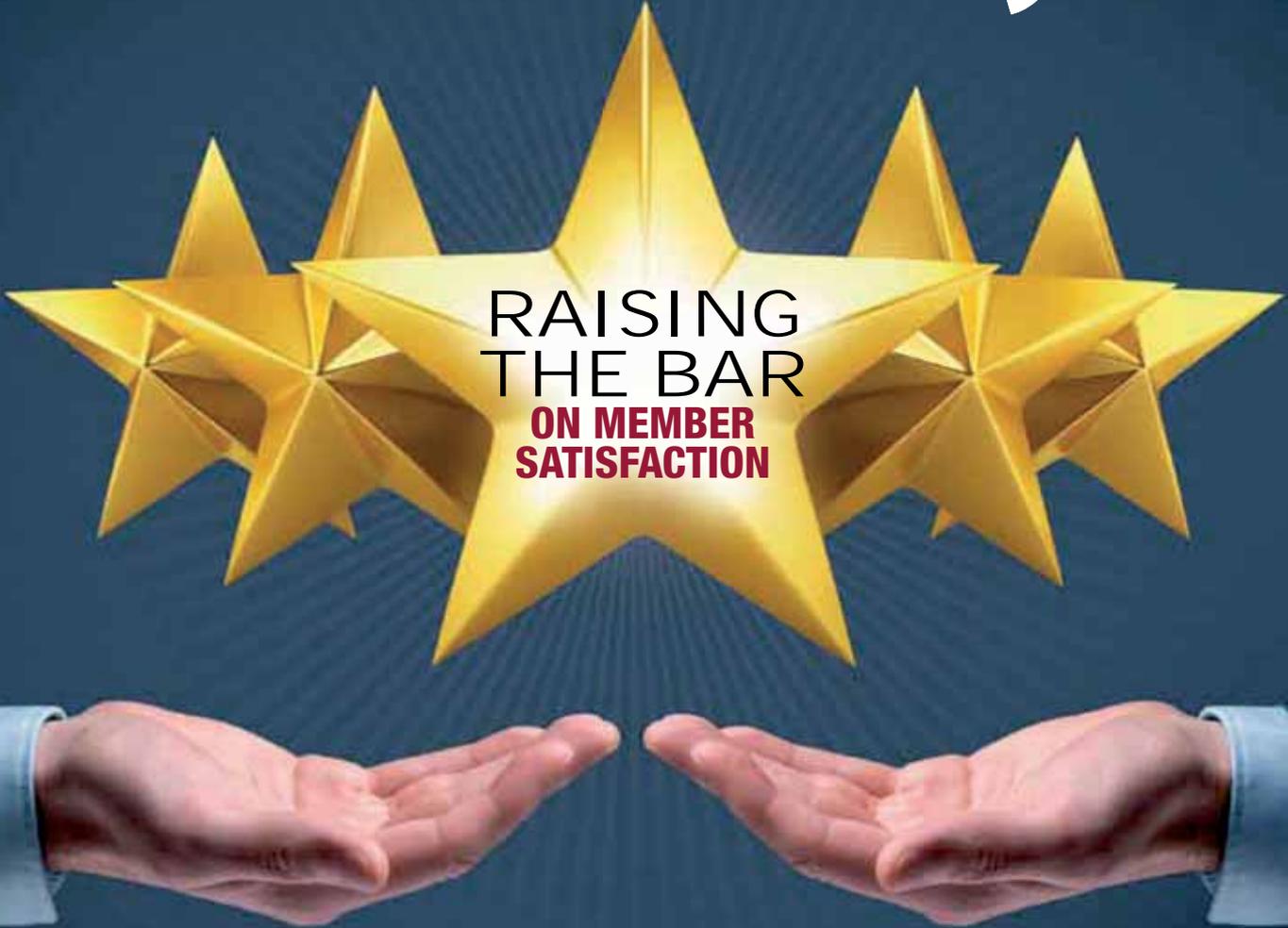


THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

# accountants today

July / Aug 2016  
Vol. 29 No. 4



RAISING  
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MALAYSIAN INSTITUTE OF ACCOUNTANTS

## Vision and Mission

### MIA'S VISION

- To be a globally recognised 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.

Section 6 of the Accountants Act 1967 (the Act) states that the functions of the Institute shall be:

- To determine the qualifications of persons for admission as members;
- To provide for the training and education; by the Institute or any other body, of persons practising or intending to practice the profession of accountancy;
- To approve the MIA Qualifying Examination (QE) and to regulate and supervise the conduct of that Examination;
- To regulate the practice of the profession of accountancy in Malaysia;
- To promote, in any manner it thinks fit, the interest of the profession of accountancy in Malaysia;
- To render pecuniary or other assistance to members or their dependents as it thinks fit with a view to protecting or promoting the welfare of members; and
- Generally to do such acts as it thinks fit for the purpose of achieving any of the aforesaid objectives.

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

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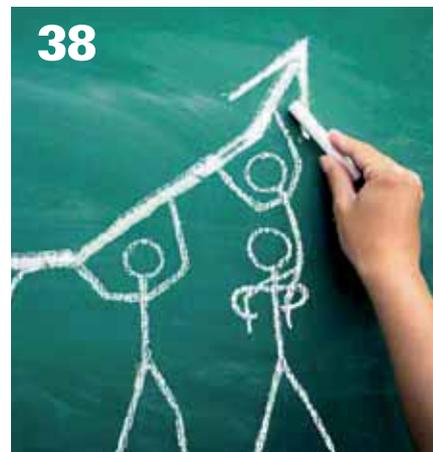
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## Contact us

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# ENHANCING MEMBERS' SATISFACTION

Dear readers,  
It is a great honour to be penning my inaugural message as the incoming editor of *Accountants Today*. My predecessor Ms. Ho has done an excellent job all along and I hope that everybody will lend us their support as the editorial team strives to live up to her legacy.

As we start, it would be useful to recap the objectives behind *Accountants Today* so members understand what the Institute is trying to achieve with this publication. One, the magazine is a vehicle for continuous professional development. We aim to nurture the knowledge based attitude of members of MIA by highlighting key developments and issues affecting the profession, in addition to regulatory reforms and changes in the business landscape. Two, the magazine is a platform for us to engage with our members and aspiring members by focusing on the specific issues and challenges that face our different member segments e.g. public practitioners, professional accountants in business (PAIBs), academics and public sector accountants, as well as the proposed strategies for resolution. Three, the magazine enables us to keep members updated on the Institute's efforts to serve members and develop the profession, while supporting nation-building and regional development efforts.

Since these objectives are frequently overlapping, our content usually endeavours to deliver on all three counts. Our cover story focuses on MIA's efforts to improve member satisfaction, and tracks the levels of member satisfaction through a recent survey. As a professional accountancy organisation (PAO), MIA's mandate is to ensure that we develop the quality of members while simultaneously raising the quality of professional accountancy services to protect the public interest. While existing levels of satisfaction are pretty high, we will be doing more in future to enhance members' wellbeing and welfare, and at the same time, working to build an enabling environment.

This issue also features the people taking on the new

key roles of MIA's Executive Directors, who report directly to me as the CEO. MIA has restructured our management hierarchy to empower our talent and to make the Institute more efficient and effective in discharging our dual roles as a national regulator and a PAO. Specifically, we are putting a new emphasis on strategy, technical training and support, member services, and enforcement in order to deliver increased value to members, and raise the quality of the professional accountants under our oversight. This new

structure also creates new pathways for advancement for our talent and ensures robust succession planning. These in turn will boost morale and create a dedicated workforce who have the best interests of our members and stakeholders at heart.

Other topics of interest include technical issues relating to MFRS for Money Services businesses and the regulation of PFI (prospective financial information) for capital market offerings, financing options available for small and medium practices and businesses, and framework-based accountancy education which can prepare graduates effectively for the working world.

I trust that the diverse mix of topics presented in each issue of *Accountants*

*Today* offers worthwhile reading and value to our members and readers who span different segments of the profession. It is my hope that *Accountants Today* can be that bridge between the Institute and our members as we strive to advance and position Malaysia as a leading market and source of quality accountancy services and talent. As such, I look forward to hearing the thoughts and feedback of our members and readers. Do feel free to drop me a line at [communications@mia.org.my](mailto:communications@mia.org.my). ■

WE AIM TO NURTURE  
THE KNOWLEDGE  
BASED ATTITUDE OF  
MEMBERS OF MIA BY  
HIGHLIGHTING KEY  
DEVELOPMENTS AND  
ISSUES AFFECTING  
THE PROFESSION,  
IN ADDITION TO  
REGULATORY  
REFORMS AND  
CHANGES IN THE  
BUSINESS LANDSCAPE.

Happy Reading!

# CREATING VALUE FOR MIA MEMBERS

PRESIDENT SAYS | DATO' MOHAMMAD FAIZ AZMI



MIA today has over 30,000 members, making us one of the largest professional accountancy organisations in the ASEAN region. Since our legitimacy and sustainability rests on keeping members satisfied, we need to assess whether we are delivering value and satisfaction to our members.

Judging from the feedback to the 2016 MIA Member Satisfaction Survey, the Institute's performance is on track. We received 5,618 responses which were fairly representative of our membership's composition – PAIBs or Professional Accountants in Business, Public Practitioners, Public Sector Accountants, and Accountants in Academia. Generally, MIA members are happy with the Institute and the quality of services provided by the Institute. The survey found that approximately 81% of respondents take pride in their association with MIA, and approximately 78% of respondents were satisfied with the Institute. I'm also delighted to note that over 60% of respondents to the 2016 MIA Member Satisfaction Survey indicated that they would maintain their MIA membership even if it was no longer mandatory.

While we are pleased with our overall satisfaction rating, we will continue to strive to improve the quality of our services and deliver even more value to members. For example, we note that members would like to receive more content and information through online platforms, and that our e-news/e-circulars are very popular and rated as very useful. We acknowledge that we are very light on digital content and are taking steps to expand our digital footprint effectively.

MIA is also elated to have received excellent satisfaction ratings for our member services, such as CPD (continuing professional development), communications, and technical support. However, I want to take this opportunity to urge our members to manage their expectations with regard to certain areas such as technical support and training. We received feedback that technical falls short in terms of speed and suf-

iciency. While we are taking steps to improve our responsiveness and content, do note that technical support is meant to assist and guide you. Technical support does not replace your judgement; MIA will not tell you what to do, but we will provide the tools, information and

guidance to help you formulate your professional judgements and opinions.

On a related note, we have also been asked to provide increased technical CPD and to reduce CPD costs. Unfortunately, we operate in an inflationary environment where costs keep increasing. MIA endeavours to do its best to manage expenses and to subsidise fees for the benefit of mem-

bers, while delivering the latest content on professional developments and standards.

While we acknowledge that accountancy is becoming increasingly technical, do note that the most successful accountants are not wholly technical creatures. Indeed, best-in-class are those who have integrated technical knowledge with professional judgement and a solid understanding of principles-based reporting. They demonstrate robust leadership qualities and eloquent communication skills. They are guided by a robust

code of professional ethics. At MIA, our goal is to produce these renaissance accountants who are marketable, competent and competitive in an increasingly borderless economy.

At the end of the day, MIA has to strike a judicious balance between what members want and what we need to achieve for the sake of the profession and the nation. MIA intends to ensure that you are satisfied with our services, but we have an equally pressing mandate to ensure the healthy development of a quality accountancy profession in order to support the national economic and social agenda. It's not just about winning members' popularity contest or attaining maximum satisfaction ratings, but developing a sustainable profession for the greater good. We hope that you will remain steadfast with MIA over the long haul as we work to serve our members, the profession and the nation. ■

WHILE WE ARE PLEASED WITH OUR OVERALL SATISFACTION RATING, WE WILL CONTINUE TO STRIVE TO IMPROVE THE QUALITY OF OUR SERVICES AND DELIVER EVEN MORE VALUE TO MEMBERS.

■ REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM



# RAISING THE BAR ON MEMBER SATISFACTION

## THE 2016 MIA MEMBER SATISFACTION SURVEY

found that the Institute is perceived as providing satisfactory value for members, but the Institute intends to deliver even more gratification as it forges ahead.

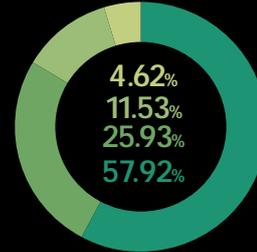


## 2016 MEMBER SATISFACTION SURVEY

Total Responses

**5,618**  
members

Which sector of the profession are you from?



- PAIB (Professional Accountants in Business)
- Public Practice
- Public Sector
- Academia

THE FINDINGS OF THIS SURVEY ARE LARGELY POSITIVE, WHEREBY MEMBERS GENERALLY VALUE THE SERVICES PROVIDED BY THE INSTITUTE.

AS a professional accountancy organisation (PAO), the Institute’s legitimacy and license to operate depends on whether it is delivering enough value and satisfaction to its members.

As such, MIA conducted the 2016 MIA Member Satisfaction Survey between 27 February and 31 May 2016 to obtain members’ feedback on what should be done to enhance the value of MIA membership. “This provides us with a baseline measurement from which we can figure out how to proceed,” explained MIA President Dato’ Mohammad Faiz Azmi.

MIA received a total of 5,618 responses, which is approximately 16.5 per cent of total membership. The responses are believed to be representative of the members’ sentiments, since the demographic response mirrored the Institute’s membership profile. Out of the responses received, 57.92% or 3,234 were from PAIB (Professional Accountants in Business – the largest segment of MIA membership), 25.93% or 1,448 were from Public Practice (the second largest segment), 11.53% or 644 were

from the Public Sector (an increasingly important membership segment given the ongoing focus on public sector finance transformation) and 4.62% or 258 were from Academia.

“The findings of this survey are largely positive, whereby members generally value the services provided by the Institute. This survey is also valuable because it identifies the areas where MIA can improve. The general conclusion is that MIA must take the initiative to maintain and improve our services to enhance the profession’s standing and public esteem,” remarked Dato’ Faiz.

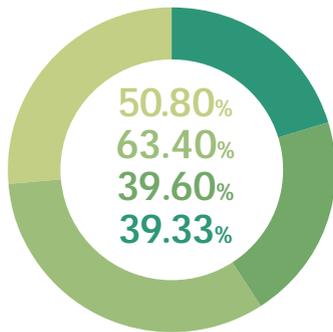
## HAPPY TO BE MIA MEMBERS

Gratifyingly, members are overwhelmingly proud of being associated with MIA. “We are heartened that accountants are proud to be members of MIA, and we believe that MIA membership does confer benefits and recognition,” said Dato’ Faiz.

Overall, 42.69% of respondents are very proud to be associated with MIA

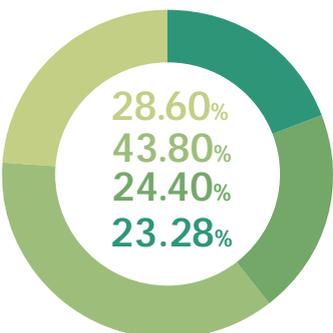
RAISING THE BAR ON MEMBER SATISFACTION

Happy to be MIA Member



- PAIB (Professional Accountants in Business)
- Public Practice
- Public Sector
- Academia

Overall Satisfaction with the Institute



- PAIB (Professional Accountants in Business)
- Public Practice
- Public Sector
- Academia

while 37.93% were somewhat proud. Only 17.04% were neutral while 1.55% were somewhat not proud and 0.79% were not proud at all. Members in the Public Sector (63.40% of 644) were very proud of being associated with MIA, followed by members in Academia (50.80% of 258); Public Practice (39.60% of 1,448) and PAIB (39.33% of 3,234).

OVERALL SATISFACTION WITH THE INSTITUTE

Overall, 26.19% of respondents were totally satisfied with the Institute whereas 51.55% were somewhat satisfied. 19.60% were neutral while 1.98% were somewhat dissatisfied and a minuscule 0.68% were dissatisfied.

Members in the Public Sector (43.80% of 644) were more likely to be totally satisfied with the Institute followed by members in Academia (28.60% of 258); Public Practice (24.40%) of 1,448 and PAIB (23.28%) of 3,234. “While these findings are overwhelmingly positive, MIA will continue to work hard to improve members’ overall satisfaction with the Institute and their feelings of pride at being associated with the Institute,” said Dato’ Faiz.

Interestingly, members from the Public Sector indicated that they were the most satisfied with MIA across the board in comparison with members from the other sectors. “This could be due to MIA ramping up support and recognition of Public Sector accountants recently as the country strives to achieve excellence in public sector financial management,” explained Dato’ Faiz, referring to MIA’s lending guidance to the government as it adopts accrual-based accounting and IPSAS (International Public Sector Accounting Standards) as a strategy to improve public sector performance and accountability.



