

THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

December 2010
Vol. 23 No. 12

WCOA 2010 CHARTING THE WAY FORWARD

- + PREPPING FOR INTEGRATED REPORTING
- + DIVERSITY CAN PAY DIVIDENDS

*
**BEWARE THE
BLACK
SWANS**



MALAYSIAN INSTITUTE
OF ACCOUNTANTS
ACCOUNTANTS. MANAGERS OF VALUE



WHAT MATTERS TO YOU MATTERS TO US

WORLD'S 5TH LARGEST ACCOUNTANCY AND
ADVISORY SERVICES NETWORK



As one of the leading professional services firms providing a full range of audit, advisory and tax services from our offices in **Malaysia, Cambodia and Vietnam**, we understand the importance of rising above the competition and supporting our clients through value creation. Our approach to business has always been about people. By building relationships, we are able to better understand our clients' needs and effectively support them to ascend further.

www.bdo.my

BDO (AF 0206) Chartered Accountants, a Malaysian Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Bukit Gambang Resort City

Kuantan Pahang

Leisure at its best!



The best M.I.C.E. facilities in the East Coast

Looking for a place to host your corporate functions?
Well, look no further. From small company gatherings to international exhibitions, Bukit Gambang Resort City has the latest facilities, knowledge and trained professionals to ensure success in any event. Call us now to discuss how we can help you organise events with a difference!

Sentoria Themeparks & Resorts Sdn Bhd (747796-W)
Jalan Bukit Gambang Utama, Bukit Gambang Resort City,
26300 Kuantan, Pahang Darul Makmur.

KL Office:
No. 56 & 58, Jalan Dagang SB 4/2, Taman Sg. Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan.

For more details visit
www.bgrc.com.my



Accommodation



Water Park



Teambuilding Activities



Meeting Facilities

09-548 8000

(KUANTAN)

03-8941 9898

(KL)

Contents

DECEMBER 2010



editor's note

5 SUSTAINABILITY AND RELEVANCE

cover story

- 6 WCOA 2010: CHARTING THE WAY FORWARD** *The 18th World Congress of Accountants found accountants re-examining their roles and relevance and seeking new directions in a world searching for optimal solutions to value creation and sustainability.*

12 ACCOUNTANTS IN THE FUTURE

governance

- 18 STRENGTHENING ISLAMIC FINANCE** *The Islamic finance industry has proven to be resilient during the recent global financial crisis.*

economy

- 22 FINDING THE MIDDLE GROUND FOR ECONOMIC RECOVERY** *'When the facts change, I change my approach.'*
John Maynard Keynes

accounting

- 26 THE ECONOMIC BENEFITS OF ADOPTING IFRS** *IFRS adoption can result in higher reporting quality which ultimately reduces accounting risk, which in turn will lower the cost of capital.*
- 30 PREPPING FOR INTEGRATED REPORTING** *Integrated reporting is an idea whose time has clearly come. Now the onus is on making sure that all in the financial reporting value chain are able to understand and implement integrated reporting.*

34 BEWARE THE BLACK SWANS

WCOA 2010 special report

- 38 AT WCOA, ACCOUNTANTS DEBATE RELEVANCE**



42 WORLD NEWS

43 IFAC NEWS

management+business

44 DIVERSITY CAN PAY DIVIDENDS

Research shows that optimizing workplace diversity can drive creativity, innovation and growth. If that's the case, melting pot Malaysia has the natural capital to win in an increasingly global multicultural environment.

48 RISK MANAGEMENT REPORT WARNS AGAINST SILO MENTALITY

50 ASIA-PACIFIC SURVEY SHOWS SMALL BUSINESS CONFIDENCE ON THE RISE

54 FAMILY FIRMS UNPREPARED FOR FUTURE

Family business owners are optimistic about growth, but many aren't making adequate provisions for the future, says PwC

lifestyle

58 EMERGING MARKETS TO GO BOOM

Major study reveals that private equity's centre of gravity is shifting towards emerging markets as returns in these markets accelerate.

62 HONG KONG, CRAFTING UNIQUE EXPERIENCE

It is still possible to be charmed by this island filled with skyscrapers and daunting mega malls.

65 BOOK REVIEW

66 MPDC TRAINING PROGRAMMES



MALAYSIAN INSTITUTE OF ACCOUNTANTS

Vision and Mission

MIA'S VISION

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

MIA'S MISSION

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

The Malaysian Institute of Accountants is a statutory body set up under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia.

The functions of the Institute are, *inter alia*:

- To regulate the practice of the accountancy profession in Malaysia;
- To promote in any manner it thinks fit, the interests of the accountancy profession in Malaysia;
- To provide for the training and education by the Institute or any other body, of persons practising or intending to practise the profession;
- To determine the qualifications of persons for admission as members; and
- To approve, regulate and supervise the conduct of the Qualifying Examination.

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

Editor, *Accountants Today*, Dewan Akauntan,
2 Jalan Tun Sambanthan 3, Brickfields,
50470 Kuala Lumpur, Malaysia

Tel: +603-2279 9200, Fax: +603-2274 1783
e-mail: communications@mia.org.my
web: www.mia.org.my

accountants today

MIA Council

PRESIDENT

Abdul Rahim Abdul Hamid

VICE-PRESIDENT

Christina Constance Foo

ACCOUNTANT GENERAL

Dato' Mohd Salleh Mahmud

DEPUTY ACCOUNTANT GENERAL, CORPORATE

Wan Selamah Wan Sulaiman

COUNCIL MEMBERS

Abraham Verghese

Dato' Ahmad Johan Mohammad Raslan

Dato' Gan Ah Tee

Prof. Datin Dr. Hasnah Haji Haron

Heng Ji Keng

Hajah Dr. Kalsom Salleh

Billy Kang Wei Geih

Assoc. Prof. Dr. Ku Nor Izah Ku Ismail

Liew Kim Yuen

Dato' Raymond Liew Lee Leong

Peter Lim Thiam Kee

Mohamed Raslan Abdul Rahman

Mohammad Faiz Mohd Azmi

Datuk Mohd Nasir Ahmad

Dato' Narendra Kumar Jasani

Assoc. Prof. Dr. Norman Mohd Saleh

Datuk Nur Jazlan Tan Sri Mohamed

Alex Ooi Thiam Poh

Stephen Oong Kee Leong

Sam Soh Siong Hoon

Seow Yoo Lin

Subramaniam A.V. Sankar

Uthaya Kumar Vivekananda

Dr. Y C Lee

Assoc. Prof. Dr. Zulkarnain Muhamad Sori

CEO/REGISTRAR

Rosli Abdullah

EXECUTIVE DIRECTOR

Ho Foong Moi

.....

publisher

Malaysian Institute of Accountants

Dewan Akauntan

2 Jalan Tun Sambanthan 3,

Brickfields, 50470 Kuala Lumpur

Tel: +603-2279 9200

Fax: +603-2274 1783, 2273 1016

e-mail: mia@mia.org.my

web: www.mia.org.my

publishing consultant

Executive Mode Sdn Bhd (317453-P)

Tel: +603-7118 3200, 3205, 3230

Fax: +603-7118 3220

e-mail: executivemode@executivemode.com.my

web: www.executivemode.com.my

printer

BHS Book Printing Sdn Bhd (95134-K)

Lot 17-22 & 17-23, Jalan Satu, Bersatu Industrial Park

Cheras Jaya, 43200 Cheras, Selangor DE

Tel: +603-9076 0816, 9076 0825, 9074 7558

Fax: +603-9076 0785, 9074 7573

e-mail: bhsprint@tm.net.my

Editorial Advisory Board

Abdul Rahim Abdul Hamid

Christina Constance Foo

Rosli Abdullah

Editor

Rosli Abdullah

Communications

Iszudin Mohd Amin, Manager

Dalila Abu Bakar, Assistant Manager

P. Mohana Poopathi, Executive

Azriatushaida Ahmad, Executive

Education – Stakeholder Linkage

Wan Norehan Wan Ahmad, Senior Manager

Hani Romiza Harun, Assistant Manager

Writers

Nazatul Izma

Majella Gomes

Anis Ramli

.....

MIA Branches

BRANCH

CHAIRMAN

Johor

Johor Bahru

Tel: 07-227 0369

Huang Shze Jiun

Fax: 07-222 0391

Penang

Penang

Tel: 04-261 3320

Ooi Kok Seng

Fax: 04-261 3321

Sabah

Kota Kinabalu

Tel: 088-261 291

Goh Chee San

Fax: 088-261 290

Sarawak

Kuching

Tel: 082-418 427

Chin Chee Kong

Fax: 082-417 427

Sustainability and Relevance



Two takeaway messages kept cropping up: sustainability and relevance. Namely, accountants must understand how we can add sustainable value and remain relevant to business and organisations.

The World Congress of Accountants 2010 might be over, but the lessons linger on.

Before I touch on these lessons though, allow me to congratulate everybody involved on doing a superlative job, whether you were a member of the dedicated organising team or one of the enthusiastic delegates. Thanks to your cooperative efforts, the WCOA 2010 broke all previous records by attracting 6,050 delegates from 134 countries. The next edition of the WCOA will be held in Rome and it is hoped that the Italian organisers will be able to repeat and build on the success of the Malaysian event.

What did the WCOA 2010 teach us? Two takeaway messages kept cropping up: sustainability and relevance. Namely, accountants must understand how we can add sustainable value and remain relevant to business and organisations. Essential to this is the development of a new integrated reporting framework to strengthen corporate reporting and enable the accurate valuation and long-term sustainability of enterprises. Thought leaders within the industry also shared their thoughts on what the accountant of the future will look like; apparently we might not even behave like accountants or be called accountants in the future. You can read more about these concerns in this issue of the magazine.

For those who were unable to join us, do relive the moments in our special report on WCOA. Pictures tell a thousand words and we've made sure to include some from the Congress.

Elsewhere, excellence in risk management is the key to sustainability of organisations. We feature excerpts of an IFAC interview with John Coombe, the non-executive director of HSBC, who offers some insights into how we can prevent a replay of the recent financial crisis.

Since the school holidays are already upon us, those of us who are parents might be stumped for a suitable holiday destination. Why not explore the laidback charms of Hong Kong in addition to the commercial lures of Disney and Ocean Park? We might not think that the terms "laidback" and "Hong Kong" can exist in the same breath but travel bug Anis Ramli assures us that they certainly can. So do think about crafting your own unique experience in this island of surprises. ■

Happy reading!

EDITOR

WCOA 2010

Charting the Way Forward

THE 18TH WORLD CONGRESS OF ACCOUNTANTS FOUND ACCOUNTANTS RE-EXAMINING THEIR ROLES AND RELEVANCE AND SEEKING NEW DIRECTIONS IN A WORLD SEARCHING FOR OPTIMAL SOLUTIONS TO VALUE CREATION AND SUSTAINABILITY.

Majella Gomes



In the beginning, there was “value-added” – then the realisation kicked in that just adding it wasn’t enough. Value – and the demand for it – had to be created. And sustained. But how to go about it, in a profession where standards, processes and procedures are cut and dry, strictly regulated, and – more often than not – uncompromisingly relentless?



The world today demands solutions to long-term sustainable growth, and accountants will have to find the answers or risk becoming obsolescent in the organisations they serve. By the nature of their profession, they are charged with creating value and safeguarding assets to ensure growth remains on an upward trajectory. In an increasingly dynamic world, their job is not going to get any easier.

The China Model

“The accountancy profession...stands at a critical juncture in its history,” remarked China’s Vice-Minister of Finance Dr. Wang Jun at the inaugural plenary session entitled *Accountants: Sustaining Value Creation in the Borderless Economy* during the recent World Congress of Accountants (WCOA) 2010 held in Kuala Lumpur. Dr. Wang said that the Chinese accountancy profession is committed to transforming itself in the years to come in the wake of the recent financial crisis, and

is now focusing on the creation of a unified, dynamic system that integrates Chinese and international characteristics.

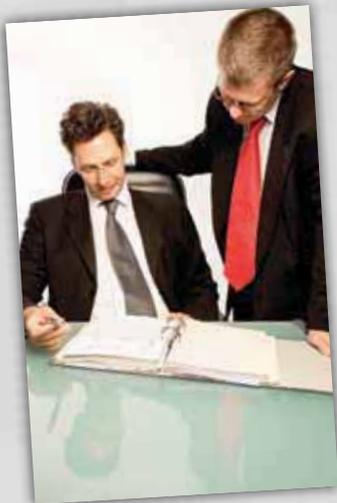
China currently employs 12 million accountants in both the public and business sectors, and its government attaches considerable importance to the profession. Dr. Wang pointed out that despite the vagaries of the global economy, China registered a GDP growth rate of 9.1% in 2009. “In the first three quarters of 2010, the growth rate was 10.6%,” he said. “China is not only domestically stable, it is also creating worldwide demand, thereby making important contributions to the global economy.”

Its unified system will focus on eight core elements: accounting standards, auditing standards, internal controls, XBRL (eXtensible Business Reporting Language – the global standard for integrating financial data into business information), the accounting profession itself, accounting talent, legislation and an accounting index which will measure economic performance and provide guidance for policy making.

“The accountancy profession... stands at a critical juncture in its history.”

Dr. Wang Jun,
Vice-Minister of Finance, China

“The profession needs to have a better understanding of the global situation,” Wang added. “In doing so, it will be able to continuously create value for society. Accountants and accounting bodies should play more concerted roles in supervising economic recovery, as well as assist national economies in meeting post-crisis challenges. Additionally, cooperation within the profession should be strengthened to improve market competitiveness – thereby improving protection of investors’ interests, and better serving a more sustained and stable capital market.”



THERE ARE three major areas that should be the focus of the profession in charting the way forward

- 1** Regaining trust
- 2** Demonstrating leadership
- 3** Remaining relevant

“Accountants are generally moving away from just crunching numbers to being more managerial in their approach. This is one way of creating future value.”

Wim A Van der Stede
Professor of Accounting & Financial Management
London School of Economics

The Bright Side of the Crisis

Wim A Van der Stede, Professor of Accounting & Financial Management at the London School of Economics remarked that the economic crisis had actually done the profession a favour. “Before, accountants usually had to do the calling when it came to discussing management matters,” he said. “Now, they are constantly being called upon for their advice!” Accountants’ main roles in the East differ from those of their Western counterparts, he remarked. In the East, their jobs centred mainly on accounting operations whereas the Western trends have accountants moving more into management.

Van der Stede compared how accountants typically spend their time, as opposed to how they should spend their time, in order to chart the direction that accountants should be moving in to create and sustain value. Accountants in both the East and West still spend the bulk of their time in accounting operations, but are increasingly moving into areas that are not directly related to their core functions, such as management support and information systems management. However, many of them claim they are spending too much time on the nuts and bolts of accounting, and not enough time on providing support to management.

While there was a need for accounting professionals to move into roles that could broaden their contribution to the business, this cannot be at the expense of good accounting. He cautioned against the loss of objectivity where personal relationships were emphasised – a feature that is common in the East. “Financial accounting must stay true to the fundamentals,” said Van der Stede. “Ultimately, this underpins the vital workings of the organisation. Accountants are generally moving away from just crunching numbers to being more managerial in their approach. This is one way of creating future value.”

Value creation and sustainability

Creating value – and thereby being sustainable – is easier said than done. While the majority of top management agrees that being sustainable is good for business, they balk when it comes to walking the talk, although it is evident that companies that manage risks and sustainability well, are being rewarded. “CEOs and Boards do not fully grasp the significance of sustainability,” said Olivia Faulkner Kirtley, Board Member of IFAC. “Lack of attention to risk management affects sustainability. Risk management focuses on the risks a business must take to stay viable; hence the need to embed sustainability in the DNA of companies.”

Quoting the Interface story as an example of successful corporate efforts at sustainability, she said that what the

company saved in terms of reducing, reusing and recycling actually financed its transformation, making it ultimately more productive in the marketplace. She offered ten key elements that are imperative to embedding sustainability in a business: buy-in by Board and Senior Management; understanding and analysing key sustainability drivers; integrating these into the strategy; making sustainability everyone’s responsibility; setting meaningful targets and objectives; instituting sustainable day-to-day processes; appropriate training; including sustainability targets in performance appraisal; appointing champions to promote sustainability; and monitoring and reporting performance.



InPractice Audit Manual: *The Cost-Effective Method*



- User-friendly program layout
- Cuts 40% of audit work time
- Made/Upgraded in UK in 15 years
- Has Clarity Int. Std. Auditing
- Sold in 32 countries
- Less staff supervision

Moving forward

Internally, within the profession, there is full realisation that the status quo must change if accountants are to maintain their relevance in the marketplace. Regardless of inertia and difficulty, it is vital that accountants continue to address the core issues that are preventing them from adapting to industrial and professional dynamics as quickly as they should.

In China, the accounting system is opening up through reform and innovation. This is expected to help the Chinese economy weather the current crisis, and challenges to come. "By doing so, we will more fully exercise the system's functions," said Dr. Wang. "Providing information, policy support, and risk warning, as

There are three major areas that should be the focus of the profession in charting the way forward. These are regaining trust, demonstrating leadership and remaining relevant.

*Tan Sri Dato' Azman Mokhtar,
Managing Director of Malaysia's
sovereign fund manager Khazanah
Nasional Berhad*

well as improving management, will break new ground for coordinated development of the economy, and the profession."

Accountants are also under increased pressure, and their contributions to industry are insufficiently recognised. The financial accounting scandals of the past decade have resulted in accountants being perceived as less objective and more inclined to bend rules if it suits their purposes.



Their credibility and reputation have suffered, and the fallout from this is that they are under more intense scrutiny than ever before. There is also less desire to reward them, leading them to feel unappreciated and in many cases, demoralised, with bleak career prospects. "They want to lessen external reporting duties, for instance, but they fear that this will negatively affect their career," said Van der Stede.

There are three major areas that should be the focus of the profession in charting the way forward, said Tan Sri Dato' Azman Mokhtar, Managing Director of Malaysia's sovereign fund manager Khazanah Nasional Berhad. These are regaining trust, demonstrating leadership and remaining relevant.

There can be no collective burying of heads in the sand. "We can no longer ignore the elephant in the room," said Azman, urging accountants to take stock of where the profession is now, and what direction it needs to take in order to be effective. "There has been a general

breakdown in the trust that stakeholders have traditionally had for politicians, CEOs, and even the banking systems," he said. "The first step is to stop the downward spiral and start rebuilding this basic element."

To do this, accountants need to be committed to and actively engaged in the promotion of transparency, good corporate governance and ethical business practices. They must also be perceived to be involved in these initiatives in order to rebuild reputation.

They also need to be constantly aware of issues, trends and developments that could impact on the way business is done in their particular industry, environment or community. This requires commitment to learning, which is the only way accountants can keep abreast of new developments.

This multi-dimensional task is difficult but must be accomplished if accountants are to avoid the threats of obsolescence and irrelevance. ■



Career
advance **ment**
begins with CIMA

'I think many people assume that a CIMA qualification just prepares you for one career – in finance. In reality it offers more than that: it's versatile and opens up a host of different paths, such as my chosen career in consulting. It gives you the skills and options to make your own choices.'

Alice Stephen

Finance Transformation Consultant
Capgemini UK Plc

ACT NOW!

Register for CIMA now
at £60 and pay no
subscription fee until
2012. Call or email us:

T. +60 (0)3 77 230 230
(Karen or Zaharin)
F. +60 (0)3 77 230 231
E. recruitmentkl@cimaglobal.com

You are special!

As a member of MIA*, you will get special exemptions from the CIMA qualification and a special waiver of exemption fees! Just sit for the last four exam papers and you are on your way to becoming the next Chartered Management Accountant.

*Honours degree in Accounting from Part 1 of the First Schedule of the Accountants Act, 1967.

Chartered Institute of Management Accountants
Malaysia Division
Lots 1.03b and 1.05, Level 1
KPMG Tower
8 First Avenue, Bandar Utama
47800, Petaling Jaya, Selangor

Accountants IN THE future

Majella Gomes

Leaders in the accountancy profession went crystal ball gazing at the World Congress in order to make predictions for the profession in the years to come.

The future of the profession and the future shape of accountants were the subject of a lively debate in the fourth and final plenary session of the World Congress of Accountants 2010, titled “*Accountants in the Next Decade – Embracing Change and Seizing Opportunities.*”

Among the most pressing issues discussed were: what accountants are likely to be in 2020 (they may not even be called accountants anymore!); what competencies they will need; and what opportunities they are likely to have in the future.

