Lumpur	16
	1 June	☐	Understanding the Fundamentals of Deferred Taxation	Concorde Kuala Lumpur	8
	4 June	☐	Audit Documentation	Hilton Petaling Jaya	8
	6-7 June	☐	IS Auditing-Intermediate Level	Grand Plaza Parkroyal KL	16
	12-13 June	☐	Understanding Bonds	Sri Pacific Hotel KL	16
	18-19 June	☐	Implementing Business Plan Strategies	Hilton Petaling Jaya	16
Penang	5 April	☐	Auditors and Fraud	Evergreen Laurel Hotel	8
	21 May	☐	Field Audit and Tax Investigation	Traders Hotel	8
	11-12 June	☐	Advanced Corporate Tax Planning	Traders Hotel	16
Johor Bahru	12 April	☐	Auditors and Fraud	Hyatt Regency JB	8
	16-17 April	☐	Public Practice Programme	Hyatt Regency JB	16
	18 April	☐	Field Audit and Tax Investigation	Mutiara Johor Bahru	8
	10-11 May	☐	Advanced Corporate Tax Planning	Hyatt Regency JB	16
	16-17 May	☐	Improving Budgeting Process Strategies	Hyatt Regency JB	16
	18-19 June	☐	Securing Trade Financing: To Supplement Conventional Banking Facilities	Hyatt Regency JB	16
Kuantan	23 April	☐	Field Audit and Tax Investigation	Hyatt Regency Kuantan	8
Kuching	9 April	☐	Tax Practitioner Update and Tax Planning for 2007	Merdeka Palace Hotel	8
	13-14 April	☐	Achieving Your Collection Target	Holiday Inn Kuching	16
	27 April	☐	Auditors and Fraud	Holiday Inn Kuching	8
	21-22 May	☐	Public Practice Programme	Holiday Inn Kuching	16
	12 June	☐	Public and Advance Rulings by IRB	Holiday Inn Kuching	8
Sibu	10 April	☐	Tax Practitioner Update and Tax Planning for 2007	Tanahmas Hotel	8
Miri	11 April	☐	Tax Practitioner Update and Tax Planning for 2007	Park City Everly Hotel	8
Bintulu	13 April	☐	Tax Practitioner Update and Tax Planning for 2007	Park City Everly Hotel	8
Kota Kinabalu	16-17 April	☐	Achieving Your Collection Target	Hyatt Regency Kinabalu	16
	26 April	☐	Auditors and Fraud	Hyatt Regency Kinabalu	8
	11 June	☐	Public and Advance Rulings by IRB	Shangri-La Tanjung Aru	8

Calendar of Professional Education Programmes

TOWN	DATE	PLEASE TICK ✔	TITLE	VENUE	CPE HOURS
MAICSA COURSES					
Kuala Lumpur	2 April	☐	Share Buy Back		
	8 May	☐	Independent Directors — Principles and Best Practices	MAICSA	3
	18 May	☐	Preference Shares	MAICSA	3
	4 June	☐	Annual Returns, Accounts, Audit and Auditors	MAICSA	3
	12 June	☐	Understanding Commercial Agreements — Sale and Purchase, Loans, Sale of Shares, Joint Ventures and Avoiding Pitfalls in Contracts	MAICSA MAICSA	3 6
	30 July	☐	Meeting the Pre and Post Listing Requirements of Bursa Malaysia Securities Bhd		
	13 Aug	☐	Transactions by Directors	Boulevard Hotel KL	6
	10 Sept	☐	Duties, Responsibilities and Obligations of Newly Appointed PLC Directors, Substantial Shareholders and Principal Officers	MAICSA MAICSA	3 3
	21-22 Sept	☐	Essentials of Company Secretarial Practice		
	29 Oct	☐	Mastering Minutes and Meetings and Producing High Quality Board's Papers Related Party Transactions	MAICSA	6
MCSB COURSES — April to June 2007					
Kuala Lumpur	2-3 April	☐	Microsoft Words 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	16-17 April	☐	Microsoft Words 2000 (Advanced)	MCSB, Kuala Lumpur	16
	4-5 April	☐	Microsoft Excel 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	18-19 April	☐	Microsoft Excel 2000 (Advanced)	MCSB, Kuala Lumpur	16
	6 April	☐	Microsoft PowerPoint 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	8
	20 April	☐	Microsoft PowerPoint 2000 (Advanced)	MCSB, Kuala Lumpur	8
	9-10 April	☐	Microsoft Access 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	23-25 April	☐	Microsoft Access 2000 (Advanced)	MCSB, Kuala Lumpur	24
	20 April	☐	Introduction to Networking	MCSB, Kuala Lumpur	8
	13 April	☐	Introduction to Internet	MCSB, Kuala Lumpur	8
	26-27 April	☐	Designing Web Pages with MS FrontPage	MCSB, Kuala Lumpur	16
	12-13 April	☐	Microsoft Project 2000 (Basic/Intermediate)	MCSB, Kuala Lumpur	16
	7-8 May	☐	Microsoft Words 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	21-22 May	☐	Microsoft Words 2000 (Advanced)	MCSB, Kuala Lumpur	16
	9-10 May	☐	Microsoft Excel 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	23-24 May	☐	Microsoft Excel 2000 (Advanced)	MCSB, Kuala Lumpur	16
	11 May	☐	Microsoft PowerPoint 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	8
	25 May	☐	Microsoft PowerPoint 2000 (Advanced)	MCSB, Kuala Lumpur	8
	14-15 May	☐	Microsoft Access 2000 (Basic and Intermediate)	MCSB, Kuala Lumpur	16
	28-30 May	☐	Microsoft Access 2000 (Advanced)	MCSB, Kuala Lumpur	24
	4 May	☐	Introduction to Networking	MCSB, Kuala Lumpur	8
	4 May	☐	Introduction to Internet	MCSB, Kuala Lumpur	8
	17-18 May	☐	Microsoft Project 2000 (Basic/Intermediate)	MCSB, Kuala Lumpur	16
	31 May-1 June	☐	Designing Web Pages with MS FrontPage	MCSB, Kuala Lumpur	16
MCSB COURSES — April to June 2007					
Johor Bahru	12-13 April	☐	Microsoft Words 2000 (Basic and Intermediate)	MCSB, Johor Bahru	16
	19-20 April	☐	Microsoft Access 2000 (Basic and Intermediate)	MCSB, Johor Bahru	16
	4 May	☐	Microsoft PowerPoint 2000 (Advanced)	MCSB, Johor Bahru	8
	10-11 May	☐	Microsoft Words 2000 (Advanced)	MCSB, Johor Bahru	16
	21-22 May	☐	Microsoft Excel 2000 (Advanced)	MCSB, Johor Bahru	16
	11-12 June	☐	Microsoft Project 2003 (Basic and Intermediate)	MCSB, Johor Bahru	16
	20-22 June	☐	Microsoft Access 2000 (Advanced)	MCSB, Johor Bahru	24

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

Contact Person: _____

Organisation: _____

Address: _____

_____

Tel: _____ Fax: _____

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

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