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THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

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CAPITALISING ON CHANGE

+ IS THE ACCOUNTING PROFESSION RECESSION-PROOF?

+ FINANCE SHOULD LEAD IN SUSTAINABILITY REPORTING

TIDYING UP YOUR ACT

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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*:

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

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Carpe Diem

Change is part and parcel of life. As the regulatory body spearheading the profession, the Malaysian Institute of Accountants has always warned our members that we have to learn to embrace change if we're to succeed going forward. In this issue, we take a quick look at the pending regulatory reforms such as proposed amendments to the Companies Act 1965 and the Accountants Act 1967 which aim to simplify the business environment and streamline Malaysia in-line with other jurisdictions, while improving governance and quality in the profession. The crucial question is: how will these reforms impact our 26,000 members, particularly public practitioners? We outline some strategies for coping with and capitalising on change.

Apart from regulatory reform, changes could be coming up to enhance governance and compliance to protect public and stakeholder interest and again, bring us abreast of global developments. Specifically, the Public Practice Committee of MIA is calling for reforms to Practice Review to make it ISQC 1-compliant and a more effective tool for improving the calibre of practitioners and firms.

On a bright note, accountants remain in demand as a profession even as the global economy tanked over the last two years. But let's not rest on our laurels. Keep investing in improving skills and knowledge so that employers and clients continue to seek out our services. For our part, MIA too intends to continuously invest in upgrading the profession so it remains relevant even in the new world economic order.

Speaking of the new world order, me-first conspicuous consumption seems to be trending down even as generosity, charity and sustainable consumption pick up. Quick to scent business potential while fulfilling their corporate social responsibilities, companies are delivering products and services that combine gratification and giving. This new method of marketing is called "embedded generosity" and fits perfectly into the agenda of sustainable companies, whereby business should be giving back to the people and the planet. Indeed, sustainable development will be a recurring theme at the upcoming World Congress of Accountants in November 2010.

Here's wishing all our readers Gong Xi Fa Cai. Happy reading! ■

EDITOR

DECISION OF THE DISCIPLINARY COMMITTEE
MALAYSIAN INSTITUTE OF ACCOUNTANTS

NOTICE

The Council of the Malaysian Institute of Accountants hereby gives notice that on 9 July 2009, after due inquiry by the Disciplinary Committee of the Institute, Wong Kang Hwee (Membership No: 1656) was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P. U. (A) 229/2002] ("the MIA (Disciplinary) Rules").

The Disciplinary Committee in exercise of its powers under Rule 18(3) of the MIA (Disciplinary) Rules has ordered the member to be reprimanded and ordered the member to pay the Institute the sum of RM6,000.00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee.

The decision of the Disciplinary Committee took effect on 9 September 2009.

ROSLI BIN ABDULLAH
Registrar
On behalf of the Council of the Malaysian Institute of Accountants

LETTERS TO THE EDITOR ///// A key element in the world of publishing is what readers have to say. We want to hear from you on just about anything that appears in each issue of ***Accountants Today***. Why not drop us a line now? e-mail: communications@mia.org.my

HOW CAN PRACTITIONERS DEAL WITH THE ANTICIPATED REFORMS TO THE EVER-CHANGING REGULATORY LANDSCAPE IN ORDER TO SUSTAIN THEIR BUSINESS AND CAPITALISE ON FUTURE TRENDS?

capitalising on change

Nazatul Izma

Change affecting practitioners is definitely in the pipeline, whether in the form of the proposed amendments to the Accountants Act 1967, the proposed Limited Liability Partnership and the upcoming Audit Oversight Board. Other major changes include proposed reforms to the Companies Act 1965 to facilitate a business-friendly environment and streamline Malaysia in line with other regions.

SOME UPCOMING CHANGES?

The Companies Commission of Malaysia formed the Corporate Law Reform Committee (CLRC) to spearhead review of the Companies Act 1965. The objectives were to create a legal and regulatory framework that will facilitate business in the 21st century, reducing cost of compliance, simplifying operational processes and harmonising conflicts and duplications with other corporate regulatory bodies.

The CLRC Report contains a total of 188 recommendations. Recommendations that will provide an easier administrative regime for business include the following, which are not exhaustive. One, allow companies to incorporate with only a single member who can be the director. Two, do away with the mandatory name reservation process and make the register of reserved names available to the public to simplify search and registration. Three, introduce the use of a single incorporation document in a prescribed form to simplify incorporation and replace the statutory declaration (Form 48A) with a statement of compliance. In

line with international developments, it is recommended that a private company should not be required to hold an annual general meeting to offer very small companies this flexibility. Requirements for audited accounts for very small companies will also be relaxed by allowing shareholders to decide on audit. It follows that the definition of very small companies needs to be clarified and differentiated.

When the rules are changing and the conditions of play change accordingly, how do we address these changes to ensure the sustainability of our companies?

Abdul Rahim Abdul Hamid, President of MIA

Elsewhere, one of the "drastic" changes is the recommended shift to a no par value (NPV) environment where the concept is to use market value rather than fixing a par value, which is probably aligned with changes in accounting standards and reflects ongoing controversy on the use of share premium accounts. Under NPV, a company limited by shares shall no longer be required to state its authorised capital in the Memorandum. All shares shall no longer have a par value attached; and conversion of all shares to shares of no par value shall be made mandatory for all companies.

The move will have ramifications. For example, how will the market value of shares be determined? And won't the value fluctuate? Since the maintenance of a share premium account is no longer required in a NPV regime, all amounts received for issue and allotment shall be known as a "contributed capital" account. A company that has made a profit will still have a retained profit/earning account and this account would remain distributable as cash dividends or bonus shares.

The report also makes recommendations for separate insolvency provisions. These will enable the efficient winding-up of companies that cannot continue their business as a going concern, and the restructuring of viable companies in financial difficulties but with a business case for continuity. A corporate rehabilitation framework consisting of a Judicial Management system and a Corporate Voluntary Arrangement is also being proposed. The totally new judicial management legal framework which is being proposed will substantially adopt the Singapore Companies Act (Chapter 50) on roles and functions of the Judicial Manager.

A proposed new framework for the accountancy profession with salient recommendations for amendments to the Accountants Act 1967 has also been drawn up to enhance MIA's effectiveness in meeting stakeholders' expectations and deal with challenges facing the profession. Broadly, the amendments will address three areas: regulatory, education and globalisation. Regulatory recommendations include: enhancing oversight of the disciplinary process, setting up of the Accountancy Disciplinary Board, improving compliance effectiveness, allowing the incorporation of accountancy practices and allowing the usage of trade names. Education amendments include introducing Competency Assessment and a framework for recognition and review of qualifications, while globalisation addresses the issue of admission for foreign accountants.

HOW TO DEAL

What does this raft of proposed reforms mean for the profession? Obviously, the game has moved up several notches and practitioners need to be prepared. "When the rules are changing and the conditions of play change accordingly, how do we address these changes to ensure the sustainability of our companies?" asked Abdul Rahim Abdul Hamid, President of the Malaysian

Smaller firms should look beyond audit and seize the opportunity to provide consulting services to PLCs, big or small, since reporting requirements are the same. And when it comes to providing IFRS consulting, firms should look across the region as convergence opens up significant capacity-building opportunities in regimes with minimal or miniscule capital market presence.

Nik Mohd. Hasyudeen Yusoff

Institute of Accountants (MIA).

Practitioners need to brace for higher expectations triggered by regulatory reform. Although accountants in Malaysia have performed well in the past, greater expectations are being placed on practitioners by clients who are public-listed companies to keep up with increased pressure from regulators such as Bursa Malaysia, Securities Commission and the Companies Commission of Malaysia. The professional will also have to ingrain a strict code of ethics and practice accountability with the movement towards a self-regulatory regime.

"By moving to a self-regulatory regime, we're supposed to monitor and regulate our own professional behaviour," explained Billy Kang, Chairman of the Public Practice Committee, Malaysian Institute of Accountants. "While we don't want to take unnecessary disciplinary action against members, we want the flexibility in the event that we need to take action. The amendments to the Accountants Act are nothing for practitioners in good standing to worry about."

Apart from regulatory and client pressures, accountants are entrusted with protecting the public interest too. "To meet these demands, public practitioners need to abide by the highest code of ethics and need to practice continuous learning to adapt and ensure

competency," said Jennifer Lopez, Country Head, ACCA Malaysia. She urged employers not to reduce investment in training. "Accountants – everybody – cannot stop learning. Your people need to be trained so clients can see the quality of your staff. Withholding training for staff can impact staff retention and quality."

Although expectations are rising, practitioners should not fear change, which can be a window of opportunity. Regulatory reform can be likened to IFRS convergence whereby many auditors grabbed the business opportunity to train their clients in understanding and applying the new and complex accounting standards, thereby allowing them to increase the fees charged by adding value to their services. "

One area where accountants could conceivably add value would be in corporate governance, particularly in improving the quality of financial reporting, said former MIA President and CEO and thought leader of Inovastra Sdn Bhd, Nik Mohd. Hasyudeen Yusoff. Smaller firms should look beyond audit and seize the opportunity to provide consulting services to PLCs, big or small, since reporting requirements are the same. And when it comes to providing IFRS consulting, firms should look across the region as convergence opens up significant capacity-building opportunities in regimes with minimal or miniscule capital market presence. "Audit firms can reinvent themselves as trainers for possibly bigger fees," he suggested.

Further, accountants are encouraged to act in anticipation of change, since many might be apathetic given that the pace of implementation of regulatory reforms can be glacial. Employing a soccer analogy, Nik pointed out that Sir Alex Ferguson and Manchester United work to succeed regardless of circumstances. "Does he worry about FIFA changing the rules? Why wait until reforms are implemented to change for the better? While regulatory reforms may affect the way you run the business and entice more customers to use your services, you should go beyond that. The Malaysian consultative process may slow down reform but you can't put your business on hold because nothing's happening yet." As Kang put it, "We should stand on our own strengths irrespective of regulatory change."

You need to show and tell clients about the value of your services. You're not there just to produce one final audit report. Instead, you must present yourself, the accountant, as the most competent person given these regulatory, technical and business changes.

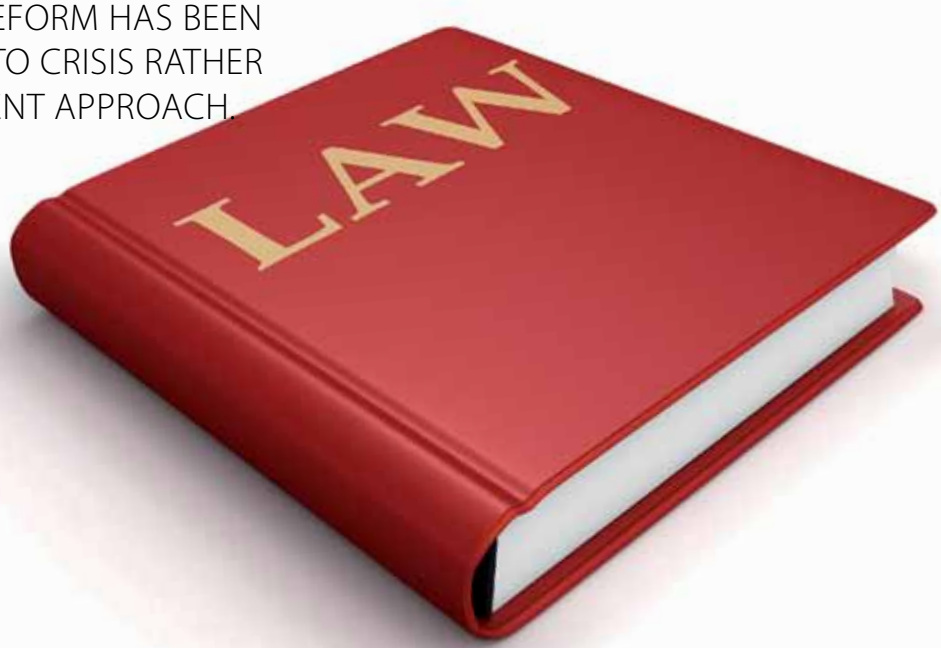
Jennifer Lopez, Country Head, ACCA Malaysia.

Perhaps one of the most important messages of the forum is that accountants must rebrand themselves as authoritative resource persons. One way to do this: improve communications and soft skills. "You need to show and tell clients about the value of your services. You're not there just to produce one final audit report. Instead, you must present yourself, the accountant, as the most competent person given these regulatory, technical and business changes," noted Lopez. Accountants should also avoid the trap of being "so technically involved that they hide behind their expertise," warned Nik. "You have to look beyond your horizons and realise that you can do many things with the skills you have." Only then can accountants truly capitalise on the potential that will be opened up by regulatory reforms, instead of being stranded by change. ■

Corporate Law Reform: Too Much Too Little Too Late?

Philip Koh Tong Ngee, Advocate & Solicitor High Court Malaya, Senior Partner of Messrs Mah-Kamariyah & Philip Koh.

MALAYSIAN CORPORATE LAW REFORM HAS BEEN CHARACTERISED BY RESPONSE TO CRISIS RATHER THAN A THOUGHT OUT COHERENT APPROACH.



The historical legacy of British common law is reflected at large in Malaysian company law. The Malaysian Companies Act 1965 is based in the main on the UK Companies Act 1948 which in turn was a product of the Jenkins Report. The primary philosophy undergirding the company law then was a disclosure-based regime that is strongly market-based. Certain elements of Australian law were incorporated by Professor Gower who headed the Committee that gave birth to the 1965 Act.

Since 1965, there had not been any major attempt to reform the 1965 Act and in the main when there was amendment, it was piecemeal and "knee jerk" in response to some perceived misconduct.

A major slew of amendments was prompted by the High Level Committee of the Ministry of Finance of Malaysia post the 1998 crisis. The amendments finally reached the statute books after a decade-long process. This is illustrative of the long period of gestation needed before private law amendments could find place in the crowded agendas of executive and legislative exertions.

In 2006, the Ministry of Consumer Affairs and Trade set up a Corporate Law Reform Committee (CLRC) to undertake an ambitious reform proposal to Malaysian corporate law. In 2008, the CLRC reported after two years of work and incorporating the work of many sub-committees.

Some examples of corporate law reform in Malaysia:

The case of Section 132G of the 1965 Act

For example, a curious provision was introduced in 1992 to purportedly prevent a related party transaction between a company and persons connected with the company. Lawyers and investment bank advisers have found the provision ambiguous and unworkable. It thwarted legitimate transactions and added to the costs of transactions without concomitant gains in governance. It multiplied the fiction of unconnected parties by way of layers of nominee(s) purportedly unconnected to directors or the Company in question. Phrases like " first held the shares " and the stipulated duration of three years after "first held those shares" set up an interpretive conundrum to which lawyers gave ingenious advice to circumscribe the rigour of the prohibition. It was understood that Section 132G was prompted by the attempt of some government quarters to prohibit a specific transaction. The drafting of the provision was far from felicitous and spawned myriads of statutory dilemmas.

When it was proposed to amend Section 132G in 2008, the response to feedback requested by the Companies Commission of Malaysia (CCM) was that any amendment to tinker with the wordings may lead to a worse-off result. In consequence to the robust feedback, the whole of Section 132G was removed.

The case of Section 67 share buy-backs

At the height of the 1998 crisis, when the Kuala Lumpur Stock Exchange (the-then Bursa Malaysia) suffered collapse, there was a quick attempt to introduce

the share buy-back mechanisms to the 1965 Act together with guidelines to the KLSE Listing Requirements .

It was widely perceived that due to the crisis in confidence the shares of a public-listed corporation may be severely undervalued; if the PLC has cash reserves it ought to be permitted to purchase its own shares, which sends a signal to the marketplace of management confidence in the value of the corporation's shares, and where the shares become treasury shares they are a form of good investment for the corporation. At the passage of the amendment bill however, the amendment was touted almost as a panacea to the bleeding stock market. Such a misconceived idea of the share buy-back mechanism is unfortunate and has no empirical validation in extant studies. In fact, the use or "abuse" of the share buy back mechanism can give rise to a host of overlapping issues such as fiduciary duties, care and skill, insider trading and share market manipulation. These issues have not been adequately addressed by lawmakers and enforcers.

The lesson learnt here is reforms ought to be pursued during a time of calm and not distress as during turbulent times, the passage of amendments can suffer vicissitudes which damage the ability to reach the statute books and postpone a healthy piece of corporate law reform.

Disclosure of Substantial Shareholdings

In 1985 (by way of Act A616), a block of provisions was introduced to the 1965 Act. These included disclosure provisions which provide for early warning to Boards of growth in minority holdings that may lead to a prospective takeover. During the 1998 crisis, the Securities Industry (Reporting of Substantial Shareholding) (Amendment) Regulations 1998 was passed and the 5% threshold for reporting of substantial shareholdings was reduced to 2%. In 2001, this was changed back to 5% as the 2% threshold was found to be too low and became burdensome to Companies that had to comply with the same : see Securities Industry (Reporting of Substantial Shareholdings) (Amendment) Regulations 2001.

The prescient words of Professor Sealy, the doyen of corporate law jurists, are worth reproducing: "The time has come, I believe, for us to take stock of the whole filing and disclosure system. Experience in other jurisdictions suggests that much of what law now calls for is obsolete, pointless, unnecessarily duplicated, wrong in principle, unjust and cumbersome. Above all, it is expensive and where that expense does not bring corresponding advantages, a waste of everyone's time. We would be a lot better off if half of the requirements were done away with and the remainder redrawn so as to give some purpose to the law."

The Absence of Chapter 11/Judicial Management Law in Insolvency

One of the most acute areas of corporate law reform is engendered during a severe recession. According to an anecdote, during the co-operative crisis economic recession in the 80s there was a clamour for a Chapter 11-type legislation to be introduced into the Companies Act. When consultative meetings were held, a senior representative of the Chambers of Commerce had to rely on the analogous provisions under the Singapore legislation as the original proposed Bill was classified as an Official Secret. The Chapter 11-type provision did not reach the law books as the major banking institutions lobbied strongly against its introduction fearing that it would be an umbrella protection that would inhibit creditors' rights against defaulting borrowers who may be linked to political elites.

The lack of judicial management legislative provisions resurfaced during the 1998 crisis when borrowers sought refuge under a strained interpretation to Section 176 of the 1965 Act. The moratorium against creditors that was granted by the Courts was often applied for *ex parte* and had an undefined duration giving rise to severe issues of non-performing loans being unrecoverable or creatively destructed or rehabilitated. An amendment was made to Section 176 introducing Subsection (10A) which redresses ad hoc the problems generated. To date, there are no judicial management amendments to cope with a structured manner of rehabilitation.

The lesson learnt here is reforms ought to be pursued during a time of calm and not distress as during turbulent times, the passage of amendments can suffer vicissitudes which damage the ability to reach the statute books and postpone a healthy piece of corporate law reform.

The additionally curious case of the Section 67 (6) amendment

One of the intractable areas of corporation law is the wide scope of prohibition against financial assistance to purchase shares in accordance with the common law (Trevor vs. Whitworth).

Case in point is the strong language of Section 24 of the Malaysian Contracts Act (which by the way is a legacy of Colonial India passing through the Straits Settlements) which renders void and unenforceable any agreement which contravenes any laws. Financial institutions often find themselves in the invidious position where the loan and also accompanying securities are declared to be void and unenforceable. It was in the aftermath of the Malaysian Courts' (e.g. Chung Khiaw Bank v Hotel Rasa Sayang Sdn Bhd [1990] 1 MLJ 356) decisions that swift legislation was introduced to Section 67 by way of Subsection (6) to permit banks to recover their loans and also render intact their securities.