Change is the only constant

●● Getting ready to deal with change should be everyone’s priority, was one of the key messages. Based on the dynamics of the profession and industry in general, all signs point to the loss of stakeholder confidence in accountants, who were hitherto seen as bastions of dependability. Now they are eyed with the suspicion reserved for politicians, and it will be an uphill battle to dispel the negative perceptions of the profession, which has been brought about by the greed, dishonesty, negligence, lack of integrity and improper conduct of just a few.

Fortunately, in the aftermath of the accounting and financial scandals of the past decade, awareness among members of the profession has become heightened as to their personal and professional responsibility in bringing an openness and transparency to their work, and deconstructing the myths associated with accounting.

“We need to focus on what we can do from our own perspectives,” offered Barry C Melancon, President and Chief Executive Officer at the American Institute of Certified Public Accountants (AICPA). “Try to create value and find ways to be more relevant. For instance, statutory requirements aren’t going to get easier, and small firms will need help. It works both ways for the profession – if we help people succeed, we become successful ourselves.”

Alex Malley, CEO, CPA Australia urged accountants not to take their positions or the profession for granted. “If we want people to take us seriously, we have to have more open minds and collaborate with others,” he said.

Greater political-professional engagement may also be beneficial, said Michael Izza, Chief Executive, Institute of Chartered Accountants in England and Wales (ICAEW), expanding on the point that environments are dynamic, and what accountants need to do to stay relevant. “Politicians are beginning to be interested in what accountants do because they realize it has implications at local and international levels.”



Global impacts

●● Just as the financial crisis has impacted on commerce and industry worldwide, change within the accounting profession can eventually create positive impacts on a global scale. “We do not want to be recognized as a profession that becomes highly visible because something goes wrong,” remarked Melancon. “The fact is that we discovered what went wrong, and a lot of what could have happened, but didn’t, was the result of accountants’ intervention. Unfortunately, this is seldom seen.”

➔ *They should recognize that they work in concert with, and are not independent of, other business functions. To be effective, therefore, they have to set aside the attitude of professional exclusivity, leave their silos, and understand how other people work.*

On this note, Malley said that accountants really have to take the lead in keeping themselves relevant, but non-financial information can be as powerful as financial information, when it comes to sustainability. “Sustainability reports, for instance, can produce more external awareness about an organization, as well as raise levels of awareness within it,” he said.

Charles Tilley, Chief Executive, Chartered Institute of Management Accountants (CIMA) exhorted participants to seriously consider the role of communications in the future, and how updated, concise knowledge needs to be appropriately communicated for the benefit of accountants. “Good financial management will always be needed, but the right knowledge – updated, correct information – is required to build trust and sustain it,” he said. “Right now, a lot of information is produced, but while it does no harm, it really isn’t useful. Discernment of what is useful and what isn’t is increasingly important; and there will be increased need for flexibility as the world changes.”

Evolve or die

●● Like members of every other profession, accountants are constantly seeking new ways of improving themselves. Today, the greatest fear perhaps is the possibility of being left behind while others forge ahead, and as business evolves this is a very real possibility. What can accountants do to avoid extinction?

First of all, they should recognize that they work in concert with, and are not independent of, other business functions. To be effective, therefore, they have to set aside the attitude of professional exclusivity, leave their silos, and understand how other people work.

Being open, accessible and accepting of change will go a long way, and there are signs that this approach has been effective. Helen Brand, Chief Executive, Association of Chartered Certified Accountants (ACCA) remarked that there have been instances where auditing has provided value by way of driving government action, and in setting procedural standards. “This is indicative of the importance of audit not just within the field, but how it can affect operations across the board,” she said.



Complications of Compliance

●● The demands and complexity of compliance are increasing. But the core of the matter may be in how to manage regulation and make it work in a cross-border world. "For instance, from the legislative perspective, Sarbanes-Oxley is very complicated, and represents many years of implications to come," said Melancon. "Sometimes too much time and resources are spent on adhering to legislation. Regulatory moves that are already embedded must have time to show results, before accountants are bogged down with more!"

Izza agreed, remarking that "Sometimes it's a case of legislation not working in the first place – and then having to deal with more legislation to remedy it." Legislative processes are usually

for the long term but the shortcoming of this, said Malley, was that "regulators make legislation based on what has failed – but what has already failed cannot always be fixed by having more regulations." Another observation by Melancon was that over-regulation hampers small businesses in particular, and does not encourage creativity or innovation. "To treat every problem with regulation is not the right way," he said.

It's not just the small players that suffer. "A lot of legislation hampers the development of international movement and mobility as well. Many issues can be addressed with cross-border cooperation but this is not always possible," said Brand. The one bright spot may be the uniformity that compliance brings. Izza conceded that in some ways, it is easier to work today because everyone is required to comply with internationally accepted standards.



All new Infor FMS SunSystems Version

Solutions Portfolio

Infor FMS SunSystems

- Financial
- Distributions

Infor PM

- Budgeting & Forecasting
- Consolidation
- Planning
- Budgeting

Services

- Consulting
- Implementation
- Training
- Integration
- Upgrade
- Project Management

Join us for a **FREE Solutions Preview** on

- Infor FMS SunSystems 5.4 Overview
- Infor Performance Management

Authorized Channel Partner

Fast Track Dynamics Sdn. Bhd.

Solutions that drives your business better



Date : 16 December 2010

Time : 10:00am – 12:00pm

Venue : University North Wing, Kuala Lumpur

To register & for enquiry, please email

infor@myfastrack.net or contact

+603-7880 0871

What lies ahead

●● Each generation will have to face its own challenges; the cardinal sin would be to take one's position and profession for granted. While the dynamism of commerce and industry is relentless, increasing and unforgiving, there is a growing awareness of the need for sustainability and how responsible stewardship of the environment ultimately makes very good business sense.

➔ *“We don't know if the term “accountant” will be a relevant one in the future. What we're looking at is a “Corporate Navigator” – someone who can chart a viable course for the business, who has the correct information and can formulate appropriate strategy at the material time.*

Barry C Melancon
President & CEO, AICPA

Being sustainable means making the most of scarce and limited resources. It means making do with what you have, not living beyond your means, and not following practices that will prove to be detrimental in the long run. Applied to the accounting profession, this has implications beyond anyone's foresight, but some suggestions of how it can be accomplished came from the panel.

Brand advocated gender diversity and leveraging more extensively on the talent and capabilities of professional women. All agreed that flexibility, adaptability and versatility are now prerequisites in a profession that used to pride itself on its predictability and unswerving devotion to the infallibility of numbers.

Malley remarked that despite the vagaries that the profession is currently subject to, there is not a better time to be an accountant. Playing devil's advocate, perhaps Melancon expressed the internal fears of many professionals when he said, “We don't know if the term “accountant” will be a relevant one in the future. What we're looking at is a “Corporate Navigator” – someone who can chart a viable course for the business, who has the correct information and can formulate appropriate strategy at the material time. These people, whether Corporate or Financial Navigators, will help stakeholders make informed, intelligent decisions and will ultimately be instrumental in creating sustainable businesses through their professional skills and training.” ■



SOME OF THE COUNTRY'S MOST PROMINENT ACCOUNTANTS in business share their views on the skills and characteristics that the profession must embed in order to remain relevant going forward.



DATO' SRI ZUKRI SAMAT
Group Managing Director,
Bank Islam Malaysia Berhad



Where Zukri is concerned, the most important values that accountants should possess are integrity and honesty. "Accountants must discharge their duties with integrity and accuracy.

If that happens, there will be growth for the country." "Accountants must respect the confidentiality and privacy of clients and people with whom you do business. Similarly, you have to comply with all the laws and regulations in order to maintain an appropriate degree of confidentiality. Accountants must also avoid a conflict of interest where potential conflicts are identified," Zukri concluded.

TAN SRI AZMAN HASHIM
Founder and Chairman of the
AmBank Group.



Azman said accountants are very versatile and have been playing an important role in building the nation. "Accountants have been contributing a great deal to nation-building, especially

in the economy. We are everywhere." For example, three chartered accountants were governors of Bank Negara Malaysia - Tan Sri Aziz Taha, Tan Sri Jaafar Hussein and Tan Sri Ahmad Mohd Don. Azman pointed out that there are a few ministers in the current Cabinet who were trained accountants. They are also present in the public and private sectors as entrepreneurs managing their own businesses, and as CEOs and CFOs in listed and unlisted companies. According to him, accountants can become good CEOs because of their training and knowledge. He stressed that ethics and values are important in the work culture of the accountancy profession. "People like me had to go through apprenticeship for five years. One of the sub-

jects that we learnt was ethics. We have the work culture and by the time we qualify, we already have five years of working experience. Unfortunately, nowadays ethics and values seem to have lost a lot of ground."

DATUK SERI CHE KHALIB MOHAMAD NOH
President/Chief Executive Officer,
Tenaga Nasional Berhad



Knowledge in accounting will help a CEO make sense of the financial situation of a company, noted Datuk Seri Che Khalib Mohamad Noh, President/CEO of utility giant Tenaga Nasional

Bhd. "I wouldn't say that having an accounting qualification gives you an advantage over others, but I think it will assist you in understanding the state of a corporation. Basically, it will help in understanding the financial position of a company," he said. "Basically, accounting has helped me in my work," said Che Khalib. He stressed the importance of understanding the financial position of a firm in order to become a good CEO. "All CEOs must know how to run the finances of the organisation. I don't think you can be a CEO if you don't know finance at all, whether you are an engineer and become a CEO or are a doctor turned CEO. You can't run an organisation without having the understanding of finance," he said.

DATUK AZMAN YAHYA
Founder and Group Chief Executive,
Symphony House Bhd



The founder and group chief executive of listed outsourcing group Symphony House Bhd believes that accountants do not necessarily make good CEOs but stressed that a good knowledge in finance

is a "must" for any CEO. "You don't need to know accounting to understand finance but

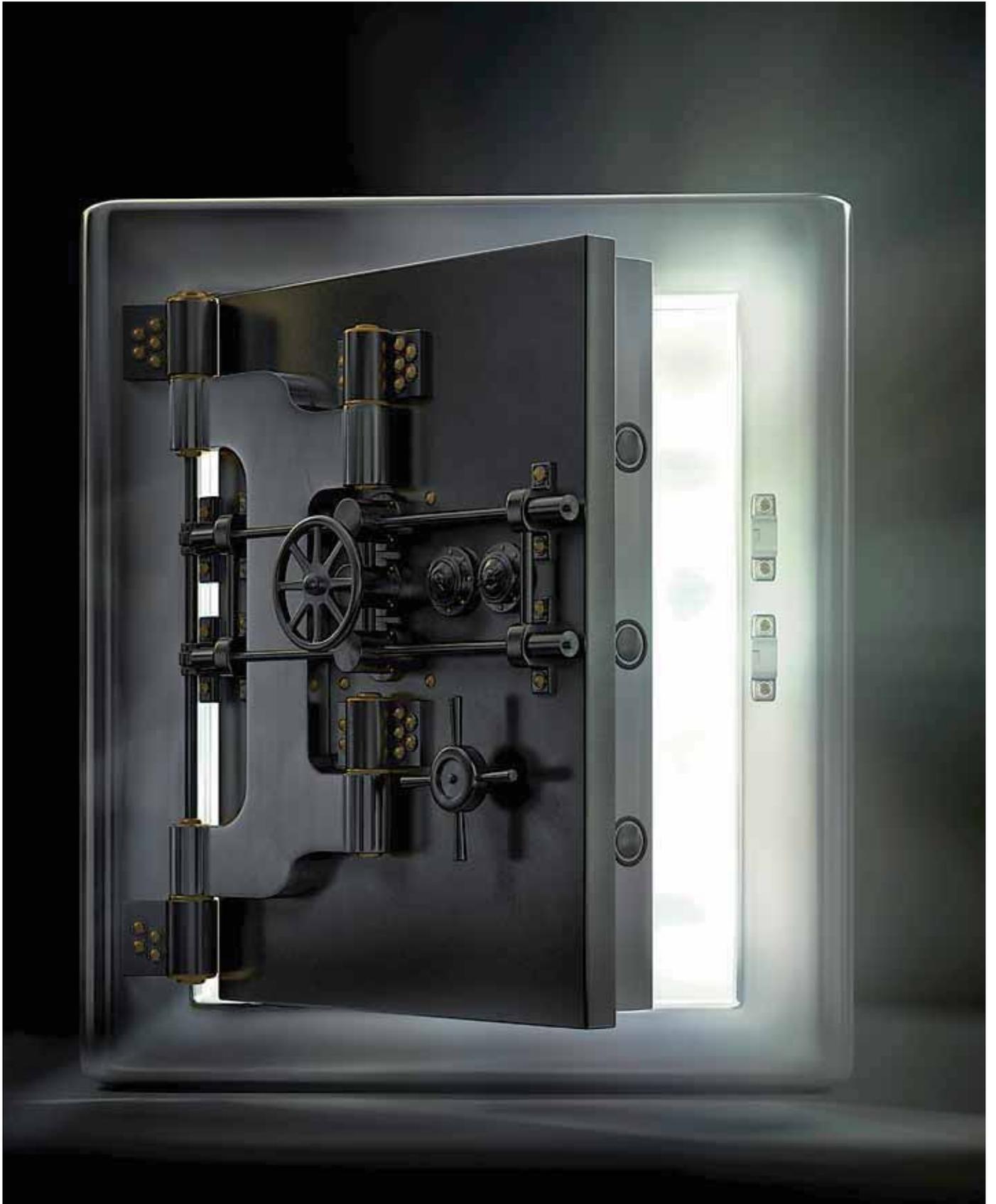
accounting knowledge definitely helps build a solid foundation to understand finance. And accountants tend to be more financially disciplined," Azman said. While all professions support national development and capacity building, Azman figured that accountants may have contributed the most in building the nation as most CEOs have an accounting background. "I suppose every profession be it accounting, legal, engineering, medical, or teaching helps in contributing to nation-building. Perhaps, accountants are more prominent as a large number of CEOs come from an accounting background, probably proportionately the most."

DATO' IZZADDIN IDRIS
Group Managing Director/Chief Executive
Officer, UEM Group Bhd



"Certainly, my qualification and experiences help me in carrying out my duties. My knowledge in accounting and finance and the experiences that I gathered over the years gave me the foundation

to tackle the various issues UEM is facing," said Izzaddin. Izzaddin believes that apart from accounting skills, CEOs need to equip themselves with other skills such as communication, marketing, analytical skills, business development, the ability to interact with potential business partners, and business knowledge. "The choice or type of CEO for a company would depend on the evolution of the organisation. In any case, skills that CEOs need to have should include commercial and business judgement. I suppose all accountants tend to have it though sometimes, accountants tend to be conservative. They have to strike a balance," he noted. Above all, he stressed that accountants must have a high level of integrity. "Whether an accountant is prudent or otherwise, that's a judgement that an accountant has to make. Integrity is very important. If you talk about nation-building, accountants play a role in assisting to formulate or chart the country's economic plan as well as the capital markets," he concluded. ■



Strengthening Islamic Finance



THE ISLAMIC FINANCE INDUSTRY HAS PROVEN TO BE RESILIENT DURING THE RECENT GLOBAL FINANCIAL CRISIS. DURING THIS PERIOD, THE RETURN ON ASSETS OF ISLAMIC BANKS ACROSS THE INDUSTRY WAS RELATIVELY STRONGER, REFLECTING ITS EFFICIENT ASSET MANAGEMENT, SAID ISLAMIC FINANCE EXPERTS SPEAKING AT THE RECENT WORLD CONGRESS OF ACCOUNTANTS (WCOA) 2010.

As the world will continue to be plagued by financial crises, the key for the Islamic finance industry is therefore to ensure that it will not be a source of such financial instability and is able to achieve a level of resilience that will ensure its sustainability.

The experts identified several key factors that should be focused on in order to enhance the resilience of Islamic finance and ensure the stability of the industry.



DEVELOPING HUMAN CAPITAL

Human capital is a key factor that ensures the resilience and sustainability of Islamic finance. Managing Director of International Institute of Islamic Finance Inc. Dr. Mohd Daud Bakar said Islamic finance is a knowledge-based profession and in many respects, a multi-disciplinary one. Hence, a practitioner in Islamic finance - either a banker, risk manager, lawyer or accountant - has to be equipped with basic knowledge of Islamic finance to guide their understanding of Islamic finance requirements. This knowledge

will reinforce the very foundation of Islamic finance which is asset-based and asset-backed, he said.

“This concept will protect Islamic finance from being exposed to elements of uncertainty, gambling and excessive speculation, thus avoiding unhealthy and toxic sectors and assets emerging in Islamic finance.”

“The question is, how many of stakeholders of Islamic finance even in Muslim countries have been exposed to this basic knowledge, what more to structured knowledge development in Islamic finance?” said Dr. Mohd Daud.

He said structured human capital development is deemed as one of the factors that could insulate Islamic finance from unhealthy financial transactions.



IMPROVEMENTS IN RATINGS METHODOLOGY

Dr. Mohd Daud also stressed the importance of ratings methodology in enhancing the resilience of Islamic finance. According to him, the current rating methodology, in general, may no longer be effective in ascertaining the level of

risk that a financial product inherently poses. A forensic review of some of these methodologies and their scoring levels must be critically scrutinized.

“Surely, the Islamic finance industry would require a new distinctive set of methodologies which are not only peculiar to Islamic finance principles but also, more importantly, more apt to analyse the risks which are common to Islamic finance,” said Dr. Mohd Daud.

In addition to creditworthiness scoring, equal attention must be given to aspects of enforceability of the contracts and feasibility of a particular venture.



WIDENING OF ISLAMIC BANK PORTFOLIOS

The recent global financial crisis has shed light on the excessive exposure of some Islamic financial institutions to the real estate sector.

“What made this worse was that the exposure was centered on one customer. Therefore, there is a double jeopardy when Islamic financial institutions breach the prudential policy of ‘single sector limit’ and ‘single customer limit’.

In all financial crises, this aspect seems to be repeated. Stern and punitive policies must be in place to address this potential breach of the Islamic financial institutions,” Dr. Mohd Daud said.

According to Dr. Mohd Daud, any exposure to the real estate sector either directly such as through end-financing; indirectly through bridging financing or bank guarantees; or synthetically through structured products linked to a particular sector such as real estate, must be equally rated and scored. The real-time data and scoring indicators must be put in place to alert users to any potential breach by a particular institution.



BETTER RISK MANAGEMENT POLICIES

Risk must be managed or hedged as the lack of risk management or excessive speculative use of risk-based products may adversely affect the financial sector.

Islamic finance advocates for a risk to be properly hedged according to the *Shariah* principles such as via *‘urbun* (which may have the same economic benefit of a conventional call option) or unilateral undertaking via *wa’d*. On the other hand, Islamic finance prohibits any dealing or trading in these products.

“This is because, while Islamic finance promotes the idea of hedging that is to hedge against the real risk, it never supports the practice of speculation which is void of any intention to hedge the real and bona fide risks inherent in a particular product or circumstance,” Dr. Mohd Daud said.

Developing stricter corporate governance guidelines is important as the failure of financial institutions highlights the need for stricter governance and risk management oversight, argued Iqbal A. Khan, Chief Executive Officer of Fajr Capital.

“Weaknesses in corporate governance led to risk-taking by managers of financial institutions seeking short-term



profits,” said Iqbal. In some cases, he said, the board of directors were not adequately aware of the risks being taken, and many of these risks were not apparent from standard financial reporting.



IMPROVED REGULATION

Dr. Mohd Daud also sees the need of a major review in some aspects of the regulations. “New regulations must be introduced such as the rating requirements for *sukuk*. A more detailed regulation is needed for structured and synthetic products. The refinement and enforcement of the existing single sector limit and single customer limit policy requires continuous action.”

“Perhaps, a more market-disciplined or peer pressure culture needs to be incorporated relating to deposit insurance and premium insurance in both the banking and *takaful* industries respectively,” he said.

Dr. Mohd Daud said the global financial crisis has provided ample lessons on how to look at existing problems or potential problems from a new perspective. “The courage to see things from a different perspective is the beginning of improved regulations, particularly for this young and dynamic industry,” he added.

Iqbal concurred, saying. “The crisis highlighted the disjointed approach of regulatory bodies and supervisory agencies in managing the financial system. Supervisory powers need to be concentrated so that there is one consistent view of each financial institution.”



TAKING ON RESPONSIBLE LEVELS OF DEBT

.....
According to Iqbal, high levels of debt by households, corporations and governments have been a major cause of the financial crisis. "The crisis was triggered by an inability to meet debt obligations," he said.

