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THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

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- AUDIT COMMITTEES: ASSURING AUDIT QUALITY
- AN UPDATE ON ADVANCE PRICING ARRANGEMENT
- CLOSING DOWN A COMPANY: STRIKE OFF OR WIND UP?

Prospects for Accountants in Islamic Finance

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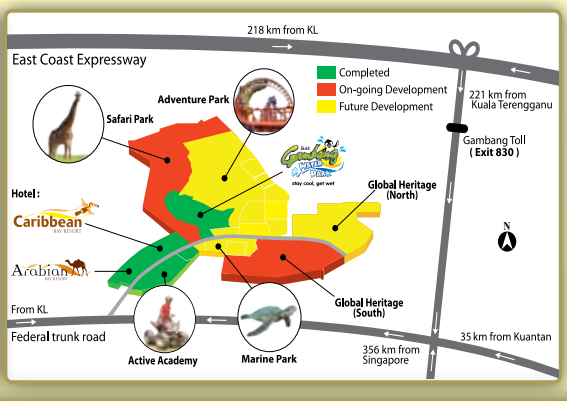

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MALAYSIAN INSTITUTE OF ACCOUNTANTS

accountants today

Vision and Mission

MIA'S VISION

- To be a globally recognized and renowned Institute of Accountants committed to nation building.

MIA'S MISSION

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

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

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

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

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

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

publisher

Malaysian Institute of Accountants
Dewan Akauntan
2 Jalan Tun Sambanthan 3,
Brickfields, 50470 Kuala Lumpur
Tel: +603-2279 9200
Fax: +603-2274 1783, 2273 1016
e-mail: mia@mia.org.my
web: www.mia.org.my

publishing consultant

Executive Mode Sdn Bhd (317453-P)
Tel: +603-7118 3200, 3205, 3230
Fax: +603-7118 3220
e-mail: executivemode@executivemode.com.my
web: www.executivemode.com.my

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Building up our Strengths

If there is anything certain about business today, it's that doing business is fraught with uncertainty. While we can't predict the future with 100% accuracy, we can do our best to equip ourselves to compete in a challenging environment.

One means of enriching our prospects is through acquiring different skills and diversifying into sunrise sectors. Under our transformation agenda, Malaysia is strongly focused on becoming a leading global hub for Islamic finance (IF). But future growth might be hamstrung by a shortage of talent. In our cover, experts in IF share their insights into how accountants can fit into this booming industry. Identifying opportunities for accountants in IF dovetails nicely with the Institute's vision to promote the growth and prospects for Professional Accountants in Business (PAIBs), a key segment of our members and the accountancy profession. Could you be a good fit for IF? Find out more on page 8.

Accountants are also being called upon to go beyond traditional finance roles into general and executive management. A few months back, an MIA member wrote to us requesting a feature on accountants and the value-add of MBAs. In response, we interviewed a few MIA members with dual MBA and accounting qualifications. The consensus is that MBA degrees do allow accountants to perform better in their workplace as the qualifications add value to their professional accounting qualifications, and make them into better managers and leaders. Story on page 16.

Accountants are also advised to acquire excellent corporate governance (CG) skills that align with their traditional roles as guardians of finance. Build up seniority and an impressive resume, and you might just be tapped to serve as a director on the audit committee of public companies. Although the title is impressive, the burden is weighty. The importance of the Audit Committee in overseeing CG has been elevated in the wake of corporate scandals and more stringent regulation. To escalate awareness of CG standards, Bursa Malaysia recently organised a Half-Day Governance Programme Series for directors of listed issuers in Malaysia. MIA was privileged to participate in the panel discussion on "Role of the Audit Committee in Assuring Audit Quality". Read more on the debate and recommendations by the panel in our coverage of the programme on page 23.

Accountants are being cast as leaders too. But make no mistake, leaders are not necessarily about being the boss or manager to your underlings, but an inspirational and empowering figure to all the people around you. 'Our job as leaders is to create the conditions to enable greatness in people. Greatness exists in all people,' said Michael Simpson, Senior Consultant and Executive Coach for the Franklin Covey Group Leadership and Execution Practice in a recent interview. Find out how you too can become a great, loved and inspiring leader on page 56.

By demonstrating greatness across all these different dimensions – whether it's in IF, management, CG or leadership - accountants will be able to prove their flexibility and competency and function tremendously well as a support and facilitator for business.

All accountants and MIA members are flag-bearers for the Malaysian accounting profession. By discharging our duties with expertise and full integrity, accountants will be able to build a professional and reputable brand of world-class quality. If our members consistently deliver innovative, ethical and competent services, the Malaysian accounting profession will be recognised globally as a sector that commands respect from all quarters.

Let's work together to realise this vision. With that note, on behalf of the MIA Council Members and the Secretariat, we would like to wish all our Muslim readers *Selamat Berpuasa* and *Selamat Hari Raya Aidilfitri.* ■

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

Branding the Malaysian Accountancy Profession

What makes a successful brand? Is it the amount of money spent on marketing and advertising? Is it the corporate vision and mission we see in the glossy pages of websites and other corporate communications?

While spending money on these tools might make organisations feel good, the plain truth is that these are just tools. No brand can prosper in the long-term if it isn't backed by a good product or service. Branding claims cannot hide the shortfalls of a mediocre product or service.

Worse, it doesn't take long for disgruntled consumers to share their negative experiences at internet speed. Put another way, instant and shared feedback easily strips away the facade of plush branding to expose an inferior product or service.

If branding isn't about PR or marketing, what is it? And how do you brand services? More specifically, how do you brand a professional services and membership organisation like MIA?

Looking at the basics, one simple definition is that a brand is how consumers perceive an organisation, the trust they place in it, the confidence it earns from them and the services and experiences delivered by the organisation. This is particularly apt for the accountancy profession. How the public and stakeholders perceive us, the trust that they place in us, and the confidence that we earn from them hinges directly on the services and the experiences that we deliver. If we behave with integrity and deliver consistent and high-quality services each and every time, only then can we earn and deserve the public's trust.

In line with our vision and mission, the Institute's aim is to brand itself as a globally recognised and renowned professional body which in turn will raise the esteem in which its members are held and increase the cachet and weight of an MIA chartered certification. As a professional membership body, members are the flag bearers for MIA. You are a walking brand for MIA and the Malaysian accountancy profession. How our members behave, for better or worse, will determine the public perception of the profession. Therefore, I urge members to be conscious of rigorous scrutiny and to conduct themselves conscientiously with the utmost dignity, integrity and competency.

> *How the public and stakeholders perceive us, the trust that they place in us, and the confidence that we earn from them hinges directly on the services and the experiences that we deliver.*

While members shoulder a tremendous responsibility as professional accountants, it is equally our duty as a professional membership organisation to help our members to become world-class and accountable beacons of trust. As the champion of the profession, MIA pledges to deliver the services that can help elevate our members to best-in-class status, primarily through continuing professional development (CPD) and education. As the environment across all sectors continues to change at a rapid rate, it is our responsibility to make sure our members continue to have the knowledge and skills expected of them to meet the needs of those who rely on the profession's services and expertise.

While MIA can provide the required CPD programmes, it is up to our members to invest in themselves and take the necessary initiatives in order to improve. It is critical that all professional accountants make a commitment to lifelong learning and maintaining competence throughout their careers. So do take advantage of our varied CPD offerings, many of which have become more innovative and aligned with the future demands of business.

One key CPD programme that I urge all our members to attend is the upcoming MIA International Accountants (MIA) Conference on 27th and 28th November 2012, which carries the theme *Innovative Society: Sustaining Business Success.* As the lynchpin and support of business, accountants are the key people in organisations so they have to be at the forefront of flexible and innovative thinking. This year's MIAC offers unique content that has been specially designed to help accountants become adaptable, innovative and globally competent, so I urge members to sign up soon and enjoy early bird rates.

Branding the Malaysian accounting profession as one of world-class quality, competency and integrity will take the collective effort of all stakeholders, whether it's management or members. Let's work together to remake the Malaysian accounting profession into a globally recognised sector that commands respect from all quarters, backed by the consistent delivery of innovative, ethical and competent services. ■

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The Annual Subscription and Practising Certificate Fee for the financial year 2012/2013 is already due on 1 July 2012. The First Reminder had been sent out to members and may be downloaded from the Institute's website at www.mia.org.my.

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Please be reminded to settle the outstanding amount soonest possible. Payment can be made via:-

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- credit card
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PROSPECTS FOR ACCOUNTANTS *in Islamic Finance*

Amira Abdullah

Nowadays, accountants are no longer automatically pigeonholed into conventional roles and sectors like finance and audit assurance and taxation. While there will always be demand for accountants in these traditional fields, at the same time a myriad of opportunities are blooming for finance professionals in high-growth sectors.

One such sector is Islamic finance, which boasts double-digit annual growth rates and faces an acute shortage of talent. Indeed, the Economic Transformation Programme (ETP) singles out Islamic finance services as a key growth sector for Malaysia. Sufficient talent will be necessary to fuel and sustain growth, making it worthwhile for accountants to explore the many areas in Islamic finance in which they can contribute their skills and expertise.

Identifying opportunities for accountants in Islamic finance dovetails nicely with the Institute's vision to promote the growth and prospects for Professional Accountants in Business (PAIBs), a key segment of our members and the accountancy profession. Accountants are a support and lynchpin for business across all sectors and borders, and it makes perfect sense for the Institute to help develop the Islamic finance industry by enlarging the current talent pool.

In this issue, we talk to five of the key people involved in talent development for the Islamic finance sector to gain some insights into how accountants can upgrade their competencies to play a meaningful role in Islamic finance. What are the prospects available to accountants? What further courses and certifications should accountants pursue? Do their technical and financial skills give accountants an edge? What new competencies should accountants acquire to prosper in Islamic finance?

DAUD VICARY ABDULLAH

President & CEO of INCEIF
(International Centre of Education in Islamic Finance)

AS ISLAMIC FINANCE grows, there will be increasing pressure on professions such as accountancy to have a grasp of business fundamentals such as capital-raising, investment and operations.

INCEIF's Chartered Islamic Finance Professional (CIFP) certification is one of the best programmes in developing human capital as it is very much industry-oriented. This is a course that students should take as the programme offers an exposure to the real industry outlook as compared to other qualifications offered elsewhere which are solely academic-driven. Those looking to improve themselves as well as enhance their career opportunities should definitely consider the CIFP programme.

Another consideration, particularly for short-term workshops, would be the INCEIF Executive Programme which can be tailored to the specific needs of the participants on diverse Islamic finance issues. Meanwhile, our Executive Programmes are able to address key issues around risk management, liquidity management and *Shariah* convergence, thereby providing one with the latest industry knowledge that can help one make better decisions. These programmes contain the cumulative experience and knowledge of our faculty who have been managing directors (MDs) and CEOs of Islamic finance institutions.

The demand for human capital for this sector is driven by industry growth. With the current growth at 20% – 30% annually, there are opportunities in all areas. We also see increased compliance requirements and new regulatory frameworks within the Islamic finance industry which can lead to job creation.

Sukuk and *takaful* are areas that offer huge opportunities as there are over 12 different *takaful* companies set up in Malaysia. There is demand for human capital in the frontline such as agents and brokers, *takaful* wealth planners, and demand in the back-end support function for claims adjustors. With regard to *sukuk,* there are opportunities in structuring and defining revenue cash flows.

There is sufficient growth in the global sector to accommodate more financial talent if the talent pipeline expands, especially as and when Islamic finance becomes part of the global real economy. However, it is a great challenge to bring back our people/talent. What the market is looking for now are incentives and rewards, greater opportunities to advance in their careers and better infrastructure.

DATUK DR. ADNAN ALIAS

CEO of IBFIM
(Islamic Banking and Finance Institute of Malaysia)

ALL ASPECTS OF accounting standard skill sets that are required by the industry include a basic understanding on the application of *Shariah* contracts in Islamic finance. But one thing that all accountants who practice Islamic finance should know is that accounting is most probably the last defense that Islamic finance has if the transaction (whether it pertains to the Islamic transaction, the structure or the documentation) is challenged in the civil courts.

The courses that students should take up are those relating to IAS (International Accounting Standards), MASB (Malaysian Accounting Standards Board) and of course IBFIM's Accounting CPD (continuing professional development) in the CQIF (Certified Qualification in Islamic Finance) programme and other related accounting certifications.

People and the public at large, including investors and players in the market realise how important Islamic finance is in contributing to the growth of the economy. And in fact, it has proven good.

There are ample job opportunities and careers available to accountants and finance professionals in Islamic finance at all departments in any organisation, especially at the head offices where decisions are made. The planning and restructuring division of an organisation also needs people with expertise in the areas of *sukuk* and *takaful.*

The challenges faced by the Islamic finance sector include insufficient guidelines and Acts to support the sector. Since Islamic finance is still new, the guidelines, governance and Acts may not be sufficient enough to efficiently support this sector.

Is there enough growth in the global sector to accommodate more financial talent if the talent pipeline expands? That is a definite yes. People and the public at large, including investors and players in the market realise how important Islamic finance is in contributing to the growth of the economy. And in fact, it has proven good. This creates opportunities for those who choose to enter this line.

There are not many accountants who have a good blend of knowledge in Islamic finance. In Malaysia, accountants who are good in Islamic finance are in their golden age. New young accountants need to be trained in Islamic finance now.

DR. MOHD DAUD BAKAR,

President/CEO of Amanie Islamic Finance Learning Centre Dubai (AIFLC), International Institute of Islamic Finance (IIIF) Inc. (BVI) and Amanie Business Solutions Sdn. Bhd.

IT IS IMPORTANT for professional accountants to possess a mindset which is global and cross-cultural in nature that allows them to appreciate the global impact of Islamic finance across jurisdictions.

Specific skill sets relate to an in-depth understanding of the application of *Shariah* principles and rulings in Islamic finance and their implications on financial reporting; these are essential. An ability to provide structuring, guided by accounting and taxation principles and implications, would be a distinctive skill set which will be appealing to Islamic financial institutions globally.

Professional certifications such as CIMA (Chartered Institute of Management Accountants) Diploma and Advanced Diploma in Islamic Finance will enable a flexible mode of learning for professional members to grasp the principles and practices of Islamic finance from organised and complete as well as certified self-learning modules. In the distant future, an Islamic version of Financial Analysis core competencies will be needed to push the level of professional knowledge of Islamic finance to another degree.

Islamic finance expands the spectrum of opportunities to professional accounting and financial practitioners to engage in Islamic financial services across different sectors of the industry. There is no limitation for a particular sector as the knowledge of financial accounting imbued with Islamic finance knowledge will be relevant to many sectors of career development in the Islamic finance industry.

In capital markets, the significant and exponential growth of *sukuk* has attracted more structuring and investment advisory activities. Similarly, *takaful* and re-*takaful* as alternatives to conventional insurance will expand opportunities in the untapped Muslim market. To be more specific, *sukuk* will require many structuring abilities in terms of risk management and financial modelling (such as convertible or exchangeable *sukuk*) as well as moving the *sukuk* structure from asset-based to asset-backed *sukuk*. As for *takaful,* the issue of risk and premium, based on actuarial principles, is always developing and contributing impactfully on its performance.

Accounting is a field that continuously reinvents itself and thus, it would face similar challenges with Islamic finance that extend to the existing application of accounting principles, standards and practices for new *Shariah* compliant financial products, markets and services.

The most challenging factor is the willingness to integrate principles of accounting with the principles of Islamic finance in a more effective manner which creates value for money for all stakeholders in the industry.

Talent beyond competency is a concept that challenges the need for more expansive human capital development. Talent in Islamic finance is recognised as the prime mover to innovate the financial sector. On the other hand, growth in global Islamic finance has been very phenomenal, particularly given the financial crisis in many parts of the world. The interest in Islamic finance has somehow increased due to many factors such as the availability of Islamic liquidity as well as the distinctive feature of Islamic finance which is void of any speculative and derivative elements.

Islamic finance talent scarcity is prevalent in all forms and types of professionals from *Shariah* scholars to professionals in practice. Hence the need as well as opportunity for accountants to join the talent pool is promising. There is a strong demand for Islamic finance talent but a shortage of supply, thus creating more job opportunities.

LEE KHEE JOO,

Head of Financial Sector Talent Enrichment Programme (FSTEP)

IT WAS REPORTED that the Islamic finance industry accounted for over 20% of the overall banking system in terms of assets, financing and deposits, due to intense market competition as well as Bank Negara's strategies to spur the development of Malaysia's Islamic finance industry

Against this back-drop, I think all accountants have the basic skill sets to work in the Islamic finance sector. What accountants require is to supplement their knowledge on Islamic banking.

In this regard, there are many training courses available to sharpen skill sets in Islamic banking such as those provided by INCEIF and IBFIM in Malaysia. Younger accountants (those aged below 30) can join the Financial Sector Talent Enrichment Programme (FSTEP) directly as sponsored participants for employment in Islamic banks.

There are plenty of job opportunities/careers available for accountants in Islamic finance. First, the potential of Islamic banking is largely under-tapped. "It is a very significant untapped market," to quote Tan Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia in The Edge Malaysia report from October 25, 2010. Second, Islamic

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finance has also become the fastest growing segment in the international financial system. In other words, the opportunity can be global.

Going forward, the specific areas of growth are in treasury operations, corporate investment banking, risk management and the development of innovative Islamic products – the development of various Islamic banking-specific products and not just Islamic versions of conventional banking products.

Sukuk is especially promising. Reportedly, our Malaysian *sukuk* market is the largest in the world. More importantly, on the international front, the *sukuk* market is gaining more global acceptance by other players. It was reported that Malaysia remained the global leader in *sukuk* issuances, capturing 66% of the global *sukuk* outstanding as at end-2010. Malaysia continues to dominate the global *sukuk* market and remains a top investment destination for Islamic funds, with *sukuk* issued in Malaysia accounting for 73.2% of global *sukuk* issuances in 2011, compared to 72.5% in 2010.

In the same vein, I am confident that the *takaful* business also has a lot of potential for growth and development, both locally and globally. The Bank Negara Report for 2010 indicated that in the *takaful* sector, assets increased by 17.8% from 2009 to reach RM14.7 billion as at end-2010. *Takaful* assets accounted for 8.7% of the total assets in the insurance and *takaful* industry. As at end-2011, total assets of *takaful* funds increased by 15.8% to RM17 billion, while total *takaful* contributions accounted for 13% of total premiums and contributions in the insurance and *takaful* industry.