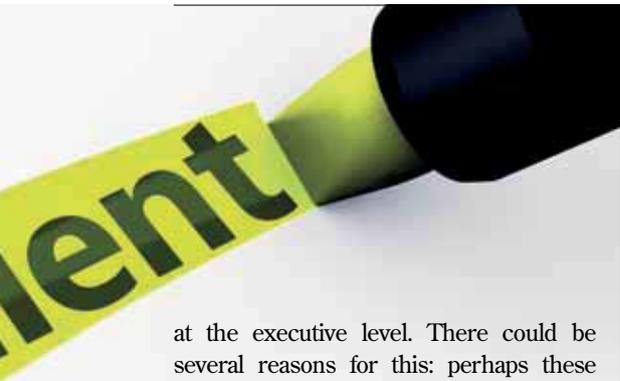
AN AFFLUENT CROWD

Accountancy is frequently perceived as being a prestigious white-collar profession offering top draw salaries and compensation as well as opportunities for career progression. Data from the MIA Survey seems to bear this out.

Notably, 43.32% of respondents, especially those from PAIB and Public Practice, are holding senior positions in top management and senior management in their organisations. “We are heartened to have received responses from many who are in leadership and decision-making positions with the ability to influence organisational policy and behaviour,” said Dato’ Faiz.

The survey also pointed to a discrepancy in earning power between sectors. For example, PAIBs who were represented in a wide variety of businesses earn more than members in Academia at senior management level, but traditionally educational institutions which are not profit-oriented pay less than commercial enterprises.

Interestingly, 19.8% of respondents are



at the executive level. There could be several reasons for this: perhaps these respondents are still relatively junior or there might be barriers to promotion. There is a window of opportunity for the Institute to explore strategies to optimise career development paths and earnings potential for these executive accountants.

### IMPROVING THE QUALITY OF INSTITUTIONAL AND MEMBER SERVICES

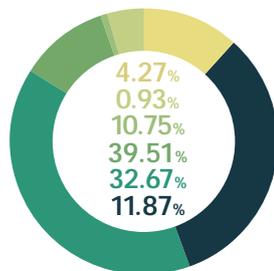
Currently, the Institute offers a variety of services to help members in keeping abreast of the rapid changes in accountancy and business and to ensure that members improve their competency and capabilities. These services and resources include technical support, CPD (continuing professional development), and regular e-news and publications, which are essential to keep members up-to-date as accounting standards and principles keep evolving to better reflect the complexities of business.

“We are pleasantly surprised and humbled to learn that many members appreciate our services. We hope to keep on serving our members and to benefit them to the best of our abilities and efforts,” said Dato’ Faiz.

11.87% of respondents rated the member services as excellent, 32.67% as very good, and 39.51% as good. Only 10.75% said MIA services were average and 0.93% as poor, while 4.27% had not utilised the services and hence were unable to comment.

WE ARE PLEASANTLY SURPRISED AND HUMBLED TO LEARN THAT MANY MEMBERS APPRECIATE OUR SERVICES. WE HOPE TO KEEP ON SERVING OUR MEMBERS AND TO BENEFIT THEM TO THE BEST OF OUR ABILITIES AND EFFORTS.

Improving the Quality of Institutional and Member Services



- Excellent
- Very Good
- Good
- Average
- Poor
- Not Utilised

“While we will keep working to improve our services, we hope that members will have the correct expectations of what these services are meant to deliver,” cautioned Dato’ Faiz. For example, approximately 77% of respondents rated MIA’s technical support as either excellent, very good or good while just 12% said it was average and 2% found it poor. However, the Survey discovered that respondents wanted definitive opinions and judgements instead of just technical guidance. “Among the comments were that technical support is not responsive enough, not fast enough, and insufficient. MIA is there to assist you but technical support is not there to replace your professional judgement. We don’t tell you what to do. You have to make the judgement, that’s your job.”

Extrapolating from the findings, professional judgement remains a key shortcoming among members and professional accountants. This is a critical vulnerability as accounting going forward looks set to become more principles-based and interpretative as opposed to rules-based. The Institute will continue to work together with educators and other stakeholders to design training and curricula that can help instil better professional judgement in members and accountants.

Meanwhile, members singled out e-circular/e-news/e-updates as the most beneficial current resources. The majority of respondents were also satisfied with MIA’s publications such as *Accountants Today* and *Budget Booklet*. However, there were requests from members for the inclusion of more technical content, speedier updates and perhaps the provision of online content through social media portals and virtual platforms. “Definitely, MIA will look into improving our digital presence and

RAISING THE BAR ON MEMBER SATISFACTION

content because we are currently very light on digital.”

Although he acknowledged the need for improving technical knowledge, Dato’ Faiz reminded members that being an accountant is not all about technical expertise and number-crunching. “In this changing environment which emphasises accountability and transparency, accountants need to bring other competencies to bear as well, such as professional judgement, communications, and the ability to offer excellent insights to guide effective decision-making. Equally important is the will to exercise ethical behaviour and uphold professional ethics to protect the public interest.”

While CPD was rated as excellent, there was feedback that costs were expensive. In response, MIA will continue to explore various possibilities to make its CPE courses more affordable to members although the running costs of training programmes year by year appears to be escalating.

In fact, MIA has already started

offering CPE courses at a minimal fee at its own training facilities. These courses are targeted especially for the members in public practice and facilitated by MIA’s own technical staff. MIA has also embarked on e-learning courses on a variety of topics which are offered to members at very affordable fees. Currently more than 70 titles are on offer to members in all sectors.

In the past, MIA has worked closely with several government agencies in securing training grants for MIA members. Moving forward, it will continue working with the relevant bodies in seeking financial assistance for members’ training.

MIA has also taken the initiative to regularly offer complimentary CPE courses to its members; such is their popularity that the seats for such complimentary courses are usually taken up very quickly.

Overall, more members in the Public Sector rated all categories (member services, technical support, publication, seminars, website and member benefits) as excellent, followed by members in

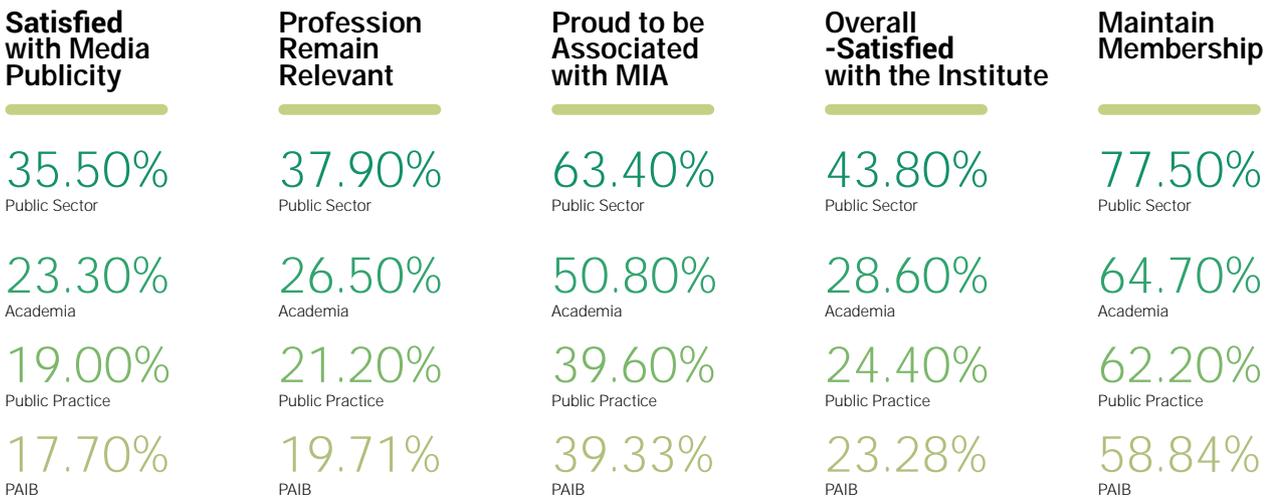
Academia, Public Practice and PAIB. Going ahead, the Institute will analyse the Survey feedback to see how the quality of these services can be further improved for the benefit of members.

BUILDING REPUTATION

Building a positive public profile is essential to branding MIA as a leading professional organisation, which in turn will improve the esteem and prestige of members and ensure both the Institute’s and members’ relevance to stakeholders.

“MIA has been investing tremendously in efforts to create awareness of our membership and activities and will continue to do so. The thrust of our efforts revolves around positioning our members and the Institute as ethical accountants who uphold financial accountability and responsibility, and who are defenders of the public interest,” remarked Dato’ Faiz.

According to the Survey, 20.36% of respondents are totally satisfied



\* Public Sector =644 | Academia = 258 | Public Practice = 1,448 | PAIB =3,234

with MIA's media publicity and branding efforts to create awareness of its membership and activities, while 43.71% were somewhat satisfied. Meanwhile, 30.85% were neutral, 4.11% were somewhat dissatisfied and just 0.97% were dissatisfied. More members in the Public Sector or 35.50% of 644 were totally satisfied with MIA's media publicity and branding efforts, followed by members in Academia (23.30%) of 258, Public Practice (19.00%) of 1,448 and PAIB (17.70%) of 3,234.

### ENSURING THE PROFESSION'S RELEVANCE

Overall, the Survey participants were satisfied that the Institute is taking sufficient action to ensure that the profession continue to remain relevant. Over 70% of respondents were either totally or somewhat satisfied with the Institute's performance in this area while about 22% were neutral. Fewer than 5% of respondents were somewhat dissatisfied and 0.91% dissatisfied.

Interestingly, more members in the Public Sector (37.90%) of 644 were totally satisfied with the Institute's efforts to ensure the profession's continued relevance, followed by members in Academia (26.50%) of 258, Public Practice (21.20%) of 1,448 and PAIB (19.71%) of 3,234.

Going forward, the Institute will explore and implement various strategies and initiatives to ensure that the profession continues to remain relevant.

### WINNING HEARTS AND MINDS

To gauge MIA's legitimacy and sustainability, members were also asked



**WE WANT TO CREATE A SITUATION WHERE MEMBERSHIP IN MIA IS DESIRABLE AND HIGHLY ESTEEMED. WE WANT MEMBERS TO BE PROUD OF BEING IN THE MIA CLUB, AND TO HAVE MIA MEMBERSHIP OPEN DOORS FOR THEM IN MALAYSIA AND ACROSS THE REGION.**

if they would maintain their MIA membership if membership was no longer mandatory. "This is the true test of our value to members," said Dato' Faiz. "Happily, we were delighted that the majority of our members would remain with MIA in such an event," he added.

Tellingly, 62.13% of respondents will maintain their membership, while 28.66% were undecided and 9.21% said they would not maintain their membership. The Institute will investigate their reasons for being undecided and preferring non-membership, and will work to devise strategies to persuade these members to maintain membership.

"We are grateful to our members for their loyalty to MIA. Looking ahead, MIA intends to increase our efforts to serve our members and to develop the profession. We want to create a situation where membership in MIA is desirable and highly esteemed. We want members to be proud of being in the MIA club, and to have MIA membership open doors for them in Malaysia and across the region," concluded Dato' Faiz.

While the Institute's Council and team will do their part, Dato' Faiz urged members to contribute to MIA to enhance the Institute's value and reputation. "We would like more members to participate in the Committees and to contribute their special brand of expertise to make MIA stronger." ■

■ BY NAZATUL IZMA

# PASSION FOR THE PROFESSION

Perhaps the most inspiring quality of incoming **MIA CEO DR. NURMAZILAH DATO' MAHZAN** is her boundless zest and energy and interest in all things accounting. One of her oft-heard catchphrases is "That's really interesting!", uttered with a broad smile. But in hindsight her enthusiasm shouldn't be unexpected, given that she accepted this position because she is driven by her zeal for the profession. "My passion to contribute to the profession is an ongoing affair," she explained in her e-mail reply to us recently.

ALTHOUGH she initially joined MIA over a year ago as Deputy Chief Executive Officer in July 2015 enabling her to "gradually learn each and every aspect of the Institute's activities and operations", her relationship with MIA and the profession goes back a long way. Dr. Nurmazilah was a MIA Council Member from 1 August 2012 until 31 July 2014, a Member of the Malaysian Accounting Standards Board (MASB), elected member of the Board of Governors for the Institute of Internal Auditors Malaysia (IIA Malaysia), Council Member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Honorary Treasurer with Persatuan Ekonomi Malaysia. Dr. Nurmazilah has also served in various Committees of MIA and MICPA.

Remarkably, Dr. Nurmazilah's position as MIA's CEO effective 2 July 2016 is yet another achievement in a very eclectic career. While many accountants remain rooted in



PASSION

their niche, whether it's public practice, corporate, academia or government, Dr. Nurmazilah has garnered substantial experience across the profession's different segments.

Prior to her role in MIA, Dr. Nurmazilah was the Director of University Malaya Graduate School of Business. She started her career with Arthur Andersen in 1993, and later joined KUB Malaysia Berhad as Group Accounts Manager.

Her corporate experience covers various industries including property development and construction, banking, unit trusts, trading and manufacturing. She is also academically proficient and holds a PhD in accounting from the University of Birmingham, United Kingdom. Demonstrating a keen interest in research and development, she has conducted various research projects in the areas of auditing, financial reporting and corporate governance.

Asked how she accomplished all this, she explains that "I served in all the various posts with passion, therefore I enjoyed all of them. It is hard to compare which is more challenging, because each job has its own salient features. I treasure all the learning experiences that I have gained from each of my previous positions."

Observing her, Dr. Nurmazilah appears to be that enviable person "who has it all" and who has positively integrated work and life where others are struggling. Interestingly, Dr. Nurmazilah is very systematic and organised in managing her professional and personal lives, and attributes this attitude – along with keen spirituality - to her continuing success. Whether in the office or at home, she operates according to informed strategies

*I served in all the various posts with passion, therefore I enjoyed all of them. It is hard to compare which is more challenging, because each job has its own salient features. I treasure all the learning experiences that I have gained from each of my previous positions.*

and frameworks and with the help of support systems.

One of those key supports has been her predecessor, former MIA CEO Ms. Ho Foong Moi, who was responsible for laying a strong foundation at the Institute. "Ms. Ho left a legacy of an Institute with more than 32,000 members and (which has been) 50 years in existence. She has laid the foundation of the Institute so I don't have to start from scratch."

Going forward, it will be fascinating to observe how MIA flourishes under the Doc's watch. Below, Dr. Nurmazilah shares some insights into her role and vision going forward:

**WHAT ARE YOUR GOALS COMING INTO THIS POSITION? WHAT**

**ARE THE KEY CHANGES THAT YOU INTEND TO MAKE? HOW WILL THESE BENEFIT MIA AND THE PROFESSION?**

My role as the Deputy CEO for the last one year focused primarily on developing plans for MIA based on the CSAP (Committee to Strengthen the Accountancy Profession) report. As I proceed as CEO taking the helm from Ms. Ho, the focus on the CSAP will continue guiding the Institute's action plans for the next few years.

In essence, the CSAP report recommends strengthening two major areas which are the Governance Structure and Competency of Accountants. We will work closely with the newly established CSAP Implementation Committee (CSAP IC) to achieve the objectives outlined by the CSAP. In addition, there are 13 more recommendations resulting from various



## PASSION FOR THE PROFESSION

analyses done by the Committee. In my view, these recommendations are areas of opportunities that should be taken up by MIA to further enhance its role and contribution to the profession.

**WHEN YOU WERE AN ACCOUNTING STUDENT IN IUM, DID YOU ENVISION THAT YOU MIGHT END UP HERE? WHAT WAS YOUR ORIGINAL AMBITION?**

My career vision was not very clear when I was in my first and second year because I was very active as a student leader. One thing I remember is the various intellectual discussion circles that I joined on campus, where we discussed books written by authors such as John Naisbitt, Kenichi Ohmae and Malik Ben Nabi. Those books challenged my intellect and helped me develop a critical thought process.

However, in my 3rd year, my auditing class was conducted by KPMG partner Dato' Jabbar, and his manner of teaching the audit class really solidified my interest in building my career in accountancy. My three action plans before I graduated were to get a job at any of the Big 6, get my professional qualification and get married. Subsequently history created its own path.

**WHAT'S YOUR ADVICE TO OTHER ACCOUNTANTS, ESPECIALLY JUNIORS AND WOMEN, WHO HOLD YOU AS A ROLE MODEL?**

Passion, patience and prayers are essential ingredients of happiness. Success is subjective through the lens of different people. Happiness is within our control and we define it based on our own ecosystem. If we are passionate about what we are doing, it brings happiness to us. Despite obstacles, passion will help us to be patient. Prayers nourish our souls and

*Passion, patience and prayers are essential ingredients of happiness. Success is subjective through the lens of different people. Happiness is within our control and we define it based on our own ecosystem.*

strengthen our belief that it is possible to achieve our aims.

