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THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

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THE DECARBONISATION DRIVE

The Low down on Low Carbon

TOP * TIPS FOR CFOs

+ THE CONTENTIOUS BUSINESS CYCLE

+ THE FINANCIAL INDUSTRY AFTER THE CRISIS

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(d) To determine the qualifications of persons for admission as members; and
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Give a Hoot, Don't Pollute

Many global citizens probably breathed a sigh of deep relief when ushering out the last day of 2009.

This last year rated as an *annus horribilis* for many countries, from America's abysmal slide to Dubai's downfall. Here in Malaysia, domestic consumption, the ongoing stimulus package and the resilience of markets such as the Chinese juggernaut probably mitigated the worse of the global economic crisis.

Here in Malaysia, domestic consumption, the ongoing stimulus package and the resilience of markets such as the Chinese juggernaut probably mitigated the worse of the global economic crisis.

Unlike previous years, old school economic solutions weren't a panacea. Governments worldwide acknowledged the need to rewrite economic models and find new and workable solutions to fuel sustainable growth. One of these solutions is pursuing green innovation and technology in order to find more efficient and productive means of producing goods and services while conserving resources and minimising our impact on the environment.

The decarbonisation of economies and societies is gaining a high profile, especially on the heels of the recent United Nations Climate Change Conference 2009 at Copenhagen in December. Not to be sidelined from the low carbon drive, Malaysia too announced its own goal to reduce carbon emissions at COP 15 to support other key green initiatives and incentives, such as the government's billion-ringgit green technology fund and the private sector's green building index. Since accountants will be integral to the success of green initiatives, MIA felt it was timely to devote this month's issue to an examination of how Malaysia can reshape its environmental footprint, both in terms of economy and lifestyle.

Departing from the green theme, check out whether investing in REIT or real estate investment trust IPOs is as lucrative as buying into a conventional equity offering. Plus: is the theory of business cycles dead, or back with a vengeance as global economies yo-yo? Interested in India? Read our guide to Indian etiquette to avoid making a *faux pas*. Finally, all work and no play makes Jack or Jill pretty frazzled; get tips on how you and your workplace can achieve the right work-life balance for a more contented 2010.

May 2010 be the dawn of a new *annus mirabilis*. On behalf of everybody at MIA, here's wishing you a happy and prosperous 2010!

Happy reading! ■

EDITOR

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

THE Decarbonisation DRIVE

Nazatul Izma

POST COP 15, MALAYSIA HAS COMMITTED TO REDUCING ITS CARBON DIOXIDE EMISSIONS TO 40 PER CENT BY 2020 FROM THE 2005 LEVELS. THE GOVERNMENT IS ALSO SENDING THE MESSAGE THAT IT WANTS TO JOIN THE LOW CARBON ZEITGEIST, NOT JUST TO SAVE THE PLANET BUT TO FUEL NEW AND/OR SUSTAINABLE SOURCES OF ECONOMIC GROWTH. *ACCOUNTANTS TODAY* TAKES A LOOK AT HOW SOME KEY SECTORS CAN PLAY THEIR PART IN DECARBONISATION.

Did COP 15 – or the recently concluded United Nations Climate Change Conference 2009 at Copenhagen – rate as a cop-out?

Although 119 world leaders were in attendance at the summit which ran from 7 - 18 December, commitments to cut emissions and fund emissions reduction programmes were below expectations. Head of the UN Framework Convention on Climate Change secretariat, Yvo de Boer said post-summit that: "The world walks away from Copenhagen with a deal. But clearly ambitions to reduce emissions must be raised significantly if we are to hold the world to 2 degrees." The pledges listed by developed and developing countries may be insufficient to keep the global temperature rise below 2 degrees or less, necessitating a review of targets in 2015.

According to the Intergovernmental Panel on Climate Change, an aggregate emission reduction by industrialised countries of between minus 25 and 40 per cent over the 1990 levels would be required by 2020 in order to stave off the worst effects of climate change, with global emissions falling by at least 50 per cent by 2050.

On the bright side, there is a growing awareness that the need to avert climate

change is compelling – plus providing new sources of economic growth for a world emerging from an unprecedented global recession. Echoing others, Malaysia's message at the Conference in December 2009 was that moving towards a low carbon economy was the only sensible path and offered significant opportunities for emerging economies.

In his speech at COP 15, Prime Minister Dato' Seri Najib Tun Abdul Razak stated that Malaysia agreed to reduce its carbon dioxide emissions to 40 per cent by the year 2020 compared to the 2005 levels subject to assistance from developed countries in the form of technology transfer and adequate financing. According to United Nations data, Malaysia's carbon emissions in 2006 stood at 187 million tonnes or 7.2 tonnes per capita.

Why is it so important to reduce our carbon emissions? Apart from the impact on the planet, making the decision to go low carbon also improves possibilities for business – and can prevent Malaysia from being shunned by investors and shut out by markets. "The low carbon economy is not just driven by conviction, but it's also market-driven," said Dr. Chen Sau Soon, Senior General Manager – Environment and BioProcess Technology Centre, SIRIM Berhad at the recent National Forum on Green Technology and Innovation 2009 organised by the Asian Strategy and Leadership Institute (ASLI). For instance, Germany has banned bio-diesel originating from Malaysia unless the country can demonstrate reduction in greenhouse gas (GHGs) emissions by 30 – 40 per cent and by more than 50 per cent over the entire product life cycle, so the industry has invested in capturing the GHGs. Elsewhere, AR Dr. Tan Loke Mun, Chairman of the Malaysian Institute of Architects (PAM) Sustainability Committee and pro-tem member of the Malaysian Green Building Council explained that one reason for the GBI or Green Building Index scheme was a compelling need to prevent multinationals from taking their business to other more compliant and "greener" locations such as Singapore.

The low carbon economy is not just driven by conviction, but it's also market-driven.

Dr. Chen Sau Soon, Senior General Manager – Environment and BioProcess Technology Centre, SIRIM Berhad

Government: The Visible Hand

Where Malaysia is concerned, the green movement is still at the early stage of the learning curve. The Ministry of Energy, Green Technology and Water was formed only eight to nine months ago, pointed out its minister Datuk Peter Chin Fah Kui at the same ASLI forum. Although the focus on energy and water is not new, green technology is, he said. A Green Technology fund of RM1.5 billion has been set up, which features elements of government assistance in the form of low interest for loans for green tech providers and users.

Political will and political mandates can go a long way towards enforcing green mindsets - and enlarging nascent green markets. For instance, greening the government procurement process is one means of pushing the low carbon agenda, and stakeholders hope that the Green Technology Policy will incorporate green procurement and tender policies.

"The government is the largest consumer in every country," said Datuk Kok Wee Kiat, Honorary President, Business Council for Sustainable Development Malaysia. "In the experience of other markets, the government has a big role." Kok singled out Thailand, which has eco-labeled goods for over a decade. Lately, Thailand has embedded elements of environmental performance as a percentage of government specifications to push green procurement. Even if the product is more expensive compared to a conventional product, the eco-good still gets the tender. Favouring eco-goods builds economics of scale so that the price of eco-goods will go down in the long run.

Favouring eco-goods builds economics of scale so that the price of eco-goods will go down in the long run.

In the same vein, opting for green products can also promote the philosophy of product durability rather than built-in obsolescence. "Sustainable consumption and production is not about consuming less but consuming differently and efficiently," said Dr. Chen. For instance, under Japan's green product specifications, the government has ended up buying fewer ballpens because the eco-friendly version lasts longer. "You don't need to use so much plastic and goods become more durable. Durability should be more emphasised under green technology," she advised.

Going green also doesn't mean addressing just one part of the product lifecycle but its entirety, from the cradle to the grave. "If you want a product or service to be green, you must also green the supply chain. This requires innovation and technology at all points and not just at the end," she added.

Of course, governments will need to impose strict standards for green products in order to prevent exploitation and mislabeling or "greenwashing" by unscrupulous parties out to make a quick buck. Much work will need to be done to regulate and protect the market for green goods and services.

Green Buildings: A Starting Point?

Certain sectors, such as the building industry, can have a major impact on climate change going forward. In its Global Green New Deal policy brief, one of UNEP's "low-hanging fruits" is for governments to invest in retrofitting public buildings to be energy efficient and to provide incentives for greening and weatherising homes and offices. Greening building stock carries the

highest potential for improved efficiency because buildings are responsible for 30 - 40 per cent of all energy use, greenhouse gases and waster generation.

Matthias Gelber, Member of the Board, International Network of Environmental Management and Board Member, Maleki GmbH and Green Building Products Pvt. Ltd, noted that buildings are the main culprit of climate change. Cement and steel account for 16 per cent of the world's CO2 emissions. Forty per cent of CO2 emissions are related to energy use in buildings. Forty per cent of the carbon footprint of cement is related to energy, of which 50 - 60 per cent originates from CO2 released when limestone is heated to make cement.

Do green buildings offer cost advantages, in addition to environmental ones? A report published by the UK-based Royal Institution of Chartered Surveyors indicated a link between building practices and value, noted Colin Ng, Chief Investment Officer, Goldis Berhad. "The data suggests that green buildings in the UK are more readily leased, command higher rentals, higher tenant retention rates and generally enjoy lower operating costs. A green building typically costs more than a conventional building, but lower air-conditioning and building maintenance costs, and the replacement of manual processes with automated systems can offset this premium. The carbon footprint is also reduced significantly; in fact, it's generally assumed that green buildings will reduce this by about 40 per cent."

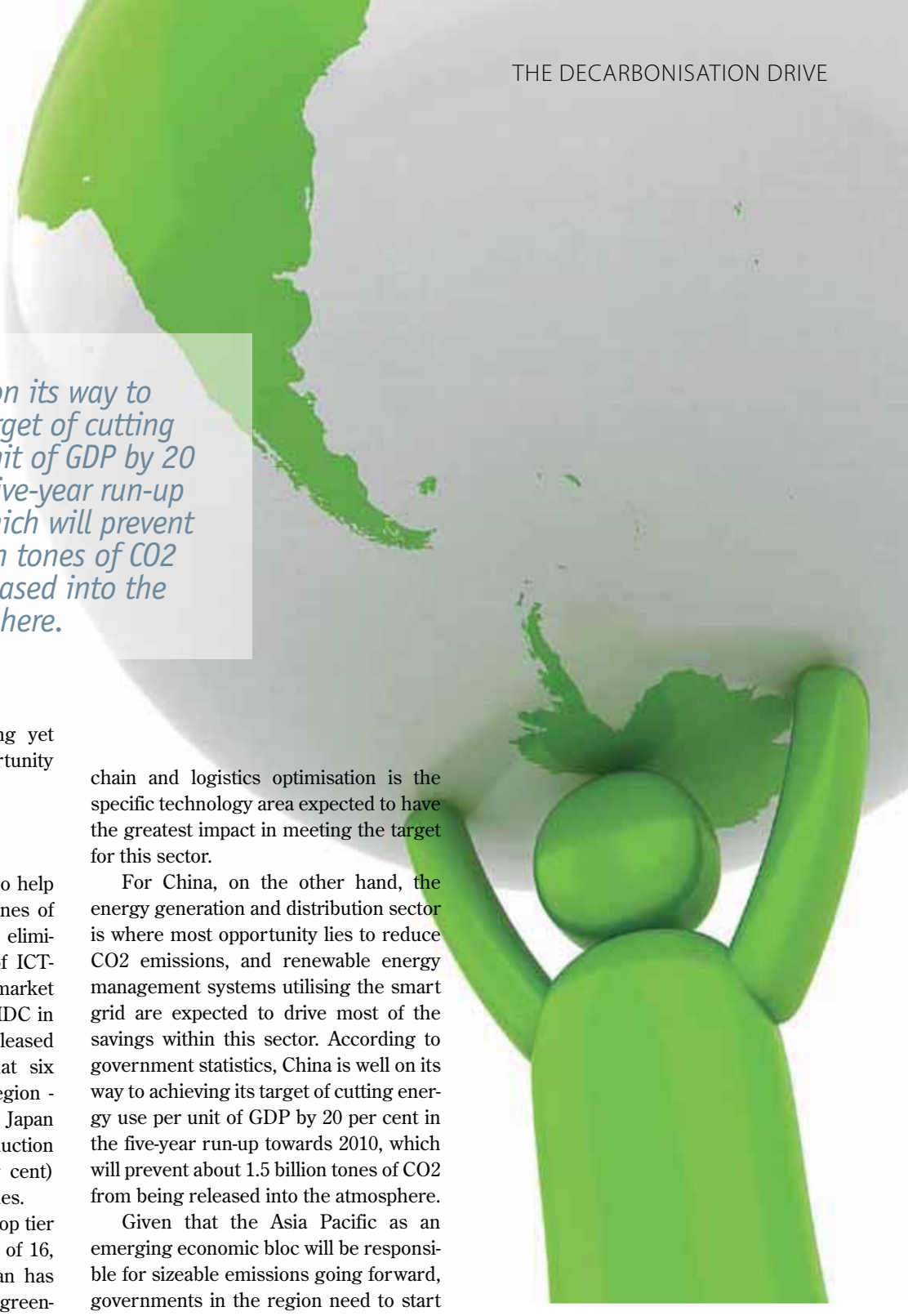
"In Malaysia, green buildings are the exception rather than the rule," noted Datuk Peter Chin. Indeed, green certification for buildings is new in Malaysia, and was jump-started by the private sector GBI initiative.

Setting a good example, the Prime Minister's Office will undergo a green certification exercise, which should propel other departments and ministries to do the same. "The government has decided that old government buildings will carry at least one green feature. For example, the PM's Office is being looked at to see what retrofitting features can be added to make it green. New schools in future will be designed to carry at least one green feature," added Datuk Chin.

Apart from the tax incentives unveiled for green buildings in Budget 2010 (see accompanying story "Jumping on the Green Bandwagon"), the government can take further steps to entrench green ratings for buildings. For instance, in Singapore, no certificates of fitness are issued for buildings without the Green Mark certification. Carrots include cash incentives and tax incentives for meeting certain levels of Green Mark certification.

Price controls are also an issue that needs studying. In India, green concrete is 15 per cent cheaper than normal concrete but this cannot be done as cheaply in Malaysia and Indonesia because of price controls on cement.

Apart from ensuring that buildings are green, maintenance also needs to be green. In the US, certified green cleaners



China is well on its way to achieving its target of cutting energy use per unit of GDP by 20 per cent in the five-year run-up towards 2010, which will prevent about 1.5 billion tones of CO2 from being released into the atmosphere.

maintain green buildings, offering yet another potential business opportunity here at home.

ICT as a Lever

Emphasising ICT solutions can also help reduce CO2. Up to 5.8 billion tonnes of carbon dioxide emissions can be eliminated through the focused use of ICT-based solutions by 2020, noted market intelligence and consultancy firm IDC in its G20 ICT Sustainability Index released in December. IDC estimated that six countries from the Asia Pacific region - Australia, China, India, Indonesia, Japan and Korea can contribute in the reduction of 2.4 billion tonnes (or 41.4 per cent) within this target of 5.8 billion tonnes.

IDC ranked Japan as the only top tier country in the Index with a score of 16, meaning of the G20 nations, Japan has the most potential of reducing greenhouse gases. Australia, China and Korea were ranked in the fourth tier of the Index, while India and Indonesia were ranked in the fifth tier.

In the Asia Pacific region, the importance of specific sectors and technologies in reducing GHG varies significantly by country. Transport-related sources offer the largest share of potential CO2 reduction in Japan (30 per cent) and supply chain and logistics optimisation is the specific technology area expected to have the greatest impact in meeting the target for this sector.

For China, on the other hand, the energy generation and distribution sector is where most opportunity lies to reduce CO2 emissions, and renewable energy management systems utilising the smart grid are expected to drive most of the savings within this sector. According to government statistics, China is well on its way to achieving its target of cutting energy use per unit of GDP by 20 per cent in the five-year run-up towards 2010, which will prevent about 1.5 billion tones of CO2 from being released into the atmosphere.

Given that the Asia Pacific as an emerging economic bloc will be responsible for sizeable emissions going forward, governments in the region need to start to identify relevant technological areas and provide incentives for companies and consumers to use them more specifically with the objective of decarbonisation in mind. To entrench green mindsets, more progressive policy makers might even go a step further and mandate the usage of some of these technologies and associated solutions in certain industries.

The bottom line is that government and businesses have to think out of the box in order to find the most innovative and effective green technologies and solutions that can help them in their battle against climate change. Malaysia, too, has to do the same in order to seize this emerging window of opportunity and fuel sustainable growth. ■

JUMPING ON THE green BANDWAGON

PAULINE LUM, ASSOCIATE DIRECTOR, TAX, **BDO**, OFFERS AN OVERVIEW OF THE FISCAL AND NON-FISCAL STEPS TAKEN BY MALAYSIA TO GO GREEN.

The most apparent effects of environmental changes have been felt through the increase in natural disasters that have been rocking the world of late, such as tsunamis to mini-quakes to landslides or even extended monsoon periods. It is unfortunate that these tragedies have had to occur in order to force us to sit up and take action.