The strength of lobbying by banks to introduce amendments to protect their exposure against a broad reading of invalidity is fascinating in its own right as a study of the power of financial institutions to preserve their creditors' rights and entitlements.

The 2008 amendments

The amendments to the 1965 Act came into effect on 15 August 2008. The long duration from recommendations by the Finance Committee in 1998/99 to the statute books testify to the many bureaucratic hurdles and the long process before legal reform recommendations can come to fruition.

I can also bear witness whilst serving in the MOF Subcommittee chaired by the Malaysian Securities Commission that the recommendations that were cobbled up were made very quickly and any consultations were kept to the minimum . In fact, there are major points where the rationale for a proposed amendment was inadequately addressed or even articulated.

Be that as it may, it is to the credit of the CCM that these amendments did reach their legislative outcome.

The core of the amendments were posited on the governance of companies through the Board which was perceived to have been weak and ineffective.

Major codification of director's duties of care and skill and enhancement of fiduciary duties were introduced.

Though one may debate whether some of the amendments were needful and may have been better left to judicial rulings so that there may be more flexibility in applying governance norms to conduct of controllers and their agents, Malaysia has opted to codify the same. This in part may be defensible given the complexities of corporate conduct and the relative lack of judicial experience in commercial and corporate spheres.

The core difficulty has been well put in one case:

In AWA Ltd. vs. Daniels t/as DHS (1992) 7ACSR 759 Rogers J observed,

"Foremost among [the difficulties which arise in allocation of liability to directors, officers and auditors] is the failure to recognise and to admit that many companies today are too big to be supervised and administered by a board of directors except in relation to matters of high policy. The true oversight of the activities of such companies resides with the corporate bureaucracy."

The amendments which align the various threshold tests to the Bursa Listing rules for public companies are welcomed as advisers and officers negotiate the maze and labyrinthine paths of laws.

Though one may debate whether some of the amendments were needful and may have been better left to judicial rulings so that there may be more flexibility in applying governance norms to conduct of controllers and their agents, Malaysia has opted to codify the same.

The strengthening of directors' duties of care and skill to bring them commensurate to the heightened sense of application of responsibility and accountability in the contemporary business world is underscored. A director who now has specific skills and knowledge will have to deploy the same for the company he served and not hide behind a generic reasonable person fiction. The diversion of corporate opportunity being a clear species of breach of fiduciary duty is now explicitly stipulated.

So too the parameters of the duty of nominee directors is clarified so that in the event there is a conflict between his duties to his appointor and the company which he is appointed, he may not subordinate the interests of the company to that of his appointor. Nominee directors from government agencies to GLCs ought to take heed of this as they can face serious dilemmas in decision-making. In an earlier version of the suggested articulation of nominee director's duties it was stated that the nominee director owed an exclusive duty to the company. It is heartening that CCM took into consideration the realities of Malaysian corporate holdings (e.g. PNB and EPF) and the final wordings reflect pragmatic realism. So too there is no leeway for abdication and delegation of duties do not absolve whilst there is residual responsibility for the acts of the delegate.

The strengthening of minority shareholders' rights by way of statutory derivative remedy is significant. The Court is conferred jurisdiction to oversee whether the applicant is acting in good faith and if the interest of the company is served by permitting the shareholder to pursue the remedy. The complexities of the exceptions to the Foss & Harbottle rule appear to be untangled by this. Or are they? Whilst much can be said that the entanglements that beset minority remedies ought to be addressed, the granting of avenues for remedies must not completely suborn the majoritarian principle of shareholder property rights. A careful equilibrium will have to be maintained which must tap into mature corporate law jurisprudence.

Injunction relief is also available to the Registrar of Companies and or persons whose interest may be affected by conduct which may be in contravention of the Companies Act. This additional arsenal in the litigation armoury though welcome to litigation lawyers may have wide-ranging ramifications to the conduct of a corporation's affairs.

The whistleblowing protection was extended to auditors and officers. The mandatory nature of the obligation for auditors to whistleblow adds to the burden and expense of the audit process. Whether it will aid the enhancement of governance remains to be seen.

The work of CLRC

In 2003, the Ministry of Trade and Consumer Affairs whose jurisdiction includes the Companies Act 1965 set up a Corporate Law Reform Committee chaired by retired Court of Appeal judge Dato' KC Vohrah. The Committee consists of lawyers, accountants, merchant bank advisers, academicians and insolvency practitioners. It met for over a period of two years and its work was divided into various subcommittees. The CLRC produced its report which was published in 2009. The principles upon which the CLRC based the reform recommendations were:

- Restructuring the legal framework which balances business efficacy

and governance
- Management to safeguard the interests of shareholders and creditors.
- A compendious legislation dealing with "core Company Law distinction for rules between private and public companies recognised".
- Reliance on a combination of legal rules and self-regulation

Whilst there were robust discussions on many issues, the consultation from the public and stakeholders affected by recommendations did not elicit wide-ranging responses. At best, some public responses were lukewarm and the most appropriate responses came from professional organisations whose work may be directly impacted by any proposed legal reform recommendations.

Despite the many hours put in by the CLRC, it is doubtful in my personal view whether any of the recommendations will reach the statute books and, more pertinently, whether there will be a compendious revamp of the 1965 Act.

Unlike the UK reforms initiatives which were driven by the Blair administration under the guise of it being an election platform, the Malaysian legal reform initiatives have no active political impulse or ownership. There were two Ministerial changes during the course of the CLRC and a third minister was presented with the completed CLRC report with no commitment of setting in motion the realisation of the recommendations to a Bill/Act. The participation of the Attorney General's Chambers and the Department of Insolvency in CLRC also lacked continuity as representatives from these two agencies were not senior officers (and even when the representative was senior, he/she did not remain long) and was replaced and substituted by officers who found difficulty in contributing cogently to the reform discussion.

One of the weakest aspects of the CLRC report was that it was not accompanied by a DRAFT Companies Bill. Without such an accompanying Bill, it is feared that the whole CLRC exercise may be one to merely validate Malaysia as being consistent with the reform initiatives as exemplified throughout the Commonwealth.

On a final note, what are the basic issues that we may reflect upon in terms of law reform in the sphere of corporate law? Judith Freedman observed that there are five major areas that beset Company law reform:
- the volume and detail of legislation and regulations;
- the piecemeal nature of legislative reforms;
- poor drafting;
- lack of consultation; and
- inadequacy of parliamentary process for law reform.

As is self-evident from this brief overview of corporate law reforms, Malaysia's experience supports Freedman's observations.

Clearly with every excess and abuse by the controller of the corporate entity, the clarion call for reform is sounded and at times implemented. However, care must nonetheless be taken that exuberant law-making is not used as a legitimating device that camouflages the deviant behaviour of political elites and the co–opting of regulatory agencies. Regulators have been conferred immense powers, but the Justinian adage "Who watches the watchdog?" is worth recollecting.

The adage that laws will be but scarecrows which birds do perch upon (measure for measure) if left unenforced is as valid in Elizabethan times as in Malaysia and certainly great edifice and architectural rules do not build a house. Gaps in execution and enforcement remain forefront in debate. ■

- *E.g. Finance Committee on Corporate Governance (1999) Chapter 6. See Philip Koh Tong Ngee Corporate Governance in Malaysia : Reforms in light of Post-1998 Crisis in Ho Khai Leong ed Reforming Corporate Governance in South East Asia, Economics, Politics & Regulations ISEAS.*
- *See extended discussion in Loh Siew Cheang, Corporate Powers Accountability (Lexis Nexis Butterworths) (2002) pp 600-614 ; See Chapter 6, " Constraining the Board," in Paul Davies, Introduction to Company Law Clarendon Law Series (Oxford) (2002)*
- *See Finance Committee Report 1999 p 165, 166. Also Philip Koh Tong Ngee & Tan Liong Tong, "Legal and Accounting Implications of Section 67A of the Companies Act 1965: the Scope and Strategic Operation of Share buy-back." Maicsa Publication (1998)*
- *For analysis and discussion of these amendments see Philip Koh Tong Ngee, "Company Ownership Disclosure & Liabilities in Malaysia" [1992] 2 MLJ li; [1992] 2 MLJ 51.*
- *LS Sealy Company Law & Commercial Reality (1984) p 34 quoted in Philip Koh supra (1992)MLJ*
- *This writer was involved in the case, acting for the bank and the attempt to argue that common law trends tended to refrain from rendering void contracts that unwittingly contravene some legislation did not find favour with the-then Supreme Court (now Federal Court).*
- *Consultation responses were not cogent and recommendations were made from the experience and knowledge of the Subcommittee.*

Section 131A -131B of 1965 Act.
- *Clearly accepting the Laskin SCJ's approach of Canadian Aero Services Ltd v O Malley (1973) 40 DLR (3d) 371.*
- *Section 131 B (1E)*
- *Section 131B(1F) Compare Australian cases of Levin v Clark [1962] NSWR 686 ; Re Broadcasting Station 2B Pty Ltd [1964-65] NSWR 1648*
- *Section181A*
- *368A.*
- *From Judith Freedman, " Reforming Company Law," in Fiona Macmillan Patfield Ed Perspectives on Company Law Kluwer Law (1995)*
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Improving Corporate Reporting

Majella Gomes

Good corporate reporting is generally an indication of competitiveness and superior corporate governance, and the National Annual Corporate Report Awards (NACRA) organised by MIA, Bursa Malaysia and the Malaysian Institute of Certified Public Accountants (MICPA) recognises such quality Malaysian corporate reports. In fact, NACRA's guidelines for what constitutes a Good Report are so stringent that less than 10 per cent of the 980 companies screened at the preliminary stage of the NACRA 2009 awards actually got through to the first stage of adjudication.

But what exactly constitutes a quality report, by NACRA standards? And how can public-listed companies improve their reporting in future? Ken Pushpanathan, Chairman of the NACRA Adjudication Committee which vets the Annual Reports that qualify for detailed adjudication, outlines some key strategies for companies to take note of and implement to enhance the calibre and transparency of future communications.

THE IMPORTANCE OF EFFORT

Good reports show initiative and effort on the part of the preparers. "The better reports always address all the required relevant information concisely, and disclose thoroughly the measures taken – including on activities, corporate policy, strategic plans, the company's prospects and current initiatives to protect the

environment," explained Pushpanathan.

It is interesting to note that while some companies put a lot of effort into their Annual Reports and are competitive for NACRA awards, some others choose not to compete despite having very good reports, for reasons such as a change of corporate philosophy due to ownership changes arising from buyouts or mergers and acquisitions. "It's not as if the companies that aren't recognised by NACRA have not performed," he clarified. "Rather, they see no urgent need for this sort of national recognition at this point in time in accordance with the stringent qualifying criteria for NACRA, although they may well be meeting global reporting standards requirements for the most part."

Ken Pushpanathan
Chairman, NACRA Adjudication Committee

Subjecting the company to the scrutiny of an independent body is seen as an effort at improving transparency as well as a test of management's mettle.

THE RISE OF CORPORATE RESPONSIBILITY

Corporate responsibility initiatives are being assigned more weightage these days and intensely scrutinised in the NACRA judging process. Why? It is important to note how companies fulfill their social obligations, because corporate social reporting is integral to how involved they are with society at large. Importantly, their efforts have to be sustainable and genuine, and not flash-in-the-pan, one-off events or campaigns undertaken purely for publicity, either.

TONE FROM THE TOP

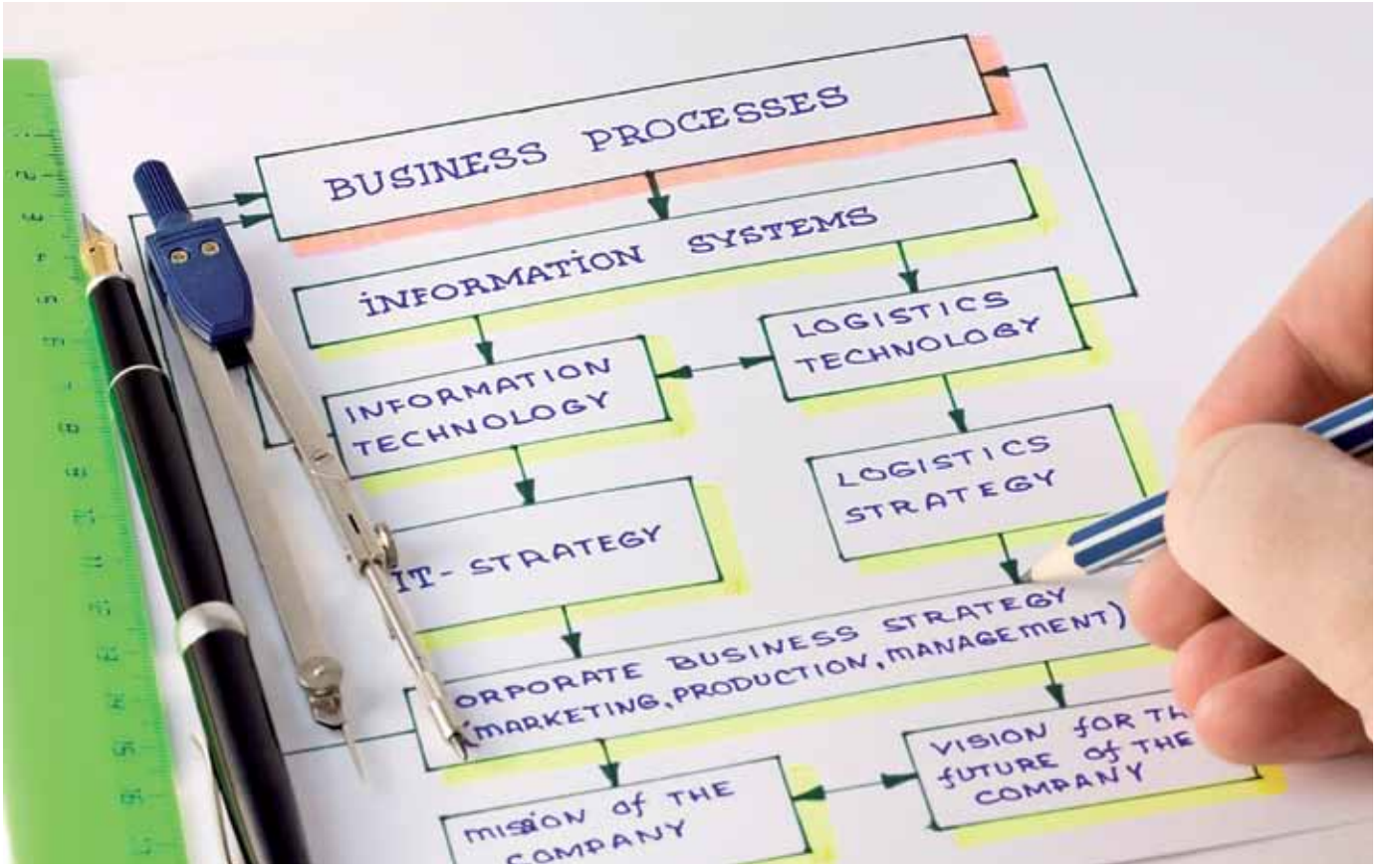
"We have instances where the company's preparation and presentation of Annual Reports have the direct involvement of the CEO or Chairman. In these cases, the company almost always does well – because there has been active involvement of top management. Public Bank is a good example. The Bank has won the Overall Excellence Award nine times between 1990 and 2009, and the Chairman is known to take a personal interest in the Corporate Reporting Process," explained Pushpanathan.

BE OPEN AND TRANSPARENT

Companies looking for NACRA recognition should steel themselves for full and unvarnished disclosure. The list of items for scrutiny is frighteningly exhaustive, starting with how promptly their Annual Reports are published. "Although public-listed companies have to submit their audited financials to Bursa Malaysia within four months of the end of their financial year, the preliminary qualification criteria allows for the Companies Act 1965 requirements of a six-month time frame for Annual Reports to be submitted," Pushpanathan said. "We expect to see that this deadline has been strictly adhered to, if the company wants to be in the running."

Apart from timeliness, the NACRA adjudication process also involves checking on the extent of compliance. Statements on corporate governance and internal control are already mandatory under Bursa Malaysia's listing requirements, but even these have to be reasonably elaborate and detailed. Corporate Social Responsibility (CSR) is a veritable minefield; the more inclusive and sustainable a company's efforts, the better its chances of clinching silver, gold or platinum awards. "Voluntary disclosures win bonus points," Pushpanathan added.

It cannot be stressed enough that companies should be more open if they want to improve. For example, significant related party disclosures involving holding companies, subsidiaries, associated companies and joint ventures, as well as other director-related transactions ought to be disclosed in a transparent manner in the Annual Reports.



The more relevant information it shares with its stakeholders, the better a company's corporate governance is likely to be. With this in mind, reports from the CEO, CFO and COO are always carefully noted. Annual Reports are adjudicated to ascertain if performance meets or is at variance with policy. For instance, company operations are juxtaposed against company philosophy to see if its objectives have been met. Timely and proactive compliance with regulations, or guidelines and putting in place measures to conform with such regulatory requirements will score top marks.

Predictably, companies may cite confidentiality as a reason for not being more forthcoming with corporate information. Nevertheless, Pushpanathan stressed that if Malaysian companies want to be leaders in corporate reporting, they will need to appreciate the positive benefits of being open and transparent. In the case of Malaysian companies with foreign subsidiaries, associates or other interests abroad, these related parties are already subject to additional regulations where they operate, which in most cases, may be even more stringent.

GLOBAL BENCHMARKING

Openness and transparency in Annual Reporting on an unprecedented scale may be inevitable with the adoption of Financial Reporting Standards and Malaysia's convergence commitment by 2012; Malaysian companies will have no alternative but to bring themselves up to speed. One way, of course, is to ensure your company's reports actually reflect good governance. To achieve this, it is critical that organisations have appropriately-trained staff – both internal and/or outsourced - to handle compliance and governance matters.

Preparers, auditors, regulators and other capital market stakeholders should ensure that they are fully conversant with the requirements. "Due care and diligence must be exercised in the preparation of Annual Reports with higher professional standards, and more accurate disclosure of information," advised Pushpanathan.

KEEP ON IMPROVING

"It is possible for local Annual Reports to be produced which are comparable to those issued globally. It is a matter of keeping up with the best practices in corporate reporting. Good reports are never static. The companies which produce these always find new differentiating disclosures, or new ways to do it. They are consistent and persistent in their endeavours. Many of them are industry leaders precisely because of this, and because of their proactive approach. They don't wait to be told; they go ahead and set the standards that others follow," concluded Pushpanathan. ■

A NOTE ON NACRA

The National Annual Corporate Report Awards or NACRA has almost a quarter century of history. Launched as the Malaysian Corporate Report Awards (MACRA) in 1985, it was initially organised by the Malaysian Association of Certified Public Accountants (MACPA) and the Malaysian Institute of Management (MIM). Three years later, MIA and the then-KLSE organised the National Annual Report Awards (NARA). As the two Awards shared common objectives, they were combined and became NACRA in 1990.

Currently, NACRA is the collaborative effort of Bursa Malaysia, the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. One of the main differences between NACRA and other awards is that it is an accolade given by independent professional bodies. The Awards recognise excellence in the presentation of financial and business information, underscoring the fact that this promotes higher standards of corporate governance.