I reckon that the challenges for accountants in this sector is the ability to "add value" in those areas of growth mentioned earlier. This means that accountants in the Islamic finance sector must be well-equipped with the additional knowledge that is essential for involvement in Islamic business – one obvious element is *Shariah* requirements. By doing so, they will bring the industry to a higher level and provide customers with more options in terms of products and value-added services.

One of the major problems faced by almost all Islamic banks in Malaysia is the lack of human capital. The continued expansion of the Islamic banking industry in Malaysia as well as globally will obviously accommodate more financial talent in spite of the fact that the talent pipeline is being expanded.

I see there is an increasing trend in demand for more talent for our Islamic banks, which is evident even for those who participated in the FSTEP training programme or entry-level executives. For more experienced staff, it is quite common to hear that Malaysia is losing talent to our neighbours as well as to other countries. In fact, many of the Islamic banks in Malaysia are planning to open new branch networks locally and some in the ASEAN region; there is always difficulty in getting qualified and experienced personnel for such expansion. In short, there is scope for expansion locally as well as globally for accountants who are well-poised to fill this gap.

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DATO' JAMELAH JAMALUDDIN,
CHIEF EXECUTIVE OFFICER,
Kuwait Finance House (Malaysia) Berhad

GLOBALLY, there are now over 300 Islamic financial institutions worldwide across 75 countries.

Malaysia possesses one of the world's most advanced Islamic financial markets, with an Islamic finance system estimated to be worth around USD1 trillion in assets, 5 times greater than in 2003. The country makes continuous efforts in positioning itself as a major Islamic financial hub, to meet the increasing demand for *Shariah*-based products and services, as well as to serve as a conduit between Asia, the Middle-East and the world. Malaysia has also taken a huge lead in Islamic finance development, especially with the setting up of the Islamic Financial Services Board (IFSB), the International Centre for Education in Islamic Finance (INCEIF), the Malaysia International Finance Centre (MIFC) and the International Shariah Research Academy for Islamic Finance (ISRA).

The country leverages on 30 years' of Islamic finance experience, as well as a comprehensive and well-defined framework to govern the use of *Shariah*-based financial products. The country's strong economic fundamentals and the thrusts of the five-year Malaysia Plan will continue to drive demand for Islamic project finance structures. The Islamic banking system in Malaysia has successfully positioned itself as a robust and competitive component of the country's financial system.

With demand for *Shariah*-compliant investments rising from an estimated 1.6 billion Muslims worldwide by 2011, it is projected that the Islamic financial system will soon manage approximately 4% of the world economy.

There is still a real shortage of talent in the Islamic finance industry. Addressing the situation, Bank Negara Malaysia (BNM) has established the International Centre for Education in Islamic Finance (INCEIF), with programmes for practitioners and post-graduate studies, in a bid to establish a balance between talent supply and demand. Other Human Capital Development (HCD) initiatives include generous tax incentives that are accorded for talent enrichment; an endowment fund worth USD62.5 million that was established to fund the enhancement of knowledge, research, talent and intellectual discourse in Islamic finance; and supportive immigration policies that encourage expatriates to participate in Malaysia's Islamic financial industry.

A good candidate (for Islamic finance) should possess a strong knowledge of the Islamic finance industry, financial management skills, business acumen, analytical skills and ethical behaviour and practices. He should be able to understand Islamic finance concepts and apply the accounting standards accordingly based on the four basic principles: accrual basis, substance over form, probability and time value of money.

Furthering their studies in Islamic finance would give candidates an additional edge. Among the courses available are:

- Courses offered by the Malaysia International Finance Centre (MIFC): Continuous Professional Development (CPD) Programs, Certified Credit Professional - Islamic (CCP-i), Islamic Financial Planner (IFP), Shariah Scholars Induction Program (SiSIP)
- Courses offered by the International Centre for Education in Islamic Finance (INCEIF): Chartered Islamic Finance Professional (CIFP) programme, Masters in Islamic Finance (MIF), PhD in Islamic Finance
- Courses offered by Islamic Banking and Finance Institute Malaysia (IBFIM): Associate Qualification in Islamic Finance (AQIF), Intermediate Qualification in Islamic Finance (IQIF), Advance Qualification in Islamic Finance (AdvQIF), Certified Qualification in Islamic Finance (CQIF)
- Courses offered by (IBBM): Conferences on specific Islamic Finance topics.

Job opportunities available (for accountants) in business units are in the fields of Treasury, Corporate banking, Investment banking and Retail and Consumer banking. Job opportunities available in Support units are in the Finance and Internal Audit departments.

In areas like *sukuk* and *takaful,* there is ample opportunity as global sales of *sukuk* have risen to USD17.4bn in 2011, from USD10.7bn in 2010. Career opportunities available in *sukuk* are in the fields of investment banking and corporate banking. These professions require strategic business skills, negotiation skills and client relationship management skills.

Challenges exist. Despite the efforts by financial industry players and strong support from the government, the level of awareness is still low in regards to the basic rules and principles of Islamic financing. The industry is becoming more competitive and financial institutions must be able to deliver personalised and customised financial solutions. To meet these needs, financial professionals have to be dynamic and keep abreast with the latest developments in order to succeed. ■

MIA NOTICES

ORDER OF THE DISCIPLINARY APPEAL BOARD - MALAYSIAN INSTITUTE OF ACCOUNTANTS

NOTICE 1

The Council of the Malaysian Institute of Accountants hereby gives notice that after due consideration by the Disciplinary Appeal Board of the Institute in respect of an appeal by **Shaharudin Mohd Sa'ad (Membership No. 11492)** ("the Member") against the decision of the Disciplinary Committee of the Institute and in exercise of its powers under Rule 28 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U. (A) 229/2002] ("the MIA (Disciplinary) Rules"), the Disciplinary Appeal Board has made an order to confirm the decision of the Disciplinary Committee, whereby the member was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 2 of the MIA (Disciplinary) Rules in that the member had altered a letter issued by the Malaysian Institute of Accountants by deleting certain words with the intention to omit certain information.

The Disciplinary Appeal Board also made an order to confirm the form of disciplinary action taken against the member whereby the Disciplinary Committee ordered that the member's name be removed from the register and he shall cease to be a member of the Institute, that a fine of RM5,000-00 be imposed upon him and ordered that he pay to the Institute the sum of RM5,000-00 in respect of costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee.

The order of the Disciplinary Appeal Board took effect on 3 May 2011.

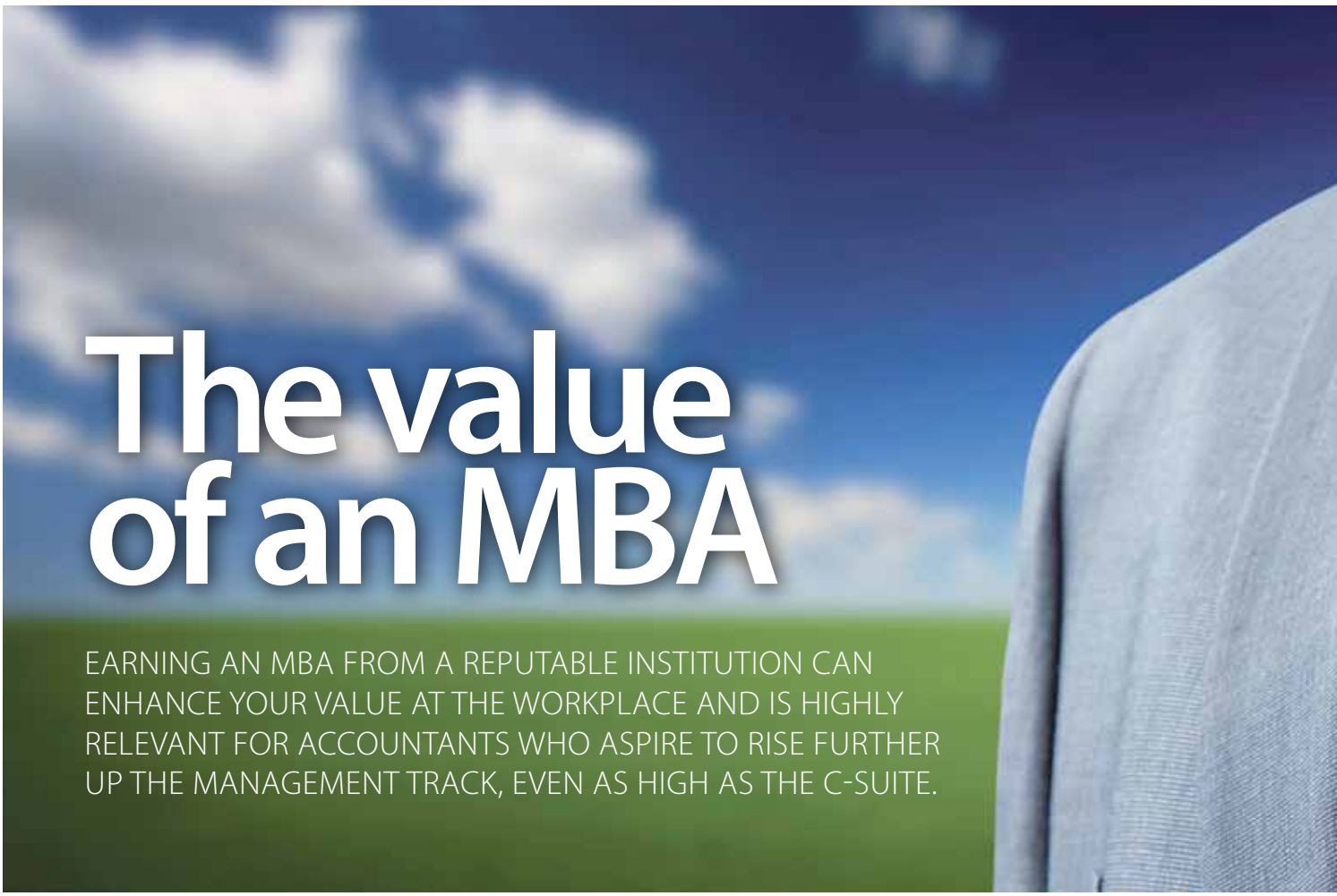
NOTICE 2

The Council of the Malaysian Institute of Accountants hereby gives notice that after due consideration by the Disciplinary Appeal Board of the Institute in respect of an appeal by **Lau Tiang Hua (Membership No. 2246)** ("the Member") against the decision of the Disciplinary Committee of the Institute and in exercise of its powers under Rule 28 of the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U. (A) 229/2002] ("the MIA (Disciplinary) Rules"), the Disciplinary Appeal Board has made an order to confirm the decision of the Disciplinary Committee, whereby the member was found to have committed an act amounting to 'unprofessional conduct' within the meaning as provided under Rule 43 of the Accountants Rules 1972 in that the member had failed to exercise due care and diligence in the performance and discharge of his duties as the auditor of Penas Corporation Berhad ('the Company') as the member had issued an unqualified auditor's report with an emphasis of matters in respect of the financial statements for financial years ended 31 December 2000 and 31 December 2001 when there were multiple uncertainties highlighted in his opinions.

The Disciplinary Appeal Board also made an order to confirm the form of disciplinary action taken against the member whereby the Disciplinary Committee ordered that he be reprimanded and ordered him to pay the Institute the sum of RM5,000-00 in respect of costs and expenses of and incidental to the inquiry held by the Disciplinary Committee and the investigation held by the Investigation Committee.

The order of the Disciplinary Appeal Board took effect on 3 April 2012.

ROSLI BIN ABDULLAH
Registrar, on behalf of the Council of the Malaysian Institute of Accountants



The value of an MBA

EARNING AN MBA FROM A REPUTABLE INSTITUTION CAN ENHANCE YOUR VALUE AT THE WORKPLACE AND IS HIGHLY RELEVANT FOR ACCOUNTANTS WHO ASPIRE TO RISE FURTHER UP THE MANAGEMENT TRACK, EVEN AS HIGH AS THE C-SUITE.

Once you've earned a professional accountancy qualification, can you up your value by taking on an MBA or Masters in Business Administration degree?

Accountants Today recently spoke to a few MIA members - including CEOs, partners of accounting firms and academics - who hold dual professional accounting qualifications and MBAs. The bottom-line is that MBA degrees allow them to perform better in their workplace as the qualifications add value to their professional accounting qualifications. The qualification is useful especially for accountants in management and executive roles as broad-based MBAs enable them to build up their strengths in key areas like human resources, management, and marketing.

DEFINING AN MBA

Professor Datin Dr. Hasnah Haron, Dean of the Graduate School of Business at Universiti Sains Malaysia defined an MBA as "well-known post-graduate degrees aimed at equipping candidates with valuable business knowledge, while widening their understanding of business issues and challenges in different industries."

"Most accredited MBA programmes provide conceptual knowledge and skills (and training) to candidates that can be applied to a variety of real-world business situations. We bring knowledge from the latest research findings and case studies into classroom teaching to enrich our students through the MBA experience. In summary, the MBA experience accelerates candidates' understanding of business and prepares them for career progression," she said.

As accountants' roles evolve beyond finance into the areas of strategy, compliance and assurance, to name a few, they will need the requisite skill sets to cope with change. "MBA programmes are useful for accountants in business and in public practice as more accounting professionals are expected to take on greater advisory roles in today's global marketplace. Hence, the MBA may fill the gap for those lacking business acumen by providing a holistic view of the business world," added Hasnah.

She said MBA programmes provide a good foundation for developing business acumen skills such as decision-making as they are structured to train candidates to becoming strategic thinkers, develop specific skill sets such as communication skills and collaboration through teamwork projects and assignments.

Earning an MBA also shouldn't be about the paper chase or adding another string of letters behind your name. An accountant must identify his needs and have a clear idea on the purpose of undertaking the programme. "Do not do it just for another title to add behind your name."

Huang Shze Jiun
Partner of Huang Yan Teo & Co

On top of that, candidates are taught principles of business philosophy, best practices and issues through classroom teaching and discussions. Excellent MBA schools will also have comprehensive modules to propagate a distinctive business culture to its graduates with an emphasis on ethics and integrity.

Huang Shze Jiun, Partner of Huang Yan Teo & Co, finds that an MBA offers skill sets such as soft skills, human resource management and project evaluation. "An MBA adds value by allowing the student to reconcile his practical experiences to management theory and thus think and improve on existing processes."

Would it be of value to accountants aspiring to the C-suite and the boardroom? "C-suite is higher management and thus the lessons learnt from an MBA course would be more useful than accounting theory," he said.

"In some ways, it does assist directors as it allows them to analyse and be in a better position to see the story behind the numbers presented to them. However, the most important attribute a director requires is ethics and it is debatable how much academic qualifications can build ethics," Huang said.

Ironically, Huang felt that the MBA's primary weakness is also its greatest strength. "The main weakness is its focus on the theoretical aspects of business management. However, its strength is also this theoretical focus. In day-to-day business we lose sight of the theory, leading to an awareness of the events but not the understanding of the theory behind what is happening. Conversely, a focus which is too focused on theory will not be able to be effectively translated into practice," he said.

DEFINING YOUR PURPOSE

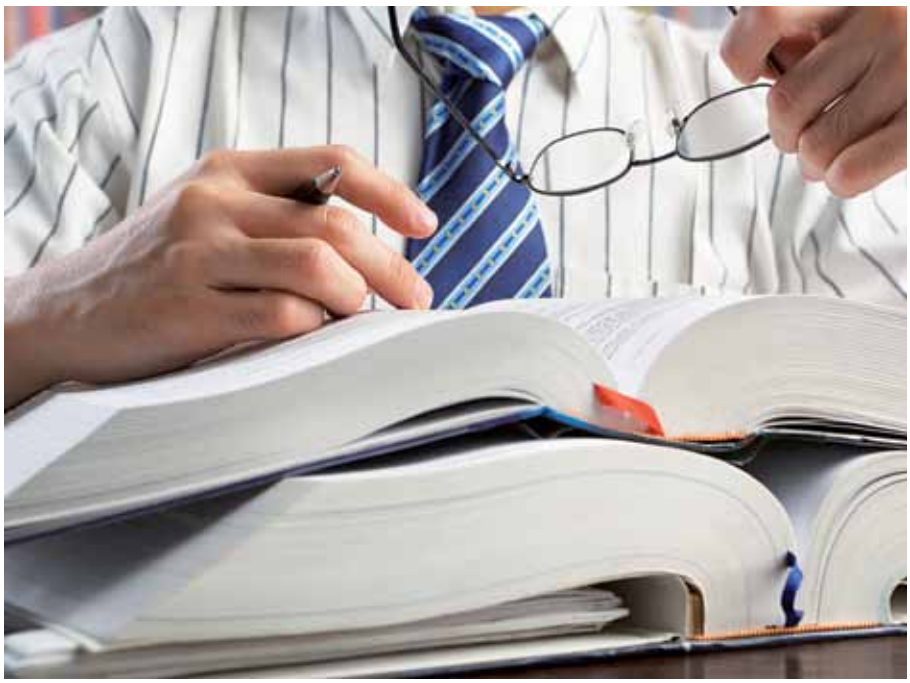
Earning an MBA also shouldn't be about the paper chase or adding another string of letters behind your name. An accountant must identify his needs and have a clear idea on the purpose of undertaking the programme. "Do not do it just for another title to add behind your name," advised Huang, who took up an MBA for self-improvement.

For some it can be a catalyst for change. "It's not about the qualification, but it is something that I wanted to learn. I needed a change, something to move me forward. The MBA is now my tool in managing my firm and advising my customers. It equipped me with knowledge in other areas such as marketing, areas of management and organisational behavior which I need as a CEO. It really builds you up to be a CEO. It adds value to whatever you do," said Mohd Noor Abu Bakar, Chief Executive Partner of IMRAN Chartered Accountants.

The MBA can also be a good platform for making a career change in midstream, as it was for Dr. Ng Boon Beng, Finance Director of Oracle Corporation for Malaysia and Indonesia. Prior to his MBA studies, FCCA-qualified Ng worked as a junior manager in an engineering

firm and then as a professional accountant with a firm of chartered accountants based in London, both jobs demanding specialised in-depth technical knowhow. "As I reviewed my personal goals and career direction, I realised the commercial world would offer me the excitement and challenges that I was looking for. In order for me to switch my career path out of professional practices into the commercial world, I needed to acquire new skills to take me into, at least, a senior management position and to reposition my mindset on business and commercial operations, and leverage on my core skills as a professional accountant," he said.