**WOMEN RETENTION AND DIVERSITY IS A KEY PLATFORM FOR MIA. HOW HAS MIA MADE IT EASIER FOR YOU TO BALANCE YOUR FAMILY AND WORK? IS WORK-LIFE BALANCE POSSIBLE AT THE TOP?**

Throughout my career, I have grown my family simultaneously. When I started my early career in an audit firm, it was a month after my wedding. I had two children while in the audit firm (one when I passed my MICPA examination), and one when I was in a public-listed company (when I was doing my MBA part time), and four more when I was in academia (including one who was delivered while I was doing my PhD).

I love children and I love my work. The work-life balance is something that we need to consciously plan and implement. I apply whatever I have learned from work such as designing an effective and efficient system at home and using the balanced scorecard method in allocating my time.

I keep track of each of my children's competency framework, supporting

them with additional skills when they seem lacking in one. I identified the necessary support systems to ensure that everything is well taken care of. All these can be well achieved with proper information *vis a vis* research and knowledge.

**LEARNING FROM FAILURE OR THE GROWTH MINDSET IS NOW AN IMPORTANT PRINCIPLE FOR BUSINESS LEADERS. WHAT DO YOU CONSIDER AS YOUR LEARNING FAILURES? HOW HAVE THEY HELPED YOU GROW?**

Indeed, life is not without obstacles. I don't consider obstacles as failures but view them as challenges. I have practiced risk management ever since I was an undergraduate.

When I was in third year, I calculated my CGPA (cumulative grade point average) and forecasted whether I can get a first-class degree. I realised that even if I scored As for all the subjects that I had not taken yet at that point in time, I still won't be able to achieve a first-class degree. Therefore, I decided to cram the subjects for each remaining semester in order to graduate one semester earlier than scheduled, so that I can quickly start working and sit for my professional examination.

Whatever I am embarking on, I will make sure I have the knowledge, adequate data, risk management and a contingency plan.

In her concluding remarks, Dr. Nurmazilah shared her belief that the accountancy profession is poised to achieve greater growth provided that the right strategies are put in place to overcome challenges such as technology disruption and talent management. The Institute under her helm is looking forward to working closely with all stakeholders to enhance the profession. ■



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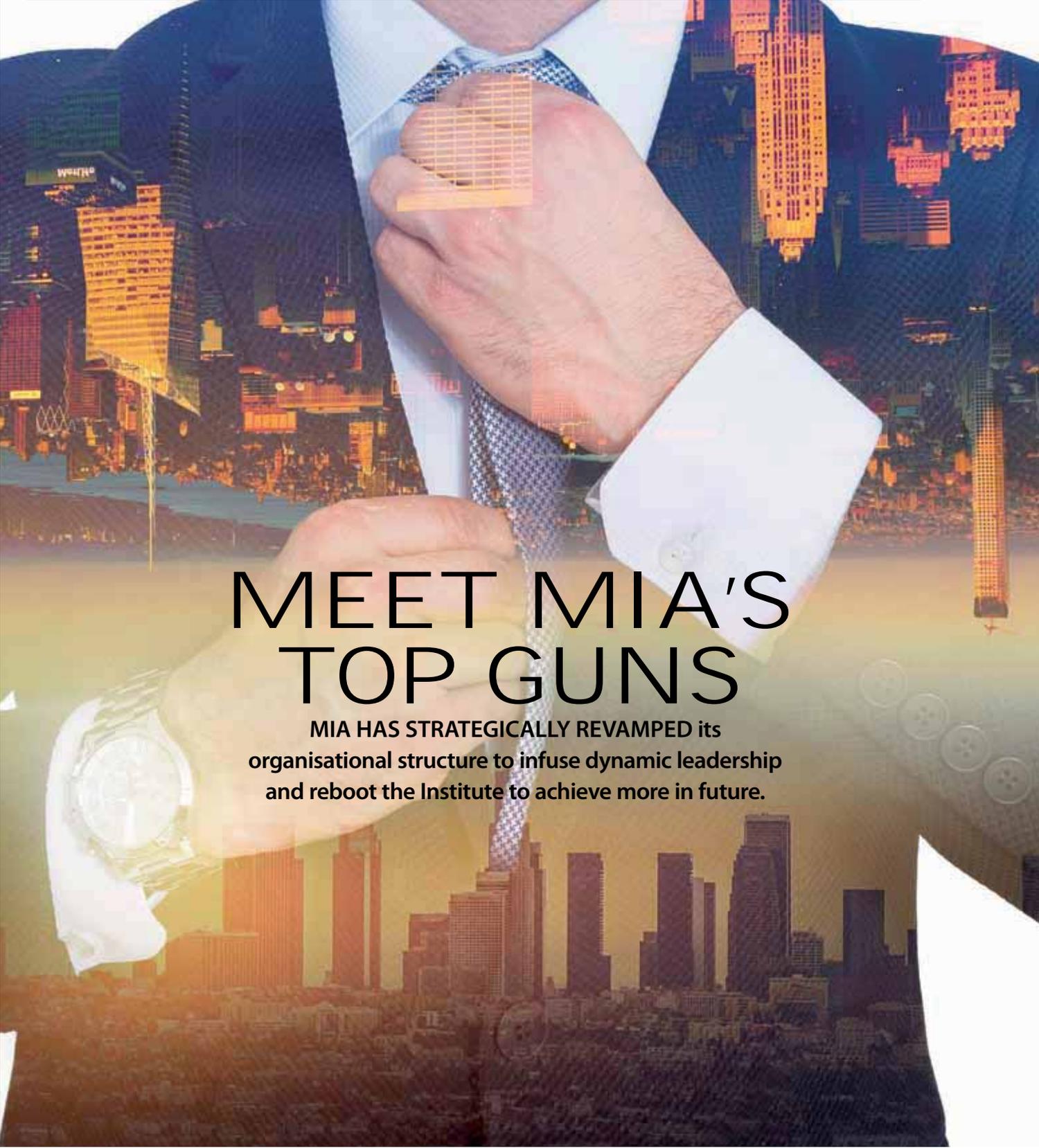
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■ REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

A man in a dark suit, white shirt, and patterned tie is adjusting his tie. The background is a composite image of a city skyline at night, with buildings illuminated in various colors like orange, yellow, and blue. The man's hands are the central focus, with one hand holding the tie and the other adjusting it. A watch is visible on his left wrist.

# MEET MIA'S TOP GUNS

**MIA HAS STRATEGICALLY REVAMPED its  
organisational structure to infuse dynamic leadership  
and reboot the Institute to achieve more in future.**

**CHANGE** is afoot at MIA. Starting from mid-August 2016, the Institute's KL headquarters will operate from pristine new premises at the sophisticated enclave of Bangsar South. In a way, the move signals the Institute's rekindled proactive and progressive approach in the wake of the CSAP (Committee to Strengthen the Accountancy Profession) reforms.

Yet making a strategic shift is as important as a physical relocation. As such, MIA recently redesigned its organisational structure to make it more efficient and effective in steering the profession in

the new millennium.

"The changes are to help consolidate and strengthen the activities of the Institute to achieve greater performance," explained incoming MIA CEO Dr. Nurmazilah Dato' Mahzan. "We are working with the existing team but we have redefined certain key roles. We are also evaluating the strengths of the current team and where necessary we will recruit additional talent." Prominent new faces include former senior cop and magistrate Dato' Haji Muhd Redzuan Abdullah, the Executive Director hired to beef up the Surveillance & Enforcement division.

Notably, the rejuvenated structure

gives additional weight to strategy, with the elevation of G. Shanmugam Govindasamy to the freshly created role of Executive Director of Strategy & Development. "The reorganisation will enhance the strategic function and place more emphasis on strategy," added Dr. Nurmazilah.

Meanwhile, long-serving Chief Operations Officer Datin SK Yap will continue to oversee operations, including her favourite finance function, in the streamlined role of Executive Director of Membership & Operations. Simon Tay Pit Eu is on secondment from PwC Malaysia as the Executive Director of Professional Practices & Technical, a challenging role which requires robust knowledge of technical issues and current and future developments affecting the profession.

Meet MIA's top guns.

THE REORGANISATION WILL ENHANCE THE STRATEGIC FUNCTION AND PLACE MORE EMPHASIS ON STRATEGY.

THE STRATEGIST

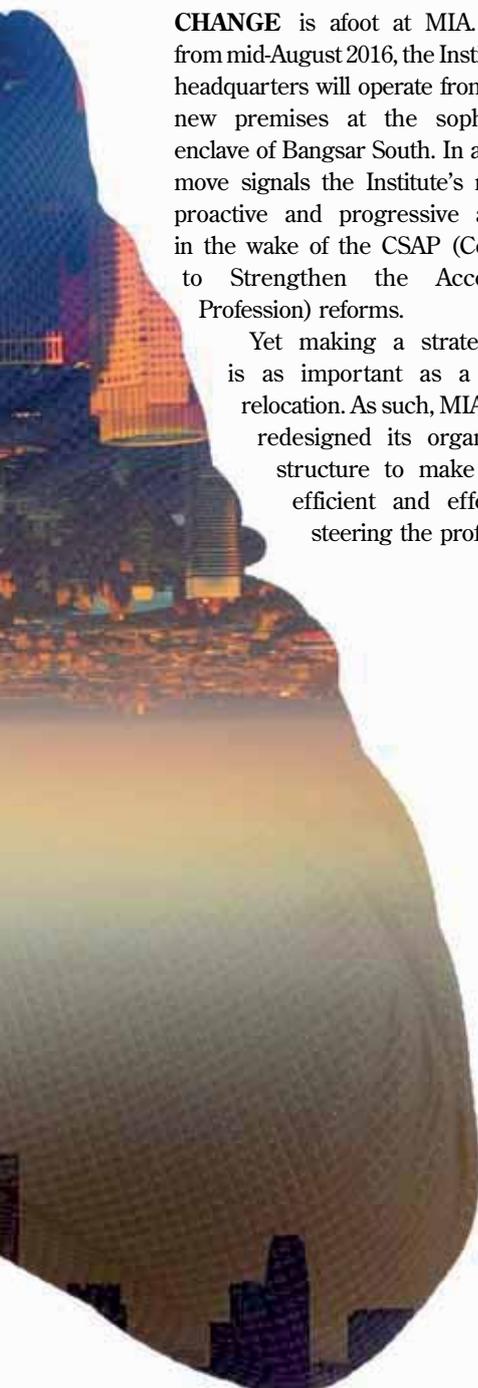
**G. Shanmugam Govindasamy**

Executive Director, Strategy & Development

"My new portfolio encompasses Strategy, Strategic Communication, Special Projects, Continuing Professional Education (CPE) and the MIA International Accountants Conference.

Altogether I have more than 20 years of professional and business management experience, nine of which I spent with the Institute, which provided intimate insights into the local and global accountancy profession's landscape. I'm also a Chartered Accountant and Fellow member of CIMA whereby I gained special professional training in strategic management accounting, and a keen understanding of the profession's issues and developments.

For the last nine years I have been primarily responsible for leading a team of specialists developing and delivering various types of CPE programmes and initiatives including the Institute's



## MEET MIA'S TOP GUNS

flagship event, the MIA International Accountants Conference for members and the accounting fraternity. We have grown the CPE activities from strength to strength and positioned the Institute as a leading training provider in the space of continuing professional education.

In my new role, apart from CPE, my responsibilities include overseeing strategic analysis, formulation and execution, strategic communication, and the Institute's special projects. I'm expected to ensure that the Institute's strategies are effective for sustainable long-term growth while dealing with challenges both internal and external, and that they enable us to seize the opportunities as a leading professional

accountancy organisation in the country.

I'm also tasked to further enhance the effectiveness of the Institute's role and function in communicating with its various stakeholders. This role is about making the profession more relevant in the ever-changing business landscape and also add value to society as a whole. A strong accountancy profession will benefit the country by enabling us to produce high-quality financial reports and audits and inculcate corporate governance that will strengthen Malaysian corporate organisations and raise our stature in the eyes of the international business community. This in turn will help boost FDIs and the country's economy.

In the wake of the CSAP's recommendation and implementation, it is timely and important for the Institute to continue strengthening its position in embracing global best practices in order to serve and regulate the accountancy profession effectively. Having said that, the challenges ahead could be in the form of identifying and executing the right solutions to the various risks and threats faced by the Institute and profession. We at MIA will continue to do our best to ensure that the Institute remains relevant to all its members and stakeholders and also to enhance its role in value creation for society as a whole."

## THE ADVISOR

**Simon Tay Pit Eu** Executive Director  
Professional Practices & Technical

"My division is focused on dealing with technical matters affecting the profession within the dimensions of Accounting, Auditing, Regulatory and Governance and Tax and professional practices affecting the Professional Accountants in Business (PAIB) and Small and Medium Practices (SMP). My significant audit experience serving local conglomerates in Malaysia and multinationals in Penang and Vietnam across a broad spectrum of industries and my aptitude in conducting technical training in audit methodology and accounting standards enables me to add fresh

perspectives and value to my team's deliverables and support to the various technical committees and Boards.

I envisage a technical division as a tree that needs a deep and strong roots system in order to be well-positioned to branch out and bear fruit. The roots portray the breadth and depth of our research and knowledge to substantiate our points of view and enable us to engage in meaningful discourse with the experts in our field with the goal of reaching out to benefit the Institute and our stakeholders. Herein lies our prerogative. We continue to exert efforts to research and address issues faced with the implementation of the new waves of auditing and accounting standards and regulations and embark in projects in areas as diverse as integrated reporting, public sector accounting and financial management, competency framework for CFOs and



the finance function, Islamic finance and business valuation to better serve those affected by these areas. We are also cognisant of the factors affecting the profession such as the impact and enabling potential of technology. One future area of research contemplated is on emerging technologies such as big data analytics.

Working within our resource constraints, we are faced with the challenge of prioritising and striking a fine balance between addressing the multiplicity of technical needs of specific members and other stakeholders and supporting the overall interest of the Institute and the profession at large. As teamwork

continues to be critical, I coach the various components in my division to achieve greater synergies through robust collaboration. I look forward to steering my division to work together with other divisions in the Institute to champion the Institute's strategic vision and goals."



## THE FACILITATOR

**Datin S K Yap** Executive Director  
Membership & Operations

Technology).

It's a very diversified portfolio, with a common theme of providing support to different sets of stakeholders. As an accountant myself, I think my grasp of the profession's issues will add value to education and membership.

In Education, we have to build and strengthen the pipeline for future

In Membership, we have to continually provide better membership support and benefits in the Klang Valley and the Regional Offices. And we have to engage members at all levels and across sectors, whether public sector, private practice, PAIB (Professional Accountants in Business) or academia.

We are also tasked with supporting Council Members and engaging with external stakeholders locally and internationally, such as IFAC (International Federation of Accountants), AFA (ASEAN Federation of Accountants), ASEAN bodies, Ministries and various regulatory bodies such

### IN EDUCATION, WE HAVE TO BUILD AND STRENGTHEN THE PIPELINE FOR FUTURE ACCOUNTANTS I.E. FROM SCHOOLS TO UNIVERSITIES AND EVENTUALLY TO ADMIT THEM AS MIA MEMBERS.

accountants i.e. from schools to universities and eventually to admit them as MIA members. We need to promote accountancy as a preferred career choice in schools through better engagement with teachers and parents, and thereby be able to develop more professionally qualified accountants to serve the business community at large.

as the Securities Commission, Bursa Malaysia, the Accountant General and Auditor General's offices, and the Inland Revenue Board, among others.

We hope to enhance member's benefits by leveraging on technology to provide mobile apps, and enhance engagement with members by organising more member activities, and to also encourage them (current

"My new portfolio covers Education, Membership (Recruitment & Development, Membership Services and Practice), Regional Offices, Resource & Help Desk, Business Development and Operations (Corporate & International Affairs, Finance, Procurement & Service Operations and Information

## MEET MIA'S TOP GUNS

members) to reach out to future/potential members. MIA also needs to increase international engagement and collaboration in support of ASEAN growth and mobility.

With regards to Operations, we have to provide effective and efficient support for the Institute i.e. financial management/reporting, procurement and service operations, IT – to ensure timely support to internal stakeholders.

Going forward, Operations will be more focused since it has been reduced to four departments. Having been in charge of Operations previously and understanding stakeholder needs will enable me to improve support and services to both internal and external stakeholders. However, I urge internal stakeholders to be more collaborative for improved efficiency and the timeliness of support.

Since I was previously in charge of these areas, I hope to bring my knowledge and experience to my new roles, especially in areas related to Education and Membership. Of course, the playing field will be different if the CSAP Implementation Committee changes the governance structure of MIA and the recognition and membership of accountants."

## THE ENFORCER

**Dato' Haji Muhd Redzuan Abdullah**

Executive Director, Surveillance & Enforcement

"The current Surveillance & Enforcement Division encompasses the Investigation of complaints, Practice Reviews, Financial Statements Review, Disciplinary Proceedings and Appeal and also the Legal Unit.