Around the world, we have seen a steady increase of actions taken from a broad spectrum of global citizens to combat the problems at hand. More governments are taking solid steps to make sure that possible solutions such as carbon trading, green building indices, and "green awareness" programmes, among others, are implemented.

Malaysia is no different and has also made sure that actions have been taken to ensure a conducive, "green" environment for the citizens of tomorrow. It is evident that there is growing concern with regards to global warming and its implications to both the public and private sectors in the country. It has become commonplace to see people carrying recycled bags when they shop. Areas for disposal of plastics, aluminium cans and paper are more widely available around the country. There have also been many initiatives to raise awareness on "green issues".

It has become fashionable to be green. There are more initiatives from all industries in terms of recycling drives, and globally coordinated activities such as "Earth Hour", where people pledged to switch off their lights for an hour at the same time around the planet.

WHAT STEPS HAVE MALAYSIA (BOTH THE PUBLIC AND PRIVATE SECTORS) ALREADY TAKEN?

FISCAL STEPS

- Tax exemptions on income from trading in certified emission reduction certificates;
- Buses using natural gases can be tax depreciated over a period of two years (accelerated capital allowances);
- Indirect tax exemptions / reductions are available for high efficiency motors/insulation materials and hybrid cars; and
- Enhanced pioneer status or investment tax allowances are available to companies that generate energy from renewable sources and expenditure on energy conservation.

NON-FISCAL STEPS

- Alam Flora has started using global tracking devices on their trucks to monitor the amount of Carbon Dioxide emitted and have managed to reduce their CO2 emissions by 1,500 tonnes;
- Many of the local developers are factoring "green technologies" into their developments to combat CO2 emissions/ decrease their carbon footprint/reduce energy wastage. Therefore, there is a growing number of "smart" buildings in the country;
- Increased usage of solar panels as an alternative energy source;

It has become fashionable to be green. There are more initiatives from all industries in terms of recycling drives, and globally coordinated activities such as "Earth Hour", where people pledged to switch off their lights for an hour at the same time around the planet.The above list is not exhaustive and just outlines some of the many actions that have been taken in Malaysia.

RECENT INITIATIVES BY MALAYSIA

The Budget 2010 speech and proposals delivered by Prime Minister Dato' Seri Najib Tun Abdul Razak on 23 October 2009 included, amongst others, firm commitments to ensuring a "greener tomorrow" for the *rakyat*, through the following:

- The launch of the National Green Technology Policy in August 2009, whose main objective is to provide direction towards a sustainable environment;
- The Malaysia Energy Centre will be restructured as the National Green Technology Centre, which will spearhead the green technology development action plan. This centre has been allocated RM20 million to raise awareness on "green" issues, propagate environmentally friendly lifestyles, etc;
- Putrajaya and Cyberjaya will be developed as pioneer townships in Green technology and serve as a showcase for other developments to follow suit;
- Government procurement will give priority to environmentally friendly products and services that comply with green technology; and
- Tax incentives to promote the construction of green buildings, i.e. a 100 per cent tax deduction can be claimed on additional expenses incurred for the Green Building Index ("GBI") certification. A stamp duty exemption on the transfer instruments will also be granted for buyers of buildings with GBI certificates from developers. Please note that these incentives are only available for buildings with GBI certificates and sales and purchase agreements executed in the period 24 October 2009 to 31 December 2014.

WHAT IS A GREEN BUILDING?

Generally they are buildings that are in harmony with their surroundings, i.e. they do not impose on the existing ecosystems in the vicinity on either a local or global level. They are built with the intention of ensuring efficient use of resources. This normally results in significant operational savings as well as an increase in productivity in the workplace.

WHAT IS THE GBI CERTIFICATE?

This is a certificate developed and issued by Persatuan Arkitek Malaysia (PAM) and the Association of Consulting Engineers Malaysia, to promote sustainability in the built environment. It was also developed to raise awareness of environmental issues amongst industry and the public. There is a range of levels (i.e. from Silver to Platinum), which is based on the number of points allocated. The buildings are given points based on the following criteria:

- Energy Efficiency;
- Indoor Environment Quality;
- Sustainable Site Planning and Management;
- Materials and Resources;
- Water Efficiency; and
- Innovation.

It's true that "Rome was not built in a day". However, it is encouraging to see that more people are becoming aware of the problems that the planet is facing. With steady promotion and global initiatives, perhaps we can see a greener tomorrow in the not so distant horizon.

HOW WOULD THE TAX INCENTIVE WORK?

Developers can claim a 100 per cent deduction for the capital expenditure ("CAPEX") incurred for new buildings or ensuring that existing buildings comply and are GBI certified. The amount incurred that qualifies for the deduction will be outlined in the certificate. Please note that this deduction is in addition to the capital allowances that the CAPEX may qualify for.

It's true that "Rome was not built in a day". However, it is encouraging to see that more people are becoming aware of the problems that the planet is facing. With steady promotion and global initiatives, perhaps we can see a greener tomorrow in the not so distant horizon. ■

Note: This information is based on the proposals of Budget 2010, which has not been gazetted as yet. Therefore, the information outlined should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be sought.

The Contentious Business Cycle

Saravanan Ramasamy

'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

It was not long ago that economists were holding conferences with titles like 'Is the Business Cycle Obsolete?' In the same vein, from time to time, politicians too were echoing the same sentiment by pronouncing that the business cycle is dead, primarily due to the supremacy of their economic policies. However, the recent global economic crisis has proved that the business cycle is neither obsolete nor dead and at the same time it has made it as one of the few contentious subjects in economics.

WHAT IS THE BUSINESS CYCLE?

Economists labeled the 'four phases' of a cycle: boom-recession-depression-recovery. Starting from the mean, a boom is a rise which lasts until the peak is reached; a recession is the drop from the peak back to the mean; a depression is the slide from the mean down to the trough; a recovery is the rise from the trough back up to the mean. From the mean, we then move up into another boom and thus the beginning of another four-phase cycle. Any fluctuations cannot really be described as 'cycles' if they do not go through these four phases. To date, what precisely causes the economy to exhibit this type of cycles has been a source of much divisive, yet constructive debate amongst economists from differing schools of thought.

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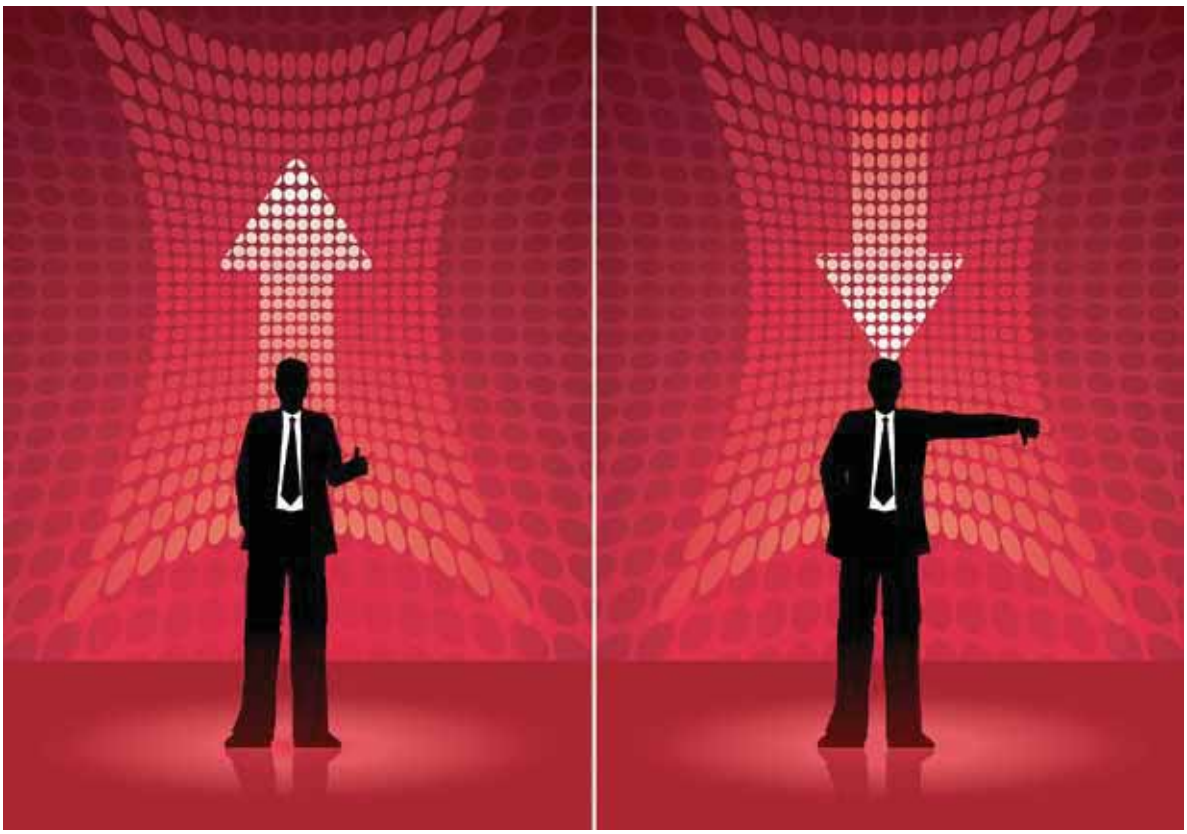
WHAT CAUSES THE CYCLE?

Attempts to account for the existence of business cycles have indeed been a key theme in economic theory for the past two hundred years. Some economists tried to locate the source of the oscillations within the economy itself. They regard cycles as being endogenous, or within the economic system, whereby

booms and recessions occur at regular intervals and last for varying lengths of time. Economists belonging to this school of thought believe in the regularity of such crises, analysing how they were spaced apart and associated with changing economic structures. In the same vein, the variables that cause the cycles are labeled as 'pro-cyclical', 'countercyclical' and 'acyclical'. Real Business Cycle Theory (or RBC Theory) is a macroeconomic school of thought that holds that the business cycle is caused by random fluctuations in productivity. RBC theorists argue that at any point in time, the level of national output necessarily maximises 'utility' and government should therefore not intervene through fiscal or monetary policies designed to offset the effects of a recession or cool down a rapidly growing economy. According to RBC theory, business cycles are therefore 'real' in that they do not represent a failure of markets to clear, but rather reflect the most efficient possible operation of the economy.

No doubt the success or failure of Kydland and Prescott's approach for studying business cycles has been an actively researched topic in economics, the recent global economic slump and the plethora of government-backed stimulus packages have given extra impetus for this topic to be further researched and debated.



A subsequent school of thought sees cycles as exogenous, or outside the economy. They strongly believe that business cycles are not 'cycles' at all but rather as spells of 'crises' interrupting the smooth development of the economy. In many ways the term business cycle was found to be misleading in the sense that 'cycle' seems to imply that there is some regularity in the timing and duration of upswings and downswings in economic activity. As opposed to the RBC theorists who believe that the business cycle is caused by random fluctuations in productivity, Keynesians associate business cycles with some form of disturbances to the economy. Observing these non-deterministic fluctuations about trend, they spend considerable amount of time and effort in analysing why any of this occurs. It's common sense that people prefer economic booms over recessions. It follows that if all people in the economy make optimal decisions, these fluctuations are caused by something outside the decision-making process. So the key question really is what main factor influences and subsequently changes the decisions of all 'actors' in an economy?

These differing schools of thought in the economic fraternity are what make the business cycle contentious.

WHY IS IT CONTENTIOUS?

The original Nobel Prize winning research by Kydland and Prescott modeled economic fluctuations in a non-monetary world (hence the name 'real' business cycles) with efficient markets. Many researchers, however, felt that Kydland and Prescott's model neglected the impact of monetary policy on business cycles, downplayed the role of market inefficiencies and minimised the importance of unemployment. Consequently, a flood of research has introduced monetary policy, market inefficiencies and unemployment into modifications of the Kydland and Prescott paradigm. No doubt the success or failure of Kydland and Prescott's approach for studying business cycles has been an actively researched topic in economics, the recent global economic slump and the plethora of government-backed stimulus packages have given extra impetus for this topic to be further researched and debated.

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The following self-explanatory excerpts are examples of the contention surrounding Business Cycles.

- *'The efforts of Keynesians or Monetarists to stimulate the economy by government spending or expanding the money supply are like 18th-century physicians trying to cure patients with bloodletting. Governments only get money by taxing, borrowing and inflating, so any money the government has will be taken from others who could do more for the economy with the money than bureaucrats or politicians could ever do.'*
  Ben Best, www.benbest.com

- *'The real economy hasn't been hurt yet because Bernanke keeps 'helicoptering' dollars into the mess. But that only delays the real economic crisis.' The Economist*

- *'The presence of multiple sources of credit - different countries with somewhat different policies - changes some of the details without solving the fundamental instability.'*
  The Economist

- *'Free enterprise economies have amazing recuperative powers if the market is given its chance to right itself from the imbalances that had caused the recession in the first place. Nevertheless, almost every government across the world has not seen it that way and has attempted to fix things with a spending programme of their own. Such expenditures can in my view do nothing but harm.'*
  Dr. Steven Kates, www.dailyreckoning.com

It is in the wake of this hotly debated topic that we are witnessing Dubai World suffering from the nasty fiscal shocks and fundamental imbalances. It was also not too long ago that President Barack Obama went on national prime-time television to sell his stimulus package to the Americans. As much as anything, it is indeed Keynesian economic theory that is on trial for its life as many economists, especially the supply-side proponents, view Keynes theory as arcane. Can Keynesian economic theory survive? Only time will tell and we live in interesting times. ■

Saravanan Ramasamy has a Master's in economics from the National University of Singapore. He can be contacted at sr_vanan@yahoo.co.uk

The Financial Industry after the crisis

AS THE GLOBAL ECONOMY GRADUALLY RECOVERS FROM THE CREDIT CRISIS, MANY PROFOUND CHANGES ARE STARTING TO BECOME VISIBLE. AN ASSESSMENT BY **GILES KEATING**, HEAD OF GLOBAL RESEARCH AT **CREDIT SUISSE**.

Financial flows are no longer dominated by savings moving from Asia to fund US consumer borrowing and the trade deficit. Instead, US consumers have become significant net savers, the trade deficit has shrunk, and the emerging markets look set to become the leaders of global demand growth and the dominant magnet for investment flows. The global financial system, which has to transport these savings around the world, has suffered a profound shock. In this article we examine how it is likely to evolve over the next five to ten years, focusing mainly on the changing role of the banks and the dollar.

Banks Back on Track

US and European banks, but not those in Asia or Latin America, have taken unprecedented losses during the crisis. To plug the gap, these banks have raised capital from governments and private investors. However, there are further major losses still in the pipeline for many banks, and

these will swallow up a substantial part of their profits for the next ten years. Looking beyond that, the big structural issue is whether the US and European banks embark on a major new round of leveraging-up and risk-taking to fund economic growth in their own economies and abroad, or whether they take a back seat, with local emerging market banks and direct investment flows through the capital markets being in the lead. Over the last few decades, many of the US and European banks have generally recovered reasonably quickly from credit slumps and started robust loan expansion again, but will it be different this time?

Possible Government Measures…

Currently, the political debate in America and Europe is focused on ways to restrain such leverage and risk-taking. Governments can enforce this through three main routes. First, by explicit direction to banks in which they have invested – but most governments are reluctant to go too far with this, and anyway they are looking to sell their stakes sooner or later. Second is by requiring banks to break up into smaller and perhaps specialised units, but this is controversial and could damage the competitiveness of the banks affected if it is not done in all countries. Third is by tightening regulations. For example, banks could be forced to build up extra capital buffers in good years, to be run down in the bad years (counter-cyclical provisioning). It would also be feasible to require minimum liquidity standards or impose an overall minimum ratio of capital to loans. This would be a sensible addition to the existing rules which apply lower capital requirements for less risky loans (the "Basel II" rules). Rule changes like these are probably the main way in which governments will aim to influence banks, although they are unlikely to be adopted uniformly around the world. As a consequence, the regulatory environment will differ greatly from one country to the next.

…and Their Impact

The impact of all this is likely to vary somewhat among banks and between countries. Of the large US and European banks that previously had large international investment banking operations, some seem to be evolving to focus mainly on domestic clients; some are staying internationally orientated, but are adopting a significantly more conservative approach to risk; while others, within the context of somewhat tighter regulations, seem likely to resume reasonably aggressive risk-taking. In the short term, this means reduced competition (and thus greater opportunity for oligopoly profits) for those that remain active in international investment banking.

Asian Banks Entering the Market

But new competitors are on the horizon. Some of the Asian banks, which are already strong and very large but domestic-focused, are likely to move to play a much larger role in intermediating capital flows at the global level. Thus, if we look ahead five years or so, the total number of major banks operating at scale on a truly global basis may be similar to that before the crisis, but these banks are likely to be more evenly spread around the world, with the US and Europe no longer so

Meanwhile, China's renminbi has the potential to take on a similar role within perhaps one to two decades, assuming that China's rapid economic development continues and that currency reform keeps pace. This is still far from being a creditable alternative at the moment, as the Chinese currency is not even freely convertible and domestic money markets are underdeveloped.

dominant. Moreover, they are likely to be accompanied by rapid growth in a number of second-tier banks in emerging markets around the world, active in intermediating flows into their fast-growing home markets.