Islamic finance promotes the application of financial disclosure, transparency and a commitment to move away from debt-based transactions to equity-based transactions.

Badlisyah Abdul Ghani, CEO, CIMB Islamic said an enabling legislation, facilitative regulation and

conducive legal framework are the foundations for the sustainable and stable development and growth of the Islamic finance industry.

"A sustainable and stable Islamic finance industry addresses the nature of the Islamic banking and finance industry which poses unique risks and challenges, as well as legal, tax and accounting (issues) to ensure the industry is not at a disadvantage as compared to the conventional industry," Badlisyah said.

A sustainable Islamic finance industry will address the sophistication of the *Shariah* compliance mechanism and ensure it is in line with prevailing circumstances, he said. ■



Now it is updated with
FRS 101 (Revised 2009)!

Audit

Express

Audit Express improves both the speed and quality of undertaking an audit engagement.

It updates you technically with local support.



To ease your cash flows, you can opt for the 0% interest installment plan for up to 24 months with EON Bank and Hong Leong Bank credit cards.



To arrange for a demonstration, kindly contact us at 1300 882 297 or marketing@myAXP.com



visit our website for more details www.myAXP.com

AXP Solutions Sdn Bhd (Co.no. 693866-X)



FINDING THE MIDDLE GROUND FOR ECONOMIC RECOVERY

'WHEN THE FACTS CHANGE, I CHANGE MY APPROACH.'
JOHN MAYNARD KEYNES

Saravanan Ramasamy

The world economy is indeed at a crossroads. At one end of the spectrum, some countries are increasing their deficit spending to revive economic activities. At the other end, some countries are pursuing quantitative easing in the form of cheap credit to stimulate investment, *vis-à-vis* consumption. Both policies, although pursuing different paths, are aimed at pulling economies out of the downward spiral and placing them back on the road to recovery. Nevertheless, the reality is that recovery seems to be lacklustre in spite of these stimulus initiatives, which has given rise to claims that over-consumption and under-saving have to run its course and cannot be speeded up by any form of fiscal or monetary stimulus.

At this juncture, one cannot afford to ignore the 1930s debate between Keynes and Hayek, which is dubbed as one of the great debates of the century. On 17 October 1932, the *Times* published a letter from John Maynard Keynes and five other academic economists (Keynes for short), who made the case for spending. Keynes viewed depressions as caused by spending deficits, which could be made up by spending.

Hayek argued that the existence of long-run cheap credit, as a result of quantitative easing, would give rise to potential malinvestments.

However, Keynes' view attracted contention from Hayek. This was when, after two days, on 19 October 1932, four professors from the University of London (Hayek for short), responded to the Keynes letter and one of the signatories was Friedrich A. Hayek, an Austrian-born economist. Hayek questioned whether new public debt in a weakened economy is the path to recovery. While Hayek believed that revival of investment is desirable, they questioned the form taken by the investment and the shape of the resultant spending.

Hayek argued that the existence of long-run cheap credit, as a result of quantitative easing, would give rise to potential malinvestments. They argued that not all investments are equally productive. As an example, Hayek questioned the stimulus effects that new municipal swimming baths could have on the economy from a contemporary viewpoint. They claimed that the economic downturn caused by over-consumption and under-savings had to run its course and could not be speeded up by any form of fiscal or monetary stimulus.

Keynes and Hayek might be long gone but their century-old debate is relevant to modern economic thoughts. Today, Keynes's theory has attracted criticism in the context of the current environment. Critics of Keynes often argue that creating incentives for people to spend more don't always mean life is getting better. It boils down to how much is being spent and on what. For example, cutting taxes while starting a war in Iraq was no way to create a healthy economy. At the same time, construction of highways which are hardly used by vehicles or shopping malls which are not frequented by shoppers may contribute to the Gross Domestic Product (GDP) growth but are they healthy for an economy? Keynesian economics was apt in the 1930s when communism was a powerful force. Back then 'stimulus' was not misspent on corporate bailouts and unscrupulous wealth transfers.

Indeed, Keynes himself famously said 'when the facts change, I change my approach'. Thus, applying Keynes' prescription, in its true sense as developed in the 1930s, to remedy the current economic malaise may not be appropriate. It is against this backdrop that some economists, policy makers and investors are skeptical over US Federal Reserve Chairman Ben S. Bernanke's recent decision to pump a further US\$600 billion into the economy. In an attempt to criticise Bernanke's move, Jim Rogers, Chairman of Rogers Holdings was quoted in a recent lecture at Oxford University, as saying that 'give the guy a printing press, he's going to run it as fast as he can'.

At the same time, expecting Hayekian 'natural forces' to run their course to revive the downturn caused by over-consumption and under-savings may not materialize in today's world. The global financial market is submerged by systemic risks and the remedy in the form of 'natural forces' is deemed to be next

They claimed that the economic downturn caused by over-consumption and under-savings had to run its course and could not be speeded up by any form of fiscal or monetary stimulus.





ETP is poised to change the government's role from being the main propeller of growth to a coordinator and facilitator of private sector-led growth.

The key to success, however, will hinge on implementation, which needs to be laser-sharp, focused and sustained.

While the overall plan is set to propel Malaysia towards becoming a high-income developed nation, ETP should proceed at a measured pace, taking into account the need to protect vulnerable groups. The investments channelled into the 131 identified entry point projects (EPPs) must deliver immediate results by anchoring on improving Malaysia's Gross National Income (GNI).

to impossible. In today's world, Hayek would not have questioned the stimulus effects that new municipal swimming baths can have on the economy. Rather, his questions would focus on the role of financial markets in transforming savings into fruitful investment, given the surge in innovative financial instruments.

In their recently published book entitled *Nowhere to Hide: The Great Financial*

Crisis and Challenges for Asia, Dr. Michael Lim and Dr. Lim Chan of the Institute of Southeast Asian Studies (Singapore) claimed that the excess liquidity on the supply side was equally matched by excesses in financial innovations on the demand side. They further argued that financial innovations such as mortgage-backed securities, collateralized debt obligations, and credit default swaps have

multiplied rather than reduced risks in the financial system. To back their claims, they reported that between 1960 and 2007, total debt in the US economy rose 64 times while GDP rose just 27 times. What's more staggering is that the US economy witnessed an explosion in financial debt by 490 times and an increase in household debt by 64 times over the same period. The complacency of so many players in the financial market towards these developments eventually led to a massive build-up of systemic risks.

Neither Keynes' nor Hayek's prescriptions serve as the best remedy for the current global downturn, but there are definitely many takeaways for economists and policy makers. Revival of the economy cannot be solely dependent on government-sponsored stimulus packages. Neither can we solely rely on natural market forces to take its course. We need to find the middle ground by having a government-coordinated recovery programme, driven by healthy market forces.

In the Malaysian context, the recently announced Economic Transformation Plan (ETP), at this juncture, is moving in the right direction. ETP is poised to change the government's role from being the main propeller of growth to a coordinator and facilitator of private sector-led growth. The ETP roadmap was developed through labs and a series of forums where the best minds in government and private sector were brought together to develop ideas into actions. The key to success, however, will hinge on implementation, which needs to be laser-sharp, focused and sustained. While the overall plan is set to propel Malaysia towards becoming a high-income developed nation, ETP should proceed at a measured pace, taking into account the need to protect vulnerable groups. The investments channelled into the 131 identified entry point projects (EPPs) must deliver immediate results by anchoring on improving Malaysia's Gross National Income (GNI). If these aspirations can be achieved, the century-old Keynes vs. Hayek debate is set to find an amicable ending. ■

**BE FREE
TO SPREAD
YOUR WINGS**

At ACCA we believe an
accountancy qualification
should be globally relevant
and transferable. Our
qualifications prepare
you for what lies ahead.
Whatever your ambitions.
Wherever your career
takes you.



**PREPARED TO
BE DIFFERENT**



FIND OUT MORE ABOUT
THE GLOBAL BODY FOR
PROFESSIONAL ACCOUNTANTS

+603 2713 5051
www.accaglobal.com

The economic benefits of adopting IFRS

Global harmonization of accounting standards is no longer a dream. It began in 2001 with a vision to achieve worldwide convergence across the globe and this vision, against all odds, is now evolving into reality as we approach our final hurdle - the simultaneous adoption of IFRS across Europe, Asia, Canada and Africa in 2011. There's more good news - IFRS recently got a boost when the US Stock Exchange Commission proposed a road-map that will eventually witness the complete migration of US GAAP to IFRS by 2014.

The catalyst that spurred IASB to engage in overdrive to pursue its vision of global harmonization is probably the rapid rate of globalization over the last ten years combined with the ingenuity of the global financial market in producing complex financial instruments namely in the field of derivatives. The ambiguity of several provisions under the conventional accounting standards that had never been specifically addressed, aggravated by auditors' reluctance to confront customer's demands in the absence of specific and inflexible requirements may also have hastened the convergence process.

Today, practitioners are more confident that global harmonization will create tremendous economic advantages for firms, particularly those involved in cross-border capital flows. They realize that one of the biggest advantages is the reduction of risk factors. Risk will be greatly minimized



IFRS ADOPTION CAN
RESULT IN HIGHER
REPORTING QUALITY
WHICH ULTIMATELY
REDUCES ACCOUNTING
RISK, WHICH IN TURN
WILL LOWER THE COST
OF CAPITAL.

Dr. Hassan Ali





because under IFRS, financial statements are prepared in accordance to a universal mode of risk analysis principles. Indeed, investments are all about risk. Investors are willing to accept lower returns if the risk factor is reduced. Most risks are economic in nature but the prospect of an accounting risk - defined as risk when engaging with foreign firms that prescribe different accounting standards - will be greatly minimized.

Consequently, the elimination of risk will lead to an increase in the investment flow of capital in the equities market as investments become more liquid, given that financial infor-

mation is perceived as more reliable. At the same time, cost of capital - which is the price that an investor expects from its investments - will be greatly reduced as investments surge because of reduction in the risk exposure while material information on asset pricing becomes more accurate. Under IFRS, an entity can no longer influence the outcome of its financial assets (e.g. historical cost or fair value) because of the criteria imposed and the limited options allowed. Thus, the more accurate the information, particularly with regards to the asset values of the entity, the lower the cost of capital, which in turn leads to increased liquidity.

There is a general consensus by investors and practitioners that the current information presented under conventional accounting standards may not be sufficient for modern-day economists to decide on investment decisions. International investors insist that information relating to financial performance of an entity should also include in-depth analytical information instead of just financial figures. For example, the measurement and interpretation of derivatives was finally resolved under IFRS 7 after remaining in mystery since it was first introduced ten years ago. Entities are now required to provide 'a summary of quantitative data' of its exposure to risk regardless of the volume or quantity of financial instruments kept.

Conventional accounting standards were established on the basis of providing a 'true and fair view' and is intended to provide information on the entity's economic activities for market participants and other enterprises. Ideally, a financial report should convey accurate information on the entity's financial performance and position, prepared on the basis of 'faithful presentation' but even these terms are subject to debate. There are volumes of reported cases where financial statement preparers would deliberately defer or disguise recognition of losses with misleading implications. The conceptual framework has succeeded in alleviating this concern by clearly defining the term 'material' information - a major step towards transparency while mitigating the accounting risk.

In a recent survey by the Graduate School of Business, Universiti Sains Malaysia that aims to compare the accounting quality of more than 500 firms listed under the Malaysian Stock Exchange (Bursa Malaysia) before and after adoption of IFRS, IFRS-adopted organizations exhibited a higher tendency to comply with IFRS disclosure requirements which resulted in more transparency and improvements in its accounting quality. Almost 78% of IFRS-adopted organizations in Malaysia have recorded more earnings management, increased relevancy in

accounting recognition and widespread comparability after adopting IFRS. IFRS-adopted organizations also recorded a higher ratio of changes in net income and cash flows and perhaps, more significantly, the reporting of small net profit almost disappears implying that loss-making companies did not attempt to disguise or hide their losses. Almost 62% of first-time adopters reported significant increase in market liquidity after IFRS became mandatory in 2005. The survey concludes that the disclosure requirements imposed on entities under IFRS actually serve as a primary force to enhance the quality of accounting standards among Malaysian organizations.

In summary, IFRS adoption can result in higher reporting quality which ultimately reduces accounting risk. This in

turn will lower the cost of capital as research has shown that there is a strong co-relation between the effects of accounting risk *vis-à-vis* lower cost of capital.

However, there is still a major question on the vigour of enforcement by auditors since poor implementation will yield futile results. The next battleground will be on the quality of auditing and enforcement. The establishment of an Audit Oversight Board by the Securities Commission is a positive step towards uplifting the quality of our auditors because it is they who will ultimately decide on the success or failure of IFRS. ■

.....
The writer is an Assoc. Professor with the Graduate School of Business, Universiti Sains Malaysia. He can be contacted at hasanali@usm.my





MELISSA CLAASSEN CPA (Aust.)
CFO ADIDAS GROUP
HONG KONG AND TAIWAN



Melissa keeps the entire team on a solid financial footing. That's a real plus for adidas.

As a CPA, Melissa Claassen understands the value of strong strategic and financial leadership. Working across marketing, sales and operations for adidas, Melissa ensures that all of these people understand the financials. Plus, she formulated a strategy that increased cash flow by more than 50%. It's the skills gained from CPA Program that allow her to make such a valuable contribution. For over a century CPA Australia has been committed to the continuous development of over 129,000 members in more than 110 countries. We also connect these members to a global network of business and finance professionals through our international alliances. All of this helps Melissa keep the team focussed on being the leader in Hong Kong. For adidas, it's the perfect combination of sport + business. **To watch Melissa's story or for more information on CPA Australia visit cpaaustralia.com.au.**

Congratulations to the Malaysian Institute of Accountants on a successful WCOA 2010.

CPA Australia is a proud gold sponsor



think+create



PREPPING FOR INTEGRATED REPORTING

 INTEGRATED REPORTING IS AN IDEA WHOSE TIME HAS CLEARLY COME. NOW THE ONUS IS ON MAKING SURE THAT ALL IN THE FINANCIAL REPORTING VALUE CHAIN ARE ABLE TO UNDERSTAND AND IMPLEMENT INTEGRATED REPORTING.

There is growing awareness that financial reporting alone cannot capture the full dimension of corporate performance and worth.

Even today, voluminous annual reports and accounts – especially boilerplate disclosures that reveal little - risk obscuring rather than increasing transparency. Indeed, Charles McDonough, Vice-President and Controller, World Bank, asked rhetorically, “Are we (accountants) the only ones reading what we produce?”

“The global financial crisis and events such as the recent Gulf of Mexico oil spill disaster have focused greater attention on corporate accountability and highlighted the need for capital market decision-making to reflect longer-term considerations, challenging the extent to which corporate reporting disclosures draw attention to the governance and management of risks,” said Tan Sri Zarinah Anwar, Chairman, Securities Commission Malaysia, speaking at the plenary session on integrated reporting during the recent World Congress of Accountants (WCOA) 2010.





“THERE IS GROWING

acceptance for the eventual replacement of the annual report with an integrated report, but until that day arrives we are faced with



the challenge of what is material and what is relevant and how much data is enough.”

*Tan Sri Zarinah Anwar
Chairman, Securities Commission Malaysia*

The proposed solution lies in integrated reporting, which will enable a company to understand the linkages between financial and non-financial performance in order to make the right decisions for creating a sustainable business. However, it should be understood that “integrated reporting is not in replacement of financial reporting but an evolvement of financial reporting whose time has come because of the crises of our time,” said Prof. Mervyn Eldred King S.C., Chairman, Global Reporting Initiative. “What is clear is that for businesses to be sustainable, environmental, social and governance considerations must be embedded into its core business strategies and fully integrated into its operations,” added Zarinah.

Integrated reporting should not be confused with sustainability reporting. “We’re not talking about sustainability reporting but integrated reporting, so don’t put it into that silo. Integrated reporting is about improving the quality of corporate reporting so that companies can produce a more strategic picture of issues critical to their long-term sustainability and success,” said Paul Druckman, Executive Board Chair, HRH The Prince of Wales Accounting Sustainability Project and co-chair of the IIRC Working Group. Significantly, the integrated reporting model requires a cohesive approach. “We have to make sure we connect things together and we’re not just talking in silo. We have to look at the whole value chain of a business and not just specific elements of compliance,” said Druckman.

IN SEARCH OF HARMONY

“The challenge with integrated reporting though is that there is no one set of standards for companies to adopt,” said Zarinah. To mitigate this, the high-level International Integrated Reporting Committee (IIRC) is working to develop an overarching integrated reporting framework to promote a global standard for reporting both financial performance and sustainability in a single report. “The IIRC’s integrated reporting framework will certainly help address inconsistencies in present guidelines and practices, application levels as well as relevance of core issues,” she said. According to Druckman, the IIRC hopes to present a discussion paper on integrated reporting for public consultation from late May 2011 – 31 July 2011 and to present the proposed framework to the G20 by November 2011.

While the aims are laudable, challenges abound. Developing such an integrated report

is difficult. For instance, how do you determine what information should be provided given the broad bases of environment, social and governance (ESG) issues? Zarinah called for a reassessment of the information required in corporate reporting. “There is growing acceptance for the eventual replacement of the annual report with an integrated report, but until that day arrives we are faced with the challenge of what is material and what is relevant and how much data is enough,” she said. Companies should focus on disclosure that provides a more concise and more complete picture of the company’s performance and the factors that will influence its long-term success.

“We have to think afresh about what information is truly useful to decision-making,” said McDonough. “We have to change the mindset, challenge assumptions and look beyond conventions of investor interest.”

Dr. Nancy Kamp-Roelands RA, Global Climate Change and Sustainability Accounting Coordinator, Ernst & Young Accountants LLP advised preparers to consider and prioritise relevance versus completeness. “Look at decision-usefulness: does it affect economic decisions or wider holistic decisions? To avoid volatility, “focus on economic stakeholders rather than trying to address all shareholder needs,” she said. Consider if information is being provided over a longer time horizon, not just comparing over two years but over a larger amount of time, she added.

There is also a need to ensure that the information can be easily understood by users. Therefore,



ACCORDING to the World Federation of Exchanges there are almost 50 socially responsible investing (SRI) indices offered by stock exchanges and these indices are predicated on the voluntary disclosure of a broad range of social and environmental indicators. These include examples like the JSE SRI index and the Novo Mercado by the Sao Paulo Stock Exchange Bovespa.

benchmarking information is essential to place disclosure in the right context. Show relativity of information, for example, what were the events and acquisitions that drove annual emissions up in comparison to previous years? “Context information is crucial in this type of reports,” added Kamp-Roelands.

Independent assurance is vital to add rigour to the quality of integrated reporting, said Kamp-Roelands. The external benefits of independent assurance include the production of an assurance report and the credibility of information. The internal benefits include the production of a management letter with its findings and recommendations to management which can improve the quality of the reporting process and also enable knowledge transfer, she said. However, assurance and verification of integrated reports will exacerbate sensitive issues of auditor liability. While independent assurance adds rigour to the quality of integrated reporting, “the assurance of the larger scope of integrated reporting exposes external auditors to greater risk,” said King, necessitating further discussion of apportionment of liabilities.

Boards and senior management must also take ownership of the sustainability agenda if accountability is to be improved via integrated reporting. “Boards must consider the long-term impact of short-term decisions they take on the sustainability of the business,” said Zarinah. This may

require choosing directors with suitable experience to form a sustainability committee. It may even require supplementing such committees with expert stakeholder advisory panels.

It is widely opined that in Malaysia, nothing moves without the whip being cracked. Should integrated reporting be made mandatory? South Africa as a result of the King III Report, for example, now requires all listed companies on the Johannesburg Stock Exchange (JSE) to publish an integrated report.

“Personally, I am not convinced that we can leave it to market forces to cause change in the approach to reporting,” noted Zarinah. “It is something that requires an assertive nudge. In this regard, the role of regulators and exchanges is vital in setting minimum thresholds for reporting and ensuring that such reporting frameworks are in-line with developments in regulatory standards and international best practices.”

There are criticisms that such information will fall on deaf ears and is not expected by investors. Conversely, said Kamp-Roelands, there is increased demand from stakeholders for additional comparable and reliable information on ESG issues. According to the World Federation of Exchanges there are almost 50 socially responsible investing (SRI) indices offered by stock exchanges and these indices are predicated on the voluntary disclosure of a broad range of social and environmental indicators. These include examples like the JSE SRI index and the Novo Mercado by the Sao Paulo Stock Exchange Bovespa. And a recent survey entitled “Gaining Ground” commissioned by the IFC and carried out by Mercer indicates that 46% or USD300 billion of emerging market investments now factor in ESG issues, indicating that companies and stakeholders find value in such reporting.

