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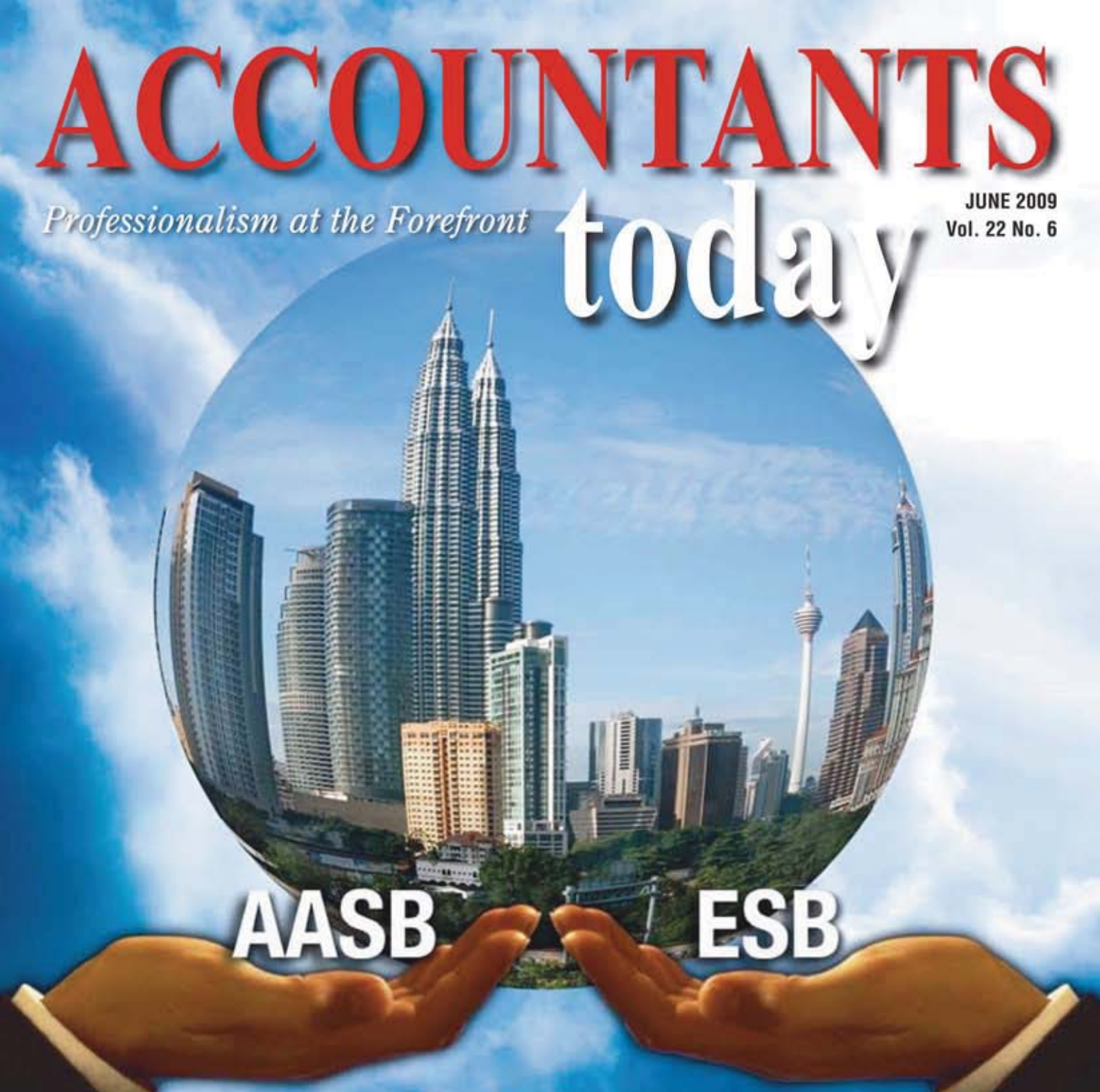

Raising the Bar
on Audit Quality and Professional Behaviour

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MALAYSIAN INSTITUTE OF ACCOUNTANTS

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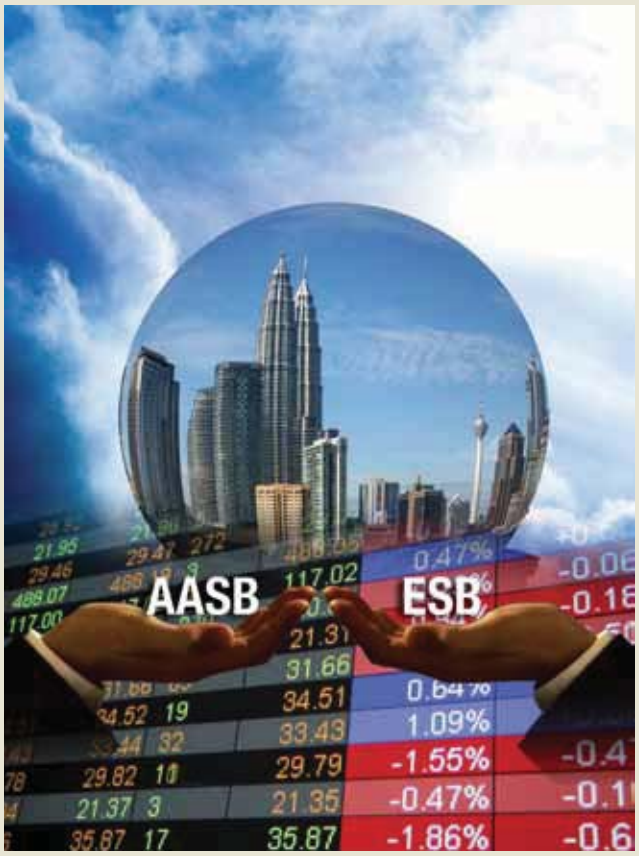

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The Malaysian Institute of Accountants is a statutory body set up under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia. The functions of the Institute are, inter alia:

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

Vision and Mission

MIA'S VISION

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

MIA'S MISSION

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

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ADVERT

Strengthening the Capital Market

Reforms are all in vogue in the present economic environment. We do what we must in the quest for continuity. The quest for continuity meanwhile dictates the need to be relevant and dynamic in our response to present market challenges.

Malaysia is already on the road what with several new initiatives or revamps already having been announced in the past couple of months. Word has it that a new economic model is all set to be unveiled by the Government sometime later this year. The key emphasis of these reforms we all know is to turn Malaysia into a more global investing destination.

So the question for the accountancy profession is, how will it be impacted in light of all these developments.

We are on track towards the convergence of accounting standards with the International Financial Reporting Standards, which is slated to happen in year 2012.

Taking these efforts to further strengthen the capital market, the Malaysian Institute of Accountants (MIA), is launching the Audit and Assurance Standards Board (AASB) and the Ethics Standards Board (ESB) on 9 June 2009 at the Securities Commission.

These boards aim to elevate the competitiveness and security of Malaysian financial and capital markets while intensifying MIA's efforts to improve audit quality and professional behaviour among accountants. Both boards will seek to embed convergence with international benchmarks in order to further integrate Malaysian markets internationally.

This month's cover story features the MIA President Nik Mohd. Hasyudeen Yusoff and the Chairmen of the AASB and ESB, Ken Pushpanathan and Datuk Nordin Baharuddin respectively shedding some light into the roles and structures of the boards. Do find out more about this new initiative on page 8.

Another article that would make interesting reading in this month's issue is Sukh Deve Singh Riar's article titled 'The Great Banking Crisis: Causes, Danger and Some Solutions' on page 14 . In it he explores how the crisis erupted and what are some of the measures to look at in order to contain the negative impacts.

We hope you enjoy reading this month's issue. Happy reading! AT

Malaysia is already on the road what with several new initiatives or revamps already having been announced in the past couple of months. Word has it that a new economic model is all set to be unveiled by the Government sometime later this year.

Editor
Accountants Today

letters to the editor

A key element in the world of publishing is what readers have to say. We want to hear from you on just about anything that appears in each issue of Accountants Today. Why not drop us a line now?

contribution of articles

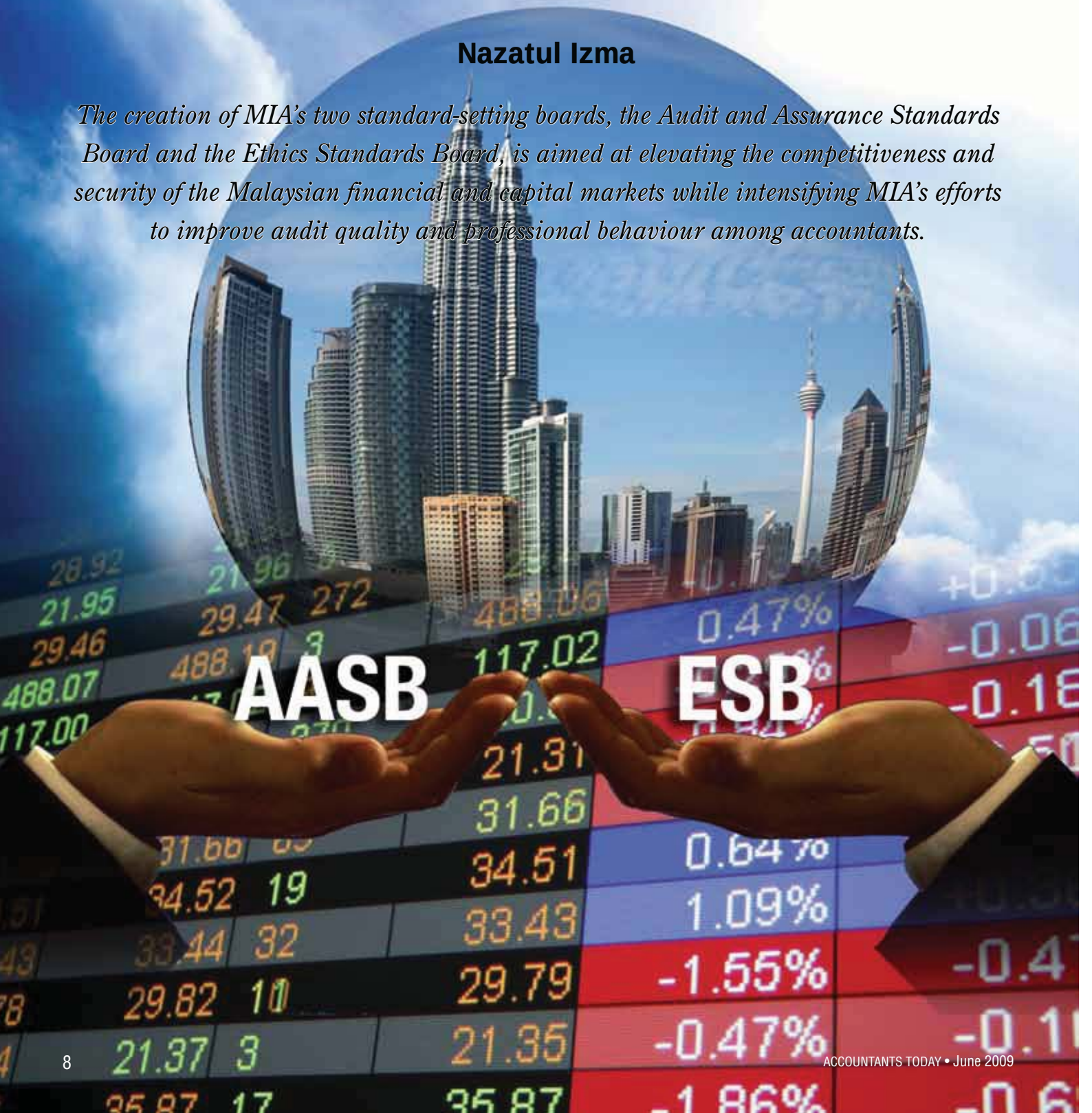
Accountants Today welcomes original and previously unpublished contributions which are of interest to accountants, business leaders, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcomed. Manuscripts should be submitted in English and range from 1,000 to 2,000 words. They can be submitted in hardcopy or softcopy. Manuscripts are subject to a review procedure without prejudice and the Editor reserves the right to make amendments which may be deemed appropriate prior to publication.