NACRA has instituted Specific and General Criteria for its awards. Companies wishing to participate in this highly prestigious competition are required to demonstrate an above-average level of corporate governance and transparency. This is necessary because the awards recognise corporate excellence from many perspectives. To ensure excellence, the criteria for NACRA is reviewed and enhanced every year, and hence the bar is continually being raised.

Companies compete in five categories of Awards: Overall Excellence, Industry Excellence for Listed Companies, Presentation, Corporate Social Responsibility and a Special Award for Non-Listed Organisations. The Industry Excellence Award is for Main and Second Board companies and MESDAQ companies till 2009, (prior to the recent restructuring of Bursa Malaysia's boards under the Main and ACE categories) and most categories offer silver, gold and platinum awards. Corporates can also vie for the Best Annual Report in Bahasa Malaysia and the Best Designed Annual Report awards.

THE CURRENCY EXCHANGE RATE PUZZLE: Can it ever be solved?

"WITH THE WORLD ECONOMY STILL IN A PRECARIOUS STATE, BEGGAR-THY-NEIGHBOUR POLICIES BY MAJOR PLAYERS CAN'T BE TOLERATED. SOMETHING MUST BE DONE ABOUT CHINA'S CURRENCY." **– PAUL KRUGMAN**

Saravanan Ramasamy

Issues surrounding currency exchange and the controls imposed have been long debated amongst economists and policy-makers alike. At one extreme, we have proponents of the floating exchange rate regime and on the other end of the extreme, there are voices calling for a fixed exchange rate regime. In the middle of this continuum, there are the followers of the managed float regime, who are neither the champions of fixed nor floating regimes. Their aim, at least theoretically, is to strike a balance between both of these regimes. To further complicate matters, there are also the "carry traders" who have largely contributed to the recent exchange rate swings. At this juncture, the statement by Keynes mentioned below, though not directly related to exchange rate policies, aptly describes the unresolved currency exchange rate puzzle the world is witnessing today.

"We have involved ourselves in a colossal muddle, having blundered in the control of a delicate machine, the workings of which we do not understand"
- John Maynard Keynes

Fixed, Floating and Managed Float Regimes

The world of currency exchange witnessed both calm and prosperous eras between 1945 and 1973. This was chiefly contributed by three factors, namely: the stable Bretton Woods system of fixed or also known as pegged exchange rates, controls over capital flows and limitations on the transactions that could be conducted by financial institutions. Under this regime, the central bank sets and maintains a set price against a major world currency (usually the US dollar, but also other major currencies such as the euro, the yen or a basket of currencies). In order to maintain the local exchange rate, the central bank buys and sells its own currency in the foreign exchange market in return for the currency to which it is pegged. Thus, there is always a reserve amount of foreign currency held by the central bank that it can use to intervene to set the appropriate money supply, interest rates and ultimately, the exchange rate.

If life under the fixed regime was so simple, why then didn't the world just retain fixed exchange rates? Opponents of the fixed regime often place the blame on this said mechanism as the main culprit and worse still, the cause of financial crises. This was seen in 1995 during the Mexican "Tequila Crisis", 1997 during the Asian financial meltdown and during the Russian financial crisis. The attempt to maintain the peg resulted in governments' inability to meet the demands to convert the local currency into the foreign currency at the pegged rate and this resulted in the cur-

rencies eventually becoming overvalued. With speculation and panic, investors pulled out their hot money and converted it into foreign currency before the local currency was devalued against the peg. In Mexico's case, the government had to devalue the peso by 30% while Thailand had to allow the Baht to float with a 50% loss in value.

Unlike the fixed rate, the floating exchange rate is determined by supply and demand of that particular exchange rate. The floating rate is, in theory, "self-correcting", since differences in supply and demand will automatically be corrected in the market. For example, if the demand for a currency is low, its value will decrease, *vis-à-vis* making imported goods more expensive. At the same time, demand for local goods and services will increase since the purchasing power of other countries will increase due to the cheaper depreciated currency. This in turn will generate more jobs, causing an auto-correction in the market.

The floating rate is, in theory, "self-correcting", since differences in supply and demand will automatically be corrected in the market.

Some governments choose to have a "managed float" or what is sometimes known as a "crawling peg", whereby the government reassesses the value of the peg periodically and then changes the peg rate accordingly. Usually this causes devaluation, but it is controlled to avoid market panic. This is often used as a transition mode from a fixed regime to a floating regime. As Krugman says, this mechanism allows the government to "save face" by not being forced to devalue in an uncontrollable crisis. For example, the value of China's currency, unlike, say, the value of the Euro, isn't determined by supply and demand. Instead, Chinese authorities set the target by buying or selling their currency in the foreign exchange market.

The Unresolved Puzzle

Having seen the different aspects of the currency exchange regimes, the question now is what should be the optimal policy? Although the peg has worked well in creating global trade and monetary stability, it was used only at a time when all the major economies were a part of a coherent system and followed a set of standard rules. While a floating regime is not without its flaws, it has proved to be a more efficient means of determining the long-term value of a currency and

As a result of this excess liquidity, carry traders have pursued speculative trading in the world asset markets, creating asset bubbles that are on the verge of bursting.

creating equilibrium in the international market. The transition from fixed to floating regime is best managed by employing the crawling peg whereby the central bank intervenes in the foreign exchange market to maintain the currency within a disclosed or an undisclosed trading band. If the choice of the optimal policy is as simple as described above, what exactly is the currency exchange rate puzzle and why does it remain unresolved?

Thus far, the above–mentioned discussions have considered the different exchange rate regimes from a silo and theoretical perspective. In reality, there are other endogenous and exogenous underlying factors which will need to be considered such as interest rates, capital inflows and price stability. It is against this backdrop of a "triad of incompatibilities" that the following section attempts to highlight two examples of how the exchange rate is "manipulated", causing the puzzle to remain unresolved.

The Speculative Carry Traders

While a country's exchange rate is closely linked to price stability, it is the speculative capital flow that is aimed to exploit the interest rate differential between two countries that seems to be the driver in determining exchange rate policies. In the most common version of this strategy, an investor borrows a given amount in a low interest rate currency (known as the "funding" currency), converts the funds into a high interest rate currency (known as the "target" currency) and lends the resulting amount in the target currency at the higher interest rate. This is what is known as "carry trades". Today, we witness hedge funds and other speculators borrowing in dollars at a lower interest rate and then flooding the international markets where interest rates are higher to buy assets, thus creating asset bubbles. This is where Ben Bernanke and his fellow colleagues from the US Federal Reserve have come under attack. They are accused of pursuing a loose and reckless monetary policy, leaving arbitrage opportunities open to the carry traders. As a result of this excess liquidity, carry traders have pursued speculative trading in the world asset markets, creating asset bubbles that are on the verge of bursting. Is it fair for Ben and Co to be blamed for the exchange rate swings witnessed in some countries? After all, the US policies are meant for the US market and nobody else. If that's the case, is it the carry traders that we should go after?

The Chinese Dilemma

The depreciation of the US dollar is actually both natural and desirable since the weaker dollar will help reduce its ever-growing trade deficit. Likewise, investors who once financed the US debt have started shifting their money elsewhere, causing a sharp decline in the demand for the US dollar. China, on the other hand, has been keeping its currency pegged to the dollar. This is where the puzzle begins. How can a country with a huge trade surplus and a rapidly recovering economy in effect engineer a large devaluation instead of letting the markets forces raise its value? To add complexity to the puzzle, China is indeed engineering this particularly when the world economy remains deeply depressed due to inadequate overall demand. Some economists claim that by pursuing a weak-currency policy, China is siphoning some of that inadequate demand away from other nations, which is hurting growth almost everywhere. According to them, the biggest victims are probably workers in other poor countries.

So what is China doing to resolve this puzzle, if it ever can? Recently, it was reported that China, which is now under increasing pressure to let its currency appreciate, is willing to allow more Chinese money to be invested overseas, from the current 7% to 20% of total assets. By doing this, the demand for *renminbi* is anticipated to increase and this in turn will cause the *renminbi* to appreciate. The effectiveness of this approach is, however, questionable since the size of China's capital market *vis-à-vis* the global market isn't big to start with. So how much will the increase in investment limit help? It remains to be seen.

In hindsight, the case of the speculative carry traders and the Chinese dilemma are just two examples of how we, in the words of Keynes, have involved ourselves in a colossal muddle. We neither understand the workings of it nor possess the knowledge to unravel the muddle. But one thing is sure: economic chaos will continue to rear its ugly head if world leaders do not attempt to comprehend and compromise in order to resolve the puzzle. ■

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ADVERT 1

KEY LESSONS LEARNED AND EMERGING BEST PRACTICES ON PPPs

the Commonwealth Experience

HK Yong

(Final part of a three-part series)

The Commonwealth is a voluntary association of 53 independent sovereign states spread over every continent and ocean. Together they account for more than 30% of the world's population. The Commonwealth works to promote peace and international co-operation, democracy and good governance, respect for human rights and the rule of law, and the alleviation of poverty through sustainable economic and social development. PPP is recognised as one of the drivers to bring development to our member countries.

The Commonwealth includes a diverse mix of countries including large countries such as India and Nigeria as well as small island states such as the Caribbean islands; fast-growing economies such as India, Mozambique and Tanzania as well as slower-growing economies with near zero or negative GDP growth rates in some years such as Lesotho and Guyana; countries with considerable experience in infrastructure PPPs such as India, Malaysia and Nigeria and others that are just embarking on their national PPP programmes such as some of the African states. The overall PPP experience provides important lessons for the Commonwealth countries.

The experience of PPPs in Commonwealth countries shows that successful projects can deliver significant benefits in terms of increased quantity and quality of infrastructure services. Moreover this can be achieved at lower overall cost for customers and taxpayers if suitable incentives are in place for the private partner to deliver efficiency improvements. On the other hand, when PPPs fail the costs can be high, resulting in protracted expensive legal disputes and a loss of political support for private sector involvement in infrastructure. Failures can also imply loss of government funding and consequently a decline in spending for other much-needed infrastructure services. In the worst cases customers may suffer through service disruptions or unaffordable increases in tariffs.

Listing the factors attributable to successful PPPs is relatively straightforward (see Box 1). But these are not sufficient conditions. Every project will raise a different set of issues that will need to be dealt with by capable and experienced individuals, from both the public and private sectors. Challenges are likely to arise throughout the project lifecycle, from the project development phase through construction and operation (i.e. well beyond contract signing). Many of the key lessons on PPPs are therefore related to the need to take a long-term perspective when designing and implementing a PPP programme.

BOX 1: SUCCESS FACTORS FOR PPPs

- Strong political will
- Underlying economics of project are attractive
- Project is well-designed and structured
- Capable private sector sponsor
- Access to suitable sources of finance/ guarantees
- Robust legal and institutional framework for PPPs
- Strong public sector capacity

The experience of PPPs in developing countries raises three main sets of lessons.

LESSON 1: PPPs should be designed with long-term sustainability and value for money considerations in mind.

It is recognised that many countries, including OECD markets, are attracted to PPP solutions because they offer access to private capital. Raising funds from the capital markets can help governments avoid short-term budgetary constraints

by spreading the upfront costs of infrastructure investment over the lifetime of the project. In emerging markets where fiscal capacity is often seriously limited, PPPs can help governments tackle the infrastructure gap and provide services to those not previously reached by the public sector.

But it would be a mistake to view PPPs as only, or mainly, about raising capital. The success of a PPP programme should be assessed against the quantity, quality and cost of infrastructure services provided to the public over the long-term. There is a danger that an approach to PPPs focused on capital raising will fail to properly assess or allocate the underlying risks in a project, with the result that the government may not end up getting value for money. In the worst cases this may lead to the failure of the project causing service disruptions and potentially high costs for government.

The experience of PPPs in Commonwealth countries shows that successful projects can deliver significant benefits in terms of increased quantity and quality of infrastructure services.

Key to ensuring long-run sustainability and value for money of PPPs is the following:

- Robust feasibility analysis
- Proper due diligence in selecting a strong private sector sponsor
- Good project and contract design

Robust feasibility analysis is essential

In the early years of modern PPP programmes in Europe and North America, a common mistake was for government and project sponsors to overestimate future revenues on PPP contracts. This was especially the case for toll-road concessions, where traffic forecasts were overly optimistic – for example, more than half the Mexican toll-roads reached less than 50% of the forecasted volumes, and the M1/M15 toll-road in Hungary achieved less than 60% of projected traffic flows in its initial years of operation. Many contracts ran into difficulties with the sponsor being unable to fund maintenance programmes because of lower than expected traffic volumes.

Nowadays there is more awareness of the importance of robust feasibility analysis which incorporates various scenarios about key revenue and cost drivers. But there are still examples of projects that fail because bidders were over optimistic about future performance (for example: the East Coast rail concession in the UK in 2009, in which the government terminated the concession when the concessionaire could not make its payments to the government).

In emerging markets there is often the additional challenge of the lack of data for a feasibility analysis. For example, reliable information on the number of potential customers for a service and the level of tariffs they are willing and able to pay is typically unavailable. This implies there will often be a need to spend relatively more time and effort at the feasibility stage in emerging markets to ensure that a proper case can be made for structuring a project as a PPP.

Proper due diligence is required when selecting a private sector sponsor

A common mistake when selecting a private partner is to focus on a limited number of variables (e.g. lowest cost tariff) without making a wider assessment of the capability of the sponsor to deal with unexpected events as they arise and implement the PPP contract successfully over the long-term. This was arguably one of the main failings of the recent Kenya-Uganda rail concession and even the Tanzania City Water transaction.

Of course attracting the right sponsor and getting the best deal for the public sector is linked to the fundamental attractiveness of the project and how effectively it is marketed. In some situations it may not be possible to attract more than one competent bidder, in which case the government should undertake careful due diligence to determine whether or not the contract will deliver value for money. South Africa is an example where VfM (Value for Money) considerations are built into the PPP legislative framework (see Box 2).

BOX 2: SOUTH AFRICA TREASURY REGULATION 16 - PUBLIC-PRIVATE PARTNERSHIPS ISSUED IN TERMS OF THE PUBLIC FINANCE MANAGEMENT ACT, 1999 (GAZETTE # 25915, 16 JANUARY 2004)

Contracting PPP agreements – Treasury Approval: III

- After the procurement procedure has been concluded but before the accounting officer or accounting authority of an institution concludes a PPP agreement, that accounting officer or accounting authority must obtain approval from the relevant treasury –
  (a) that the PPP agreement meets the requirements of affordability, value for money and substantial technical, operational and financial risk transfer as approved in terms of regulation 16.4.2 or as revised in terms of regulation 16.4.4;
  (b) for a management plan that explains the capacity of the institution, and its proposed mechanisms and procedures, to effectively implement, manage, enforce, monitor and report on the PPP; and
  (c) that a satisfactory due diligence including a legal due diligence has been completed in respect of the accounting officer's or accounting authority and the proposed private party in relation to matters of their respective competence and capacity to enter into the PPP agreement.

Source: www.ppp.gov.za/Documents/ppp_legis/Reg16_January2004.pdf

A PPP approach may not be the optimal solution if sustainability and value for money cannot be assured

Risk allocation, incentives and affordability are the three key aspects for the bankability of a project and their consideration in the project structure will distinguish a 'good' from a 'bad' project. Projects need to be bankable to attract private sector interest. Related to good project design is that it is interpreted clearly in the contract. Good contract design warrants that: (i) the processes and procedures for the PPP are clearly spelt out; and (ii) the measures for evaluating the performance of the PPP are clearly laid out.

Given the above, it is important to recognise that at times, the PPP approach may not be the best one to follow. There will be some projects where a PPP approach is not considered suitable, even though there may be appetite from a private sponsor to invest, because long-term sustainability or value for money cannot be assured with sufficient certainty. The City Water (Tanzania) project is an example where the underlying economics of the project were unproven from the start (weak feasibility analysis based on poor data); and the private sponsor allegedly lacked suitable experience in operating this type of concession (poor due diligence on sponsor). With hindsight it may have been preferable for the government to delay awarding a contract to the private sector until more data had been gathered on the willingness of customers to pay water user fees for improved services. This would have also allowed more time to develop a PPP legal and regulatory framework, which could have further encouraged additional bidders for the concession.

Risk allocation, incentives and affordability are the three key aspects for the bankability of a project and their consideration in the project structure will distinguish a 'good' from a 'bad' project. Projects need to be bankable to attract private sector interest.

LESSON 2: PPPs should be viewed as long-term commercial relationships between the public and private sectors, not one-off procurement exercises or sales transactions.

A related lesson is that the role of government in a PPP remains important over the full lifecycle of the project. This is a major difference to traditional outsourcing arrangements where the public sector typically runs a one-off procurement exercise and then steps back to allow the private contractor to implement the contract. It also distinguishes true PPPs from privatisations or divestitures where, again, the public sector's role is limited to a regulatory role after the introduction of the private sector.

The long-term nature of PPPs has implications for the PPP framework, ongoing management of the contract and the skills and experience needed in the public sector.

Establish a flexible PPP framework

Although the lack of a PPP framework does not prevent PPPs from going ahead, it does reduce their chances of long-term success. The main reason is that without a suitable framework the PPP contract for a specific project must attempt to capture all eventualities that may arise over the lifetime of the project. Since PPPs typically have a life cycle of at least 15 years beyond financial close, this is almost impossible to achieve. Under a strict contractual approach there is a risk of a rapid descent into arbitration if events occur which materially impact on the performance of the contract.

The best way of avoiding this situation from arising is to have a PPP framework that establishes broad principles for ongoing dialogue and coop-




eration between the public and private sectors beyond contract signature. The framework should include a process for renegotiation when unexpected events occur which are beyond the control of either party. In situations where the PPP framework is absent or under-developed, flexibility should be designed into the contract itself.

Ensure effective ongoing management of the PPP contract

As mentioned above, the role of the government in a PPP is important over the full life of the project. Post financial close, efficient contract management and monitoring are key to the success of the project. The government needs to manage the PPP contract such that it delivers the desired outcomes for the public sector and value for money. Key to this is the monitoring of the performance of the PPP (one of the key risks usually transferred to the private sector in a PPP). A good monitoring system (also built into the contract) is important to keep track of deviations, if any, and consequently forms the base for public action, as may be required.

The suitable institutional framework for monitoring of PPP contracts depends upon the complexity and number of transactions. There can be a number of different options, but the key lesson is that the institutional framework should be 'fit for purpose'.

It also matters that there is regular and effective communication between the public and private sectors: this will be easier if both parties share a commercial approach to the partnership rather than a legalistic one.

The public sector needs staff with appropriate business skills and experience

"People matter" – evidence from the World Bank shows that a successful partnership between the public and private sectors depends to a large extent on the people involved with the project. Naturally it is important that both parties have the right skills and experience to execute the PPP project development process successfully. In particular, public sector employees involved in negotiating and managing PPPs would benefit from having commercial, i.e. business, experience or training (of course there is still a need for specialist legal, technical and financial skills which can be accessed through long-term secondments of external experts and through contracting professional advisers for specific projects). Where there is weak public sector capacity, the potential for a suitably designed PPP unit can offer much advantage.

It also matters that there is regular and effective communication between the public and private sectors: this will be easier if both parties share a commercial approach to the partnership rather than a legalistic one.

LESSON 3: PPPs are inherently complex, costly and time-consuming to develop properly. A rushed project often becomes a failed project.