The US Dollar: Traditional Reference Currency

The dollar currently plays a central role in the world's currency system in several key ways: It is the main currency for invoicing and settlement of international trade; it is by far the largest component for the foreign exchange reserves of most sovereign states; it is the unit to which many countries explicitly or in practice link their own currencies, at least in part; its capital markets are still the deepest and most liquid in the world; and it is the currency which many international investors use when monitoring their investment portfolios. But many investors have started to question this role, given that the financial crisis had its epicentre in the US financial markets, and given the focus this has brought to the debtor status of the US. The dollar's central role dates back to the post-Second World War economic arrangements under the Bretton Woods agreement. In the 1970s, a central part of those arrangements ended, when the dollar's link to gold was broken and many currencies moved from fixed to floating rates. For a while the dollar's central role was in doubt, but there were several reasons why, in the end, it retained that position: The US was still a creditor nation; the geopolitical power of the US was rising as the Soviet Union moved toward collapse; and there was no serious alternative currency.

Birth of a Multipolar World

Now, however, circumstances are very different. The US is the world's largest debtor, and while this ensures a plentiful supply of dollar assets, it is a concern for investors that could ultimately threaten its credibility. In geopolitics, the US is still by far the world's largest power, but the medium-term prospects for China, India and other nations are a clear pointer toward a multipolar world in coming decades. And an alternative currency satisfying some of the functions played by the dollar now exists, in the form of the euro. Foreign exchange reserves held in euros are rising, though still modest relative to those in dollars. The euro is now the major peg for the currency of a number of countries. Meanwhile, China's renminbi has the potential to take on a similar role within perhaps one to two decades, assuming that China's rapid economic development continues and that currency reform keeps pace. This is still far from being a creditable alternative at the moment, as the Chinese currency is not even freely convertible and domestic money markets are underdeveloped. None of this seems sufficient to unseat the dollar from its global financial role in a timeframe of a few years. But if we look forward ten years or so, it seems likely that the dollar will have lost its current pre-eminence, as the world becomes more multipolar in both politics and economics. One possibility is that the dollar, euro and renminbi form a kind of tripartite system, each with its own sphere of countries that tie their currencies to them more or less formally, each with a sphere for trade invoicing and settlement, and each playing a major role in foreign exchange reserves. A variant of this vision would see a key role for the IMF's basket currency (the SDR or Special Drawing Right) updated to include emerging market currencies integrating the renminbi.

Conclusion

In the aftermath of the credit crisis, the world is becoming multipolar, and this is likely to be clearly reflected in many aspects of the financial system. The dominant role of the dollar and of the US banks is set to give way to a world in which the US is still important, but in which other countries, their currencies, their capital markets and their banks, all play a greatly enhanced role. As with all great changes, this structural shift will offer both threats and opportunities for investors. ■

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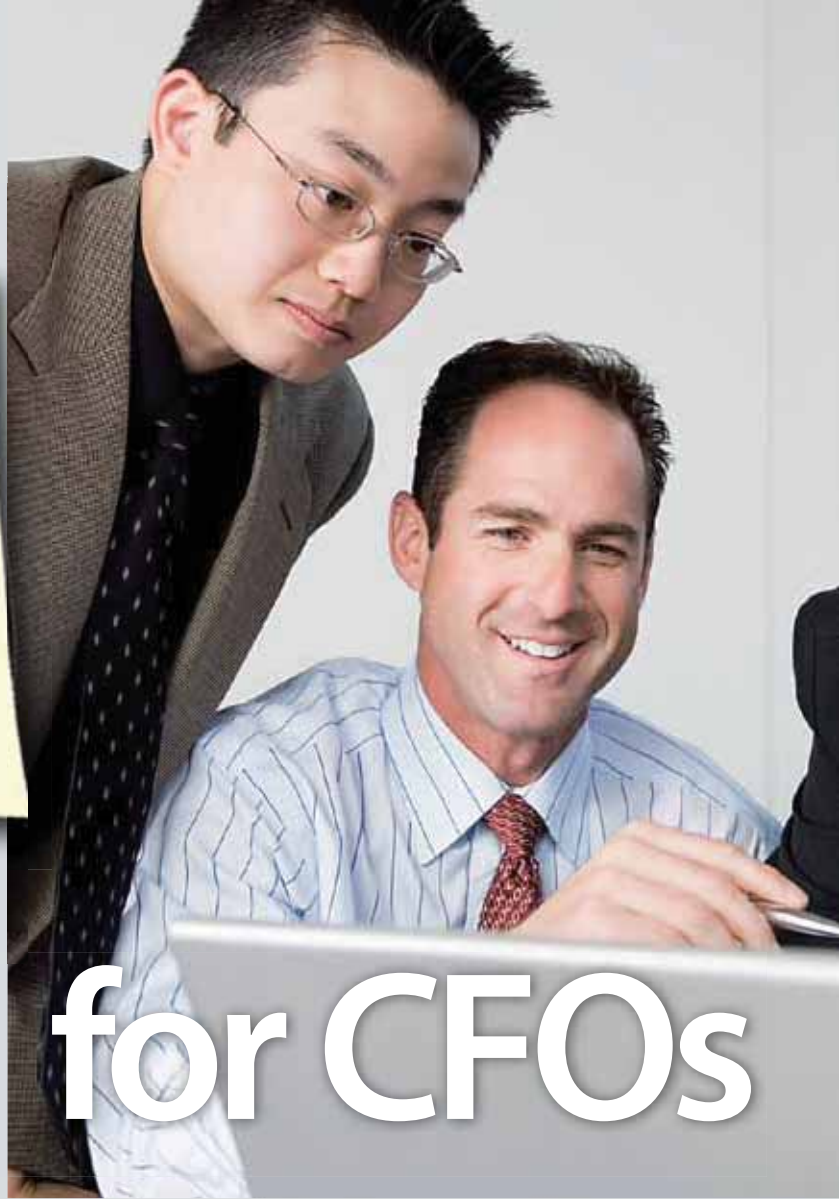


CPA AUSTRALIA HAS DEVELOPED THE FOLLOWING SHORT LIST OF TIPS FOR CHIEF FINANCIAL OFFICERS TO CONSIDER, AND POSSIBLE ACTIONS THEY COULD TAKE TO HELP STEER THEIR BUSINESSES THROUGH THE ECONOMIC DOWNTURN.

Top tips for CFOs

Strategy is key, and the organisation will be looking to the CFO for leadership on finance and accounting matters that are critical to business success.

TIP # 1

Develop a financial model for your business – Develop a simple spreadsheet financial model for your business around its key operating metrics (e.g. revenue, costs, cash, inventory). 'Plug and play' with different scenarios to understand the potential impacts on the viability of your business of these scenarios. Develop contingency plans accordingly. These plans could include reducing costs and inventory, cash use minimisation, sourcing additional funding and seeking short-term revenue boosts through discounting, for example. If you do consider discounting, your modelling may benefit from a margin and pricing sensitivity analysis, as it is critical to understand this relationship, especially now.

TIP # 2

Keep your financial records up-to-date – Ensure your financial records are up-to-date and possibly produced more frequently, particularly your cash flow statements and forecasts. The importance of cash flow and using reporting and forecasting to manage it cannot be overemphasised. When business was booming, monthly reporting and forecasting of cash may have been adequate. However, weekly or more frequent reporting may now be required.

TIP # 3

Review government responses to the downturn – The policies that governments are currently implementing could have an impact on your business, particularly the demand for your products or services. For example, taking advantage of cash handouts to individuals and tax incentives for capital investment by business may be an opportunity for your business to run promotions that align with these government responses. You should also

factor in tax incentives around business investment in your capital expenditure budget and possibly amend your future growth plans to take advantage of other government stimulus spending (such as on infrastructure). It is also time to review how your business manages its tax affairs, as it is very likely that with significant government deficits, there will be pressure to raise government revenue through tougher compliance activity.

TIP # 4

Keep your bank and your investors in the loop – The sooner you talk to your bank about any problems your business may have, the more that can be done. In other words, secure funding options before you need them.

TIP # 5

Watch your prices and those of your competitors – Take a more proactive view of your pricing approach and that of your competitors. You do not want to take a pricing position that means you are uncompetitive, but you have to avoid pricing that may make your business unsustainable in the long term.

TIP # 6

Concentrate on the profitable customers and products – Find out which products, services and customers are profitable and look at ways of getting rid of the non-profitable ones. Look carefully at the costs of acquiring new customers, and compare them with the costs of developing current smaller customers with growth potential.

TIP # 7

Get the best terms from your suppliers – Look for improvements in prices and terms. For example try to extend your payment terms, review pricing, take stock on consignment and rationalise your suppliers.

TIP # 8

Rationalise if necessary – Look at the products and services provided by the different parts of your business. Do you need to rationalise? What is generating the profits? Where is the growth? What do you need to add to meet changing market needs now and in the recovery? Ensure operational risk management is adequate to reduce the risk of productivity losses from poor work practices, fraud and other unethical or risky staff behaviour.

TIP # 9

Look for possible acquisition and merger targets – If your business is strong, now is the time to become even stronger.

TIP # 10

Know when is the right time for capital investment – Now may be the time to invest if the business fundamentals are strong, but turnover has slowed. Investment now may cost less, and the disruption and diversion of effort may be more tolerable to your business.

TIP # 11

Be aware of the legal ramifications of taking on directors' duties – With many businesses under considerable financial pressure, businesses may turn to their CFO or external accountant to lead them out of trouble. Where the CFO or external accountant gains effective control (directly or indirectly) over the affairs and direction of a company, that is, they are the controlling mind of the company, and they exercise such control, they can be deemed to be a director of the company, even though they have not been validly appointed. They therefore become subject to the same obligations as a validly appointed director.

TIP # 12

Take care of your staff – The GFC will be impacting on your people, so keep a lookout for signs of stress as the GFC affects them and their families and be ready to provide support. ■

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

LOWER RETURNS ON REIT IPOs?

HOW LUCRATIVE ARE RETURNS ON REIT IPOs OR THE INITIAL PUBLIC OFFERINGS OF REAL ESTATE INVESTMENT TRUSTS? SENIOR LECTURERS AT UNIVERSITI UTARA MALAYSIA, **NURWATI ASHIKKIN AHMAD-ZALUKI** AND **SHAMHARIR ABIDIN** DID AN ANALYSIS OF INITIAL RETURNS TO INVESTORS WHO SUBSCRIBED TO MALAYSIAN REITS IPO SHARES AT THE OFFERING DATE AND SOLD THEM IMMEDIATELY ON THE FIRST DAY OF TRADING. USING A SAMPLE OF TEN REITS THAT WENT PUBLIC DURING THE PERIOD 2005 TO 2007, THEY FOUND THAT THE AVERAGE GAIN FOR REITS INITIAL INVESTORS WAS ONLY 2.72%. FURTHER ANALYSIS COMPARING REITS AND NON-REITS IPOs SUGGESTS THAT INVESTORS IN REITS IPOs GAIN LOWER RETURNS THAN THOSE WHO PURCHASE NON-REITS IPOs.

INTRODUCTION

The Real Estate Investment Trust (REIT) market has been successfully established in Malaysia since late-2005. The first REIT in Malaysia was Axis-REIT, which was launched and listed in August 2005 after the introduction of the revised Securities Commission (SC) Guidelines on REITs in early 2005.

REITs represent a new investment opportunity in Malaysia. Prior to 2005, Malaysia had Listed Property Trusts (LPTs). There were four property trusts listed on the KLSE since 1989: Arab-Malaysian First Property Trust (August 1989), First Malaysia Property Trust (November 1989), Amanah Harta Tanah PNB (December 1990), and Mayban Property Trust Fund One (March 1997). As of December 2008, there are eleven REITs listed on Bursa Malaysia. Over RM2.3 billion of public equity was raised from these eleven equity REITs IPOs.

Given the relatively small quantity and newness of REITs in Malaysia, a full analysis of REIT performance is not possible. Therefore, this article provides evidence on the initial return to investors who successfully subscribed to the Malaysian REITs IPOs at the offering date and sold them immediately on the first trading day. For that reason, this article also makes a comparison between REITs and non-REITs initial performance.

LITERATURE REVIEW

Prior studies on non-REITs (industrial companies) IPOs have consistently found that the IPO offer price is lower than the price on the first trading day,

Table 1

MALAYSIAN LISTED REITS (AS OF 31 DECEMBER 2008)

NO.	NAME	DATE LISTED	MARKET CAPITALISATION	
			(RM million)	(US$ million)
1	Axis Real Estate Investment Trust	03/08/2005	N/A	N/A
2	Starhill Real Estate Investment Trust	16/12/2005	854.69	247.74
3	UOA Real Estate Investment Trust	30/12/2005	282.37	81.85
4	Tower REIT	12/04/2006	246.84	71.55
5	AL-'Aqar KPJ REIT	10/08/2006	403.00	116.81
6	Hektar REIT	04/12/2006	246.40	71.42
7	AmFirst REIT	21/12/2006	343.20	99.48
8	Quill Capita Trust	08/01/2007	358.92	104.04
9	Al-Hadharah Boustead REIT	08/02/2007	515.43	149.40
10	Amanahraya REIT	26/02/2007	315.03	91.31
11	Atrium REIT	02/04/2007	74.30	21.54
	AVERAGE		**364.02**	**105.51**

Note: The source is DataStream. RM1 is equivalent to US$0.28986 (US$1=RM3.45)

known as underpricing or positive initial return. Unlike the general evidence of non-REITs, several studies on REITs in the US market (e.g., Wang *et al*., 1992; Buttimer *et al*., 2005) found that REITs provide negative initial returns (overpricing) of -2.82% and -1.44%, respectively.

There is also contradicting evidence that shows US REITs produce positive initial returns (e.g., Ling and Ryngaert, 1997; Ghosh *et al.*, 2000). Ling and Ryngaert (1997) suggest that a positive initial return of REITs is due to greater valuation uncertainty and greater institutional involvement in the REIT IPO market. Further studies on REITs in other countries prove the existence of lower underpricing with initial returns ranging from 1.20% in Australia (e.g., Dimovski and Brooks, 2006) to 1.71% in Canada (e.g., Londerville, 2002) and up to 16.21% in Hong Kong (e.g., Chan *et al.,* 2001).

A comparison between initial returns of REITs and non-REIT IPOs reveals that there are significant lower initial returns for REIT IPOs. As suggested by Buttimer *et al.* (2005), investors and underwriters are more apt at pricing the underlying REITs than non-REIT assets, which reduce uncertainty and consequently lessen underpricing. Frybote *et al.* (2008) advocates that transparency of the real estate markets and strict regulatory frameworks of REITs are the factors that lower the uncertainty.