The accountancy profession is uniquely positioned to support this journey to integrated reporting, said Kamp-Roelands. Accountants in business can identify the information needs of stakeholders, support strategy development with information, reclassify costs and benefits and promote the inclusion of ESG information in systems and processes.

In the final analysis, integrated reporting can only succeed if changes in mindset and behaviour cascade throughout the corporate reporting value chain. The accounting profession as a major participant in this chain must get ready for the emerging era of integrated reporting. ■

With unequalled capabilities and infrastructure, Malaysia is at the forefront of the international Islamic finance renaissance, providing the perfect climate for organisations, including foreign financial institutions to practice Islamic finance.

Daud Vicary Abdullah
Global Islamic Finance Group Leader
Deloitte



Malaysia's move to liberalise its Islamic financial sector creates a unique opportunity for foreign financial institutions to be part of the world's most active, liberal and innovative Islamic financial market.

Johan Raslan
Executive Chairman
PricewaterhouseCoopers Malaysia

shaping
islamic
finance together MALAYSIA

Who is attracting top international financial institutions to its shores?

Malaysia, the world's most vibrant international Islamic financial hub. With an established infrastructure and regulatory framework, regional and international linkages, proven track record of product innovations and ready talent pool, it is the choice destination for international institutions looking at developing their Islamic finance business. Come and be a part of the most dynamic Islamic financial system.

Shape the future of Islamic finance through innovation and thought leadership, together with us.

Malaysia, the world's most comprehensive Islamic financial system with over 30 years of experience. Log on to www.mifc.com or call +603 2692 3481

Sukuk
Origination

Islamic Fund and
Wealth Management

International
Islamic Banking

International
Takaful

Human Capital
Development

MIFC
MALAYSIA INTERNATIONAL
ISLAMIC FINANCIAL CENTRE



NON-EXECUTIVE DIRECTOR AND FORMER CFO JOHN COOMBE FEEDS THE BUSINESS REPORTING DEBATE WITH A FEW (PERSONAL) LESSONS FROM THE FINANCIAL CRISIS.

“The days when directors turned up to meetings not having read the papers and had a good lunch and chatted for an hour or two and then went home are long gone,” according to John Coombe in the following interview. He explains that being a director is hard work, especially in companies that land in a crisis and have to work their way out. Having gone through the experience a number of times, and still going strong, John Coombe is the director to go to for a few lessons from the financial crisis.

INCREASE YOUR FOCUS ON RISK

Due to the financial crisis, corporate governance has certainly moved up the level of priorities. What are the one or two big things that organizations generally should be doing in terms of governance?

“The thing that has leapt off the page on most people’s agendas recently has been increased focus on risk. The focus is on critical risks, because of course we are going through really difficult times. The time may come again when boards want to challenge managers more on what they are doing to grow the business, but right now the challenge is all on, ‘What are you doing to protect the business,’ and ‘What are you doing to make sure that we don’t tumble into a black hole like Northern Rock, HBOS, or RBS?’ I certainly think,



John Coombe started his career at chartered accountants Dixon Wilson & Co. in the UK. He then moved to the position of management accountant at British Oxygen Group Ltd, followed by a number of senior financial roles within Charterhouse Group plc and Charter Consolidated plc. In

1986, he joined the then Glaxo Holdings, and retired in 2005 as chief financial officer of GlaxoSmithKline plc. Until 2003, he was a member of the UK Accounting Standards Board. From 2003 to 2008 he was a member of the Supervisory Board of Siemens AG. Currently he is, among other roles, non-executive chairman of Hogg Robinson Group plc, non-executive director of HSBC, and non-executive director of Home Retail Group plc.

as far as financial services companies are concerned, getting directors to engage more in understanding the risks in their products and product areas has become much more important. It is certainly something I feel as a bank director we will have to do more of.”

DIRECTORS NEED TO UNDERSTAND THEIR RISKS

How (then) could boards get a better grip on those crucial risks?

“The boards I sit on are all very diligent in pursuing those risk areas that may derail

the business. Realistic risk assessment is quite difficult, however. Furthermore, recent events were such that it would have been very difficult for some companies to avoid what did happen.

“In the normal situation, the executive will say, ‘We want to do this.’ And the non-executives will respond, ‘Hmm, let’s go through that one more time, because we understand your desire to make money but, in certain circumstances, we feel that’s a risk too far. We would rather make less money and not run that particular risk.’ But it requires quite an involvement in the business to be able to pursue that line of questioning. In the financial services sector and banking sector, I am finding one of the most challenging things is understanding the product areas well enough to be able to ask the critical questions. For some of these products, it is hard enough just listening to the explanations. To go to the next stage and say, ‘What would happen if a certain series of events occurred.’ These are difficult calls and hard to quantify in terms of saying, ‘That is a very complex product. As long as it is sold properly; and as long as the market is moving within certain parameters; and as long as you have a system set up that rings early warning alarm bells if the market moves outside the parameters, so you can shut down operation or at least curtail its activities, then...’ Managing risk is very hard to do.

“In terms of establishing whether a new product or line of business fits within your risk appetite, a director is reliant on the joint wisdom of the committee looking at the decision to say, ‘Taking everything together, we think that is a product or line of business worth pursuing.’ Or you come to the opposite view. It is clearly essential to establish risk appetite.”

PLACE PARAMETERS ON YOUR RISK APPETITE

How can boards establish their risk appetite and quantify it?

“The glib words ‘establishing your risk appetite’ conceal one of the hardest areas that exist for directors to put parameters around. Setting your risk appetite is essen-

tial, but difficult to quantify. Therefore, in my experience, it can turn out to be a pragmatic exercise because people don’t know how to deal with it in any other way. You go through the risk map every year - or the executive goes through it and brings it to the board - and there are some new risks added, some dropped off. You sit at the committee meeting and you discuss it: ‘Does that properly reflect the world economy or the local market as we see it today?’ and ‘Can we think of any risk that they haven’t thought of?’ You may decide that you want more emphasis put on a particular type of risk, because you have seen it going wrong in another business. The process can become very mechanical, and this must not be allowed to happen. There is more to establishing risk appetite than preparing a risk map.

“The fundamental question is, ‘What is the level of risk that a board may be willing to run?’ Some boards may deliberately take on a more risky strategy, because they think the returns are worth it. They may not get it right all of the time, but then they must ensure that they are well prepared to move quickly and deal with the results before they become terminally critical. Boards must establish and quantify their risk appetite by reference to the key control and performance indicators in their business.

BLACK SWANS DO EXIST, SO BE ALERT

The sudden disappearance of liquidity in the marketplace was a terrible shock to everybody. What can we learn from this?

“One valuable lesson is that ‘black swans do exist.’ So we are very much more aware of that when someone says, ‘Don’t be ridiculous, it is impossible to anticipate that the wholesale markets might dry up, that’s an extremely remote risk we will live with.’ I think we are all now much more alert to the fact that such events - even at the extreme end of risk possibility - can actually happen. That is a valuable lesson learned. However, my worry would be that with the passing of time, people’s alertness to extreme risk events diminishes. That is a statement

of the obvious, I suppose, and evidenced by banking crises or over lending in the property market every 10, 15, or 20 years.”

ESTABLISH A SPECIALIZED RISK COMMITTEE

What could we do to keep risk management current on the board agenda?

“There is quite a debate at the moment on maintaining directors’ attention to risk. One of the recommendations coming out from these debates, at least for financial institutions, is that we should have separate risk committees. I think this makes sense. However, it does raise the issue of time commitment for directors, as many of the most suitable candidates will already be on the audit committee, and if they have a full time job elsewhere it may be difficult to make more time available. Yet there is value in having executives contribute as non-executive directors in other companies.”

CONSIDER EMPLOYING A RISK SPECIALIST

Did you come up with any solutions?

“I do wonder whether a new advisory service might be established, focusing specifically on risk. Maybe risk committees should have someone who is a specialist in this area, rather like employing a recently retired audit partner at the audit committee to help out on some of the more complex accounting issues.”

And would this specialist be reporting to the board and specifically to the non-executives, rather than to management?

“I would have them advising and reporting to the risk committee, which is likely to be comprised of non-executive directors with relevant executives in attendance.”

LET TRADERS PUT SOME OF THEIR OWN MONEY IN AS WELL

The financial crisis also revealed that people were incentivized to take more



risk with other people's money than they probably would have with their own. Going forward, shouldn't they be required to put more of their own money or income on the line?

"It has to be that way, and I think that point is being grasped. It is one of the new areas of focus for the governance experts, who now say, 'One of the reasons it went wrong is that too many people were gambling with other people's money and getting paid huge bonuses when it worked, but losing nothing when it didn't work; when it went wrong.'"

So, basically, they had a one way bet?

"They did, but this is largely now being addressed by remuneration policies, which require deferral of bonuses and clawback if subsequent events demonstrate changed circumstances such that the bonuses should have been smaller, or not paid at all. To go to the next stage and create vehicles where traders partially invest and bear real personal risk can be done, but is probably impractical in large institutions other than hedge funds."

ALIGN REMUNERATION WITH (LONGER-TERM) REAL PERFORMANCE

What should we do in other circumstances?

"What is now being done in many banks and other financial institutions is to pay

out a large part of the bonus in shares, making sure that it is deferred for a period of time. If they can't get the shares for two, three, or four years, they will suffer the ups and downs of the share price movement, which ought to reflect longer-term performance and alignment with the shareholders. When this is combined with potential clawback, we have a fairer and more rational system (see also 'Effects of deferred remuneration')."

MAKE SURE THAT INCENTIVE SCHEMES REFLECT PROFITABILITY AND NOT SALES VOLUME

"The other area we have to be very careful of is making sure that incentive schemes truly reflect profitability and not sales volume. If I would try to generalize it, remuneration committees just have to minimize the risk of unintended consequences from incentive schemes."

TO SPLIT UP OR NOT: IS THAT THE QUESTION?

Shouldn't we conclude from the financial crisis that some of these financial institutions have become too big to manage?

"The question has been asked a lot in the last few months. Governments and regulators have come up with a number of variations on this theme. My view is, this would be a big step to take and one that would not necessarily solve any-

thing. The early failures in the UK were straightforward lending banks, not the complex large mixed business banks. There are differing views on the causes of the crisis, and I would prefer globally coordinated improved regulation rather than populist knee jerk reactions which are not necessarily based on facts."

REGULATORS HAVE TO PLAY A ROLE AS WELL

What should be the role of the investor in dealing with these governance issues?

"In the UK, the government is putting great pressure on the big investors to play much more of a part in enforcing governance. The problem is that the big UK investment companies own less than one third of the FTSE 100 Index on the London Stock Exchange. The rest of it is owned by foreign investors, by hedge funds and others. So we are turning to the holders of a small percentage of capital to enforce governance discipline. Whilst many large investors are committed to this role and fulfill it effectively and responsibly, the greater power and likely probability of success lies with the regulators.

"To only look to investors being more active is unlikely to be effective. Governance issues are probably best tackled with a mixture of all three of regulators, investors, and of course the most important group, the board of directors."

INTEGRATE CORPORATE GOVERNANCE ISSUES IN THE ANNUAL REPORT

Should all these governance issues also be publicized?

"Yes, they should, but here we have the dilemma that the thicker the annual report gets with additional or expanded reports, the less there is any chance of an investor plowing through it and making sense of it. We have a volume and complexity versus clarity issue here. One of the proposals should be to integrate corporate governance issues in the annual report." ■

**Today's cross-border
business needs
tomorrow's cross-border
thinking.**

**What's next for your business?
ey.com**



 ERNST & YOUNG
Quality In Everything We Do



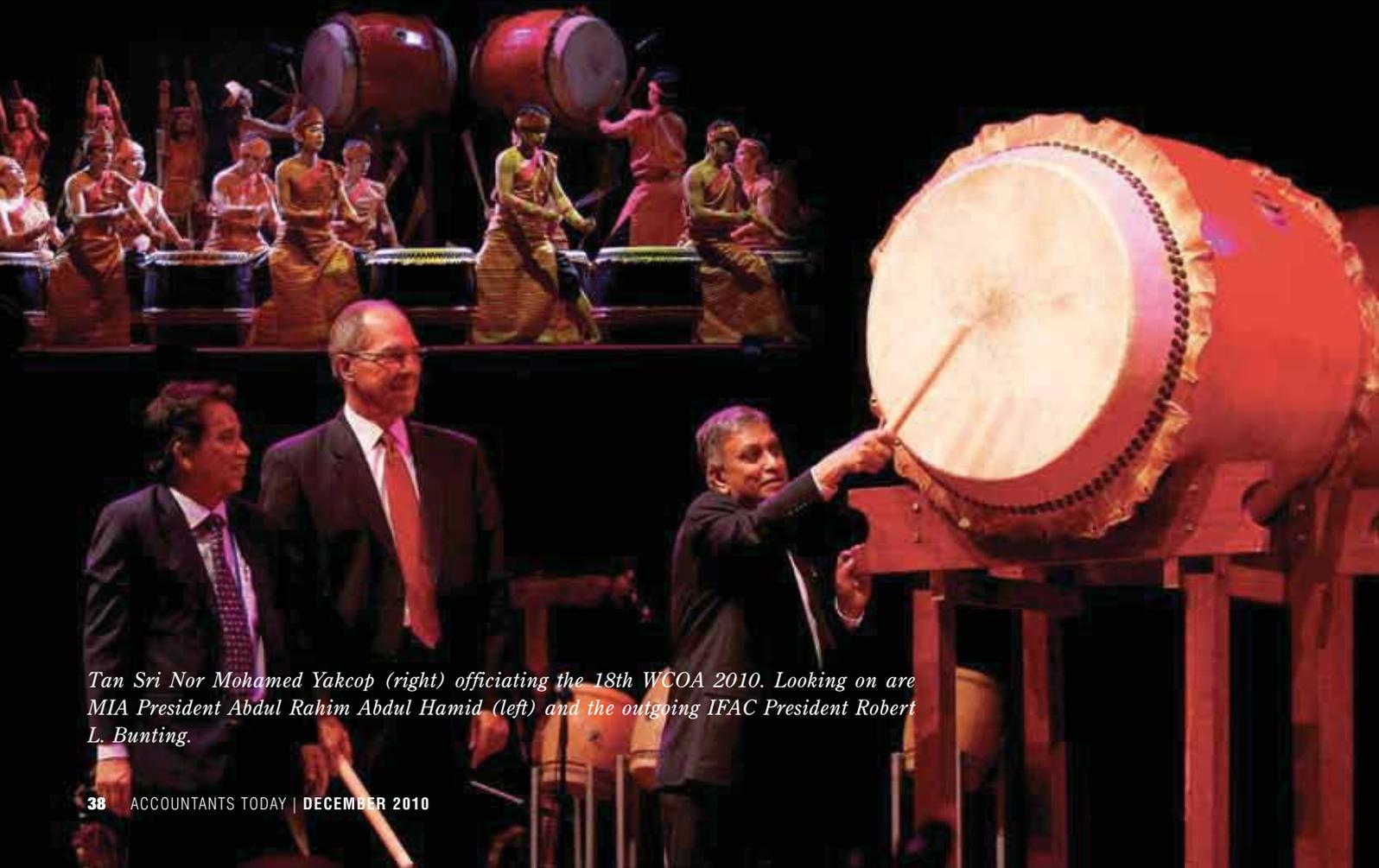
At WCOA

ACCOUNTANTS DEBATE RELEVANCE

THE 18TH WORLD CONGRESS OF ACCOUNTANTS FOUND ACCOUNTANTS RE-EXAMINING THEIR ROLES AND RELEVANCE AND SEEKING NEW DIRECTIONS IN A WORLD SEARCHING FOR OPTIMAL SOLUTIONS TO VALUE CREATION AND SUSTAINABILITY.

The 18th World Congress of Accountants (WCOA) exceeded expectations when it succeeded in drawing a record-breaking 6,050 delegates from 134 countries. The achievement ended months of "trepida-

tion," said WCOA Organising Chairman Dr. Y C Lee. The WCOA committee had set a lofty target of 6,000 following the congress in Istanbul, which drew 4,500 delegates.



Tan Sri Nor Mohamed Yakcop (right) officiating the 18th WCOA 2010. Looking on are MIA President Abdul Rahim Abdul Hamid (left) and the outgoing IFAC President Robert L. Bunting.



Göran Tidström, President of IFAC (centre) addressing the media after the closing ceremony. With him are Abdul Rahim (left) and WCOA Organising Committee Chairman Dr. Y C Lee (right).

“We faced substantial trepidation in 2009 and early 2010 because of the financial crisis and the volcanic eruptions, which meant that people might not have been able to attend. However, we hunkered down and did all we could and we were absolutely confident that we could persuade people that this is a Congress they shouldn’t miss,” explained Lee during a packed press conference held following the WCOA closing ceremony.

The 18th Congress was jointly organised by the Malaysian Institute of Accountants (MIA) and the International Federation of Accountants (IFAC). Also dubbed “the Olympics of the accountancy profession”, the WCOA is the foremost international event for the accountancy profession. It was officiated by the Minister in the Prime Minister’s Department Tan Sri Nor Mohamed Yakcop on behalf of the Prime Minister Datuk Seri Najib Tun Razak.

Themed “Accountants: Sustaining Value Creation”, the Congress was held

Rene Ricol (left) receiving the IFAC special award from Robert Bunting for recognition and achievement in the development of the accountancy profession internationally.



in Malaysia for the first time. Under the umbrella of sustainability, the key issues under discussion included understanding how accountants can add sustainable value and remain relevant; the development of a new integrated reporting framework to strengthen corporate reporting and enable the accurate valuation and long-term sustainability of enterprises; the alternative role of Islamic finance in global markets; and profiling

the accountants of the future.

“The Congress was an extremely valuable event. The overall theme fit in with IFAC’s strategy for the next few years which is to enhance the relevance of the profession,” said IFAC President Göran Tidström.

“It was natural following the financial crisis that accountants would play a more prominent role in economic growth and sustainability, and this theme is absolutely right,” he added.

To deliver further value and enhance competencies, Tidström said that IFAC would continue to work hard

to develop and enhance global standards within the accounting field. “It is extremely important that the profession continues to be a key player when it comes to developing standards for financial reporting, audit and ethics. A profession that is not involved in standard-setting is not a professional body anymore, it’s something else. We have the expertise and we have to contribute,” he said.



“SENIOR ACCOUNTANTS IN MALAYSIA SAID THAT THEIR UNDERSTANDING OF ISSUES HAS DEEPENED AND EXPANDED UNBELIEVABLY AS A RESULT OF THE CONGRESS,”

IFAC will also strengthen efforts to embrace all segments of the accounting profession, not just auditors, but also professional accountants in business (PAIB), in public service and in small business. “We have to be inclusive – no profession can succeed if they are exclusive so we must engage stakeholders,” said MIA President Abdul Rahim Abdul Hamid.

While all sectors are important, the public sector is a key stakeholder given the size of its impact. Through the Public Sector International Accounting Standards Board, IFAC is taking the initiative to set high quality public sector accounting standards and urging governments to adopt them. “This is an area in which Malaysia could take the lead as well,” said Tidström.

Through engagement, the accounting profession will therefore be able to speak out with a strong global voice to regulators,

lawmakers and other counterparties. In this regard, WCOA was an excellent opportunity to get outreach, said Tidström. Along with international efforts, Tidström said that there has to be a “parallel process” for engagement and outreach at the national level. “National bodies are our outreach; IFAC provides ideas and the national body implements them and takes them to the level of local debate,” he explained.

There were also opportunities for learning outside the conventional scope of accounting knowledge. “The Islamic finance knowledge gained during the WCOA sent a message to the whole world of accountants that everyone has to learn more about the development and real importance of Islamic finance in the global economy. There are similarities even if equity is so much more important in respect of Islamic finance,” said Tidström.



Meanwhile, the high-level session on reporting for sustainability clarified the rationale for integrated reporting. “Accountants should support integration between business strategy, sustainability and governance,” said Tidström. He welcomed the development of a framework for integrated reporting to be used around the world in the very near future. “The accounting profession has to be ready to build up its competencies and provide assurance for integrated reporting,” he warned.

The Congress was not only invaluable for accountants, but equally so for Malaysia. Estimated to have cost RM8 million to organise, “the pay-off is immeasurable,” said Lee. Bringing the Congress to Malaysia provided local accountants with access to a superior congregation of knowledge. “Senior accountants in Malaysia said that their understanding of issues has deepened and expanded unbelievably as a result of the Congress,” he added.