A third set of lesson arises from the fact that PPPs are almost always complex transactions. The project development phase alone typically lasts three years (often longer for greenfield projects)

However, assuming professional services are competitively procured, this investment is essential to ensure the project is properly designed and structured. It is especially important that the public sector has access to high quality advisers to make sure there is an equitable sharing of costs and risks with the private sector.

before finance is secured and groundbreaking can commence. This timetable sits uncomfortably with short-term political horizons. There can be temptations for governments to short-cut the project development process in order to deliver on public expectations of improved services from a PPP programme. High level of political support as well as suitable management of political and public expectations on PPPs is crucial to its success. In addition, given the complexity of PPPs, expert advisory support is very important.

High-level political support is essential

This is essential for the success of a PPP, especially during the project development stage when there is potential for significant delays if there is not a champion within the government who can drive through required legislation, licenses agreements or land allocation agreements. A strong PPP Unit can play an important role in pushing PPP projects up the political agenda but, there may still be occasions when high-level political support (say from Ministers) may be necessary. Strong government commitment to PPPs is essential to secure private sector confidence.

It is important to manage political expectations about the time it takes to design and execute a PPP project properly. In particular it is important to avoid "over-selling" PPP projects early in the project life cycle because of the risk of creating unrealistic expectations of what can be delivered and by when. Ministers will need to be persuaded to support greenfield projects despite the fact that operations are unlikely to commence within one or two electoral cycles.

One way of building public support for a PPP programme is to focus on a small number of "easy-wins" for the initial round of projects (e.g. in power or transport sectors rather than in water and sanitation). This is also likely to have benefits in terms of building capacity and experience within the public sector about how to develop PPPs. As experience in India has shown, the demonstration effect of successful PPPs can be very powerful in encouraging government and the private sector to support other transactions.

Expert advice is expensive but necessary

Legal, technical and financial advisers for PPP projects can be expensive, reflecting the fact that professionals with international experience of working on PPPs are in scarce supply. Advisory fees will typically account for 5%-10% of the total project cost. However, assuming professional services are competitively procured, this investment is essential to ensure the project is properly designed and structured. It is especially important that the public sector has access to high quality advisers to make sure there is an equitable sharing of costs and risks with the private sector.

Box 3 presents India's approach to the empanelment of transaction advisers for PPP projects.

Conclusion

There can never be a 'cookie-cutter' or 'one size fits all' approach to implementing a PPP programme in a country. Each country has its own economic, social, political, constitutional and legal circum-

BOX 3: EMPANELMENT OF TRANSACTION ADVISERS FOR PPPs IN INDIA

The Government of India has adopted a policy to facilitate private investment in infrastructure and recognises the importance of appropriate advisory support for the implementation of PPP transactions. Accordingly, the Government of India has finalised a panel of pre-qualified transaction advisers to assist the public sector agencies in PPP transactions.

The purpose of the panel is to:

- streamline the tendering process for the engagement of transaction advisers for PPPs;
- enable fast access to firms that have been pre-qualified against relevant criteria;
- ensure transparency and accountability through clear definition of the processes and the role and responsibilities of the agencies and the private sector.

The evaluation for empanelment of transaction advisers has been undertaken on the basis of two-stage evaluation criteria, which required each agency to satisfy minimum threshold requirements of annual turnover and human resource capability. Applicants that satisfied the threshold requirements have been evaluated for their capability and experience in discharging a lead role in transactions and providing commercial, financial and legislative advice.

The panel is available to all sponsoring authorities including central, state and municipal governments and their agencies in India who are undertaking PPP transactions.

stances and hence the PPP programme must be developed to suit these local conditions. Nevertheless, there are important lessons to be learnt from the experiences of other countries. To assist member countries, the Secretariat has several programmes to provide advisory and capacity-building support, including the Work Exchange programmes, the publication of the 'Compendium of Best Practices in PPPs', and an internet-based 'PPP project opportunities' platform. ■

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Source: Harris (2003). World Bank, Does Private Sector Participation Improve Performance in Electricity and Water Distribution? (2009)

practice review
A NEW BEGINNING?

Billy Kang, Chairman of the Audit Practice Subcommittee

INTRODUCTION

Delivering customer value is presently the catchword of every service provider, more so when that service involves financial information. In fact, the contemporary consumer's charter demands it. In return, the providers ask that they must be fairly and adequately compensated for such service. If an economic formula can be conjured up, then this demand and supply situation may look like this:

Value Delivered = Fair Value Fee Payment

The above formula looks simple enough, but in reality this value proposition has presented the accounting and auditing fraternity with untold headaches. Simple questions like how the value is to be determined and who decides the fair value fee are not easy to answer.

There are three key participants in this arena: the auditing and accounting fraternity, the users of financial statements and the monitors of the profession. In the Malaysian context, we have the MIA members' fraternity as the providers of the service; the clients and the general public as the users of the service, directly or indirectly, and lastly there is the Malaysian Institute of Accountants (MIA), the Guiding Angel! Each, in their respective sphere of influence, plays a key role in determining and enhancing the value delivered and the value paid.

THE PRACTICE REVIEW

Since 2004, more than 250 practicing firms have been reviewed. The findings of Practice Review are not something that we can be proud of. We call ourselves Professional Accountants, yet some of the findings showed that we still have a few hurdles to cross and much soul searching to do. Personally, I believe in the resilience of our members. All is not lost yet! A renowned management guru once noted that businessmen wanted to improve and move forward but they do not know how! Given the 'know how' I am sure our members can and will move forward. We are dealing with an ever-evolving profession; keeping tabs on the ever-changing auditing and accounting standards is a daunting task. This is a fact of life for some of our Small and Medium-sized Practitioners (SMPs).

Having said that, it does not help the profession either that the methodology adopted by the Practice Review left much to be desired. This culminated in a member's resolution at the Annual General Meeting (AGM) of 2009 proposing a new framework in Practice Review methodology.

We are dealing with an ever-evolving profession; keeping tabs on the ever-changing auditing and accounting standards is a daunting task. This is a fact of life for some of our Small and Medium-sized Practitioners (SMPs).

Regardless of the methodology that the review employed, we the Practitioners, as the providers of service, should not sacrifice quality for economic gains. As a professionally trained auditor, our proposition to our clients is that we have the skills and knowledge to discharge our responsibility for the job we are engaged for. If we are distracted from this proposition, we would have failed our clients and our profession.

MIA introduced Practice Review for member firms practicing assurance services in 2003. However, the quality control framework in the form of International Standard for Quality Control 1(ISQC 1) was only issued by the International

Federation of Accountants (IFAC) in 2006! So, in a way MIA had put the cart before the mule! The methodology adopted by MIA was designed prior to the introduction of ISQC 1 and it was then based on International Standards on Auditing (ISA) 220 which has also been recently redrafted. As a result, there is a mismatch of emphasis between our Practice Review regime and that of the ISQC 1.

Many SMPs felt that some of the Standards are not applicable or require serious modification, as they are being applied to the small and medium-sized enterprises (SMEs) in Malaysia. There were some other areas of contention too, but suffice to say that the expectations of both the practitioners, especially the SMP, and the Practice Review regime were divergent, to say the least. Nevertheless, we must realise that it is with noble intentions that MIA introduced Practice Review. Having said that, with ISQC 1 firmly entrenched in the vocabulary of the auditing profession, the profession has no choice but to move forward and ensure its members adopt those quality control measures.

Putting aside differences of expectations, as mentioned above, a new, viable and acceptable review framework must be put in place for the betterment of the profession. MIA, the Guiding Angel, must play the key role in maintaining equilibrium between the role of Practice Review and the adoption of quality control measures by the member firms.

THE PRACTITIONERS

The well-being of the profession in the form of providing quality services should be in the heart of every practicing member. As professionally trained service providers and with stringent ethical codes, it is difficult to envisage not providing the best of services to our clients. But in reality this is not always the case!

Providing quality services can be viewed as either a cost centre or a profit centre. Unfortunately, our practicing members find quality assurance daunting and tend to see it as a cost centre. It takes guts and courage to see quality assurance as profit generating. Thus, Practice Review, with its good intentions, is often seen as an unwelcome 'disturbance' incurring cost and finding fault. However, members who vilify Practice Review often overlook its benefits!

It would be encouraging if members can view Practice Review as an opportunity for 'reality checks'. In fact that is what it is! SMPs especially should welcome Practice Review. How often can a SMP have its own internal processes reviewed by experienced and highly trained peers for an affordable price?

Practitioners should realise that the accounting profession is forever evolving. There is no other way but to face reality. Constant upgrading of skills and knowledge is the order of the day. Staff training and Continuous Professional Development (CPD) is a must. Value delivered does not come from empty promises. It must be backed by substance! It is by delivering value to our clients that we can demand that they pay us for what it is worth. Practice Review can assist in that value chain and acts as the barometer of quality.

Members must realise that there is a new set of educated and informed consumers out there who are ready to pay for value. It is by having quality staff and quality processes that we, the practitioners, are able to meet their expectations and demand fair fees.

Low fees or fee undercutting is now plaguing our profession. Members must realise that competition on low costs and low fees belong to the economic model of yesteryear. The value-based model is the model moving forward. I cannot envisage how a practicing member can sustain his practice by employing the low-cost-low-fee model in view of the quality measures such as staff training and CPD that he has to put in place! Needless to say the cost of running a practice is forever increasing! I can only conclude that corners are being cut to match the low fee. I am not too far off in saying so in view of the findings by the Practice Review and the numerous complaints of inadequate audit procedures that MIA received.

In all fairness, my interaction with practicing members revealed that they are not against the Practice Review *per se*. It is more of a case of different opinions. The members had spoken (in the 2009 AGM). They wanted a new framework of review. In other words, they accept the reality of Practice Review! All they are asking for is a new approach to doing the review.

A NEW FRAMEWORK FOR THE REVIEW PROCESS

Months before the said member's resolution in the last AGM, the Council had already directed the Public Practice Committee (PPC) and the Practice Review Department (PRD) to explore a new review process. The said resolution had the effect of 'hammering in the last nail in the coffin'.

Members must realise that there is a new set of educated and informed consumers out there who are ready to pay for value. It is by having quality staff and quality processes that we, the practitioners, are able to meet their expectations and demand fair fees.

While PPC and PRD are exploring the new framework, I suppose it is alright to state my 'wish list' for the new framework. It should have the following guiding principles:

1) Members are capable of self-improvement.
2) Members can honestly assess their practices.
3) ISQC 1 should be the guiding framework for the Practice Review regime.
4) A credible firm-wide application of ISQC 1 is essential to producing quality assurance works.
5) A credible client engagement system will ensure compliance to the adoption of professional standards.
6) The Practice Review report should provide a 'checklist' for improvement.

To ensure transparency and consistency, I also wish that the proposed review methodology be based on the following sub-frameworks:

i. A Self-Assessment protocol
ii. A Risk-Assessment protocol
iii. An Onsite Inspection and Confirmation protocol
iv. A Review Report methodology
v. A Complaint & Appeal protocol
vi. A Monitoring & Regularisation process

Lastly, I hope the whole review process can be completed expeditiously. The present review process takes between six to eighteen months, which is too long to be an effective learning process. As the saying goes, 'justice delayed is justice denied'.

The 'wish list' requires plenty of hard thinking and many details need to be ironed out. It is also the desire of the PPC that the new framework can meet the aspirations of MIA and the expectations of the member-practitioners as credible providers of service. In so doing we deliver value to the stakeholder-users of the financial statements, whereupon we proudly attest our signatures thereon. The final framework is still some time away. But it is a good start for a new year. ■

ADVERT 2

REVISITING BUSINESS combination

Assoc. Prof. Dr. Hassan Ali

FRS 3, Business Combination was heralded as one of the most significant standards ever introduced by MASB when it was first adopted in 2006. The standard has finally resolved two contentious issues that were plaguing the accounting profession - the measurement of goodwill and intangible assets. Some view it as a prelude for more changes to come by compelling entities to produce figures that best reflect the market value in line with IASB's strategy towards adopting the fair value reporting approach.

FRS 3 was adopted with three primary objectives. First, to provide guidelines on the recognition and measurement of assets acquired and liabilities assumed. Second, to clearly establish the recognition and measurement of goodwill in a business combination. Finally, to clarify the extent of disclosure requirements.

Since its adoption, several inadequacies and limitations of the standard have emerged, which expose its good intentions to abuse. Perhaps this is not surprising since the standard was hurriedly adopted to pacify some quarters within the IASB, leading to several inherent problems which have prevailed to this day.

In a survey on the extent of disclosure requirements of public-listed firms listed

FRS 3

- During acquisition, only identifiable assets, liabilities assumed and non-controlling interest (formerly known as minority interest) in the acquiree are recognised. Intangible assets and internally generated goodwill are not included in FRS 3 unless it meets the criteria of a contractual legal obligation such as patents or licenses that can be sold separately. Consequently, most medium-sized public-listed firms, particularly those in the service sector, are directly affected as their asset value decreases during acquisition, which is far from the market reality.
- The standard prohibits upward revaluation of impairment for intangibles. This prohibition may lead entities to undervalue their intangibles to avoid severe reduction of their assets in future periods.
- FRS 3 allows goodwill to be subsumed into the value of acquired intangible assets (Appendix B, para B37) as well as tested together with the goodwill of cash-generating units. Such requirements are perceived to encourage entities to allocate disproportionate amounts to goodwill.
- There are two dissimilar guidelines involving intangibles and goodwill. Intangibles can be amortised if it has a finite life with the profit or loss recognised in the profit or loss account. Goodwill, on the other hand is not allowed to be amortised. This exposes the tendency for entities to maximise the value of their intangibles and minimise the value of their goodwill.
- FRS 3 prescribes the measurement of goodwill and intangibles using the acquisition method which is basically the historical cost method. This will further aggravate the confusion relating to its actual cost.

in Malaysia, almost all companies involved in business combination appear to provide no information on its goodwill as required under the standard. Apart from the quantitative requirements such as those relating to tax deduction (B64 [k]) and reconciliation on the carrying amount of goodwill at the beginning and end of the reporting period (para B67 [d]), not much attention has been given to the qualitative aspect. FRS 3, para B64(e) clearly emphasises the need for an entity to disclose information with a *"qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and acquirer, intangible assets that do not qualify for separate recognition or other factors."*

The objective of para B64(e) is for entities to disclose material information that is relevant to the business combination, especially those involving synergies that are derived from the combination. For example, if the business combination was triggered with the intention of adding value to the acquirer's research capability, then such information needs to be disclosed.

The qualitative description should also include the perceived benefits that the acquirer would expect to realise including the synergistic benefits from the acquisition. Such synergies include the cost benefits derived from amalgamating all its resources under one unit, e.g. combining the distribution network of both the acquirer and acquiree under one centre. Other synergies include combining the head offices into one, the expansion of the sales network as well as the quantifiable benefits expected to be derived from the combination of intangibles.

FRS 3 was adopted with three primary objectives. First, to provide guidelines on the recognition and measurement of assets acquired and liabilities assumed. Second, to clearly establish the recognition and measurement of goodwill in a business combination. Finally, to clarify the extent of disclosure requirements.

As with other newly adopted standards, FRS 3 appears to reveal several teething problems that need to be rectified quickly. The next step now is to identify and improve its future application with the objective of making company accounts more transparent in the interest of investors and shareholders. ■

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Is the Accounting Profession recession-proof?

DESPITE DEPRESSING NEWS ON JOB LOSSES AND PEAK UNEMPLOYMENT RATES ALL OVER THE WORLD, ACCOUNTANTS CAN BREATHE EASY. THE PROFESSION IS VIEWED AS FAIRLY RECESSION-PROOF, AND ACCOUNTING AND FINANCIAL PROFESSIONALS CONTINUE TO RANK AMONG THE TOP INCOME EARNERS, NOTED ACADEMICS IN A SURVEY OF THE US AND MALAYSIAN JOB MARKETS.

Lim Yet Mee, Lee Teck Heang and Azham Md. Ali

TOP 10 MOST RECESSION-PROOF PROFESSIONS FOR 2008

RANK	PROFESSION	US MEDIAN SALARY	PROFESSION DESCRIPTION	JOBFOX COMMENTS
1	Sales Representative/ Business Development	$65-$75K	Focus on the typical full-sales cycle and business development.	Experienced sales representatives remain in high demand.
2	Software Design/ Development	$85-$95K	Design or development of software including architecture, user-interface, applications, operating systems, and device drivers.	Computer software engineers are expected to be among the fastest-growing occupations through 2016, according to the Department of Labor, US
3	Nursing	$35-$45K	Include RNs, LPNs or nursing assistants at hospitals, residential facilities, private practices, and homecare.	As the baby boomers age, the employment outlook remains strong for nurses.
4	Accounting & Finance Executive	$65-$75K	Management of accounting/finance functions.	Tougher accounting and auditing regulations are mostly responsible for the growth of this profession.
5	Accounting Staff	$45-$55K	Accounting functions and processes within public and private organisations.	Companies searching for prior experience as well as college graduates with accounting degrees.
6	Networking/ Systems Administration	$65-$75K	Installation and monitoring of computer networks including system administration roles.	A limited supply of qualified workers in this profession.
7	Administrative Assistant	$35-$45K	Administrative and secretariat support of a department or individual (excludes legal administrative assistant.)	Companies report the need to replace retiring administrative assistants and those who move on to other career challenges.
8	Business Analysis (Software Implementation)	$85-$95K	Management, configuration, and customisation of software with a consulting firm, or in a corporate environment.	In demand, but competition is fierce for top positions. Good timing is important.
9	Business Analysis (Research)	$65-$75K	Collection and research that is tuned into value-added information for organisations.	In demand, but competition is fierce for top positions.
10	Finance Staff	$65-$75K	Involved with planning and budgeting, financial analysis, investor relations, reporting, partnerships, due diligence, investments, and valuations.	The most experienced get the best job opportunities.

Source: Jobfox Note: data was retrieved in early 2009

When jobs are at risk, it's reassuring to know that you're in a recession-proof profession. According to a special report on the top 10 most recession-proof professions in the United States in 2008 by Jobfox, a US Internet jobsite matching candidates and employers, accounting and finance professionals are consistently in demand despite the unprecedented global economic crisis stretching across 2008 and 2009.

- Other job search and career reports also indicate that accounting and finance are jobs that will never go away.

JOBS THAT NEVER GO AWAY AND CAREERS THAT MAKE EMPLOYERS LOOK FOR YOU

CAREERS THAT MAKE EMPLOYERS LOOK FOR YOU (LISTED IN THE ORDER OF THE REPORT)		JOBS THAT WILL NEVER GO AWAY (LISTED IN THE ORDER OF THE REPORT)	
1	Personal/Home Health Aide	1	Accountant
2	Medical Assistants	2	Computer Support Specialist
3	Mental Health Counsellors/Social Workers	3	Entrepreneur
4	Network Systems & Data Communications Analysts	4	Mechanic
5	Computer Software Applications Engineers	5	Paramedic
6	Teacher	6	Teacher
7	Paralegal/Legal Assistants		
8	Financial Services		
9	Accountants and Auditors		

Source: hotjobs.yahoo.com and education.yahoo.net (data was retrieved in early 2009)

- Not only is accountancy resilient, but a career in accountancy and finance is likely to be rewarding. According to *CNNMoney.com*, accounting and finance are among the seven industries that are still making money during a recession.