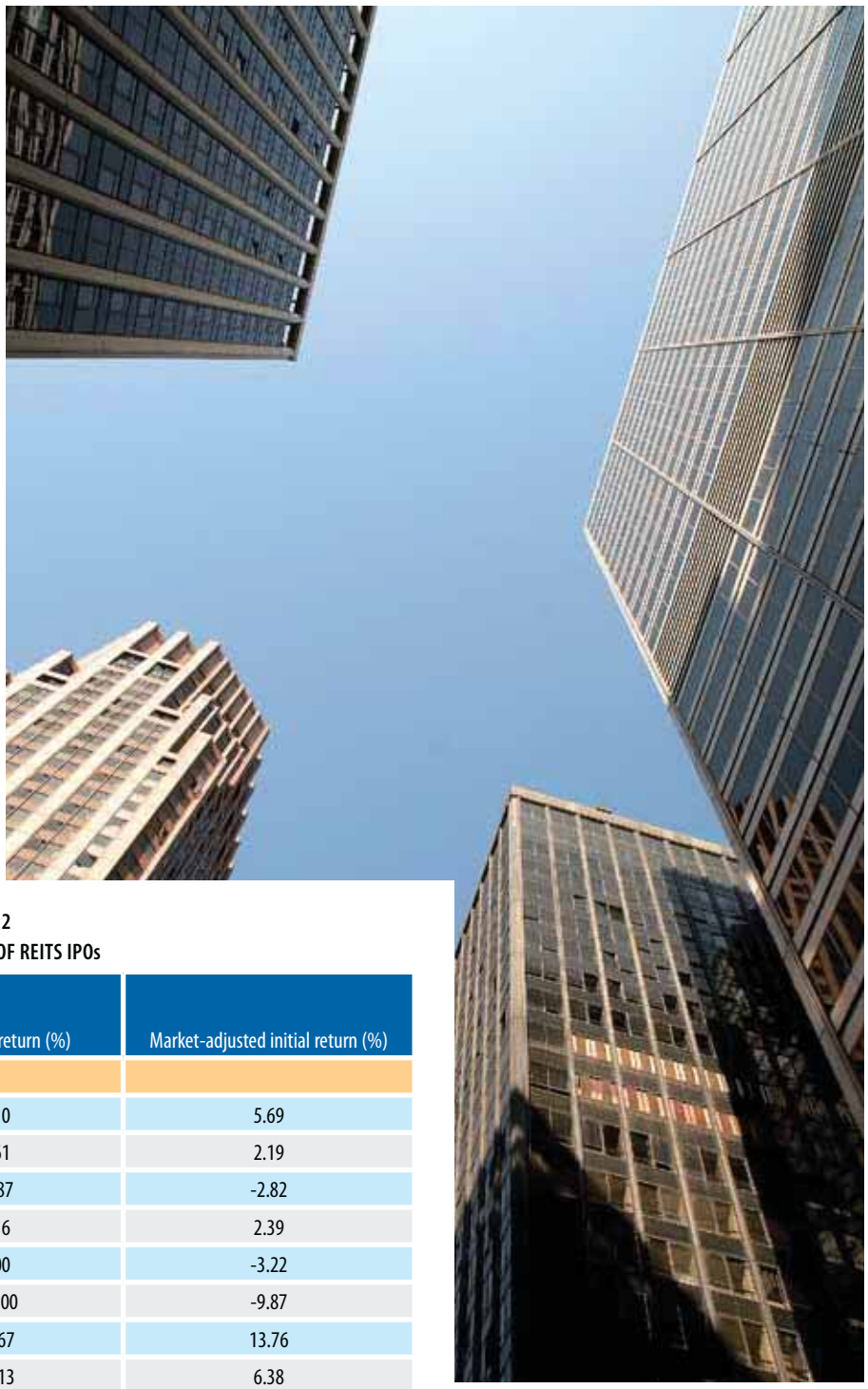
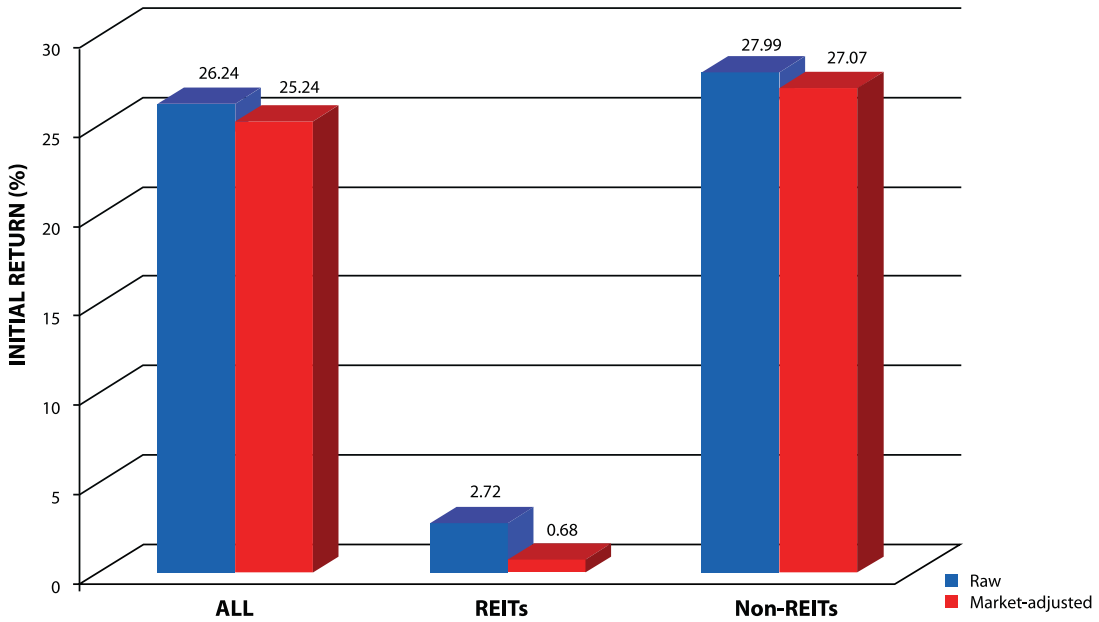


Table 2
INITIAL RETURN OF REITS IPOs

NAME	Raw initial return (%)	Market-adjusted initial return (%)
Starhill Real Estate Investment Trust	5.10	5.69
UOA Real Estate Investment Trust	2.61	2.19
Tower REIT	-1.87	-2.82
AL-'Aqar KPJ REIT	3.16	2.39
Hektar REIT	0.00	-3.22
AmFirst REIT	-11.00	-9.87
Quill Capita Trust	16.67	13.76
Al-Hadharah Boustead REIT	13.13	6.38
Amanahraya REIT	-0.56	-3.14
Atrium REIT	0.00	-4.54
Average	**2.72**	**0.68**

Figure 1
Initial Return of REITs and non REITs IPOs



METHODS, SAMPLE SELECTION AND DATA

We examined the initial returns (either gain or loss) of REITs and non-REITs IPO shares to initial subscribers during the period 2005-2007. Our final sample consists of ten REITs and 134 non-REIT IPOs after excluding three companies that have missing share price data.

In order to examine the initial returns of the existing REITs and non-REITs, the share price data for each REIT and non-REIT were collected from the DataStream database. Data on market performance was also collected from the DataStream database. We measured both the raw and market-adjusted initial returns. Raw initial return is calculated as $R_{it} = (P_{it} - S_{io}) / S_{io}$, where R_{it} is the initial return of company *i*'s share, P_{it} is the closing price on the first day of listing and S_{io} is the subscription price on the offering date. The abnormal initial return is the market-adjusted initial return (MAIR), calculated as $MAIR = R_{it} - R_{mt}$, where R_{mt} is the return on the market portfolio proxied by the KL Composite Index, the main market index in Malaysia, calculated as R_{mt} (I_t and I_o) I_o, where I_t *and* I_o are the corresponding day index levels.

FINDINGS

As of 31 December 2008, there are eleven REITs trading in Malaysia. **Table 1** reports the market capitalisation of the existing REITs as of 31 December 2008. We excluded one company due to unavailability of market capitalisation data on the DataStream database. The average size for ten REITs, measured by market capitalisation is RM364 million (US$106 million), with the Starhill Real Estate Investment Trust heading the list with market capitalisation of RM855 million. Axis is the REIT excluded.

Table 2 reports the average initial return of REITs during the period 2005-2007. As can be seen from the table, Quill Capita Trust provides the highest initial return to the investors with a raw initial return of 16.67% and 13.76% of returns after adjusting for market movements. The lowest initial return is provided by AmFirst REIT with a negative raw initial return of -11%. Seven out of ten REITs provide positive raw initial returns to IPO investors. The average raw initial return for the sample is only 2.72%. Given the small sample size on REITs, however, these interpretations are offered with caution.

This table reports the mean initial returns of ten REITs that were listed on the Bursa Malaysia during the period 2005-2007. Only ten companies make up the number of REITs because there is no first trading day data on DataStream for Axis REIT.

In order to see whether the pattern of initial return for REITs is the same or different from the non-REITs, we compare the initial return of both REITs and non-REITs. The results are graphed in **Figure 1**. The average of raw and market-adjusted initial returns for all companies listed during the period 2005 to 2007 is 26.24% and 25.24%, respectively. When we split our sample into REITs and non-REITs, we found that the average raw and market-adjusted initial return of REITs is 2.72% and 0.68%, respectively, while non-REITs produce 27.99% and 27.07%, respectively. Both average values for REITs are significantly lower at the 1% level than those for non-REITs. These results suggest that investors who purchase REITs IPO shares at the offering date and sell them immediately on the first day of trading gain lower returns than those investors who purchase non-REITs IPO shares.

After examining the initial return of

REITs and non-REITs IPOs, the overall results show some evidence of positive initial returns of REIT IPOs in Malaysia. These results are preliminary given the immaturity and the relatively small volume of the market for REITs in Malaysia. However, the level of returns is very low and insignificant as compared to the results observed for non-REITs. Our results are consistent with the notion that REITs IPOs produce lower initial returns than non-REITs IPOs. The lower initial returns of our REITs IPOs also suggest that REITs IPOs are easier to value than non-REITs. ■

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THE NEED FOR Performance measurement

Majella Gomes

SOME OF THE MOST PRESSING MANAGEMENT ISSUES TODAY REVOLVE AROUND TALENT AND HOW TO RETAIN IT. COMPANIES ARE CONSTANTLY ASKING, "WHAT KIND OF TALENT DO WE NEED TO SURVIVE?" OR "HOW DO WE IDENTIFY AND RETAIN THE TALENT THAT WE ALREADY HAVE?" THE ANSWERS FOR THIS PARTICULAR AREA OF HUMAN RESOURCE MANAGEMENT ARE SOME OF THE MOST DIFFICULT TO FIND.

Do we fully understand the kind of challenges we are facing in our businesses today?" asked Taranjeet Singh, Managing Director of the Hay Group, at the recent National Accountants Conference 2009. "How applicable are the old models today, and what do we have in place that can drive organisational performance?"

CONTEMPORARY BUSINESS CHALLENGES: MOBILITY

Viewed against a backdrop of rapidly rising economies like China and India, the sourcing and retention of talent is becoming more urgent. What is needed today is not unswerving loyalty to a lifelong employer but the flexibility and agility to accommodate the demands of an increasingly volatile and dynamic global market.

"Talent nowadays is more mobile," he said. "People can migrate to different parts of the world, leading to shortages of talent, which are already exacerbated by an aging population and declining birth rate. Emerging markets – always an attractive proposition to those who like a challenge – have the potential to drive demand and grab the best talent, regardless of geographical location."

The financial crisis of 2008 has seen an increase in and tightening of regulatory controls. Corporate governance is strengthening, and around the world, there is a growing insistence on more transparency. There is a general decline in confidence in western leadership principles, along with the recognition that top talent is not only able, but in many cases may cause a brain gain in some areas and trigger a brain drain in others.

This is due to the indisputable fact that talent will go where it is appreciated and suitably rewarded. Another indisputable fact is that the younger the talent, the more mobile it is, and the more voracious its appetite for challenge. Put that together with the increasing numbers of young people graduating and moving into the workforce annually, and you have a formidable talent pool to pick from.

But in parallel with this veritable supermarket of human resources comes a niggling fear: because they're graduating faster and in larger numbers, the younger generation may be fast-tracked into senior positions before they're ready or able to undertake the responsibility. Qualifications aside, there is a certain level of experience necessary before one is able to assume any senior management position and be able to plan, direct or execute appropriate corporate strategy.

A DIFFERENT KIND OF LEADERSHIP

Employers today are caught between the proverbial rock and hard place. The survival of the company depends on how well it can maintain its position in the market, how effective its workforce is, and

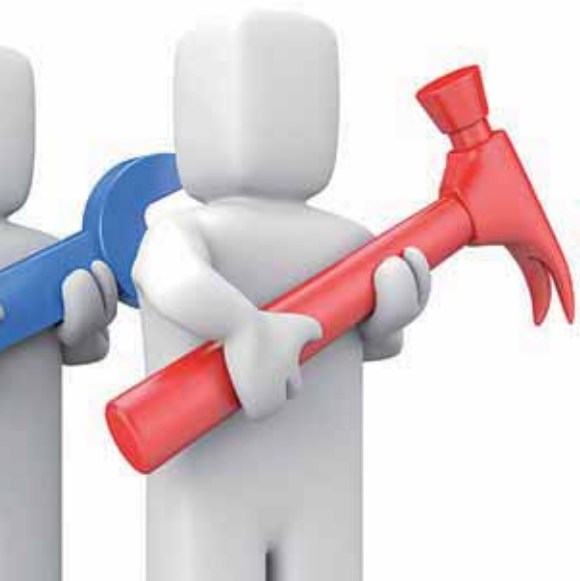
how efficiently its succession plan will be. Whether management is aware of it or not, the workplace is undergoing constant evolution.

"There is a need for a different kind of leadership," Taranjeet said. "How are companies preparing their second-liners? The old profit-centred ways don't work any more. Today's workforce is motivated by more than just profit; you have to find leaders therefore who will engage and motivate staff differently, because your workforce will be a mix of Baby Boomers, Gen-X and Gen-Y. All of them will be integral to your success, and all of them have to be managed differently."

Doing business today has become complicated, and so have its attendant elements like matching talents to jobs to optimise returns. What it demands of the employer is firstly, clarity of thought, he added. It is imperative that we are clear of what we expect of our human resources, what they expect of us, and how these expectations can be met to ensure optimum business performance.

MAKING THINGS CLEAR

Clarity can be achieved by being unswerving about several matters. The company needs to be absolutely certain which of the many challenges it will face should be given priority and what overcoming these challenges will mean to the survival of the firm. Under no circumstances should it lose its focus, and it should have already identified key concerns or elements that are likely to hinder its success. With these in mind, it can strategise corporate behaviour that will help it achieve its vision, including the possibility of adding value to initiatives that will help sustain it through trying times.



"What does it take to drive for superior and sustainable business results?" was a question Taranjeet urged the audience to consider. With this in mind, he then outlined the 7 Lever Model of Organisation Effectiveness which comprises:

- Individual and team competence
- Reward and recognition
- Management processes and systems
- Organisation, team and job design
- Work processes and business systems
- Values and culture
- Leadership

Hard questions need to be asked, such as what are the real reasons that push people into leaving. "Are people staying in the same sector or leaving it? Are they leaving the job, sector or country? Is this migration based entirely on financial components? Have jobs been crafted in a way that will benefit the talent and the company?" he said.

In creating clarity around organisational priorities, the focus should be on looking after all stakeholders who include shareholders, customers and staff, and the community in which the organisa-

tion operates. Constant improvement in employees' skills and knowledge is the foundation for all innovation and improvement within an organisation. This will lead to improved work processes and customer satisfaction, and ultimately to better financial results.

CREATING THE STRATEGY

For the majority of organisations looking to formulate a strategy for success, the spirit may be willing but the resources will need major beefing up. "Very often, it is a matter of shifting the entire organisation to the next level," explained Taranjeet. "Talent, skills and – most importantly – mindsets need to be in place to achieve this."

Approach with caution, identify specific talent within the organisation and have the appropriate reskilling or skills upgrade programmes for them. This is where effective performance management comes into its own. Performance management consists of:

- Performance measurement in the form of KPIs, performance targets and a system to measure these; and
- Performance appraisal which incorporates regular appraisal, feedback or coaching, and formal counselling.

Ultimately, performance management is about improving business performance by improving team and individual performance, and ensuring that the company's strategy is effectively executed and successfully implemented.

Properly implemented, it includes quantitative and qualitative measures, rating objectivity, transparency in evaluation, greater understanding of fit between the goals of the individual and the organisation, consistent reward and recognition of performance, and the alignment of performance and the development of skills.

FOLLOW THE LEADERS

"The World's Most Admired Companies in 2009 include Apple, Toyota, Google, FedEx, GE and Microsoft, to name a few," Taranjeet said. "In these companies, employees say that performance measurement is clearer, more challenging and achievable. They say it is more balanced between the short and long terms, and encourages collaboration among staff."

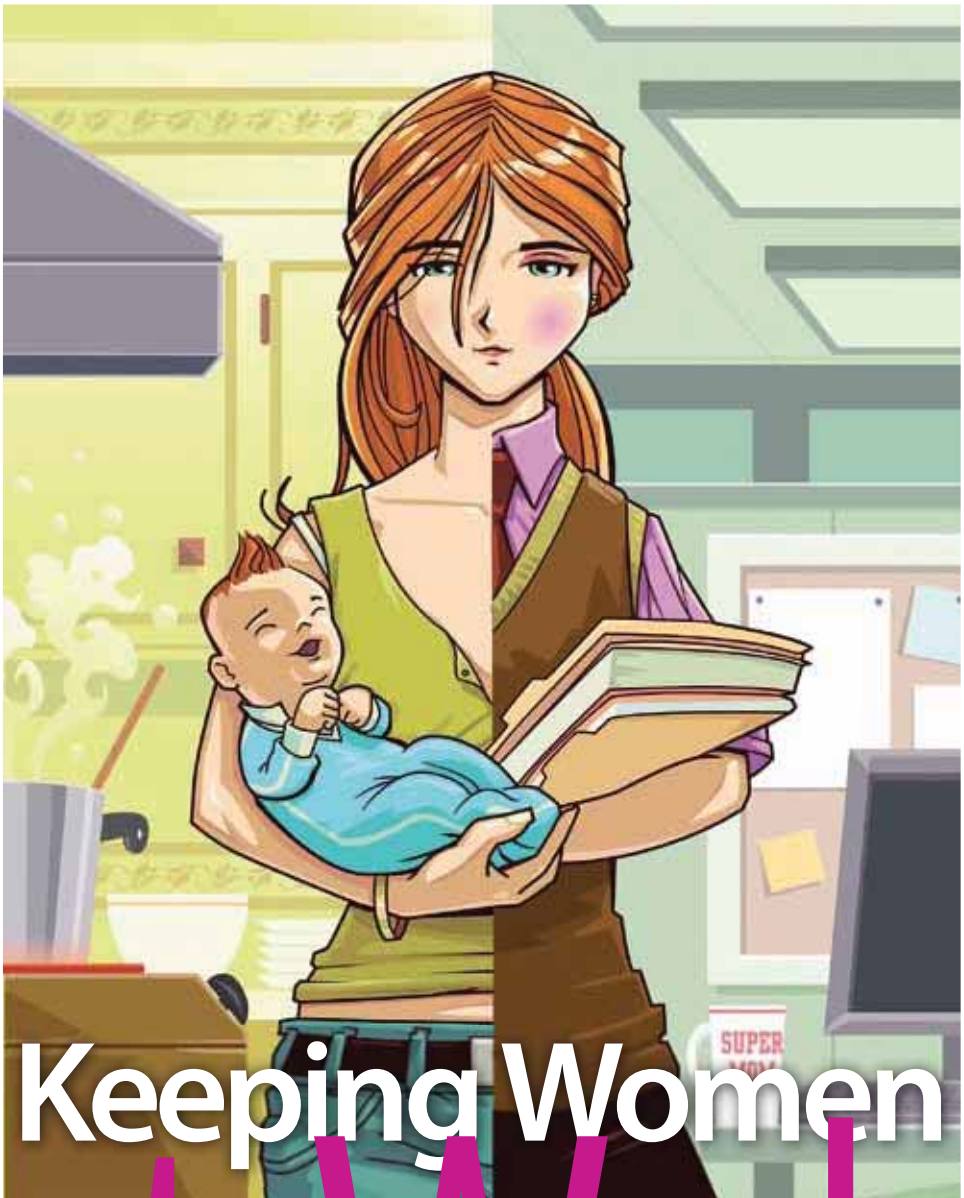
It is worth noting that senior leaders in these companies tend to be more involved in the goal-setting process than their counterparts. These firms demonstrated an understanding of the need to measure not just financial performance but customer and employee-focused measures as well. They were realistic and inclusive, and it has obviously worked.