The new structure expands the Enforcement horizon multifold to include both proactive and reactive investigation. This is critical because we can observe the flourishing of serious violations and abuses in the market, where processes are being manipulated by practitioners and non-members. It now poses a challenge to identify the abusers and nail them on the scales of justice with appropriate sanctions.

The new structure would thus send a signal and have a boomerang impact to the market at large to be wary of engaging unqualified accountants who offer public practice services, and for practitioners to be wary of engaging the services of non-audit



firms (in outsourcing audits). My advice to all those who participate in these ill practices in the market is, 'Please adhere strictly to the legal requirements if you seriously intend to be in professional practice'.

Collaboration will be vital to

promoting a more rigorous climate for surveillance and enforcement. MIA will fortify the Surveillance & Enforcement by engaging our co-regulators to share information and initiate penal action where necessary under their respective jurisdictions *per se*, apart from initiating investigation and disciplinary proceedings against our members so as to ensure that no one who encroaches on the realm of law escapes penal consequences. Only then can we manifest and fully discharge the 'trust' entrusted in MIA as a regulator. This is to restore confidence in the market at large as to the uncompromising quality of audit and financial standards by accountants and auditors regulated by MIA.

My 39 years of service - as a police officer involved in technical operations and prosecution, as a Senior Magistrate handling criminal and drug-related cases and as the Senior Director of Enforcement-cum-Senior Federal Counsel in Suruhanjaya Syarikat Malaysia handling corporate matters – have given me ample exposure and the experience to detect and apprehend potential lawbreakers and to bring them to justice." ■



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■ BY TONY MANWARING



# Thinking the Unthinkable

IN AN ERA OF UNPALATABLE EVENTS INTEGRATED THINKING IS CRUCIAL TO BUSINESS SUCCESS.

**THE** leak of 11.5 million files from the database of offshore law firm, Mossack Fonseca – the biggest in history – reveals the ways in which the world's super rich, including leading politicians, have used offshore tax systems, leaving global foundations of power shaking.

The revelations have sent shockwaves through the world and the question I pose is this: was this really such an unthinkable event? From the crash of China's markets to the unexpected drop in oil prices, events of this nature continuously trip up leaders around the world.

CIMA-supported research, 'Thinking the unthinkable', examines such scenarios and comes to the conclusion that these events weren't merely unthinkable – they were just

unpalatable and therefore leaders were either reluctant or unable to consider them.

This myopic mindset in executives is not only worrying, but dangerous, as it threatens the long-term sustainability of both business and society.

For leadership to spot, identify and effectively handle these unusual events they must be able to quickly make the right decisions in the face of this rapidly changing environment. But how do Boards and organisations build the resilience and agility that is so vital to ensuring their longevity through the 21st century's unprecedented speed of change? How

do they make better decisions to identify and manage unpalatable events such as the Panama Papers?

One solution lies in integrated thinking – the process by which executives unite the most relevant information and people across a business to make effective decisions, while understanding all drivers of value.

For a company to build a long-term value proposition, the right management information which will ensure better decision-making is urgently required. This will guarantee the mitigation of risks, allowing leaders to seize opportunities and protect and preserve the value their organisations generate.

The integrated thinking that frameworks such as CIMA's Global Management Accounting Principles provide is fundamental to this – allowing decision makers to cut through silos and facilitate communication, all the while being steered by rigorous, ethical behaviour.

Management accountants, with their role as business partners, are ideally equipped to provide this integrated thinking. With their understanding of all aspects and value drivers of a business, they are central to providing the relevant information at

the right time to enable effective decision-making processes – 'joining the dots' and breaking down silos.

To be fully prepared for the new operating environment of 'business as unusual' companies must ensure they are both prepared and that their business models are resilient enough to tackle the challenges of the 21st century. To do this a shift in mindset is long overdue. ■

For a copy of the 'Thinking the unthinkable' publication, visit [www.cimaglobal.com](http://www.cimaglobal.com)

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The CIMA qualification is a well-rounded programme which also focuses on the non-financial aspects of business. This is crucial because in a real business environment, focusing mainly on the financial aspects will not be sufficient to excel in this highly competitive environment. Besides, the CIMA qualification is very relevant to my job as I am involved in strategic planning and ensuring that the organization is aligned to its corporate objectives. I believe that gaining the qualification will take my career to a new level, as it has sharpened my business and strategic thinking skills.

**Tan Pi Chiang** ACMA, CGMA, CA(M)  
Head of Finance, Cellnique Cosmaceutical Sdn Bhd

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■ BY PREETHA NADARAJAH



# DEMOCRATISING FINANCE

**HOW IS EQUITY CROWDFUNDING (ECF) DEVELOPING IN MALAYSIA?**

**SMALL** and medium businesses seeking alternative funding are encouraged to explore equity crowdfunding (ECF). As business partners to SMEs, small and medium practices too should be aware of what's going on in the ECF space in order to provide appropriate advice. MIA recently organised their annual

Crowdfunding Seminar 2016 to track ongoing developments and expose members to ECF.

To date, a handful of small Malaysian businesses in the early stages of growth have obtained or are in the process of raising funding from the crowd since four of the six Securities Commission (SC) approved equity crowdfunding operators went live earlier this year. The funding volume in the process of crowd-sourcing funding since early 2016 has ranged from RM200K – RM2.6M per issuer with minimum investment amounts ranging from RM2,100 – RM4,970 per investor.

Examples of these businesses include an Islamic matchmaking platform targeted at the global population of 164 million single Muslims and the ultimate theme park venue targeted at modern-day parents seeking amenities, services, products and enriching experiences for parents and children under one roof.

The pre-money valuation of the businesses (valuation prior to the financing by the issuers), ranged from RM3.5 million to RM28 million. Clearly, these are not startups, but rather businesses at various stages of early growth with existing revenue stream, although not all are necessarily profitable at this stage.

## WHICH FUNDING OPTION?

Some of these businesses have grown to-date primarily via bootstrapping funds. Others have also received venture capital (VC) funding via angel investors. However, difficult conditions and less-than-lucrative VC exits mean that businesses might have to turn to less orthodox means to raise money.

## CLEARLY, THE EARLY-STAGE GROWTH FUNDING IS NO LONGER DOMINATED BY VCS. IT IS ALSO NOW OPEN TO THE PUBLIC VIA EQUITY CROWDFUNDING (ECF).

“Despite the record global aggregate value of venture capital financing of US\$161 billion in 2015, VCs are scaling back their startup investments in some Asian markets given their sensitivity to the 41% decline in the aggregate value of VC exits to US\$73 billion in 2015 from 2014. Furthermore, high valuations of some unicorns in the industry such as Didi Kuaidi raise a natural concern that the higher the valuation, naturally, the longer will be the exits, if at all possible,” cautioned Andrew Ho, Partner of Nautilus Capital Asia.

VC’s pains could open the floor to ECF. “Clearly, the early-stage growth funding is no longer dominated by VCs. It is also now open to the public via equity crowdfunding (ECF),” said Bryan Chung, COO of CrowdPlus.asia, one of the six ECF platform operators.

While small, the crowdfunding transaction value in Malaysia is expected to double to US\$1.4 million in 2016. A 2016-2020 CAGR of 60.79% is expected to result in a crowdfunding market size of US\$9.2 million by 2020.

The appeal of ECF could extend beyond simply seeking financing. Leo Shimada, co-founder and CEO of the Crowdo Group and Crowdo Malaysia Sdn Bhd said: “9 out of the 10 consumer businesses that approach Crowdo for

ECF are not in it just for the money. They have aspirations of being seen as an innovative company by embracing fintech, would like to increase brand awareness via the reach of the crowd and also see ECF as a means of getting market validation.”

## THE ANGELS & THE CROWD

How big exactly is the crowd in the Malaysian ECF ecosystem? In these early days, the number of investors who have thus far invested or pledged to invest in issuers on the SC-approved ECF operator platform is estimated to be in the early hundreds.

But beyond funding, ECF issuers obtain other benefits when leveraging the support of the ECF ecosystem, which includes angel investors. As Angelld Quah, Founder and CEO of Alix Global and co-founder of FundedByMe Malaysia illustrated: “For Halal Speed Dating, the first issuer to go live via Alix Global, we created an aggressive three month pre-campaign launch marketing strategy which covered more than 50 press releases in the global media, three offline roadshows reaching an audience of about 200 persons. Using social media messenger app *WeChat*, we reached out to 100,000 individuals. Our platform partner FundedByMe also reached out to 65,000 of their global members on the ECF platform via email. However, this excludes the attention garnered for private placements with angel investors, VCs and government agencies.”

“There are currently about 120 accredited angel investors by Malaysian Business Angels Network (MBAN) with a total combined income of RM123 million,” said Sam Shafie, CEO and co-founder of pitchIN who is also a Committee Member of MBAN. In order

## DEMOCRATISING FINANCE

to grow this investor demographic, MBAN hopes to enlist 200 angel investors by end 2016 and also discuss with the government on widening the scope of the Angel Tax Incentive (ATI) to drive the segment forward.

The Angel Tax Incentive (ATI) stimulates and encourages angel investments into select technology startups in Malaysia. It is open for qualifying investments made till 31 December 2017. The tax breaks allow for reduction in taxable income, ranging from RM5,000 to RM500,000 per annum, up to a maximum of the investment amount. This can be enjoyed two years after the investment into the qualifying startup.

## LEGAL FRAMEWORK

In Malaysia, the SC regulates ECF via the recently updated “Guidelines on Recognised Markets” dated 13 April 2016.

Given that the Companies Act allows for a maximum of 50 shareholders for private companies, a nominee or trustee structure is typically put in place to hold the shares of issuers on behalf of the investors after an investment is completed. The nominee then holds the legal title to the shares for the benefit of another person. In addition to the nominee structure, investors could also hold the shares directly in the issuer as registered shareholders. “However, the spirit and the intent of the SC guidelines are that all ECF investors are treated the same, regardless of the structure of ownership in the issuer”, shared Lim Jo Yan, Partner at MahWengKwai & Associates.

The contractual agreement between the investors and the nominee is spelt out in the nominee agreement which among others contains provisions on



voting rights. The contractual agreement between the issuer and direct investor in the absence of a nominee structure or the issuer and the nominee is defined in the shareholder agreement. The shareholder agreement details the terms and conditions of the business ownership including those pertaining to exits, Board representations, pre-emption rights and tag-along provisions, if any. These agreements can be perused as part of the issuer’s campaign prior to investing. Post-investment, there is another level of protection accorded to the investor with the six business days cooling off period for their investments.

## COMING SOON – SECONDARY MARKET FOR ECF & P2P

The very nature of ECF is that it is illiquid and investors are locked into this investment until an exit is in sight. “With VCs or private equity (PE) funding, the holding period is 3-5 years with a typical internal rate of return (IRR) of 15%-20%. In contrast, with ECF, the holding period is typically longer given the earlier growth stages of the issuers – likely to be 3-8 years on average, with

higher upsides than would be expected by VCs or PEs” shared Andrew Ho.

To address liquidity concerns, Sam Shafie hinted that discussions about an ECF operator hosting a secondary market to provide periodic opportunities for buying and selling on the secondary market to improve liquidity is ongoing. This will not give the same extent of liquidity available to shares traded on a normal exchange. But this is to be expected given that only a handful of issuers and platform operators have gone live to-date.

Another form of fintech financing, peer-to-peer (P2P) lending is expected to be launched by the SC in Q1 2017. This could be an opportunity for Malaysian small and medium enterprises with operating cash flow to obtain market-based financing from lenders via registered P2P platform operators. The regulatory framework for P2P has been announced earlier this year and applications for registered market operators are due in July 2016.

With this, the next chapter of Malaysia’s foray into democratising finance and promoting greater inclusiveness in the capital markets continues. ■

*“I got to work out of our offices in Cambodia and Vietnam. Hopefully, Myanmar is next.”*

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■ BY MAJELLA GOMES

**THERE IS A GROWING GROUNDSWELL OF OPINION THAT CURRENT HIGHER EDUCATION IS NO LONGER FIT FOR PURPOSE. BUT IF TERTIARY ACCOUNTING EDUCATION AS IT EXISTS IS BROKEN, HOW CAN WE FIX IT? THE FRAMEWORK-BASED APPROACH THAT FOCUSES ON IMPARTING THE PRINCIPLES OF FINANCIAL REPORTING AND THE CONCEPTUAL FRAMEWORK OF ACCOUNTING – WHILE EMPHASISING PROFESSIONAL JUDGEMENT - SEEMS TO BE THE WAY FORWARD IN A HIGHLY COMPLEX WORLD.**

## Producing Competent Accountants

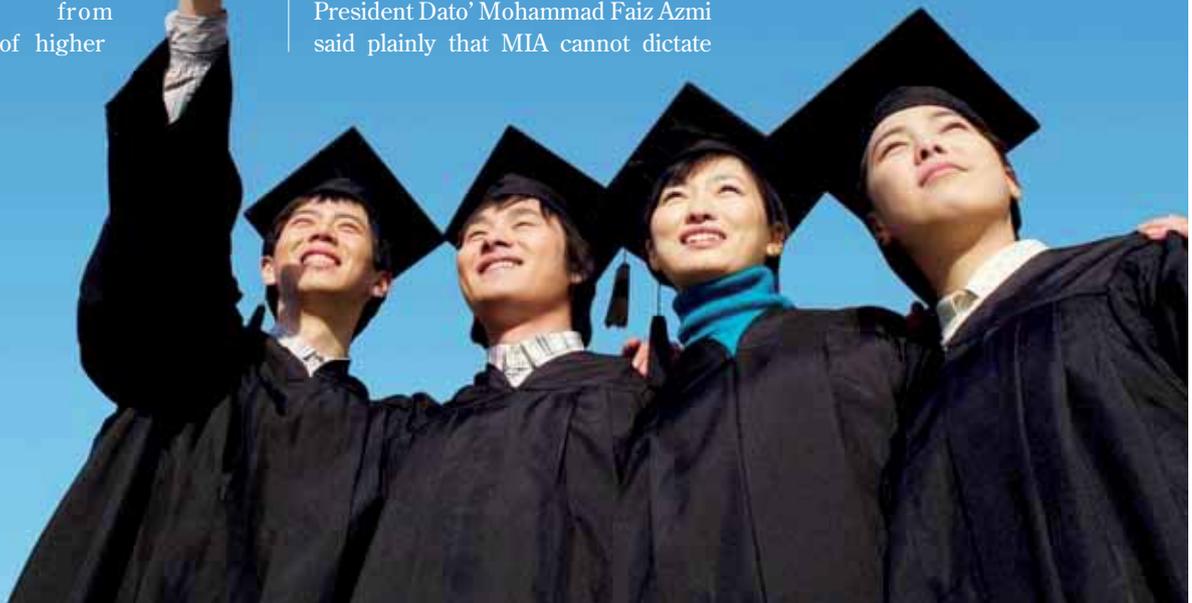
ONE of Malaysia’s goals - and hence, a top priority on MIA’s agenda - is to produce 60,000 competent and ethical accountants to meet projected business demand and support economic growth and nation-building.

Key to producing this pool of talent will be education, training and continuous development. However, employers frequently grouse that trainee accountants emerging from institutions of higher

learning - and who aren’t professionally qualified - aren’t up to the required standard. One of MIA’s obligations is to bridge the gap between employers and academia to ensure that both are on the same page. MIA uses platforms such as the annual National Accounting Educators Symposium (NAES) to try and bring about collaboration and synergies between employers and educators.

Speaking during his welcoming remarks at the NAES 2016, MIA President Dato’ Mohammad Faiz Azmi said plainly that MIA cannot dictate

to institutions of higher learning how they should be administering their accounting courses. However, he noted that “there were currently disconnects between what aspiring accountants were being taught in universities, and what the job market actually required of them. A certain degree of recalibration was necessary.” He exhorted lecturers to “go back and think about what a qualification actually means, and the role of a university degree.”





## ADVANCING ACCOUNTING EDUCATION LOCALLY

The NAES is also a platform to expose academics and educators to the latest thinking on accounting education. Since Malaysia is converged with international standards such as the IFRS (International Financial Reporting Standards) and the IASs (International Auditing Standards), it is imperative that local accounting education is up to speed with the latest developments.

A key development is the International Accounting Education Standards Board (IAESB)'s new International Education Standards (IES) Framework for Competence and Excellence. "The purpose of the Framework is to set educational concepts, spur learning and development, enhance professional accounting education and maintain international education standards," said Prof Dr. Sidharta Utama, Member, IAESB.

The pursuit of competency and excellence is a never-ending and ongoing process. "We are constantly improving professional competency," he affirmed. Once qualified, accountants must attend Continuing Professional

*The purpose of the Framework is to set educational concepts, spur learning and development, enhance professional accounting education and maintain international education standards.*

Development (CPD) programmes to ensure professional competence.

Besides aiding professional development, the Framework will help accountants identify areas of professional interest, e.g. tax, audit or data analytics. They will have to demonstrate their improved competency after taking the related CPDs.