MONEY-MAKING INDUSTRIES IN A RECESSION

SEVEN INDUSTRIES THAT ARE STILL MAKING MONEY IN A RECESSION (LISTED IN THE ORDER OF THE REPORT)		
1	Auto Repairs	Consumers are spending money on maintaining whatever cars they already own.
2	Home Repairs	More people remodel and fix their homes instead of moving or buying.
3	Supermarkets	Consumers are eating at home more often to save money.
4	Trade Schools	Many are going back to school to learn new skills, hoping to rejoin the workforce when the economy bounds back.
5	Health Services	Healthcare is one of the most recession-resistant sectors, since it is regarded as a necessity.
6	Personal Care	This includes hair salons, barber shops, nail salons, and spas. Looking good is still needed through the recession.
7	Accounting	Consumers are not afraid of paying for accounting and financial services to help them make it through the recession.

Source: CNNMoney.com Note: data was retrieved in early 2009

But that's in the US. What's the story in Malaysia? How did the accounting and finance profession fare in the Malaysian job market during the global recession period? Based on *JobStreet.com* data, we can see that accounting and finance professionals are in high demand in Malaysia, just behind sales and marketing.

JOB OPENINGS IN VARIOUS INDUSTRIES IN MALAYSIA

	MALAYSIA (# OF NEW OPENINGS)	TOTAL NEW OPENINGS
1	**SALES / MARKETING:** Marketing (627), Sales-Retail/General (267), Sales-Corporate (247), Sales-Eng/Tech/IT (188), Telesales/ Telemarketing (116), Sales-Financial Services (58), Merchandising (26)	1,529
2	**ACCOUNTING / FINANCE:** General/Cost Acct (895), Banking/Financial (320), Audit & Taxation (193), Finance/Investment (110)	1,518
3	**COMPUTER / IT:** Software (700), Network/Sys/DB (675), Hardware (66)	1,441
4	**ADMIN / HR:** Clerical/Admin (641), Human Resources (305), Secretarial (199), Top Management (44)	1,189
5	**ENGINEERING:** Mechanical/Automotive (216), Electronics (201), Electrical (156), Other Eng (99), Oil/Gas (81), Industrial Eng (51), Environmental (48), Chemical Eng (38)	890
6	**SERVICES:** Customer Service (363), Logistics/Supply Chain (101), Tech & Helpdesk Support (95), Law/Legal Services (92), Armed Forces (37), Personal Care (26), Social Services (4)	718
7	**MANUFACTURING:** Manufacturing (191), Purchasing (180), Quality Control (142), Maintenance (69), Process Control (10)	592
8	**ARTS / MEDIA / COMMUNICATION:** Arts/Creative Design (165), Public Relations (80), Advertising (45), Entertainment (10)	300
9	**SCIENCES:** Food Tech/Nutritionist (35), Chemistry (32), Science & Tech (28), Geology (16), Biotechnology (12), Actuarial/Statistics (10), Agriculture (9), Aviation (6)	148
10	**HOTELS / RESTAURANTS:** (breakdowns are not available)	113

Source: JobStreet.com.my

THE EARNING POWER OF ACCOUNTING PROFESSIONALS

How much did accounting professionals in Malaysia earn on the average in early 2009? According to JobStreet.com Malaysia, in comparison with other professions, managers in the accounting, auditing, and finance areas are among the top earners.

ACCOUNTING

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	5,370.00	6,700.00	8,000.00
Manager	4,165.00	5,000.00	6,000.00
Senior Executive	3,300.00	3,850.00	4,600.00
Junior Executive	1,700.00	2,800.00	2,250.00
Fresh / Entry Level	900.00	1,200.00	1,800.00

AUDITING

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Manager	4,000.00	4,787.00	5,500.00
Senior Executive	1,730.00	2,200.00	3,848.00
Junior Executive	1,400.00	1,700.00	2,000.00
Fresh / Entry Level	1,050.00	1,500.00	1,800.00

FINANCE MANAGER

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	6,300.00	8,000.00	9,500.00
Manager	4,800.00	5,830.00	7,000.00

FINANCIAL CONTROLLER

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Executive	8,000.00	10,350.00	12,870.00
Manager	5,000.00	6,500.00	8,350.00

BUSINESS DEVELOPMENT MANAGER

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	5,000.00	6,000.00	8,000.00
Manager	3,500.00	4,500.00	5,600.00

MARKETING

POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	5,000.00	6,500.00	8,500.00
Manager	3,500.00	4,500.00	5,500.00

TAX			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Manager	4,200.00	5,500.00	6,987.50
Senior Executive	2,350.00	3,000.00	3,700.00
Junior Executive	1,500.00	1,850.00	2,300.00
Fresh / Entry Level	1,200.00	1,500.00	1,800.00

CONSULTANT			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	5,800.00	8,000.00	10,000.00
Manager	4,500.00	5,951.00	7,500.00
Senior Executive	2,800.00	3,700.00	5,000.00
Junior Executive	2,000.00	2,500.00	3,000.00
Fresh / Entry Level	1,420.00	1,800.00	2,300.00

SOFTWARE ENGINEER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Executive	3,444.00	4,100.00	5,000.00
Junior Executive	2,400.00	2,783.00	3,300.00
Fresh / Entry Level	1,900.00	2,150.00	2,589.00

MECHANICAL ENGINEER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Executive	3,400.00	4,100.00	5,000.00
Junior Executive	2,250.00	2,620.00	3,200.00
Fresh / Entry Level	2,000.00	2,400.00	2,800.00

SALES ENGINEER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Executive	2,800.00	3,300.00	4,100.00
Junior Executive	2,250.00	2,600.00	3,200.00
Fresh / Entry Level	1,750.00	2,000.00	2,500.00

OPERATION MANAGER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	4,500.00	6,000.00	8,000.00
Manager	3,200.00	4,000.00	5,100.00

PRODUCTION MANAGER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	5,000.00	6,500.00	7,888.00
Manager	4,000.00	4,990.00	6,200.00

ENGINEER			
POSITION LEVEL	Min (RM)*	Average (RM)*	Max (RM)*
Senior Manager	4,500.00	6,500.00	10,000.00
Manager	4,200.00	5,500.00	7,500.00
Senior Executive	3,100.00	3,843.00	4,829.00
Junior Executive	2,200.00	2,655.00	3,200.00
Fresh / Entry Level	1,800.00	2,200.00	2,565.00

Note: data was retrieved in early 2009

Is the accounting profession safe in a recession? Apparently. Not only is accounting a recession-proof profession, but accounting and finance professionals are in high demand and making money even during a recession. These include CPAs, tax accountants, cost accountants, financial analysts, and financial reporting directors—all of which are important positions in a company facing a recession. In a downturn, many companies turn to their accounting and financial executives to figure out how the businesses can operate more leanly. When companies begin to streamline and tighten their belts, it is clear that accountants and finance executives are sought to help the business adapt. With the flood of corporate scandals, tougher accounting and auditing regulations, and increased governmental oversight, the need for accounting and finance professionals is expected to grow. They are needed to help corporations tighten internal controls, regardless of the shape of the economy.However, accounting-related professionals should not be overly complacent and feel that they can weather the storm without effort! It doesn't hurt to take some measures to protect your jobs, especially in tough times. What can you do to strengthen your position in the company and your marketability?

1. Keep your technical skills and knowledge updated. Those who stay up-to-date with accounting and finance technology can be more productive and help their organisations do the same. Employees with the desire to upgrade themselves show employers they are committed to their career development.
2. Exceed expectations and Walk the Extra Mile. You can't afford to have a "that's-not-my-job" mentality. Always look for ways to add more value to your position. Do your job above the call of duty and you are set for life. Employers are keen on people who go beyond what is required in the job. However, be sure to take the credit when it is due. You want your contributions to be recognised.
3. Work on Your Network. You need to be in the social circle. Be sure to be in contact with your former professors, colleagues, bosses, and your peers in the profession. You need to be visible long before you ever need their help. ■

(source: Oregon Society of Certified Public Accountants[1])

CHINA: Chinese accounting standards should apply across Hong Kong

Hong Kong will allow Chinese companies to file reports using Chinese accounting standards. It wouldn't be a bad thing if Hong Kong companies used them too. The Hong Kong stock exchange has been kept on its toes by the idea that Shanghai is determined to establish itself as a financial centre, reports *China Economic Review*. In a bid to keep costs of a Hong Kong listing down for Chinese companies, and to make sure Hong Kong remains an attractive place to list, the regulators have said that, from this year, Chinese companies on the Hong Kong exchange can file reports using their home accounting standards, it added. In another report, *Reuters* said Hong Kong's pending acceptance of Chinese accounting standards will mark an important advance in Beijing's drive to globalise its financial sector, but could also challenge international investors with reports prepared by an industry prone to scandal. The newswire, however, noted that concerns about supervision of Chinese auditors have led to delays, making it unlikely the exchange will meet its January 2010 target date to implement the change. The change will also lead to variant results for certain industries, such as insurance, although those differences are expected to fade over time as standards converge. It quoted Judy Wong, president of the Association of Chartered Certified Accountants (ACCA) Hong Kong, as saying: "There is a confidence issue.... The (Chinese) Ministry of Finance should let the public know how they vet the applications from mainland accounting and audit firms and what are the criteria." The unification of standards will see China firms whose shares trade in Hong Kong, known in the territory as H-shares, allowed to post a single set of results for each reporting period identical to the report they put out for their China-listed shares, it added. Most Hong Kong-listed Chinese firms are expected to use their home standards for their Hong Kong reports once the move becomes official, both as a money-saving measure and to reduce confusion that often occurs due to differences in the reports released in China and Hong Kong, it noted. ■

PHILIPPINES: Computerised accounting system pushed

The Bureau of Internal Revenue (BIR) has issued an order making it mandatory for large taxpayers to computerise their accounting systems, Revenue Commissioner Joel L. Tan-Torres said. In an interview, Tan-Torres said the new requirement was part of the agency's push for a more efficient collection of taxes, reports *Philippine Daily Inquirer*. "Of some 950 large taxpayers registered with the BIR, about 300 are still doing manual accounting...These entities are involved in multi-million pesos transactions on a daily, weekly or monthly basis," he added. Based on the BIR definition, large taxpayers are those with at least P1 million in taxable income. Tan-Torres said large taxpayers represented 70 per cent of the agency's collections. "For this reason, the BIR is increasing its audit divisions from four to eight," the veteran tax official said. "There are now two assistant commissioners responsible for collections from large taxpayers." For those who will not comply with the new order, Tan-Torres said a manual accounting system for large taxpayers might be deemed non-compliant to tax requirements. ■

THAILAND: Local tax accounting falling out of step

The Federation of Accounting Professions (FAP) has expressed concern about the growing gap between Thai accounting standards and tax accounting under the Revenue Code in Thailand. The FAP, which is responsible for local accounting standards, sees the gap as potentially increasing in the future, particularly as Thai standards increasingly move closer to International Financial Reporting Standards (IFRS), reports *Bangkok Post*. The report, quoting Prasan Chuaphanich, an executive chairman of PricewaterhouseCoopers and chairman of the FAP accounting system committee, said that the federation earlier this month established a committee to examine the differences between Thai GAAP (Generally Accepted Accounting Principles) and tax laws. Chaired by Viroj Lowhaphandu, a former revenue director-general, the committee will also be responsible for proposing options to present to the government with the goal of reducing discrepancies between financial and tax accounting, it added. "Accounting practices in Thailand, based on international standards, have a number of areas that differ from tax accounting," Prasan said. The report added that Prasan cited employee benefits as one example. Under Thai accounting standards, employee benefits are recorded as a contingent liability in a company's accounts. But under the tax code, employee benefits are booked only once the actual payment is made. Prasan said the committee expected to be able to release preliminary findings within the first quarter of 2010. He noted that a parallel effort to review the tax code as it relates to the capital market made it an opportune time to consider differences in tax and accounting practices as well. Meanwhile, it added that the FAP has also been assigned by the Asean Federation of Accountants to take the lead in examining how the use of International Financial Reporting Standards would affect small and medium-sized businesses in the region. The Asean Federation of Accountants comprises the national accounting bodies of the 10 member group. ■

UK: Don't blame the standards, says BDO chief

Poor business decisions were behind the losses suffered by banks, not accounting rules, according to Jeremy Newman, chief executive of BDO International. Writing in a letter to the *Financial Times*, Newman points out that not every bank made huge write-downs during the crisis and yet they all broadly used the same accounting rules, reports *Accountancy Age*. It said he wrote: "It is unfortunate if people are persuaded that accounting rules are to blame for bad lending decisions and poor investments. Banks, and other financial institutions needed injections of monies from governments (and others) because they lost money and were short of cash not merely because of accounting issues." Newman's letter comes in response to previous letters in the *Financial Times* over the Christmas break accusing international accounting standards of contributing to the crisis. ■

SINGAPORE: Public feedback sought on draft Charities Accounting Standard

Public feedback is being sought on a draft accounting standard for charities. The proposed accounting standards are aimed at making it simpler for charities to bookkeep, reports *Channel NewsAsia*. Currently, charities in Singapore follow the Singapore Reporting Standards or the Recommended Accounting Practice 6 (RAP 6). It spells out standards tailored specifically for the charity sector. These include guidance on endowments and restricted funds unique to charities. To facilitate ease of use, there is also an accounting glossary. The report added that the Commissioner of Charities has proposed that all large charities with an income or expenditure of S$10 million or more will have to adopt the Charities Accounting Standard, once the draft is finalised. Remaining charities will be encouraged to apply the standards in the preparation of their financial statements. ■

IFAC NEWS

THE IFAC UPDATE PROVIDES SUMMARIES OF IFAC DEVELOPMENTS OVER THE PAST MONTH.

IPSASB ACHIEVES GOAL OF SUBSTANTIAL CONVERGENCE WITH IFRSs

At its December 8-11 meeting in Rome, the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) achieved its strategic goal of substantial convergence with the International Financial Reporting Standards (IFRSs) dated December 31, 2008, with a series of new or improved standards.

Three of these new International Public Sector Accounting Standards (IPSASs) deal with financial instruments—in terms of presentation, recognition and measurement, and disclosures. A fourth standard covers intangible assets and an improvements standard makes minor changes to existing IPSASs. They are primarily drawn from IFRSs, with limited changes dealing with public sector-specific issues. In addition, the board approved an exposure draft covering service concessions.

"In the current global economic environment, when governments are increasingly raising debt through the capital markets as a result of their financial interventions in the private sector, the need for certainty in the application of well-developed financial instruments standards has particular urgency," states Mike Hathorn, Chair of the IPSASB. "Achieving convergence is also crucial to enhancing transparency at this time of large scale government interventions," he adds.

The December 2009 meeting was the last under Hathorn's chairmanship; his three-year term ended on December 31, 2009—a period that has seen a significant increase in momentum in global interest in and adoption of IPSASB standards. "During the last 12 months in particular, the achievement of the board and its staff in progressing convergence with IFRSs standards has been outstanding—and I am confident that it will meet the increasing needs of the global public sector in the future," he concludes.

The new standards and exposure draft will be available to download free of charge from the IFAC website (web.ifac.org/publications) in January 2010. ■

IFAC SURVEY SHOWS ACCOUNTANTS AS ADVOCATES FOR SMALL BUSINESS AND GLOBAL STANDARDS, HIGHLIGHTS CORPORATE GOVERNANCE REFORMS

(New York/January 15, 2010) - As world economies recover from the global financial crisis, the Third Annual Global Leadership Survey of the International Federation of Accountants (IFAC) revealed its membership as vocal advocates for small and midsize businesses, as well as for the adoption of global accounting and auditing standards. It also highlighted corporate governance enhancements in jurisdictions around the world.

"Our members took action to assist their jurisdictions during the crisis, lending their expertise to governments and businesses. Through a variety of outreach programmes, they also let the public know what a valuable role the professional accountant plays in all the sectors we serve, especially in a time of crisis," says IFAC Chief Executive Officer Ian Ball. Ball noted that, in October and November 2009, IFAC received 105 responses to its online survey from the presidents and chief executives of accountancy institutes, and regional accountancy organisations and groupings. He adds, "Survey respondents believe that continued emphasis on effective implementation of international accounting and auditing standards and good corporate governance principles are critical issues for the future."

Public sector finance improvements. Because the financial crisis led to many governments' assuming an interventionist role in their economies through providing a range of guarantees and undertaking bailouts of major banks and other institutions, among other actions, the survey sought information on efforts to improve the transparency and accountability of governments for public sector finance. Many respondents reported their countries were in the process of adopting the International Public Sector Accounting Standards (IPSASs), which can provide the reliable information about government finances that is so important in the context of the crisis.

Corporate governance enhancements - When survey participants were asked whether there had been enhancements to corporate governance in their jurisdictions, the majority reported that there had either been improvements, that actions were in process, or that such changes were being considered. In particular, they reported the adoption of the Organisation for Economic Co-operation and Development's (OECD) good governance principles, but there was an extensive range of responses, from making it mandatory for companies of a certain size to create an audit committee, to introducing codes specific to small businesses.

Demand for accountants - IFAC's survey also asked about the demand for accountants throughout the broad spectrum of sectors in which they work, and found that the profession remains attractive to students and those already in the field. According to survey responses, the demand for accountants remains high, worldwide, with growing interest in the government and academic sectors. Participants believe the demand for accountancy professionals will grow in the coming years.

Unity of the profession - Finally, respondents believe in the importance of maintaining the unity of the accountancy profession, in order to play a role in the changing regulation of the financial sector internationally. They said that they believe that IFAC should continue in its roles as a voice of the global profession--such as its memoranda to the G-20 leaders on reform of the global financial system, including special consideration for the needs of SMEs (small and medium entities) and as a global standard-setter for auditing and public sector accounting, and professional ethics and education.

The full report is available in the Policy Position Papers and Reports section of IFAC's Publications and Resources site. ■

Managing Inter-Organisational Risks

ALTHOUGH STRATEGIC ALLIANCES ARE AN IMPORTANT BUSINESS TREND, 60% OF ALLIANCES FAIL. TO AVOID THE RISK OF FAILURE, ORGANISATIONS NEED TO ACTIVELY MANAGE THEIR INTER-ORGANISATIONAL RISKS THROUGH INNOVATIVE RISK MANAGEMENT TECHNIQUES AND PROCESSES.

Patrick Ow

Organisations are constantly forming strategic alliances to achieve common objectives. Unfortunately, the failure rates of these alliances are also high. Therefore we require a dynamic structure, framework and processes to manage inter-organisational risks.

Over the past several decades, the use of inter-organisation and intra-organisation alliances has emerged as an important business and strategic trend. Strategic alliances have become principal components of many private and public-sector organisations as they try to achieve competitive advantage by accessing more dynamic markets through collaboration, compromise and accommodation. Strategic alliance is a process to create synergies to achieve common objectives by appropriating the competitive intent (joint knowledge), high transparency (openness toward partners) and high mutuality (collaboration of content) of the sharing organisations.

Unfortunately, 60% of alliances fail[1]. To avoid such failures, organisations forming alliances must actively manage inter-organisational risks through innovative risk management techniques and processes in order to achieve their common objectives, especially from an inter-organisational perspective, thus avoiding failures that have impacted so many alliances.

At the basic level, risk management are coordinated activities to direct and control an organisation with regard to risk[2]. Risk is defined as the "effect of uncertainty on objectives"[3]. When two or more organisations collaborate to form an alliance, grouping or partnership, we have inter-organisational risks or uncertainties (the known unknowns) that need to be managed adequately and effectively.