IT'S ALL ABOUT THE TALENT

Companies today have to operate on the premise that there is nothing over which they have complete control. Businesses also have to recognise that challenges are as dynamic as the conditions they operate under. While individual businesses can ensure that the required processes are in place to mitigate risks, it is clear that they will still need the human resources to make it happen.

It is therefore crucial that this talent is effectively managed. But talent, being human, is never a predictable, cut-and-dried proposition. It cannot be "force-fed" or "fast-tracked" according to what is expedient. There are as many ways to manage it as there are people in the organisation.

The only thing which employers can be sure is that talent today comes with a large, very-hard-to-miss "Handle with Care" label. Certainly, it is worth noting that the successful management of talent is reflected in the quality of a firm's employees, and impacts directly on the performance of the business. ■



Keeping Women at Work

Anne Hashim

WOMEN MAKE UP A SIZEABLE PORTION OF THE TALENT POOL IN MANY FIELDS, INCLUDING ACCOUNTANCY. SADLY, THE FACT THAT COMPANIES CAN'T OR WON'T ACCOMMODATE THEIR MULTIPLE ROLES – ESPECIALLY AS WIVES AND HOMEMAKERS - MEANS THAT THIS TALENT ISN'T BEING FULLY UTILISED. HOW CAN MALAYSIAN WORKPLACES BECOME MORE FAMILY-FRIENDLY?

One of the biggest challenges to being a working mother is the juggling of multiple roles in the workplace and at home. Any woman who is working and tending to a family will only be too familiar with the daily battles that have been called the "balancing act of the productive and reproductive roles of women."

With 3.93 million women of employable age in the Malaysian workforce as of 2008, the work-life balance issue merits the attention of government policy makers, lawmakers, the private sector and women's groups in order to keep women at work.

A survey on Population and Family conducted by the National Population and Family Development Board in 2004 revealed that 55.7 per cent of women respondents resigned from their jobs due to family responsibilities, making obvious the lack of choices and support available to working women. Minister of Women, Family and Community Development, Dato' Seri Shahrizat Abdul Jalil, concurred at the 2009 Women's Summit that "women move out of high prestige, well-paid jobs because the requirements of a career in such jobs are increasingly formulated in ways that make it impossible to balance work and family."

How can the status quo be transformed so women too can contribute more effectively to economic growth?

Working Moms Need to Help Themselves

First, working mothers need to acknowledge that they are not perfect. And when they've chosen to work, they also have to come to terms with the accompanying trade-offs. Along the way, there will be times when they will have to make a decision on whether to miss baby's bedtime routine or pass up the social night out with the office team. Or, whether to take up the new management project or stay home to nurse the sick child. In other words, you need to release the guilt of not being 100 per cent present. This first step alone will bring a huge relief to you emotionally. Tell yourself that it's okay to be imperfect.

A survey on Population and Family conducted by the National Population and Family Development Board in 2004 revealed that 55.7 per cent of women respondents resigned from their jobs due to family responsibilities, making obvious the lack of choices and support available to working women.

Next, re-evaluate your personal work culture and formulate ways to work smart. Both women and men could learn from former Minister of Trade and Industry Datuk Rafidah Aziz, who practiced a work culture of not going home late and not bringing work home. Rafidah admitted that after 5:30 p.m., she was no longer productive at work and thus made it a point to go home early and spend time with the family, returning to work fresh the next day.

How can we implement a 9-5 work culture without impinging on productivity? Make each minute at work count. Take breakfast on the go. Have lunch at the office desk and respond to office emails in between bites. Bring work with you in meetings to fill those idle moments. Train yourself to walk faster, type faster, etc. If a discussion starts becoming a gossip session, excuse yourself quickly.

Just observe your work process and your use of office time for a week, then come up with practical ideas that you could implement to do more and waste less. Be more productive so you can have more time with the family after work.

Getting Dad into the Picture

Although most women take it upon themselves to bear the responsibility as main caregiver to children, it's important to realise that a mother is not necessarily alone in facing parenting issues. So what can husbands do to support their partners in the parenting process?

Communication is the first step. A husband can start by discussing with his wife about sharing the parenting load – when, how and how much. Be specific and list the domestic or childcare duties each parent needs to handle.

Not only will this be an opportunity

for fathers to bond with their children, it also gives mothers the breathing space to relax and recoup their energies. And dads, don't fret if you find it awkward the first time you do diaper-changing duty – plenty of moms have had to take a lot of crap before they got it right, too!

For the Gunalingams, the responsibility of raising Shobana is shared equally because both parents work full-time jobs. Shanta says, "At first Shobana would only want me to bathe or feed her, but since we've stuck to our duties, she has come to accept the routine…It helps that I don't hover when Dharma is bathing or feeding her!"

As for the mothers, don't reject – or worse, criticise – your husband's attempts to help. Most women don't realise that their spouses are just as eager to share the parenting responsibility but are not necessarily sure how. Without proper guidance and encouragement for fathers, they may eventually feel unwanted and lose interest.

Besides the division of labour, Shanta says, "It's also important to be appreciative of each other's parenting contribution. We acknowledge that we are both busy at work, and that we may be feeling work-related stress, but we try not to take each other for granted. It really requires a strong team effort and the sense of partnership we have with each other has helped us get through some of the tough times of parenthood."

DiGi has some pretty innovative workplace benefits for mothers such as the creative use of technology at work, flexible hours and options for longer maternity leave. DiGi also supports nursing mothers by providing a nursing room for the expression and storing of breastmilk.

Changing the Company Mindset

Juggling the dual role of motherhood and career woman will be made much easier if employers provide ample support, too. Research indicates that a balanced work and family life brings tangible benefits for employers – they will be rewarded with happier, productive staff, decreased employee absenteeism, increased job loyalty and more.

Thus it makes sense for companies to invest in their female resource through the formulation of flexible work options. Shell Malaysia HR Director Leslie Hayward says, "Flexible work choices are one of the ways we attract and retain talented female employees who want to balance their work with their family responsibilities. In fact, Shell Malaysia has several work-balance initiatives for its employees such as the option to work from home or work part time, career-break, extended maternity break and part-time working just to name a few."

Ting Hoon Kiow, a process engineer at Shell, adopted part-time working where she goes into the office every day, but works shorter hours. "As such, I can be at home half the day with my children, and I do not suffer the guilt of leaving them with a caregiver. In this way, I was able to return to work happily and keep things at work and home sane," she says.

Sadly, few corporations in Malaysia have such initiatives in place for working women. Furthermore, Malaysia is one of the countries with the most minimal maternity benefits in the region, offering only about 8.5 weeks of paid maternity leave (compare this to the 16 weeks provided to Singaporean mothers). Even in Cambodia, working mothers get 13 weeks of maternity plus paid breastfeeding breaks (60 minutes per day for 12 months) for mothers who wish to nurse their babies or express their milk.

Companies that would like to improve their work environment for staff with families can look at some of Malaysia's model corporations that have been recognised for their family-friendly practices at the Prime Minister's CSR Awards in 2007. Accenture has adopted flexible work arrangements for all, mentoring programmes for women, and a Maternity

Returners Programme. DiGi has some pretty innovative workplace benefits for mothers such as the creative use of technology at work, flexible hours and options for longer maternity leave. DiGi also supports nursing mothers by providing a nursing room for the expression and storing of breastmilk.

Organisations can also consult with World Alliance for Breastfeeding Action, or WABA (*www.waba.org.my*), the lead agency in the Maternity Protection Coalition, to implement minimum standards for maternity benefits as outlined by the International Labour Organisation which include employment protection and breaks for breastfeeding/childcare. Working mothers who would like to propose for improved maternity protection at their workplace can take a look at the Maternity Protection Campaign Kit WABA has prepared *(http://www.waba.org.my/whatwedo/womenandwork/mpckit.htm)*.

For the public sector, however, the incentives, though limited, are slightly more attractive - launching grants worth RM80,000 for government offices and community-based organisations that provide childcare centres as well as a subsidy for childcare fees to parents who qualify for such assistance.

Although there is no legislation in Malaysia for the private sector to implement family-friendly work policies, there is a provision for a 10 per cent tax deduction on the overall construction cost per year for a period of ten years to private sector employers who establish childcare centres.

For the public sector, however, the incentives, though limited, are slightly more attractive – launching grants worth RM80,000 for government offices and community-based organisations that provide childcare centres as well as a subsidy for childcare fees to parents who qualify for such assistance. The Government has also offered its civil servants unpaid childcare leave of up to five years. Some states, like Selangor, have recently offered their civil servants the option to take up to ninety days maternity leave.

At the end of the day, since women are accounting for increasingly large numbers of the workforce, it's only reasonable that support for working mothers must come not only from immediate families, but more importantly from their employers and the government. ■

Sealing the deal in India

Think of India and a kaleidoscope of sounds, sight and colour comes to mind: aromatic spices, Bollywood favourites, *bharatanatyam* and *odissi*, the Taj Mahal and grubby slums jostle and clash in the mind. You may have been given gems of advice on business etiquette only to find that people behave exactly the opposite in certain contexts.

The first rule of thumb to doing business in India is to be sensitive to context at all times. With that in mind, here is a list of the most important considerations when planning to do business in India:

1. **Patience** – You need an abundance of patience to do business in India. Lengthy deliberations and consultations are needed before any decision is made. The whole process is slow and sometimes agonising. One day in India translates to one week in real time. Do not insist on commitment in the first meeting. Making a decision, in Indian organisations, is often a long-drawn out process.
2. **Perseverance** – It is easy to get frustrated and lose interest in Indian business because of how long you may have to wait. The Indians are actually trying to ascertain how badly you want the deal and how committed you will be to it. If you send a quotation or a proposal, be aggressive and pursue the matter. Constantly follow up. Stay focused and pursue, only then will you get a decision.
3. **Do not reveal all your information immediately** – Share your information only as much as when necessary. Do not try to impress with your store of knowledge. Your ideas may show up at your competitor's or at another local business if you are not careful.
4. **Build relationships** – Indians are emotional people. If you establish rapport and build strong relationships, you will garner respect and win their trust.
5. **Be competitive** – In India, price is the driving force. Quality can be slightly compromised but the bottom line is the main driver.
6. **Expect red tape and bureaucracy** - Indian laws and bureaucracy are quite intricate and cumbersome. Besides the statutes of the Central government, there are numerous pieces of legislation that differ considerably across the states. It is advisable to hire an Indian lawyer or liaison person, who can help to maneuvre through these intricacies. Also, be aware of corruption and seeking favours.

Ng Poh Ling

"IN INDIA, I FOUND A RACE OF MORTALS LIVING UPON THE EARTH, BUT NOT ADHERING TO IT, INHABITING CITIES, BUT NOT BEING FIXED TO THEM, POSSESSING EVERYTHING, BUT POSSESSED BY NOTHING." - **APOLLONIUS TYANAEUS**

APPOINTMENTS

Punctuality and keeping to one's commitments is appreciated. However, it may be disconcerting to some that the Indians themselves are often casual about keeping to time commitments. For most Indians, plans and schedules are contingent on other people and events, therefore appointments can get changed at the last minute.

Schedule your appointment a couple of months in advance and stress to your business counterpart that you will be in India for a specified period of time only. Reconfirm the meeting a few days prior to the actual appointment. Leave contact details with the secretary in case of last minute changes in time and venue.

Avoid meetings near or on national holidays such as Independence Day, Diwali or either of the two Eids. Avoid the heat by scheduling between October and March.

CONVERSATION, PLEASE

Conversation in India is not only an exchange of views but a form of building and strengthening relationships in India. Discussing one's family and personal life is normal among Indians. Enquiring about family is seen as a sign of friendliness.

Cricket is almost a national pastime and India produces the most films annually. Inevitably, cricketers are viewed as national celebrities and film stars as national icons. They provide for interesting and safe topics of conversation. Avoid discussing religious beliefs, the country's poverty, and India's relationship with its neighbouring country, Pakistan.

STRAIGHT FROM THE SOURCE: A BRIEF LIST OF DO's AND DON'Ts FROM A LOCAL

1. Don't ever trust anyone unless you have an established and very sound relationship.
2. Don't take things at face value. Very serious and detailed due diligence has to be done before making any business decisions. Consult more than two people before making that final decision.
3. Do go with the flow – if you try to force something, it will likely backfire.
4. Most importantly DO USE GOOD LOCAL people. Employ an agent, a consultant or consult a colleague - locals will understand the local conditions best and will advise you accordingly.

NEGOTIATING AND MAKING THE DEAL

Generally, southern Indian companies are more conservative when compared to the north, or the western part of the country. These regions, in turn, tend to be more individualistic and assertive than the eastern part of India.

Presenting and exchanging business cards are a necessary part of doing business in India. Bring lots. Be sure to receive and give with your right hand.

When entering a meeting room, always greet the most senior person first. As a sign of respect, subordinates often stand up when their superior or director enters the room. Follow their lead and greet their superior personally. Meetings should always commence with small talk or conversation. Decisions are always made at the highest level. If the owner or director of the company is not present, the chances are that your negotiation is in its early stages.

Bear in mind that negotiations can be slow. Indians are polychronic – they tend to deal with more than one task at the same time. Be prepared for some disturbance or distractions during the meeting, or the conversation digressing to unrelated topics. Such behaviour does not necessarily show a lack of interest or attention.

When negotiating, do not be confrontational or forceful. Express criticism or disagreement diplomatically. Indian society has an aversion to saying "no" as it is considered rude due to the possibility of causing disappointment or offense. Listen carefully to responses to your questions. If terms such as "We'll see", "I will try" or "possibly" are employed then the chances are that they are saying 'no'.

Bargaining over price or for additional concessions is normal in India. Indian negotiators expect and value flexibility in negotiation.

Giving Gifts

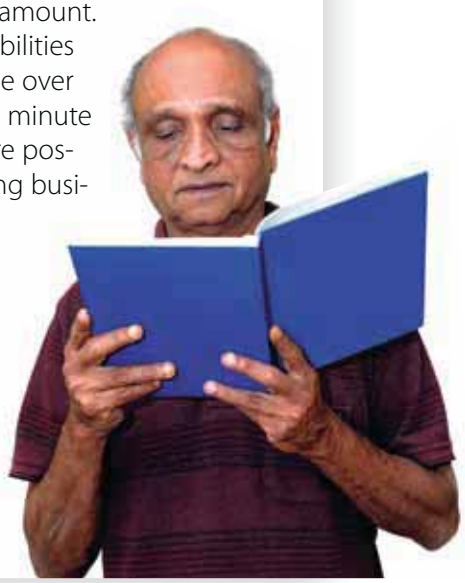
Gift giving is customary in India, and is seen as a sign of friendship. However, it is generally not expected at the first meeting. Here's a list of do's and don'ts:

- Do not give expensive gifts, unless you are very close to the person. Large and expensive gifts are given only by family friends and close relatives - and for specific family occasions, such as a wedding. Since Indians try to reciprocate a gift, if it is too expensive, it can cause embarrassment for the recipient.
- Red, yellow, green or blue wrapping papers are auspicious. White and black are not.
- If giving money as a gift, do remember that 11, 51, 101, 501, etc. are considered auspicious numbers.
- Be cautious when giving a leather item as a gift. Since many Hindus are vegetarians, they may not appreciate items made of leather.