The takeaway message here is to take some time to review your career and personal development goals before embarking on an MBA. Where do you want to end up in future? What skills do you want to acquire from an MBA? MBAs are particularly good for those who want to enter management or move further up the management track, even as far as the C-suite.



FRESH OR SEASONED?

Is the MBA programme more suitable for a fresh graduate with an undergraduate degree and minimal working experience or a seasoned candidate?

The consensus was that the more years of experience, the better. "In my opinion, rather than being a foundation, an MBA programme is more useful when it is built upon strong foundations. A student undertaking an MBA who has already obtained business experience and practical experiences is in a much better position to learn the lessons and reconcile the theoretical aspects of an MBA to business realities than an inexperienced student looking to build a foundation for his future," commented Huang. "For those who have not worked before, many of the lessons learnt would be wasted on them."

"He should aim to get into at least a junior management position before participating in an MBA programme as the MBA is not an academic degree," recommended Ng. Rather, it aims to create strategic thinking by drawing on the student's hands-on management experience and technical know-how. In Ng's experience, MBAs do not emphasise management theory development, but on formulating a strategic framework to address competition, deploy strategic business ideas and position the business to lead in the marketplace. "The entire focus of an MBA is about making an organisation more effective in winning which is an element absent in other masters' degrees."

"It is essential to bear in mind that the MBA is a degree which only helps to enhance the candidate's management capability and complements his technical knowhow. It doesn't add to technical knowledge. Therefore, the stronger the candidate's knowledge in his field of technical fundamentals and his specialisation, the more likely he will benefit greatly from an acclaimed MBA programme," Ng remarked. Professional accountants would thus benefit since they already have a good grounding in numbers and analysis.

But the MBA might not be a good fit for all accountants. Huang said that an MBA might be more useful for accountants in business as it could provide real tangible benefits to the individual directly attributable to the MBA such as promotion and increment opportunities. "For a member in public practice, the benefits would be more intangible as the MBA does not directly allow us to earn more from our clients," he qualified.

However, Mohd Noor has a different view. He said the MBA qualification exposed him to different perspectives in running his firm. "It is not about accounting or taxation but other aspects that you need in running an accounting firm. I learned new things and I relate it to my business such as in conducting marketing, operations and human resources for my firm. The knowledge gained from the MBA was useful and practical in assisting me on my daily routine of running my firm," Mohd Noor said.

He noted that the MBA qualification enabled him to assess his firm objectively. It helped that he could relate his real-life practice to his MBA programme. "My firm was used as a real example for our case study and in our class discussion. This provided me with ideas to better manage my firm as the course required sharing of knowledge," he said.

Interestingly, another of IMRAN's partners as well as an IMRAN director have earned MBAs, which Mohd Noor views as a plus in managing the firm and providing services to clients.

SPOILT FOR CHOICE

Prospective MBAs are advised to choose the most reputable MBA programme they can afford, whether local or foreign. "If the intention is to gain a top management position in a world leading company, then the candidate should aim to study in a reputable business school," said Ng. Location is irrelevant; Ng pointed out that Hong Kong, Singapore and China's leading universities house some of the world's most superb B-schools with outstanding reputations.

World ranking is important to Ng because "there are too many MBA operators out there that are a plain waste of time and money." He lamented that too many business schools are lowering their entry criteria and many 2nd and 3rd tier universities are dishing out MBA degrees indiscriminately for their purpose of cashing in on this lucrative market segment. "The end-result is that many MBA graduates are getting worthless degrees and do not even see any impact to their careers several years after graduation," he commented.

Accreditation is an important factor to consider in higher education, whether at local or foreign universities, said Hasnah. Other factors that are equally important are cost, entry requirements, quality of business schools and their relevance to the candidate's career path.

Hasnah advised prospective candidates to seek out MBA programmes with curriculum that would develop their expertise in their chosen field from recognised business schools/universities, and to choose the correct specialisation. "They should enroll for MBA programmes that match their career goals and offer flexibilities in completing the course. The respective areas of study or specialisation is equally important as accounting has become a diversified field with emerging job titles such as forensic accountants, environmental accountants, project accountants and system accountants," Hasnah advised.

The MBA specialisation should thus fit with your chosen career direction and requirements. Do your research into the prospects of each field before making a choice, said Hasnah. "There are various MBAs with specialisations, such as an MBA in Sustainable Development, an MBA in Service Science, and an MBA in International Business in addition to the MBA that is normally offered," she said.

There are also many routes to earning an MBA these days, whether in real-time or online. Hands-on is preferable to an e-learning course for Mohd Noor. "Whether local or foreign, MBA programmes facilitate maturity in thinking and sharing of knowledge. Alternatively you can also take up an e-learning MBA but you will be on your own," said Mohd Noor.

Accreditation is an important factor to consider in higher education, whether at local or foreign universities, said Hasnah. Other factors that are equally important are cost, entry requirements, quality of business schools and their relevance to the candidate's career path.

A full-time local MBA programme would be the most desirable as it would allow focus on studies and interaction with local students who have local experience, said Huang. "However, full-time study for an MBA is a luxury few can afford if one has already stepped into the workforce."

Mohd Noor also feels that MBAs could be made more interesting and relevant if they are facilitated by business owners or corporate leaders. "Their practical experience will be a value-add to the knowledge acquired from the programme." In their defence, most of the schools offering MBA programmes try to balance the offering of theory and practice, said Hasnah. "To do this, there needs to be lecturers from the industry alongside the PhD holders to teach the programmes. Sometimes, recruiting lecturers from the industry might be difficult to achieve with the constraints that a university has," she explained.

GREAT EXPECTATIONS

Traditionally, MBAs are expected to pave the way to the C-suite. At the very least, the MBA experience should help propel candidates to the next level of their career.

In Ng's case, it certainly helped smooth his lucrative transition into commerce. "Prior to my MBA graduation, I already had four job offers waiting for me," said Ng. "The most eminent reward of getting an MBA qualification from a top business school was that I experienced a salary jump of about 300% inclusive of perks, in my first assignment." Perhaps in the 80's MBA graduates from renowned business schools were rare commodities, and the graduates were spoiled for choice when it came time to pick the preferred company/industry to work, speculated Ng. Admittedly, top draw salaries came along with stringent expectations in terms of new idea generation, additional time and effort spent in project management and performance commitments.

Neither does the MBA transform you into Manager of the Year. Huang noted that candidates typically have the misguided notion that MBA programmes could automatically make them effective managers. "However, as with any educational programme, they can only prepare the individual for the role and it is up to the individual to internalise the lessons learnt from the MBA programme so as to enable the person to be able to reconcile the theoretical aspects with the practical aspects of business," he added.

The bottom-line here is that an MBA only adds value to an accountant if he or she is able to optimise the lessons learnt and apply them to real-world business situations. Otherwise, the letters MBA become a meaningless and expensive appendage to your name. ■

Reporting by the Accountants Today editorial team.

Key to Success - Innovation

INNOVATE YOUR WAY TO SUSTAINABLE SUCCESS AT THE MIA INTERNATIONAL ACCOUNTANTS (MIA) CONFERENCE ON 27TH AND 28TH NOVEMBER 2012.

It's been said that the keys to long-term business success are not knowledge and not skills. Rather it's the ability to be flexible and to adapt to new challenges, to think innovatively and imaginatively, to find new ways to achieve and sustain business performance.

That's why we have designated *Innovative Society: Sustaining Business Success* as the theme for this year's MIA International Accountants (MIA) Conference, because those societies, economies and enterprises that get ahead in this new millennium are those that are able to innovate and adapt. In turn, societies, economies and enterprises are driven by people, so if we want to make these units innovative, we have to target people. As the lynchpin and support of business, accountants are the key people in organisations so they have to be at the forefront of flexible and innovative thinking.

We can't be innovative in a constraining environment. Fortunately for us, Malaysia has embarked on an Economic Transformation Programme complemented by a Government Transformation Programme that targets innovation as the key to productive and sustainable growth. Find out more about how the government and regulators are facilitating innovation in Plenary 1: *Evolving the Innovative Landscape for Corporate Malaysia*. In essence, this session will show how Malaysia's facilitative yet stringent corporate governance framework was designed to sustain business growth in an innovative and sustainable manner.

Furthermore, growth can only take place in a stable environment where we are enjoying fiscal and economic health. Luckily for Malaysia and other emerging economies, we continue to perform well despite headwinds on the global front in the shape of banking and sovereign debt crises in the Eurozone and weakness in the US. We have prudent regulation and government to thank for this. Plenary 2: *Transitioning from Cash to Accrual Accounting – Can IPSAS (International Public Sector Accounting Standards) Prevent Sovereign Debt Crisis?* discusses the need for better financial reporting by governments worldwide and the need for improvement in the management of public sector resources to avert future financial and sovereign debt crises.

As government and regulators make strides to support innovation and business sustainability, the accounting profession too needs to do the same by innovating best practices in providing assurance to our stakeholders and enhancing confidence in companies and markets. Plenary 3: *Enhancing the Value of Audit Reporting: Boosting the Confidence in Capital Market* addresses the need to continuously improve financial reporting and to review and strengthen the components of the financial reporting infrastructure process.

But that's not all. Apart from the plenary sessions, participants can benefit from three concurrent tracks which are linked to the theme. Learn more about *Fostering Creativity* and *Innovation at Your Workplace* and *Creating Value with Business Model Innovation.* Talent management is a role that everyone has to handle, since we all work with people. Learn how to manage and influence people effectively in *Barefoot Leadership* and *Managing Difficult People.*

Last but not least, MIA is introducing special masterclasses for those who want to delve deeper into subjects that are indelibly related to innovation and creating sustainable business. Masterclass 1:

Influence & Imagination – A Powerful Combination is a one-day masterclass that will equip you with two of the most powerful skills in today's world: influence and imagination. Influence gives you power beyond your position and is vastly more important than information. Those who can develop the skills of influencing others will be those who thrive in a fast-changing world. Likewise, your ability to imagine the opportunities in new environments will determine whether you thrive or suffer in times of change. Meanwhile, In Masterclass 2: participants will learn all about *Shaping An Innovative Culture – 10 ways to boost creativity & lead innovation in your organisation*. Meanwhile, social media and networking are the new ways to communicate, market products and services and manage your brand and reputation for long-term sustainability. Those who can control and manage social media will be triumphant. Learn all about this vital tool in Masterclass 3: *Social Media Marketing: Put It to Work for You*.

These masterclasses are being offered at an irresistible discounted rate of just RM450 for MIA Conference delegates, as opposed to RM650 for MIA members and RM850 for non-members so don't miss out on this invaluable chance to add value to yourself at a minimal investment. In addition, early bird rates are still in effect for those who sign up for the MIA Conference before 31 August 2012.

Interestingly, you might notice that this year's theme of innovation and sustainability, along with our concurrent tracks and masterclasses are a deviation from the usual MIA Conference offerings. Just like you have to exceed expectations in serving your customers, the Institute too must innovate our CPD offerings in order to remain relevant and useful to our members. We are committed to ensuring that our programmes and courses can help raise the quality of our members in order to transform the Malaysian accounting profession into one that is globally competent and universally admired. We hope we can count on your support at the MIA Conference as we strive to exceed your expectations and deliver exemplary service.

As a bonus, this is the first time that MIA is offering 18 CPE hours to participants attending for the duration of the daily programmes, as opposed to 16 hours previously. In addition to the 18 CPE hours being offered for the MIA Conference 2012, delegates who are MIA members can earn another 8 CPE hours if you participate in the 1-day master-class programme, giving members a total of 28 CPE hours which is more than enough to fulfil your yearly CPE hours' requirement! ■

ABOUT THE MIA INTERNATIONAL ACCOUNTANTS CONFERENCE

Since 1985, the Malaysian Institute of Accountants (MIA) has been organising the National Accountants Conference (NAC), the Institute's flagship event. After successfully hosting the 18th World Congress of Accountants (WCOA) in 2010, MIA has taken the NAC to a new level with an international flavour and a rebranding exercise was initiated. As a result, the flagship event was renamed the "MIA International Accountants Conference" (MIA Conference) in 2011. This MIA Conference will be held on 27 & 28 November (Tuesday & Wednesday) at the Kuala Lumpur Convention Centre, Kuala Lumpur, Malaysia.

The event has received encouraging support and response from a wide spectrum of stakeholders. Pembangunan Sumber Manusia Berhad (PSMB) is supporting the MIA Conference and has allowed full claims under the `Skim Bantuan Latihan (SBL Scheme). The MIA Conference is also supported by the Accountant General's Office and the Auditor General's Office, two of the leading players in financial reporting and assurance for the government and the public interest.

Attesting to the international flavour of the MIA Conference and the global and innovative content on offer, we have already started receiving registrations from foreign participants. So what are you waiting for? Take advantage of our early bird rates to invest in MIA Conference 2012 in order to become more flexible and innovative, and a catalyst for professional and organisational excellence.

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MIAconference 2012

MIA INTERNATIONAL ACCOUNTANTS CONFERENCE

(Formerly known as National Accountants Conference–NAC)

OFFICIATED BY:
Y.A.B. Dato' Sri Mohd. Najib Bin Tun Haji Abdul Razak
Honourable Prime Minister of Malaysia (invited)

DATE	27 & 28 November 2012
VENUE	Kuala Lumpur Convention Centre
WEBSITE	http://miaconference.mia.org.my

INNOVATIVE SOCIETY: SUSTAINING BUSINESS SUCCESS

More reasons now to attend MIA Conference 2012—the Conference for Accountants and Business Leaders!

The Institute is pleased to inform that the conference fee is now 100% claimable from HRDF, so maximise your HRDF investments!

MIA members also benefit from extra CPE hours awarded—now 18 hours instead of 16!

To further ensure that the Conference benefits as many as possible, the following persons will get to attend the Conference at the reduced rate of RM900:

- Senior Citizens (aged 60 and above),
- Students of Doctorate (Ph.D.) programmes in accountancy or related fields,
- Physically challenged individuals.

Find out how you can help your organisation sustain business success at the MIA Conference 2012. Reserve your seat today!

CONFERENCE TOPICS

PLENARY SESSIONS

- Evolving the Innovative Landscape for Corporate Malaysia
- Transitioning from Cash to Accrual Accounting–Can IPSAS (International Public Sector Accounting Standards) Prevent Sovereign Debt Crisis?
- Enhancing the Value of Audit Reporting: Boosting Confidence in the Capital Market

CONCURRENT SESSIONS

- Fostering Creativity and Innovation at Your Workplace
- Barefoot Leadership–The Art and Heart of Going That Extra Mile
- Managing Difficult People
- Leveraging the Potential of Workforce Diversity
- Succession Planning: Managing Risk and Ensuring Business Continuity
- Creating Value with Business Model Innovation
- Leading Across Borders? Use the RED Framework
- Building A Better Business through Finance Diversity
- BYOD–Threats and Opportunities
- Harnessing the Power of Social Media

MASTERCLASSES (9AM–5PM, 29 NOVEMBER, THE ROYALE CHULAN HOTEL, KL)

Don't miss these Masterclasses–at special rates for Conference delegates. Classes are limited to only 35 participants. Call us now to register.

- Masterclass 1: Influence & Imagination–A Powerful Combination
- Masterclass 2: Shaping an Innovative Culture–10 ways to boost creativity and lead innovation in your organisation
- Masterclass 3: Social Media Marketing: Put It to Work for You

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

MIA INTERNATIONAL ACCOUNTANTS CONFERENCE • THE ANNUAL CONFERENCE WITH AN INTERNATIONAL FLAVOUR

Audit Committees: Assuring Audit Quality

AUDIT COMMITTEES PLAY A KEY ROLE IN ASSURING AUDIT QUALITY.

Majella Gomes

Members of the Forum: (L- R) Tan Sri Datuk Dr. Abdul Samad Haji Alias, Eugene Wong, Ong Ching Chuan and Abdul Rahim Abdul Hamid

Whilst the achievement of sound corporate governance depends on the interplay among the different elements of the corporate governance eco-system, such as those charged with governance, including the directors and the Audit Committee; the management of the company; and the company auditor, the importance of the Audit Committee in overseeing the performance of the external auditor has been elevated in the wake of the recent corporate scandals.

To further enhance high corporate governance standards, Bursa Malaysia, in its efforts to increase directors' awareness of current developments and issues relating to corporate governance practices, recently organised a Half-Day Governance Programme Series for directors of listed issuers in Malaysia. The Malaysian Institute of Accountants (MIA) was invited to participate in the first governance programme for the series, entitled "Role of the Audit Committee in Assuring Audit Quality". This session featured renowned speakers Ong Ching Chuan (Partner, PricewaterhouseCoopers), Tan Sri Datuk Dr. Abdul Samad Haji Alias (Chairman of Perbadanan Insurans Deposit Malaysia), Abdul Rahim Abdul Hamid (Vice-President of MIA) and moderator, Eugene Wong (Executive Director of the Securities Commission).

Keeping things in perspective

The primary focus of the Audit Committee is to work with internal and external auditors and as such, it is expected to look at how management deals with risk and control processes. "One of the main ele-

ments to consider is how deep an audit should probe," said Ong. "If you probe too much, will you be seen as assuming management's role? But if you don't probe deep enough, someone will point a finger and say you're not doing your job! It is, literally, a balancing act. Audit Committee members have to go through stacks of documents, a necessary but very time-consuming step which takes days. You have to ask hard questions too, like how committed senior management is, and what kind of support auditors can hope to receive in the course of their work. Frank and open discussion is needed."

The key elements to consider for Audit Committee effectiveness, he added, included evaluating the performance of internal and external auditors, and enhancing the quality of discussion of the inspection results. "Understanding the methods used for accounting policies, judgements and estimates is critical," he emphasised. "Consider the question of going concern, for instance. Compliance with the relevant accounting standards and other legal requirements is imperative. Questions can be drawn up for discussion with management at committee meetings." Describing internal and external auditors as the eyes and ears of the Audit Committee, he said that they should communicate their findings, identify outstanding issues and discuss how these can be resolved. Acknowledging that the internal auditor's perspective usually focused on the company's process controls, he underscored the need for internal auditors to be appropriately trained to identify and respond to such issues.