Within our context, inter-organisational risk management are coordinated activities to direct and control two or more organisations with regard to inter-organisational risks. Inter-organisational risk is defined as risk affecting two or more organisations, which may impact on the service delivery of other organisations within the alliances thereby affecting the achievement of the alliance's objectives. An example of an inter-organisational risk is "poor communication/co-ordination between organisations."

When two or more organisations work together, there are some governance issues to consider:

[1] *Alliance management: Five destructive myths. CMA Management, Vol. 73: 14-15.*
[2] *ISO Guide 73:2009 - Risk management – Vocabulary. See also ISO 31000:2009 Risk management – principles and guidelines.*
[3] *ISO Guide 73:2009.*

1	2	3	4	5
MOU: Non-binding, in principle commitment to collaborate	Legally binding Partnership Agreement (legal commitment to collaborate)	Legally binding Partnership Agreement [plus] formal governance body	Incorporated Association	Incorporated Company

Least Formal ⟷ Most Formal

Diagram 1

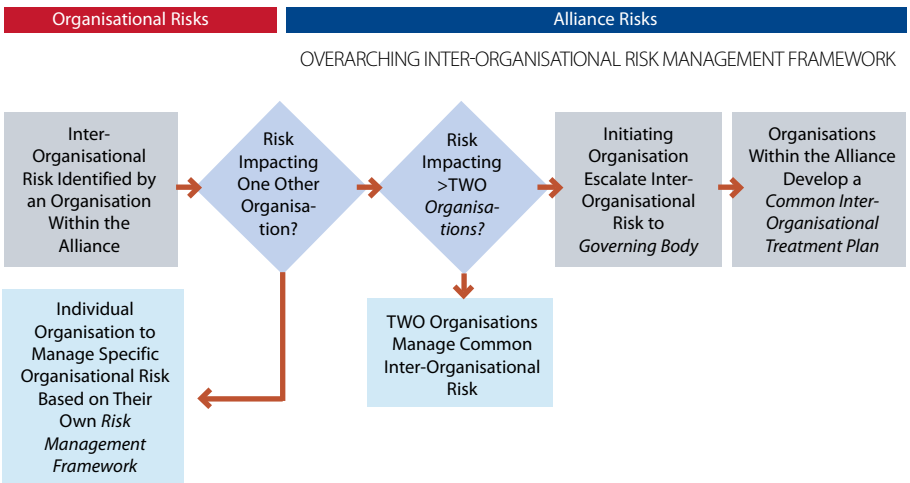

Diagram 2

- *New ways of working across organisations* - Requires new forms of relationships between organisations, which involve shared goals and agreeing on governance structures, processes and roles for an alliance.
- *New types of organisations* - Organisations need a culture that values and supports working across boundaries within an alliance and the capacity to do so, including an appropriate skill set and competencies among staff.
- *New accountabilities and incentives* - Performance management systems and accountability structures of organisations must support working collaboratively.
- *New ways of delivering collaborative services* - With a greater focus on customer service, front of house changes or one-stop shops, organisations can provide a more integrated and responsive customer service.

The types of structures, processes and approaches used will need to be specifically tailored as there is no one-size-fits-all prescription to alliances.

Each organisation that comes together to form an alliance should have the following documentation as part of their existing risk management framework[4]:

- Risk management policy that sets out the overall intentions and direction of the organisation related to risk management.
- Risk management plan(s) that specifies the approach, the management components and resources to be applied to the management of risk within the organisation.

The risk management framework is a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation[5].

Individual organisations within an alliance should therefore have a reasonable level of maturity in its existing risk management framework and process in order to effectively manage inter-organisational risks affecting themselves and the alliance as a whole, and to achieve the shared objectives. Individual organisation's risk management framework must integrate and inter-operate with the alliance's inter-organisational risk management framework and process that is encapsulated in the alliance agreement.

Based on the organisational level definition of risk management framework, inter-organisational risk management framework is about the foundations and alliance arrangements for designing, implementing, monitoring, reviewing and continually improving the management of inter-organisational risks throughout the alliance, across the boundaries of all organisations within the alliance.

Alliance arrangements with respect to setting out the inter-organisational risk management framework and processes can be incorporated within various governance options for an alliance, as shown in **Diagram 1**.

As such, the type of governance and control structure adopted by alliance partners should expressly include how the inter-organisational risk management framework is to operate. The framework would have to articulate the agreed inter-organisational risk management process for managing inter-organisational risks, which is the systematic application of the alliance policies, procedures and practices to the activities of communicating, consulting, establish-

[4] *ISO Guide 73:2009.*
[5] *ISO Guide 73:2009.*

ing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing inter-organisational risks.

The inter-organisational risk management process also comprises of a decision tree (shown in Diagram 2) that assists parties to discriminate whether the risk identified is a single intra-organisational risk or an inter-organisational risk that affects two or more organisation within the alliance.

If the risk identified is a single intra-organisational risk (an organisational-level risk), the impacted organisation will solely manage that risk based on their existing risk management plan. Hence the need for all organisations within the alliance to have some level of maturity of their existing risk management practices.

But if the risk identified impacts two or more organisations within the alliance, then parties within the alliance would follow the agreed processes laid out by the overarching inter-organisational risk management framework and individual organisation's risk management plan for dealing with inter-organisational risks. This framework and process for managing inter-organisational risks are encapsulated in the alliance agreement and should inter-operate and integrate with each organisation's risk management framework and process, as shown in **Diagram 3**.

The individual organisation's risk management plan must be amended to integrate and inter-operate with the alliance's overarching inter-organisational risk management framework and process, especially in the following manner:

1. There must be a management commitment and explicit process to consider, identify and report (escalate) inter-organisational risk to each other within the alliance and/or to the governing body of the alliance. There should be some form of governing body of the alliance to manage the alliance activities and performance indicators of the alliance agreement. Unfortunately, if there is no such governance body, the commitment to manage inter-organisational risks would be non-existent, resulting in the non-achievement of the alliance's objectives and may lead to failure of the alliance itself.

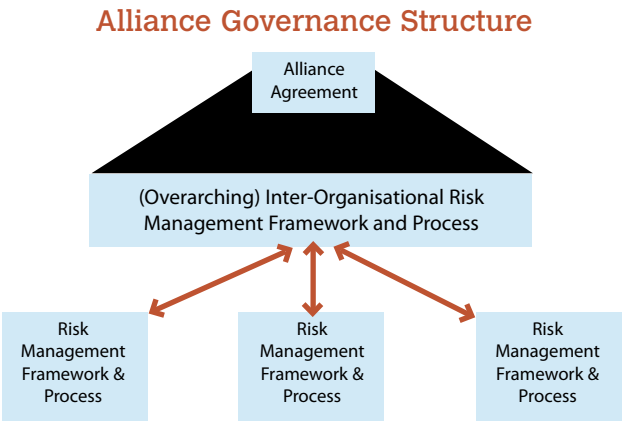

Diagram 3

2. There must be an explicit commitment and mandate by all organisations' executives and Board to actively work with other organisations of the alliance to develop common inter-organisational treatment plans for and to report on all identified and agreed inter-organisational risk. This commitment and mandate must be clearly articulated in each organisation's risk management policy. If any one organisation of the alliance does not show this commitment, then as a whole, the alliance would struggle to manage inter-organisational risks and achieve its objectives.
3. There needs to be education for all staff of the alliance on the process for managing inter-organisational risks.
4. Clear accountability for inter-organisational risks and common inter-organisational treatment plans within each organisation and the alliance structure.

The business rules wordings in the alliance agreement pertaining to managing inter-organisational risks can be as simple as:

1. Each organisation within the alliance is to have their own risk management processes in place to identify, manage and communicate risk (intra/inter-organisational risks).
2. Organisations can escalate inter-organisational risk to the alliance service manager (or similar), who would collate the information into an inter-organisational issues log (or similar) and a summary of consolidated information/status reported to the governance body (or similar) of the alliance.
3. Organisations impacted by the risk should come together (through the governance body) to understand the risk and collectively resolve the matter using their own resources and processes.
4. The governance body will develop a common inter-organisational treatment/action plan and assign the required Task and Risk Owners in participating organisations to resolve inter-organisational risks. This is managed through the individual organisation's risk management policy and plan, as Risk Owners. It is vital that individual staff members of organisations be given the necessary management commitment and resources to effectively manage inter-organisational risk and implement common inter-organisational treatment plans on behalf of the alliance. These common inter-organisational treatment plans would also become part of the organisation's treatment plans from a monitoring and reporting perspective – therefore the need to inter-operate the organisation's risk management plan with the alliance's overarching inter-organisational risk management framework.
5. Risk Owners are to report regularly to the alliance service manager and their own management on the implementation status of common inter-organisational treatment plan(s).

A number of important considerations should be considered when embarking on the management of inter-organisational risks from an alliance perspective:

1. A governance structure like the governing body of the alliance is essential to systematically escalate and manage inter-organisational risks at the individual organisational level and across all organisations within the alliance.
2. Specifically tailored risk management processes at the individual organisational level are necessary to enable this transfer/escalation of inter-organisational risk information across multi-organisational boundaries.
3. In order for staff across a large network (alliance) to understand each risk, detailed inter-organisational risk descriptors are required. This includes information regarding the specific circumstances in which the risk may occur.
4. Assumption that participating organisations have adequate reporting practices and infrastructure to support both intra/inter-organisational risk management.
5. The need to consider human behaviour:
   a) Think about limiting risky behaviour, enhancing opportunistic behaviour between alliance partners and staff.
   b) Beware of under-reporting and failure to escalate adverse events or inter-organisational risks that may be limiting factors in this current approach.
   c) The process for managing inter-organisational risks depends on staff sharing information. They may be unfamiliar with the process and may involve reporting their own practice, resulting in unintended judgements and conflicts.

Organisations must move beyond just managing their own intra-organisational risks if they want to succeed in alliances. Organisational level risk management approaches need to be adapted to take into account the complexities of managing inter-organisational risks that cut across boundaries of multiple organisations, each with its own approach. A common understanding must be forged through the adoption of an overarching inter-organisational risk management framework and process that integrates and inter-operates with all individual risk management frameworks (of all organisations) within the alliance structure. A governing body within the alliance structure is also essential to systematically escalate and manage inter-organisational risks at the individual organisational level and across all organisation boundaries within the alliance, thereby increasing the likelihood that the alliance's objectives can be achieved, thus avoiding failures that have impacted so many alliances. ■

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Feminising the Corporate Board

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DEVELOPING COUNTRIES ARE STILL LAGGING BEHIND WHEN IT COMES TO GENDER DIVERSITY WITH REGARDS TO CORPORATE BOARDS OF DIRECTORS. MALAYSIA IS NO DIFFERENT, WITH MINIMAL REPRESENTATION OF THE FAIRER SEX IN MALE-DOMINATED BOARDROOMS. SHOULD WE PURSUE GENDER DIVERSITY? WHAT ARE THE BENEFITS AND CHALLENGES?

Although the issue of Board gender diversity has attracted growing research interest in recent years, most survey and empirical results are based on US and European data. In the US and most European countries, female Board appointments have increased in recent years.

The average number of women in European Boardrooms has increased (see Table 1) either through legislation such as in Norway, where more than 40% of directors on corporate Boards are female; or through discussions with regulators such as in the UK; or gender equality laws as in Spain. In contrast, there is slower progress in developing countries. At last year's Women's Summit, it was revealed that in Asian countries, women accounted for the following percentages of corporate Boards. The Philippines led with 10.3%; followed by Hong Kong with 7.8%; Thailand with 6.7 %; Singapore with 6.2 % and Indonesia with 5.5%.

TABLE - 1 FEMALE DIRECTORS IN DEVELOPED COUNTRIES (IN %)

AUSTRIA	BELGIUM	CANADA	FRANCE	ITALY	GERMANY	NORWAY	NETHERLANDS
3	5	12	7.6	2.5	7.8	44	5
PORTUGAL	SWEDEN	SPAIN	SWITZERLAND	U.K	US		
0.8	29	5	4	12	1		

TABLE- 2 MALE/FEMALE POPULATION AGED 20-24 (IN 000)

	2001	2002	2003	2004	2005	2006	2007	2008
MALES	1,079	1,109	1,141	1,172	1,197	1,225	1,248	1,265
FEMALES	1,057	1,084	1,113	1,141	1,165	1,189	1,209	1,224

TABLE- 3 MALE/FEMALE EMPLOYED POPULATION (IN 000)

	2001	2002	2003	2004	2005	2006	2007	2008
MALES	5,757	5,904	6,089	6,247	6,392	6,548	6,716	6,863
FEMALES	3,377	3,463	3,552	3,638	3,730	3,830	3,954	4,061

TABLE- 4 MALE/FEMALE STUDENTS IN HIGHER EDUCATION (IN 000)

	2001	2002	2003	2004	2005	2006	2007	2008
MALES	254	298	298	311	284	368	491	551
FEMALES	302	365	399	405	390	386	381	374

TABLE- 5 MALE/FEMALE ANNUAL DISPOSABLE INCOME (Y-O-Y GROWTH, IN %)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
MALES	5.7	6.5	9.6	8.5	6.6	11.2	10.3
FEMALES	2.7	2.0	8.5	7.4	11.0	10.1	11.4

WHERE DOES MALAYSIA STAND IN TERMS OF BOARD GENDER DIVERSITY?

In our survey of more than 1,500 directors of 192 listed companies, which was carried out using annual reports of companies with a 31st December financial year end, it was found that female directors made up only 6.27% of Malaysian corporate Boards. The majority of these female directors were non-independent directors and they sat on Board Audit committees as well.

Out of these 192 firms, 126 had no female directors. Out of the remaining 66 firms, female directors accounted for less than 30% of the Board at 50 firms. Only 16 firms had more than 30% female directors on Board. The exception to the norm was Malaysia Airports Holdings Bhd and Dialog Group Bhd which appointed more than two female directors whereas the GLCs, Telekom Malaysia Bhd, Tenaga Nasional Bhd, and Malaysian Airline Systems Bhd each had two female directors respectively on their Boards.

A simple analysis of the total shareholders' returns for these companies showed that Dialog Group Bhd earned 258.15%, Malaysia Airports Holdings 45.83%, Malaysian Airline Systems Bhd 16.19%, Telekom Malaysia Bhd 23.35% and Tenaga Nasional Bhd 11.64% respectively. Quantifying the possible correlation between shareholders returns and the presence of women could be a future exercise.

The survey also showed that 5% of the female directors had been in their current position for less than 10 years compared to 73% of the male directors, while 5% of the male directors compared to only 0.6% of the female directors were appointed at ages between 30-40 years. This finding taken together with age statistics suggests that women do face a glass ceiling. There were only two oldest serving female directors compared to nine male directors aged between 80-90 years, which could be evidence of a high percentage of gray directors, thus, confirming prevalence of the "old boys' network" .

Where education is concerned, it seems that Boards select women with tertiary education over those who hold professional qualifications in accounting and finance such as ACCA, CA, and CIMA. It was found that female directors had non-professional accounting and finance qualifications, such as master's degrees, MBAs, bachelor degrees, and diplomas. To some extent, it can be argued that Boards tried to achieve a mix of both professionals (i.e., male directors) and non-professionals by hiring women.

Since this research is a starting point, it raises thought-provoking questions and there is a need to carry out more empirical studies on the economic benefits of makeovers of corporate Boards to include more women. Salient questions include the following: What is the critical mass of female directors on successful corporate Boards? How different are the strategic making and Boardroom processes of female vs. male dominated Boards? Might these female directors have been brought on Board as "new brooms" to cleanse the corporate conscience of inexcusable business practices and misconduct, and address the growing concern for sustainability and social responsibility?

A FEMININE FORCE?
Why should Boards promote gender diversity?

The main arguments for greater female Boardroom representation can be split into four categories: ethical, economical, social, and political. First, on ethical grounds, it could be considered immoral for women to be excluded from corporate Boards on the basis of gender. Second, on economic grounds, the inclusion of women on Boards provides new perspectives, innovative thinking and problem solving skills which are related to the attainment of the corporate goal of competitive advantage. Women's presence adds to Boardroom diversity and it is believed that diverse groups are more dynamic, fluent and innovative. It also makes business sense because through female directors, firms could reach out to potential customers and employees, thereby, increasing market share and growth prospects. On social grounds, a large proportion of females in the employed labour force and in tertiary education also make a stronger case for increased representation of women on corporate Boards. The per capita consumption of women over men has also increased due to more employment opportunities available for women in the developed countries. Lastly, on political grounds, suffragacy or the right to vote given to women in democratic countries also show their ability to weigh what is good for economic growth, security and ecological sustainability. In democratic countries, the tradition of women's political representation is also likely to have an effect on female Board representation.

In Malaysia, population demographics, employment and education statistics show that female representation in the country has been gradually increasing (see Tables 2, 3, 4 & 5). Historically, a high number of females have entered higher education compared to males and this has had a huge impact on female representation and on the purchasing power of women in general. Women have also taken the lead in many aspects of Malaysia's nation-building process, proving their abilities. Notable examples are Tan Sri Dr. Zeti Akhtar Aziz, governor of Bank Negara Malaysia; Tan Sri Zarinah Anwar, Chairman of the Securities Commission and Selvarany Rasiah, Chief Regulator of Bursa Malaysia. It can be argued that with the right mindset, education, training and opportunities to ascend to higher management positions that females could contribute immensely in the corporate sphere, which would include Boards. ■

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Finance Should Lead in Sustainability Reporting

Graham Stilwell

FINANCE IS THE BEST PLACED FUNCTION TO TAKE THE LEAD ON SUSTAINABILITY AND MANAGE CORPORATE PERFORMANCE IN THIS AREA. ONE MEANS OF DOING THIS EFFICIENTLY IS BY LEVERAGING ON SHARED SERVICE CENTRES (SSCs).

In their continuing search for cost-cutting opportunities, many organisations are looking to squeeze more efficiency savings out of their accounting processes. For some, this will mean reviewing the scope and the scale of their finance function and considering a move to shared services or outsourcing certain processes. Those that already use shared service centres (SSCs) will be looking at ways to make them even more efficient – e.g. by expanding their geographical coverage or by moving them up the value chain to take on more financial analysis and reporting work. Many firms are also exploring opportunities to extend the scope of shared services to include process-based elements across a range of functions, such as legal, HR and procurement.

As the pressure to cut costs increases, so does the need to maintain or improve service quality in order to keep existing customers and compete for new business in challenging market conditions. In other words, CFOs are being asked to do much more for less. Faced with these contradictory pressures, some of them may be forgiven for seeing the growing importance of sustainability as a threat rather than an opportunity. This would be a mistake, because there are some compelling reasons why finance should be setting the agenda for sustainability and corporate social responsibility (CSR) reporting more generally.

Financial managers have a range of skills that can be applied to sustainability initiatives, particularly in organisations that already use well-established finance SSCs. Accounting depart-

ments are often viewed as the natural custodian of both financial and non-financial information, so they are well placed to act as the gatekeeper for a significant part of the information that is needed for sustainability initiatives. This role may become increasingly prevalent over time as more sustainability data gets published within the main financial statements rather than standalone CSR reports.

According to a recent CIMA research, most CFOs believe that finance teams should act as the organisational "clearing house" for all financial and non-financial information delivered to senior managers. Those who accept that they need to take the lead on sustainability initiatives across the business should act now in order to:

- Design key performance indicators to measure sustainability performance and ensure that any benefits and cost savings are being realised.
- Ensure compliance with environmental regulations and prepare for impending legislation such as the UK climate change bill and the carbon reduction commitment.
- Train their staff in the principles of offsetting accounting, since this is likely to be a requirement for accountants in the next three to five years.