Source: www.executiveplanet.com

Did you know

- Names speak volumes about an Indian's background. For example, a Singh will be a Sikh. The suffix "-jee" (as in Banerjee) is a sign of a high caste. "Kar" (as in Chandraskar) denotes that person is of Maharashtrian high caste. Arabic-sounding names will be used by Muslims.
- Indian businesses are mostly family businesses and are usually hierarchical.
- Flexibility is paramount. Family responsibilities take precedence over business so last minute cancellations are possible when doing business.



INDIAN ENGLISH: CHOICE PHRASES DECODED

HIMALAYAN BLUNDER	Grave mistake
DEADLY	Intense or very good
GODOWN	Warehouse
GONE FOR A SIX	Something got ruined (cricket term)
I GOT A FIRING / I WAS FIRED BY HIM	I got yelled at by him
WHAT IS YOUR GOOD NAME?	What is your full name?
GO FOR A TOSS	To end prematurely or unexpectedly (cricket term)
JOIN DUTY	Reporting for work for the first time

FRS 8
OPERATING SEGMENTS

Key features and comparisons from FRS 114_{2004}

INTRODUCTION

Financial Reporting Standard 8 (FRS 8) Operating Segments was issued by the Malaysian Accounting Standards Board (MASB) in November 2008. It replaces FRS 114_{2004} Segment Reporting which is in line with MASB's plans to converge with the International Financial Reporting Standards (IFRSs) by 1 January 2012. FRS 8 is identical to IFRS 8 issued by the International Accounting Standards Board (IASB).

This standard applies to entities whose debt and equity instruments are traded in a domestic or foreign stock exchange or to those that file, or are in the process of filing their financial statements with the Securities Commission or other regulatory organisations for the purpose of issuing any class of instruments in a public market.

FRS 8 sets out disclosure of information about an entity's operating segments, its products and services, geographical areas in which it operates and its major customers. The purpose is for management to highlight financial information and measures that they believe are important for them to make informed decisions. The adoption of FRS 8 can also differentiate an entity from its competitors and assist investors understand its value.

FRS 8 is effective for annual periods beginning on or after 1 July 2009. Early adoption is allowed, and management must disclose that fact. In Malaysia, the first set of financial statements that need to adhere to FRS 8 would be entities with financial year ending 30 June 2010.

The main features of FRS 8 are highlighted below:

- Requires entity to report financial and descriptive information about its reportable segments.
- Requires identification of operating segments based on internal reports regularly reviewed by chief operating decision maker (CODM).
- Requires financial information to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.
- Includes entity's component that sells primarily or exclusively to other operation segments of the entity.
- Requires reportable segment information to be reconciled to the entity's financial statements.
- Requires explanation on measurement used for each reportable segment.
- Requires entity to disclose information about its revenue earned.
- Requires entity to disclose information on ways in which its operating segments were determined, segment's products and services, differences in measurement used in reporting segment and the financial statements and changes in measurement of segment amounts from prior periods.

FACTORS TO BE CONSIDERED ON FIRST TIME ADOPTION OF FRS 8

1. Identify Chief Operating Decision Maker (CODM). CODM represents a function within an entity that allocates resources and monitors performance of the operating segments. The term is not necessarily a manager with a specific title. It can be a group of executive directors or others. Information reviewed by CODM is the key driver of segment reporting. It is important for entities to identify the appropriate person(s) for this role as the designated person(s) will be responsible to correctly identify the reportable segments.

2. More operating (and therefore reportable) segments may be identified. More business components regularly reviewed by CODM. Management needs to consider the impact of disclosing this information in the financial statements as required by the standard, as certain information can be commercially sensitive.

3. Review internal control processes for management accounts. Management may need to invest more time and money to ensure management accounts are sufficient to support external disclosures and audit. The standard also requires reconciliation between total reportable segment revenues, total profit and loss, total assets and other amounts disclosed in the reportable segments to the corresponding amounts in the financial statements. An audit trail should be established between management accounts and financial statements.

4. Restate comparatives. Management must consider the impact of FRS 8 to its comparative figures. Comparative numbers must be restated if the structure of its internal organisation changes that causes corresponding information for earlier periods to be restated, unless information is not available or cost to develop it would be high. Management needs to find ways in capturing relevant information prior to the initial application of the standard.

FRS 8 sets out disclosure of information about an entity's operating segments, its products and services, geographical areas in which it operates and its major customers. The purpose is for management to highlight financial information and measures that they believe are important for them to make informed decisions. The adoption of FRS 8 can also differentiate an entity from its competitors and assist investors understand its value.

KEY DIFFERENCES BETWEEN FRS 8 AND FRS 114$_{2004}$

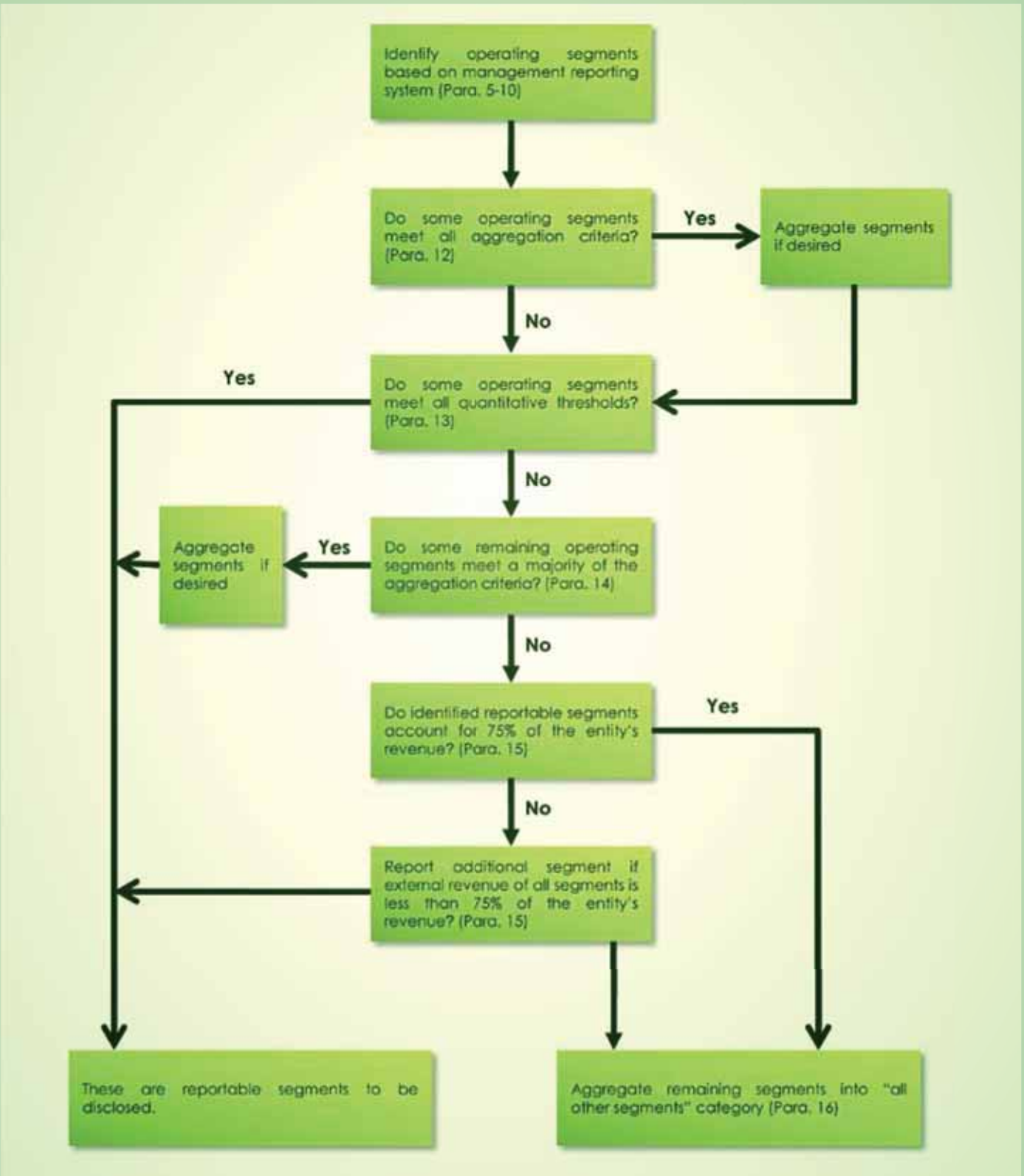
FRS 8	FRS114$_{2004}$
Segments Identification	
Identification of operating segments is based on internal management reporting regularly reviewed by CODM. This is known as "management approach". **Benefits:** a) Segments information reported correspond to internal management reports. b) Segment information being reported will be more consistent with other parts of the entities annual report. c) Management no longer required to prepare separate reporting for internal and external purposes. d) Less costs for the preparers as information is available on a timely basis. **Disadvantages:** a) Methods of identifying segments, measure and segment information presentation could change. b) Create more diversity in the reported segment information. c) Segment information not measured under FRS, hence management is required to reconcile segment financial information to the financial statements. ***Operating Segment Definition*** An operating segment is a component of an entity: • that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). • operating results are regularly reviewed by CODM to make decisions about resources to be allocated to the segment and assess its performance. • for which discrete financial information is available. An illustrative diagram for identifying reportable segments is included in **Appendix A** presented at the end of this publication.	Requires two sets of segments: **a) Business segments** An entity component engaged in providing individual or group products and services that are subject to risks and returns that are different from other business segments. **b) Geographical areas** An entity component engaged in providing products or services within a particular economic environment and subject to risks and returns that are different from components operating in other economic environment.
Requires entity to report different stages of vertically integrated operations as separate segments. Vertical integrated operations are components of an entity that sells primarily or exclusively to other operating segments of the entity if the entity is managed that way.	Reportable segments apply to those earning majority of their revenue from sales to external customers. Vertical integrated operations are not required to be identified as separate segments.

KEY DIFFERENCES BETWEEN FRS 8 AND FRS 114$_{2004}$

FRS 8	FRS114$_{2004}$
Segment Information Measurement	
Amount reported for each operating segment item is measured based on CODM for the purpose of allocating resources to the segment and assessing its performance.	Segment information is prepared in accordance with the accounting policies adopted during the preparation and presentation of the consolidated group or entity's financial statements.
Segment revenue, expense, results, assets and liabilities are not defined. However the standard requires an explanation on how segment profit and loss, assets and liabilities are measured. At a minimum, the entity must disclose the following: a) Accounting basis for transactions between reportable segments. b) Nature of differences between reportable segments' profit and loss and entity's profit or loss before tax. c) Nature of differences between reportable segment assets and liabilities and the entity's assets and liabilities. d) Nature of changes from prior periods in the measurement methods used to determine reported segment profit and loss and the effect. e) Nature and effect of asymmetrical allocations.	Segment revenue, expense, results, assets and liabilities are clearly defined.
Disclosures	
Disclose factors used to identify the entity's operating segments including basis of organisation. Disclose types of products and services from which reportable segment earns its revenue. Requires entity to disclose specified amounts for each reportable segment for financial statements users to evaluate the nature and financial statements effects of the entity's business activities and economic environments it operates: a) Specified revenues and expenses. b) Segment assets and liabilities. c) Basis of measurement. d) Reconciliations of segment revenues, profit and loss, assets and liabilities to the financial statements.	Requires entity to disclose specified items of information about its primary segments.
Disclose separately interest revenue and interest expense unless majority of the revenues are from interest and CODM relies primarily on net interest revenue to assess the performance of the segments.	Disclosure of interest income and expense is not required.
Requires an entity to disclose information for the entity as a whole including its products and services, geographical areas and major customers.	Requires disclosure of secondary segment information to supplement information provided for the primary segments.

APPENDIX A

Diagram for identifying reportable segments under FRS 8 extracted from MASB Exposure Draft 57 Operating Segments



Get Your Financial Reporting Process into Motion Now

Nik Mohd. Hasyudeen Yusoff

It is that time of the year again. We are not talking about Christmas shopping or going for a long end of the year break. It is about preparing for the financial reporting season that will be faced by many companies when the new year kicks in soon.

Some might be wondering why the issue of financial reporting is raised during this period when most people are thinking about the Christmas gift they are going to get or planning for a well deserved break? After all, most Malaysians will be working for three consecutive four-day weeks this month. For listed companies which close their accounts in December, the third quarter financial results were just announced last month. Doesn't financial reporting too deserve a break?

High quality financial reporting is one of the key indicators of good corporate governance. For companies which raise money from the public, financial reports communicate to the stakeholders about their performance and financial positions and would be the basis on which dividends are declared. While audit committees are normally tasked to look into financial reporting matters in detail, the whole membership of the board of directors should accord high interest and be critical towards financial reporting matters.

Companies face financial reporting problems when they underestimate the effort required to generate high quality financial reports. The financial reporting chain involves many parties from the board, management, auditors and other experts such as lawyers, valuers and actuaries. Beyond the physical infrastructure such as comprehensive accounting and management reporting systems, the quality of financial reporting is determined by the ethical practices deployed and the integrity of all individuals in the reporting chain.

How would a member of the board or audit committee know that the financial reporting plan of the company under their care for this year is on the right track?

HERE ARE SOME QUESTIONS THAT WOULD HELP IN ASSESSING WHERE YOU ARE:

a. Have the financial reporting milestones been determined? Listed companies which end the financial year in December would have to announce their fourth quarter results by February and their audited financial statements by end of April. By now the management should be able to explain to the board and audit committee what are their efforts between now and those critical dates considering the Chinese New Year break and other key events that might cause the milestones not to be achieved. This should also cover subsidiaries and associated companies which are operating overseas. Coordination up to this level is very important.

b. Have all the potential financial reporting issues and measures to resolve them been identified? A good starting point for this is the management letter issued by the auditors for the last audit. If management has not resolved all the issues raised by the auditors, the chances are that they would recur again this year. In fact, failure to address concerns raised in prior audits reflects possible weaknesses in the financial reporting practices of the company. What about issues that were identified in the preparation of the last quarterly statement? The game plan to address those issues in detail needs to be provided by management now.

High quality financial reporting is one of the key indicators of good corporate governance. For companies which raise money from the public, financial reports communicate to the stakeholders about their performance and financial positions and would be the basis on which dividends are declared.

c. What about the risks of fraud? Directors should be prepared to challenge management on this matter. If we look back, a number of financial reporting irregularities around the world involved those holding senior management positions.

d. Was there any change in financial reporting requirements? The management should identify all the changes in financial reporting standards and regulations and provide their assessment on the impact to the company and explain to the audit committee how those changes are addressed.

e. Does the company have enough competent people to prepare high quality financial reports? Financial reporting nowadays is fairly complex and challenging. Therefore, continuing assessment on the quality of people available to do the job is very important. Boards and audit committees should not compromise on this as the risks of having financial reporting problems would be high. If there is a gap in the skill set, measures to mitigate them such as outsourcing the task to outside experts need to be considered seriously.

f. What are the views of the auditors? The audit committee should have a discussion with the auditors without the presence of management. Let the auditors spill out thoughts on the financial reporting matters and consider those issues objectively. The auditors should explain what are the financial reporting risks faced by the company and how they would address them in their audit. The roles of the management and the board in resolving those issues should also be agreed with the auditors. Get the auditors to frankly express whether their fees are adequate for a high quality audit to be performed. Boards should consider audit as part of their risk management process and due consideration on this should be given. After all, audit fees in Malaysia are the lowest in the region!

The management should identify all the changes in financial reporting standards and regulations and provide their assessment on the impact to the company and explain to the audit committee how those changes are addressed.

The questions above are not exhaustive but should provide directors, especially the independent non-executive directors, with a clearer idea of how the financial reporting process for this financial year would be managed.

It is better to ask these questions now rather than be subject to stress and risks if financial reporting shortcomings are identified at the very last minute. ■

Nik is the CEO and Thought Leader of Inovastra Sdn Bhd. He is also the Former President of the Malaysian Institute of Accountants (MIA). This article also appeared in The Edge Financial Daily.