ADVERT

Raising the Bar on Audit Quality and Professional Behaviour

Nazatul Izma

The creation of MIA's two standard-setting boards, the Audit and Assurance Standards Board and the Ethics Standards Board, is aimed at elevating the competitiveness and security of the Malaysian financial and capital markets while intensifying MIA's efforts to improve audit quality and professional behaviour among accountants.



Strengthening audit quality and ensuring ethical behaviour among accounting professionals is critical if Malaysia wants to level the playing field with global financial and capital markets, especially in current conditions where investors are jittery and confidence abysmal.

As part of the initiative, the Malaysian Institute of Accountants (MIA) will launch two boards on 9 June 2009 to support holistic efforts by financial and market regulators to position the country more competitively on the global investment map. The implementation of the two boards will also reinforce ongoing efforts by MIA to meet stakeholders' increasingly stringent expectations of audit quality and ethical behaviour among financial professionals.

The Audit and Assurance Standards Board (AASB) will work to promote and support high quality professional standards and the development of international convergence of standards while continuously developing and disseminating guidance for auditing and assurance services, among other objectives, said MIA President Nik Mohd. Hasyudeen Yusoff.

The Ethics Standards Board (ESB) meanwhile will promote adherence to high quality professional and ethical standards and furtherance of international convergence of standards.

Both boards will function as standard setting bodies operating independently under the patronage of the MIA Council.

Nik stated that the establishment of these boards will further enhance public confidence in the Malaysian capital market in these challenging times. "A lot of confidence has been eroded, and the creation of the boards should restore confidence in our markets," agreed Ken Pushpanathan, Chairman, Audit and Assurance Standards Board.

Active Engagement

Both boards will seek to embed convergence with international benchmarks in order to further integrate Malaysian markets internationally. The boards will apply the audit and assurance and ethics standards and policies issued by the International Federation of Accountants (IFAC).

Notably, the MIA intends to leverage these boards to become active players throughout the entire standard-setting process, thereby gaining a more resonant voice and raising issues of regional and national concern at an earlier stage. "We want to escalate the standard-setting mechanism. Instead of deliberating on issues after the event, we will be able to articulate our viewpoints and engage international standard-setters earlier in the process, so that the (audit and assurance and ethics) standards that eventually emerge will be more suitable given the character and nature of the Malaysian market," Nik elaborated.

Escalating Assurance

Nik said previously at the National Accountants Conference 2008 that in encouraging the high quality of audits, the key factor lies in complying with auditing standards which are based on International Standards of Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), a standard-setting body under the auspices of the IFAC. Firms should also comply with the IAASB's Standards on Quality Control, specifically the ISQC 1 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements', which has been effective since 1 July 2006.

In the interests of convergence with global standards to foster competitiveness, the Audit Oversight Board (AOB)

(Left - Right) Chairman of the ESB, Datuk Nordin, MIA President, Nik and Chairman of the AASB, Ken Pushpanathan

The Audit and Assurance Standards Board (AASB) will work to promote and support high quality professional standards and the development of international convergence of standards while continuously developing and disseminating guidance for auditing and assurance services, among other objectives. The Ethics Standards Board (ESB) meanwhile will promote adherence to high quality professional and ethical standards and furtherance of international convergence of standards.

will use ISAs as the basis for inspecting compliance by auditors and firms. Since the AOB under the purview of the Securities Commission of Malaysia will in turn serve as the oversight board for the AASB, the latter too will abide by ISAs in measuring and monitoring compliance.

The AASB will complement the role of the AOB, the Bill for which will most likely be tabled in Parliament in June 2009 since its proposed tabling in March was delayed. "The AOB will monitor public-listed companies and public interest entities. Therefore, if an issue is pointed out under the AOB's auspices, the AASB will provide more guidance upon issues pointed out by the AOB," notes Pushpanathan.

Apart from convergence with IFRS or International Financial Reporting Standards, the need for auditors to be in full compliance with international auditing standards too, will be critical. The changeover from a historical cost accounting model to one emphasising mark-to-market accounting is complex, and will complicate the auditors' job even more.

"Auditors will have to be up to speed with IFRS in order to be effective," warned Pushpanathan. "They can't have their heads in the sand."

Malaysia's deadline for full convergence with IFRS falls on 1 January 2012 but standards such as FRS139 which deal with the recognition and measurement of financial instruments will take effect earlier in a "staged implementation" to prevent a "big bang" effect. "Nevertheless, we cannot expect the government to step in all the time to smooth our way, since such favours wouldn't be forthcoming in a fully globalised environment. We must be ready to fight our own battles to be competitive," said Pushpanathan. Part of the journey to becoming fully competitive would be to become proficient in the technicalities and impacts of IFRS in ensuring high quality audits.

Board Composition

Board composition	AASB	ESB
Voting Chairman	1	1
Council members	-	2
Accounting firms	7	2
Public members	3	4
Other nominated members	4	-
Total	**15**	**9**

Good Behaviour

Since good governance is human-centric, it stands to reason that audit quality can only be as good as the person providing the service. Therefore, the Ethics Standards Board will play a parallel role to any attempt to uplift audit quality by intensifying MIA's ongoing efforts to correct and enhance professional behaviour.

Datuk Nordin Baharuddin, Chairman, Ethics Standards Board, noted that the push for morally upright behaviour by promulgating ethics will dovetail with regulators' push to embed good corporate citizenship via the promotion of corporate governance best practices and corporate social responsibility (CSR).

The ethics standards to be issued by the ESB will converge with IFAC standards, again to inspire confidence in local markets on the international front and to integrate Malaysia with the global environment.

Although the ESB will comply with IFAC standards, Datuk Nordin says that there is still room for improvement in advocating ethical values and behaviour. One way of accomplishing this is by "infusing Islamic values." This would be logical given Malaysia's attempts to brand itself as an international hub for Islamic finance. "We want IFAC to think of Malaysia as an Islamic finance base," added Nik.

Datuk Nordin does not deny that escalating ethical standards will be an uphill task. He foresees a lengthy process of educating and informing people on the ethical issues affecting the profession, along with the challenges of implementing ethical standards. "Currently, a lot of pressures shape behaviour at any point in time. What is needed is

to embed an ethical value system that is strong enough to restrain a person from responding to negative pressures."

Since behaviour is shaped by early influences, Datuk Nordin said that ethics education has to start at schools and universities. "We need to teach young people that the right ethics and values must be followed religiously to avoid later regrets."

Key to ethical standards for accountants is defining independence, which even now is an issue being hotly debated by regulators. "Independence is the most controversial characteristic of accountants. It cannot just be done, but it must be seen to be done," stressed Datuk Nordin. As the watchdogs of companies, auditors play a critical role because any shortfall in the performance of their duty will have far-reaching implications on investor protection and confidence. For example, the failure of auditors to flag issues of going concern in their audit opinions will severely compromise the interests of shareholders of public-listed companies.

Ironically, auditor remuneration itself is a minefield of conflicts. "After all, how can auditors be independent when clients pay their audit fees?" asked Datuk Nordin rhetorically.

Work in Progress

Given that the boards are still at a nascent stage, implementation and execution are ongoing and it would be premature to comment on the quality of implementation and enforcement, which are frequently touted as Malaysia's achilles heel. "We will need a more robust process to better enforce standards," shared Nik. Both boards are required to put in place an effective working process for all projects and commission task forces, advisory groups, or other groups, where appropriate, to aid in the development of auditing and assurance and ethical standards, guidelines and relevant materials.

The boards' performance will also be subject to scrutiny. The AOB and the MIA Council will review the effectiveness of the AASB's process at least once every three years; likewise, the ESB's process will be up for review every three years.

"We want to escalate the standard-setting mechanism. Instead of deliberating on issues after the event, we will be able to articulate our viewpoints and engage international standard-setters earlier in the process, so that the (audit and assurance and ethics) standards that eventually emerge will be more suitable given the character and nature of the Malaysian market." **Nik Mohd. Hasyudeen, President, MIA**

"The AOB will monitor public-listed companies and public interest entities. Therefore, if an issue is pointed out under the AOB's auspices, the AASB will need to look into it too … Auditors will have to be up to speed with IFRS in order to be effective," warned Pushpanathan. "They can't have their heads in the sand." **Ken Pushpanathan, Chairman, Audit and Assurance Standards Board**

"Currently, a lot of pressures shape behaviour at any point in time. What is needed is to embed an ethical value system that is strong enough to restrain a person from responding to negative pressures … We need to teach young people that the right ethics and values must be followed religiously to avoid later regrets." **Datuk Nordin Baharuddin, Chairman, Ethics Standards Board**

AASB

Objectives of the AASB

1. To serve the public interest and strengthen the accountancy profession in Malaysia;
2. To promote adherence to high quality professional standards and furtherance of international convergence of the standards;
3. To support the accountancy profession in continuously developing and disseminating guidance for the auditing and assurance services;
4. To consider new or revised International Auditing and Assurance Standards and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) for adoption;
5. To review exposure drafts and other consultative documents issued by IAASB and to submit comments thereon;
6. To consider practice guides on issues not covered by auditing standards for the application of members in the performance of their respective duties;
7. To review and consider any other issues and developments in other jurisdictions which relate to auditing practices in Malaysia;
8. Contributing to efforts to advance public understanding of the roles and responsibilities of external auditors and the providers of assurance services including the sponsorship of research; and
9. To speak out on public interest issues where the profession's expertise is most relevant.

Responsibilities of the AASB

1. To develop and submit to the Audit Oversight Board (AOB)* an annual plan that specifies AASB's strategic direction, priorities and agenda, including a report on how projects were selected and priorities set;
2. To implement an effective working process for all projects and commission task forces, advisory groups, or other groups, as appropriate, to aid in the development of auditing and assurance standards, guidelines or other materials;
3. To communicate with and seek input from stakeholders on a timely basis;
4. To advise the AOB and MIA as to the adequacy of human and financial resources to accomplish the AASB's objectives;
5. To recommend and sponsor audit and assurance research in Malaysia, particularly on issues that may be of relevance to the Malaysian environment; and
6. To have the AOB and MIA Council review the effectiveness of the AASB's process at least once every three years.

**Note*: The reference made to the AOB in the above structure and framework of the AASB will take effect once the AOB is set up.