Before addressing the opportunities that the sustainability imperative may offer finance teams, it's useful to step back and consider some of the challenges associated with reporting on sustainability and how it differs from typical financial reporting. Financial reporting standards have evolved over time to become generally accepted and consistent in their application across borders. In contrast, sustainability reporting standards remain divergent in their content and application. Although there have been significant moves to increase consistency, a range of voluntary standards remains. Examples include those of the World Resources Institute and the United Nations framework convention on climate change.

Another big difference lies in the penalties for non-compliance. Financial standards are governed by statute and there may be strict penalties for non-compliant reporting. Sustainability reporting is not subject to such rigorous legal control. As a consequence, CSR and sustainability reports are open to a relatively high degree of interpretation. Another aspect that makes sustainability hard to measure is that the benefits associated with "green initiatives" are often intangible. For example, projects with more qualitative benefits such as those associated with recycling may be hard to express in terms of a simple cost saving. This makes reporting on sustainability difficult and hinders comparability among organisations that may be reporting on similar initiatives.

There are numerous ways in which financial managers – and particularly the heads of finance SSCs – can initiate and drive sustainability performance measures across their organisations while gaining some real benefits for their own staff. One factor that makes this task particularly appealing for SSCs is that a lack of career progression opportunities for employees is often a significant problem in these centres. Their typically flat organisational structure and the transactional, repetitive nature of the work performed there can lead to high staff turnover. Constant pressure to cut costs also makes it difficult for SSCs to recruit and retain people on remuneration alone.

Directors of SSCs have had to become adept at motivating employees with flexible working arrangements, performance-related bonuses, secondments etc. Sustainability initiatives and the associated performance management reporting can be viewed as a valuable tool for developing and retaining talent in SSCs and help to:

- Motivate employees and broaden their scope for development into new areas.
- Encourage them to take the lead on sustainability initiatives at a local level and support corporate-level initiatives.
- Enable accountants to engage with the wider business in an area outside their usual responsibilities.
- Help finance professionals to develop new skills in, for example, whole-life costing techniques, which can be applied across the organisation.

Another way in which mature SSCs can contribute is to improve the management of performance in sustainability and CSR across the organisation. Applying the SSC team's core skills to a sustainability programme or range of initiatives can provide wider benefits by:

- Implementing consistent and co-ordinated sustainability reporting at multiple sites, thereby avoiding the risk of duplication.
- Assuring decision-makers that sustainability programmes are being adequately controlled and the benefits – e.g. cost savings through reduced energy usage – are being measured.
- Taking the transactional elements of sustainability reporting away from disparate local business functions – e.g. the preparation of the underlying data supporting CO2 reporting – and making the whole process more efficient.
- Reporting on a set of defined key performance and risk indicators that are agreed on with important stakeholders and communicated across the organisation.
- Giving investors an integrated and global view of what the organisation is doing to tackle its sustainability challenges.

The breadth and depth of environmental reporting requirements are only likely to grow in future, while increasingly frequent information requests by stakeholders will mean that organisations must have reliable figures available on demand. The amount of historical data that needs to be retained will also increase as a result. All these trends, combined with a continuing lack of clearly defined performance measures, indicate that it would be a sensible decision for organisations to move the transaction processing elements of their CSR and sustainability reporting to a single location.

There is a growing consensus that sustainability cannot be ignored, because it has the potential to affect an organisation's financial performance, its strategic direction and its relationships with a wide range of stakeholders. The basis for the increasing relevance of sustainability – the threat posed to the environment from global warming and pressure on finite resources – is reflected in demands for action from the public, the media, employees, investors and other stakeholders. Organisations that fail to adapt to changing environmental conditions risk damaging their reputation and losing business to competitors that are faster to adopt more sustainable practices.

For all organisations there are strong incentives to address these challenges now. Those that use finance SSCs have an opportunity to draw on some of the capabilities inherent in these centres. If they are harnessed correctly, an SSC's resources can help a company's decision-makers to manage performance against sustainability objectives in an effective and co-ordinated way across the organisation. ■

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Tidying up your act

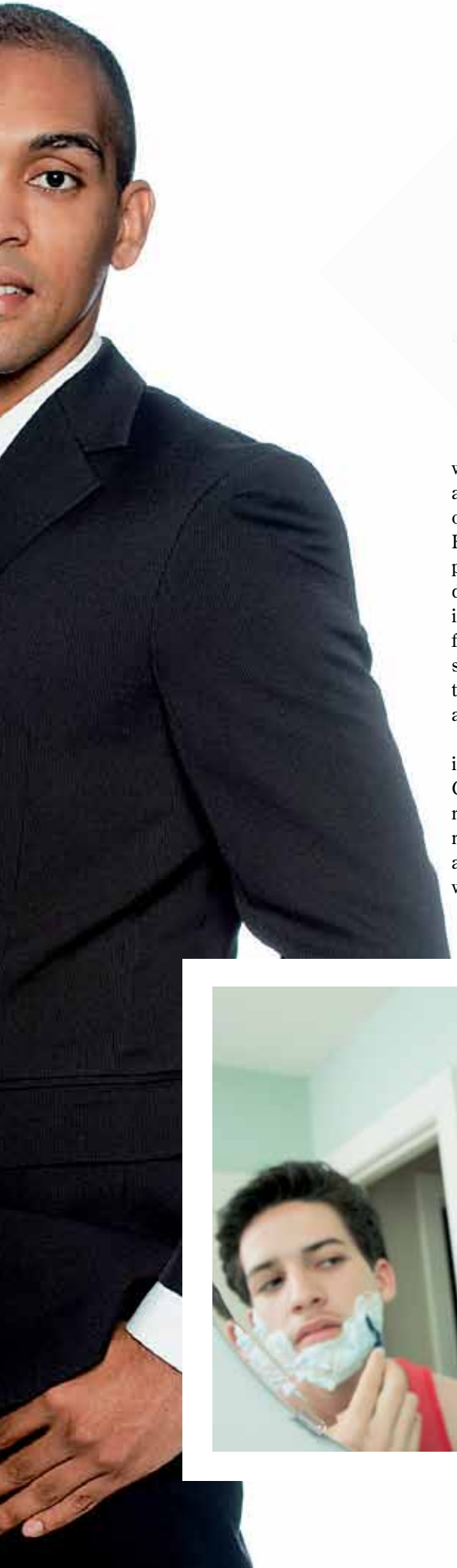
Anne Hashim

GOOD GROOMING IS ESSENTIAL TO MAKING A POSITIVE AND LONG-LASTING IMPRESSION AT THE WORKPLACE.

Whether you're trying to climb the corporate ladder or adamant on breaking through that glass ceiling, getting to the top certainly isn't easy. Although it's unfair, the best man (or woman) doesn't necessarily win all the time. Rather, the best-looking one stands a better chance.

Good grooming has been a tactic for getting to the top since as far back as the Stone Age, when hand-to-hand combat was usually won by the man who shaved (a painful effort aided only by the use of two shells clamped together *a la* the modern-day tweezers), giving his opponent one less thing to grab on to.

In those days, being clean-shaven wasn't so much for vanity as it was an act of necessity to ward off possible lice infestation and such. Even today, good grooming is an act of survival! Professional swimmers remove body hair to shave fractions of a second off their best swim times. And body-builders shave themselves clean – and oil themselves - to achieve the perfect sheen as they flex their muscles for a panel of judges.



In the corporate world, personal appearance accounts for 55% of a good impression. How you dress and present yourself produces that critical first impression of who you are within the first few seconds of meeting. So it makes sense to invest some time and effort in the personal care you take to look good and smell fresh.

In the 1940s, Procter and Gamble issued a checklist entitled "Girls' Good Grooming Guide" which included basic reminders to be clean and neat. The rules may be old-fashioned, but they still apply in modern times – to both men and women.

Oh, and one more thing, don't forget to regularly trim unsightly nose and ear hair. It ain't a pretty sight, especially if you are tall, and shorter people have to look up at you into your bushy abyss.

CONTROL YOUR HAIR

Hair needs to be neat and clean, and styled in a fashion that suits the person's face. There was a time when everyone went crazy for "The Rachel" *a la* Jennifer Aniston in Friends. Prior to that, Britain's royal fever had ladies emulating the "Princess Diana look" even if they had curly hair! It's not about copying hairstyles; it's about working with what you have. Too many curly-haired people want to straighten their hair, while the flat-headed ones want a perm. For once, embrace what you have and don't fight it. Make it work, instead. Learn how to tame curls with anti-frizz products, or revive limp hair with a good volume serum.

Some men continue to wear their hair in the style they had as a boy – in that mop top their mothers thought were super-adorable. Or worse, some forty-somethings are copying the teenage style of combing forwards and spiking up, which is hardly age-appropriate if you're not a celebrity. How about a good classic cut that's tight on the sides and with a nice sharp part on the left?

While on the subject of hair, men will want to know what to do with their facial hair. While a clean shave will never go out of style, it's okay to have a well-trimmed goatee or a neat moustache. Both give off a debonair-ish air but the former is a more romantic take to the conservative style of the latter. There is another variant of facial hair style that's called the soul patch, worn just beneath the lower lip and looks ever so dashing on those arty, soulful types. However, the soul patch and its rugged cousin, the manicured stubble (think Russell Crowe), are best left to those working in less conservative corporate establishments.

Oh, and one more thing, don't forget to regularly trim unsightly nose and ear hair. It ain't a pretty sight, especially if you are tall, and shorter people have to look up at you into your bushy abyss.

KEEP HANDS AND NAILS NEAT

Working in the corporate environment, hand-shaking can hardly be avoided, so do your clients a favour and keep your hands clean. Also, keep nails short, and please, guys, don't spare the pinky finger! Long nails are only tolerable on the local DVD seller, not on someone who sits in an air-conditioned office on a nice leather swivel chair. Unless you're a woman because women can get away with long, well-manicured nails, polished to a sheen or painted in a neutral colour like cream or pearl. Although you might want to express your personality with some graphic nail art or by sticking on some of those fun stickers on your nails, save them for the weekends, please ladies.

Sweaty palms? Always have a hanky ready. There's nothing that makes people more squeamish than a wet handshake!

CLOTHES MAKETH THE MAN (OR WOMAN)

Mark Twain once said, "Clothes make the man. Naked people have little or no influence on society." Unfair as that may seem, that's a fact of business life. People sum you up within the first three seconds of meeting you, and spend the next 90 seconds trying to confirm their suspicions of you!

So appearances do count, and in more ways than one. For the corporate world, a power suit is usually expected. And once you dress the part, you'll automatically act the part! The power of dressing is that it transforms your inner state of mind, making you feel more confident and in control. Besides, people will take you more seriously and you will give off an impression of authority and credibility which is always good in the business environment.

GROOMING CUTS ACROSS GENDER

Good grooming is becoming a trend among modern urban hunter gatherers, since, masculinity isn't only about strength, honour and character anymore. The authors of The Future of Men, Marian Salzman, Ira Matathia and Ann O'Reilly, who helped popularise the term metrosexual, say that the modern man isn't afraid of indulging themselves with a nice suit or a session at the wellness spa. It's about looking good and feeling good, and gives off the sense that a man is respectful of and sensitive or attentive to those in his presence. Look at Sean Combs (currently aka Diddy) in a three-piece suit, right down to a nicely-pressed shirt and a well-coordinated pocket square, which doesn't detract from his masculinity. Suits also emphasise the sheer alpha male attractiveness of the current James Bond, Daniel Craig, who's on GQ's 2009 Top 50 Best-Dressed list.

These days, another term is also being bandied about: ubersexual. This is a man who demonstrates traditional manly traits together with the more feminine qualities associated with women, i.e. nurturance, communicativeness, and co-operation. Prime examples like U2's Bono ooze of ubersexualism due to his compassion for the plight of Africans in poverty.

For all the attention we spend on personal grooming and appearances, there is another expression others may want to remind us of, "Don't judge a book by its cover." But the corporate world turns at a pretty fast pace and sometimes, the "cover" is all we have time to go by, so there's really no harm in looking good and presentable. Just make sure you back up your appearance with a good work ethic and excellence at the workplace. Don't just be a pretty face! ■

Handling CONFRONTATIONAL People

William Turnbull

DIFFICULT SITUATIONS ARE PART OF EVERYONE'S LIFE. EMPLOYERS AND EMPLOYEES CANNOT GET ALONG. PARTNERS FOREVER CLASH OVER MONEY. SPOUSES CANNOT RESOLVE DISAGREEMENTS. IF YOU IGNORE THESE SITUATIONS, THEY CAN ONLY GET WORSE. EMPLOYEES GET FIRED, PARTNERSHIPS AND MARRIAGES BREAK UP, EVERYONE IS MISERABLE.

CONFRONTATIONAL PEOPLE ARE EVERYWHERE

Imagine that your neighbours are constantly fighting. They wake you up in the middle of the night with their screams and curses. What do you say to them?

In another scenario, your father might be unhappy about your career choice. He constantly criticises your work and points out what he thinks you should do. How do you deal with him?

And at the office, you might be having problems with a bully at your workplace. He is demanding you do part of his job without pay or credit. How do you handle it?

Waiting and worrying, the most common "solution", only allows the problem to get worse while giving you stress and shortening your life span. If you attack the person, at least you are trying to fix the problem. But attacks, rage or irrational anger gives you a bad name, makes people afraid of you and reduces honest communication.

Isolating yourself from the problem or from the person is not always wise or practical. Losing employees, supporters and friends because you needlessly disassociate from them may reduce your stress, but you might also become lonely and poor. What next?

THE BEST SOLUTION IS TO CONFRONT AND HANDLE PEOPLE

Your ability to stand up to and confront and handle whatever comes the way of the organisation depends utterly on your ability and other individuals of the organisation to stand up to, confront and handle what comes the individual's way.

When you face and resolve the problem yourself, don't you feel wonderful? You are in control of your life. You not only conquer the opposition, you conquer your fear. Few accomplishments are more satisfying than confronting someone who is difficult to face and handling the conflict.

HOW TO CONFRONT AND HANDLE SOMEONE

By getting organised and working out a plan of action, confronting and handling people becomes much easier. The key is your preparation. The success of any event is directly proportional to timely preparation.

HERE ARE A FEW TIPS TO PREPARE YOURSELF FOR DEALING WITH DIFFICULT PEOPLE:

1 Make the decision to face up to the person directly and by yourself.

2 Write down the exact problem you need to handle and your goal for the confrontation. Examples of problems to be confronted that you might write down:

- *"Joe is refusing to pay me despite our agreement."*
- *"Marina is hurting office morale and causing me stress with her continual complaining."*
- *"Chan is supposedly telling people that my work is inferior and I am dishonest."*
- *Once you specifically name or identify the problem, write down a goal for the meeting. "By the end of the meeting, I want . . . .".*

These are examples of goals or objectives you might want as a result of a confrontation: "Joe pays me in full." "Marina stops complaining or leaves." "Learn the truth about Chan's comments and if true, get him to stop it." In some cases, your objective may also state: "Figure out if I want this person as a partner/employee/boss/friend."

3 Write down a Plan or List of Points You Need to Make to Support Your Goal: Facts, Reasons and explanations you may need the other person to understand. List the points in order of priority or importance. For example, to get Joe to understand why he must pay you, you might make these points:

A. *Joe requested the service.*
B. *Joe signed an agreement to pay for the service.*
C. *We provided the service as promised.*
D. *Joe was happy with the service; etc.*

4 Write down objections, reactions or disagreements the other person may have… include everything you fear might happen during the meeting. Putting specific concerns and fears in writing reduces their impact on you. For each objection, reaction or disagreement you expect will happen, write a solution of how you will deal with each.

5 Organise your notes and gather supportive documents.

6 Arrange the meeting where you will not be disturbed, preferably in a space you control.

7 Start the meeting.

A. *Look at the person directly in the eye.*
B. *Explain the specific problem you want to resolve as you noted in Step 2.*
C. *Go over your first point on the list from Step 3.*
D. *Listen carefully to the other person and make certain they feel understood.*
E. *Hold a position on your points.*
F. *Use your solutions to their reactions as you worked out in Step 4.*
G. *Continue describing your points and listening to the person's side.*
H. *Do not give up. Communicate and persist for as long as it takes to reach your goal.*

The more frequently you confront and handle difficult people, the easier it becomes. The amount of time it takes to prepare for a confrontation decreases. You become strong and tough.

When you confront and handle everyone around you, people respect you for your courage, honesty and control. Your associates, employees or co-workers follow your example and become more productive. Your enemies either become harmless or become friends.

Taking positive organised action, despite fear, is the kind of courage all successful people must have to succeed. It's time for you to stand up for yourself. ■

knowledge sharing is key to SME growth

IMPLEMENTING THE RIGHT BUSINESS PRACTICES AND PROCEDURES IS CRUCIAL TO SURVIVAL AND GROWTH.

As the world becomes smaller and competition from emerging economies intensifies, the importance of being a Knowledge Economy is pertinent to many countries.

With so many countries now competing to make knowledge a major commodity, Malaysia will have to stay ahead of the game if it wants to position itself as a thought leader in the Asia-Pacific region. The key to achieving this is knowledge sharing at all levels, from multinational enterprises to small and medium enterprises (SMEs).

For SMEs, developing channels for effective knowledge sharing is crucial. With SMEs under constant pressure to keep costs low, the opportunities for cost savings from knowledge sharing and pooling resources cannot be overlooked. One area in which SMEs can clearly benefit from knowledge sharing is good practice. Implementing the right processes as part of everyday business practice puts a business in the best position for future growth. However, many businesses 'reinvent the wheel' each year in developing their good practice policies and procedures.

IMPLEMENTING THE RIGHT PROCESSES AS PART OF EVERYDAY BUSINESS PRACTICE PUTS A BUSINESS IN THE BEST POSITION FOR FUTURE GROWTH.

CPA Australia's Good Practice Guide in Asia allows SMEs greater access to knowledge exchange. Based on the Wikipedia model, this online resource provides a hub for Asian organisations to upload documented procedures, analytical tools, case studies and policy templates that represent good practice in all areas of business management.

Importantly, however, all content on the CPA Australia's Good Practice Guide will be reviewed by a dedicated committee, to ensure it is relevant and up-to-date, so users can rely on the information to make informed decisions.

The guide's online knowledge sharing format enables users to search easily for information relevant to their day-to-day activities and to find out how others employ good practice in those areas. In addition, it allows for feedback and updates, all aimed at helping to build the quality of information available.

The guide addresses a comprehensive range of business functions, including effective reporting to Boards and running effective Board meetings. It also includes a guide to ensuring effective governance around IT issues, along with broader governance issues as they surface in the corporate world.

Some key tips for small business that can be found in the guide include: Analyse your debtors so you know which debtors to concentrate your collection activities on. A surprisingly high proportion of small businesses do not chase up late payers.

This Good Practice Guide is knowledge sharing at its best. With so many CPA Australia members operating as CFOs, finance managers and senior accountants in various organisations, it is likely that these good practices will filter through to all aspects of business activity, from the top level to the everyday.

Good practice can serve to protect a business during less certain economic times, making it more likely to not only survive but thrive. As we move into a period of great uncertainty, the value of resources such as the Good Practice Guide is amplified. SMEs should harness the knowledge sharing environment that exists in Malaysia in order to become more effective in all areas of business.