INDIA: GST rate has to be discussed further, says India Inc

India Inc as well as tax experts have expressed apprehension whether the government would accept the 12% GST rate recommended by the task force of the 13th Finance Commission. While broadly welcoming the recommendations, they have suggested further detailed discussions on the subject as different industrial sectors would have different views, reports *The Financial Express*. The Federation of Indian Chambers of Commerce and Industry (FICCI) said while the suggestions are welcome, the exact rate has to be discussed further because various industries will have different positions necessitating further discussions. According to DS Rawat, secretary general, Assocham, "GST recommendation at the rate of 12% will do a balancing act and the government should accept the single rate of GST at the rate of 12%. If possible there should be one GST but initially the government will have to roll out two rates of GST for which consultation process should be taken to logical conclusion." Pratik Jain, executive director, KPMG said, "The recommendations of the Finance Commission is to have moderate tax rate with a larger tax base, with limited exemptions. While the recommendations would simplify the tax system, this may not find acceptance by the state governments. Perhaps, this should be an objective which needs to be achieved over a period of time." The report quoted economist Pai Panandikar as saying it is a fairly reasonable rate. The division—5% and 7% between the Centre and states seems to be pretty reasonable. The direct tax revenue is growing fairly well and indirect tax/sales tax have not been increasing as much, partly because the central excise duty was 16% and VAT system has not worked well. According to accounting regulator, the Institute of Chartered Accountants of India, this is the beginning of the intention of the government to introduce GST. Amarjit Chopra, vice-president, ICAI said, "The GST coming to India is itself a good sign from the government and it will promote economic activity in the country. It's a good decision as the revenues had not been increasing." S Madhavan, leader of indirect tax practice, PwC said, "There are two critical assumptions—one is complete broad basing of tax and the other is a single rate. It is unlikely that it will be accepted in the present form." ■

SINGAPORE: SGX rules shake-up for listed companies

The Singapore Exchange is giving its rulebook one of its biggest shake-ups, in the wake of a string of corporate scandals threatening investor confidence in the local market, reports the *Straits Times*. It said the SGX unveiled 36 proposed changes in early December for listed firms that range from tightening guidelines on bosses pledging their shares for loans to beefing up the powers and responsibilities of independent directors. A reform this radical has not swept through the regulatory regime since measures were introduced to increase corporate accountability following the China Aviation Oil scandal in 2005, the report added. Among the main problems identified by the SGX is bosses pledging their shares as collateral for loans. This practice has blown up in investors' faces in recent years. They involve a loan extended to a company boss using stocks as collateral, which triggers a crisis when he fails to make repayment, the report noted. Under the proposed rules, major shareholders will have to disclose any pledging of shares under a financial arrangement if the stake exceeds 30 per cent. Disclosure will also have to be made if any enforcement of the major shareholders' pledged shares leads to the listed firm breaching its own loan obligations, it added. The report noted that to further safeguard investors' interests, if a firm is suspended from trading due to financial difficulty or other irregularities, controlling shareholders will have to keep their shares with the Central Depository or a nominee firm to restrict them from transferring shares. The report quoted John Lim, president of the Singapore Institute of Directors, stating that changes were good and would help to improve vigilance at listed firms. An SGX spokesman told the newspaper the reforms, which may come into force by June 2010, were 'targeted and proportionate adjustments' to strengthen governance and foster greater disclosure and transparency. It also quoted Shook Lin & Bok partner Robson Lee, who sits on the boards of firms such as Qian Hu Corp and Serial System, as saying: "Such a rule change ensures that investors will not suddenly find a listed company defaulting on a loan, or suffer a change in ownership because the controlling shareholder has financial difficulties." Aside from share pledging, the SGX wants to strengthen oversight by requiring at least one independent director to stay on the board at all times for 'continuity reasons'. For companies whose main business units are outside of Singapore, the SGX wants at least one independent director to sit on the overseas unit's board. The SGX also wants listed firms to get its approval for filling such posts as directors, chief executives and chief financial officers if the company is being investigated or if it has a poor compliance record, the report added. Some of the proposed changes, as far as major shareholders are concerned are disclosure by major shareholders on pledging of shares to secure loans if a default triggers a takeover bid, or loan covenant breach for the company. There is also a requirement that major shareholders must keep their shares with the Central Depository if a company is suspended from trading in order to restrict any transfer of shares. For company directors, there is a requirement that at least one independent director remains on the company's board at all times to provide continuity. ■

SRI LANKA: Experts call for upgrade of accounting rules

Sri Lanka will have to keep pace with global accounting standards to attract foreign investments as competing regional economies like China adopt better bookkeeping rules and reduce risk premiums, senior auditors said. "Now premiums are coming down. China has to compete with the rest of the world for capital, so now they want to implement international financial reporting standards (IFRS) before the US," Reyaz Mihular, partner at auditing firm KPMG said, according to *Lanka Business Online*. "Then the risk premium for the (accounting) framework goes away," he told a seminar organised by the Association of Chartered Certified Accountants. The report quoted auditors as saying that by end-2010 all IFRS accounting standards endorsed by the International Accounting Standards Board (IASB) will be rolled out in the island with a two-year window to implement.

The new rules have been adopted by 100 countries including the European Union, South Africa and Australia. The IASB aims to create global accounting standards that are transparent, enforceable, understandable and of high quality. The lack of uniformity in accounting across borders creates discrepancies that lead to more mistakes, confusion and in some cases fraud as more businesses go global. "When I meet investors the first question they asked is 'how far have you gone into IFRS?'," Sujeewa Mudalige, partner at auditing firm, PricewaterhouseCoopers said. ■

IFAC NEWS

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

IFAC'S ACCOUNTING EDUCATION STANDARDS BOARD RELEASES NEW FRAMEWORK AND DRAFTING CONVENTIONS TO ENHANCE CLARITY OF ITS STANDARD

(New York/December 16, 2009) - The International Accounting Education Standards Board (IAESB), an independent standard-setting board within the International Federation of Accountants (IFAC), has released its Framework for International Education Standards for Professional Accountants (the Framework), which enhances the relevancy, consistency, and applicability of its publications to IFAC members. The Framework sets out the educational concepts that underlie the IAESB's International Education Standards (IESs), describes the nature of IAESB publications, and affirms IFAC member bodies' obligations relating to accounting education. The Framework also includes an appendix,"IAESB Drafting Conventions" (the Drafting Conventions), which will be used to increase the clarity of its standards.

The Framework is addressed primarily to IFAC member bodies because of their interest in the education, development, and assessment of their members and students. It is also relevant to a wide range of stakeholders, including accounting faculties at universities, employers of professional accountants, professional accountants, prospective professional accountants, and others interested in the work of the IAESB.

"Our Framework improves upon the understanding and application of the principles and concepts that underlie the education and development of a professional accountant," states IAESB Chair Mark Allison. "The Framework and the Drafting Conventions enable the IAESB to deploy a more efficient and effective standard-setting process and to better demonstrate accountability for its decisions."

The Framework document has been released following the consideration and approval by the Public Interest Oversight Board of due process and extensive public interest consultation. The document is available to download free of charge from the Publications and Resources section of the IFAC website (http://web.ifac.org/publications). ■

IAASB ISSUES NEW ASSURANCE STANDARD ON CONTROLS AT SERVICE ORGANISATIONS

(New York/December 18, 2009) - Recognising the widespread international use of outsourcing, the International Auditing and Assurance Standards Board (IAASB) has released the International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organisation. This new standard addresses reports on the description, design, and operating effectiveness of controls relating to the broad range of services that today's service organisations provide. Such services can range from assisting with processing transactions to performing one or more business functions.

"A single service provided by a service organisation can have direct relevance to the quality of financial reports prepared by entities around the globe. Effective controls for delivering the service are therefore essential," says Arnold Schilder, IAASB Chair, adding, "This new standard sets a global benchmark for reporting on controls at a service organisation, thereby helping to fulfill the needs of those who use such services and their auditors under the International Standards on Auditing (ISAs)."

"ISAE 3402 is the first new assurance standard, other than the ISAs, developed under the IAASB's International Framework for Assurance Engagements," explains James Gunn, IAASB Technical Director. "Therefore, the IAASB will be interested in the experiences of service auditors and others with its implementation and has decided to actively seek feedback in 2013 on implementation of the standard," Gunn adds.

ISAE 3402 is effective for service auditors' reports covering periods ending on or after June 15, 2011. An overview of this new standard is available in the IAASB section of the new Publications and Resources site. ■

IPSASB ISSUES STANDARD ON AGRICULTURE AS PART OF ITS GLOBAL CONVERGENCE PROGRAMME

(New York/December 7, 2009) - The International Public Sector Accounting Standards Board (IPSASB) has taken a further step in its global convergence programme with International Financial Reporting Standards (IFRSs), scheduled for completion by December 31, 2009, by issuing International Public Sector Accounting Standard (IPSAS) 27, Agriculture. IPSAS 27 provides requirements for accounting for agricultural activity.

IPSAS 27 is primarily drawn from the International Accounting Standards Board's International Accounting Standard 41, Agriculture, with limited changes dealing with public sector-specific issues. For example, IPSAS 27 addresses biological assets--such as livestock--held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organisations. IPSAS 27 also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual.

"Agricultural activity can be significant for the public sector in certain parts of the world, including many developing countries," states Mike Hathorn, Chair of the IPSASB. "This IPSAS provides financial reporting requirements that enhance accountability for such activity and are a further step towards our convergence target."

IPSAS 27 is available to download free of charge from the IFAC website (www.ifac.org/Store). The IPSASB encourages IFAC members, associates, regional accountancy bodies, and firms to use these materials and to promote their availability to members and employees. ■

ECO TOWNS BECKON

Anis Ramli

DISCOVER ORGANIC CAFES, ETHICAL SHOPS, AND MOVING ABOUT WITHOUT IMPACTING THE PLANET. GREEN CITIES LET YOU TRAVEL WITHOUT THE GUILT TRIP.

These days, travelling has become so much more than just playing tourist. Travellers, no longer satisfied with being idle bystanders, have increasingly crafted journeys filled with experiences that, when recounted back home, earn them the kind of shock-and-awe that so much eluded George W. Bush during his term. From braving malaria in Malawi's mud huts to teaching English to wrestling sharp beaks with South Africa's endangered penguins, the new breed of holidaymakers are prime candidates for a nomination to CNN Heroes.

While we all love to have something more than "Wish you were here" to write home about, let's face it, not all of us are equipped with the germane qualities of a global warrior. And yet, we still want to make our travels count. No matter how small. The buzz on climate change has made us enquire solicitously on ways on how we can redeem ourselves without giving up too much.

For those who can't give up on the jet-setting lifestyle and the luxury of a five star hotel, consider green cities. Here, you get to enjoy guilt-free trips without feeling like an eco wimp. From bicycle tours around town to shopping at sustainable food markets, your visit helps the cities sustain its eco-friendly policies and framework that enables them to stay green. Now that's something to write home about.

Copenhagen, Denmark

With wind turbines dotting its landscape and a nation that consumes more organic products than anywhere else in the world, the 'green-ness' of the city is not lost on the visitor. Copenhagen's bicycle lifestyle, with dedicated bike lanes and paths, is also one of the main reasons tourists rank this city as one of the most environmentally-friendly. With nearly 200 miles of bike paths, city officials are hoping to encourage not just more locals to bike, but also tourists. There are already plans in place to increase ridership by 2015 to 50 per cent. With bike rentals already so affordable, there is no more pleasant way to join the locals in discovering the city.

You can also stay in carbon-neutral hotels. The Brechnes Hotels chain purchases and destroys carbon quotas and invests it in climate-friendly methods of production. The hotel also neutralises the said emissions through the purchase of carbon credits, investing in wind mills or other environmentally-friendly sources of energy, as well as through participating in the expansion of the world's forests or similar initiatives. For leisure, spend an afternoon at the Dansk Arkitektur Center (DAC), where there are often exhibits on green design. Best of all, admission is free. There are also various organic cafes and restaurants as well as shops selling sustainable fashion.

For a look into the future, take a ferry ride to Samso, dubbed the "Sustainable Energy Island". The island today runs on electricity that comes 100 per cent from its own wind turbines with surplus energy sold to the mainland.

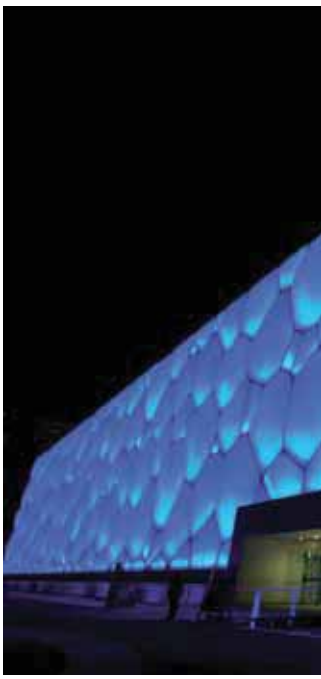
London, England

Surprisingly, while locals complain of the smog and pollution, London is by far one of the greenest cities in Europe. There are gardens, leafy areas and parks that dot the city's landscape and, with the congestion charge implemented in 2006 for cars that enter the city centre, London is set to elevate its status as a 'green' city.

Make a visit to Kew Gardens, a celebrated green patch with 250 years of history, and the world's largest collection of living plants. There are more than 30,000 different kinds of plants and over seven million preserved plant species spread across its 121 hectares of land. A stroll through the gardens is pleasant in any weather. Walk further afield to the south bank of the Thames River and hop on the Serpentine Solar Shuttle to enjoy great views of Hyde Park.

London is also known for its veritable farmer's or organic market. There is always one happening every week, where tourists can savour the best of British and artisanal food. For a green and socially-conscious evening out, consider dining at Fifteen, a restaurant that is the brainchild

THE WATER CUBE NATIONAL AQUATICS CENTRE IS A BUBBLE-WRAP STRUCTURE THAT IS ENERGY-EFFICIENT. THE GREEN PIX MEDIA WALL USES SOLAR ENERGY TO DISPLAY THE PIXILATED IMAGES ONTO ITS SCREEN.



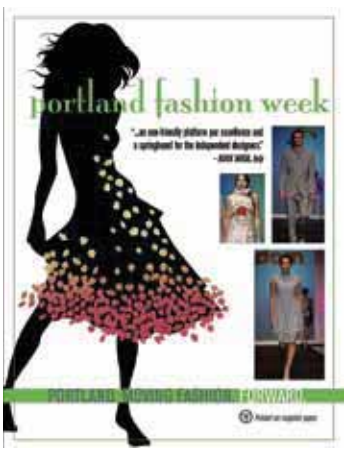
of celebrity chef Jamie Oliver. The restaurant employs disadvantaged youth, giving them on-the-job training for a chance at a hospitality career. Items on the menu are sustainably sourced wherever possible, with fish bought from sustainable fisheries.

Beijing, The People's Republic of China

In the run-up to the 2008 Olympic Games, the Chinese Government developed 8,800 hectares of green space, planted more than 30 million trees and rose bushes, and switched to Euro IV emission standards for its cars. Council planners also increased its number of Blue Sky Days (days with an Air Pollution Index of 100 or below), from under 180 to over 270.

Post-Olympics, Beiing remains a city that strives to sustain its green Olympics legacy. Visitors to the city will find a charming landscape that balances the old and new easily navigated with rented bikes. The Government's bike rental programme includes bike rental shops easily found at major subway stations. Plans are already underway to make bike rentals free to various neighbourhoods in the city in the Government's efforts to decrease pollution and cars on the road. For a taste of Old China, rent a rickshaw (pedicab) to explore the *hutongs* (ancient city alleyways) and its community of Beijingers that still maintain a traditional way of life. Witness old-style courtyard homes struggling to exist in urban Beijing before they disappear forever.

Check out Beijing's Olympic architecture that employed a lot of green policies. The Water Cube National Aquatics Centre is a bubble-wrap structure that is energy-efficient. The Green Pix Media Wall uses solar energy to display the pixilated images onto its screen. The Olympics Village, converted into a neighbourhood complex, is now one of the world's largest green building complexes. It uses, among others, solar and green roofs, energy efficient windows, and a rainwater



recycling system. It was also awarded the LEED gold certification by the US Green Building Council, the first to be bestowed for projects outside the US.

In the evenings, make a date at Zhang Ziyi's organic Japanese restaurant, Shan Zhai. With its own organic vegetable farm, produce on the plate is guaranteed pesticide-free. Elsewhere, the vegetarian restaurant Pure Lotus wins with its seasonal menu and zen atmosphere.

Portland, Oregon, USA

America's top green city has it all. It has 119km of biking, hiking and running trails. A quarter of commuters bike to work and half its power comes from renewable sources. It has 50 buildings that meet or exceed the US Green Building Council's standard for sustainability, and presently gets half of its power from renewable sources.

There are 38 farmer's markets in the Portland area, the largest being the Saturday Portland Farmer's Market. It offers a wide array of local produce including truffles and hazelnuts. If dining in, call Hot Lips Pizza. They make deliveries by bicycle and electric cars. And try to plan your stay in October, when the city hosts its annual Portland Fashion Week, supporting eco-sustainable production techniques and fashion. ■

AMERICA'S TOP GREEN CITY HAS IT ALL. IT HAS 119KM OF BIKING, HIKING AND RUNNING TRAILS. A QUARTER OF COMMUTERS BIKE TO WORK AND HALF ITS POWER COMES FROM RENEWABLE SOURCES.

Green WITHOUT ENVY

Cutting your carbon footprint seems to be the buzzword nowadays, but who says you've got to do it with contention? Going green is not about doing everything, but it's about doing something.

Whether you have big feet or not, odds are you've left a huge trail of carbon emissions behind. It can't be helped. Living in the 21st century makes everyone of us a global climate change culprit. We use too many electrical gadgets, burn multiple lights and guzzle gas like there's no tomorrow. Burning off all this energy impacts your particular footprint and accelerates the world's environmental decline.

What is a carbon footprint, you may ask? It's the total amount of carbon dioxide (CO2) and other greenhouse gases emitted that cause climate change. Everything we do in our daily lives adds to our footprint, whether it's commuting, eating or sheltering our family. Measuring the carbon footprint is one of the ways to realise how our actions impact our world.

But all is not gloom and doom. The good news is: the acts are all reversible. Here are some solutions and baby steps you can take to make a positive change.