Eugene Wong spoke from the perspective of the regulator, pointing out that seven areas had been identified by the International Organization of Securities Commissions in 2005 to strengthen the capital markets against financial fraud. These areas included: i) corporate governance, which also covered the role of independent directors and the independence of auditor oversight committees; ii) auditors and audit standards where auditor independence, effective audit standards, mandatory auditor rotation need to be considered; iii) disclosure requirements for listed issuers and; iv) the use of complex corporate structures and special purpose entities.

The triumvirate of self-discipline, market discipline and regulatory discipline are the pillars of capital market integrity. Audit Committees fulfill the role of self-discipline and are supported by regulatory discipline. Looking at things very simplistically, Audit Committees must do two things. The first is to ensure that relevant disclosures, both periodic and continuous, are properly made. The second is to ensure that the interests of minority shareholders are protected, particularly from conflicts of interest and loss of assets. Audit Committee members need to be aware of certain provisions in the law, particularly Sections 317A, 319, 320A and 369 of the Capital Markets and Services Act 2007. Section 317A relates to causing wrongful loss to a company while Sections 319 requires that accounting and other records be kept to sufficiently explain the transactions and financial affairs of a listed corporation. Section 320A, on the other hand, prohibits anyone from unduly influencing or coercing persons preparing or auditing financial statements and causing these statements to be false or misleading. Section 369 prohibits making false or misleading statements to the Securities Commission, a stock exchange, a derivatives exchange or a clearing house.

Things to think about

Wong advised Audit Committee members to pay attention to financial disclosures and shareholder protection. Audit Committee members need to consider materiality, accounting policies, accounting estimates and internal controls when considering financial disclosure while key areas to address for shareholder protection are related party transactions and fraud. Acknowledging the complexity of these matters, he remarked that complications inevitably increased if the company had overseas subsidiaries. "What it boils down to is how well you know the company," he said. "Some key areas that should be looked at are impairment, revenue recognition, valuation, and contingent liabilities and off-balance sheet items. Because the audit committee is responsible for selecting and evaluating auditors, its members must have an in-depth understanding of what auditing entails and ensure the work is being done by the auditors."

The Audit Committee can play an important role in helping deal with disa-

greements between the auditor and management. Audit Committees must also see to it that the auditor receives a reasonable fee to perform its task. "Audits are at risk of becoming a commodity, but they should not be and the fee that is paid should be reasonable enough to ensure a proper job is done," he advised. He reiterated that Audit Committees need to go look at their roles and responsibilities carefully and stay clear of box-ticking. They must have access to both resources as well as information. In the case of related party transactions, they must exercise a healthy professional scepticism.

Expanding on the issue of related party transactions (RPTs), he said that while RPTs are not necessarily bad, they are a source of conflict because they could benefit certain individuals at the expense of other shareholders. What the Audit Committee needs to ascertain is whether the related party transaction has a business purpose and been approved with all the necessary disclosures made. Fraud is the other area that Audit Committees need to keep an eye out for and a process should be developed for investigating allegations of wrongdoing. Audit Committees must take action and consider the need to communicate with regulators early and prevent evidence from being destroyed. In the United States, auditing standards are being proposed to improve auditors' evaluation of related party transactions and significant and unusual transactions.

Voice of experience

"Directors of companies, whether these are Public Listed Companies (PLCs) or otherwise, are the owners of the accounts. It is their responsibility to prepare the accounts using applicable accounting standards," stated Tan Sri Datuk Dr. Abdul Samad Haji Alias, who questioned the competency of most directors, the majority of whom are ignorant of the rigorous requirements of statutory reporting and quarterly reporting in particular. "They cannot claim ignorance of these standards; otherwise what assurance can there be when making a decision? Sometimes they are asked to sign off on statements which they don't fully grasp. Therefore, for their own benefit, directors should insist on seeing all documents that are signed off by them, especially those pertaining to processes of internal control or preparation of accounts." The basis of financial decisions is timely, accurate information, and directors should do their own due diligence on the information that has been provided, stressed Tan Sri Datuk Dr. Abdul Samad. "It is a requirement that the head of the Audit Committee understands the financial statements issued to the public. You are prohibited from disseminating misleading information and if the accounts are not reviewed by the directors and the auditors, then it is not worth the paper it is printed on!" he stated flatly.

Any funds spent on a review are justified because such reviews are concerned with validating the integrity of the information provided, he added. The Board is ultimately accountable; directors therefore have to ensure that only reports and statements which can withstand scrutiny are issued to the public.

Signing off on these statements is a serious matter. Since directors are reliant on information provided by management prior to signing off, the onus is on directors to verify the veracity and accuracy of said information. Directors should thus strive to fully understand all aspects of business operations and the relevant officers entrusted with operational responsibility and oversight – such as the heads of regulatory units, finance, operations etc. – should sign off on the information provided to ensure accountability.

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Furthermore, seek advice from as many sources as possible, including legal advice. "Use this advice for your own protection and indemnity, and to protect your investors," he urged. "Third party disclosures are very serious because public interest is involved. GLCs in particular have extensive links – are directors connected in any way to the other entities that have dealings with the corporation? You cannot predict the impact of such disclosures on the company's accounts and any other repercussions."

The issues of ethics and whistleblowing also arose in the course of discussion, with speakers urging participants to query companies on their ethics policies and provisions for whistleblowing, if any.

Meanwhile, the panel noted that the number of auditors who were willing to question and be brave enough to be frank and open was growing subsequent to the establishment of the Audit Oversight Board (AOB). As a result, the standards and quality of auditing in this country have improved on the whole, spurring greater transparency and better corporate governance. This is also an encouraging indication of positive developments for the profession in future. ■

Improving Internal Control

IFAC HAS ISSUED A NEW PUBLICATION WHICH PROVIDES SUPPORT FOR PROFESSIONAL ACCOUNTANTS WANTING TO EVALUATE AND IMPROVE INTERNAL CONTROL IN ORGANISATIONS.

Vincent Tophoff

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has issued new International Good Practice Guidance (IGPG), Evaluating and Improving Internal Control in Organisations, highlighting areas where the practical application of existing internal control standards and frameworks often fails in many organisations.

This new guidance is important to a professional accountant in business who works with his/her organisation to continuously evaluate and improve internal control, and ensure that internal control is an integrated part of the organisation's systems of governance and risk management.

In this guidance, internal control is defined as "an integral part of an organisation's system of governance and ability to manage risk, which is understood, effected, and actively monitored by the governing body, management, and other personnel to take advantage of the opportunities and to counter the threats to achieving the organisation's objectives." Better integrated internal control can save the organisation time and money, and promote the creation and preservation of value.

At the heart of the IGPG are nine key principles for evaluating and improving internal control systems (see Key Principles) complemented by guidance on how to implement them. Questions that the guidance is designed to help answer are:

- What should be the scope of internal control?
- Who should be responsible for internal control?
- How should controls be selected, implemented, and applied?
- How can internal control be better ingrained into the DNA of the organisation?
- How should the organisation report on internal control performance?

Evaluating and improving internal control are among the core competencies of many professional accountants in business. Therefore, professional accountants can play a leading role in ensuring that internal control forms an integral part of an organisation's governance system and risk management. With an integrated, organisation-wide approach to risk man-

agement and internal control, professional accountants in business also encourage the practice that risks be viewed and treated in a more holistic way; that is, with improved internal control.

The guidance concludes with a limited list of relevant resources from IFAC, its member bodies, and other relevant organisations. It can be downloaded free of charge from *www.ifac.org/paib.*

KEY PRINCIPLES OF EVALUATING AND IMPROVING INTERNAL CONTROL

The principles below represent good practice for evaluating and improving systems for internal control.

A. Internal control should be used to support the organisation in achieving its objectives by managing its risks, while complying with rules, regulations, and organisational policies. The organisation should therefore make internal control part of risk management and integrate both in its overall governance system.

B. The organisation should determine the various roles and responsibilities with respect to internal control, including the governing body, management at all levels, employees, and internal and external assurance providers, as well as coordinate the collaboration among participants.

C. The governing body and management should foster an organisational culture that motivates members of the organisation to act in line with risk management strategy and policies on internal control set by the governing body to achieve the organisation's objectives. The tone and action at the top are critical in this respect.

D. The governing body and management should link achievement of the organisation's internal control objectives to individual performance objectives. Each person within the organisation should be held accountable for the achievement of assigned internal control objectives.

E. The governing body, management, and other participants in the organisation's governance system should be sufficiently competent to fulfill the internal control responsibilities associated with their roles.

F. Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences.

G. Management should ensure that regular communication regarding the internal control system, as well as the outcomes, takes place at all levels within the organisation to make sure that the internal control principles are fully understood and correctly applied by all.

With an integrated, organisation-wide approach to risk management and internal control, professional accountants in business also encourage the practice that risks be viewed and treated in a more holistic way; that is, with improved internal control.

H. Both individual controls as well as the internal control system as a whole should be regularly monitored and evaluated. Identification of unacceptably high levels of risk, control failures, or events that are outside the limits for risk taking could be a sign that an individual control or the internal control system is ineffective and needs to be improved.

I. The governing body, together with management, should periodically report to stakeholders the organisation's risk profile as well as the structure and factual performance of the organisation's internal control system.

ABOUT INTERNATIONAL GOOD PRACTICE GUIDANCE

International Good Practice Guidance (IGPG) issued by the PAIB Committee cover areas of international and strategic importance in which professional accountants in business are likely to engage. In issuing principles-based guidance, IFAC seeks to foster a common and consistent approach to those aspects of the work of professional accountants in business not covered by international standards. IFAC seeks to clearly identify principles that are generally accepted internationally and applicable to organisations of all sizes in commerce, industry, education, and the public and not-for-profit sectors. Previously issued IGPG are available on the IFAC website, including Preface to IFAC's International Good Practice Guidance. ■

About the PAIB Committee

The PAIB Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and the not-for-profit sectors. Its aim is to promote and contribute to the value of professional accountants in business by increasing awareness of the important roles professional accountants play, supporting member bodies in enhancing the competence of their members, and facilitating the communication and sharing of good practices and ideas.

About IFAC

IFAC is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 167 members and associates in 127 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry and commerce.

Vincent Tophoff is the Senior Technical Manager, IFAC.

An update on Advance Pricing Arrangement

The Malaysian Inland Revenue Board has amended its provision of the Income Tax law for Transfer Pricing via Section 140A and Advance Pricing Arrangement (APA) stipulated under Sections 132 (applies to bilateral or multilateral) and 138C (unilateral APA) of the Income Tax Act 1967 (the Act) effective Year 2009. Although the law has been in force and the relevant APA Forms i.e. APA 1 and APA 2 issued for some time, recently the much-awaited Income Tax (Transfer Pricing) Rules 2012 and Income Tax (Advance Pricing Arrangement) Rules 2012 and its Guidelines were issued on 11 May 2012 and 20 July 2012.

Transfer pricing (TP) has been a key feature on most tax authorities' agendas and tax authorities in various jurisdictions are seen as being relatively aggressive in conducting TP audit. In view of the complexity in the TP application, APA may be construed as an effective risk management tool for resolving TP controversies, minimising any potential disputes and reducing costs for the tax authority as well as the business compliance costs.

This article zooms into the latest APA Rules and Guidelines issued by the Malaysian Tax Authority where reference may be made interchangeably to the Hong Kong Inland Revenue Department on Departmental Interpretation and Practice Notes 48 on APA issued in March 2012.

An Overview of APA

An APA is basically an arrangement made to determine, in advance of controlled transactions, an appropriate set of criteria (such as method, comparables and appropriate adjustment thereto, critical assumptions as to future events) to ascertain the arm's length transfer pricing of those transactions[1] over a fixed period of time. Generally, an APA will cover a minimum period of three (3) to five (5) years maximum.

The APA should fix arrangements according to the arm's length principle for determining the TP for future transactions in the APA and is concluded under the Inland Revenue's power as the tax administrator including the Double Taxation Agreements (DTA) which form part of the tax legislation of Hong Kong. In the Malaysian context, where the Director General of Inland Revenue (DG) and the taxpayer or the Competent Authorities[2] (CA) have entered into a Unilateral or Bilateral/Multilateral APA, the arrangement shall, during the covered period, constitute a binding undertaking on the parties to the arrangement that the transfer price ascertained is determined in accordance with the arrangement.

Differences for Unilateral, Bilateral and Multilateral APA

Type of APA	Definition
Unilateral APA	An arrangement between the DG/ Commissioner and the enterprise/taxpayer concerning the TP of controlled transactions. • There is no warranty that the DTA partner will concur to the arrangement made.
Bilateral APA	An arrangement between the DG/ Commissioner and a DTA partner/CA concerning the TP of controlled transactions where mutual agreement has been made by both entities via a letter or similar document and (they are) bound by the agreement set. • A BAPA provides more certainty to enterprises and double taxation does not arise.
Multilateral APA (MAPA)	An arrangement between the DG/ Commissioner and two or more DTA partners/CAs concerning the TP of controlled transactions. • All parties are bound by the agreements made and double taxation will not arise

1. Here means a cross border transaction covered in the advance pricing arrangement which may refer to transactions between enterprises that are associated enterprises with respect to each other under the Associated Enterprises Article of the relevant DTA. It may also include the scope of transactions between a permanent establishment (PE) and its head office or between two PEs of the same enterprise. PE is defined in the Income Tax (APA) Rule 2012 shall be treated as a distinct and separate entity from its head office and related branches.

2. A "competent authority" refers to an authorised servant or agent of a government of any territory outside Malaysia with which the Government of Malaysia has entered into a DTA. The authorised CAs in Malaysia refers to Head of Tax Analysis Division, Ministry of Finance, DG, Deputy DG of compliance or policy, and Director of the Department of International Taxation of Inland Revenue.

Who Can Apply

For Malaysian context, an application for APA will only be considered for cases involving:

1. A taxpayer (also refers to a PE) who is a company assessable and chargeable to tax under the Act;
2. Turnover value exceeding RM100million;
3. The value of the proposed covered transaction is:
   i) for sales, if it exceeds 50% of turnover;
   ii) for purchases, if it exceeds 50% of total purchases;
   iii) for others, if the total value exceeds RM25million.
4. All covered transactions must relate to income which is chargeable only;
5. In cases involving financial assistance, the threshold must be in excess of RM50million.

The Guidelines do not apply to transactions involving financial institutions.

The APA Process

The stages involved in the APA application:

Stages	Process	Malaysian Rules	Hong Kong Practice Notes
1	Pre-filing meeting	■ Written request (include the contemporaneous TP document) to the Multinational Tax Department of Inland Revenue (MTD), 12 months before the proposed covered period. Information to furnish: • Taxpayer's business model and industry information; • Scope of transaction and the covered period; and • Proposed TP methodology and an explanation whether the method conforms to arm's length principle. ■ The DG will notify the taxpayer whether to proceed with the APA application within 14 days (unilateral) and 30days (BAPA and MAPA) after the meeting	■ The purpose of the pre-filing meeting is: ✔ as a platform to clarify upfront the expectations of both parties, inter alia; • identity the nature and scope of the APA Process; • identify the specific matters to be agreed; and • discuss in detail the APA process. ■ APA proposal (including the APA case plan) is submitted 1 month before the pre-filing meeting ■ To conduct the pre-filing meeting on an anonymous or a named basis, 6 months before start of APA
2	Formal application and processing	■ Application for an APA in a prescribed form (must be signed by the applicant) within 2 months upon receipt of DG's notification to MTD ■ The assumption made in developing the proposed TP methodology shall be critical[3] ■ In processing the APA application, the DG may propose an alternative methodology or restrict/expand the scope of the proposed APA	■ Formal application submitted only if agreement has been reached especially on the collateral issues[4] • Detailing the scope of the APA and how any collateral issues identified in the pre-filing phase will be addressed. It includes: ✔ A functional and industry analysis;

3. Critical assumption means any assumed objective criterion that would significantly affect the terms of an APA if the underlying conditions changed, whether or not the change is within the control of a person which may include any fact or condition about the person/third party/industry, such as a new business strategy or a mode of conducting operations, or the cessation or transfer of a business segment or entity, or circumstances that would materially affect the suitability of the TP methodology or its application.

4. A collateral issue is an issue which is material and in addition to the covered controlled transactions, e.g. issues on legal, tax treaty or tax avoidance), such as whether the covered controlled transactions involve a Permanent Establishment or nature of income is royalty or business.

Stages	Process	Malaysian Rules	Hong Kong Practice Notes
		■ DG may decline application if the APA fails to comply with the requirement of 2012 TP Rules or TP Guidelines 2012 or involves a tax avoidance scheme etc. ■ Where the APA application is declined, the DG will notify the applicant in writing with the reason for declining ✔ Taxpayer may within 30 days make further representation to DG and any decision forthcoming shall be final ■ Taxpayer may withdraw the APA application any time before conclusion, in writing ■ The DG/CA may, at any time request the taxpayer to furnish further information relevant to the APA	✔ Details of the proposed transfer pricing methodology; ✔ Terms and conditions governing the TP methodology application including critical assumptions; ✔ Data showing the methodology will produce arm's length result; ✔ Information/documentation as agreed in the pre-filing meeting ■ Advance ruling may be requested to deal with collateral issues ■ Parallel application to DTA partner (for bilateral or multilateral APA)
3	Review, analysis and evaluation	■ The taxpayer may, at his own cost and expense, engage an independent expert[5], to advise on the APA application. ■ The DG/CA shall not be binding on the opinion by the independent expert	■ May involve independent experts in reviewing and evaluating the enterprise's proposed TP methodology, by both parties
4	Negotiation, agreement and signing of APA	■ The confidentiality of information exchanged for the purposes of APA is subject to the confidentiality provisions of the Act and the article on Exchange of Information of the arrangement made under Section 132 of the Act ■ The Malaysian CA is responsible for liaising and negotiating directly with the CA of the treaty partner under the MAP ■ Taxpayer will be notified	■ The enterprise will submit an application for mutual agreement procedure (MAP) to the Commissioner ■ Negotiations with DTA partner(s) are undertaken by the Commissioner upon consultation with the enterprise ■ The enterprise can either accept/reject the MAP arrangement and notify in writing; may adopt unilateral APA if MAP fails ■ The confidentiality of information exchanged for the purposes of APA under the MAP article is ensured
5	Drafting, execution and monitoring/submission of APA annual compliance report	■ Taxpayer shall furnish to APA Division, MTD a compliance report[6] within 7 months following the close of the accounting period ■ Compensating adjustment shall be made in the annual tax return if the result of the covered transaction is not in line with the APA	■ This stage is to detail what is to be included in the APA and outlines the requirements for an annual compliance report ■ Failure to comply with the annual reporting requirements, the Commissioner will not be bound by the APA or may revoke the APA retrospectively

5. Independent expert means a person with specialized skills or knowledge relevant to an APA.
6. Shall include copy of the taxpayer's relevant audited financial statements or similar statement of other person in case of BAPA/MAPA, a description of material changes in the financial and tax accounting method/principles employed to the covered transaction or any failure and reason in meeting the critical assumption, an analysis of any compensating adjustment required to conform with the methodology that have been agreed upon and all other information/documents to support the application methodology.
7. Roll back means the application of the terms and conditions of an APA to prior years' assessment.