"The boards' performance will also be subject to scrutiny. The AOB and the MIA Council will review the effectiveness of the AASB's process at least once every three years; likewise, the ESB's process will be up for review every three years."

ETHICS STANDARDS BOARD

Objectives of the Ethics Standards Board

1. To serve the public interest by issuing professional and ethical standards which maximise the integrity of the accountancy profession by setting out the highest principles of professional and ethical standards;
2. To promote adherence to high quality professional and ethical standards and furtherance of international convergence of standards;
3. To review exposure drafts issued by IFAC's International Ethics Standards Board for Accountants and to submit comments thereon;
4. To develop and issue guidance or clarification to assist with the implementation of the Institute's By-Laws;
5. To support the efforts of the Institute in promoting greater awareness and understanding of the Institute's By- Laws;
6. To speak out on public interest issues where the professionalism and ethical conduct of accountants is required and relevant.

Responsibilities of the Ethics Standards Board

1. To develop and submit to the MIA Council an annual plan that specifies ESB's strategic direction, priorities and agenda, including a report on how projects were selected and priorities set;
2. To implement an effective working process for all projects and commission task forces, advisory groups, or other groups, as appropriate, to aid in the development of ethics standards, guidelines or other materials;
3. To communicate with and seek input from stakeholders on a timely basis;
4. To advise MIA as to the adequacy of human and financial resources to accomplish the ESB's objectives;
5. To recommend and sponsor ethics research in Malaysia, particularly on issues that may be of relevance to the Malaysian environment; and
6. To have the MIA Council review the effectiveness of the ESB's process at least once every three years. AT

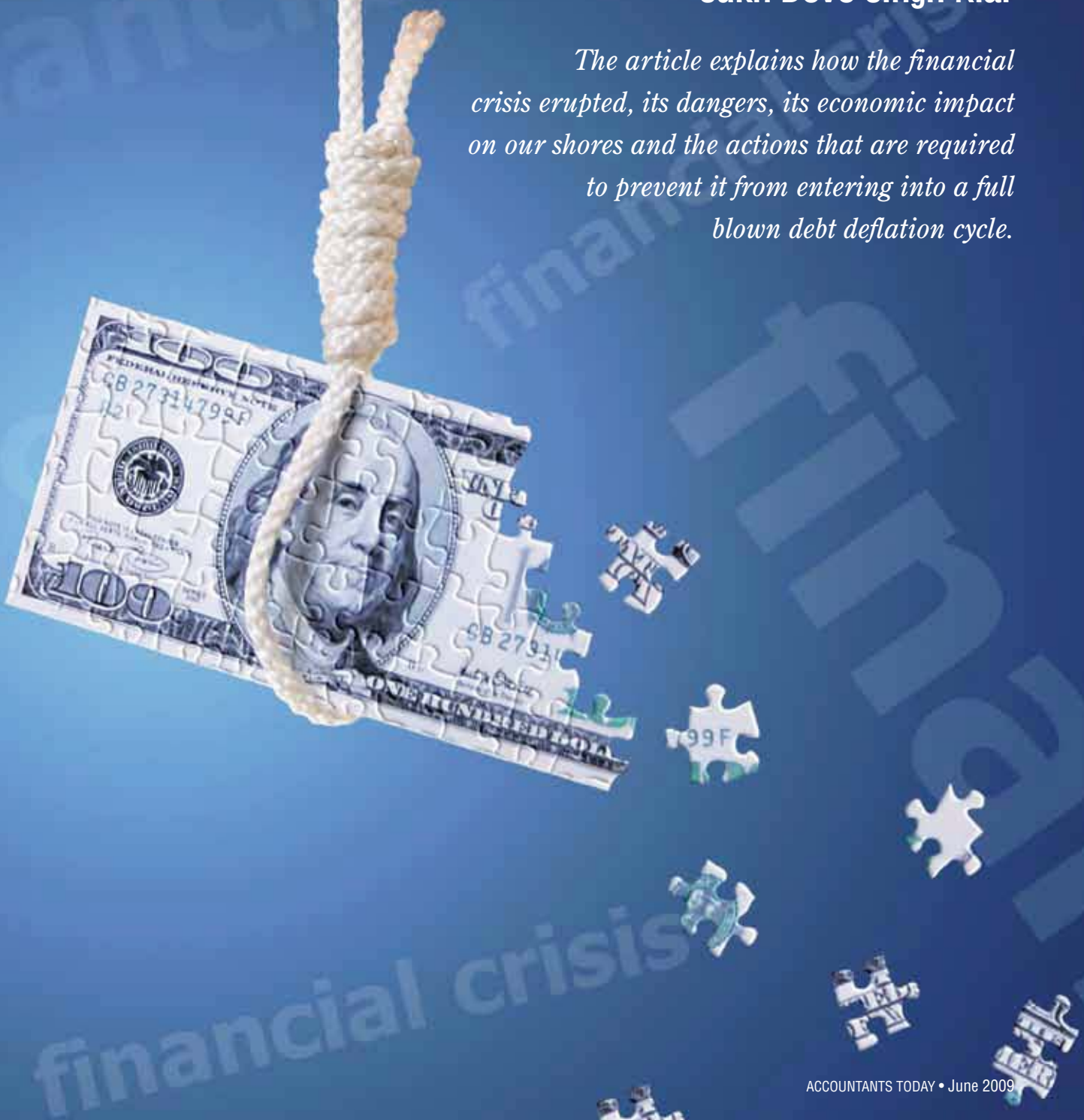
ADVERT

The Great Banking Crisis

Causes, Dangers and Some Solutions

Sukh Deve Singh Riar

The article explains how the financial crisis erupted, its dangers, its economic impact on our shores and the actions that are required to prevent it from entering into a full blown debt deflation cycle.

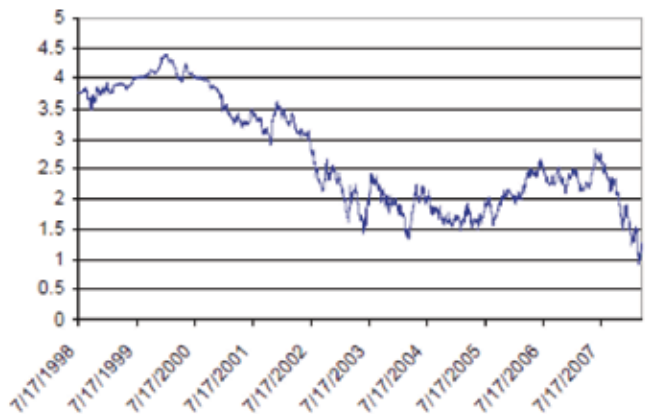


The Great Banking Crisis began on 15 September 2008 when Lehman Brothers went sinking and the shock waves were felt all over the globe. Fears were flying then that we were about to enter into a vicious debt-deflation cycle and the big question was whether it would take us back to the Great Depression of the 1930s. The answer would certainly be "yes" if we forgot the mistakes that were made then and "no" if rules and regulations of finance were strengthened to prevent speculative and Ponzi financing. However, the purpose of this article is not to debate the likelihood of a an economic catastrophe occurring on the scale of the Great Depression, but to examine how the current crisis erupted, the dangers that it can lead us to, the impact it will have on our shores and the actions that must be taken to solve it.

The Story

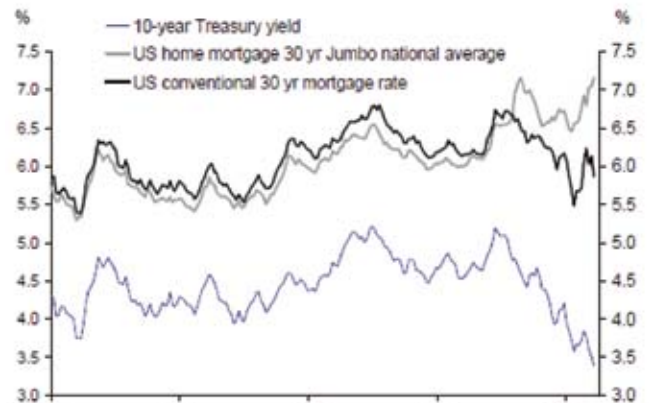
Since 1997, the U.S. current account deficit has increased considerably and was financed to a large extent by the surpluses of developing countries, specifically China and other East Asian countries, Argentina, Brazil and the major oil-exporting countries. This savings glut from the developing countries kept down the Treasury Bill rates and effected the lowering of credit risk and credit spread, as shown in Figure 1 and Figure 2.

Figure 1 10 Year Treasury Inflation Protected Securities Yield



Source: Dooley, Folkerts-Landau, & Garber, 2008

Figure 2 Treasury Bills & Mortgage Rates



Source: Dooley, Folkerts-Landau, & Garber, 2008

This cheap cost of funds and easing of liquidity constraints eventually fuelled the assets bubble on which the housing industry in the U.S. flourished. This, together with the Wall Street financial cowboy wizard's innovative capability to slice, dice and repackage debts as mortgage backed securities, created a flourishing market for exotic financial assets (which should now be called "toxic assets"). Eventually the mortgage brokers ran out of legitimate clients to feed the Wall Street hunger for such assets, making room for fraud to occur. Many of the subprime borrowers who were ineligible were nonetheless given mortgages to fulfil their American Dream, and Ponzi financing thereon flourished. The joke is that Wall Street exported about half of these toxic assets to financial institutions throughout the globe, pulling them down into the mess as well. This was especially evident with European financial institutions.

And like all bubbles, the day of reckoning came with the big loud bang of the collapse of the exotic financial assets and all hell broke loose. The balance sheets of financial institutions were questioned, and the perception that their balance sheets were sound and that their liabilities would be met was regarded with suspicion. This was what brought about the confidence crisis within the financial sector in the U.S. and Europe. Some blame this on the mark-to-market valuation of financial assets. I say, blame it on the irresponsibility of the managers and executives who, with all their training, know-how and fat salaries neglected to diligently invest shareholders funds. Aren't we glad that financial institutions in Malaysia were not exposed to these toxic assets? Nevertheless, the quality of asset holdings of our financial institutions may vary if NPLs increase considerably.

As the confidence crisis spread, we began to hear of bank runs. However, bank runs today don't come in the form of long queues of depositors cashing out with the central bank guarantee of depositors' savings. Bank runs these days come in the form of creditors seeking repayment of obligations on short notice. The pressure on financial insti-

1 24/7 Wall St., "More Quickly than It Began, The Banking Crisis Is Over," Time, 10 April 2009, *www.time.com/time/business/article/0,8599,1890560,00.html* (accessed 13 April 2009).

2 Hyman P. Minsky, "The Financial Instability Hypothesis," Working Paper 74 (Levy Economics Institute of Bard College, 1992), *www.levy.org/pubs/wp74.pdf* (accessed 10 March 2009).

3 Anthony Legg, Nalini Prasad and Tim Robinson, "Global Imbalances and the Global Saving Glut – A Panel Data Assessment," Research Discussion Paper 2007-11 (Reserve Bank of Australia, 2007), *www.rba.gov.au/rdp/RDP2007-11.pdf* (accessed 14 December 2008).