CPA Australia's Good Practice Guide is currently accessible to members and the public. ■

This article was contributed by CPA Australia. For more information, visit www.cpaaustralia.com.au

GOOD PRACTICE GUIDE

- **Make sure you undertake reconciliations of not only your bank account but also your creditors, debtors and stock. This provides the checks and balances you need in your business to control these fundamental areas.**
- **Make sure the assets you hold are recorded in an asset register. This again is a check and balance you should use to control your business.**
- **Prepare a budget and review it monthly. Preparing and reviewing budgets allows you to identify issues early and respond quickly.**
- **Use the financial reports that good financial management produces not only to meet your compliance obligations but also to allow you to analyse your business and compare it to industry benchmarks.**
- **Prepare a cash flow forecast. Without cash, your business will fail. A cash flow forecast will give you an early indication of whether you are heading into difficulties, so you can act early.**
- **Review the terms of trade you have with customers. With the current uncertainty in key global economies such as the US, it is time to review your terms of trade so late payment does not get out of hand. For example, you could incorporate incentives into your terms of trade to encourage early payment.**

Businesses Bank on charitable consumption

Anis Ramli

COMBINING TRADITIONAL MARKETING TACTICS WITH SOCIAL ETHICS HAS BECOME A NEW WAY OF DOING BUSINESS. MORE AND MORE BUSINESSES ARE EMBEDDING CHARITABLE PRINCIPLES INTO THEIR PRODUCTS AND SERVICES TO REACH DISCERNING CONSUMERS WHO WANT THEIR PURCHASES TO BENEFIT THE GREATER GOOD, WHILE FULFILLING THEIR CORPORATE SOCIAL RESPONSIBILITY.

Over the recent Christmas season sale, graduate student Rosa Sta Maria was busily shopping for stocking fillers just like everyone else. But unlike most people, Rosa was keen to make her spending count. "It's easy to get caught up in the whole heady festive atmosphere, but it was also important for me to find gifts that had more value attached to it."

Her diligent gift-giving research brought her to the Swedish, furniture purveyor, IKEA, where she bought a trolley-load of the company's SUNNAN solar-powered LED lamps. Not only did it come in a cute collection of colours, but Rosa warmed up to the knowledge that for each lamp she purchased, IKEA, through UNICEF, was helping her donate the same to a child living without electricity in a refugee camp somewhere in the world. (The campaign is worldwide and for Malaysia ends August 2010). For Rosa, it was the perfect gift. Charity has never been so easy.

IKEA is not the only company practising corporate generosity and making charitable giving easy for consumers. Starbucks in the US, Canada, UK and Ireland work around (Starbucks) RED, a specially-designed range of coffee tumblers and water bottles, where the company contributes US$1 from every purchase to help fight AIDS in Africa through Global Fund. Estee Lauder Malaysia, in its annual breast cancer awareness campaign, last year offered a range of limited edition makeup palettes and cosmetics, allowing consumers to purchase and indirectly donate to the cause. Under the Estee Lauder Group of Companies Malaysia, it has to date donated over RM1 million to the Breast Cancer Welfare Association and more recently, the Cancer Research Initiatives Foundation.

> For Rosa, it was the perfect gift. Charity has never been so easy.

Initiatives such as these, where consumers can perform a good deed painlessly and more importantly – automatically, have become a common trend known today as 'embedded

generosity'. With the economy hitting people everywhere, buying with a purpose allows consumers to give back to society, or the planet, in a manner that takes minimal effort.

AND CORPORATIONS ARE TAKING NOTICE

There has never been a more apt platform for corporations to initiate their triple-bottom-line business practices than with this value shift. Combining traditional marketing tactics with social ethics has become a new way of doing business. And in the present economic climate, one might even argue, a matter of survival. Last year, public relations company Edelman released a revealing study on consumer buying power and its effects on companies. In the study, 67 per cent of correspondents worldwide said as consumers they would switch brands if another brand of similar quality supported a good cause. Of the same group, 57 per cent of consumers said they would patronise a business or buy a brand based on the good causes it supports.

While some may argue that the trend encourages people to buy unnecessarily, others welcome the opportunity to give something back in a sort of couch-potato way. Says researcher Liza Rahman, "Consumers always have a choice. The purchasing power lies with you. So if you think you'd be wasting money by buying something you'd otherwise not need, there are other ways in which you can still contribute." She cites the example of Nokia Malaysia's phone recycling programme. With kiosks available in most states and accepting mobile phones of any brand, Nokia pledges to plant a tree for you in Indonesia.

There is also another side to the trend that makes it more than just a fad. Ample research lists the positive effects of giving charity. Syracuse University's public administration professor, Arthur C. Brooks, explained in his book, Who Really Cares?: The Surprising Truth About Compassionate Conservatism that giving makes people happy. It also reportedly buys them more happiness than if they were to spend that same amount on themselves.

Shopping for a cause is indeed nothing new. Yet, the way companies have embraced the embedded generosity trend speaks volumes about how consumers are being courted. No longer are these appeals made in the traditional individuals-in-need images to plead at the core of consumers' guilt and sadness; rather, campaigns have become forward thinking, and some might even say fashionable – playing up on consumers' feel good factor for instant gratification. Perhaps Bono, U2's frontman and the (RED) brand founder, summed it up best when he launched the RED concept at the World Economic Forum Annual Meeting 2006 by saying, "(RED) is about doing what you enjoy and doing good at the same time." (RED products support the Global Fund's research that includes AIDS, malaria and tuberculosis in Africa / www.joinred.com).

> ... buying with a purpose allows consumers to give back to society, or the planet, in a manner that takes minimal effort.

What then can consumers look forward to in 2010? Firstly, don't strike off embedded generosity as just a passing trend. Innovative and exciting campaigns from companies will lead the way and, consumers, on the other hand, have a better hand at revolutionising the way giving charity is done in the 21st century. ■

Old, but not forgotten

If walls could talk, this market could spin a story worthy of a thousand fairy tales.

Anis Ramli

No one ever turns up their noses at markets. We all know why tourists love them. Great bargains, nifty knick knacks, flavoursome food, and an overall souvenir jaunt that's kind to the wallet. Even if you're the sort of thoroughbred tourist forever diecast in anything designer, you'd still make your way to a market. Markets are a people magnet in that way.

There's no secret why locals love their markets. Who wouldn't, when morning coffee gets served with a slice of gossip on the side? It's everyone's version of their own Wisteria Lane; its daily cast a melange of desperate housewives, bluestockinged barristers and reticent retirees turned freedom fighters. If you're a tourist, you'd never come out of a market culturally handicapped. There will be a part of you that's been enriched by the experience, whether by sipping that home-brewed coffee or watching the locals at their rawest.

Perhaps no other country does markets better than the Thais. Its floating markets, a watercolour patchwork of peddlers on *sampans,* tug at our romantic heartstrings. The capital's colossal Chatuchak weekend bazaar, though mind-boggling in its layout, entices us to be adventurous. Then there's the decade-old Klong Suan market, a collection of traditional Thai wooden shophouses that look gloriously alive despite its advancing age.

For the longest time, it

was the weekend jaunt for homesick and jaded Bangkok locals. Klong Suan serves up home, or at least memories of it, on a platter. Homemade noodles, desserts made fresh that morning, and feel-good food like pot stewed duck and *tom yam* that's not from a compressed cube. Shops have a homely feel, neighbours have known each other for decades, and it's just a great overall feeling to amble along its hallowed halls.

When Somboon Suthaving first heard of Klong Suan, he confessed to being blasé about the whole notion. He is your typical Bangkok resident who literally wakes up to the smell of coffee in the morning. In his case, that happens to be Starbucks. Expecting another tourist trap filled with kitschy souvenirs, his first visit was instead a revelation. "I met up with this septuagenarian who still makes coffee the traditional way. I grew up with this thing and never thought I'd find it again!" That 'thing' happens to be the local Thai coffee, known as *kafe boran*, made from freshly ground coffee beans filtered in a long sock and drunk with lashings of condensed milk. If you think your latte gives you a kick, this one whacks you to life in no time.

In fact, the coffee shop owner, fondly known as Pae Lee (Grandpa Lee), is today somewhat of a celebrity. His boyish grin is plastered across local papers and foreign magazines representing the essence of traditional businesses. Dressed in his ubiquitous white singlet top and oversized, old-fashioned rounded glasses, he is the poster child of Klong Suan. He speaks with pride of the shop that has been his home at the market since the 1930s. He pooh-poohs the growing corporate fascists who turn the fine art of coffee making into nothing more than tasteless takeaways in cheap cardboard cups and never takes a day off, continuing to brew his favourite beverage at five every morning.

One can spend hours at the market browsing through its hallowed halls and quaint shops. There is even a barber that delivers a pretty good cut for less the amount it costs in Bangkok. Undeniably

"I met up with this septuagenarian who still makes coffee the traditional way. I grew up with this thing and never thought I'd find it again!" That 'thing' happens to be the local Thai coffee, known as kafe boran, made from freshly ground coffee beans filtered in a long sock and drunk with lashings of condensed milk. If you think your latte gives you a kick, this one whacks you to life in no time.

though, it is the food stalls that beckon visitors, with its glorious clouds of steam and enticing aroma. The *tom yam* here is reportedly the best in the district and there are also bowls of noodles swimming in hearty beef broth. Thai colourful desserts, known as *luk choop*, green mung beans dessert shaped to resemble small fruits and vegetables, can easily be found here. The difference from the ones found elsewhere however is in the appearance, with those sold at the market displaying a finer degree of finishing. The Baan Pa-Nue restaurant by the river is also a favourite with locals and visitors. Dishes are a mix of Chinese and Thai influence, with recipes that reportedly date as far back as the market itself.

It just takes under an hour from the city to Klong Suan in Chachoengsao province or, from Suvarnabhumi Airport, a taxi ride that is just under 30 minutes. Straddling the banks of Prawetburirum canal, you can either get here by road, or make a grand entrance with much aplomb on a boat. Those with a flair for theatrics would love the latter; where wooden cruise boats sail nonchalantly up the river as you lounge and watch the river life unfold at a leisurely pace. For the best time to visit, come during the weekdays when the shops and stalls are at their busiest. ■

One can spend hours at the market browsing through its hallowed halls and quaint shops. There is even a barber that delivers a pretty good cut for less the amount it costs in Bangkok. Undeniably though, it is the food stalls that beckon visitors, with its glorious clouds of steam and enticing aroma.

2010 CALENDAR OF MIA PROFESSIONAL DEVELOPMENT CENTRE (MPDC) TRAINING PROGRAMMES

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
February 2010							
Klang Valley	2 & 3 Feb	Financial Instruments : FRS 139, FRS 132, FRS 7 & IFRS 9	Danny Tan	Concorde Hotel KL	950	16	HRDF Claimable
	3 February	Module 3: Islamic Capital Market	Prof. Dr. Obiyathulla Ismath Bacha	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
	4 & 5 Feb	Financial Instruments - Preparing to Implemenent FRS 139 & IFRS 9	Danny Tan	Concorde Hotel KL	900	16	HRDF Claimable
	4 & 5 Feb	Corporate Entity Valuation	Hari Ramulu	Concorde Hotel KL	800	16	HRDF Claimable
	8 & 9 Feb	Transform to Perform - The New Emerging Finance Leaders	Bryan Ng	Istana Hotel	1100	16	HRDF Claimable
	9 February	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Concorde Hotel KL	400	8	
	9 & 10 Feb	Budget and Variance Analysis Modelling for Accountants	Kok Yee Lan	Training Choice KL	1100	16	HRDF Claimable
	9 & 10 Feb	Practical Audit Series (Basic Level)	Ramesh Ruben	Hilton Petaling Jaya	700	16	SMECorp Subsidy
	22 & 23 Feb	Deferred Taxation	Danny Tan	Concorde Hotel KL	950	16	HRDF Claimable
	23 & 24 February	Preparation of Group Accounts (Covering FRS 127, FRS 128, FRS 131 & FRS 3)	Woon Chin Chan & Tan Liong Tong	Hilton Petaling Jaya	1000	16	HRDF Claimable
	23 & 24 Feb	Strategic Cost Management Technique for Profit Improvement and Maximisation	Kenneth Tam	Hilton Petaling Jaya	900	16	HRDF Claimable
	24 Feb	Corporate Governance Guide - Towards Boardroom Excellence	Lee Min On, Tan Kim Chuan & Mohd Khaidzir Shahari	Istana Hotel	650	8	
	24 Feb	Impairment of Assets	Danny Tan	Concorde Hotel KL	500	16	HRDF Claimable
	24 & 25 Feb	Financial Essentials for Non-Financial Professionals	S. Yoga Thevan	Concorde Hotel KL	800	16	SMECorp Subsidy
	25 February	Applying Test of Controls & Analytical Procedures in Audit	Ramesh Ruben Louis	Hotel Istana Kuala Lumpur	400	8	
Northern Region	4 & 5 Feb	Fundamental of Budgeting and Cash Flow Forecasting	Kenneth Tam	Heritage Hotel Ipoh	900	16	HRDF Claimable
	8 & 9 Feb	Strategic Cost Management Technique for Profit Improvement and Maximisation	Kenneth Tam	Traders Hotel Penang	900	16	HRDF Claimable
	10 February	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Heritage Hotel Ipoh	400	8	
	11 February	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Evergreen Laurel Hotel Penang	400	8	
	23 February	Applying Test of Controls & Analytical Procedures in Audit	Ramesh Ruben Louis	Traders Hotel Penang	400	8	
East Malaysia	1 & 2 February	Business Strategies Development and Implementation	Tan Kok Tee	Grand Margherita Kuching	800	16	HRDF Claimable
MARCH 2010							
Klang Valley	2 & 3 March	Understanding Fair Value Accounting Practice	Danny Tan	Concorde Hotel, KL	900	16	HRDF Claimable
	3 March	Module 4: Islamic Wealth Planning	Prof. Datuk. Dr. Kamaruddin Shariff	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
	4 March	Audit Peak Pointers	Janise Lee	MIA	180	4	
	4 & 5 March	Balancing Financial Reporting Conformance for Effective Board Assurance	Boey Tak Kong	Hotel Istana Kuala Lumpur	900	16	HRDF & SIDC
	4 & 5 March	Preparing & Presenting Financial Statements : A Preparers' Perspective	Danny Tan	Concorde Hotel, KL	tba	16	HRDF Claimable
	4 & 5 March	Maximising Tax Benefits from 2010 Budget Proposals, Including New Public Rulings and Tax Updates	Sivaram Nagappan	Hotel Istana Kuala Lumpur	900	16	HRDF Claimable
	8 & 9 March	Financial Evaluation of Overseas Investment	Lim Chor Ghee	Hilton Petaling Jaya	1000	16	HRDF Claimable
	8 & 9 March	Reinventing End to End Working Capital Management	Tan Kok Tee	Hilton Petaling Jaya	1000	16	HRDF Claimable
	9 March	New Era of Financial Reporting for Developers (IFRIC 15)	Dr. Nordin Zain & Selvarajah Jebaretnam	Parkroyal Kuala Lumpur	800	8	
	9 March	Corporate Insolvency & Restructuring	Dato' Gan Ah Tee, Mok Chew Yin, Ong Hock An & Wong Chee Lin	Hotel Istana Kuala Lumpur	500	8	

2010 CALENDAR OF MIA PROFESSIONAL DEVELOPMENT CENTRE (MPDC) TRAINING PROGRAMMES

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
	9 & 10 March	Coaching Skills for Accountants	Coach Abd. Aziz Bin Kassim	Hilton Petaling Jaya	1200	16	HRDF Claimable
	10 & 11 March	Risk Management Through Effective Internal Control	Ramesh Ruben Louis	Hotel Istana Kuala Lumpur	900	16	HRDF Claimable
	10 & 11 Mar	Practical Accounting Principles & Practices	Kenneth Tham	Concorde Hotel KL	800	16	HRDF Claimable
	10 & 11 Mar	Intergrating Financial Data and Reports Presentation for Accountants	Kok Yee Lan	Pentawise Sdn Bhd KL	1100	16	HRDF Claimable
	3 March	The Audit Oversight Board & Ethical Dimensions on Credibility of Public Accountants	various	Securities Commission KL	400	8	HRDF Claimable
	23 & 24 March	Beneath the Numbers: Forensics a Lethal Equilibrium	Mildred Lopez, Richard Thornton & Choo Po Ming	Best Western Premier Sri Pacific KL	3600	16	
	17 March	Module 5: Islamic Economics, Ethics and Governance	Prof. Dr. Syed Abdul Hamid AlJunid	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
	17 & 18 Mar	Advanced Practical Accounting Principles & Practices	Kenneth Tham	Concorde Hotel KL	900	16	HRDF Claimable
	18 & 19 March	Financial Instruments: Recognition, Measurement, Presentation and Disclosures-FRS 139, FRS 132, FRS 7, Amendments & IFRS 9	Woon Chin Chan & Tan Liong Tong	Concorde Hotel KL	1100	16	HRDF Claimable
	23 & 24 Mar	Practical Audit Series (Intermediate Level)	Ramesh Ruben	Hilton Petaling Jaya	800	16	SMECorp Subsidy
	24 March	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Hilton Petaling Jaya	400	8	
	24 March	Financial Reporting Standards for Private Entities in Malaysia	Danny Tan	Concorde Hotel KL	400	8	HRDF Claimable
	24 March	Corporate Governance Guide - Towards Boardroom Execellence	Lee Min On, Tan Kim Chuan & Mohd Khaidzir Shahari	Hilton Petaling Jaya	650	8	
	25 March	Goods and Services Tax (GST)	Subromaniam Tholasy, Tan Eng Yew, Robin Chia, Lim Chor Ghee	tba	tba	8	
	25 & 26 Mar	Business Combinations & Preparing Group Financial Statements	Danny Tan	Concorde Hotel KL	tba	16	HRDF Claimable
	29 & 30 Mar	Building Financial Models for Decision-Making	Bryan Ng	Training Choice KL	1,100	16	HRDF Claimable
	29 & 30 Mar	Deferred Taxation	Danny Tan	Concorde Hotel KL	950	16	HRDF Claimable
	30 March	Private Financial Indicators (PFI)	various speakers	Kuala Lumpur Convention Centre (KLCC)	tba	8	
	31 March & 1 April	Financial Instruments: FRS 139, FRS 132, FRS 7 & IFRS 9	Danny Tan	Concorde Hotel KL	950	16	HRDF Claimable
Northern Region	15 & 16 March	An Entrepreneurial Approach to Credit Management & Debt Recovery	Dr. Steven Liew	Impiana Casuarina Hotel Ipoh	800	16	HRDF Claimable
	24 & 25 Mar	Tax Planning for Employers and HR Managers	Krishnan KSM	Penang (TBA)	800	16	HRDF Claimable
Southern Region	16 March	Corporate Governance Guide - Towards Boardroom Excellence	Lee Min On, Tan Kim Chuan & Mohd Khaidzir Shahari	Mutiara Johor Bahru	650	8	
East Malaysia	17 March	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Shangri-La Tg Aru Resort & Spa Kota Kinabalu	400	8	
	18 March	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Hilton Kuching	400	8	
	22 & 23 March	Key Performance Indicators (KPI) and Performance Management	Dr. Krishna	Shangri-La Tg Aru Resort & Spa Kota Kinabalu	800	16	HRDF Claimable

MALAYSIAN INSTITUTE OF ACCOUNTANTS
ACCOUNTANTS: MANAGERS OF VALUE

PROUD HOST:

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

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