Roll back[7] application will only be considered if:

(a) the proposed TP methodology is appropriate; and

(b) the particular facts and circumstances surrounding those years are substantially the same.

At the same token, the DG may revise an APA if the taxpayer fails to meet the critical assumption provided in the arrangement or changes in the law or the arrangement to Section 132 of the Act that affects the APA. Similarly, either party to the arrangement may cancel the APA on reasonable grounds. Any misrepresentation, fraud, omission or a false or misleading statement made may result in the revocation of the APA. A request for renewal of an APA can be done 6 months before the expiry of the existing APA by submitting the appropriate supporting documentation similar to those required for the request and application of the initial arrangement.

APA in a nutshell, would encourage more effective communication and collaboration between the Tax Authority and businesses within or outside the jurisdictions more so with the increase in exchange of information among tax authorities. In this respect, the Tax Authority should make more effort (which they have been doing) in promoting and expanding the APA programme and making it an attractive upfront solution for the multinationals in the TP arrangement. This is more pressing due to globalisation to ensure strengthening international coordination and cooperation worldwide. ■

MIKTs AFTER BRICs

'These four countries **(MIKT or Mexico, Indonesia, South Korea and Turkey)** are the ones that have shown robust performance in the stock market and their economic fundamentals are considered strong. I feel like they are junior versions of the big economies. For example, Korea is a little China and Mexico is a small version of the U.S.'

Kwak Byung-ryul, Investment Strategist at Eugene Investment & Securities.

Saravanan Ramasamy

Jim O'Neill, Chairman of Goldman Sachs Asset Management, first coined 'BRIC', the acronym for Brazil, Russia, India and China, in a Goldman Sachs economics paper titled 'Building Better Global Economic BRICs'. Since then, much has been said and written about the emergence of BRICs and their relevance to the world economy.

However, O'Neill recently said in the *Financial Times* that he is about to 'redefine' emerging markets once again. Emerging markets are typically countries with sound government debt and deficit positions, robust trading networks and huge numbers of people all moving steadily up the economic ladder. Given this broad definition, O'Neill argued that the term 'emerging markets' is no longer helpful because it encompasses too many countries with too wide a range of economic prospects. The old definition is no longer meaningful given the new world order. For investors to understand the scale of the opportunities available and for policymakers to get a grasp of the world, they must assess countries at a micro level and classify those countries with similar attributes into logical groupings.

'MIKT' coined by O'Neill as an acronym for the economies of Mexico, Indonesia, (South) Korea, and Turkey is one such logical grouping that deserves more analysis at the micro level for their robust strengths and advantages. Once unknown to many investors, these four countries are becoming increasingly visible on radar screens and are perceived as the most likely contenders to BRICs. Combined with the BRICs, they account for 1% or more of global GDP each and are likely to see their share grow. Given their economic heft, changes in Mexico, Turkey, Korea and Indonesia will likely have more impact than shifts in France, Germany and Italy. Indeed, O'Neill projects that no European country will be included in the top 10 countries in terms of GDP growth for the next decade, and this will bring about a meaningful paradigm shift in the global balance of power, influence and wealth.

MIKT countries - Mexico, Indonesia, (South) Korea, and Turkey					
MIKT DEVELOPMENT INDICATORS (2011, USD)					
Country	**Population**	**GDP (PPP)**	**GDP per capita (PPP)**	**Exports**	**Imports**
South Korea	49 mil	$ 1,556 bil	$ 31,753	$ 559 bil	$ 525 bil
Turkey	74 mil	$ 1,115 bil	$ 15,321	$ 135 bil	$ 241 bil
Mexico	112 mil	$ 1,659 bil	$ 15,121	$ 342 bil	$ 336 bil
Indonesia	238 mil	$ 1,123 bil	$ 4,668	$ 209 bil	$ 172 bil

Source: Wikipedia

In 2011, Turkey's exports and imports reached an all-time high of USD135 billion while imports rose to USD241 billion							
USD million	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Exports	73,476	85,535	107,272	132,002	102,143	113,883	134,969
Imports	116,774	139,576	170,063	201,961	140,929	185,544	240,838
Trade Volume	190,251	225,111	277,334	333,963	243,072	299,428	375,807
Trade Balance	-43,298	-54,041	-62,791	-69,959	-38,786	-71,661	-105,869

Source: TurkStat, quoted in *www.invest.gov.tr*

SOUTH KOREA
Engine of Growth

South Korea started the decade as the biggest of the MIKTs in terms of GDP per capita and has maintained its lead (see table above). South Korea's international trade began in the 1960s when it started its export-led growth development strategy, exporting mainly light and consumer goods and labour-intensive products (toys, footwear, and clothing). Since the 1990s, it has reduced the exports of such items in favour of heavy-industry, capital-intensive and high-tech products. This has come about because light and labour-intensive products have lost their competitiveness in the world economy.

South Korea's industrial growth has enabled it to produce competitive heavy-industry products like automobiles and ships and high-tech products like memory chips and computer products. It is now a major exporter of telecommunications and computer equipment and devices. South Korea's shipbuilding industry now sells ships to Japan, a major global shipbuilder in its own right.

South Korea's imports in 2011 totalled USD525 billion, a 565% rise over the 1998 levels of USD93.3 billion given that the South Korean export industries depend heavily on foreign capital goods (machinery and equipment) for their production. South Korea's exports totalled USD559 billion in 2011, a growth of 422% from USD132.3 billion in 1998.

MEXICO
Meaningful Economic Shift

Mexico has dramatically changed its approach to international trade. Over the past 25 years, Mexican exports have moved successfully from a reliance on oil (which constituted 76% of export revenue in 1982) to a reliance on manufacturing (which accounted for 89% of export revenues in 1999). The success of this shift has come primarily from the *maquiladora* programme (the Mexican term for manufacturing operations in a free trade zone), which started in the 1960s and was greatly enhanced by the North American Free Trade Agreement (NAFTA) in 1994.

The change of Mexico's approach to international trade also changed the balance of trade. Before 1981, Mexico suffered from a trade deficit when the government borrowed a large amount of foreign debt from other countries. As oil revenue (the main source of revenue to the government) continued to decrease, by 1982 the Mexican government announced that it could no longer even pay the interest on the debt that it owed.

Today, it's a different story. Mexico reported a trade surplus equivalent to USD691 million in March 2012, and ranks as the biggest exporter and importer in Latin America. Mexican trade is fully integrated with that of its North American partners, contributing close to 86% of Mexican exports, and 50% of its imports are traded with the United States and Canada.

TURKEY
Liberalised Economy

In 2011, Turkey surprised many when it surpassed Mexico with a GDP per capita of USD15,321. Turkey's ongoing liberalisation process - designed to remove price controls, decrease subsidies, reduce tariffs and promote exports - since the 1980s has resulted in a period of substantial growth. As a result, both exports and imports have grown rapidly and notable changes in the structure of exports have been observed, with industrial products gaining prominence over agricultural products.

	MEXICO	INDONESIA	SOUTH KOREA	TURKEY
2011 Real GDP growth (%)	3.9	6.4	3.9	8.8
HDI	0.770 (57th)	0.617 (124th)	0.897 (15th)	0.699 (92nd)
GINI	51.6 (2008)	36.8 (2011)	31.3 (2007)	40 (2011)
Area	1,972,550 km2 (14th)	1,919,440 km2 (15th)	100,210 km2 (109th)	783,562 km2 (37th)

INDONESIA
Turnaround Story

Just two decades earlier, Indonesian companies were suffering. Fluctuating exchange rates and the sudden absence of credit in the aftermath of the 1990s crisis made it difficult for Indonesian companies to trade. Inflation and unemployment also reduced consumer demand for increasingly expensive imports.

The beginning of 2000, however, saw export growth resume to pre-crisis levels, although some of that was due to the rise in oil prices. Indonesia was the only G20 member to record economic growth during the global financial crises of 2008-09. Significant reforms were introduced under the first administration of President Susilo Bambang Yudhoyono to boost economic growth. Some of these include capital market development, the use of Treasury bills and tax and customs reforms to boost trade. In 2011, Indonesia exported goods worth USD209 billion while the value of imports hit an all-time high of USD172 billion.

CONTENDERS TO BRICs?

While the MIKTs may appear weaker, smaller and more fragmented than the BRICs because their contribution to the global economy and their share in international trade is smaller, they are definitely a growing force to be reckoned with. All four member countries share some common factors: each has a large population and market as well as a sizeable economy valued at about 1% of global GDP each, and all are members of the G20. The MIKTs, notably South Korea, Turkey and Mexico, have become powerful trade magnets, with cumulative international trade worth USD2.5 trillion in 2011.

But the leadership role will undoubtedly be played by South Korea, by far the most highly developed country when compared to the BRICs. It has been achieving growth rates of 4%, a figure more than double that of other advanced economies.

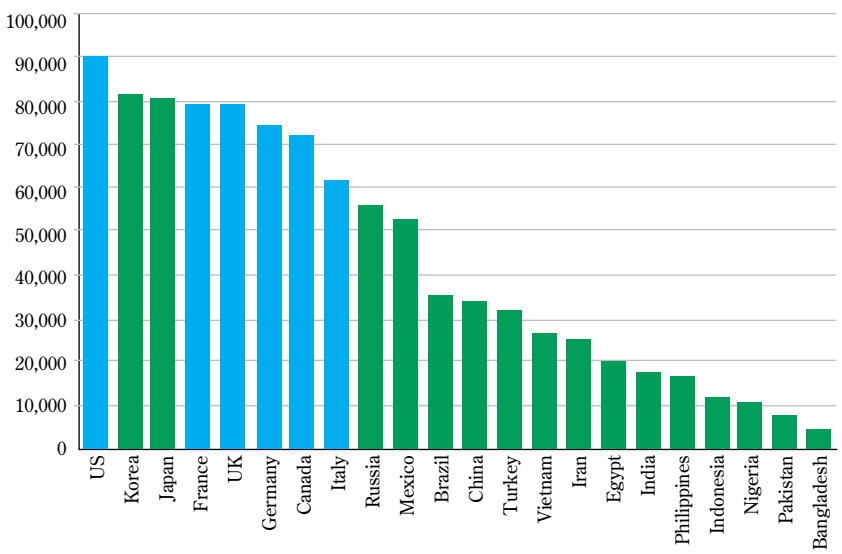
In terms of sustainability, it has a significantly higher Growth Environment Score (Goldman Sachs' way of measuring the long-term sustainability of growth) than all of the BRICs. South Korea is expected to become the world's 11th largest economy and 6th largest among developed countries.

But that's not all. According to a recent Goldman Sachs report, economists from various investment firms argue that Korea will have a GDP per capita of over USD96,000 by 2050 *(see graph below)*, surpassed only by the United States. In terms of stability, the report also claimed that Korea's credit rating will be rated AAA sooner than 2050.

Coming back to my original argument, perhaps Korea's strengths would not have surfaced if we had just lumped the country into the emerging markets category. O'Neill is right in the context that it no longer makes sense to just categorise MIKTs under the broad definition of emerging countries. Once uncorrelated with the developed world, the logical smaller grouping shows that MIKTs are now highly correlated and somewhat more relevant to the world economic growth. The correlation also enables investors to understand the scale of the opportunity that MIKT offers in the fast changing world. Given the development indicators, it is not far-fetched to state that MIKT is another BRIC in the making. Investors take note. Don't miss the boat. ■

Saravanan Ramasamy is a MIA member. He is a professional accountant in business. He can be contacted at sr_vanan@yahoo.co.uk

GDP per capita in 2050



Source: Goldman Sachs

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Malaysia: neither BRIC nor MIKT

WILL MALAYSIA EVER BE ON PAR WITH THE ELITE CLUB OF THE BRIC AND MIKT GROWTH ECONOMIES? OR ARE WE LAGGING BEHIND?

Saravanan Ramasamy

Jim O'Neill, Chairman of Goldman Sachs Asset Management coined the now-famous term BRIC, for Brazil, Russia, India and China, as well as the term MIKT for Mexico, Indonesia, (South) Korea and Turkey. Recently, O'Neill said that he was adding the four MIKT countries to his list of growth economies that could prosper despite whatever happens in advanced countries, given that MIKT economies have shown robust performance this year, backed by strong economic fundamentals.

Malaysia, on the other hand, is neither part of O'Neill's BRIC and MIKT nor was it even considered as a potential candidate for classification as one of the growth economies. How does the Malaysian economy rank against the BRIC and MIKT economies? Can Malaysia enter the 'ivy-league' of growth economies?

Malaysia in comparison

A quick comparison of Malaysia against the BRIC and MIKT economies shows that there are some lagging economic indicators. For example, despite recording an encouraging GDP growth rate of 5.2% in 2011, surpassing most of the BRIC and MIKT countries with the exception of China, India and Indonesia, Malaysia was only ranked 30th out of 191 countries in terms of Gross Domestic Product (GDP) adjusted for purchasing power parity *(please see table below)*. All four BRIC economies emerged in the top 10 list while all four MIKT economies emerged in the top 20 list.

High dependency on the agriculture sector is another area where Malaysia differed in comparison to the BRIC and MIKT economies. Malaysia is seen to be highly dependent on the agriculture sector with 12% sectorial contribution to the GDP whereas the BRIC economies, with the exception of India, recorded an average contribution of 5%. Malaysia's relatively higher dependence on agriculture reinforces the need to move up the economic value chain, focusing on developing a knowledge-based economy.

Another indicator that did not augur well for Malaysia, in comparison to the BRIC and MIKT economies, was the relatively low household consumption level by the lowest 10% of the population. The said consumption by percentage share stood at 1.8% whereas the BRIC economies (with the exception of Brazil) were recording an average rate of 3%. The same was also noticed in the comparison against the MIKT economies. This clearly shows the need for Malaysia to speed up subsidy rationalisation with the aim of ensuring the subsidies reach the needy segment of the population rather than the entire population, including the rich and well-to-do segments.

The effect of the higher level of subsidies is well-reflected in Malaysia's relatively large budget deficit. Based on the latest data released by Bank Negara Malaysia (BNM), the national debt level was RM456 billion as at Q4 2011. This represents a 53.8% increase as compared to 2007 when the national debt level was RM266 billion. With a population of approximately 28 million, this would mean that every Malaysian had to bear RM16,000 of the national debt in 2011. If we were to take into account the debt guaranteed by the federal government, the total debt exposure of the federal government hit RM573 billion in 2011, equivalent to 67% of the GDP. Up to Q4 2011, government debt in total had reached RM456 billion, or approximately 53.5% of nominal GDP. The only country in the BRIC and MIKT blocs with such a high level of national debt is Brazil with 54.4%. At the other end of the spectrum, Russia had the lowest level of public debt with only 8.7%.

It is against this backdrop that one would question whether Malaysia can achieve its aim of becoming a high-income developed nation by 2020.

ECONOMIC INDICATOR	BRAZIL	RUSSIA	INDIA	CHINA	MEXICO	INDONESIA	SOUTH KOREA	TURKEY	MALAYSIA
GDP (purchasing power parity)	$2.38 trillion country comparison to the world: 8	$2.38 trillion country comparison to the world: 7	$4.46 trillion country comparison to the world: 4	$11.29 trillion country comparison to the world: 3	$1.66 trillion country comparison to the world: 12	$1.12 trillion country comparison to the world: 16	$1.55 trillion country comparison to the world: 13	$1.03 trillion country comparison to the world: 17	$447 billion country comparison to the world: 30
GDP-real growth rate (%)	2.7% country comparison to the world: 133	4.3% country comparison to the world: 91	7.8% country comparison to the world: 15	9.2% country comparison to the world: 7	3.8% country comparison to the world: 109	6.4% country comparison to the world: 37	3.6% country comparison to the world: 114	4.8% country comparison to the world: 84	5.2% country comparison to the world: 66
GDP-per capita (PPP)	$11,600 country comparison to the world: 101	$16,700 country comparison to the world: 70	$3,700 country comparison to the world: 163	$8,400 country comparison to the world: 120	$15,100 country comparison to the world: 81	$4,700 country comparison to the world: 154	$31,700 country comparison to the world: 40	$14,800 country comparison to the world: 86	$15,600 country comparison to the world: 77
GDP-composition by sector	agriculture: 5.5% industry: 27.5% services: 67%	agriculture: 4.5% industry: 36.9% services: 58.6%	agriculture: 17.2% industry: 26.4% services: 56.4%	agriculture: 5.1% industry: 41.8% services: 53.1%	agriculture: 3.8% industry: 34.2% services: 62%	agriculture: 14.7% Industry: 47.2% Services: 38.1%	agriculture: 2.6% industry: 39.2% services: 58.2%	agriculture: 9.3% industry: 28.1% services: 62.6%	agriculture: 12% industry: 40% services: 48%
Labour force	104.7 million country comparison to the world: 6	75.41 million country comparison to the world: 8	487.6 million country comparison to the world: 2	1.0024 billion country comparison to the world: 1	49.17 million country comparison to the world: 12	117.4 million country comparison to the world: 5	25.1 million country comparison to the world: 25	27.43 million country comparison to the world: 23	11.91 million country comparison to the world: 45
Household income or consumption by percentage share	lowest 10%: 1.2% highest 10%: 42.5% (2009)	lowest 10%: 2.6% highest 10%: 33.5% (2008)	lowest 10%: 3.6% highest 10%: 31.1% (2005)	lowest 10%: 3.5% highest 10%: 15% (2008)	lowest 10%: 1.5% highest 10%: 41.4% (2008)	Lowest 10%: 3.3% Highest 10%: 29.9% (2009)	lowest 10%: 2.7% highest 10%: 24.2% (2007)	lowest 10%: 2.1% highest 10%: 30.3% (2008)	lowest 10%: 1.8% highest 10%: 34.7% (2009 est.)
Budget surplus (+) or deficit (-)	3.1% of GDP country comparison to the world: 22	0.4% of GDP country comparison to the world: 41	-5% of GDP country comparison to the world: 152	-1.2% of GDP country comparison to the world: 63	-2.4% of GDP country comparison to the world: 90	1.2% of GDP country comparison to the world: 62	2.2% of GDP country comparison to the world: 25	-1.6% of GDP country comparison to the world: 69	-5.7% of GDP country comparison to the world: 166
Public Debt	54.4% of GDP	8.7% of GDP	51.6% of GDP	43.5% of GDP	37.5% of GDP	24.5% of GDP	33.3% of GDP	42.4% of GDP	53.5% of GDP

ETP's targets

The Economic Transformation Programme (ETP) is one of the four key pillars of Malaysia's national transformation framework or New Economic Model (NEM). Other pillars include the Government Transformation Programme (GTP), 1Malaysia and the 10th Malaysia Plan.