The key concepts of the Framework relate to four sectors: professional accountants, aspiring professional accountants, learning outcomes and proficiency levels. The Framework specifies the requirements for entry to professional accounting education programmes, and explains the rationale for the principles to be used in setting educational entry requirements.

## TEACHING PROFESSIONAL JUDGEMENT

Professional judgement is one of the most difficult concepts to

impart, and is largely acquired through experience. Given that evolving standards rely heavily on the accountant's interpretation and their ability to use professional judgement and scepticism, it is thus logical that current accountancy education is focusing more intently on ensuring understanding of the conceptual accounting framework, and subsequently, nurturing judgement through framework-based teaching.

"All IFRS teaching has to be based on this (the principles of accounting and the conceptual framework). We have to ensure that the principles can be used at all levels of accounting classes, regardless of level. We also have to consider the competency levels of professional accounting bodies and how far they are aligned to the current standards because accounting education programmes have to be able to produce the people who can do the work," said Prof. Dr. S. Susela Devi, Dean, Faculty of Business Technology

PRODUCING COMPETENT ACCOUNTANTS



& Accounting, UNITAR International University.

Framework-based teaching was developed by lecturers from the University of Pretoria, South Africa, and is basically very student-centric. “Framework-based teaching is innovative in that it helps students understand the concepts of financial reporting and relate these to their courses.” Framework-based teaching will entail increasing focus on the concepts that underpin financial reporting, teach students how to judge based on those concepts and dispel common misunderstandings of the concepts.

“Students must learn how to do this, to exercise courage and defend their judgements,” she urged. Exercising judgement will become more important as IFRS becomes more complex and globalisation and technological advances lead to more complex business transactions and environments.

There are extensive implications for the educators of accounting students with framework-based teaching. “The training of accountants will have to change. The exercise of judgement needs to be given due emphasis. Currently, this emphasis is taught only in the last semester of the final year but ideally, it should be taught in the first

*Students have to want to learn and understand, especially Gen Y students (or Millennials) who have limited attention spans. The challenge is to teach a framework which is still evolving, to teach students how to make judgements in line with the standards, when the standards themselves are not yet hard and fast.*

year because exercising judgement or discernment is not something that can be learnt overnight. It takes time to develop.” This means that the trainers must themselves fully understand the framework before they attempt to teach it.

The challenge lies not only in changing educators’ approaches but students as well. Students first exposed to framework-based teaching were unable to grasp this initially because they were used to rote learning and spoon feeding. “We need to build on soft skills,” she advised. “Students have to want to learn and understand, especially Gen Y students (or Millennials) who have limited attention spans. The challenge is to teach a framework which is still evolving, to teach students how to make judgements in line with the standards, when the standards themselves are not yet hard and fast. The environment, as it stands, is fluid and dynamic.”

The new style of teaching will

require more analysis and thinking, she said. “Financial reporting involves a lot of judgement and this is not likely to decrease anytime soon. Mere box-ticking will be replaced with careful analysis.” She stressed that there will not be single answers; rather, there will be critical examination of alternative accounting treatments for various classes of transactions.

With so much on educators’ plates, is there a clear path that will allow everyone to move forward in the same direction, without getting left behind? Dr. Susela proposed an integrated approach that involves academia, the corporate world and the profession. “There will have to be collaborative research on teaching IFRS using the framework-based approach,” she concluded. “Besides this, we will need sharing sessions between practitioners and academics, and access to more resources and materials to support teaching.” ■

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■ BY EVA NAGARAJAH

# Hi, Robot

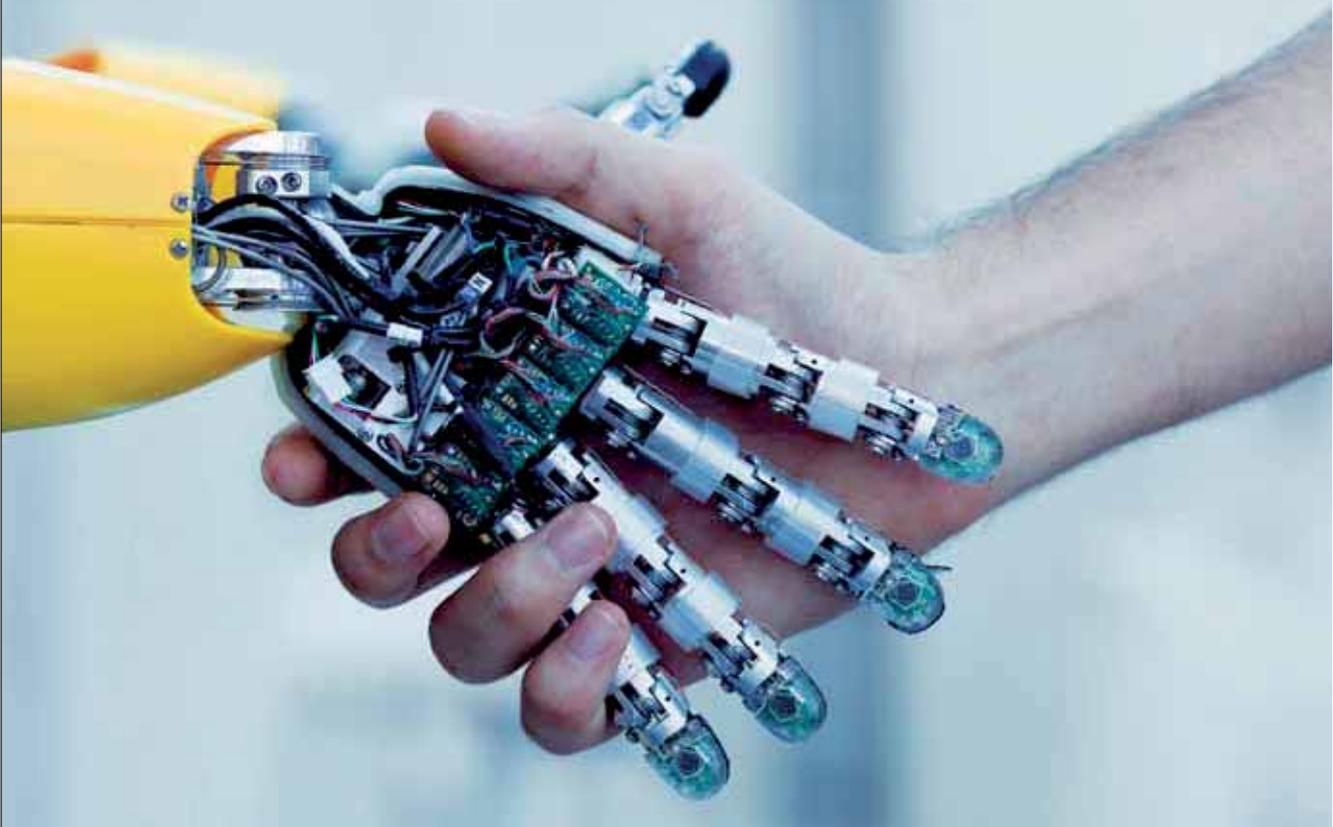
## What does automation mean for the accounting profession?

**AUTOMATION** is threatening several jobs with obsolescence, and accountants are supposedly at the top of the hit list.

According to research by Frey and Osborne cited in a 2014 article by *The Economist*, 47% of job categories are open to automation within two decades.

Accountants and auditors are the second highest in terms of risk, just after telemarketers.

If that's not scary enough, the *Financial Times (FT)* reported that as automation evolves, it has already started affecting hiring practices in the Big 4 –





the largest graduate employers around the world. The FT said that artificial intelligence tools are increasingly used to replace work conducted by fresh graduates, leading to predictions of a sizable decrease in graduate employment by these companies.

Don't press the panic button yet though, because automation is still nascent. Research by McKinsey Global Institute found that although going digital is the new buzzword and consumers have largely gone digital, the digitisation of jobs is still in the very early stages, even for companies that are at the forefront of digital spending.

The bright side is that accountants should be skilling upwards to negate the risks of obsolescence. "As technology becomes increasingly sophisticated and present in all aspect of businesses, accounting professionals can expect a shift towards more strategic and analytical roles," stated recruitment firm Randstad Singapore at the beginning of the year. Randstad wrote that transactional roles like general ledger, accounts receivable and payable may be endangered, but other higher-skill roles like financial planning and analysis or business controlling would still be in high demand.

### AUTOMATION GOOD FOR SHARED SERVICES

Finance shared services (FSS) is positioned as an important source of jobs for the profession as businesses seek to streamline their finance functions. Deloitte's report "The Robots are Coming" suggests that automation can have immense strategic value to the profession, particularly in the finance shared services industry. Apparently automation, even though not applied significantly yet in the industry, is currently the number two strategic priority, right after process improvement. Specifically in finance functions, perhaps up to 56% of roles could have a high possibility for automation.

But even in FSS, automation isn't definite. In a response to Deloitte, ACCA argued in its own paper "The Robots are Coming?" that there are significant challenges to the adoption of robotics and automation in the industry and financial services in general. Specifically, the risks of trusting software fully to do very customised, intricate work are still very real, while the benefits of automation are yet to be fully proven. Furthermore, cost is a barrier to adoption, and automation is more likely to happen in tedious, mind-numbing roles which employees

**Figure 1 BRING ON THE PERSONAL TRAINERS**

Probability that computerisation will lead to job losses within the next two decades, 2013 (1=certain)

Jobs	Probability
Recreational therapists	0.003
Dentists	0.004
Athletic trainers	0.007
Clergy	0.008
Chemical engineers	0.02
Editors	0.06
Firefighters	0.17
Actors	0.37
Health technologists	0.40
Economists	0.43
Commercial pilots	0.55
Machinists	0.65
Word processors and typists	0.81
Real estate sales agents	0.86
Technical writers	0.89
Retail salesperson	0.92
Accountants and auditors	0.94
Telemarketers	0.99

**Source:** "The Future of Employment: How Susceptible are Jobs to Computerisation?" by C.Frey and M.Osborne (2013)

HI, ROBOT



*The advances in data science and artificial intelligence are opening up new ways to look at businesses and generating insights that can lead to major productivity improvements.*

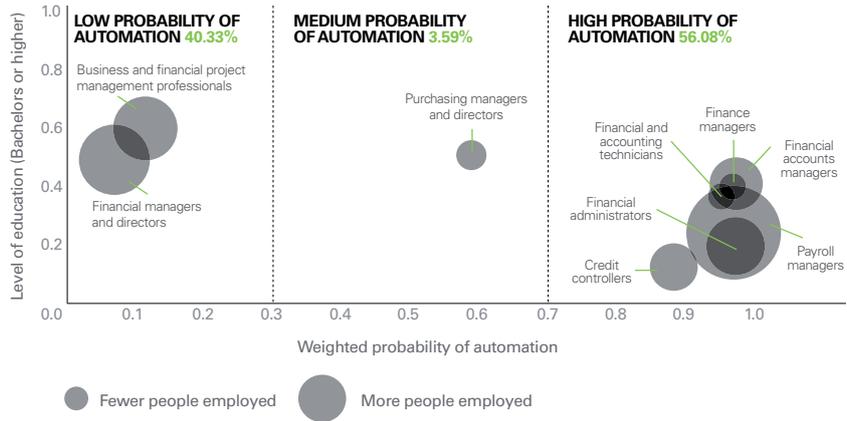
**Tom Osborne**  
Regional Director of Hays Malaysia



*Let's not forget that the accountant's role has evolved with time; they are no longer just number crunchers. Businesses rely on their finance team to provide strategic advice on top of compliance and cost-saving guidance.*

**David Chin**  
Head of ACCA Malaysia

**Figure 2 PROBABILITY OF AUTOMATION BY FINANCE FUNCTIONAL ROLES**



**Source:** Deloitte analysis based on Frey and Osborne, 2014

would rather pass on to technology anyway.

Again, it must be reiterated that automation would produce new skilled jobs in the long run, and increase adaptability to change. The impact therefore, may not be as imminent and as severe as predicted, as long as accountants are willing to reinvent themselves and become smarter and stronger.

**AUTOMATION IN MALAYSIA: THE PROSPECTS**

How are robots facilitating accountancy? And is automation really threatening accounting jobs in Malaysia?

“Automation has made things easier for the modern-day finance professional, especially when we are talking about commercial finance that requires information from across business divisions such as sales and marketing or logistics to be analysed. The advances in data science and artificial intelligence are opening up new ways to look at

businesses and generating insights that can lead to major productivity improvements,” remarked Tom Osborne, Regional Director of Hays Malaysia.

Are Malaysian accountants themselves at risk of being replaced by robots? “The automation of accounting transactions is inevitable and accountants have to constantly stay relevant by providing value-add to the business. Competition may be stiffer with lesser accounting jobs in the market over time as a result of automation thus there is a demand for higher quality accountants who are able to provide sound business judgement, proposals while still upholding accuracy,” theorised Toh Joo Lee, Manager, Accounting & Finance, Robert Walters Malaysia.

Nevertheless, robots still aren’t ready to replace humans, especially in providing advisory and strategic insights. “Automation conjures up an image of a machine replicating the activities of a human doing the work. But I don’t think that transformation will become reality that soon. Sure, we

are already seeing how smart software and systems are replacing manual work (such as bookkeeping). But let's not forget that the accountant's role has evolved with time; they are no longer just number crunchers. Businesses rely on their finance team to provide strategic advice on top of compliance and cost-saving guidance. This interpersonal capability is where the robots will fall short," said David Chin, Head of ACCA Malaysia.

On that note, Salika Suksuwan, Human Capital Leader of PwC Malaysia, said: "It's a rather simplistic view of accountants' role if we were to think that the profession will be taken over by machines. Automation brings greater opportunities for the profession as it helps reduce transactional and routine tasks such as data entry, bookkeeping and compliance work, and allows accounting and finance professionals to focus more on value-added services. These include advising clients and providing strategic insights on critical financial transactions."

People are irreplaceable, especially at higher levels. "However far systems and technology advance, they will

never replace human beings who can strategise, influence and work with major stakeholders to improve finance and business performance overall," said Osborne. "Good finance professionals with strong business acumen are here to stay. The advancement of technology and automated processes give professionals more time to be strategic and become true business partners. What finance professionals will need to do is keep abreast of technology to maintain a competitive edge in the market, and develop their digital skills which employers will increasingly be in search of."

At the end of the day, automation is still nascent but accountants should be prepared – and flexible. "Despite the billions of dollars spent on enterprise resource planning (ERP) systems, finance delivery still requires a significant amount of manual labour to complete a process or a transaction," said Chin. "To remain relevant, professional accountants should enhance their knowledge of new models for business, funding, payments and services. Adaptation to business expectations is key." ■



*The automation of accounting transactions is inevitable and accountants have to constantly stay relevant by providing value-add to the business.*

**Toh Joo Lee**

Manager, Accounting & Finance,  
Robert Walters Malaysia



*Automation brings greater opportunities for the profession as it helps reduce transactional and routine tasks such as data entry, bookkeeping and compliance work, and allows accounting and finance professionals to focus more on value-added services.*

**Salika Suksuwan**

Human Capital Leader of PwC  
Malaysia

■ REPORTING BY THE ACCOUNTANTS TODAY EDITORIAL TEAM

TO GROW AND COMPETE, SMEs CAN ACCESS A WEALTH OF DIFFERENT GOVERNMENT GRANTS AND FINANCING SCHEMES.

# GOVERNMENT GRANTS AND FINANCING FOR SMEs

Small and medium enterprises make up a huge chunk of the Malaysian economy and have a critical impact on economic health. Recognising the importance of SMEs, the government has made extensive efforts to help them grow, in particular by helping them to access finance.

MIA too has identified funding and relevant business support services as key drivers for SME health. Towards this, MIA recently organised a series of seminars on Government Grants & Financing for SMEs that showcased the development programmes, training assistance, funds and incentives for domestic

investments and even special funds for technology available for SMEs to tap. Among the leading resources that SMEs can and should approach are SME Corporation Malaysia (SME Corp), Malaysian Industrial Development Finance Berhad (MIDF), the Human Resource Development Fund (HRDF), the Malaysian Industrial Development Authority (MIDA), Credit Guarantee Corporation Malaysia Berhad (CGC) and the Malaysian Technology Development Corporation Sdn Bhd (MTDC).





## SME CORPORATION – PLAYING A VITAL ROLE

Upsizing SMEs is vital for sustainable growth. Almost 97.3% of business entities in Malaysia are SMEs – and 80% of these are considered micro enterprises. “Most of these businesses are just not big enough (to qualify for funding),” noted Mohd Rithauden Makip, Senior Director, Business Advisory & Support, SME Corp. “Startups do try to get funding from their own sources but find it hard because of their size. SMIDEC (the old name for SME Corp) used to give up to RM100,000 to startups but funds are limited, although SME Corp supports all businesses across communities and sectors, and all businesses are eligible for funding.”