At Home

ENERGY EFFICIENT EVERYTHING

Each time you change a bulb, or need to replace the old vacuum cleaner, opt for an energy efficient one. Compact fluorescent light bulbs (CFLs), for instance, burn 50 to 85 per cent less energy and last 10 times longer than incandescent bulbs. Or try sun jars for evenings. The highly efficient solar cell turns daylight into electrical currents that powers the low-energy LED lamps inside the jar. See *www.sunjar.com.au* for more information.

When shopping for appliances, look for those with the Energy Star certification label. See *www.energystar.gov*

CLEAN GREEN

Conventional cleaners are filled with

hazardous chemicals that endanger our environment by polluting our groundwater. Switching to effective eco-versions not only is kinder to the environment, but better and safer for health, too. Taking a leaf from Oprah, the household range from Shaklee tips the scale with its highly concentrated formula that lasts longer than ordinary cleaners, giving you value for money.

On the Road

FLY SMART

Air travel gives off more carbon dioxide than any other form of transport. It would seem nearly impossible to keep our jobs if we cut out air travel altogether, which would also spell the demise of the airline industry. You can offset your footprint by 'buying' oxygen miles. Look for airlines that support programmes that support climate protection and environmental conservation. Make a donation where you can help projects that are sustainable and non-carbon based. Or, choose to fly with newer, more fuel-efficient fleets such as JetBlue, Singapore Airlines or Virgin.

COMMUTE WISELY

While car-pooling is ideal, the reality is that it's difficult. So if you need to drive, watch the speed. Keeping to 80 km/h instead of driving at 110 km/h can lessen your fuel consumption by 25 per cent and directly decrease the amount of carbon dioxide emissions.

When stuck in traffic for long periods, try turning off the engine. Do this for one minute a day for a year and you will save 1kg of carbon dioxide. And check your tyre pressure. Under-inflated tires increase your fuel efficiency and decrease the lifetime of the tyres. Follow this tip and save 100kgs of carbon dioxide for every 16,000 kilometres you drive. Also opt for greener, energy efficient fuel.

VIVA LA VACATION

The biggest gift you can hand to Mother Earth is to travel locally. Still, there are options for overseas travel that can help minimise your carbon footprint. Stay at green lodgings, for example, and support community programmes. Log on to *www.environmentallyfriendlyhotels.com* for a list of eco-friendly establishments worldwide.

When staying at hotels, turn off the tap when brushing your teeth, turn off the shower when lathering, skip the bath soak, and switch off the lights and appliances when leaving the room.

A Leaner Lifestyle

THE THREE Rs

Recycle, reuse and reduce wherever possible. Using products made from recycled material reduces carbon emissions as they consume less energy to produce. Recycling paper, such as using both sides of the paper to write, or doing double-sided copying, helps save trees. And, when trees are left to grow, they produce oxygen for us to breathe while removing carbon from the atmosphere.

When shopping, cut down on using plastic bags by bringing your own grocery bag. Look for things that have minimal packaging or none at all. Even when you're buying that coffee from the barista, bring your own refillable cup. Some coffee places, like Starbucks, offer a handsome RM2 off drinks when you bring your own container.

EAT LOCAL

Go to your farmer's market and buy local produce. Food freighted from the other corner of the globe burns fossil fuels the entire trip. Buying seasonal also helps cut carbon emission since growing fruits and vegetables in a greenhouse outside their natural season requires more energy than transporting locally grown produce.

READ ONLINE

With magazines, books and newspapers now having their online version, consider cancelling your subscriptions to print media. Cutting down on these reduces the number of trees being cut.

SPEAK UP AND BE HEARD

Support councils and local reps that champion the green agenda. Spread the word – propose to friends and relatives to start recycling. Give them tips on how to cut their carbon footprint. To quote Laurie David, author of **Stop Global Warming: The Solution Is You!**, *"It's not about doing everything. It's about everyone doing something."* ■

a conscious

WITH THE GROWING ECO-FASHION MOVEMENT, IT'S EVEN EASIER

Fashion is a dirty business. With hazardous substances such as lead, nickel, chromium IV, phthalates and formaldehyde used in textile production, it's no wonder there's a growing concern on how clothes reach the shopping carousel nowadays. According to research from the global market information company TNS Worldpanel Fashion, over half (23.1 million) of Britain's shoppers rate ethical production of the clothes they buy as important when making that decision to shop. Not only that, 27 per cent of the respondents revealed they would not have any issue in having to fork out more money to pay for that ethically produced clothing.

Fortunately, this cry for a conscious closet didn't fall on deaf ears. In the past three years, many fashion designers and major fashion brands have banded together to provide consumers the option of ethical and fair-trade fashion. After all, with over 8,000 chemicals used to turn raw material into clothing, choosing 'green' fashion seems to be the logical next step after green consumerism.

closet

NOW TO FLIP THE FASHION FOOTPRINT.

Opting for sustainable fashion means more than just supporting fair-trade practices and clothes made using natural fibres or recycled material. The practice can help manufacturers impact the environment less by decreasing the use of fossil fuels for transportation. The use of more 'natural' materials and less toxic dyes also helps remove hazardous chemicals from the environment. Clothes made from organic cotton, for instance, are nickel-free and have low-environment impact (cotton relies heavily on hazardous chemicals that in turn poison farmers, soil and water). Plus, being relatively chemical free also helps make it friendlier to people with sensitive skin or allergies.

Insofar as a conscious closet goes, anything labelled organic, recycled, fair-trade certified and free of animal products (vegan) are considered fair game, at least according to the Eco-fashion World Website. For some retailers, they have gone one up by setting their own 'green' standards. Marks & Spencer bans and restricts chemicals in the products it sells. Its Environmental Code of Practice for dyeing and finishing ensures clothes on their rack are sustainably manufactured. H&M also restricts the use of metals such as cadmium, lead and mercury, certain dyes, formaldehyde, PVC, phthalates and brominated flame retardants in clothes they purchase. And, fuelled largely by conscientious shoppers and a talk with Greenpeace, Mango has begun to remove hazardous chemicals from its entire production worldwide beginning 2006. The list goes on.

Even the global runways of international fashion week have sent out their message in support of ethical fashion. Since 2004, Paris has been hosting the Ethical Fashion Show, showcasing international designers dedicated to displaying all that is sustainable, chic and innovative. The same momentum has been seen in other cosmopolitan cities, such as the London Fashion Week as well as the New York Fashion Week, where the Ethical Fashion NYC 2009 debuted last September.

Technological advances have also given the new field a boost. Designers are now able to work with garments created from hemp, bamboo, soy, corn fibre, seaweed and even recycled soda cans.

BY PUTTING PRESSURE ON PRODUCERS AND MANUFACTURERS, WE CAN CONVINCE MORE COMPANIES TO CREATE A GREENER AND MORE ETHICAL (FASHION) WORLD.

Designer Linda Loudermilk, dubbed by Elle Magazine as the "Vivienne Westwood of eco", works a lot with bamboo and seaweed in her high fashion line. Her inventive style packs an iconoclastic punch from noirish suits to sculpturally sexy shift dresses to jeans cut deadly on the hip as seen in her Fall 09 collection. The range also features dramatic collars, ruffled blouses, tailored pants, and flirty minis in a fun palette of beige, black, and navy with highlights of vivid yellow and red.

Others, like the Julie Apple bags, employ technology so advanced it reads almost like sci-fi. The bags by former LeSportsac designer Julianne Applegate use the distinctive AirDye® technology. This water-wise alternative to conventional dyes uses 95 per cent less water to create prints, and up to 88 per cent less water to create solid colours, compared to typical textile industry water consumption. It also does not pollute water, reduces energy use, and slashes production costs. Another environmental advantage to the bags is that they use Repreve, a yarn from 100 per cent recycled materials.

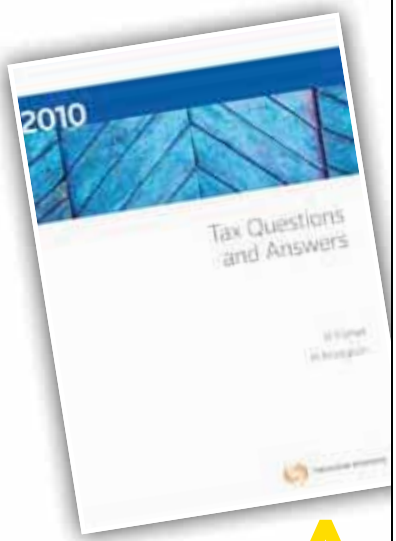
Other high-profile designers include Stella McCartney who makes a line of organic T-shirts using fair-trade certified organic cotton from Africa. A fierce animal rights advocate, McCartney also has a line of vegan handbags and other accessories that are non-leather and environmentally friendly. Her handbags in particular are 100 per cent biodegradabale, made of corn fibre. Another high profile designer is the husband-and-wife team of Ali Hewson and musician and activist Bono who founded the fair-trade clothing line Edun in 2005. The clothes are manufactured by six small, family-run factories in Africa, South America, India and Portugal, creating jobs and fair-trade with the developing world. The range is sold at exclusive stores such as Barneys New York and Saks Fifth Avenue but can also be found online at *edunonline.com*.

Entrepreneurs like McCartney and Bono, however, are fortunate to have the luxury of huge amounts of capital with which to spearhead the business. After all, working to establish partnerships between First World consumers and manufacturers in developing countries at remote corners of the globe does have its challenges. It takes a lot of invested time to ensure that production meets the stringent eco standards, having to monitor the various stages every step of the way.

For independent jewellery designer Payson Cooper, there's only one way to fuel her passion to produce and supply ethical and fair trade jewellery – by designing her own through *PaysonJewelry.com* and sourcing recycled silver and gold obtained exclusively through an environmentally conscious refining process. Her own small setup is also run as an environmentally-friendly enterprise. The company uses post-consumer recycled packaging, recycles all possible office waste and uses public transportation to conduct all business. Supporting small, family-owned businesses with positive employment practices who display the same earth-friendly mentality is also fundamental.

The plethora of eco-designers on the scene is changing not only the way we think about clothes but is challenging us to explore a wider world view. Bridging the gap between hippie and haute couture, these designers are working out of their environmental niche, telling us that it's 'cool to care'. So the next time you see that pin-tuck shirt or 18k gold ring, start asking questions about who created them and how. By putting pressure on producers and manufacturers, we can convince more companies to create a greener and more ethical (fashion) world. ■

BOOK REVIEW



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RM240.00

TAX QUESTIONS AND ANSWERS 2010

Author: Rodney Fisher & Helen Hodgson *Publisher: Thomson Reuters*

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

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
Klang Valley	7 & 8 January	Understanding How Banks Manage Corporate Insolvency - Pave the way to smooth recovery	Agee Lee	Hilton Petaling Jaya	900	16	HRDF Claimable
	11, 12, 18 & 19	Business Analytics & Reporting	KK Tang	PentaWise Sdn Bhd	4200	32	HRDF Claimable
	13 & 14 Jan	Fundamental of Budgeting and Cash Flow Forecasting	Kenneth Tham	Hilton Petaling Jaya	900	16	HRDF Claimable
	13 & 14 January	Budget 2010 and Tax Planning	Chow Chee Yen, Pn Khodijah (MOF) and Yeo Eng Ping (Ernst & Young)	Istana Hotel Kuala Lumpur	1350	16	HRDF Claimable
	19 January	Latest Developments on Transfer Pricing in Malaysia and Tax Cases & Public Rulings	Chow Chee Yen	Istana Hotel Kuala Lumpur	400	8	
	19 & 20 January	Financial Due Diligence	Ramesh Ruben Louis	Best Western Premier Seri Pacific Kuala Lumpur	800	16	HRDF Claimable
	20 January	Module 1: Shariah Aspects of Business and Finance	Dr. Ahcene Lahsasna	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
	20 & 21 Jan	Financial Essential for Non-Financial Professionals	S. Yoga Thevan	Crystal Crown Hotel PJ	800	16	SMIDEC Claimable
	21 January	Audit Peak Pointers	Janise Lee	MIA	180	4	
	21 & 22 January	Optimising Corporate Tax Planning	Sivaram Nagappan	Best Western Premier Seri Pacific Kuala Lumpur	850	16	HRDF Claimable
	21 & 22 Jan	Building Financial Models for Decision-Making	Bryan Ng	Training Choice KL	1100	16	HRDF Claimable
	26 & 27 January	SUKUK: Understanding the Principles and Practical Approach	Muhammad Zahid Abdul Aziz	Concorde Hotel Kuala Lumpur	1100	16	HRDF Claimable
	27 & 28 Jan	Use Financial Reports for Business Evaluation	Lee Ah Gee	Istana Hotel Kuala Lumpur	850	16	HRDF Claimable
	27 & 28 Jan	Project Management Auditing	MC Leong	Concorde Hotel KL	1000	16	HRDF Claimable
	29 January	Module 2: Islamic Banking Practices	Prof. Dr. Saiful Azhar Rusly	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
Northern Region	12 & 13 January	Financial Essential for Non-Financial Professionals	S. Yoga Thevan	Traders Hotel Penang	800	16	SMIDEC Claimable
	19 & 20 Jan	Budget and Variance Analysis Modelling for Accountants	Kok Yee Lan	PSDC Penang	1100	16	HRDF Claimable
Southern Region	18 & 19 January	Financial Essential for Non-Financial Professionals	S. Yoga Thevan	Mutiara Hotel Johor Bahru	800	16	SMIDEC Claimable
	27 January	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	The Landmark Hotel Batu Pahat	400	8	
	28 January	Real Property Gains Tax (RPGT) - Implications and Exemptions	Chow Chee Yen	Mutiara Hotel Johor Bahru	400	8	
East Malaysia	25 & 26 January	Fundamental of Budgeting and Cash Flow Forecasting	Kenneth Tham	Grand Margherita Kuching	900	16	HRDF Claimable
	27 & 28 January	Strategic Cost Management Technique for Profit Improvement and Maximisation	Kenneth Tham	Shangri-La Tg. Aru Resort Kota Kinabalu	900	16	HRDF Claimable

February 2010

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
Klang Valley	3 February	Module 3: Islamic Capital Market	Prof. Dr. Obiyuthulla Ismath Bacha	Lanai Kijang, Bank Negara Malaysia	800	8	HRDF Claimable
	4 February	Audit Peak Pointers	Janise Lee	MIA	180	4	
	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 Kuala Lumpur	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	SMIDEC Claimable
	23 & 24 Feb	Strategic Cost Management Technique for Profit Improvement and Maximisation	Kenneth Tham	Hilton Petaling Jaya	900	16	HRDF Claimable
	24 & 25 Feb	Financial Essential for Non-Financial Professionals	S. Yoga Thevan	Concorde Hotel KL	800	16	SMIDEC Claimable
	25 February	Applying Test of Controls & Analytical Procedures in Audit	Ramesh Ruben Louis	Istana Hotel Kuala Lumpur	tba	8	

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

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
Northern Region	2 February	Effective Stock Take Technique	Teo Kim Soon	Traders Hotel Penang	400	8	HRDF Claimable
	4 & 5 Feb	Fundamental of Budgeting and Cash Flow Forecasting	Kenneth Tham	Heritage Hotel Ipoh	900	16	HRDF Claimable
	8 & 9 Feb	Strategic Cost Management Technique for Profit Improvement and Maximisation	Kenneth Tham	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	tba	8	
Southern Region	8 February	Effective Stock Take Technique	Teo Kim Soon	Puteri Pacific Johor Bahru	400	8	HRDF Claimable
East Malaysia	1 & 2 February	Business Strategies Development and Implementation	Tan Kok Tee	Grand Margherita Kuching	800	16	HRDF Claimable

LOCATION	DATE	PROGRAMME TITLES	SPEAKER	VENUE	FEE (RM)	CPE Hours	REMARKS
Klang Valley	4 January	PowerPoint 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	4 January	PowerPoint 2007 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	11 January	PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	25 January	PowerPoint 2007 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	5 & 6 Jan	Word 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	11 & 12 Jan	Word 2003 (Advanced)	tba	PentaWise Sdn Bhd	270	16	
	7 & 8 Jan	Excel 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	7 & 8 Jan	Excel 2007 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	26 & 27 Jan	Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	28 & 29 Jan	Excel 2007 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	14 & 15 Jan	Task Automation with Microsoft Excel 2003 Macro/VBA	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	21 & 22 Jan	Microsoft Excel 2003/2007 Functions & Formulas	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	19 January	Expanding Microsoft Excel 2003 Charts	Chan Phooi Lai	PentaWise Sdn Bhd	350	8	
	20 January	Financial Data Management with Pivot Table using Microsoft Excel 2003	Chan Phooi Lai	PentaWise Sdn Bhd	400	8	
	18 January	Analysing Financial Data with Microsoft Excel 2003	Chan Phooi Lai	PentaWise Sdn Bhd	500	8	
	28 & 29 Jan	Project 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	520	16	
	25 January	Microsoft Office 2007 Upgrade	tba	PentaWise Sdn Bhd	180	8	

MALAYSIAN INSTITUTE OF ACCOUNTANTS
ACCOUNTANTS: MANAGERS OF VALUE

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