Of late, the media has been abuzz that Malaysia's economy is progressing well under the guidance of the ETP as outlined by the government's Performance Management and Delivery Unit (Pemandu). It has been said that this time around Pemandu's approach is different from past attempts to grow the economy whereby this programme proactively involves the private sector and the business community to generate greater possibilities for joint ventures, contract awards and more projects in the country. According to Pemandu, the ETP contains a set of reform and growth measures to boost the economy's gross national income (GNI) to RM1.7 trillion, or GNI per capita of RM48,000 (US$15,000), by the end of 2020 in order to meet the threshold for a high-income nation.

The ETP provides strong focus on a few key growth engines called the 12 National Key Economic Areas (NKEAs) which are expected to make substantial contributions to Malaysia's economic performance and they will receive prioritised public investment and policy support. It is Pemandu's aim that the ETP will be led by the private sector while the government's role is to be a facilitator. Most of the funding will come from the private sector (92%) with public sector investment being used as a catalyst to spark private sector participation.

In line with the GNI target, the ETP is expected to draw in RM1.4 trillion worth of investments and create 3.3 million additional jobs by 2020. The ideal situation for this to happen is for the economy to grow at an annual rate of 6% all the way, leading to 2020.

Challenges ahead

The success of the ETP is predicated on Malaysia's ability to undertake structural and strategic reform initiatives, such as creating a competitive landscape for industries, rationalising subsidies, introducing quality standards, protecting intellectual properties, revamping the education system and building a talent pool of qualified resources. However, it is sad to note the handbrake seems to be constantly on in some instances.

Based on the latest data released by Bank Negara Malaysia (BNM), the national debt level was RM456 billion as at Q4 2011. This represents a 53.8% increase as compared to 2007 when the national debt level was RM266 billion. With a population of approximately 28 million, this would mean that every Malaysian had to bear RM16,000 of the national debt in 2011.

A good example will be the eagerly awaited rationalisation of subsidies. Subsidies have increasingly been blamed for many of our social and economic ills, so much so that the Minister in the Prime Minister's Department, Dato' Sri Idris Jala, who leads Pemandu, said that if the Malaysian government does not reduce subsidies provided to the various sectors in the country, its debt would rise and the country could go bankrupt by 2019. The obvious reason that the subsidy rationalisation is put on hold is that this would be an unpopular move for the 'rakyat', especially with the General Election looming where actions are reconsidered in favour of popularity.

Another example is the increasing number of applications for exemption from Malaysia's recently enacted Competition Act. Malaysia, for the very first time, introduced a comprehensive competition law through the Competition Act 2010 which came into force on 1 January 2010.

Previously, Malaysia did not have a general and comprehensive competition law that applies across all economic sectors. Existing competition laws and regulations in Malaysia have been implemented only in two specific sectors, which are the communications and multimedia sector governed by the Communications and Multimedia Act 1998 and the energy sector governed by the Energy Commission Act 2001 (Act).

It is against this backdrop that Idris was recently quoted as saying that the enactment of the Competition Act is to set in motion a wave of change, with the effects of each action rippling through the economy and creating conditions that are conducive to sustainable growth. According to Idris, the flywheel effect will be instrumental in allowing ETP to meet its goals.

Having said that, it is worrying to see an increasing number of applicants applying to the Malaysia Competition Commission (MyCC) for exemption from compliance with the Competition Act 2010. According to the local dailies, the applicants include the Life Insurance Association of Malaysia (LIAM), the Association of Malaysian Hauliers, a joint application by the Malaysia Shipowners Association, Shipping Association of Malaysia and Federation of Malaysian Port Operators Council, the Malaysian Automotive Association (MAA) and Nestle Products Sdn Bhd.

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Propelling our way forward

At a time when full focus should be placed on overcoming the challenges highlighted above, the recent spate of criticisms of the ETP's Annual Report is definitely an unwanted distraction. Research for Social Advancement (REFSA), a local think-tank, has come out strongly to criticise the ETP Annual Report for not providing sufficiently detailed explanations for the large reductions in GNI impact and job creation of ETP projects.

What's more disturbing is the fact that Pemandu has admitted that initial projection errors have forced ETP's impact to be revised downwards. According to a local daily, errors included using revenue as GNI without stripping out cost, inaccurate projections due to unrealistic growth rate and assuming that GDP equated to GNI. Given that ETP is one of the four key pillars of NEM, due care should have been taken in establishing targets, more so, when these target numbers will be used to assess the success rate and impact of ETP.

Despite the challenges it faces, the ETP is still believed to be the best economic programme that Malaysia has ever seen. In order to intensify and strengthen growth, what Pemandu needs now is steadfast focus and iron political will to implement the structural reform agenda.

There are challenging times ahead, but let's hope that the ETP will open the door for Malaysia to enter the club of growth economies and pave the way for membership in groups like BRIC, MIKT and/or any other grouping that O'Neill may think up in the near future. ■

Source : The World Factbook, The Center of Intelligence (CIA)

LOWDOWN *on land banking*

ARE LAND BANKING SCHEMES THE REAL DEAL? OR ARE THESE SCHEMES SCAMS? WHILE SOME LAND BANKING SCHEMES ARE ABOVE-BOARD, INVESTORS ARE ADVISED TO DO THEIR HOMEWORK TO NOT FALL PREY TO UNSCRUPULOUS PREDATORS.

Kenneth Yong

The success of real estate as an investment asset has never been in doubt. The scarcity of land, the inflation-hedging attribute, and the ever-growing world population all point to the irresistible conclusion that real estate investments can generate wealth over generations.

But a recent string of questionable land banking schemes has cast doubt over the infallibility of real estate investments.

Land banking: An alternative real estate investment

With continued innovation in investment instruments, there are now many ways to gain exposure to real estate returns, leaving investors spoilt for choice. These include acquiring property either from developers or directly on the secondary market; or investing in quoted property shares or Real Estate Investment Trusts (REITs) or unit trusts that focus on property companies and REITs.

Joining this list is land banking, where foreign companies sell sub-divided land in UK / Canada directly to investors in Malaysia (as well as other Asian countries). The profit catalyst in land banking is that the land price will revalue upwards considerably after a rezoning to reward would-be investors for their foresight and patience.

These investment companies, which hail from the UK or Canada, will set up regional offices in Malaysia, Singapore and other parts of Asia. Video presentations hosted by known personalities may be used to build product awareness. Investor meetings will be held, usually at impressive venues or posh offices to stir public interest, spread the compelling business model, and entice investors to sign up for what could be the chance of their lifetime. For the most part, these schemes have had a decent following – a testament to the successful marketing deployed.

Appeal of land investment offerings

Several factors make such foreign land banking schemes attractive. For the most part, the business model – acquire greenbelt or agricultural land at affordable prices and wait for the eventual rezoning to residential / commercial status where significantly higher valuations will be realised – is simple yet appealing, reminiscent of the investment mantra "buy low sell high" which no one can fault.

And then, there is that crucial element that would ensure the investment scheme enjoys mass appeal: affordability. Cleverly priced from approximately RM30,000 per plot of land, this undemanding price-point places it within the reach of most working professionals, and is equally poised to attract interest from businessmen, homemakers and retirees alike.

Coupled with the fact that the investment companies associate themselves with reputable legal firms to add credibility to their acclaimed offerings, this recipe for success seems almost too good to miss, especially given that prices of landed properties in Kuala Lumpur have already escalated beyond reach of the masses.

Companies Act and investment offerings

A rude awakening of sorts came in October 2008 when the press reported that three foreign land banking firms were raided by the Companies Commission of Malaysia (CCM) for offering investments to the public without proper approval from the authorities as required by Division 5 of the Companies Act 1965.

Specifically, Section 91(1) states: "A person shall not issue or offer to the public for subscription or purchase or invite the public to subscribe for or purchase any interest unless, at the time of the issue, offer or invitation, there is in force, in relation to the interest, a deed that is an approved deed."

The operative word "interest" (here denoting a "rights over an investment") seems rather removed from land banking, and readers may be forgiven for failing to draw the connection between purchasing an "interest" and purchasing a property.

Meaning of "interest"

But clarification was forthcoming. In the High Court case of *Profitable Plots Sdn Bhd vs Suruhanjaya Syarikat Malaysia* (2011), it was held that the land sales offered by the plaintiff were in fact "purchase of interest" arrangements.

The plaintiff, a local company, did not own the foreign land, but was part of a complex "Strategic Land Planning Trust" that did. Nonetheless, the plaintiff executed a conditional sale of the land (together with a conjoined 20-year-option agreement) to the investors whereby the latter would not object to any planning development close to their purchased property. The effect of this, in the High Court's view, was to cause the case to rise from an ordinary "purchase of property" arrangement to an extraordinary investment arrangement – thereby bringing the property sales within the definition of "interest" under Section 91(1).

Ironically, despite the violation of Section 91, based on the CCM's verification with the land authorities in UK and Canada, the foreign land titles issued to the Malaysian investors were found to be genuine – an awkward but important find, suggesting that the faults of this investment scheme were more a failure of corporate procedure rather than a failure of fair play.

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Return on investment

In land banking, like in any other investments, the question of investment return is closely linked to the time horizon.

The common maxim "property prices double every eight to ten years" is instructive, setting a benchmark for returns: 7% to 10% per annum. While not spectacular, these figures provide important yardsticks for comparison.

In a world where efficient market agents are at work and where arbitrage price-seeking is rampant, any mass-market investment promising extreme returns must be viewed with extreme caution.

Business failure or investment scam

Late February 2012 saw Edgeworth Properties (Malaysia) Sdn Bhd, a land banking company selling Canadian agricultural plots to Malaysian investors, slip into liquidation, dragging with it RM76 million worth of money paid by investors into a financial whirlpool as the Canadian land plots have since been crushed under the weight of heavy mortgages (mortgages which were allegedly kept secret from the investors) that in all probability may dash the chances of investment recovery – a stark contrast to the purportedly promised 60% returns over a two-year horizon.

This particular case reignited the question of whether we were witnessing an engineered investment scam or a genuine business failure (the CCM had jurisdiction over the former but not the latter) and sent an alarming reminder that all overseas investments involved unknowns – some of which will remain unknowable to ordinary Malaysian investors without market-specific knowledge.

An unresolved issue is that of the rezoning potential of greenbelts into valuable commercial / residential usage. While the sponsors of these investments vigorously defend this basis, the position taken by the public may now be circumspect, and they may require more convincing that the land-conversion can be realised.

Behavioural biases

Intelligence itself may not be a sufficient defence against investment scams (Malaysian land banking investors were exclusively from the middle and high-income bracket), as schemers devise new ways to circumvent the sceptical scrutiny that is the hallmark of intelligent investing.

In articulating his losses in the internationally infamous Madoff investment scam, psychology professor Stephen Greenspan (2009) wrote: "In my own case, the decision to invest in the Rye fund reflected both my profound ignorance of finance, and my somewhat lazy unwillingness to remedy that ignorance." He also proposed the following factors that can lead intelligent people to "trust" and so, fall victim to investment scams:

- **SITUATION**
  Reputation of the schemer may affect the judgement of the potential victim.
- **COGNITION**
  The impulsive willingness to take the easy way out and place complete trust in others.
- **PERSONALITY**
  Unwillingness to question a trusted personality.
- **EMOTION**
  The overwhelmingly strong desire to increase wealth interferes with logical reasoning.

While not all land banking offerings are scams, those that are must necessarily employ the above factors to maximum effect.

There are the corporate ambassadors – those personalities of global fame who seemingly endorse the investment, a shrewdly powerful message to subdue our judgement and increase our capacity for trust.

There are the complex transactions and foreign laws involved, of which few investors are likely to possess the technical skills (and tireless patience) needed to decipher all the fine print, and so are compelled to trust others as a short-cut.

There are the posh offices and impressive sales presentations that help generate what Apple employees (in reference to the late Steve Jobs) called "a reality distortion field" to dazzle and mesmerise investors.

And finally, there is the very lucrative investment return, one so irresistible and apparently achievable under the business model's rezoning explanation, fuelling the investor's strong desire to want to see the investment through (spurred in part by the investor's exasperation for having missed out on earlier real estate investments closer to home).

It is possible that certain psychological bias exists in our minds that can never truly be overcome by rational reasoning alone, and to some extent dooming us to fall victim to any sufficiently elaborate investment scam. As such, the label of gullibility so often (and erroneously) bestowed upon scam victims may not be fully justified, as investors, learned and ill-informed alike, are not spared.

Enforcement by CCM

These days, given the multitude of companies offering non-traditional investments (e.g. land banking, gold and silver, wine, tea-leaves, art etc.) - some being genuine businesses with serious money-making propositions, others being elaborate scams with fraudulent designs, both indistinguishable from each other - the risk of being bamboozled is greater than ever for prospective investors.

This fact may excite the schemer but will hardly thrill the authorities who must redouble their efforts to breakdown the predator-prey cycle and safeguard the investing public. But the regulatory process requires time and in many cases, complaints or whistleblowers. Until discovery, scam companies will no doubt be hard at work under the radar luring unsuspecting investors.

According to the CCM, "the total investments were in excess of RM150 million" just from the three foreign firms it had raided in 2008. Beyond mere statistics, this was a profound revelation of the sheer magnitude of the stakes at hand, and demonstrated the ultimate futility (as a deterrent) of the RM100,000 monetary penalty associated with Section 91.

Education and public awareness are still the cornerstones of a successful onslaught against investment scams. Intensifying surveillance efforts and creating accessible online-checks are crucial, as are online channels to lodge complaints (*www.ssm.com.my* and type "interest scheme" into the search bar for a list of CCM-registered interest schemes). So too must the unsuspecting public be constantly blasted by the tiresome but true warning of "too good to be true" if only to serve as a delay tactic until informants can come forward.

More than any other factor, investments are driven by money. On the supply side, investment sponsors move away from the (recession-ridden) West to where economic activity and affluence is growing most strongly: emerging markets. On the demand side, rising incomes prompt households to seek attractive investments with money-multiplying potential. Foreign land banking firms have emerged in Malaysia as a manifestation of the above phenomenon.

To the current generation of investors (where the Great Depression or World Wars are far-removed concepts, and where Internet and Globalisation are the tune of the day), high-risk appetites and high-speed returns seem to be the prevailing flavours.

Understandably, land banking - as a variation of real estate investing - is an accessible investment asset to investors who have been estranged by traditional real estate where prices have mostly moved beyond their reach.

For investors migrating from the known risks of traditional real estate investments to the unknown (and therefore more fearful) risks of foreign land banking offerings, the tone of Murphy's law (anything that can go wrong will go wrong) provides an invaluable reminder to exercise extreme caution and to do thorough research every step of the way. ■

Kenneth Yong Voon Ken is an MIA member and is a practising accountant based in Kuala Lumpur.

From strategy to profit

Most organisations fail to optimise their performance and profits because they cannot effectively translate their strategies into measurable actions at the individual level. Strategy planning is not the same as strategy execution. Organisations must learn to take effective action to plan AND execute their strategies. But this will be a formidable challenge as most organisations are hampered by a lack of focus and weak or inconsistent organisational practices and policies which are not aligned and integrated towards a single common goal of strategy execution.

Why do organisations fail to perform and increase stakeholder value? Because they excel at strategic planning but fail epically at strategy execution, explained **Patrick Ow**, a performance management and execution coach. Ow spoke to *Accountants Today* before coaching a one-day-only Masterclass exclusive to MIA entitled *Turning Strategies into Profits: Making Strategies Work.*

"A number of research studies have shown that up to 90% of surveyed organisations don't execute their strategy," noted Ow. Organisations are unlikely to do an about-turn and focus more on strategy execution because the emphasis on strategy planning is deeply entrenched and strategy execution must involve everyone in the organisation, not just the planning team.

On the other hand, strategy execution is a relatively new but rapidly growing knowledge field. A search on *Amazon.com* at the time of writing shows that there are in excess of 47,000 titles on 'strategy/strategic planning' with only 7,770 search results for 'strategy execution'.

Placing prestige MBAs on your team isn't a guarantee that you'll optimise business performance either. "Unfortunately, MBA schools don't usually teach strategy execution," he said.

One goal to rule them all

What makes execution tough? "Strategy is easy to plan but hard to execute at the ground level because everyone in the organisation must be clear about the organisational goal and be intimately involved in its execution or performance. As organisations are made up of people, every individual's performance must be systematically aligned towards the achievement of this one organisational goal. Top-level goal or corporate strategy must be cascaded and 'broken down' into personal targets and performance measures."

But don't despair. Although it might be tough, time-consuming and will certainly involve a pervasive mindset and cultural change, organisations can take proactive steps to turn their strategy into profits.

Patrick Ow

Focus and keeping things simple are critical. "A lot of organisations are very busy doing a lot of things and they don't clearly articulate their strategy and corporate goal very well. To succeed, organisations must focus on one (or two) wildly important goals that will make all the difference, instead of giving mediocre effort to dozens of unclear, unimportant goals," he said.