According to Rithauden, the largest part of funding still comes from financial institutions, not the government, although commercial banks were usually wary of funding startups. To progress, SMEs must learn to present a professional business case which validates their financing requirements. “Funding is a two-way street,” Rithauden cautioned. “SMEs sometimes haven’t the faintest idea how to start – but they want funding! At the most basic level, what they need to have is proper documentation, a business plan and financial statements. SME Corp can help small businesses with their pitches to banks but they need to have a viable business model first.”

SME Corp’s support programmes include providing a referral centre, diagnostic tools and human capital development to SMEs, besides technical and innovation programmes, market access, financial assistance like business acceleration programmes and soft loans for SMEs, and even an SME Emergency Fund to help entrepreneurs who have experienced a catastrophe like fire or floods. To extend assistance to SMEs, SME Corp collaborates with organisations like financial institutions (CIMB and SME Bank), ministries like the Ministry of Defence (MinDef), Technology Park Malaysia (TPM), the MSC Development Corporation (MDeC), Telekom Malaysia (TM), the Human Resource Development Centre (HRDC) and the Malaysian Productivity Centre (MPC), among other bodies. Currently, 16 Ministries have programmes that help SMEs; SME Corp functions as a coordinating agency for these programmes.

SME Corp’s Business Accelerator Programme (BAP) provides grants up to a maximum of RM400,000 to eligible firms, and loans of up to RM500,000. Its Enrichment & Enhancement Programme (E2) offers grants of up to RM100,000 and loans of up to RM50,000. For grants, eligible expenses include product packaging and labelling, compliance with standards and accreditation, innovation, branding, purchase of equipment/machinery, advertising & promotions and software.



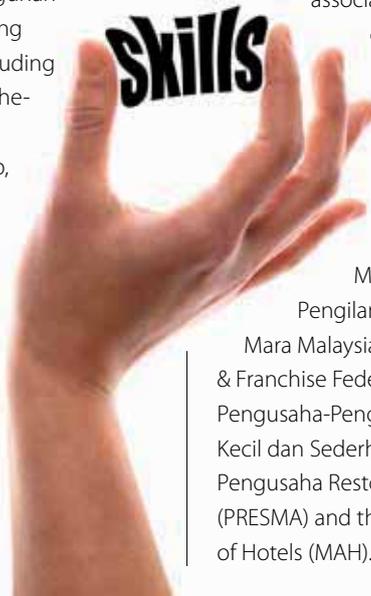
**SMEs SOMETIMES  
HAVEN'T THE  
FAINTEST IDEA HOW  
TO START – BUT THEY  
WANT FUNDING!**

GOVERNMENT GRANTS AND FINANCING FOR SMES

**Developing Talent**

Grants from the Human Resource Development Fund (HRDF) are aimed at building capacity and talent. HRDF encourages employers to retrain and upgrade staff skills, and has, since its inception, managed funds for these purposes. Under its Pembangunan Sumber Manusia Berhad (PSMB) Training Schemes, it offers 12 programmes including industrial, computer-based and train-the-trainer schemes, and three under its Special Fund Schemes: Apprenticeship, Housewives Enhancement & Reactivate Talent Scheme (HEARTS) and 1Malaysia Globally Recognised Industry & Professional Certification (1Malaysia GRIP). As of 31 December 2015, it had approved RM539.67 million in grants and trained 435,872 workers.

It also offers: The CEO: Innovative Strategy for Business Leaders; SME Leadership Development;



SME C-Level Executive Management (in Toyota City, Japan); and Master Class on Essential Management for Entrepreneurs. Additionally, its Training Fund Under Minimum Wages grant is disbursed through ten employers' associations and business chambers: the MRCA Branding Education Charity Foundation, Malaysian Exporters Association (MEXPA), Persatuan Pengilang-Pengilang Kasut Malaysia, Persatuan Pengilang dan Usahawan Mara Malaysia, ASEAN Retail Chain & Franchise Federation, Persatuan Pengusaha-Pengusaha Perusahaan Kecil dan Sederhana, FMM, Persatuan Pengusaha Restoran Muslim Malaysia (PRESMA) and the Malaysian Association of Hotels (MAH).

**For Women Only**

Women have been identified as a prime source of economic growth, thanks to strong emphasis on diversity and inclusion. A new Credit Guarantee Corporation Malaysia Berhad (CGC) product, BizWanita-i, is intended for businesses where at least 51% of the company is owned by women. In fact, the more women the firm has on Board, the better. Companies where women are key decision-makers, substantially present



in the management team (50% or more) and workforce (70% or more), will definitely qualify for this special scheme. Loans taken under this scheme are collateral-free. No security needs to be pledged, and financing tenure is up to seven years for amounts from RM20,000 to RM300,000.

**ADDING VALUE TO MANUFACTURING**

Like SME Corp, Malaysian Industrial Development Finance Bhd (MIDF) has been helping out small businesses for a long time, since 1960. "MIDF now manages RM2 billion in funds, which come from government sources, the Bank of Japan and the money market," said Fadzlan Abu Bakar, Head, Marketing & Development. "With these allocations, we only offer loans; MIDF does not give out grants. Our loans are for medium to long-term financing, and we are primarily involved in managing funds for bodies like the Ministry of International Trade & Industry (MITI), the Malaysian Industrial Development Authority (MIDA), SME Corp and Matrade. Over the years, we have approved more than RM12.7 billion in

loans."

Among its financial assistance programmes are those geared to helping SMEs in modernising and automating manufacturing processes and diversifying into higher value-added activities. Its soft loans for the services sector provide financing for new startups that create new services, and cover the purchase of fixed assets like land and buildings as well as hardware and software. Fadzlan reminded SMEs that proper documentation is imperative to apply for and secure MIDF loans. This includes five years of audited accounts (or all audited accounts if the business is less than five years old), valid business licences, letters of offer, lists of trade debtors and creditors, company profile and official quotations of machinery or equipment to be financed.

## PROVIDING BUSINESS GUARANTEES

Unlike MIDA, the Credit Guarantee Corporation Malaysia Berhad (CGC), a subsidiary of Bank Negara Malaysia, targets SMEs that lack adequate collateral or a track record. The CGC's primary role is to bridge the gap between businesses which require financing, and banks which require security. Businesses can apply for CGC schemes via financial institutions or the network of an estimated 3,000 CGC branches nationwide.

The Guarantee Schemes which can be applied for through financial institutions are Enhancer, Enhancer Bumi, Green Tech Financing, Flexi Guarantee Schemes and Franchise

### Financing.

Through CGC branches, the Schemes which can be applied for are Tabung Projek Usahawan Bumiputera-i (TPUB-1), Bizmula-i, BizWanita-i and Enhancer Excel.

CGC has also been entrusted to help drive green financing. The Green Tech Financing Scheme (GTFS) funds are essentially to finance investments in the production and utilisation of green projects. For producers, a maximum of RM50 million per company is allowed; for users, the limit is RM10 million per company. Only companies which have been approved by the Malaysia Green Technology Corporation are eligible. ■

## Driving Domestic Investment

Nazuki Abdullah, Senior Deputy Director, Domestic Investment Division, MIDA was the bearer of good news with regards to funds and incentives for domestic investment. Despite the challenging economic landscape and budget constraints, there are still some incentives available for local companies under the Domestic Investment Strategic Fund (DISF). Formerly known as the Malaysian Industrial Development Authority, MIDA is now the Malaysian Investment Development Authority. "MIDA, which has been in existence since 1967, promotes



investment in Malaysia but we do help foreign companies too," Nazuki said. "With 23 offices worldwide, we are instrumental in negotiating with other countries to promote Malaysia's capabilities as an investment/manufacturing destination."

The body also tries to bring foreign

expertise into Malaysia and is positioning Malaysia as a principal hub for many things. "To date, 196 projects have been approved, worth about RM8.2 billion in investments," he continued. "As at 31 December 2015, RM785.5 million of the approved grants had been disbursed. Besides this, there are other incentives as well, such as for setting up industries or businesses in underdeveloped or rural areas." It is important to note that for these grants, at least 60% of equity must be Malaysian-owned. A proven track record of the parent company is a must for new companies which are subsidiaries of existing companies, and existing companies applying for funds must demonstrate the prerequisite capabilities and a proven track record for their relevant industry.

MIDA has a specific list of targeted sectors wherein companies can apply for funding: aerospace, medical devices, pharmaceuticals, machinery & equipment, advanced electronics and services which include design, R&D, testing, quality and standards certification, engineering services and logistics service providers.

## Catalysing Technology and Innovation

While other sectors might be more constrained by tight funds, the government remains committed to financing innovation and technology-minded startups.

Under the Ministry of Science, Technology and Innovation, grants under the Technology Development Programme are offered for commercialisation of R&D (CRDF) and the acquisition of technology (TAF), said Idjarmizuan Ibrahim, Senior Vice-President, Growth Fund Department, Malaysian Technology Development Corporation (MTDC). CRDF1 offers partial grants of up to RM500,000 at a ratio of 70:30 with no repayment or processing fee; CRDF2 grants can go up to RM4 million (at 70:30) but will be subject to a payback scheme of 12.5% of the approved amount in the third and fourth years, in 24 instalments with no interest. A processing fee of RM3,500 is levied for CRDF2. CRDF3 is for the commercialisation of local R&D by non-SMEs, up to a maximum of RM4 million at a 50:50 ratio. This fund is also subject to a similar payback scheme and processing fee as CRDF2.

■ BY THE SMALL AND MEDIUM PRACTICES (SMP) DEPARTMENT

# CPE FOR AUDITOR LICENSE RENEWAL

○ **FREQUENTLY ASKED QUESTIONS (FAQs)** on New CPE requirement for the Renewal of Audit Approval



**THE** Council of the Institute has on 26 May 2016 approved the amendments to Definitions, Section 410 ‘Continuing Professional Education’ and Appendix V ‘Accredited Structured and Unstructured CPE Learning Activities for Section 410’ of the MIA By-Laws (On Professional Ethics, Conduct and Practice).

Subsequent to the above amendments, a minimum of 10 out of 20 structured CPE hours each year to be completed by members for the purpose of renewal as an approved company auditor, must be related to International Standards on Quality Control (ISQC 1), approved auditing standards and/or approved accounting standards.

Accordingly, Appendix V has been amended to provide guidance on the accredited structured learning activities/programmes that are eligible to be claimed as CPE hours for the

abovementioned purpose.

To help provide clarity to the new requirement, please see the FAQs below. If you need further clarifications, please email the MIA SMP Department at [smp@mia.org.my](mailto:smp@mia.org.my).

**What is the objective of the new CPE requirement?**

The main objective is to improve audit quality and to be in line with the CPE requirements for license renewal of other professional services<sup>1</sup>.

**When is the effective date?**

The new CPE requirement will take effect from 1 January 2017.

**I am not an auditor. Will the new CPE requirement affect me?**

No, the new CPE requirement will only affect auditors who would like to renew their audit approval.

**Illustrations / Examples**

**SCENARIO 1**

**AUDIT APPROVAL EXPIRES BEFORE OR IN YEAR 2017**

For audit approval expiring in year 2017 (regardless of the expiry month), the Institute will check the CPE compliance of renewal applicants for the prior two years, i.e. year 2015 and 2016. Hence, the new CPE requirements will not yet be applicable for renewal of audit approval that expires in year 2017.

Likewise for audit approval expiring in year 2016 (regardless of the expiry month), the Institute will check the CPE compliance of renewal applicants for the prior two years, i.e. year 2014 & 2015. Hence, the new CPE requirements will not yet be applicable for renewal of audit approval that expires in year 2016.

**Table 1**

Audit approval expires in year	Checking of CPE Compliance in year			
	2014	2015	2016	2017
2016				
2017				
2018				New CPE requirement will be applicable starting 2017

*Note: New CPE requirement will not be applicable yet.*

**SCENARIO 2**

**AUDIT APPROVAL EXPIRES AFTER OR IN YEAR 2018**

For audit approval expiring in year 2018 (regardless of the expiry month), the Institute will check the CPE compliance of renewal applicants for

the prior two years, i.e. 2016 and 2017. Hence, the new CPE requirements will be applicable for renewal of audit approval expiring in year 2018 and onwards. Please refer to **Table 1**.

**What types of structured courses will be eligible for audit approval renewal**

**purposes?**

In fulfilling the specific CPE requirement for purpose of renewal, all of the following accredited structured activities must be related to ISQC 1, approved auditing standards and / or approved accounting standards (as per Appendix V of MIA By-laws).

CPE courses and conferences organised by the Institute or by the Institute jointly

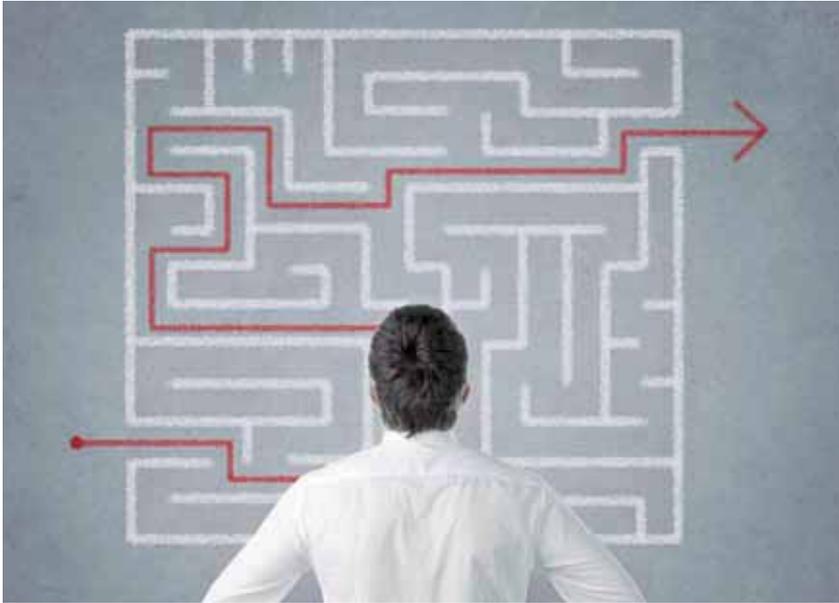
<sup>1</sup> *Currently there is no specific requirement on the type of CPE to be attended by auditors for renewal of audit approval. This is different from the renewal conditions of tax agent and GST tax agent where only tax / GST-related courses are accepted for renewal purposes.*

# We have moved

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CPE FOR AUDITOR LICENSE RENEWAL



with other professional bodies or by other organisations endorsed by the Institute.

CPE courses and conferences organised by the recognised bodies as listed in Part II of the First Schedule to the Act.

Courses and conferences organised by other accredited organisations.

Participation in formal groups and formal self-study programmes designed specifically for members.

Studies undertaken for the purpose of preparing for a post-qualification course.

Studies undertaken after qualification with a view to preparing the member for a postgraduate degree - (for example Masters, PhD, professional qualifications).

Suitable courses run by a university or appropriate institution.

Relevant courses run by a firm in public

practice, an industrial company or other business organisation.

Correspondence courses, audiotape or videotape packages, courses of programmed texts or other individual study programmes that are relevant or related to the accountancy profession, which require participation by the member.

Writing of technical articles, papers or books for publication.

Working as a lecturer, instructor or discussion leader on a structured course will entitle the member to obtain a maximum of 50% of the minimum CPE credit hours (repeat presentations of the course will entitle the member to not more than 30% of

the minimum CPE credit hours for this purpose).

Service as a member of a committee of the Institute and its branches will entitle the member to obtain a maximum of 2 CPE credit hours for each meeting attended by the member in respect of the committee or the branch of the Institute as the case may be.

Service as a member of a committee of any one of the recognised bodies as listed in Part II of the First Schedule to the Act and other related bodies, will entitle the member to obtain a maximum of 2 CPE credit hours for each meeting.

Participation in the Institute's activities in the development of standards/guidelines relating to the profession. (A member shall not be entitled to accumulate more than 10 CPE credit hours for participation in the same activity in any one cycle).

Participation as a speaker in conference and seminars. 1 hour of training is equivalent to 1 CPE credit hour.

**The new CPE requirement is quite onerous as 10 structured CPE hours are more than a one-day event which is entitled to 8 structured CPE hours. Can MIA develop some special one-day courses that entitle members for 10 CPE hours?**

The MIA SMP Committee will consider the above request and all approved special courses will have a special indication in the flyer by the Institute. ■

**Where can I get a copy of the amended MIA By-Laws?**

The above-mentioned amendments to the MIA By-Laws have been uploaded to the Institute's website. Members can download a copy at <http://www.mia.org.my>



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■ BY NAZATUL IZMA

# Professional Accountants THE FUTURE

*Steven Covey figured out the 7 Habits to Success. Drilling deeper, ACCA has discovered that there are also seven elements for success which will differentiate the leading professional accountant of the future. These 7 Quotients will be the focus of the second plenary session at the MIA International Accountants Conference 2016, a platform aimed at creating accountants who are highly relevant and future ready.*





**ACCORDING** to ACCA's latest research, 'Professional Accountants – The Future', there are seven quotients essential to the evolving profession. Also known as the Magnificent Seven, ACCA has tagged these as: Technical and ethical (TEQ), Intelligence (IQ), Creativity (CQ), Digital (DQ), Emotional Intelligence (EQ), Vision (VQ) and Experience (XQ).