4 Michael P. Doodley, David Folkerts-Landau and Peter M. Garber, "Will Subprime Be A Twin Crises For The United States?", Working Paper 13978 (National Bureau of Economic Research, 2008), *www.nber.org/papers/w13978* (accessed 10 December 2008).

5 Joseph Stiglitz, "The Way Out. How the Financial Crisis Happened and How It Must Be Fixed," *Time*, 27 October 2008, p.26-28.

6 Geoff Colvin, "The Power of Vicious Circles," *Fortune*, 13 October 2008, p.12.

7 Bank Negara Malaysia, "Malaysian Financial System Can Weather Current Global Financial Turmoil" 14 October 2008, *www.bnm.gov.my/index.php?ch=8&pg=14&ac=1701* (assessed 20 October 2008).

tutions to obtain money to reduce debt resulted in many of them trying to sell financial assets whilst the glut of supply drives prices down, reducing further their asset values even as they reduce their debts. Thus their debt/equity ratios were no better than before. This brought heavy stress on financial institutions and sank Lehman Brothers. And Wells Fargo was acquired in the U.S. Europe was not spared either, with the Royal Bank of Scotland, UBS and others losing enormous amounts of shareholder wealth.

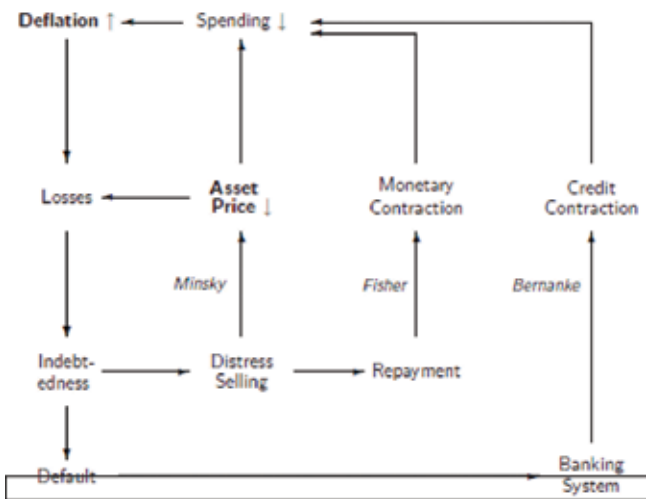
The Danger

What happens if asset prices continue to spiral down? Then the scenario of debt deflation may follow and put serious financial distress on institutions through several channels (see Figure 3):

- Institutions will attempt to reduce their debt burdens through distress selling, but debt repayment causes a contraction in the money supply and a price level deflation;
- Distress selling will reduce asset prices, causing losses to agents with maturing debts and reducing consumption and investment spending, which then deepens deflation; and
- Bankruptcies will be widespread, impairing the process of credit intermediation and the resulting credit contraction will depress aggregate demand.

Would debt deflation happen again in our lifetime? The answer is a contingent "no" as the ceiling and floors placed today make debt deflation unlikely. Nonetheless, the evolution of the economy in today's robust financial structure could start a snowballing of defaults that will overwhelm such constraints if regulatory institutions fail to adapt to changing circumstances and if the lessons of the Great Depression are forgotten in the name of "free market" ideology. It is perhaps this fear that has lately driven the price of gold to its record high.

Figure 3 Channels of Debt Deflation



Source: Peter, 2005

Scenario in Malaysia

Are we isolated from the Great Banking Crisis? As a trading nation, we are a highly open economy, and the forces of the global economy will not spare us from the dark of side of the crisis. We are indeed not isolated from the crisis. This is because our exports are dependent on the well-being of the economies of the U.S., Europe and Japan. Dark sentiments are already being felt on our shores with the Consumer Sentiments Index and Business Conditions Index heading south (see Figure 4 and Figure 5).

Households are rearranging their spending to be less aggressive while businesses expect lower sales and profitability. In addition, the prospects of unemployment are rising and industrial production is falling. Our real GDP growth is expected to decline by 1% with external demand expected to contract -21.8% and expected to rise to more than 5% in 2009.

The turmoil we are facing today is different from the one that we faced in the late 1990s, when we could utilise our exports to pull us through. In the present scenario, the glo-

The turmoil we are facing today is different from the one that we faced in the late 1990s, when we could utilise our exports to pull us through. In the present scenario, the global economy is facing a recession. The government of the day has taken the right step with the two fiscal stimulus packages to boost the domestic economy. However, the effectiveness of the stimulus will depend on the rate and speed of disbursement and the extent to which the direct impact of the fiscal incentives is translated and multiplied into aggregate economic activity. I hope that the fiscal stimulus package benefits would trickle down to the rural areas, where the poverty rate is higher and that transparency will prevail in the disbursement of taxpayers' money.

8 Colvin, "The Power of Vicious Circles"

9 Irving Fisher, "The Debt-Deflation Theory of the Great Depression," *Econometrica* (October 1933): p.337-57, quoted in Goetz von Peter, "Debt-Deflation: Concepts And A Stylised Model," BIS Working Paper No.176 (Bank of International Settlements, 2005), *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=721541#* (assessed 23 December 2008).

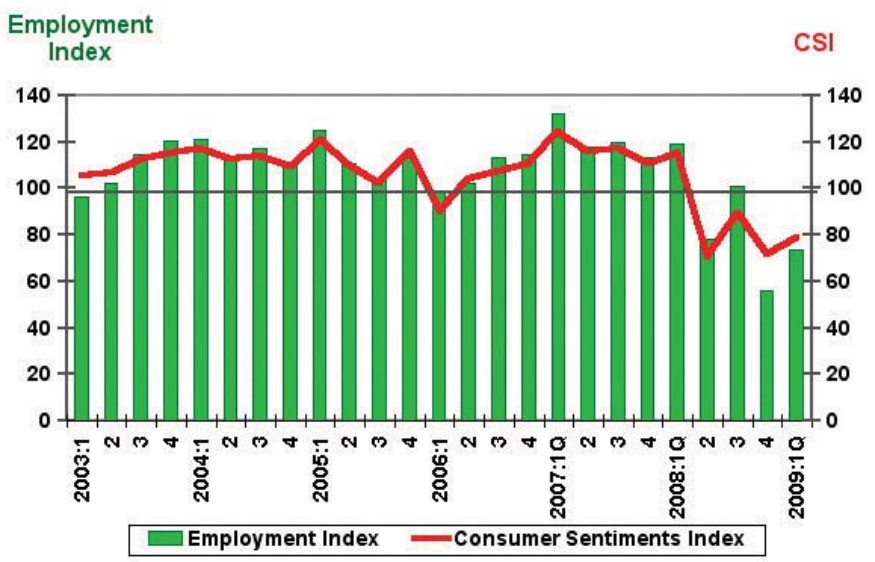
10 Minsky P. Hyman, "Debt-Deflation Processes in Today's Institutional Environment," *Banca Nazionale del Lavoro Quarterly Review* (December 1982): p.375-93, quoted in Goetz von Peter, "Debt-Deflation: Concepts and a Stylised Model," BIS Working Paper No.176 (Bank of International Settlements, 2005), *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=721541#* (assessed 23 December 2008).

11 Ben Bernanke, "Non Monetary Effects of the Financial Crisis in Propagation of the Great Depression," *American Economic Review* 73(3) (1983) p.257-76, quoted in Goetz von Peter, "Debt-Deflation: Concepts and a Stylised Model," BIS Working Paper No.176 (Bank of International Settlements, 2005), *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=721541#* (assessed 23December 2008).

12 Dimitri B. Papadimitriou and L. Randall Wray, "Minsky's Stabilizing an Unstable Economy: Two Decades Later," in *Stabilizing an Unstable Economy 2nd ed.* by Hyman P. Minsky (New York, NY: McGraw-Hill, 2008) p.xvii.

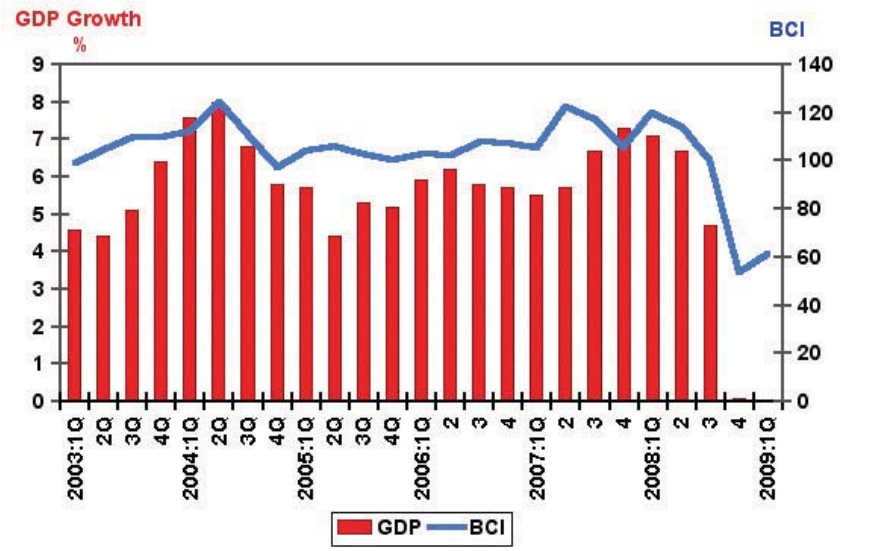
13 *The World Bank, Battling the Forces of Global Recession* (Washington: The World Bank, 2009), p.48-50.

Figure 4 Consumer Sentiments Index



Source: Malaysian Institute of Economic Research

Figure 5 Business Conditions Index



Source: Malaysian Institute of Economic Research

bal economy is facing a recession. The government of the day has taken the right step with the two fiscal stimulus packages to boost the domestic economy. However, the effectiveness of the stimulus will depend on the rate and speed of disbursement and the extent to which the direct impact of the fiscal incentives is translated and multiplied into aggregate economic activity. I hope that the fiscal stimulus package benefits would trickle down to the rural areas, where the poverty rate is higher and that transparency will prevail in the disbursement of taxpayers' money.

Conclusion

The light at the end of the tunnel of this Great Banking Turmoil will be seen only when the coordinated actions of the developed nations result in the revival of their financial institutions' ability to act effectively again as financial intermediaries. These actions include:

- Removal of toxic assets from the affected financial institutions' balance sheets, perhaps by having a special vehicle established for a bad bank. We have to take note here that IMF has warned that the crisis would spiral down to a full-blown slump unless urgent actions are taken to cleanse the banks of developed nations of the toxic assets. This applies especially to the U.S., the epicentre of the crisis;
- Recapitalisation of financial institutions. However, it would be difficult for banks to raise equity in the present unfavourable economic conditions. The next avenue would be either for governments to inject funds or, as recommended by some academics, to force conversion of debts or bonds to equity;
- Improvement of financial market regulations to prevent the same mistakes with mortgage markets and securitisation of mortgages into exotic financial assets, including financial derivatives, for example credit default swaps. For markets to perform well and avoid drastic fluctuations, adequate rules and regulations need to be in place. Greenspan believes that financial markets can regulate themselves with liberalisation. Yes I believe that in the long run they can. But as Keynes said, in the long run we are all dead.
- Improve central bank supervision of financial institutions to defuse risk in the financial markets and reduce balance sheet adventuring, instead of being too preoccupied with monetary policies.