It's not enough to say that 'we want to be the market leader in our field' or 'be the best in our industry', which is often the case with vague strategy. Measurable goals need to be articulated clearly so that everyone in the organisation knows in which direction they should be heading. "Unfortunately, organisations struggle to narrow their focus to the one wildly important goal that will make the key strategic difference in sustaining competitive advantage and (fail to) engage everyone towards achieving that one goal," said Ow.

Apple is a compelling example of an organisation with clear focus and single-mindedness. Its previous visionary leader Steve Jobs set out to build 'an enduring company where people were motivated to make great products'.

"By concentrating on just three innovative products (the iPod, the iPhone and the iPad), Apple revolutionised our lifestyles and carved out a competitive advantage that is very hard to follow, resulting in the third highest share price to match," said Ow. "Like in Apple, successful strategy execution requires a very clear strategy and one wildly important goal that can be broken down into specific and measurable lead measures and targets at the individual level."

To execute well, organisational leaders must know their people and its business — leaders have to live their businesses. Apple benefited from Jobs' ruthless leadership, although he might not have been a people person or the most nurturing boss. "Organisations need a visionary leader who can clearly focus the organisation and live the business. Jobs' job was to challenge his people. One of his hallmarks was to get involved

ACCOUNTABILITY ALSO entails offering individuals rewards and reinforcement for positive actions and results that bring the organisation closer to achieving its wildly important goals, and vice-versa for actions that don't benefit the goal. This is where the human resources (HR) function should play a more strategic role.

in product development; he was very hands-on. He would ask questions like 'If it would save a person's life, could you find a way to shave 10 seconds off the boot time?' and the end-result was 'instant on' for the iPad. And he wouldn't ask the customer what they wanted 'because customers don't know what they want until we've shown them'," explained Ow.

It goes without saying that the organisation's wildly important goals and its broken-down elements should be measurable and achievable by everyone in the organisation. Management must also provide the requisite support, resources and reward to bring the strategy to fruition.

Invariably, said Ow, corporate strategists or planners working in silos come up with a grandiose strategic plan that is not operationally feasible and under-funded. "Unfortunately, strategic planning is usually divorced from strategy execution, operational planning and budgeting. Part of the solution is to have the end in mind and make sure that the actual doers are actively engaged in the strategic planning and budgeting processes."

"The execution of any strategy has to be adequately resourced and must be linked closely to budgets. Frequently, we find that the budgeting process is very disjointed and political, and strategy and budgets are not aligned. Organisations that are unclear about their one wildly important goal don't know where to effectively allocate their limited resources and funds, resulting in unfunded or poorly funded strategies and the lack of goal attainment."

"In addition to CAPEX and OPEX, organisations should introduce a third budget category called STRATEX or strategic expenditure, where these funds are solely used for funding strategic long-term initiatives that will make a lasting impact on the organisation, managed under the preview of the CEO," Ow elaborated.

Apart from a sound strategy, a visionary hands-on leader and an adequately financed strategy, successful organisations must align their people in pursuit of that one wildly important goal. To make this happen, everybody working in the organisation must be attuned to the organisation's *raison d'etre* or reason for being. For example, where customer service is the heart of a hotel's existence, everybody from the cleaners to the housekeepers to the banquet staff must realise that the overriding goal is to meet or exceed customer expectations.

Once aligned, individual talent must then be held accountable for the achievement of their own personal targets and performance measures that are specifically designed to drive toward the achievement of that one wildly important goal. "Developing and keeping compelling and visible organisational and team performance scorecards enable individual action, engagement, accountability and strategy execution. Everyone will know the performance score at all times and at all levels of the organisation – they can tell whether or not they're winning."

Accountability also entails offering individuals rewards and reinforcement for positive actions and results that bring the organisation closer to achieving its wildly important goals, and vice-versa for actions that don't benefit the goal. This is where the human resources (HR) function should play a more strategic role, said Ow. "Unfortunately, HR functions today are very weak. They tend to be very administrative and trapped in its silo. To execute well, the HR function must design the fit-for-purpose performance management and reward systems that reinforces the desired performance and behaviour so that the organisation will achieve its strategy."

What if you're a poor performer? "Part of the strategy execution process is for managers to coach poor performers. Strategic execution is about change management; changing people's mindsets, performance and behaviours, and being very clear about the individual's performance measures and targets, and the associated rewards if those performance targets are achieved (or consequences if targets are not met!). But the bigger the organisation, the simpler the process needs to be. Don't over-engineer the process," cautioned Ow.

But not all square pegs can fit in an organisation's round holes. "To paraphrase Jim Collins, everybody's got to be on the same bus going the same direction. If you can't do that, then you have to get off."

Finding the suitable talent to take up the seats on the bus is ostensibly HR's role. HR should know which job groups have the greatest impact on the organisation's strategy than others and actively help business unit heads fill them with the right people.

The Board has also a role to play in strategy execution by reviewing the organisation's risk appetite and senior remuneration programmes to ensure that CEOs are not being pressured to take unnecessary risks and produce short-

term profits at the expense of sustainable and innovative performance in the long-term. "A lot of CEOs are pressured by shareholders to produce short-term results. We've seen CEOs condoning fraud or creative accounting to produce the desired short-term results."

As in the case of Apple, a re-focus away from profits to innovation has resulted in the increase in share price and profits. "If you focus on innovation and on customers, the share price and profits will naturally go up."

By doing exactly this, the late Steve Jobs managed to turn the ailing Apple around into an organisation with the world's third highest share price as of the time of writing. Why not take some lessons from strategy execution from the master himself and keep it clear, simple and doable?

The roles of accountants today are expanding beyond finance into the realm of executive management, regulatory compliance and corporate governance, and strategic planning. To support accountants in their more challenging and multifaceted roles, MIA is actively organising CPD programmes that improve business acumen, strategic thinking and performance among our members, such as this exclusive workshop on *Turning Strategies into Profits: Making Strategies Work.* Look out for more stimulating executive-level courses from MIA in the future! ■

Closing down a company: Strike Off or Wind Up?

Company closures have increased significantly, mainly precipitated by the economic downturn and rapid market changes. When the business of a company reaches the stage of closure, the business of a company will gradually stop being operational and eventually become inactive. Well, you may call this business dead business. So what happens next?

In these circumstances, the directors of such a company need to decide on a suitable means for cessation. There are two common methods for closure of a company, which are:

1. **STRIKING OFF**
2. **WINDING UP**

Should I strike off or wind up my company? What is the difference between these two methods? These questions will definitely arise in the mind of affected directors. Directors of a "dead" company need to make a smart move in deciding the most appropriate method for closure of a company. Pursuant to the Companies Act 1965 (CA 1965), there are differences between winding up and striking off as seen in the table.

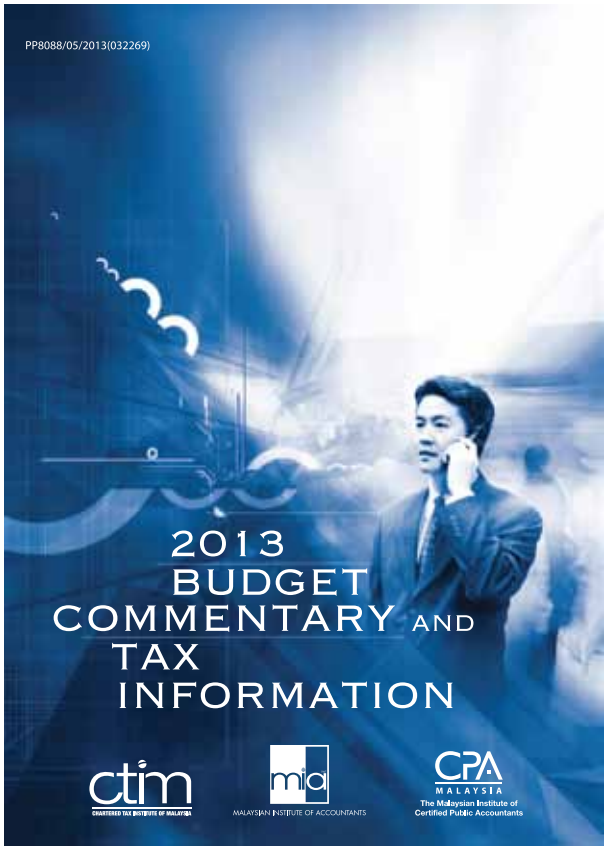
Striking off a company

Striking off a company requires you to make an application to Suruhanjaya Syarikat Malaysia (SSM) in accordance with Section 308 of CA 1965. Many say that striking off a company is a simple and efficient way of closing down a company. However, there are some criteria that need to be fulfilled prior to striking off a company, which may make striking off not an easy process.

After taking into consideration all the above-mentioned criteria, you may have changed your mind, right? If your company is big previously, you will need to resolve many things which probably will require a lot of your time. Furthermore, if your company still has assets (e.g. buildings or land) or liabilities (e.g. amounts owing to government agencies such as IRB, EPF & SOCSO), these assets need to be disposed off first and all the liabili-

To strike off, a company:

i) must be dormant and not in operation;
ii) must get consent from the majority of the shareholders;
iii) has no assets and liabilities;
iv) has no bank account;
v) has no outstanding tax or other liabilities including compound with any government bodies such as EPF, SOCSO etc.;
vi) has no outstanding penalties or compound due to SSM under CA 1965;
vii) has updated the latest information with SSM;
viii) is not involved in any legal proceedings within or outside Malaysia;
ix) does not have any charges in the Register of Charges;
x) has not made any return of capital to shareholders;
xi) is not a holding company or subsidiary of another corporate body;
xii) is not a Guarantor Corporation.



The economic scenario

Malaysia is on a good trajectory in its growth path. Recording a growth rate of 4.7% in Quarter 1 of 2012, the country is expected to perform reasonably in the coming year notwithstanding the headwinds that it will encounter. With the impetus of the Economic Transformation Programme behind its back, the indicators are optimistic that 2012 will turn out to be a fine year for Malaysia. Nevertheless, the international economic landscape is not too rosy. High commodity prices, poor economic growth in the developed countries and a slowdown in China – all these present challenges and opportunities at every turn.

All of these developments should translate into further plans and changes in the coming Budget 2013 which is expected to be presented by the Prime Minister on 28 September 2012. To bring some insights and perspectives to our fellow professionals, the **Malaysian Institute of Accountants (MIA), The Malaysian Institute of Certified Public Accountants (MICPA) and The Chartered Tax Institute of Malaysia (CTIM)**, will once again jointly publish the 2013 annual Budget Commentary & Tax Information booklet for our members.

Order the 2013 Budget Commentary and Tax Information

Do not miss this opportunity to get your hands on this highly sought after booklet! Not only is this booklet an excellent source of information on the 2013 Budget proposals, it is an outstanding repository of tax facts which every practitioner can access within a page away.

A complimentary copy each of the booklet will be given to all members of MIA, MICPA and CTIM but members are encouraged to purchase additional copies of the booklet for their staff and for distribution to their clients and business associates. For a fee, interested firms may personalise the booklet by overprinting the firm's name in a space on the first page of the booklet.

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Dewan Akauntan
2 Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur
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ties are required to be settled prior to proceeding to the striking off, because one of the important criteria of striking off a company is to ensure that there are no balances in the accounts of the assets and liabilities of the company.

One of the benefits of striking off a company is that directors of a company are allowed to change their mind regarding the previous closure of their company. Directors can apply to the Court for re-commencement of their business within 15 years after the name of their company has been struck off as provided under Section 308(5) of CA 1965.

In order to ease the striking off procedure, SSM has provided an online service on their website where the applicant can view the status of the striking off application. In addition, SSM has provided some guidelines and practice notes for striking off a company, such as:

- Guidelines on Application to Strike Off the Name of a Company issued on 12 January 2007
- Practice Note 5/2009 – The Filling of Objections Pursuant to a Claim of Amount Due and Owing Against a Company Undergoing a Striking Off Process issued on 21 July 2009
- Practice Note 6/2010 – Guidelines for the Application to Strike Off a Company Which is Being Wound-Up.

Winding up a company

Another method of closing down a company can be carried out in accordance with Section 257 of CA 1965. The winding up of a company is known as 'liquidation'. In other words, winding up or liquidation is the process by which a company is brought to an end whereby the assets and property of the company will be redistributed. The responsibility of winding up of a company lies with the liquidator. When a liquidator has already been appointed, all the powers of directors and shareholders shall cease. The liquidator will take charge to ensure that the company is properly dissolved.

The court-ordered winding up is where the winding up process of an insolvent company is triggered by a court on the application of one or more parties. The process of winding up the affairs of a company is carried out by the Official Receiver, currently known as the Director General of Insolvency or a liquidator. This type of winding up of a company requires the petitioner to state the grounds of winding up of a company as set out in Section 218(1) of CA 1965. The circumstances that may direct a company to be dissolved by court order include:

i) The company is unable to pay debts owing to financial institutions, suppliers or any other related entities
ii) One or more of its directors has acted in his/her personal interest or unjustly to other directors or acted against the interest of the company and has been served a court order.
iii) The court is convinced that it is equitable that this company should be dissolved.
iv) The number of directors or shareholders is reduced to one (a private limited company in Malaysia requires two or more shareholders).
v) No business operations have been started since the day of registration (period of one year) or business operations are suspended for one year.
vi) Where the M&A (Memorandum and Articles of Association) of the company sets an expiry date for the business.

There are two types of winding up:

- Court-Ordered Winding Up (also known as Compulsory Winding Up)
- Members' Voluntary Liquidation (MVL or also known as Voluntary Winding Up)

The Members' Voluntary Liquidation (MVL) is the liquidation of a solvent company where the directors must form an opinion that the company will be able to pay its debts in full within a period of twelve (12) months after the commencement of winding up of a company in accordance with Section 257 of CA 1965. Once the liquidation is commenced, it will be advertised in the local newspaper in order to inform the public about the status of the company.

Based on the details as shared above, I believe you know your choices when dealing with the closure of a company. ■

aftaas

AFRIZAN TARMILI KHAIRUL AZHAR

Chartered Accountants AF1300

A major asset of the Company is our people and their commitment to quality, innovation and spirit of excellence. We are constantly looking for dedicated and motivated individuals as our Company grows. To join our Company's dynamic workforce please write to the following address;

Human Capital Department
Afrizan Tarmili Khairul Azhar (AF1300)
Aftaas, 2, Jalan Rampai Niaga 2,
Rampai Business Park, 53300 Kuala Lumpur
Fax: 03-41429330 or email: human.capital@aftaas.com

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Preferred skills: Minimum 2 years working experience. Fresh graduates are encouraged to apply
Strong interpersonal, self-motivated, computer literate, excellent communication, excellent report writing and presentation, and able to work independently

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Requirements: Professional qualification or Bachelor's Degree in Accountancy
Preferred skills: At least 4 year(s) of working experience in the related field is required for this position.
Strong technical competency in audit and accounting field with excellent reporting and presentation skills
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Requirements: SPM / STPM / Diploma.
Preferred skills: At least 1 year of working experience in the related field.
Able to manage full sets of accounts and excellent in Microsoft Office.
Familiar with MYOB, UBS software.
Pleasant personality and good in English and Bahasa Malaysia

Etiquette at work

Adhering to good etiquette at the workplace can enhance relationships and ultimately, performance.

Joy Priscilla Nathan

What is etiquette? Etiquette is defined as a set of customs and rules for behaviour in polite society, official or professional life. It evolves within cultures and is usually unwritten but the aspects of etiquette have been codified from time to time.

Knowing the rules of etiquette alone is insufficient. There is a difference between knowing etiquette and behaving according to etiquette. Indeed, what we're really after are manners which are the best combination of courtesy, caring and common sense. Some people follow every rule of etiquette, but may have a manner that is rude or patronising.

WORK ETIQUETTE AND OFFICE ETIQUETTE

Since we spend so much time at the workplace, it's worthwhile to discuss certain etiquettes which we may have overlooked in our workplace.

Work etiquette is a code that governs the expectations of social behaviour in a workplace, in a group or a society. In simple terms, it encompasses all types of manners and behaviour in relation to work dealings such as your personal behaviour, how you relate to both internal and external parties and how you make use of communication tools. By the same token, it guides the individual on how to behave when dealing with situations in the working environment, regardless of how trivial the situation is.

On the other hand, office etiquette or office manner is about behaving yourself respectfully and courteously in your organisation. Simple examples of work etiquette or office etiquette that should be commonly observed in the workplace are:

1 Turning Off Your Cell Phone Ringer

Your cell phone shouldn't ring at work. Always keep your phone in vibration mode. The sound of ring tones can be very annoying during working hours because it can distract your colleagues.

2 Don't Bring Your Cell Phone to Meetings

Avoid bringing along your phone to meetings, even if you have set your cell phone in vibration mode, since taking calls during meetings show that you are not concentrating a hundred per cent. Make your calls when your meeting is over or during break time, unless it is an emergency call.

3 Setting Limits on Sharing Personal Information

Don't share personal information with your colleagues. You don't want to burden your co-workers and you certainly don't want to become a cause for gossip. While some people may assume there is nothing wrong with telling others whatever you've shared, others may be malicious and intend to cause harm by spreading negative information about you. It's too late to retract any information when you find out you've shared your story with the wrong person.

4 Have Mutual Respect for Each Other

Respect everybody, from the lowest employee on the totem pole to the highest executive in the workplace. Nobody likes being treated as though they are inferior. Regardless of their position, everybody should be treated equally. When there are new employees around you, greet them and make them feel warm and comfortable. Interacting with your peers is also part of office etiquette. Be aware of the topic you are discussing with your co-workers. Do not shout or speak in loud tones in public. Our tone of voice mirrors our expression while talking.

5 Refrain from Gossiping

About your co-worker's private lives, which is definitely not good practice. When you have conflicts with your co-workers, act wisely and do not be rude, aggressive and confrontational. Be the mature one in any dispute.

6 Being on Time

"TIME" is the most precious commodity we have. The productive and fruitful use of time is the key to happiness and fulfilment. Certain individuals suffer from poor time management skills and are late in every situation. Nevertheless, some people are always punctual.

Punctuality comes from the Middle Latin "punctualis", a point and to be more specific, punctuality is being "on time". How important is punctuality? Punctuality affects the other parties' first impression of you. It is essential to gain respect from employers, co-workers as well as other external parties. Always behave as if "You are the ambassador/s of the business".

Punctuality reflects the importance and value placed on the job. Reporting to work early gives the employee time to "catch their breath" before starting the job. Rushing to "punch the clock", and hoping the boss will not realise you are late reflects the lack of importance placed on the job.