As a leading platform for the development of the accountancy profession, the annual MIA International Accountants Conference takes pains to highlight such empowering research for the benefit of all accountancy professionals. Hence, do mark your calendars for the MIA International Accountants Conference 2016 to learn more about inculcating the seven quotients in the ACCA-sponsored Plenary 2 session entitled Professional Accountants – The Future.

As a teaser, we asked David Chin, Head of ACCA Malaysia to tell us more:

**WHY DID ACCA CHOOSE THIS PARTICULAR TOPIC?**

Professional Accountants –The Future is ACCA's focus this year because we live in a global economy that is changing at a speed and with an intensity that seems unprecedented. It is a world in which the accountancy profession needs to ensure that its members have the knowledge, skills and abilities to help organisations sustain economic growth and compete nationally and internationally.

We're committed to understanding this world and the place of accountants in it, simply because we believe our ACCA members are positioned to be true value creators in organisations and

**WHAT ARE THE SEVEN QUALITIES OF SUCCESS FOR ACCOUNTANTS IN THE FUTURE?**

With input and insight from over 2,000 business and finance professionals around the world, we've identified the drivers of change the profession faces through to 2025.

As a result, ACCA has developed a set of seven Professional Quotients – a mix of technical knowledge, skills and abilities formed with interpersonal behaviours and qualities:



**1 Technical and ethical competencies (TEQ):**

The skills and abilities to perform activities consistently to a defined standard. Often based on a professional qualification.

**2**

**Intelligence (IQ):** The ability to acquire and use knowledge: thinking, reasoning and solving problems.



**3 Creativity (CQ):** The ability to use existing knowledge in a new situation, to make connections, explore potential outcomes, and generate new ideas.

**4**

**Digital (DQ):** The awareness and application of existing and emerging digital technologies, capabilities, practices, strategies and culture.



**5 Emotional intelligence (EQ):** The ability to identify your own emotions and those of others, harness and apply them to tasks, and regulate and manage them.

**6**

**Vision (VQ):** The ability to predict future trends accurately by extrapolating existing trends and facts, and filling the gaps by thinking innovatively.



**7 Experience (XQ):** The ability and skills to understand customer expectations, meet desired outcomes and create value.

The quotients may form the basis for a mechanism that can help a wide range of stakeholders to assess whether individual accountants have the optimal combination of technical knowledge, skills and abilities and the interpersonal behaviours, skills and qualities that the professional accountant of the future will need.

PROFESSIONAL ACCOUNTANTS – THE FUTURE

governments.

**COULD YOU RANK THESE SEVEN QUALITIES IN ORDER OF IMPORTANCE, AND WHY ARE THEY IMPORTANT?**

All seven of these qualities are crucial to have if accountants are to continue to shape and support businesses and the global economy.

The accountant’s role has been revolutionised over the past decade, with finance professionals becoming leaders, trusted expert counsel and key strategic advisers to organisations whether in the public or private sectors. With this metamorphosis comes a requirement for a whole new set of skills.

It is our estimation that, by 2020, all professional accountants will need to develop and balance the necessary professional quotients to fit their role and stage of career. What is considered the ‘optimal’ mix will vary across specialist domains, roles, organisations, industries and geographies, and it will evolve in



**HOW CAN ACCOUNTANTS MAKE THEMSELVES RELEVANT AND FUTURE-READY?**

For one thing, we hope accountants would familiarise themselves with our report. We have also developed a special microsite – *thefuture.accaglobal.com* – where they can test themselves according to the seven professional quotients.

response to change.

**HOW IS THIS TOPIC OF VALUE TO PARTICIPANTS? HOW WILL PARTICIPANTS BENEFIT?**

Professional Accountants –The Future identifies the main drivers for change that will have the most impact on the profession. Part of this research includes how the technical, ethical and

interpersonal skills and competencies become a crucial requirement across the profession and in various technical areas, now and into the future.

By understanding these requisites, we believe accountants can better prepare themselves to meet business expectations.

**WHY HAS ACCA CHOSEN TO COME IN AS THE DIAMOND SPONSOR THIS YEAR?**

ACCA has always supported the MIA International Accountants Conference, and regard this event as a great platform where professionals from the accounting and business community can connect and learn from each other.

We’re thrilled to be the Diamond Sponsor for this year’s conference, and are excited to share greater details about our global report Professional Accountants – The Future with delegates of the MIA Conference.

A significant proportion of respondents to our global survey are based in Asia Pacific, so we’re confident our research findings will resonate well with delegates of the MIA Conference. ■



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■ BY MAJELLA GOMES

HOW CAN BUSINESSES AND PROFESSIONALS ENHANCE ETHICS TO DRIVE BUSINESS PERFORMANCE?

# DRIVING VALUE THROUGH ETHICS

IN a highly competitive landscape where businesses are under intense scrutiny, ethics has been pinpointed as a key differentiator that can drive value and long-term performance. But how can ethics be imbued in business to create value? And how can organisations and professionals balance ethics and the appetite for profits to serve both shareholder and public interests?

## ■ WHAT IS ETHICS?

Ethics is ingrained behaviour. Ethics is part and parcel of life, and not to be viewed as separate from how we think, behave and act, either in the workplace or outside it, offered the panellists at the recent MIA forum on Driving Value Through Ethics which was moderated by Ravi Navaratnam, Chairman of the MIA Ethics Standards Board.

“It’s the way we carry ourselves, and how we are ruled by a set of standards,” commented Dr. Ng Boon Beng, Finance Director, Oracle ASEAN

Development Management. “Ethics and value are interrelated in the sense that one influences the other to create synergy.”

“We acquire our values – our ethics – from family and society, not from the business environment. These values converge to improve our futures. Ethics is a set of principles which are linked to morality. Some of these have been codified into law; an example is the principle of confidentiality, which has been written into the Data Protection Act. But ethics may also be unwritten rules, and each individual carries a different set of values derived from background and upbringing,” said Dr. Ng.

## ■ ETHICS ARE SYNERGISTIC WITH VALUE CREATION

Considering that ethics are the rules that describe the acceptable way things are done in an environment, are ethics and value separate factors,



or are they really synergistically or symbiotically related?

Certainly, ethics can be synonymous with value creation. “Ethics will manifest itself where you are being honest with your customers, for instance,” Ong Chee Wai, Assurance Partner, Ernst & Young remarked. “If you are, you can be in business for a very long time. In that sense, ethics is a driver of value. In industry, we need to tell the client what they need to hear and what they need to know. This isn’t always pleasant but it is absolutely necessary. It cannot be sugar-coated.”

Trust, said Leong Wai Leng,



General Manager & Head of Corporate Surveillance, Securities Commission, was fundamental to companies because they want to make a profit and be sustainable in the long-term. “In terms of PLCs, we are trying to show that Malaysia is a viable investment destination. Investors need to trust you, and if you have the right values and ethics, you will be trusted – but it takes a long time to build.”

■ **ETHICS CANNOT BE LEGISLATED – BUT CAN BE ENCOURAGED**

It was generally agreed that ethics

was something one grows up with and absorbs; ethics is tied to family influence, background, upbringing and environmental influence – and thus cannot be legislated. “We can only remind people to do what’s right,” Leong said. “But they will continue unethical behaviour if they can get away with it, especially in the corporate world. There are many grey areas which can be legally correct or permissible but not really morally or ethically sound.” Reflecting on how important ethics is as a basis for creating value, Dr. Ng said it was important for companies to honour their commitments to customers. “You

cannot let them down; all points in any agreement have to be followed to the letter,” he stressed.

Ong noted that compliance, organisational culture and practices, and encouragement were essential to advocating strong ethical culture. “There should be checks and balances instituted by management; compliance should be emphasised,” he said. “Organisational culture and practices have great influence on employees. These factors shape the way they think and make decisions in the workplace. Ethical behaviour needs to be encouraged. Good behaviour should

## DRIVING VALUE THROUGH ETHICS



Left to right: Dr. Ng Boon Beng, Ong Chee Wai, Ravi Navaratnam and Leong Wai Leng

be recognised and rewarded.”

But he stressed that, “If you cannot overcome your human shortcomings, you will do the wrong thing. No matter how good the policy is, it will have no influence on human nature.”

Discussing the issue of acquiescence or acceptance within the context of ethics, Leong remarked that when someone wants to do something wrong, they inevitably look for justification of their actions. “You will look for loopholes which you can take advantage of,” she said. In most cases, we have to rely on our conscience to do the right thing, Ong said. “Our conscience tells us whether or not we are doing the right thing. We know we are looking for loopholes, to get around the morality issue.”

### ■ HAVE PERSONAL COURAGE

Professionals themselves have to be responsible and accountable for their own ethical behaviour in complex situations. First, ask the question - “Am I doing the right thing?” which is something only the individual could ask and answer personally. Second, understand that actions which are

## THE TONE FROM THE TOP WILL DICTATE THE CULTURE OF ANY COMPANY, AND THIS INCLUDES ITS ETHICS AND VALUES.

acceptable legally might not be morally acceptable. “It is a matter of personal values,” said Dr. Ng. “We need to have the courage to stand up for what we believe, and not be blindly loyal.”

To protect themselves when taking action in ethical dilemmas, professionals need to follow rules and regulations (i.e. ethics which have become codified over time), and be able to substantiate their actions with proper documentation and evidence.

### ■ START AT THE TOP

Polled on what they thought were the three top values that could drive corporate sustainability, the panellists singled out integrity, credibility and

trustworthiness. But while personal integrity is critical, robust leadership is key. “The tone from the top will dictate the culture of any company, and this includes its ethics and values,” stated Ong. “When we are sorely tempted, we have to listen to our conscience and make the right decision.” But behaviour at the top is very likely emulated at other levels. If leaders were perceived to be morally flabby, subordinates will have no qualms about following suit as that will be deemed “acceptable” organisational culture. “The tone from the top is imperative. If top management implies that certain behaviour is okay, all other levels will feel that it is acceptable too.” This frequently happens in large companies where misdeeds have a higher chance of going undetected.

### ■ DO THE RIGHT THING

When temptation is rife and opportunities abound, what can an individual do in complex ethical situations where doing the right thing could be seen as an aberration, rather than the norm?

“When you are faced with grey areas, with no clear indication of what is right or wrong, you should ask yourself what you would do if this was your own company,” advised Leong. “If you realise that ethics is the issue, and you are faced with hard choices, try to imagine the repercussions you will have to deal with, if you were deciding for your own company. The short-term results may bring you profits but will your actions be sustainable in the long run, or turn out ultimately to be detrimental to the business? The issues surrounding ethics are complex and multifaceted; there are no straightforward answers because ethics involves the vagaries of human nature, more than anything else.” ■

2016

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■ BY MAJELLA GOMES

MIA IS WORKING TO PUT IN PLACE BY-LAWS ON PROSPECTIVE FINANCIAL INFORMATION (PFI) TO REGULATE PROFESSIONAL CONDUCT AND PRACTICE IN THIS PROBLEMATIC AREA.

# REGULATING PROSPECTIVE FINANCIAL INFORMATION

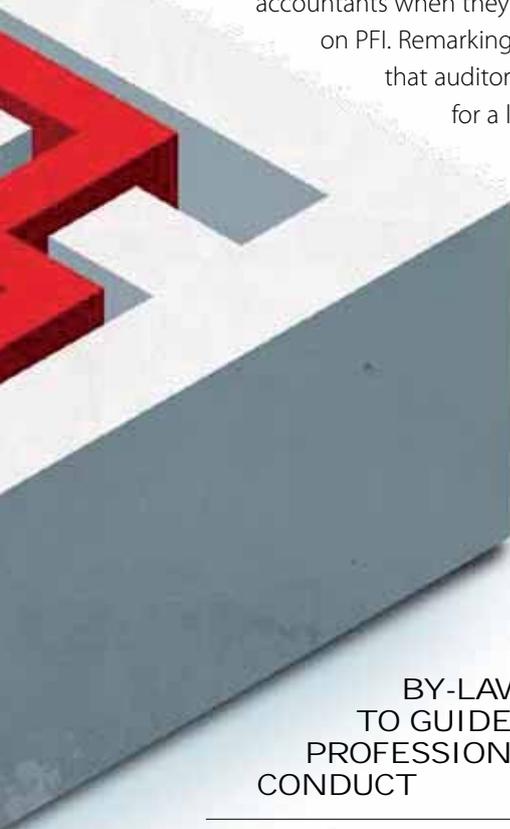


**MIA'S recent forum on Prospective Financial Information**

**(PFI)** was held in the wake of the period for public comments on the exposure draft entitled "Section 570 Prospective Financial Information", on its By-Laws regarding the matter. This exposure draft was issued on 13 May, and the period for public comments ran until 12 June 2016. Section 570 is intended to provide guidance to member firms and professional accountants when they act as Reporting Accountants (RA)

on PFI. Remarking that PFI was "one of those things that auditors have been uncomfortable about for a long time," MIA President Dato'

Mohammad Faiz Azmi said this was because PFI was about signing off on long-term information – without being sure of what could happen in the future.



**BY-LAWS  
TO GUIDE  
PROFESSIONAL  
CONDUCT**

"Forecast information – information prepared on the basis of assumptions – cannot be verified comprehensively. We are not anti-capital markets but we need to push back on things we cannot live with," said Dato' Faiz, who is also Chairman of MIA's Capital Market Advisory Committee (CMAC). His short opening and background to the MIA By-Laws was followed by a more comprehensive

*PFI is put into prospect to help potential investors make decisions. But forecasts tend to be short-term. Regulators have been allowing PFI but checks and balances are required so that the information remains relevant.*

**Tiang Woon Meng**  
Member, CMAC, MIA

presentation by Tiang Woon Meng, Member, CMAC, MIA. "PFI is put into prospect to help potential investors make decisions," Tiang said. "But forecasts tend to be short-term. Regulators have been allowing PFI but checks and balances are required so that the information remains relevant."

Long-term prospective information is less verifiable, hence MIA's move to put in place By-Laws on professional conduct and practice in this area. "These By-Laws outline what accountants can and cannot do as RAs on PFI," Tiang explained. Based on the By-Laws, RAs are member firms and professional accountants or auditors who are providing prospective financial information for real estate investment trusts and infrastructure project companies, among other businesses. The information provided will be publicly circulated, as required by the Securities Commission Malaysia (SC), in the respective businesses' initial public offering documents. RAs or auditors will be allowed to report on prospective financial information for a subsequent year but not exceeding two years.

"However, RAs can provide information for the private use of the client," he continued. "But this information cannot be referred to or included in any of the documents for public circulation." Dato' Faiz pointed out that while MIA could regulate its members' behaviour in connection with this issue, it could not do the same with non-MIA members. "There are many ways of managing the issue," he conceded. "Sometimes, information gleaned from other sources is relevant. Private reporting does have more latitude – but the company must not release this information." In the past, RAs reported on PFI that was provided to the public but in more recent times, litigation taken against RAs has been increasing for their reports on PFI.

## REGULATING PROSPECTIVE FINANCIAL INFORMATION



## NEED FOR JUDGEMENT

PFI is highly subjective in nature, and its preparation requires the exercise of considerable judgement. This makes it a high-risk proposition, and over-reliance on it by the public (based on the RA's report) may result in an expectation gap. It should also be noted that the RA's work on PFI has a definite scope and limitations which may not be fully appreciated or understood by the public, and this could ultimately cause the profession to be perceived negatively. There is a maximum period permitted for reporting on PFI; it is usually limited to the subsequent year or, if more than six months of the current financial year has lapsed, the maximum period is up to two years from the date of the last audited financial statements.

"While RAs and auditors may provide professional services and report on prospective financial information for the private use of the client, the information contained in reports of this sort cannot be referred to or included in any documents intended for public circulation," Tiang

*While RAs and auditors may provide professional services and report on prospective financial information for the private use of the client, the information contained in reports of this sort cannot be referred to or included in any documents intended for public circulation.*

said. He stressed that there will be no revisions to the method of reporting PFI after the MIA By-Laws are issued, adding that all necessary International Standards on Assessment and Engagement (ISAE) are still relevant and must be complied with. "There is no specific ISAE mentioned in the MIA By-Laws," he said. "But the RA should conduct the assignment according to the pertinent assurance standards."