The charms of Malaysia too gained a higher profile thanks to the Congress. “We travelled to many countries to promote Malaysia. Now that they have visited Kuala Lumpur, many delegates have realised that there are many parts of Malaysia that they haven’t seen. We would like to invite them to return,” said Lee. ■

Engaging the Future Generation

SINCE SHAPING the accountants of the future was a major theme, it made sense to include students among the audience at the WCOA. MIA allotted 1,000 free entrance passes for students of higher learning institutions to participate in the fourth plenary session of the Congress to enable them to enhance their knowledge on the roles of accountants and gain exposure to the profession. The plenary session, entitled “Accountants in the Next Decade – Embracing Change & Seizing Opportunities” which was held on 11 November, was especially suitable for aspiring Gen Y accountants as it discussed the role of accountants of the future. “The Congress was a platform for bringing accountants together to discuss issues that are highly relevant to students when they enter the job market. There was sharing of knowledge and pools of expertise congregating in Malaysia in such a short

time and a diversity of subjects. It would be a waste if students in the country did not have a chance to participate,” said WCOA Organising Chairman Dr. Y C Lee. Televising the final plenary session – where heads of global professional accountancy bodies shared their views on shaping the account-

ants of the future – provided guiding principles for these students as they choose what they want to do later in life, he added. Inviting the students was a perfect opportunity to demonstrate the wide areas of accounting activities and the competencies that are part of the accounting profession, said IFAC President Göran Tidström. “We talked about the expectation gap and this was a perfect way to demonstrate how the gap is being gradually narrowed.” It was also a strategic move to attract students to the profession. While there are an estimated 26,000 accountants in Malaysia, this figure is insufficient to meet the demands of industry and government. “And given the speed of business development in this region, the number of accountants is definitely not enough. Bear in mind too that many of these accountants have moved into other functions and may not be practising accounting work,” Lee explained. “I think the ratio of accountants could and should be increased,” added Tidström. Quoting HRH The Prince of Wales, Tidström said that accountants could be seen as the “engine room” of business activities. They are no longer confined to bookkeeping and auditing roles. Since their scope is so much wider, the ratio of accountants to business is far too low, said Tidström. ■



going
green



The Congress focused on several issues related to environmental sustainability, such as climate change reporting and emissions trading. Since action speaks louder than words, the organisers took pains to reduce consumption of plastic and paper and to offset carbon emissions as part of sustainability efforts. Specifically, re-useable water bottles were given out to delegates in place of plastic water bottles. “By doing this, we would have saved an estimated 100,000 plastic water bottles if each person were to consume four bottles of water per conference day,” said MIA President Abdul Rahim Abdul Hamid. Thumb drives were provided for delegates to

download speaker presentations, as opposed to printing out the presentations. To cut carbon emissions, organisers MIA also encouraged delegates to use the Express Rail Link from the Kuala Lumpur International Airport to the city centre and vice-versa on return journeys. A tree-planting ceremony to help offset carbon emissions was also held at the Kuala Lumpur Convention Centre, location of the WCOA 2010, to signify MIA and IFAC’s commitment to environmental sustainability. “We hope it serves as a starting point and that the World Congress delegates will also see the importance of supporting this important initiative,” said IFAC CEO Ian Ball. ■

INDIA: IFRS norms may be diluted before rollout

With less than six months to go before the nation moves towards a globally-recognised accounting system, the government plans to dilute some key provisions relating to foreign exchange differences and overseas borrowings which will make global investors suspect Indian accounting, say three people closely associated with the development, reports *The Economic Times*. In the case of accounting for foreign exchange differences that rise because of currency derivatives taken by firms, the government is looking at an option where companies need not provide for any loss in the profit and loss statement but rather just carry forward the value as at the end of March 2011, according to a Ministry of Corporate Affairs (MCA) official, who declined to be named as he is not authorised to talk with the media. Also, the National Advisory Committee on Accounting Standards (NACAS), an advisory body for the corporate affairs ministry, is in favour of allowing companies not to provide for mark-to-market (MTM) losses on their foreign currency convertible bonds (FCCBs), the report quoted a member of the advisory board. MTM is an accounting principle where the value of the contract is marked at current exchange rate for currency derivatives and current bond price for FCCBs. Both dilutions will be major departures from what the International Financial Reporting Standards (IFRS) prescribe. It has huge upside for India Inc. in the short term by helping it to avoid reporting such MTM losses prescribed by IFRS. But it may work to its detriment in the long-term by making companies unattractive to global investors. The report quoted V Balakrishnan, chief financial officer of Infosys as say-

ing: "Our books (of account) will not be respected by the outside world (if we make such dilutions). The whole approach is wrong. We should have adopted IFRS instead of converging." When companies first adopt IFRS, the standards lay out a procedure on how to treat the foreign exchange differences. It gives two options — the first is to reduce it from the profits and the second is to revalue all the assets in the balance sheet and adjust the loss arising from exchange differences with the reserve created from such revaluation. Both will have a negative impact — one will reduce the profits and the other would shrink the balance sheet. So, companies have sought dilution of the provision. "We are now considering a third option where the companies will be allowed to carry forward whatever their values at the end of March 2011 to the next financial year when implementing IFRS," says the MCA official, the report added. "Allowing companies to carry forward the value of foreign exchange derivatives will ensure there is a permanent difference between Indian IFRS and IFRS," says Jamil Khatri, executive director with KPMG, an audit and advisory firm. The whole issue of accounting for changes in foreign exchange rates came to the forefront during the global financial crisis, after Lehman Brothers collapsed, it added. ■

HONG KONG: The Big Accounting Merger

Two major accounting firms in Hong Kong have merged. But it's not clear how many people actually noticed, according to one blog on the *Wall Street Journal* (WSJ). "It's probably the style of our profession," Albert Au, chairman and CEO of BDO Ltd, told *China Real Time*. His firm and Grant Thornton, the fifth and sixth largest accounting firms in Hong Kong, respectively,

joined forces in October, but the event managed to generate virtually no media coverage. "Generally it's not good when accountants are in the headlines," said Au. The blog said Grant Thornton managed to make a few unwanted headlines late last year when news leaked out that its former partner Gabriel Azedo disappeared (he still hasn't surfaced) after two clients filed writs against him. One of the writs is seeking a total of US\$11.7 million for breach of trust, breaches of fiduciary duty and acts of fraud. The other is seeking US\$2.3 million. It added that Grant Thornton's merger with BDO could help shed the legacy of the Azedo scandal, says Brian Lee, director and financial controller of Richfield Group Holdings Ltd., and director and chairman of Lone Holdings Limited. Richfield, a real-estate investment holding company, is a client of Grant Thornton, and Lone, an investment holding company engaged in financial printing services, is a client of BDO. Lee believes the merger is the right move. "It's a global network for us, it gives us a much better, much bigger network," he said. It added that aside from increasing payroll, BDO isn't paying anything to acquire Grant Thornton's client list and staff, which will increase BDO to about 1,100 employees and 70 partners. "There is no goodwill payment of any kind," Au said. "I like to think they are voting with their feet. By that, I mean they think they're joining a platform they have commitment to and believe in." ■

US: Wave Online Accounting Counts On Small Businesses

Wave Accounting recently launched a free online accounting application for small business owners that lets them track and manage their business and personal finances. Wave Accounting is a full double-entry bookkeeping system that allows the small

business owner to track income and expenses," said Kirk Simpson, company president and CEO. *Information Week* further quoted Simpson as saying: "Our core market will be companies with nine employees and under, a market currently dominated by spreadsheets and shoeboxes. People are not fond of back-end tasks; we want to get them into a mostly automated accounting engine." In North America, there are about 28.5 million companies with 20 or fewer employees, claimed Simpson. And, he added, according to a report by the United States Small Business Administration, out of 13.2 million small business owners, 22% - 2.9 million - own more than one small business, the report added. "Wave Accounting is mostly for companies where the owner is managing the books, even if they have help from someone like a bookkeeper," said Simpson. There is no cost to use Wave. Its business model is "similar to what *Mint.com* is doing on the personal finance side, placing small icons representing offers against specific transactions, such as a \$65 wireless package against your wireless bill," Simpson said. These are done as database queries, not against personal data, and "information is never passed to the advertiser unless the user takes action on an item." Wave Accounting lets users do bookkeeping for both business and personal activities, and for multiple businesses, and to assign accounts and specific transactions to the appropriate place. "For example, a lot of small businesses are running through personal checking accounts and credit cards," said Simpson. "When you bring in a financial institution, you can assign it to Business or Personal. If you use a credit card for both, when you see the transactions, you can drag and drop them to either your Business or Personal chart of accounts." ■

IAASB ADDRESSES COMPILATION ENGAGEMENTS; EXPOSES ENHANCED STANDARD

(New York / 28 October 2010) – The International Auditing and Assurance Standards Board (IAASB) released for public exposure the proposed International Standard on Related Services (ISRS) 4410, Compilation Engagements. The proposed standard is the first step in the IAASB'S work to create robust standards for services that can be used by entities that are either not required or do not elect to be audited to meet their business reporting needs. Through a compilation engagement, practitioners can provide significant benefit by applying their expertise in accounting and financial reporting. This expertise is applied to assist the management of an entity in preparing and presenting historical financial information for use by the entity's internal or external stakeholders. "Regulations affecting financial reporting by small and medium-sized entities (SMEs) continue to evolve, highlighting the critical need for standards that support quality services to meet the needs of those entities and their stakeholders," said Prof. Arnold Schilder, IAASB Chairman. "Through the proposed ISRS 4410, as well as additional planned standards, the IAASB aims to address the growing international need for standards that support a range of services other than audit." "The proposed ISRS 4410 will help practitioners around the world converge on the use of a globally accepted benchmark for performance of compilation engagements," noted IAASB Technical Director James Gunn. "Further, the ISRS will help promote development of practice in jurisdictions that currently do not have national standards in this area, and also provide clarity for users about what is delivered in a compilation engagement." ■

IAASB REPORTS ON CLARITY ISA IMPLEMENTATION MONITORING; RELEASES FURTHER RESOURCES TO SUPPORT IMPLEMENTATION

(New York / 3 November 2010) The International Auditing and Assurance Standards Board (IAASB) released a progress report on its project

to monitor the implementation of its clarified ISAs. The report-Implementation of the Clarified International Standards on Auditing (ISAs)-highlights key findings from the first phase of the IAASB's initiative to develop a process for gathering information to help it evaluate the effective and consistent implementation of the clarified ISAs. Following completion of the Clarity Project, the first phase of this IAASB initiative has focused on learning more about early implementation experiences. "Effective implementation is key to realizing the full benefits of the clarified ISAs," said Prof. Arnold Schilder, Chairman of the IAASB. "With extensive implementation efforts now underway around the world, it is important for the IAASB to obtain timely feedback on the clarified ISAs from a variety of key stakeholders. The information we gather from this first phase and subsequent efforts of our monitoring project will help the IAASB continue to meet its objective of developing high-quality ISAs. To promote awareness and understanding of the clarified ISAs, the IAASB also has released a second series of ISA modules, focusing on some of the new and more significantly revised ISAs. These modules cover ISAs that address materiality in planning and performing an audit of financial statements, the evaluation of identified misstatements, written representations, using the work of an auditor's expert, and auditor reporting. As further support for ISA implementation, IAASB staff has released Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions, a questions-and-answers (Q&A) publication. The Q&A highlights considerations in the ISAs that are relevant to auditing such transactions, often an area that gives rise to risks of material misstatement of the financial statements. "These new resources will assist people responsible for adopting and implementing the clarified ISAs and, in particular, auditors as they prepare for the upcoming audit season," explained IAASB Technical Director James Gunn. He added, "This additional support underscores the IAASB's commitment to facilitating effective implementation of the ISAs and, ultimately, to enhancing audit quality." The new ISA modules are available to download free

of charge from the IAASB Clarity Center on the IAASB's website (www.iaasb.org/clarity-center). The IAASB encourages IFAC members, associates, regional accountancy bodies, and firms to use these materials and to promote their availability to their members and employees. ■

IFAC ADDRESSES THE CONCEPT OF THE PUBLIC INTEREST

(New York / 4 November 2010) - Proposes Definitional Framework Based on Responsibilities of the Accountancy Profession-The International Federation of Accountants (IFAC), the global organization for the accountancy profession, has released for public exposure A Public Interest Framework for the Accountancy Profession(IFAC Position Paper #4). In order to consider and address issues in the accountancy profession on a consistent and clearly articulated basis, IFAC has developed a principles-based framework of the public interest, which can be applied to standard-setting, governance processes, policy analysis, and regulatory issues. Although mainly designed for use by IFAC itself, it may also be useful to the accountancy profession as well as to policy makers, regulators, and business leaders. IFAC considers that the accountancy profession, in serving the public interest, should be evaluated against three criteria: 1) consideration of costs and benefits for society as a whole; 2) adherence to democratic principles and processes; and 3) respect for cultural and ethical diversity. These criteria enable IFAC to assess the extent to which any policy, action, process, or condition is in the public interest. "For IFAC to play its part in the financial system, we must be sure that our actions are consistent with the public interest. The primary purposes of this paper are to explain how we understand the public interest, and to be transparent about how we will use that understanding to shape our decisions and actions," said IFAC Chief Executive Officer Ian Ball. "By exposing this paper for public comment, we seek both to receive input that can help us finalize our position and to stimulate other organizations to articulate how they interpret this fundamental concept." ■

diversity can pay dividends

Research shows that optimizing workplace diversity can drive creativity, innovation and growth. If that's the case, melting pot Malaysia has the natural capital to win in an increasingly global multicultural environment.

Ng Poh Ling

Globalization has shaped a new business world, one where companies and employees increasingly cross cultural divides.

This increasingly connected world brings with it economic and demographic shifts, as well as opportunities for growth. According to Ernst & Young Chairman and CEO, James S. Turley in a 2010 study called *Redrawing the Map: Globalization and the Changing World of Business*, companies that recognize diversity as an asset and wholly embrace it through an inclusive culture are the leading companies of tomorrow.

Diversity, in today's terms, transcends race or gender but encompasses age, personality, culture, skills, educational background and life experiences. The latest statistics from the United Nations show a growing aging population in the developed nations and concurrently, the numbers of children and young people have skyrocketed in developing countries.

Changing demographic and business landscapes as a result of globalization are serving as an impetus for corporations to adopt diversity in the workplace.

Diverse perspectives and the ideas or conflicts that they may spark boost a company's energy and creativity. A diverse team working on a common goal brings differ-

ent mindsets, expertise and knowledge to the table. This diversity allows for thinking differently and finding new and better solutions, leading to higher productivity. Greater productivity leads to more innovation which fuels economic growth.

A 2006 study conducted in Germany by the German Federal Employment Agency showed that higher levels of innovation and R&D correlated with higher levels of cultural diversity. More recently, Scott Page, Professor of Complex Systems, University of Michigan at Ann Arbor and author of *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies*, posited that groups with diverse perspectives generally tend to outperform homogeneous groups.

Corporations who ignore diversity as a key driver may thus find themselves left in the dust. How can companies benefit from diversity and incorporate it into workplaces? "Cultural diversity provides the biggest potential benefit to teams with challenging tasks that require creativity and innovation," observes Nancy J. Adler, a scholar of organizational behaviour and one of the world's leading researchers of cultural diversity.

Chandran Nair of *ethicalcorp.com* says that Malaysia has what it takes to win in an increasingly global multicultural environment. The country's cultural melting pot should provide fertile soil for corporations looking to expand offshore as its population is culturally diverse, with skill sets that include a mastery of languages - English, Mandarin, Tamil and Bahasa Malaysia - and exposure to Asian and Western cultural contexts along with the world's major religions.

One area of business where Malaysia looks set to excel is in the outsourcing market. Malaysia is slated to be one of the four growth markets that will contribute 54 per cent of the estimated US\$20.3 billion revenue to the Asia Pacific contact centre outsourcing market in 2011, according to a Frost & Sullivan study published earlier this year. The country is emerging as an attractive destination for the offshore contact centre industry, and its contact centre applications market is expected to grow at a compound annual rate of 15 per cent in the next five years.

What makes the country a winner in outsourcing? The country's most distinguishing competitive advantage is its multicultural workforce. The population's exposure to various cultures has intrinsically honed a cultural sensitivity and understanding that many corporations spend time and money cultivating. This alone could position Malaysia as a leading global project management and implementation hub in the Asian region.

Malaysian businesses could further leverage this advantage by taking steps to equalize opportunities for the three dominant races and using the sizeable Indian and Chinese population to build bridges to burgeoning emerging markets such as India and China. Likewise, its exposure to Islam could serve as a bridge to building business

opportunities with other Islamic countries. A population and workforce as culturally steeped in diversity as Malaysia serves as a hothouse for foreign organizations to train executives in honing their management skills to lead diverse international teams.

For telecommunications maverick DiGi Telecommunications Sdn Bhd, having a diverse workforce mirrors the various segments and backgrounds of their customers and provides an outlook for their needs

Malaysian businesses could further leverage this advantage by taking steps to equalize opportunities for the three dominant races and using the sizeable Indian and Chinese population to build bridges to burgeoning emerging markets such as India and China.

and wants. This in turn, helps the company to understand their customers better and to tweak their services to meet consumer demands and to develop new strategies. "In short, we have a replica of our customer base internally," said Suriahni Abdul Hamid, DiGi's Head of Human Resource Development. "From a team perspective, a diverse workforce allows us to build dynamic teams by leveraging and complementing each other's strengths and to look at all angles to develop the best possible solution that would benefit the company as a whole," she added.

At the heart of a company, an inclusion and diversity strategy is about finding the best people for the job, grooming them for global careers and exceeding their expectations through a visionary culture, noted Tan Yen Lin, senior executive at Accenture Malaysia.

Providing open access and equal opportunity is important to build a diverse workforce. For instance, DiGi's Open Hearts Open Minds programme is aimed at enhancing employability of disabled individuals by helping them transition into the mainstream work environment.

DiGi also enables equal opportunity employment, regardless of ethnicity, educational background, physical ability and gender. Its employees range from below PMR certification to PhD holders; 43.5% of DiGi's workforce and 33.33% of its top management are women.

The danger lies in companies pursuing diversity for its own sake or as a sop to corporate social responsibility, rather than as a strategy for enhancing performance. Ahmet Bozer, President of the Eurasia and Africa Group of the Coca-Cola Company cut to the heart of the matter. "The most important thing is diversity of thinking," he said. Having executives on board who understand emerging and developed markets is imperative. "You have to operate at a different level where you can deal with the full range of business opportunities and issues." ■





Leadership is Key to Diversity

Using diversity as a key element to achieve an organizational culture shift and as an innovation tool is becoming one of the most effective leadership styles to steer companies in the globalized world.

Encouraging workplace diversity requires a shift in leadership thought. Cultural sensitivity can be expressed in small and consistent ways. Leaders can embody those values and show through verbal and non-verbal signals that the less dominant voices in the organization can and will be heard.

To embrace workforce diversity, "leadership and communications are the key elements," says Suriahni Abdul Hamid, DIGI's Head of Human Resource Development. "It is important to have full support from the top to provide clear vision and direction so that everyone is on the same track. Open communications is also very important - two-way communications should be open to all employees."

Training and development are essential too. Tan Yen Lin, senior executive at Accenture Malaysia adds that Accenture begins with searching the widest talent pool to find the best people for the job, then supports their growth and develops their confidence, while working vigorously to exceed their expectations.



Taking it a step further, an Ernst & Young study compiled some recurring themes in leading an increasingly diversified workforce:

1. Stir the pot: leverage conflict (sparked by differing viewpoints) to generate new ideas
2. Anticipate the Next Big Thing — or better yet, drive the Next Big Thing! Use diverse perspectives to develop new products and services
3. Nurture a spectrum of talent: find talent in unexpected places and forge creative collaborations
4. Get the mindset: focus on transformational leadership – develop mindsets and habits to lead inclusively

Source: Ernst & Young
– The New Global Mindset

IN-HOUSE TRAINING

IFRS CONVERGENCE IN 2012

Why In-House with MIA?

Our team of experts can deliver customised in-house training to meet your requirements, providing a convenient and cost effective way to get your whole team up to speed on the accounting requirements on IFRS Convergence.

Call us to discuss your in house training requirements today!

Who Needs Training on IFRS?