"At the minimum, a good reason for wanting to do your job well is because of self-respect!"

Datuk Mohd Nasir Ahmad, MIA President

MANNERS FOR NETWORKING

Apart from these six fundamental principles, author of *Mingling Maven* and the international expert on 'how to work a room' Susan RoAne highlighted three principles that people should keep in mind when networking:

People expect that we will "bring something to the banquet", therefore do:

i. Approach people with a smile, handshake and open, upbeat greeting

- Look them in the eye when communicating with them
- Invite people into your conversations once they get started
- Be energetic, enthusiastic, conversational, informational and humourous.

ii. It is courteous to move slowly away from the room so that you don't look as if you've "turned your back" on your partner's conversation.

iii. Don't judge people by their appearances, which can be a grievous error.

It's important to have manners to keep abreast of changing patterns in etiquette. Regardless of trends in etiquette, at heart a person with manners genuinely cares about other people and makes an effort to make them feel comfortable.

ETIQUETTE AT MEETINGS

Please be on time when attending a meeting. It is extremely rude to be late to meetings. It is even ruder not to attend after you have confirmed your attendance unless you have a valid reason.

You also should not take control of the meeting you're attending, unless you are chairing the meeting. All communication must take place through the chairperson. Furthermore, it is inappropriate to interrupt another speaker, especially when the chairperson is speaking. You should pay attention to the meeting quietly first and voice out your disagreements later or say "excuse me" when you want to interrupt. Although you are able to voice out your doubts and seek clarification on certain matters in the meeting, it does not mean all your opinions will be taken into consideration. Therefore, do not take it personally or be antagonistic if your opinion is not accepted. Finally, do not leave the meeting until it is officially adjourned by the chairperson.

CORPORATE CULTURE AND THE VALUE MODEL

Value Model

1. ACTION / BEHAVIOUR
2. REINFORCE +/-
3. ATTITUDE/ BELIEF
4. NORM

VALUES

In the above value model on values, the organisation's leadership is important in shaping corporate culture. Furthermore, a good and positive culture will lead an organisation to excellence.

Members of the organisation will determine the corporate culture based on the accepted values resulting from reinforced behaviour. For instance, if an employee is late to work and repeats this action more than three times in one month, he/she has to be warned immediately instead of months after that. If the management prolongs its actions or does not reinforce its authority to do so, it becomes the employee's attitude and belief that the management's "late" actions reflect its acceptance of the employee's behaviour. Thus, it will become a norm for employee to be late at work. In this case, the employee should not be blamed entirely for his irresponsible behaviour as management also plays a role in creating the culture of the organisation. Freedom can be given to the extent that the employee will not abuse it. If the employee misuses his freedom, management should take the necessary enforcement action on a timely basis.

In conclusion, good office etiquette can be easily achieved by using common courtesy. Do the gracious thing, as you would like to be treated if you were in the other person's place. Office etiquette in particular applies to co-worker interaction and communication with colleagues. Be nice, and be thoughtful and considerate of others, even in the techno-toy room where colloquial and casual behaviour are the norm. Consequently, you would enjoy a harmonious and comfortable working environment. ■

Becoming a Great Leader

How do you become a great leader? It's not about being the top dog in management or commanding the highest post in the corporate echelon, but more about engaging with and empowering the people around you, said **Michael Simpson**, Senior Consultant and Executive Coach for the Franklin Covey Group Leadership and Execution Practice.

True leadership is not about being the boss or manager to your underlings, but an inspirational and empowering figure to all the people around you.

'Our job as leaders is to create the conditions to enable greatness in people. Greatness exists in all people,' said Michael Simpson, Senior Consultant and Executive Coach for the Franklin Covey Group Leadership and Execution Practice in a recent interview. Simpson was in Kuala Lumpur to coach the Leadership seminar based on the *8th Habit Book – From Effectiveness to Greatness* organised by Leadership Resources. He is also the Global Director of Franklin Covey's Executive Coaching Services in partnership with Columbia University. Franklin Covey is perhaps best-known for their executive coaching services utilising the works of Dr. Stephen Covey who wrote *Seven Habits of Highly Successful People* and more recently *The 8th Habit: From Effectiveness to Greatness.*

'Leadership is really about seeing the unseen capability of people so clearly that they'll believe in it themselves,' added Simpson. 'Thus, great leadership becomes a self-fulfilling prophecy.'

Micheal Simpson

What are some of the traits of a highly effective leader? **One, they are proactive, not reactive.** 'They are responsible and they make informed choices that determine their destiny. They overcome negative culture, whereas bad leaders are reactive, complaining, and criticising and typically victims of culture.'

Two, great leaders also have a clear and compelling purpose. Instead of being aimless, they are able to visualise their goals and to communicate them to others, and to unify others in pursuit of this vision. Furthermore, their goals are linked to the overarching goals and purpose of their organisation. Great leaders are also very focused on the wildly important goals. 'Based on research we've seen looking at about 350,000 leaders worldwide, leaders don't know the goals of the organisation. There are either too many goals, they're too broad, they're too vague, they're not measurable, or they may be conflicting and competing.'

'So a leader needs to first have no more than one to three wildly important goals per team at any given time.

Three, they have their priorities straight, which is linked to the trait of focusing on wildly important goals. 'They put first things first, they don't put urgent things first.'

Four, they think win-win. 'They have a mentality of 'abundance' whereby they create opportunities for others. Mediocre leaders think in a 'scarcity' mindset where they have to protect their turf, their title and power. But it's hard to come from an abundance mindset if you lack security.'

Five, leadership is not about titles, but about influence. 'Leaders can emerge at any level of the organisation. What is important is your moral influence and your authority.' Gandhi is a compelling example of a leader with no formal

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(Formerly known as
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Accountant - Reporting
Responsibilities:
- Keep abreast with changes in new accounting standards (FRSs) to ensure the financial statements are in compliance to the FRS requirements.
- Proficient in the preparation of monthly, quarterly and annual consolidation for financial and management report.
- Able to prepare quarterly interim financial statement for release to Bursa Malaysia.
- Able to coordinate and prepare budget on a yearly basis and to review budget proposals.
- Able to update budgets, forecasts and business plans to reflect changing market conditions.
- Coordinate periodic exercise for retention or clearing of financial documents.
- Liaise with External Auditors and Accountants on annual audits.
- Assist in internal audit and risk management.

Candidate Qualifications Required:
- Certified Accountant with ACCA, CIMA or MIA; or have a Bachelor's Degree in Accounting and Finance.
- Minimum 5 years working experience in the audit and/or commercial environment is essential, preferably in public listed company.

Accountant/Assistant Accountant
Responsibilities:
- Manage and supervise the FULL spectrum of accounting and internal control functions for the generation of accurate and timely monthly financial statements and other related information.
- Ensure sufficient internal control systems are in place to safeguard the assets of the company.
- Keep abreast with changes in new accounting standards (FRSs) and income tax law to ensure the financial statements are in compliance to the FRSs and Income Tax Act requirements.
- Review yearly budget and business plan, if any.
- Review the submission of CP204 and CP204A to IRB.
- Liaise with external auditors.

Candidate Qualifications Required:
Accountant
- Possess a Bachelor's Degree or Professional Degree in Accounting and is a registered member of MIA.
- Minimum working experience of 5 years in accounting-related field.

Assistant Accountant
- Possess a Bachelor's Degree or Professional Degree in Accounting.
- Working experience of 3 to 5 years.

Accounts Executive/Accounts Officer
Responsibilities:
- Prepare monthly management statement (FS), and prepare and issue journals adjustment, debit and credit notes, payment vouchers and cheques.
- Prepare monthly bank reconciliation, all inter-company balances and transactions etc.
- Ensure all accounting documentations and records are properly filed and kept in accordance with the requirements of the Companies Act 1967.

Candidate Qualifications Required:
- Possess a Bachelor's Degree or completed partial Professional Degree in Accounting or FULL LCCI.
- Minimum working experience of 3 years in accounting-related duties.

Candidates applying for accounting positions above would be preferred to have experiences in either commercial environment (preferably in property and construction-related industries) or in audit environment.

Internal Audit Manager
Responsibilities:
- Able to lead the Internal Audit Team to ensure internal audit functions are in accordance with the group's internal audit procedures.
- Review and perform audit procedures including identifying and defining internal control issues and mapping of processes and procedures.
- Lead individual execution of audits to evaluate internal control systems and recommend improvements to add value to the operations of the group.
- Planning of audit assignments, including the assessment to determine the audit scope and identifying of risk area.
- Complete independent execution of audit, ensuring all audit findings are sufficiently documented and filed with adequate supporting evidence.
- Discussion of audit findings with management and agreement of effective solutions to implement change.
- Drafting audit reports for findings developed in the audits.

Internal Audit Executive
Responsibilities:
- Conduct operational, financial and compliance risk audits. Ensure compliance to standard operating policies, procedures and regulatory requirement.
- Provide internal control assurance by conducting review of adequacy and effectiveness of internal controls to manage critical business and operational risk.
- Provide recommendation on areas for improvements in internal processes, internal controls and operational efficiencies.

Candidate Qualifications Required for Internal Audit Manager and Internal Audit Executive:
- Possess tertiary or professional qualification in Accounting/Finance/Business/Commerce. Candidates with lesser qualifications with minimum 5 years of extensive relevant experience for the Manager position, and minimum 2 years of extensive relevant experience for the Executive position can be considered.
- Able to travel extensively as and when required.
- Strong communication skills with good command of English and Malay language.

Interested candidates are invited to write-in or fax-in no later than the 26th August 2012, enclosing a comprehensive resume, stating qualification(s), years of experience, current and expected salary, and a passport size photograph (n.r.) to:

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5th Floor, Wisma MKH,
Jalan Semenyih,
43000 Kajang,
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Fax No: 03 – 87330433

or apply online by e-mailing to recruitment@mkhberhad.com

position but great moral influence. 'Ask yourself how am I shoring up the people I lead? Am I there to raise them up? Do they trust me? Many people never become great leaders because they might be really good at managing but they are not good at creating opportunities for others.'

But is it possible to practise great leadership within a culture of negativity? While it would be an uphill battle, Simpson believes that the 'world desperately needs leaders who can stand apart from the weaknesses of the organisation and of bosses. The world needs leaders who can create trust, who can remove bureaucracy and who can maximise talent and capabilities. You need to step apart from bureaucracy, influence the system and create hope so that other people will follow.'

'Leaders need to know that what we do is ultimately more important than what we say. We need to focus on how we show up as a leader and we certainly need to build credibility and trustworthiness with those we seek to influence. Trust becomes critical. It is the one thing that impacts everything as a leader – who we are, what our values are, what we stand for – that really becomes that anchor.'

To earn trust, leaders also need to be competent. 'It boils down to two things, our capabilities and our results. Capabilities are our skills, our talents, our judgements, all those things that we bring to the table. Our results are, 'Do we deliver the goods? Can we deliver the goods?'

Six, great leadership is participative, where you engage with people around you. 'Traditional leadership is micro-managing and controlling. If people are protecting their job, they're disengaging. You want to create a legacy rather than an empire.'

Seven, they are able to balance courage and consideration. 'Leadership requires you to be courageous around scoreboards and goals and considerate to culture. You have to be courageous to achieve objectives by setting standards and challenging people to reach them. And you have to be considerate, sensitive and supportive to power issues and cultural dynamics.'

Eight, you have to behave with accountability and principles. Simpson points out that the Great Financial Crisis of 2009 was proof that people had lost their principles and were behaving with arrogance, pride and wickedness. On the bright side, 'the collapse has made people softer and humble. When people start losing money and market share, they take a step back and ask questions, they are more introspective. They are seeking a more ethical way based on principle-centred leadership and this is happening in politics, government and business.'

By providing clear, visible scoreboards that showcase weekly progress, you can offer a realistic assessment of current results that enables every employee to understand how success is measured and how their efforts measure up. 'It is imperative that team members know whether they are winning or losing every week; semiannual, quarterly or even monthly reviews come too infrequently or too late for timely course correction on this year's critical goals,' said Simpson.

However, certain factors may stand in the way of great leadership. One is vision, where 'a wrong or misaligned vision won't get you to where you want to go.' The second is feedback which gets filtered on the way to the top. The third is complacency, where you become comfortable and neglect your responsibility to the people and stakeholders that you serve. 'Your organisation doesn't have an inherent right to exist. You need to seek and maintain your legitimacy. If you take care of people's needs, then you have earned the right to stay and the right to lead.'

Therefore, great leaders have to check their vision and align all their people behind it. They have to ensure that they are getting honest feedback. And they have to practise *kaizen* or an attitude of continuous improvement and remain humble and selfless in the process.

These recommendations are aligned with the four imperatives of the eight habit of great leadership, which are to build trust, clarify purpose, align systems and unleash talent. By building trust, you gain the legitimacy to lead. By clarifying purpose, you unify your people behind a common vision. Meanwhile, performance measurement systems enable the process of leadership and management to become measurable. 'You are looking at goals and how to align people to achieve these goals. How are you managing teams and individuals and holding them accountable?' By providing clear, visible scoreboards that showcase weekly progress, you can offer a realistic assessment of current results that enables every employee to understand how success is measured and how their efforts measure up. 'It is imperative that team members know whether they are winning or losing every week; semiannual, quarterly or even monthly reviews come too infrequently or too late for timely course correction on this year's critical goals,' said Simpson.

Putting all these conditions in place can unleash talent, which brings us back to the point made earlier, that great leadership is about creating the conditions to enable greatness in all people. ■

Business is placing greater demands on accountants and financial professionals. Apart from providing traditional financial and assurance services via the finance function, accountants are now expected to take on strategic and leadership roles in business. To help accountants flourish in this new regime, MIA strongly urges its members to participate in more strategic, execution and leadership development courses, such as those conducted by Franklin Covey.

ASIAN MERGERS & ACQUISITIONS: RIDING THE WAVE

"For the past decade or so, we have been mulling over how to improve the competitiveness of Asian companies. We see M&A as a critical driver of industry structure and future competitiveness in this region. The Asian M&A story is expected to unfold rather differently and perhaps unpredictably, from the patterns established in the developed markets of the West. Hence we felt compelled to lay out our thoughts in this book," Vikram Chakravarty and Chua Soon Ghee, the authors of the book, said.

In this new book, Chakravarty and Chua, Singapore-based partners of global management consulting firm A.T. Kearney, set out the best ways to think about mergers and acquisitions and associated industry consolidation, and explain how to make mergers and acquisitions work for Asian companies in their drive to become regional and global champions, as well as global companies wanting to grow by M&A in Asia.

This book lays out several guiding principles and enablers for Asian mergers and acquisitions, which revolve around identifying the levers for value creation, mitigating cultural differences, getting the best expertise in pre and post merger and controlling risks through due diligence.

With real life case studies on everything from the Chinese soft-drinks sector to the Indian acquisitions in tea, cars and pharmaceuticals, the authors use facts and figures to illustrate what it takes to navigate the tricky mergers and acquisitions waters and successfully sail through mergers and acquisitions execution.

Mark Mobius, executive chairman of Templeton Emerging Market Group said, "Asian Mergers and Acquisitions is a must-read for anyone involved in finance. It's an excellent comprehensive look at what is now happening with M&A in Asia, what we can expect in the coming years, and, more importantly, how to successfully execute a successful merger or acquisition."

M&A in Asia is fundamentally different from the developed markets, both in terms of the reasons to do M&A, as well as how to implement them. Now is the time to do a deal in Asia -- From the regional fragmentation to public sector dominance to rapid cross-border activities, we give you the reasons why increasing M&A with Asian companies is a trend that is here to stay and how to take advantage of it.

With real life case studies that take you through everything from the Chinese sea freight sector to the Indian razor blade market, we'll also show you what it takes to navigate the tricky M&A waters, and to comfortably sail through the M&A execution. ■

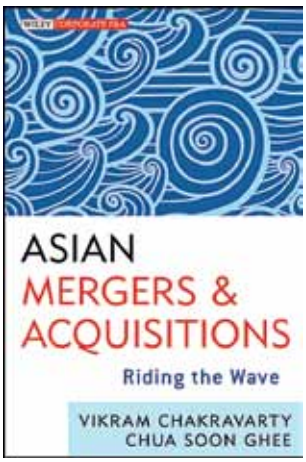
GLOBAL STRATEGIES FOR EMERGING ASIA

Led by China and India, the rise of emerging Asia is transforming the structure of the global economy. By 2025, if not sooner, China will almost certainly overtake the U.S. to become the world's largest economy. By then, India is likely to have overtaken Japan to become the world's third largest economy, after China and the U.S. Besides China and India, Asia also includes other fast-growing economies such as Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. Added together, by 2025, these developments are likely to make Asia's economy larger than those of the U.S. and Europe combined.

It is clear that, for every large company, leadership in Asia is rapidly becoming critical for leadership globally. This important resource brings together the latest ideas and in-depth case analyses from leading academics and practitioners to provide a comprehensive guide to succeeding in Asia. Some of the key topics that this book covers include:

- How to develop a strategy to benefit from new patterns of 21st century trade;
- How companies can fight and win against low-cost competition from Asian companies;
- How to transfer homegrown management practices to Asia;
- How to safeguard the company's intellectual property in China; and
- How to leverage India as a platform to revitalise the company's innovation capabilities.

A resource for competing in today's international market, this book offers executives and managers a guide for navigating the new global reality -- that of Asia as the world's emerging centre of gravity. ■



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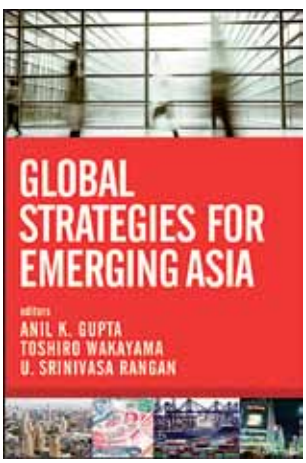

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CONTACT

KUALA LUMPUR
Mr Bennaardz Tan
Tel : +603 2616 2959
Email : bennaardztan@bdo.my

PENANG
Ms Chow Yea Ying
Tel : +604 227 6888 (Ext 132)
Email : chowyy@bdo.my

JOHOR BAHRU
Ms Noriati Abd Jamal
Tel : +607 331 9815 (Ext 121)
Email : noriati@bdo.my

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