With reference to "other business structures" in Paragraph 570.2 of the By-Laws, he said that MIA and the SC had included this to create a mechanism to address changes in business structures which can evolve over time. If new business structures are included in Paragraph 570.2, MIA will issue a circular or guidance note relating to this matter. Members must obtain approval from both MIA and SC, if they are dealing with the other business structures outlined in Paragraph 570.2. To a question from the floor on whether RAs could share PFI with investment bankers, he said that the private report on PFI should be addressed directly to the Board of Directors or the management included in the engagement letter.

"However, if the investment bankers are parties to the engagement letter, the private report on PFI can be provided to them," he clarified. "If persons other than those parties to the engagement letter request access to the private report, then a Hold Harmless letter should be signed."

PRO FORMA  
ADJUSTMENT AND  
OTHER MATTERS

Tiang's presentation was followed by a presentation on Pro Forma Adjustment by Teoh Soo Hock, Member, CMAC, MIA. This session was intended to clarify

the position of a Qualifying Asset (QA) which had not yet been identified at the point of submission to the regulator, with regard to the IPO of a SPAC (Special Purpose Acquisition Company). “The acquisition effect of the proposed QA should not be included in the pro forma Statement of Financial Position (SOFP),” Teoh said. “The QA has not yet been identified, and inclusion of its acquisition effect in the pro forma SOFP will not meet the criteria stated in Para 14(2) (b) of ISAE 3420.” Para 14(2) (b) of ISAE 3420 states that the pro forma adjustments must be directly attributable to the event or transaction, be factually supportable and consistent with the entity’s applicable financial reporting framework and its accounting policies under that framework.

Explaining this guideline at length, Teoh said that at the time of applying for approval from the regulator, the acquisition of the proposed QA was not factually supportable and it was therefore inappropriate to present it as such in the pro forma SOFP. “However, if the effects of the proposed acquisition of the QA need to be illustrated, it can be disclosed

***However, if the investment bankers are parties to the engagement letter, the private report on PFI can be provided to them. If persons other than those parties to the engagement letter request access to the private report, then a Hold Harmless letter should be signed.***

**Teoh Soo Hock**  
Member, CMAA, MIA

in “other section of the prospectus” provided adequate disclosures have been made,” he added. “But to avoid doubt, the pro forma effects should not be disclosed in the pro forma financial information, including in the notes.” Where required, agreed-upon procedures (AUP) or ISAE 3000 may be undertaken by the RA on a private reporting basis.

Subsequent discussion on other matters covered the suggestion for MIA to institute minimum requirements for CFOs of companies and provide a concise definition for the finance function of a company. “If the auditor keeps finding errors in a listed company, it indicates a bad finance function, so perhaps we should have a minimum criteria for CFOs,” Dato’ Faiz said, adding that in surveys conducted by MIA, it was found that only 60% of CFOs who were signing off on accounts were actually qualified accountants. “This casts doubt on the veracity of the accounts,” he pointed out, acknowledging there was a need to define what the position of CFO entails, and what the job’s prerequisites were.

There have been instances where companies have gone for listing without having a CFO – a case of “List first, find CFO later” which is unacceptable. “It is the opinion of MIA that any company going for listing should have a CFO first,” he concluded. “The finance team, regardless of how big or industrious it is, lacks the experience and knowledge. A CFO – especially an MIA-accredited accountant – is imperative because MIA constantly reviews and updates regulations and By-Laws in collaboration and cooperation with industry and the profession.” ■





# MFRS FOR MONEY SERVICES

**THE MALAYSIAN MONEY SERVICES BUSINESS** can expect a dramatic upheaval in financial reporting quality as it transits to MFRS with effect from the financial year beginning on or after 1 January 2016. In tandem with that, regulators will expect increased standards of performance from accountants and auditors in this industry.

**REGULATORS** will be cracking down harder on the money services business (MSB) as well as their auditors and accountants to improve the industry's compliance with global financial reporting and assurance standards in the future. Improved regulation and enforcement are expected to improve the sector's transparency and inspire better governance and trust in the Malaysian financial services as a whole.

A key thrust behind the improvement will be the adoption of Malaysian Financial Reporting Standards (MFRS) for the preparation of all financial statements by all MSB licensees, with effect from financial year end (FYE) December 2016.

"This is to be in line with the Malaysian Accounting Standards Board (MASB) requirement whereby all entities that prepare and lodge financial statements to BNM must adopt MFRS," explained

Mohd. Shahrul Nizam, Manager, Bank Negara Malaysia at the briefing session on accounting matters relating to money services business jointly organised by MIA and Bank Negara Malaysia (BNM) in May 2016.

More specifically, licensees conducting money changing and wholesale currency business are required to treat currencies held for sale (CHFS) in accordance with FRSIC Consensus 26 “Consensus for Currencies Held for Sale in Money Services Businesses” issued by MIA on 30 Dec 2015. This is, however, not applicable to remittance business licensees.

As at 1 April 2016, there were 370 MSB licensees in Malaysia, and 335 or 91% of these are involved in the money changing business and the remainder in remittance.

## IMPLEMENTING THE CORRECT ACCOUNTING TREATMENTS UNDER MFRS

All along, most money services businesses have been issuing financial statements under the Private Entity Reporting Standards (PERS) framework.

Stephen Oong, Partner, EY and Member of the MIA Financial Reporting Standards Implementation Committee (FRSIC), revealed that he was “amazed” that such practice had been persisting. “Money services businesses are not private entities but financial services businesses.” Although they are not listed, these makes them public interest entities.

Major mistakes made by money services businesses include treating their currencies held for sale (CHFS) as inventories, which are measured at the

lower of cost and net realisable value. However, currencies are cash and thus are considered financial instruments, and not inventories. “This standard (MFRS 102) applies to all inventories, but not financial instruments. Measuring currencies at the lower of cost and net realisable value is wrong!” emphasised Oong.

Since currencies are classified as financial instruments under MFRS 132, they are subject to fair valuation. “Currencies are financial assets which should be measured at fair value at each reporting date, with fair value changes taken through to profit or loss with an appropriate description,” explained Oong.

Upon the sale of currencies, the difference between the proceeds received and the carrying value is recognised as profit or loss. “Gross proceeds should not be taken as profit or loss,” he continued.

Oong advised MSB licensees to start preparing for the transition early, because “this is a total change of framework” which is akin to moving from IFRS to US GAAP. Money services businesses have no choice but to change over to MFRS.”

A key issue in shifting over to MFRS will be preparing a revaluation report

**CURRENCIES ARE FINANCIAL ASSETS WHICH SHOULD BE MEASURED AT FAIR VALUE AT EACH REPORTING DATE, WITH FAIR VALUE CHANGES TAKEN THROUGH TO PROFIT OR LOSS WITH AN APPROPRIATE DESCRIPTION**

as of the end of 2016. This will include setting benchmark rates to determine the fair value of CHFS in the accounts.

According to the implementation guidance, there is no single or standard source of benchmark rates for the revaluation of CHFS. “Different rates may be applied for different CHFS, but the same source of benchmark rates must be applied consistently throughout all financial year ends,” said Mohd. Shahrul. Any gains or losses will then be reflected accordingly in the accounts.

Subsequently in 2017, CHFS must be restated either at cost from inception or at benchmark rates. According to Mohd. Shahrul, about 99% of MSB’s have indicated that they would like to restate CHFS at average cost whereas about 1% prefer to restate CHFS at fair value or benchmark rates.

## RAISING THE AUDIT BAR

If money services businesses are required to adopt MFRS, auditors as their assurance providers too must buck up when performing audit engagements.

Currently, the MSB industry engages over 180 audit firms out of approximately 2,000 audit firms registered with MIA to provide audit services. 70% of MSB licensees engage over 140 management services companies to provide accounting and financial related services while the remaining licensees maintain their own internal accounting and finance functions.

“Accountants and auditors must ensure that MSB licensees adopt the appropriate accounting standards and practices in the preparation of their financial statements,” stressed Simon Tay, Executive Director, MIA Professional Practices & Technical

## MFRS FOR MONEY SERVICES



*Left to right: Stephen Oong, Alison Ng, Mohd. Shahrul Nizam and Simon Tay*

Division. In his presentation, Tay emphasised that auditors must be ready to comply with the new and revised international auditing standards on auditor reporting, which MIA adopted in April and July 2015 and which will be effective for financial statements for periods ending on or after 15 December 2016. The enhanced auditing standards will require auditors to apply professional scepticism and judgement on matters such as going concern, and improve transparency through the disclosure of Key Audit Matters (KAMs), amongst other changes.

Currently, auditors and preparers servicing the MSB's are not performing up to the required standard despite regulatory reminders, said a visibly disappointed Mohd. Shahrul.

Both Mohd. Shahrul and Tay singled out factors such as lack of audit planning, inadequate resources, and lack of industry and business knowledge as direct causes of poor audit quality in the audits of MSB's. "It's very important to understand a client's business to audit them properly. There are findings that the auditors of these businesses were either absent from their clients' premises or do not spend enough time at the clients' premises

when performing audits," Tay said.

Other complaints include inadequate or no transaction testing and review of financial reporting controls by the auditor, over-reliance on sampling and substantive testing, and insufficient work being done to validate and corroborate key financial and business information against the relevant supporting and source documents. "The biggest chunk of assets in MSB is cash. You need to validate the existence of this asset. Not going to the premises and validating this asset is unacceptable!" said Mohd. Shahrul.

Auditors were also urged to improve their "poor communication to licensees about the audit". "There were numerous cases of practitioners violating even the most basic audit procedures such as failing to issue an audit engagement letter. Auditors failed to make recommendations to licensees to address lapses in financial reporting controls despite significant deficiencies observed," said Tay.

Subcontracting out audits was another key concern. Tay censured auditors for improper reliance on the work of other auditors and even non-auditors in their audits. "Audit work

carried out by an associate firm with no proper direction and supervision is a serious offence, and we will not hesitate to escalate this to the enforcement department of MIA," warned Mohd. Shahrul.

Mohd. Shahrul reminded auditors appointed under the Money Services Business Act 2011 that they were required to perform the Agreed Upon Procedures (AUP) and submit the Report of Factual Findings (ROFF) to BNM for the money-changing, remittance and wholesale currency businesses.

For the money-changing, remittance and wholesale currency business, auditors must report whether the licensee has complied with the requirement to maintain minimum capital funds as prescribed under the Money Services Business (Minimum Capital Funds) Regulations 2011 and Money Services Business (Minimum Capital Funds) (Amendment) Regulations 2012 and Money Services Business (Minimum Capital Funds) (Amendment) Regulation 2013 pursuant to Section 22 of the MSB Act 2011.

For the remittance business only, auditors must report whether the licensee has complied with the requirement to maintain a designated account for remittance business pursuant to Section 37 of the MSB Act 2011, and whether the monthly outstanding customers' monies for remittance business agree with the related liability account(s). But only principal licensees, not agents, are required to maintain a designated account, clarified Alison Ng, Deputy Director, Bank Negara Malaysia. ■

**For more information, on FRISIC Concensus 26, please visit the FRISIC page at [www.mia.org.my](http://www.mia.org.my).**

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## ORDER OF THE DISCIPLINARY APPEAL BOARD MALAYSIAN INSTITUTE OF ACCOUNTANTS

Pursuant to Rule 31 of the Malaysian Institute of Accountants (Disciplinary) (No.2) Rules 2002 [P.U. (A) 229/2002] ("Disciplinary Rules"), the Council of the Malaysian Institute of Accountants ("the Institute") hereby gives notice that after due consideration of the appeal made by Jerome Tan Thiam Poh (Membership No.: 7855) against the decision made by the Disciplinary Committee of the Institute dated 11 February 2015 that had found the said member to have committed an act amounting to "unprofessional conduct" within the meaning as provided under Rule 2 of the Disciplinary Rules for his failure as the managing partner of Messrs. Jerome & Associates ("Firm") to ensure that the Firm had a Professional Indemnity Insurance coverage for a specified period pursuant to the then applicable Institute's By-Laws (On Professional Ethics, Conduct and Practice), the Disciplinary Appeal Board of the Institute in exercise of the powers conferred by Section 21 of the Accountants Act 1967 [Act 94] and Rule 28 of the Disciplinary Rules has decided to make the following orders:

- (a) to vary the order made by the Disciplinary Committee in respect of the imposition of fine whereby the amount of fine imposed is reduced from RM3,500.00 to RM2,000.00; and
- (b) to confirm and maintain the order made by the Disciplinary Committee against the said member to pay the Institute, a sum of RM3,000.00 in respect of the costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee of the Institute.

The above decision of the Disciplinary Appeal Board is final and has taken effect on 13 January 2016.

**SUDIRMAN BIN MASDUKI**

*Registrar*

*On behalf of the Council of the Malaysian Institute of Accountants*

## ORDER OF THE DISCIPLINARY APPEAL BOARD MALAYSIAN INSTITUTE OF ACCOUNTANTS

Pursuant to Rule 31 of the Malaysian Institute of Accountants (Disciplinary) (No. 2) Rules 2002 [P.U. (A) 229/2002] ("Disciplinary Rules"), the Council of the Malaysian Institute of Accountants ("the Institute") hereby gives notice that after due consideration of the appeal made by Farul Rafiq Bin Osman (Membership No.: 26772) against the decision made by the Disciplinary Committee of the Institute dated 11 March 2015 that had found the said member to have committed an act amounting to "unprofessional conduct" within the meaning as provided under Rule 2 of the Disciplinary Rules for his failure as the sole proprietor of Messrs. Farul Rafiq & Co ("Firm") to ensure that the Firm had a Professional Indemnity Insurance coverage for a specified period pursuant to the then applicable Institute's By-Laws (On Professional Ethics, Conduct and Practice), the Disciplinary Appeal Board of the Institute in exercise of the powers conferred by Section 21 of the Accountants Act 1967 [Act 94] and Rule 28 of the Disciplinary Rules has decided to make the following orders:

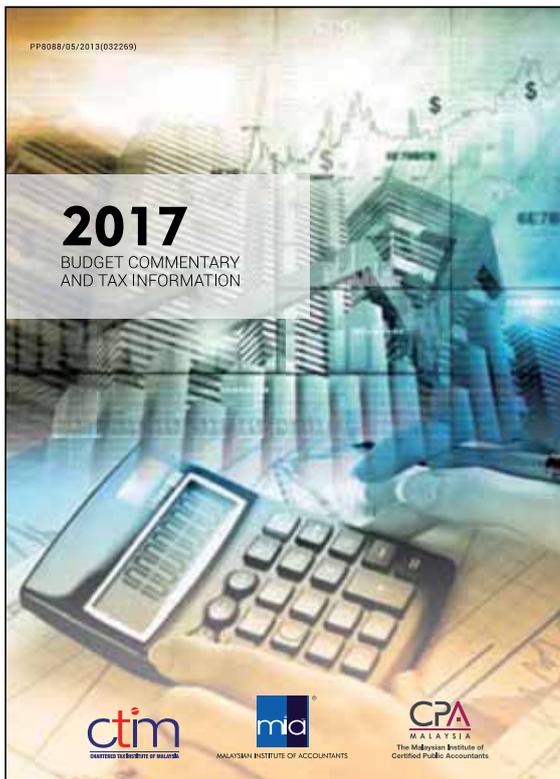
- (a) to vary the order made by the Disciplinary Committee in respect of the imposition of fine whereby the amount of fine imposed is reduced from RM1,500.00 to RM1,000.00; and
- (b) to confirm and maintain the order made by the Disciplinary Committee against the said member to pay the Institute, a sum of RM2,000.00 in respect of the costs and expenses of and incidental to the disciplinary hearing before the Disciplinary Committee and the investigation conducted by the Investigation Committee of the Institute.

The above decision of the Disciplinary Appeal Board is final and has taken effect on 15 January 2016.

**SUDIRMAN BIN MASDUKI**

*Registrar*

*On behalf of the Council of the Malaysian Institute of Accountants*



### The economic scenario

The economy is on a recovery phase with the Ringgit strengthening against the US Dollar and crude oil price gaining ground from its severe slump. However, the slow-down in several sectors is reflected in the stuttering growth rate of the economy in the past several quarters. While fiscal reforms have been the saviour in generating Government revenue, the general sentiment is, Malaysia, like the rest of the world, is bracing for slower growth. With this background, the economy policy measures in the medium term are destined to ensure sustainable growth and relieving the plight of those affected by the rising cost of living.

All these developments should translate into further plans and changes in the coming Budget 2017 which is expected to be presented by the Prime Minister on the October 21, 2016. 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 2017 annual Budget Commentary and Tax Information booklet for our members.

### Order the 2017 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 2017 Budget proposals, it is an outstanding repository of tax facts which every practitioner can access within a page away.

A complimentary copy 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.

Members who wish to purchase additional copies of the **2017 Budget Commentary and Tax Information** are requested to complete the Order Form below and return it with the appropriate remittance to the **MIA Office by September 15, 2016**.

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- In the event the Budget Day is postponed to a date after October 21, 2016, delivery of the Budget booklet will be deferred accordingly.

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