Directors,
CEO / CFO,
Financial Controllers,
Finance Managers & Executives,
Group Accountants,
Partners & Auditors,
Preparers of Financial Statements

Contact Person

EN MOHD HISYAM @ SYAH

General Line +603 2279 9200

Direct Line +603-2279 9355

Email

mpdc@mia.org.my



(2-day Training)



RISK MANAGEMENT REPORT WARNS AGAINST silo mentality

A new CIMA report warns against the compartmentalisation of risk management and looks at four case studies: Royal Bank of Scotland, Tesco, Birmingham City Council and the Department of Culture, Media and Sport.

Risk management is no longer the exclusive domain of the finance function. A new CIMA report *Reporting and managing risk: a look at current practice in the private and public sectors*, reveals that the effective management of risk can only be achieved if it is clearly linked to operational performance.

The research provides an insight into risk management at four major organisations – two in the private sector (Tesco and the RBS) and two in the UK public sector (Birmingham City Council and the Department for Culture, Media and Sport).

The studies show that risk management is no longer solely a financial discipline, nor simply a concern for the internal control function. To ensure a business is sustainable, risk management must be embedded in the overall organisational culture. The link between risk and management and performance must also be clearly laid out.

Danger signals

Awareness of risk management as a discipline is obviously at an all-time high. Private and public sector organisations have to meet the needs of an increasingly diverse range of stakeholders and the effective management of risk is imperative for sustainable performance. A box-ticking mentality combined with a lack of human judgement can fatally impair an organisation's long-term sustainability. The RBS case study illustrates the dangers of a compliance-based focus rather than a performance-based focus for risk management.

Before the financial crisis, RBS had a well-staffed risk management function. Six main categories of risk were clearly defined and evaluated but the report highlights three main weaknesses:

- risk was being monitored in individual divisions but this silo approach allowed the overall risk to develop unchecked
- an apparently aggressive risk culture
- heavy dependence on mathematical risk modelling which suggested that risk levels were acceptable.

In conclusion, it was found that a large but relatively obscure risk management bureaucracy failed to identify the effect of both localised and collective risk.

“Faced with an ever greater tension between the need to drive up returns and manage risk conservatively, the organisation erred on the side of the former – partly by relying on a highly mechanical analysis of risk exposure,” the report continues. “That process ticked all the compliance boxes, but was rarely reviewed in terms of judgements, rather than just mathematical models.”

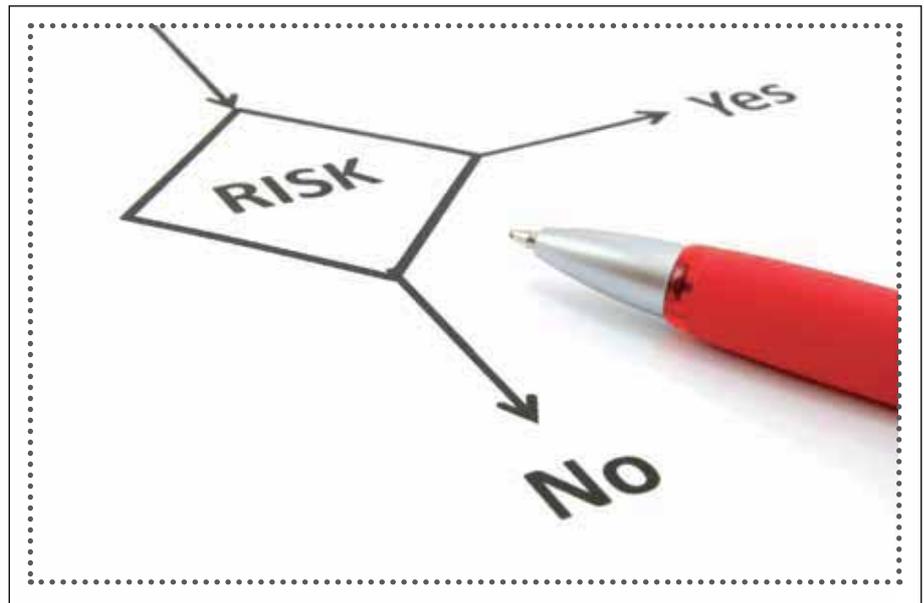
Moreover, warnings fell on deaf ears. “Professional risk managers appear not to have had either the authority or the influencing skills to change the approach to risk,” the report adds. ‘And because operational managers were remunerated on financial performance – apparently without sufficient reference to long-term risk factors – there was limited incentive to look more deeply at either localised risks, or the build-up of cross-departmental risk dependencies.’”

RBS’s situation was summed up by Stephen Hester, successor as CEO to Sir Fred Goodwin. Hester told members of the Scottish Parliament: “It wasn’t detailed risks that made RBS weak. It was the big macro imbalances.”

Other case studies

To meet the needs of an increasingly diverse range of stakeholders, both private and public sector organisations cannot treat risk solely as a financial calculation. While the finance function and its related departments – particularly internal audit and treasury – clearly maintain a big role in risk management, it is increasingly common for organisations to look more broadly at non-financial factors and embed them at operational level.

This shift is clearly illustrated in the case studies of Tesco and the Department of Culture, Media and Sport (DCMS). The report states that Tesco specifically avoids discussing ‘risk management’ and has designed a way of linking corporate strategy with day-to-day activities that include risk monitoring and management.



By applying their core disciplines – alongside softer influencing skills – to the broader risks and opportunities attached to individual projects, members can deliver the kind of rigour that is essential to organisational success in a more unpredictable and faster moving world.

At the DCMS the emphasis is on preventing the emergence of a bureaucratic risk management function.

The case studies of DCMS and Birmingham City Council indicate that public sector organisations like these are good at managing complex risks and can offer lessons about risk management to the commercial sector. Both bodies use clear financial risk/reward calculations and demonstrate a much more advanced approach to managing complex and inter-dependent risks than RBS.

Both organisations state that their strategy includes four key functions: an intention to embed risk management into the culture of the organisation; compliance with a broadly shared notion of best practice and / or regulation; forward planning; and the clear communication of risk responsibilities. In each case, risk management is designed to protect and enhance the delivery of corporate objectives, the report says.

Role of management accountants

This is all good news for management accountants. Now that risk has broken out of the finance function, three of these four key functions require both subjective judgement and the kind of softer skills that have become increasingly important to management accountants in recent years.

There are particular opportunities for management accountants with the training to handle risk in a formal way. By applying their core disciplines – alongside softer influencing skills – to the broader risks and opportunities attached to individual projects, members can deliver the kind of rigour that is essential to organisational success in a more unpredictable and faster moving world. ■

This article first appeared in CIMA Insight, and it is published by CIMA (Chartered Institute of Management Accountants).

Asia-Pacific survey shows small business confidence on the rise

Small businesses in the Asia-Pacific region believe their economies have emerged from the global slump and expect growth patterns to increase, a CPA Australia survey has shown.

The CPA Australia Asia-Pacific Small Business Survey 2010, which took in small businesses from Australia, Hong Kong, Singapore and Malaysia, showed a growing emphasis on accessing finance for the purpose of business growth.

The survey gauged the key business issues of access to finance, growth expectations, employment trends and business management practices.

The survey results were launched in Malaysia in conjunction with the World Congress of Accountants 2010 in November. CPA Australia CEO Alex Malley said the survey outcomes delivered a critical snapshot of the broader regional economic performance.

‘The survey results support the view that the economies of this region proved more resilient in weathering the global economic downturn and are now well-placed to grasp any upswing,’ he said.

‘The increasing use of finance to fund growth for example, marks a significant departure from the previous trend where funding was more likely

viewed as a means of business survival. It reflects an increasing business confidence and an increased appetite for measured risk.

‘Hong Kong businesses, perhaps in anticipation of the continued growth of China’s economy, are very bullish. Likewise the mood in Singapore’s small business sector is buoyant while Malaysia has maintained the high confidence levels recorded in last year’s survey.’

‘Small businesses are key economic drivers and their state of health are not only indicators of broader economic performance but catalysts for such performance.’





KEY SURVEY FINDINGS INCLUDE:

- over half of all businesses surveyed expect to grow in the coming year, with growth expectations ranging from slight to significant
- businesses in Hong Kong, Malaysia and Singapore generally expect to increase staff levels in 2011
- Australian businesses are more likely to have existing staff work greater hours than increase their overall staffing levels
- small businesses across all markets are more likely to seek finance and are more confident about their prospects of obtaining finance than they were last year
- the Singapore market experienced the biggest jump in overall confidence in the period since the previous survey
- confidence levels among Australian small business operators, while up on last year, still lag behind their Asia-Pacific counterparts
- Malaysian businesses are increasingly choosing bank finance over other options such as leasing or hire purchase

MSc ACCOUNTING AND FINANCIAL MANAGEMENT


**UNIVERSITY OF
GLOUCESTERSHIRE**
at Cheltenham and Gloucester

Obtain your MSc Accounting and Financial Management by
Dissertation only.

Are you a member of any of the below?

- ACCA
- MIA
- CIMA
- MICPA
- ICAEW
- CPA
- AIA Holder

If so, you can gain exemptions from the taught postgraduate diploma for qualified accountants and obtain your MSc Accounting and Financial Management.

Registration is now open for January 2011 intake.

University of Gloucestershire, UK

- In the top 5 in the Green League Table; committed to sustainability
- Fully conducted and awarded by University of Gloucestershire, UK
- Flexible delivery (part-time) designed for working professionals
- Remote access to University of Gloucestershire's electronic library and Moodle

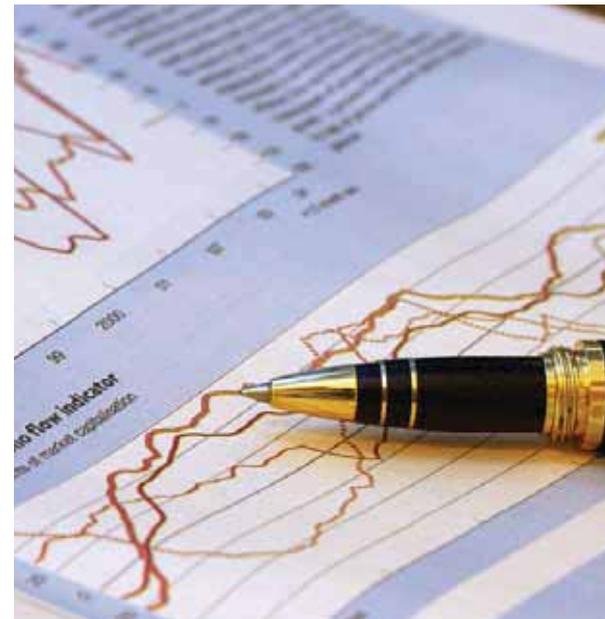
Please contact Recruitment Centre

SCM Professional Centre Sdn. Bhd. (Co. 532767)

Penang: **012-4253263** Kota Kinabalu: **016-4127668**

Kuala Lumpur: **017-8890765** Johor Bahru: **012-4703368**

Email: scmpcsb@gmail.com/chung@scmpc.org Web: www.scmpc.org





Malley said the survey results again showed a strong correlation between confidence levels and business management practices.

‘The responses from businesses in Singapore indicate high confidence levels and a significant increase in reliance on business loans. These factors I believe, are strongly linked to the fact that Singaporean small businesses are now more likely to undertake business management activities than they were in 2009,’ he said.

‘Good business practice, during good times and bad, is the platform for greater entrepreneurship and positions businesses ideally to take advantage of opportunities as they arise.’

He said Australian businesses’ comparatively less buoyant outlook was due to a range of factors.

‘Over the past year Australian interest rates have been steadily on the rise and its resultant negative effect on consumer sentiment has in turn had an effect on the small business sector. Small businesses, in any market, are highly sensitive to even the slightest change in consumption patterns.’

The CPA Australia Asia-Pacific Small Business Survey 2010 sample comprised 1,126 respondents in Australia, Hong Kong, Malaysia and Singapore who were either owners or senior representatives (including those in senior financial roles), of businesses with fewer than 20 employees. ■

.....
This article is contributed by CPA Australia. For more information on CPA Australia, please visit cpaaustralia.com.au



The new accounting treatment for leases proposed by the International Accounting Standard Board, when implemented, will ensure greater transparency of companies' financial standing and provide more information to shareholders, especially with regards to their assets and liabilities.

Mohammad Faiz Azmi
Chairman, MASB

Managing the Impact of New Lease Accounting

Proposed new accounting standards have been drafted in order to push lease liabilities back onto corporate balance sheets. Such a change would represent a major shift for companies that have typically favored the off-balance-sheet treatment of operating leases, and it could have a significant impact on corporate decisions to lease or purchase real estate in the future.

The new lease accounting standard will affect almost all businesses, but will significantly impact:

- companies with operating leases of property, aircraft, manufacturing equipment, mining equipment, technology distribution and logistics services,
- companies leasing significant number of office equipment or vehicles,
- companies with other business service arrangements, which may be classified as leases.

Don't miss this important update on financing your operations.

Contact us today for more information.

COURSE OUTLINE

- Lease accounting and the new requirements
- Assessing the impact of new changes:
 - Business, financial performance and accounting impact
 - Internal control and process impact
 - IT and lease accounting impact
 - Tax impact
- Lessor accounting issues
- Lessee accounting issues

DATE, VENUE & CONTACT INFO

Date : 18 January 2011
Venue : Concorde Hotel, Kuala Lumpur
Contact : Zuraini
Tel : 03 2279 9352
Fax : 03 2273 5167

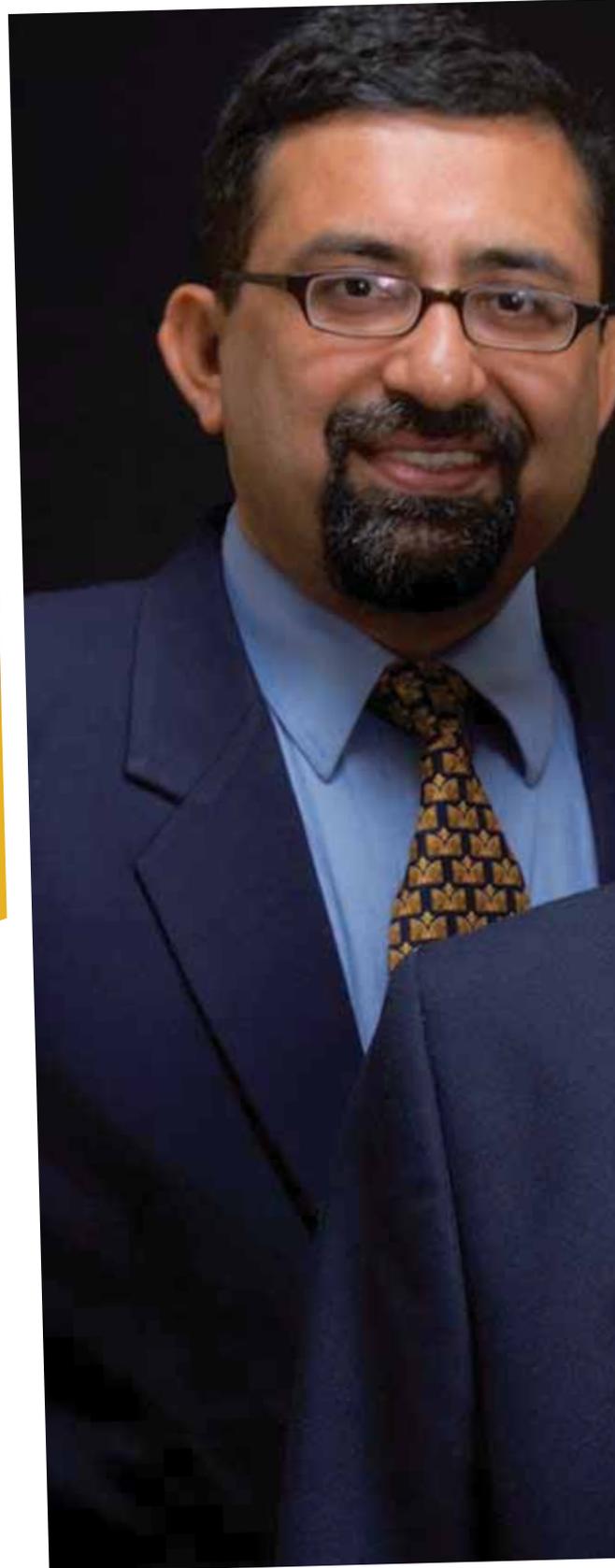
PROGRAMME FEE

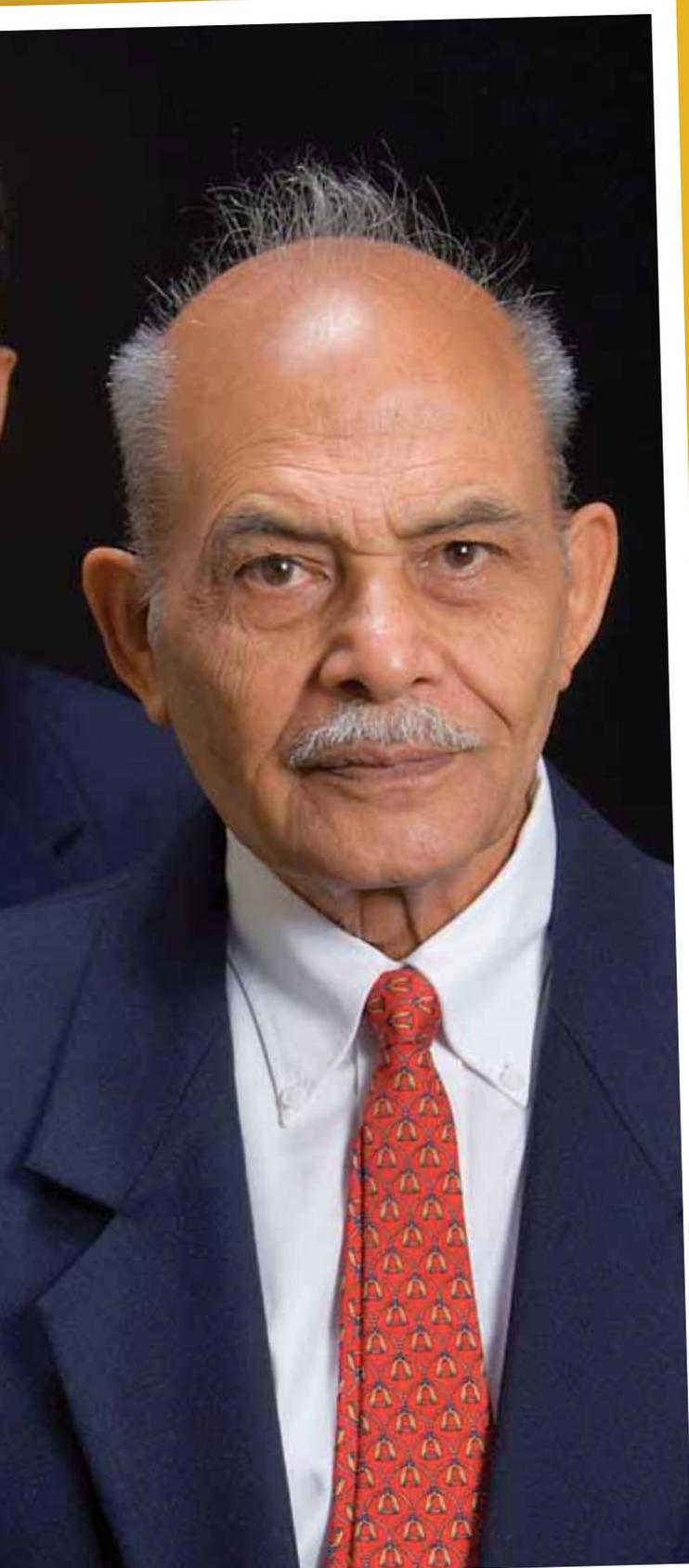
Member : RM 750
Member Firm's Staff
or Sponsored Staff : RM 850
Non-member : RM 950

Family firms unprepared *for future*

FAMILY BUSINESS OWNERS ARE OPTIMISTIC ABOUT GROWTH, BUT MANY AREN'T MAKING ADEQUATE PROVISIONS FOR THE FUTURE, SAYS PwC.