Of course, the Great Banking Crisis has brought with it the Great Recession. Unless the core causes of the banking crisis in the developed nations are adequately addressed, the likelihood of our coming out of the global recession sucessfully shall remain vague in the medium term and the danger of moving into deflation will remain possible. AT

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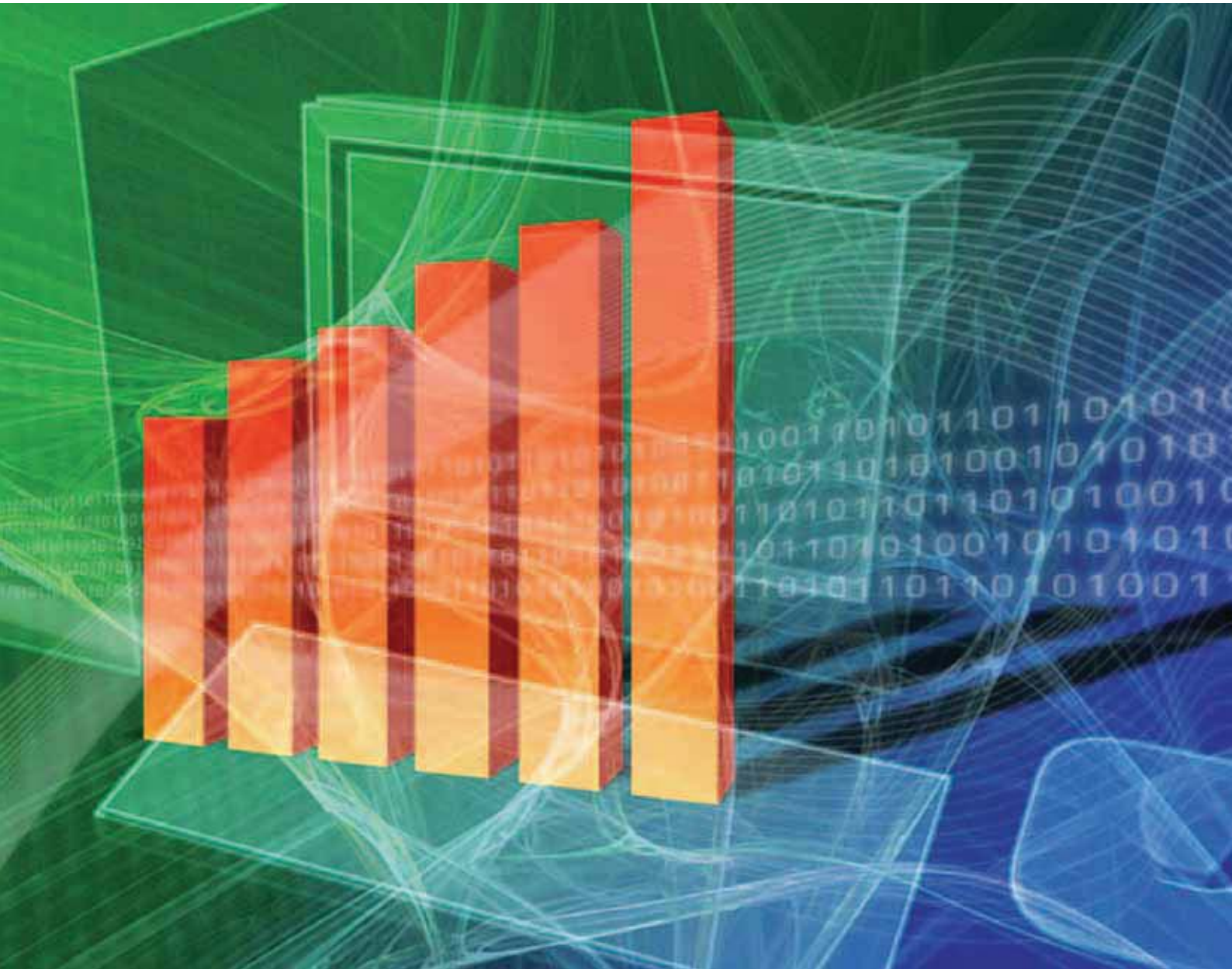
14 Ibid, p.48-50.

15 Ambrose Evans-Pritchard, "IMF Warns over Parallels to Great Depression," *Daily Telegraph*, 17 April 2009, *www.telegraph.co.uk/finance/financetopics/recession/5166956/IMF-warns-over-parallels-to-Great-Depression.html* (accessed 17 April 2009).

16 Stiglitz, "The Way Out. How The Financial Crisis Happened And How It Must Be Fixed."

Guide to Public Company Auditing

The preparation of an audit plan helps auditors identify areas of potential vulnerability for misconduct that require added attention, and/or areas where the risk of a financial misstatement might be greater than in other areas, according to a recently released report on external auditing.



It cited the example of employees working on commission who may be tempted to accelerate the recording of sales to boost their earnings. Here it noted that the auditor might focus extra attention on sales and revenue recognition and examine a relatively larger number of transactions or test transactions around the end of the period for appropriate cut-off procedures by the company.

"Because the audit's goal under professional standards is 'reasonable assurance' — not absolute assurance — that the financial statements being audited are free of material misstatements, a properly planned and performed audit may not detect a material misstatement resulting from error or fraud.

"Audits typically involve testing a sampling of data and exercising judgement about audit evidence — what to collect, how much is necessary, the extent and nature of testing, and the best way to gather it. Because auditors do not examine every transaction and event, there is no guarantee that all material misstatements, whether caused by error or fraud, will be detected," it said.

This was the piece of advise, though neither new nor is it rocket science to the auditing fraterity, from the Washington-based Center for Audit Quality (CAQ) report entitled *Guide to Public Company Auditing: An Overview of Audit Processes, Participants and Issues.* It is designed as a resource that illustrates for capital market stakeholders the vital role public company auditors play in providing transparency in the markets. The guide is an introduction to and overview of the key processes, participants and issues related to public company auditing.

The guide is US-centric as the CAQ is an autonomous public policy organisation serving investors, public company auditors and the capital markets in the US . CAQ's mission is to foster confidence in the audit process and to aid investors and the markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. Based in Washington , D.C., it is affiliated with the American Institute of Certified Public Accountants.

The 16-page report, available at the organisation's website, also takes readers through the audit process and brings into focus what the auditors look for.

The Audit Process

The audit process begins even before the auditor accepts an engagement with a prospective client. Prior to accepting an engagement, the audit firm will make a preliminary review to assess the potential risks, the nature and complexity of the prospective client's business, and whether the audit firm has the resources and expertise to perform the audit, the report said.

"After accepting the engagement, the audit team meets with the management of the company and the audit committee and begins to construct an audit plan based on an understanding of the company's business, its risks, and its controls to mitigate such risks, with a focus on the likelihood of any material misstatements in the company's financial statements. The auditors might review the public record, or gather information from outside analysts to learn about the industry and the company. The auditors determine the company's significant accounts and the type of transactions the company is involved in to determine what audit procedures to perform and how to assign audit resources. The planning process includes identifying the necessary audit evidence and the most effective procedures for collecting it.

"The amount of time required to complete an audit depends in large part on the complexity of the task. The audit process ends with the completion of various quality control procedures prior to the audit firm's issuance of its report, including review procedures performed by another executive of the audit firm," it adds.

What Does the Auditor Look For?

On this matter, the guide released in May 2009 has this to say: Independent audits are a core component of the US financial system and help give investors, and the capital markets the confidence to invest in public companies. Although clearly not a guarantee of the performance of such investments (which is affected by many factors), the close scrutiny provided by audits reduces "information risk" — the possibility that investment decisions will be based on inaccurate data. Without independent audits, investors would have to rely on management's word that its financial statements are accurate. Many investors likely would be less willing to risk their assets on data that has not withstood independent scrutiny.

The auditor follows professional standards in examining the books against established criteria, typically GAAP, to determine whether the financial statements provided by the management reflect the business's operations and transactions during the time covered by those statements.

The examination of the financial statements includes sales, cash receipts, inventory levels and valuation, outstanding bills, liabilities, payroll and other operating expenses. Auditors will typically visit company offices, production facilities and other locations to learn about the business and verify the existence of physical assets or operations reported in the financial statements.

Auditors may also compare the company's experience with industry trends and patterns as they analyse whether the data makes sense. Individual metrics such as margins, inventory levels, uncollected revenues, late payments or debt levels that are out of line with similar companies may be an indicator that something is amiss and that further procedures are required. In designing the audit, the auditor will consider whether certain areas might require special scrutiny because of a company's business model. For example, examining inventory and inventory controls may be particularly important when auditing a manufacturer or a retailer. Similarly, examination of loan documentation is important when auditing a financial institution.

In examining internal controls over financial reporting, auditors will seek to ensure that the company has established effective procedures to reduce the chances of error or fraud. Internal controls can be as simple as requiring a second signature on cheques over a certain amount or as complex as how and which employees are given access to sensitive information, including company data and computer programmes. AT

Corporate Philanthropy as a Successful Business Practice

Raja Adzrin Raja Ahmad, Greg Tower and Mitchell Van der Zahn

Over the last few years, stakeholder expectations have increased exponentially. Firms have to play a proactive role in social issues and incorporate employees and the community in the sphere of decision-making. These rising expectations, possibly inspired by globalisation coupled with technological advancement, have shaped the way businesses are conducted today.

Undoubtedly, firms need to deviate from the maxim of profit maximisation and should focus on a wider perspective. This position is even more important in our current volatile economic situation. Firms need to restructure their traditional role to incorporate other stakeholders and become socially responsible corporate citizens. They are expected to engage actively with more diverse stakeholders to remain competitive. This is because customers and other stakeholders, who are growing in power, are becoming more interested in firms recognised for good corporate citizenship. According to Sidney Taurel, Chairman and CEO of Eli Lilly and Company, one of the largest pharmaceutical companies in the world, "companies are only sustainable in the long-term if they are integrated into their communities." This indicates that firms need to get involved in the community in which they operate to ensure sustainability. Corporate philanthropy is a way in which firms can engage with the community from which they derive the licence to operate.

> "Companies are only sustainable in the long-term if they are integrated into their communities."
>
> **Sidney Taurel, Chairman and CEO, Eli Lilly and Company**

Corporate philanthropy describes the action of firms voluntarily donating a portion of their money or other resources which include 'in-kind' support to a societal cause. It is hardly a new ground for public debate since it has long being recognised as a way for firms to benefit their communities. In a 1919 interview, Henry Ford, the founder of Ford Motor Company, declared that "[a] business that makes nothing but money is a poor kind of business."

Corporate philanthropy is a vehicle by which corporations demonstrate their concern to the society. It is clear that corporate philanthropy is able to contribute to positive outcome in business performance. At the very least, it can assist in maintaining the level of profitability of the firm and enhance employees' morale. At the very most, it assists in alleviating poverty and social inequalities, provides a platform for competitive advantage and thus contributes to the firm's sustainability.

In response to the changing environment, an increasing number of firms engage in corporate philanthropic programmes. According to a recent McKinsey global survey, corporate philanthropy can be an effective tool to meet the rising customer expectations and it was found that 84 per cent of the corporate executives around the world that participated in the study believe that firms are now required to take a much more proactive role in societal issues than before. Firms that successfully address themselves to this shift are able to build good corporate reputation, an essential element in a firm's success and long term survival.

Corporate philanthropy and the bottom line

Corporate philanthropy can be used as a tool to improve the quality of the business environment by bringing together social and economic goals, thus enhancing future business prospects. It is also interesting to note that corporate philanthropy can create a win-win situation and improve the firm's bottom line. By helping people in need, firms are providing substantial social benefits and gaining community trust. In many instances, it is proven that firms are able to improve the bottom line and the benefits accrue to firms as well as those of the beneficiaries. Traditionally, corporate philanthropy is driven by altruism in which firms give with nothing expected in return. However, in the current position, corporate philanthropy is increasingly being used as a vehicle in meeting strategic corporate objectives.

> "[a] business that makes nothing but money is a poor kind of business."
>
> **Henry Ford, Founder of Ford Motor Company**

Corporate philanthropy is also viewed as 'enlightened-self interest' where firms give with the intention to benefit themselves at some point in the future. This may also explain why most firms engage in some form of philanthropic activities.

In order for the intangible benefits of corporate philanthropy to be realised, there are a number of steps that need to be considered (**see Table 1**). Firstly, corporate philanthropy needs to be driven by the top management. The senior executives must demonstrate support, commitment and passion towards corporate philanthropic programmes. It also has to be incorporated into the firms' mission and embedded into the firms' strategy and carried beyond the natural terrain of economic activity. Once it has been integrated into the core values and ingrained into the corporate culture, putting back into the communities is much easier.

Secondly, the zeal to assist others needs to be channelled to the workforce and to involve them in the philanthropic activities. This will ensure that the giving culture is inculcated throughout the organisation. Staff participation in either in-house or public event fundraising is a platform that provides great opportunities to motivate staff to engage with the community and simultaneously promote the firm. Increasing numbers of firms are facilitating workplace giving through the payroll and this seems to gain popularity among individual employees. Although the amount donated by an individual employee is small, the power of collective action can really make a difference. In addition, it is a reliable and con-

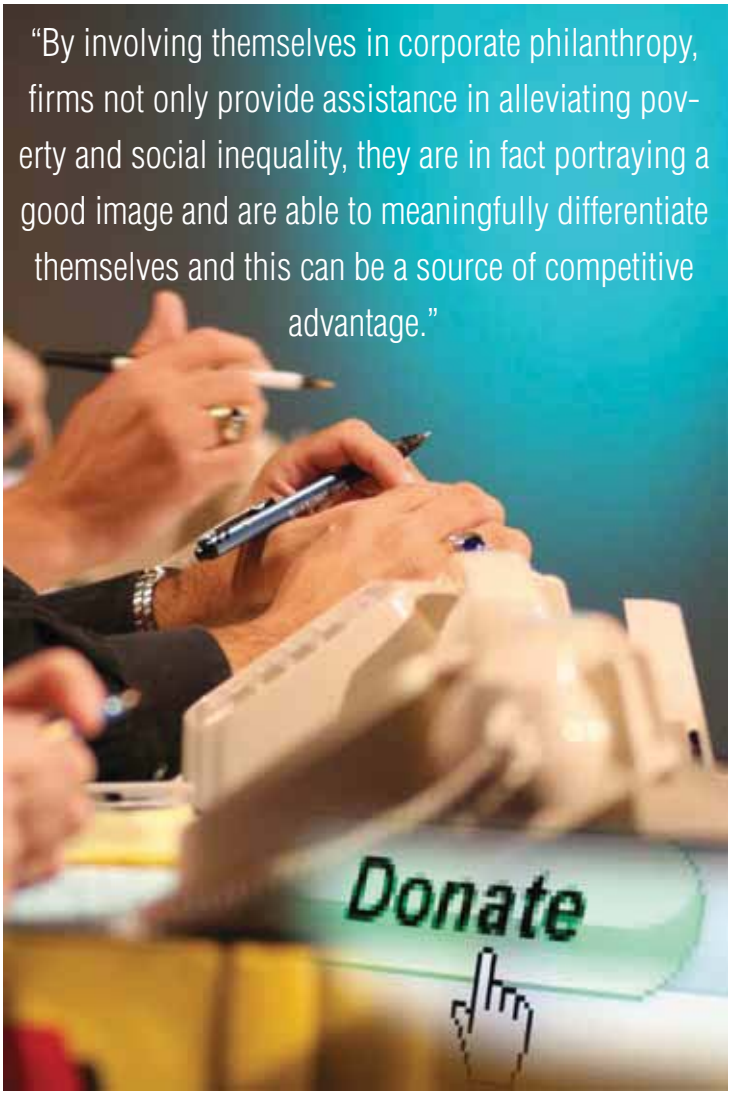
Table 1 Key Steps for Successful Philanthropic Contributions by Firms

1.	Philanthropy driven by top management
2.	Zeal engendered from workforce
3.	Obtain measureable outputs and quantify financial advantages
4.	Enhance benefits through strategic alliances
5.	Be proactive!

venient way to provide ongoing donations that can make a positive contribution to the community. Further, there is growing evidence showing that employees prefer to work in firms that demonstrate socially responsible behaviour.

Thirdly, for corporate philanthropy to improve the bottom line, its output must be measured rigorously where the financial advantage has to be quantified. This also enables firms to evaluate whether their spending on corporate philanthropy is wise or not. As the core reason for corporate philanthropy is to make a positive impact on the community, it is appropriate that the action is appraised. A few models have been introduced to assist in the measurement of community contributions. London Benchmarking Group (LBG) model is one of them. LBG is a group with over 100 firms across the world working together to measure and benchmark their corporate community investment. The model focuses on three main parts of community contribution, namely, inputs — the contributions made by firms, outputs — the benefits derived from the contributions to the community and the business alike and impacts — the difference made over time of the community contribution (LBG Annual Benchmarking Report, 2007). Understanding the impact of corporate philanthropy contribution is very important to ensure that corporate philanthropic activities achieve their social and business goals. According to McKinsey Global Survey 2008, nearly 90 per cent of senior executives believe that corporate philanthropy should seek to achieve both business and social goals; however, less than 15 per cent feel that they are effective in meeting business goals. Therefore, by continuously tracking and evaluating the effect of corporate philanthropic activities, firms are a step ahead in ensuring that philanthropic donations are managed strategically and intelligently.

Finally, firms may consider collaborating with other firms to enhance the results by collectively leveraging individual corporate strengths. As multiple heads are better than one, firms are in fact expanding the corporate circle and making bigger community contributions.



"By involving themselves in corporate philanthropy, firms not only provide assistance in alleviating poverty and social inequality, they are in fact portraying a good image and are able to meaningfully differentiate themselves and this can be a source of competitive advantage."

A way forward

While the quest to demonstrate the rationale for corporate giving and mitigate the flawed perspective continues, we are witnessing an increasing number of firms engaging in corporate philanthropic programmes. Undeniably, firms must respond quickly to the continuously changing environment and ever rising customer expectations to be sustainable. To stay in the game, firms need to take proactive action. Ignorance of the social priorities may lead to market share decline and being at the competitive disadvantage. Competitiveness can be achieved when firms can effectively put into productive use their scarce resources to produce high quality goods and render superior services. By volunteering in the local communities and giving to charities, firms are in fact building good corporate reputations and this can be a reservoir of goodwill because it demonstrates that they are being good corporate citizens.

Nevertheless, the main challenge is to ensure that the corporate philanthropic activities are being managed effectively and wisely to ensure that the gain can be realised to the fullest. Aligning corporate philanthropic programmes with the firm's mission, invigorating the workforce with corporate philanthropic programmes, evaluating the corporate philanthropic performance, and forming strategic alliances are some of the actions that can be taken to ensure that corporate philanthropic programmes can create a positive effect on the firm's bottom line.

Apparently, successful business strategy is grounded in a clear understanding of the society's growing list of needs. By involving themselves in corporate philanthropy, firms not only provide assistance in alleviating poverty and social inequality, they are in fact portraying a good image and are able to meaningfully differentiate themselves and this can be a source of competitive advantage. AT

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Reference

LBG Annual Benchmarking Report, 2007, LBG Australia/New Zealand available from *www.lbg-australia.com.*

ADVERT

Changes in the Singapore Auditing Landscape

The Singapore auditing landscape has witnessed some changes in recent years. On the provider front, the Big Four continue to dominate the landscape for public-listed companies.

Take the region's largest banking group, DBS Group Holdings Ltd. It has PricewaterhouseCoopers (PwC). The auditors, headquartered at Cross Street, also do the external auditing for Singapore Press Holdings Ltd (SPH), which is easily the largest publishing outfit in Southeast Asia, with its anchor product Straits Times looming large in the republic. PwC also acts as external auditors for Genting Singapore Plc, the spin-off of Malaysia's Genting Group, which has interests in casinos and integrated resorts.

Singapore Telecommunications Ltd (SingTel) has on board Deloitte & Touche LLP while Fraser & Neave Ltd has roped in Ernst & Young for that task.

But the biggest of them all is Ernst & Young (E&Y) when it comes to auditing Singapore-listed companies.

In a recent survey of the Singapore landscape, *The Business Times* (BT) concluded that the 'Big Four accounting firms still have a stranglehold on the space while a lesser-known firm is a favourite with Chinese firms or S-chips'. This was the finding of the Singapore daily business newspaper in its survey of all 764 SGX-listed companies there, based on their annual reports and SGX announcements.

The Big Four clearly rule, accounting for 497 of the 764 listed companies, BT said. Trailing E&Y is KPMG with 117 clients, Deloitte (108) and PwC global network (81).

Some audit firms have found a sweet spot in certain sectors, the survey found out, pointing out that Grant Thornton member firms, for instance, audit mostly consumer and retail companies while KPMG has a knack for Reits, business trusts and property firms.

"The domination of the Big Four was even more pronounced in the blue chip space as they were engaged by 29 of the 30 Straits Times Index (STI) companies. PricewaterhouseCoopers and Ernst & Young had nine STI clients each while KPMG had eight. Deloitte trailed its peers, with only three STI clients. In fact, only one STI company, Golden Agri-Resources, has chosen to be audited by an audit firm outside the Big Four - Moore Stephens LLP.

"The S-chips space threw up a completely different scenario with Grant Thornton member firms carving out a niche for themselves.

Between them, Foo Kon Tan Grant Thornton and Grant Thornton Hong Kong account for 37 of the 149 S-chips — about a quarter of the pie. Some 25 of Grant Thornton Hong Kong's 26 clients are S-chips while Singapore-based Foo Kon Tan Grant Thornton has 12 S-chip clients out of its total of 33," the newspaper commented in an article.

> "Big Four accounting firms still have a stranglehold on the space while a lesser-known firm is a favourite with Chinese firms or S-chips".
>
> **The Business Times**

The report had some interesting insight on Chinese companies. Despite its engagement with beleaguered firms Beauty China Holdings and China Printing & Dyeing Holding, the report noted that the audit firm is undaunted by the slew of scandals surrounding the S-chip sector.

A spokesperson for Foo Kon Tan Grant Thornton told the business daily that the firm only undertakes or continues engagements after considering the integrity of the client, its own resources and skills, and ethical requirements.