- 
- 60% of family firms intend to expand in the next 12 months
 - 95% are confident they can compete effectively with their sector market leaders
 - But nearly half still don't have a succession plan
 - And vast majority with access to capital would have to borrow the money if needed





MALAYSIAN INSTITUTE OF ACCOUNTANTS
ACCOUNTANTS. MANAGERS OF VALUE

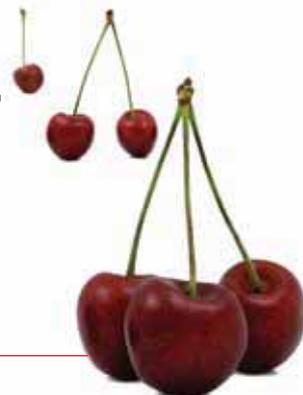
PROUD HOST:



IN PARTNERSHIP WITH



Financial Planning for Business Growth



PLANNING WITH INVESTORS' ATTENTION IN MIND

Getting the right type of funding or capital for business growth can make a big difference to the success of your business. Every business is different and capital growth initiatives need individual consideration.

This series on financial planning is specially designed by the Institute to make the process of finding capital easier by helping you to:

- identify alternatives to external capital
- understand the capital-raising process
- determine the source of capital most appropriate for your growth needs—debt, bond or equity
- become investment ready—to enhance your ability to raise capital
- identify what information you need to present to potential investors
- develop plans—such as business and commercialisation plans
- how to find additional information on raising capital.

FOUR ESSENTIAL WORKSHOPS ON FINANCIAL PLANNING FOR :

CFOs, CEOs, Company Directors, Financial Directors, Financial Controllers, Finance Managers, Accountants, Business Advisors, and Businessmen.



THIS SERIES OF WORKSHOPS IS FACILITATED BY

MR DAVID MEOW MBA (UK), CFA, FRM, ACMA, CA (M), CFP

WORKSHOP 1: 14 December 2010 (Tuesday)
ACCESSING CREDIT

WORKSHOP 2: 21 December 2010 (Tuesday)
ACCESSING THE MALAYSIAN BOND MARKET

WORKSHOP 3: 04 January 2011 (Tuesday)
ACCESSING THE MALAYSIAN EQUITY MARKET

WORKSHOP 4: 11 January 2011 (Tuesday)
FINANCIAL MODELLING (EXCEL-BASED TRAINING)

All workshops will be held at the Melia Hotel, Kuala Lumpur

COURSE FEE (PER WORKSHOP)

Member	RM 500
Member Firm's staff or sponsored staff	RM 550
Non-member	RM 600

Register for all four workshops and enjoy 5% discount on total course fee!



Family firms around the world are confident about their future prospects, but many aren't doing enough to prepare themselves for the years ahead. Nearly half still don't have a succession plan and of those that do, only 50% have decided who will take over the top job.

These are just some of the findings of a survey of more than 1,600 family business executives in 35 countries conducted by PwC.

Although a surprisingly large number of family firms have seen demand for their offerings increase during the past 12 months (modest growth: 32%, significant growth: 16%), 34% have seen a reduction in demand, up from 10% in 2007 when PwC first conducted the global Family Business Survey.

But despite the impact of the recession, most family firms are confident about the future. Sixty per cent intend to expand their businesses over the next 12 months, and 56% are positive about how

the markets where they do business will perform over the next year. In addition, 95% of respondents are somewhat or very confident that their companies can compete effectively with the market leaders in their sector.

HANDING OVER THE REINS

One of the biggest risks facing any family-owned business is the transition from one generation to the next. Twenty seven per cent of survey respondents said they expect their business to change hands within the next five years, with 53% of these companies expecting the business to remain in the

family. Yet 48% of all companies have no succession plan, a similar percentage to the survey two years ago. Of those that do have a succession plan, only 50% have decided who will take over the top job.

Norbert Winkeljohann, member of PwC's Network Leadership Team, says: "To ensure a smooth transition, family businesses must do some careful planning. Companies that survive a change of ownership are usually those that have developed a good plan, outlining how the succession will take place and what criteria will be used to judge when the successor is ready to take over the reins."



Some of the other findings which suggest that many family businesses aren't adequately preparing themselves for the future include:

- 62% haven't prepared for the possible sickness or death of a key manager or stakeholder
- 56% haven't established any procedures for purchasing the shares of incapacitated or deceased shareholders
- 50% either lack the liquidity to buyout family members who want to dispose of their stakes in the business or haven't considered the possibility
- 37% don't know how much domestic capital gains tax they or their companies might be liable for, while 58% don't know the international implication

Conflicts over which relative should take over control could be made worse by conflicts over money. Only 61% of respondents said they think they have enough resources to divide their assets fairly between all their heirs, including those who don't work for the business.

RESOLVING CONFLICTS

The survey also revealed that few companies are prepared for dealing with conflicts between family members. Only 29% of respondents said they have introduced procedures for resolving disputes.

Norbert Winkeljohann says: "Compared to our survey findings in 2007, the percentage of family firms experiencing tension has increased significantly, particularly when it comes to the future strategy of the business and the competence of the family members managing it. Yet only 29% – a mere 7.4% more companies than in 2007 – have introduced procedures for dealing with conflicts.

Having good conflict-resolution mechanisms in place is crucial to the success of a family business. Any conflict between family members – be it over money or future leadership – will spill over into the way the business is managed and owned. If relations within the family are healthy, the business is more likely to be healthy, too."

SECURING CREDIT

Some firms may find it harder than they expect to secure credit. Even though two-thirds of survey respondents said they have access to additional cash, the vast majority of them would have to borrow the money if they needed it. Norbert Winkeljohann says: "Under the new Basel III Accord designed to strengthen the financial services sector, the amount of capital banks are required to hold will rise from 2% of their loans and investments to 7%. This agreement, which is due to take effect in 2013 and phased in over several years, is expected to drive up the price of credit and reduce the amount that is available." ■



BUILD YOUR BUSINESS!

ASSESSING OPTIONS, BUILDING CAPABILITIES, COMPETING FOR THE FUTURE

13 JANUARY 2011, THURSDAY | 9 AM-5 PM | CONCORDE HOTEL KUALA LUMPUR

ACCOUNTS OF SMALL COMPANIES' ARE EXEMPTED FROM AUDIT!

Fact or fiction? In some countries, the accounts of small companies are no longer required to be audited, thus depriving small accounting firms of their bread-and-butter work. This may happen in Malaysia, and already there is much hand-wringing among practitioners over this prospect. So what does the future hold for practising accountants?

Whilst we cannot predict the future, we can examine current trends and identify possible future scenarios—and use these in planning our strategies to meet the challenges ahead. With 2011 just around the corner, it's important to invest your time in reassessing your business plans *now*—to ensure your business strategies are robust enough to deal with the challenges ahead.

Examine the challenges faced by practicing accountants today and uncover strategies to address them. Discover how leading public practitioners plan for the future and develop strategies to deal with unanticipated contingencies.

- Explore the opportunities and options available for practicing accountants.
- Gain first-hand lessons—from the experience of our speakers—who have successfully brought their services or businesses to a new level.
- Develop a capacity-building ability to create value and sustain long term growth for your career or business.

A SPECIAL FORUM DESIGNED FOR PUBLIC PRACTITIONERS, AND ACCOUNTANTS WANTING TO FURTHER DEVELOP THEIR CAREER!

SEMINAR PRESENTERS INCLUDE:

- **YBhg Dato' Gan Ah Tee DNS, JP** *Managing Partner, BDO Malaysia*
- **Mr Chua Hock Hoo** *Managing Partner, Cheng & Co*
- **Mr Chen Voon Hann** *Chief Executive Officer, CAS International*
- **Dr Paul Cheng Chai Liou** *Senior Partner, Cheng & Co*
- **Mr Arthur Law** *Partner, Law & Associates*
- **Mr Lim Chor Ghee** *Partner, VIETVALUES Audit & Consulting Group*
- **Pn Noraida Maria Mohd Hatta** *Head of Research & Monitoring Division, Minority Shareholder Watchdog Group and more!*

COURSE FEE

Member	RM 500
Member Firm's Staff or Sponsored Staff	RM 550
Non-member	RM 600

REGISTRATION OR ENQUIRIES

Ms Vithyaah t 03 2279 9362 f 03 2273 5167 e mpdc@mia.org.my



EMERGING MARKETS TO GO BOOM



MAJOR STUDY
REVEALS THAT PRIVATE
EQUITY'S CENTRE OF GRAVITY
IS SHIFTING TOWARDS
EMERGING MARKETS AS
RETURNS IN THESE MARKETS
ACCELERATE.

Emerging markets are generating increasingly high returns for private equity investors and could soon account for the lion's share of deals, according to a new study from IESE Business School and The Boston Consulting Group (BCG). However, the most attractive markets are not necessarily the ones that have captured the headlines in the past, and the key success factors for investors differ significantly from those that have worked in developed countries.

The study is based on an analysis of the International Finance Corporation's (IFC) data set on emerging-market private equity funds. The IFC data set, which covers 176 such funds, is the largest of its kind and reveals that emerging markets' share of deals has increased steadily from 5 per cent in 1998 to 30 per cent in 2009, when the United States and Europe accounted for 34 per cent and 38 per cent of

deals, respectively. Over the same period, emerging markets' share of deal volumes more than quadrupled to 21 per cent. Moreover, there are strong signs that investors plan to step up their involvement in these markets. Approximately one-fifth of global dry powder, equivalent to about \$231 billion or seven times annual deal volume (based on a five-year average), is earmarked for these markets, spanning all investment stages.

Increasingly high returns have been a key driver behind this shift toward emerging markets. During the 1990s, returns averaged just 5.3 per cent but since 2000 they have more than tripled to 17.3 per cent. Other factors that are pushing and pulling investors towards these markets include the widening gap between emerging and developed-market GDP growth rates, and more attractive socioeconomic environments in emerging markets.



Other factors that are pushing and pulling investors towards these markets include the widening gap between emerging and developed-market GDP growth rates, and more attractive socioeconomic environments in emerging markets.

“The economic scale of a market is obviously critical for private equity but socioeconomic factors such as the market’s degree of openness, legal protection for investors, and the liquidity of its local stock exchange is equally important if investors are to realize the market’s full potential,” says Professor Heinrich Liechtenstein of IESE Business School,

one of the leaders of the study. “The most attractive markets for private equity are not necessarily the biggest economies.”

The study used a novel framework to assess the relative attractiveness of markets, taking into account both GDP and a country’s socioeconomic environment, based on IESE’s Global Venture Capital and Private Equity Country

CLASSIFIED



We are an established inbound tour operator with diversified business in training, conference & event management, hospitality and wellness.

We invite committed and qualified individuals to be a part of our team.

Interested applicants are invited to submit a detailed resume including current and expected salary, together with a non-returnable recent passport-sized photograph and send it to the address below. Alternatively, please send by email to caryn@asianoverland.com.my or fax to **03 42562550**.

ASIAN OVERLAND SERVICES TOURS & TRAVEL SDN. BHD (30613-D)

No. 39C & 40C, Jalan Mamanda 9, Ampang Point, 68000 Ampang, Selangor Darul Ehsan

Group Finance Manager

Responsibilities:

- Ensure timely monthly closing of accounts.
- Perform reporting to holding company.
- Analyses of financial results and variances.
- Manage budgeting process.
- Manage cash flow.
- Provide financial and cash flow forecast.
- Ensure that accounting standards and policies are adhered to.
- Implement internal controls and institute proper operational processes.
- Handle audit, taxation and insurance matters .
- Responsible for managing the administration functions efficiently to ensure its effectiveness.
- Responsible for the provision of human resource service to the organization.
- Good communication and interpersonal skills with high level of integrity.

Requirements:

- Degree in Accountancy or any recognized professional qualification in Accounting, preferably with MIA membership.
- Min. 5 years experience in similar capacity, preferably in the hospitality industry.
- Good knowledge of Malaysian Financial Reporting Standards and other Accounting regulatory requirements is a prerequisite.
- Hands on experience in preparation of audited accounts.
- Possess a positive attitude, able to work independently, strong analytical skills and ability to meet tight deadlines.
- Excellent leadership skills.

(Only shortlisted candidates will be notified)



...the winners in private equity in emerging markets create value through operational improvements, rather than leverage, and have a strong local presence.

Attractiveness Index. Some of the most promising markets according to this analysis were Brazil, India, Malaysia, Poland, South Africa, and Turkey, while certain countries such as Russia and Argentina appear to offer less potential due to their weaker socioeconomic environments. Although China's socioeconomic environment is not especially strong, its sheer size is likely to make it a major destination for private equity investors.

To succeed in emerging markets, however, private equity firms will have to apply different business models than those that have worked so successfully in the past in developed markets. For example, the research by IESE and BCG found that minority stakes in businesses not only account for 86 per cent of all transactions in emerging markets but also produce three times the returns of majority stakes, which are the norm in developed markets. Investments in businesses that are focused on domestic markets also produce 18 per cent higher returns than investments in internationally oriented companies do.

In addition, the winners in private equity in emerging markets create value through operational improvements, rather than leverage, and have a strong local presence. On average, the returns of domestic and international funds with local offices are more than five times higher than international funds without local offices.

"The overriding conclusion of the study is that emerging markets have come of age for private equity investors," says Heino Meerkatt, a senior partner and managing director at BCG, and one of the leaders of the study. "Our findings also

signal a new age for private equity, with a new centre of gravity and different rules, plus potentially very different players in the future, including the possibility of local firms in emerging markets emerging as tomorrow's giants. Given the important role that private equity has played in developed-world stock markets in recent years, its shift to emerging markets has potentially much wider implications."

The primary data for the analy-

ses came from International Finance Corporation (IFC) and covered 176 private equity funds in emerging markets. Nine hundred forty two data points from deals by these funds, spanning 75 emerging markets, were analysed. Since 2000, IFC has committed nearly \$3 billion to about 160 private equity funds.

The full report of the study, *New Markets, New Rules: Will Emerging Markets Reshape Private Equity?*, can be downloaded at http://www.bcg.com/expertise_impact/PublicationDetails.aspx?id=tcm:12-64912

The IESE Business School of the University of Navarra is one of the world's top ten business schools and has pioneered executive education in Europe since its foundation in 1958 in Barcelona. The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. ■

HOW TO RIDE THE WAVE



- Emerging markets' share of private equity deals has increased from 5 per cent to 30 per cent over the last decade, rivaling the proportion of deals in the United States and Europe - and it is expected to increase.
- Returns from emerging markets have more than tripled since the 1990s to more than 17 per cent today.
- The most attractive markets combine economic scale and favorable socioeconomic conditions, such as Brazil, Turkey, and Malaysia. Other high-profile markets such as Russia and Argentina appear to offer less potential.
- 'Western' investors will have to rethink their business models to succeed, including accepting minority rather than majority stakes in businesses, and generating value via operational improvements rather than leverage.
- Local private equity firms in emerging markets could be tomorrow's giants.



The Asian Entrepreneur Legacy (TAEL) Partners

An opportunity to join a unique regional investment fund, positioned as the financial partner to Asian entrepreneurs and business groups with a presence in Singapore, Malaysia, Indonesia and Thailand.

We are currently expanding to take advantage of opportunities in the region and are seeking individuals who possess relevant expertise, who are highly self-motivated, results - oriented with uncompromising integrity and a great sense of responsibility, and at the same time able to thrive in a team, to join us.

Manager, Middle Office (Based in Kuala Lumpur)

The Role –

Responsible for credit administration, compliance and cash flow monitoring. The person is required to review investment agreements, to perform credit compliance checks for legal documentation prior to execution, to track and monitor the performance of the investments, milestones, covenants and undertakings in the agreements and to prepare billing and reports, and to monitor collection:

To excel in this role, the applicant should possess:

- A minimum of 10 years working experience including at least 5 years relevant experience in the banking & finance industry.
- Good tertiary qualifications in Banking & Finance. A professional qualification in accounting, i.e. MICPA, ACCA, CPA or equivalent is an added advantage.
- Attention to detail and meticulous in calculation.
- Excellent communication and writing skills.
- Proficient in Microsoft Office – Excel, Word.
- Ability to work independently as well as in a team.
- Able to focus and work under pressure.

Associate Director / Associate, Finance (Based in Kuala Lumpur)

The Role –

Responsible for overall financial accounting & management reporting, taxation, treasury, risk management and internal control systems. The person is required to provide regional support in these areas, including liaising with relevant external parties or authorities for audit, tax, secretarial and statutory requirements.

To excel in this role, the applicant should possess:

- A minimum of 10 years working experience including at least 5 years relevant experience in an accounting firm in financial services and relevant working experience in fund management, banking & finance industry or related fields (for Associate Director position); or at least 3-5 years of relevant experience in an accounting firm preferably in financial services (for Associate position).
- Solid technical knowledge in IFRS and strong analytical skills to evaluate and value add to the management decision-making process from a financial perspective.
- Good tertiary qualifications. A professional qualification in accounting, i.e. MICPA, ACCA, CPA or equivalent is an added advantage.
- A team player, excellent supervisory skills, resourceful, responsible and with a solution-oriented work approach.
- Strong communication and writing skills with a pleasant personality.
- Ability to work independently under pressure.

Interested candidates are invited to submit a detailed resume, current and expected salary together with a recent passport-sized photograph before **30 December 2010** to recruitments@taelpartners.com

HONG KONG

crafting unique experience

The trouble with Hong Kong is everyone seems to know where everyone else is going. In a city so densely populated, with an estimated 6,300 people per square kilometre, tourist attractions are often packed and crowded, leaving the regular visitor helpless and frustrated. But when in doubt of where to go, just follow the locals.

Like all visitors to Hong Kong, no one comes here and leaves without an eyeful of the gorgeous harbour views. Often ranked among the world's most beautiful harbours, Victoria Harbour provides a panoramic view of Hong Kong and its stunning skyscrapers and architecture. Tourists often flock to The Peak on the slow but pleasant tram ride for a bird's eye view of the harbour. Or they walk along the Promenade or Avenue of Stars. For equally gorgeous views with ample elbow room to move about, the West Kowloon Waterfront Promenade on Austin Road is the new place for shutterbugs and romantics alike.

Every evening sees mostly locals and their families strolling around the manicured waterfront. There's a playground for kids and paths for bike rides and quiet strolls. Benches are often monopolised by local elders as they take in the evening air or gossip over tea. The atmosphere is laidback, but it is the striking harbour view that is a surprise, giving a gorgeous panorama of Hong Kong Island. The waterside boardwalk is still relatively unknown to tourists, which makes this even more special as you move around circles of families and friends.

To get a closer look at the harbour is of course to get on the iconic Star Ferry

It is still possible to be charmed by this island filled with skyscrapers and daunting mega malls.

Anis Ramli

for a seven-minute boat-ride. The trick is to ride on the lower deck (tourists typically take the upper deck for a slightly better view) and join the locals as they make the mad dash cross harbour. Cheap ride, great vista and ranked by National Geographic Traveler as one of the 50 must-do's in your lifetime, no one should give this ferry boat ride a miss.





Another charming ride not to be outdone is the Hong Kong tram. Not the one going up to The Peak, but the trams that run on tracks throughout the northern backbone of Hong Kong Island. They've been in service since 1904 and today they crawl merrily everyday, bringing locals, bankers, housewives, school children and many more denizens as they tend to their everyday chores. It remains an inexpensive ride at just HKG\$2 and offers different sights through the old-style slide window.

Of course, Hong Kong is not all about views and fun rides. There is the food, and lately, locals have been besotted by the wave of northern Chinese cuisine. Recently, the local *Time Out* magazine listed an 'Islam' beef burger that caters to a sellout crowd. Sold at Islam Food in Kowloon City (www.islamfood.biz.com.hk), it's standing room only during peak lunch hour at this frills-free eatery. The menu serves authentic, *halal* Xinjiang cuisine and lures Hong Kong denizens from all walks of life, particularly with its signature mouthwatering juicy 'beef burgers'. Listed on the menu as Beef Goulash, the beef burgers are actually pancake-styled breads filled with savoury minced meat flavoured with Xinjiang spices. Regardless of what you wish to call them, the burgers are sublime and the queue for them is worth it.



Another local institution is the roast duck from Wai Kee at Wanchai's Bowrington Road Market. It began as a small roadside stall in the 1940s before moving into the Cooked Food Centre of the market in the 80s. Locals love the duck for its succulent soy caramel basting and the tender meat. But this *halal* Cantonese eatery also serves a mean lamb curry brisket, with its meat falling off the bone swirling in a thick and spicy dark brown sauce. The stall itself is spartan yet clean, but with service fast and quick, all everyone cares for is the food on the table.

Finally, no Hong Kong experience is complete without a visit to the multi-sto-

ried Chungking Mansion on Nathan Road. Although it occupies one of the prime real estate spots in Kowloon side, very few locals ever venture into this maze-like of a building known sometimes for its notorious pickpockets and petty thieves. But so long as you have your wits about you, Chungking Mansion is a safe, and even engaging, place to be. Plus, there are security cameras in the building so it's very unlikely any crime will go undetected.