This response acknowledges what goes into an audit. As outlined by the Washington-based Center for Audit Quality (CAQ), the audit process begins even before the auditor accepts an engagement with a prospective client. Prior to accepting an engagement, the audit firm will make a preliminary review to assess the potential risks, the nature and complexity of the prospective client's business, and whether the audit firm has the resources and expertise to perform the audit.

On the matter of audit and external auditors, a recent KMPG report noted that the current spate of restated financial statements, missed earnings projections, and high profile corporate failures has sent a brisk current of change sweeping through UK boardrooms aimed at strengthening the independence and effectiveness of audit committees.

"In response, audit committee members have been more focused than ever on enhancing both the effectiveness and efficiency of their audit committees, including improving the interaction of the audit committee with management, internal audit, and the external auditors. Indeed, the relationship with the external auditors is a key element of reform both in the UK and the US — audit committees seem set to take on greater responsibilities, including an enhancement of the responsibilities associated with recommending the appointment of external auditors and approving significant non-audit services," it said.

> "… audit committee members have been more focused than ever on enhancing both the effectiveness and efficiency of their audit committees, including improving the interaction of the audit committee with management, internal audit, and the external auditors. Indeed, the relationship with the external auditors is a key element of reform both in the UK and the US ."
>
> **KMPG report**

The report said the audit committee plays a key role in keeping under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money. AT

A Cut Above

Ill-planned and hastily implemented cost reductions are a recipe for disaster. **Mark Warren** *suggests a formal, structured approach to ensure lasting savings.*

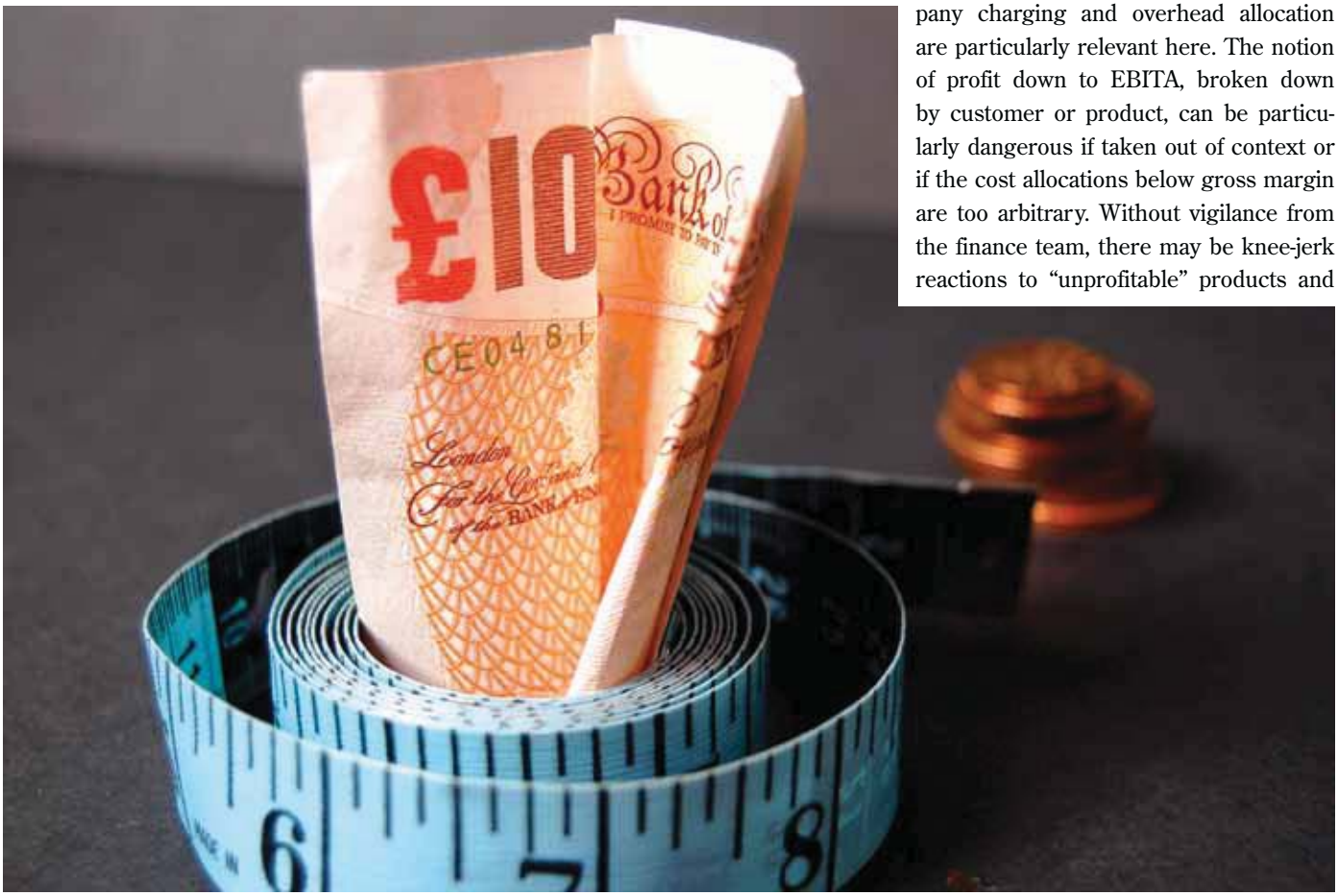
Cost reduction is firmly back on the boardroom agenda for a growing number of organisations. Investors are asking FDs how they plan to cut costs effectively without putting shareholder value at risk. After all, cutting costs is a challenging activity that, if executed badly, can significantly jeopardise an organisation's service integrity, its ability to achieve strategic goals — and even its long-term viability.

It's crucial that any cost reduction programme is aligned with business strategy. A badly planned redundancy programme implemented by one of my firm's clients, a bank, caused many of its most experienced employees to leave, which in turn significantly delayed its strategic bid to regain leadership of the derivatives market. Unless the immediate objective really is survival, any cuts must be sustainable and address lifetime costs.

The implementation of a cost reduction plan entails serious and contentious change; so it calls for the use of programme and portfolio management techniques. Large projects will benefit from the establishment of a cost programme management office (CPMO). This should ensure that plans, risks and interdependencies are recognised, managed and reported in an appropriate and timely way. Each potential cost-cutting initiative should go through a categorisation and gateway process, from identification through to completion and benefit realisation. The CPMO can provide an assurance function here by both challenging and supporting each business unit. It must co-operate closely with the finance department.

The starting point for a cost reduction programme must be robust data. This normally requires an investment in collating a single set of cleansed financial and key performance indicator figures. Important questions to ask include: is there a single, validated and agreed version of the data? Is there a defined baseline case and basis for ongoing measurement and comparison? Are there common reporting standards?

Accounting policies such as inter-company charging and overhead allocation are particularly relevant here. The notion of profit down to EBITA, broken down by customer or product, can be particularly dangerous if taken out of context or if the cost allocations below gross margin are too arbitrary. Without vigilance from the finance team, there may be knee-jerk reactions to "unprofitable" products and



customers. One of my firm's clients once stopped doing business with its largest customer because it was found to be unprofitable. Unfortunately, its hasty decision was based on a miscalculation of the difference between fixed and variable costs. It made a loss as a result. Another client put a subsidiary through a restructuring programme on the basis of a big decrease in profits that had actually resulted from a change in inter-company charging policy. Its robust reaction to this phantom loss incurred significant costs.

Always be critical of your data and recognise the inevitable limits in its accuracy and scope. As Robert McNamara, the former US Secretary of Defence and President of the World Bank, advised, "get the data" but don't trust it, because "belief and seeing are both often wrong".

It is important that your cost reduction programme has a wide remit and doesn't focus only on the seemingly obvious – cutting jobs and squeezing suppliers – because the obvious may not be right. It can undo years of work on developing constructive partnerships and building goodwill. A broader approach, if intelligently applied, will help to identify the logical cost-cutting opportunities further down the value chain.

In any change programme, a balance of activity over time is important in building momentum rapidly and minimising the risks. Ask yourself whether your cost-cutting initiatives are optimised so that they include the following:

- Quick wins that achieve short-term savings and build momentum.
- More incisive changes that improve the efficiency of the organisation.
- More radical longer-term measures that are about rethinking both what is done and how value is created.

Cost reduction requires some incredibly tough choices and decisions of tremendous strategic import. The full commitment of senior managers and stakeholders is, therefore, essential throughout the project. Without clarity and firmness from the CEO, there is a risk that various factions will try to resist and circumvent the programme, which can paralyse a business.

The depth, breadth and length of any cost reduction programme depend on a number of fundamental factors. These include the attitude of each individual and the overall organisational culture. Do they value economy and efficiency? If not, the programme is limited in what it can achieve, however well planned and executed it is.

Another fundamental factor is the organisation's decision-making capability. Excellence in this area can remove inefficiency and unlock a significant competitive advantage. The true value of data and decision-making is often hidden behind a blanket of internal politics, hierarchy or history – or it is trapped in the straitjacket of 'good governance'. For instance, one of my firm's past clients took four months to make a critical, yet fairly straightforward, decision. All decision-making was centralised and done through monthly board meetings, with papers submitted two weeks in advance. For the first meeting, the submission deadline was missed by a day. The paper somehow didn't get included in the photocopied pack for the second meeting. The third meeting ran out of time (as it always did). This delay – a symptom of how the company did not appropriately value time or explicitly manage decision-making — had a significant negative impact on its change programme.

There are many cost-cutting methodologies on the market, but all too often these don't cover the whole life of the project. The key is to ensure that, by linking it to the corporate strategy, the programme starts early enough and finishes late enough – ie, only when the benefits have been delivered, audited and sustained. I suggest using the following simple approach to ensure that you design a successful and comprehensive cost-cutting programme:

- Review, understand and update the elements of corporate strategy that are relevant to the project.
- Build a detailed understanding of the organisation's cost base.
- Establish the operating and capital spending targets that meet the senior stakeholders' requirements.
- Create detailed cost data, and associated cost-driver metrics, to allow the insightful analysis of organisational efficiency.
- Identify cost-cutting initiatives through internal debate and data crunching as well as external benchmarking and reference to "best practices".
- Filter, categorise and refine the initiatives; prioritise them on value, timescale, risk; and then optimise the overall portfolio.
- Deliver the initiatives, report on progress and audit the cost reductions.
- Ensure that cost reductions are sustained once delivered, and that the organisation learns and adjusts as a result of the project.

Cost reduction requires an investment in programmatic, disciplined change, backed by solid financial and performance data and analysis. But it all needs to be driven by an enlightened and focused executive team that won't sacrifice effectiveness at the hands of efficiency. There are no short cuts. AT

How not to do it

Here are some of the most common mistakes that businesses make when they try to reduce costs:

- Imposing draconian, arbitrary cuts, normally to jobs or high-profile projects — driven by a desire to be seen to act — without considering collateral impacts.
- Over-analysing the situation. Analysis should end at the point where the decision is clear, not at the point where no more analysis is possible.
- Failing to obtain sufficient input and involvement from the workforce.
- Starting too many initiatives.
- Relying too heavily on a small number of large, complex initiatives that all promise benefits in the long term.
- Jeopardising the achievement of strategic goals. For instance, voluntary redundancy programmes can lead to a loss of crucial skills and experience.
- Playing 'musical chairs' — i.e., cutting costs in one area of the business only to have them reappear in another form.