What makes its labyrinth of shops fun to visit is the cultural kaleidoscope

it offers. There is a wide ethnic mix, with Pakistani bryani shops, Indian curry stalls, African clothing retailers and people from all walks of life living practically under one roof, with over 120 different nationalities passing through its doors in a single year. Some apartments within the building are still occupied by elderly mainland Chinese who came to Hong Kong in the 1960s. And within its catacombed, 17-storey layout are backpacker-styled accommodation and guesthouses that number about 100. ■



THE GREY FACADE of Chungking Mansion visibly stands out against the backdrop of far more sophisticated and newer buildings around the area. But it's exactly this juxtaposition, the hyperactivity and mix of cultures that represent Hong Kong as a nation that made Chungking Mansion the inspiration behind Wong Kar-Wai's 1994 film *Chungking Express*. And once you've walked through the mansion's corridors and listened to the walls speak, you know you've seen a side of Hong Kong that is rarely seen by the everyday tourist.

Mergers, Acquisitions, and Corporate Restructurings, Fifth Edition

The business of mergers and acquisitions (M&A) is one that is ever present in the corporate world. Despite the global recession, the subprime crisis, and the credit slump, it's evident that, as the economy expands, M&A expand right along with it, becoming an increasingly important part of the corporate finance and corporate strategy fields. Practical in perspective and global in scope, *Mergers, Acquisitions, and Corporate Restructurings, Fifth Edition* carefully analyzes the strategies and motives that inspire M&A, the laws and rules that govern the field, as well as the offensive and defensive techniques of hostile acquisitions.

Thoroughly revised and packed with the most up-to-date research, graphs, and case studies, the book explores:

- M&A and restructuring through a truly global treatment of the subject
- Updated data on M&A trends across the globe
- Expansive discussion of takeover laws in all major countries
- New case studies examining domestic and international mergers

- The many ways to pursue and thwart a hostile takeover
- Ways a company can grow as well as the many ways to downsize, including divestitures, spin offs, and equity carve-outs
- The opportunities available for restructuring in bankruptcy and how this varies in different countries
- Corporate governance and its role in restructuring
- The latest research studies to advance M&A practice

The Fifth Edition also analyzes recent financing trends, including the impact of the subprime crisis and the global recessions and recovery, as well as the prominent role of private equity firms and hedge funds in the M&A business. Written to help organizations compete in today's global market, this tome provides you with the intricate ins and outs of corporate restructuring, and how to make the most of them in your organization.



By Patrick A. Gaughan
 ISBN: 978-0-470-56196-6
 Hardcover; 655 pages
 November 2010

RM320.00
 Available at all major bookstores

Essentials of Online Payment Security and Fraud Prevention

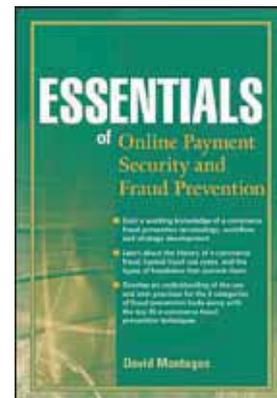
Doing business online means your company must efficiently, reliably, and securely take payments from consumers and other merchants. The first book of its kind to focus exclusively on electronic commerce (e-commerce) fraud prevention, *Essentials of Online Payment Security and Fraud Prevention* provides you with the information you need to find, assess, and select the right fraud management options for your e-commerce channels. Drawing from the author's experience in the information technology, e-commerce, electronic payment, and fraud prevention fields, this is the ultimate quick and dirty guide to the prevention of fraud for the card-not-present (CNP) transaction.

This practical resource reveals:

- The top 45 e-commerce fraud prevention techniques

- Fraud basics for companies doing business online
- How big e-commerce fraud has really become
- Key concepts for e-commerce credit card payments
- Anatomy of fraud strategy
- Strategies to protect yourself from identity theft

Essentials of Online Payment Security and Fraud Prevention provides a quick primer to e-commerce fraud prevention and explains it all in a way that helps you hit the ground running in preventing fraud in your business's e-commerce efforts — before it eats away at your bottom line.



By David A. Montague
 Published by John Wiley & Sons, Inc.
 ISBN: 978-0-470-63879-8
 Paperback; 304 pages
 November 2010

RM180.00
 Available at all major bookstores

MIA members are entitled to a 20% discount, kindly email your orders to education@mia.org.my

2011 CALENDAR OF MIA PROFESSIONAL DEVELOPMENT CENTRE (MPDC) TRAINING PROGRAMMES

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
January 2011							
Klang Valley	4 January	Financial Planning for Business Growth : Accessing the Malaysian Equity Market	David Meow	Melia Hotel KL	500	8	HRDF Claimable
	10 & 11 Jan	Better Grammar for Business Writing	Dr. Ng Keat Siew	Melia Hotel KL	900	16	HRDF Claimable
	10 & 11 Jan	Budget & Variance Analysis Modelling for Accountants	Joanne Kok Yee Lan	PentaWise Sdn Bhd	1,100	16	HRDF Claimable
	10 & 11 January	Updates of FRS 2010/11 - New & Revised, Amendments, IC Interpretations and the New Bursa Listing Requirements	Tan Liong Tong & Woon Chin Chan	Concorde Hotel KL	1,000	16	HRDF Claimable
	11 January	Financial Planning for Business Growth : Financial Modelling (Excel-Based Training)	David Meow	Melia Hotel KL	500	8	HRDF Claimable
	11 & 12 Jan	Revenue Recognition and Related IC Interpretation	Danny Tan Boon Wooi	Concorde Hotel KL	1,050	16	HRDF Claimable
	13 January	Audit Peak Period Pointers	Janise Lee	Malaysian Institute of Accountants	180	4	
	13 January	Build Your Business : Assessing Options, Building Capabilities, Competing for the Future	various	Concorde Hotel KL	450	8	
	13 & 14 January	Deferred Taxation (Incorporating Deferred Tax Effects New / Revised FRSs 139, 101, 3)	Danny Tan Boon Wooi	Concorde Hotel KL	1,050	16	HRDF Claimable
	18 January	Payroll Tax Computation Using The New Monthly Tax Deduction Methods	Pat Yeoh	Concorde Hotel KL	400	8	HRDF Claimable
	18 January	Managing The Impact of New Lease Accounting	Various	Concorde Hotel KL	750	8	HRDF Claimable
	18 January	Budget 2011 Proposals & Recent Tax Developments	Various	Parkroyal Hotel KL	350	8	
	17 & 18 January	Financial Instruments: Recognition, Measurement, Presentation & Disclosures	Tan Liong Tong & Woon Chin Chan	Hilton Petaling Jaya	1,000	16	HRDF Claimable
	17 & 18 Jan	Fundamentals of Budgeting and Cash Flow Forecasting	Kenneth Tam	Concorde Hotel KL	900	16	HRDF Claimable
	19 & 20 Jan	Dr. Edward De Bono's Six Thinking Hats	Paul Chan Kum Hoe	Melia Hotel KL	1,700	16	HRDF Claimable
	19 & 20 January	Sukuk: Understanding The Principles & Practical Approach	Muhammad Zahid Abdul Aziz	Concorde Hotel KL	1,100	16	HRDF Claimable & SIDC Accredited
	20 & 21 Jan	Core Competencies to Continuously Improve Performance at Work	Ananthy Sankaran	Melia Hotel KL	750	16	HRDF Claimable
	24 January	IFRS/FRS for Management	Danny Tan Boon Wooi	Concorde Hotel KL	580	8	HRDF Claimable
	Jan 24	Accounting for Financial Instruments - A Fundamental Approach	Lim Geok Heng	Concorde Hotel KL	500	8	HRDF Claimable
	24 & 25 January	Financial Project Management for Construction (Management Level)	Gerard Paulian & Vik Subramaniam	Melia Hotel KL	900	16	HRDF Claimable
	25&26 Jan	Managing Assets Under IFRS / FRS	Danny Tan Boon Wooi	Concorde Hotel KL	1,050	16	HRDF Claimable
	26 & 27 January	Preparation of Group Accounts (Covering FRS 127, FRS 128, FRS 131 & FRS 3)	Tan Liong Tong & Woon Chin Chan	Hilton Petaling Jaya	1,000	16	HRDF Claimable
Northern Region	24 & 25 January	Best Practices of Stock Taking and Variance Management	Teo Kim Soon	Eastin Hotel Penang	800	16	HRDF Claimable
	17 & 18 Jan	Forensic Accounting and Fraud Investigation	Shuba Kumar	Traders Hotel	900	16	HRDF Claimable
Southern Region	13 January	New Public Rulings Issued in 2010	Chow Chee Yen	Mutiara Hotel	500	8	
	25 & 26 Jan	Corporate Tax Responsibilities of Director & Employers	Vincent Josef	Mutiara Hotel	900	16	HRDF Claimable
East Malaysia	24 January	Mastering Tax Cases - Strategies to Minimise Tax	S. Saravana Kumar	Promenade Hotel Tawau	400	8	
	26 January	Mastering Tax Cases - Strategies to Minimise Tax	S. Saravana Kumar	Sabah Hotel, Sandakan	400	8	
	13 & 14 Jan	Consolidated Financial Statements	Lim Geok Heng	Hilton Kuching	850	16	HRDF Claimable
	13 & 14 Jan	Forensic Accounting and Fraud Investigation	Shuba Kumar	Shangri-La Tanjung Aru Resort & Spa, Kota Kinabalu	900	16	HRDF Claimable
	17 January	New Public Rulings Issued in 2010	Chow Chee Yen	Shangri-La Tanjung Aru Resort & Spa, Kota Kinabalu	500	8	
	18 January	New Public Rulings Issued in 2010	Chow Chee Yen	Four Points by Sheraton Kuching	500	8	
	20 & 21 Jan	Highlights of Newly Issued, Revised and Re-drafted Clarified Standards	Janise Lee	Imperial Hotel, Miri	800	16	
	24 & 25 Jan	Forensic Accounting and Fraud Investigation	Shuba Kumar	Grand Margherita Hotel, Kuching	900	16	HRDF Claimable

2011 CALENDAR OF MIA PROFESSIONAL DEVELOPMENT CENTRE (MPDC) TRAINING PROGRAMMES

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
January 2011							
Klang Valley	10 January	Microsoft PowerPoint 2003 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	10 January	Microsoft PowerPoint 2007 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	31 January	Microsoft PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	31 January	Microsoft PowerPoint 2007 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	4 & 5 Jan	Microsoft Word 2003 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	13 & 14 Jan	Microsoft Word 2007 (Advanced)	tba	PentaWise Sdn Bhd	270	16	
	6 & 7 Jan	Microsoft Access 2003 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	11 & 12 Jan	Microsoft Access 2007 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	11 & 12 Jan	Microsoft Excel 2003 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	4 & 5 Jan	Microsoft Excel 2007 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	18 & 19 Jan	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	25 & 26 Jan	Microsoft Excel 2007 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	6 & 7 Jan	Microsoft Project 2003 (Fundamental – Intermediate)	tba	PentaWise Sdn Bhd	520	16	
	17 January	Data Management with Pivot Table using Microsoft Excel 2003	tba	PentaWise Sdn Bhd	400	8	
	27 January	Data Management with Pivot Table using Microsoft Excel 2007	tba	PentaWise Sdn Bhd	400	8	
	13 & 14 Jan	Tasks Automation with Microsoft Excel 2003 Macro / VBA	tba	PentaWise Sdn Bhd	800	16	
	20 & 21 Jan	Tasks Automation with Microsoft Excel 2007 Macro / VBA	tba	PentaWise Sdn Bhd	800	16	
	27 & 28 Jan	Microsoft Excel 2007 Macro / VBA (Advanced)	tba	PentaWise Sdn Bhd	850	16	
	24 January	Expanding Microsoft Excel 2003 Charts	tba	PentaWise Sdn Bhd	350	8	
	10 January	Analysing Financial Data with Microsoft Excel 2003	tba	PentaWise Sdn Bhd	500	8	
	20 & 21 Jan	Microsoft Excel Functions & Formulas 2003/2007	tba	PentaWise Sdn Bhd	800	16	
	16 February	Microsoft PowerPoint 2007 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	28 February	Microsoft PowerPoint 2007 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	21 & 22 Feb	Microsoft Access 2003 (Advanced)	tba	PentaWise Sdn Bhd	410	16	
	17 & 18 Feb	Microsoft Access 2007 (Advanced)	tba	PentaWise Sdn Bhd	410	16	
	17 & 18 Feb	Microsoft Excel 2007 (Fundamental - Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	23 & 24 Feb	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	21 & 22 Feb	Microsoft Excel 2007 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	17 & 18 Feb	Microsoft Project 2007 (Fundamental – Intermediate)	tba	PentaWise Sdn Bhd	520	16	
	25 February	Microsoft Office 2007 upgrade	tba	PentaWise Sdn Bhd	180	8	
	28 February	Data Management with Pivot Table using Microsoft Excel 2007	tba	PentaWise Sdn Bhd	400	8	
	21 & 22 Feb	Tasks Automation with Microsoft Excel 2003 Macro / VBA	tba	PentaWise Sdn Bhd	800	16	
	23 & 24 Feb	Microsoft Excel 2003 Macro / VBA (Advanced)	tba	PentaWise Sdn Bhd	850	16	
	23 February	Expanding Microsoft Excel 2007 Charts	tba	PentaWise Sdn Bhd	350	8	
	24 & 25 Feb	Microsoft Excel Functions & Formulas 2003/2007	tba	PentaWise Sdn Bhd	800	16	



MALAYSIAN INSTITUTE
OF ACCOUNTANTS
ACCOUNTANTS. MANAGERS OF VALUE

PROUD HOST:



www.wcoa2010kualalumpur.com

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

MIA Professional Development Centre (MPDC)

Malaysian Institute of Accountants

**Dewan Akauntan, 2, Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur**

Tel: +603-2279 9200 Fax: +603-2273 5167

e-mail: mpdc@mia.org.my web: www.mia.org.my

Certified Internal Auditor



Hallmark Designation of Internal Auditing

The Certified Internal Auditor (CIA), a globally accepted designation, is a professional certification programme of The Institute of Internal Auditors (IIA), USA. A CIA qualification develops in auditors competencies and professionalism required in the internal audit field, and certifies a person as a professional internal auditor.

There is a surge in the demand for CIA professionals as the amended Malaysian Code on Corporate Governance and Bursa Malaysia's Listing Requirements stipulate that all listed companies on Bursa Malaysia are required to have internal audit functions. This requires internal auditors to keep abreast with international professional standards issued by the IIA.

Get Yourself Certified Through Sunway-TES

Sunway-TES, a subsidiary of Sunway University College, is the only institution in Malaysia that provides weekend preparatory workshops to prepare candidates to attain the CIA qualification. Candidates are guided by a team of highly qualified CIA trainers who will not only assist them to pass the examination well, but also expose the candidates to the best internal audit practices and global standards.

The CIA programme is offered by Sunway-TES in Bandar Sunway, Petaling Jaya and also Kuching, Sarawak. For enquiries, contact Sunway-TES at 03-74918622 ext 3309 (Juliana) / 3734 (Alex) or email julianaw@sunway.edu.my / alexl@sunway.edu.my. In East Malaysia, you may contact Lucy Read at 082-232780 or email lucyr@swck.edu.my.

JANUARY 2011 intake in progress



SUNWAY-TES SDN BHD

(Co. No. 319386-W)

5, Jalan Universiti, Bandar Sunway,
46150 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.

Tel: (603) 7491 8622 ext 3309/3734

Fax: (603) 5631 8391

Email : alexl@sunway.edu.my

julianaw@sunway.edu.my

www.sunway.edu.my/sunwaytes

SUNWAY COLLEGE KUCHING

(Co. No. 761943-K)

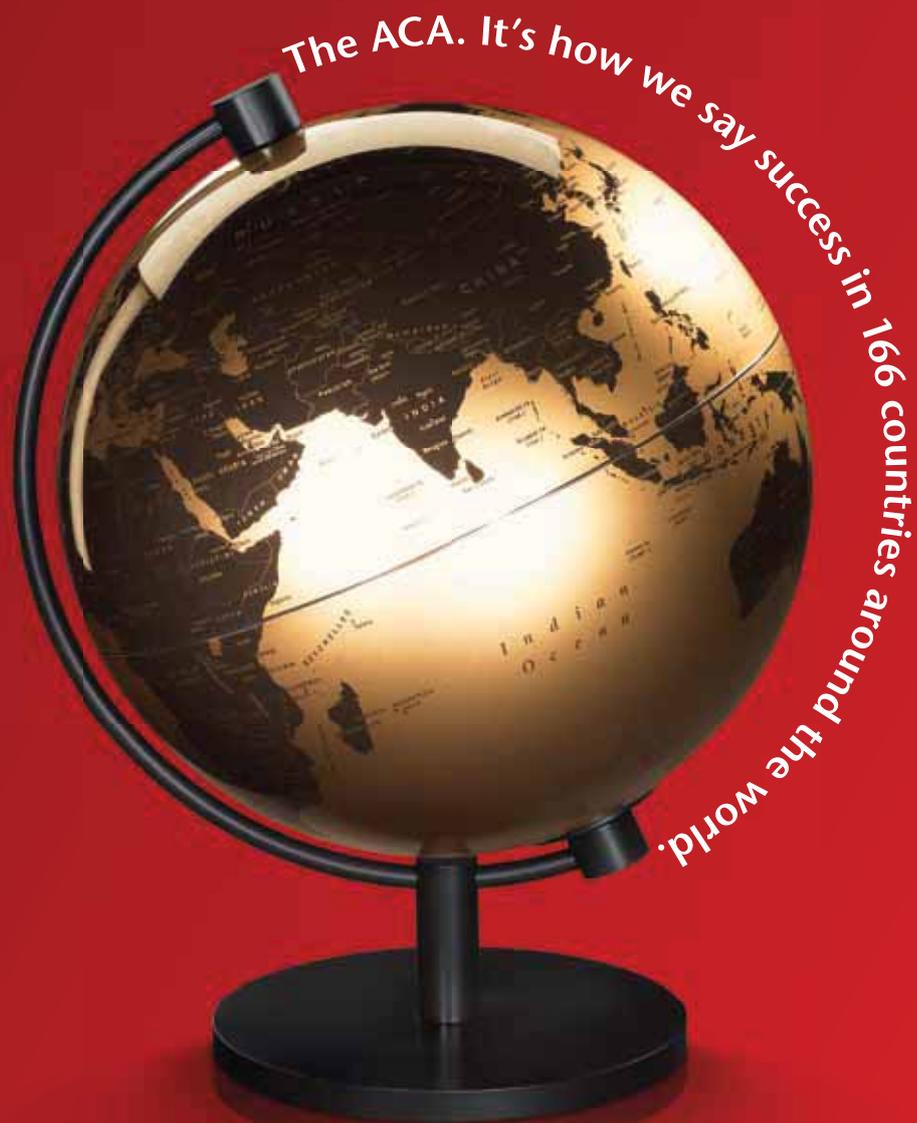
Lot 7487-7492, 2nd & 3rd Floors, 3rd Mile,
Timberland Rock Road, 93200 Kuching,
Sarawak, Malaysia.

Tel : (082) 232 780

Fax : (082) 236 668

Email : lucyr@swck.edu.my

www.swck.edu.my



THE ACA. QUALIFIED TO SUCCEED.

At home or abroad, the ACA opens up a world of career opportunities.

The ACA is a business and finance qualification from the ICAEW, a world leader of the accountancy and finance profession and is highly respected in all industry sectors around the world.

With an ACA you'll be able to work in any business, accountancy practice, not-for-profit organisation and the public sector – your career choices are endless.

If you're looking for variety, opportunity, and the best preparation for a career as a business leader, choose the ACA.

It's a decision that will translate into success in any language.

To find out more:
T +603 2171 6022
www.icaew.my



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

Invest in Your Family's Future

Turn Your Investment into Permanent Residency in Australia, New Zealand or the United States



Your family gains permanent residency and you may live anywhere in your selected country. There are programs available with no age limit and no language requirements. Reap the benefits of social welfare and subsidized education with a high quality of life.

Migration Agents Registration Number 0428740

Contact us today
to learn more.

Level 35 Unit 1, Menara Standard Chartered,
30 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia.
Tel: +603-2142 5199
Fax: +603-2142 5198

► www.PRforAmerica.com

► www.PRforNewZealand.com

► www.PRforAustralia.com