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Profitability and Cash Flow are King

These two elements are fundamental to business survival and success — and even more vital in a downturn like the present

The global economic events we are currently witnessing will have an ongoing and profound effect on the way business is transacted. The effects of this extraordinary set of events have reverberated around the globe, leaving no part of the business world untouched. Singaporean businesses, like businesses around the world, are already in tough times or headed for them.

The current economic downturn can affect a business's cash flow and profitability — both fundamental to business survival and success. Not undertaking normal business processes, such as preparing cash flow forecasts or chasing up late payments of debt, increases the likelihood of the cash position or profitability becoming worse.

In the current economic climate especially, business owners don't want to be caught short by not knowing what is going on in their business. Having relatively simple processes in place in order to manage finances will be a big step in helping a business owner know what's going on. For instance, keeping your books up to date, preparing budgets, including cash flow forecasts, and comparing actual results

against budgeted results are essential to the proper management of a business. The information this provides puts the business in a far better position to manage its cash resources and profitability.

As cash is fundamental to the operation of a business, even profitable businesses may experience problems if they do not manage their cash flow effectively — for example, if the time it takes a business to collect cash from sales goes past the time when it has to pay its suppliers.

Currently, businesses cannot automatically expect that they will be able to cover any shortfalls in cash with short-term finance. It means that many businesses will need to look at unlocking hidden cash in their business by increasing efficiency to improve their cash position rather than rely on external sources of finance. The key to finding such hidden cash (and giving business owners an early indication of when they may need such cash) is updated financial records.

CPA Australia's checklist includes tips on how to improve business cash flow and profitability during tough times.

Regardless of the causes, small businesses need to take action when the going gets tough. While there is no single cure-all, there are many steps a business owner can take to manage through difficult times.

The first step is to take stock and adopt a risk management mindset. In taking stock, business owners should not be blind to any new opportunities that may emerge. To take stock, you should:

- Seek to understand why customers buy your products or services and why they may be decreasing their purchases now.
- Discover what key indicators will tell you how your business is — this could be as simple as tracking the value of daily sales, or the cash balance, the debtors' balance or the quantity of a key stock item you purchase each day, week or month.
- Don't just do what you've always done as what you may be doing now may be contributing to your problems. This may include engaging an external professional or consultant to review your business operations.
- Develop financial management strategies that aim to boost your cash position and/or profitability without starving the business of essential investment for future growth.

"As cash is fundamental to the operation of a business, even profitable businesses may experience problems if they do not manage their cash flow effectively — for example, if the time it takes a business to collect cash from sales goes past the time when it has to pay its suppliers."

The importance of financial management cannot be overemphasised, especially when business conditions become difficult. While profits may be a measure of success, it is cash that determines business survival. If you are having cash flow difficulties, you may consider undertaking some of the following steps:

- Prepare regular cash flow statements, daily if necessary.
- Skew your marketing activities towards promotions that cost less or can help sell products or services that can be turned into cash quickly — but don't just go for any sale; you must still seek to make a profit.
- Measure and reward the right behaviour in staff. For example, pay commission to your sales force only when you receive payment from the client.
- Make full use of your terms of trade as this amounts to an interest-free loan —but don't pay your suppliers late. If you are seen as a dependable customer, you are more likely to be able to negotiate better terms if you need them.
- Don't hide your problems from your bank. Demonstrate that you are on top of your business and understand your cash position and if you are in trouble, you have a sensible strategy to get out of such trouble.

Other ways of improving the cash position and profitability of your business include:

- **Controlling costs**. It is important not to cut costs unnecessarily, particularly from areas essential for you to make money, such as marketing. However, you may wish to change the focus of your marketing spend to campaigns where you can actually measure success.
- **Reduce your customer debt**. You would be surprised how many businesses do not chase up late payers.
- **Control stock**. Keep stock levels low by reducing or removing slow-moving, low-margin and obsolete stock, but it is also important to carry sufficient stock in order to maintain sales momentum.
- **Improve sales — but don't chase just any sale**. Chase only the profitable sales, and sales that will bring in the cash quicker.

Businesses that are run well use these ideas during the good times and the bad in order to maximise their profits and minimise risk. Using them can help your business emerge in a much improved condition, which will likely lead to long-term growth. AT

CPA AUSTRALIA

This article is part of a series of 10 articles contributed by CPA Australia. For more information, visit *www.cpaaustralia.com.au*

Goods and Services Tax in Malaysia

Tony Chan

Goods and Services Tax (GST), or Value Added Tax (VAT) as it is known in some countries, is a broad-based consumption tax levied on the value added at multiple stages of production.

History of broad-based consumption tax

VAT, or *taxe sur la valeur ajoutée* (TVA in French), was first introduced in France in 1954 by Maurice Laure who was a joint director of the new tax authority. His idea quickly caught fire as it shifted the administration and accounting of the indirect tax to the taxpayers at all levels of production rather than on the authority itself. In fact, such self assessment helped to reduce costs for the government of the day.

Global trend

Because of a shift in the paradigm of business competition soon after World War II, the governments of many countries were under pressure to determine if the prevailing tax regime was business friendly enough to accommodate the boom in business competition. They found that it was not. As a result, the focus was shifted away from direct tax. Noticeably, the corporate tax and personal income tax rates took a big plunge as soon as the new tax system was put in place. The buzz word now was "broad base, low rates."

This led to more and more countries moving away from direct tax to a broad-based consumption tax regime. Today, just about 50 years since the French adopted it, more than 141 countries operate some form or other of the consumption tax system.

According to the Organisation for Economic Cooperation and Development (OECD), VAT revenue today accounts for

just under 20% of government coffers compared to 13% about 25 years ago.

Broad-based consumption tax in Asia

With the boom in the world economy, Asian governments went through the same thought processes as their counterparts in Europe. South Korea took the lead when it introduced the VAT system in 1976, with Indonesia and Taiwan following some nine years later. The Philippines, Japan, Pakistan, Bangladesh, Thailand, China and Singapore joined the pack between the mid-1980s and mid-1990s. Australia and New Zealand introduced the VAT/GST system in 2000 and 1986 respectively.

Generally, the VAT/GST rates vary from country to country between 5% and 17%.

Lately, there has been talk that countries like Malaysia and Hong Kong too will be introducing such broad-based consumption tax. Malaysia deliberated on it in 2005 with the intention of introducing it in 2007. However, it was withdrawn. In Hong Kong, protests marred the deliberation of whether such a system would be good for the island. In early December 2006, the financial secretary to the Government of the Hong Kong Special Administrative Region, Donald Tsang, advised that GST was not an option, given the public sentiment.

In the Middle East, the system was introduced in Jordan in 1994 and in Lebanon in 2002. Yemen has postponed it to 2009.

Malaysia's attempt for a broad-based consumption tax

In order to promote competition in Malaysia and to be more business friendly, the Malaysian Government has taken many measures, including cutting the corporate tax rate to 25% and personal income tax rate to 27%, both with effect from tax year 2009. Both measures are similar to the ones adopted by countries already having the broad-based consumption tax.

Inadvertently, Malaysia's revenue base will be put to the test due to the lower rates as the country is still very dependent on direct taxes.

Looking back at the time when the idea was mooted, the economy in Malaysia in particular and of the world in general was very robust. Some data from the Economic Reports issued by the Government of Malaysia:

1. The Malaysian Gross Domestic Product was growing from 0.3% in 2001 to a high of 7.1% in 2004.
2. The unemployment rate stood at 3.5% in 2005.
3. The Bursa Malaysia Main Index, the Composite Index, was hovering around 937.39 in 2005.

There were many more indicators as per the Economic Reports and all of them showed that Malaysia had a lot of potential and would have positive growth in the next few years.

The then Finance Minister, YAB Datuk Seri Abdullah Haji Ahmad Badawi, proposed to Parliament during the September 2005 Budget Session that the current consumption tax regime would need to be replaced by a single consumption tax based on the value added concept, and it was to be called GST and introduced on 1 January 2007.

Prior to the announcement was the release of the Discussion Paper for GST in Malaysia by the Tax Review Panel of the Ministry of Finance dated 18 July 2005, which provided avenues for all interested parties to give comments and feedback.

However, the Ministry of Finance announced on 22 February 2006 that the implementation date would be postponed to a date which has yet to be announced.

Is this the end of the road for broad-based consumption tax in Malaysia? Should the idea be mooted again?

What are the experiences of other countries?

Let us track the progress of Japan and Singapore prior to the implementation of the broad-based consumption tax in those two countries.

Japan

Turnover tax (at the rate of 1% on the gross sale) was introduced in Japan soon after World War II was over, that is, on 1 September 1948. However, the tax was repealed in 1949.

Soon after that the idea of having consumption tax in Japan was mooted by the Shoup Mission in its report entitled "Report on Japanese Taxation by Shoup Mission" in September 1949. This idea was too innovative and the concept of value added was poorly understood. The government rejected it. Had Japan accepted the proposal, it would have been the first country in the world to have a broad-based consumption tax system, not France. The idea was again floated in 1979 and 1987, but both times it crumbled under the pressure of politics.

The passage to the introduction of consumption tax in Japan with all its difficulties was also known as the "Prime Minister killer" as it contributed to the departure of four Prime Ministers, including Yasuhiro Nakasone.

It was finally introduced in 1989 under the Noburo Takeshita administration. The final consumption tax incorporated many different tweaks to make it more acceptable amongst the lawmakers and the people of Japan. Among the tweaks made in the earlier days were:

1. Elimination of the need for tax invoices as required in the traditional consumption tax model due to opposition to having proper record keeping and the unfamiliarity of the sophisticated record keeping.
2. Introduction of a simplified method of computing consumption tax to reduce compliance costs for businesses with annual sales of less than ¥500 million.
3. Exemption from consumption tax net of businesses whose annual sales were less than ¥30 million.
4. Reduction of collection periods, i.e. businesses with less than ¥600,000 of tax to pay will pay only once a year.
5. It has taken many reforms and debates to bring consumption tax to Japan, about 40 years with 2 major failed attempts in between.

You may wish to note that the Japanese consumption tax has undergone some major revamps since its introduction in 1989.

Singapore

The idea of a broad consumption tax in Singapore first arose in 1966, months after Singapore became an independent nation.

It was envisaged that such consumption tax up to a wholesale level be introduced to replace the various taxes available at that time, including corporate tax, payroll tax and sales tax.

The then Prime Minister again resurfaced the idea of VAT in 1977 and in that year, the Ministry of Finance set up a committee to deliberate on its introduction. The decision of the committee in May 1980 was that "VAT is not feasible at present" and it recommended instead a "selective sales tax on luxury consumption items."

As many countries in the world including the US were making more tax reforms to make their market more competitive, Singapore was now forced to rethink its earlier decision. A report of the Economic Committee in 1986 recommended that the government shift its focus from direct tax to indirect tax in light of the change in the economic climate.

In 1990, the then Finance Minister informed Parliament that a comprehensive consumption tax would be introduced in 1990. However, it would be done in stages and the implementation date would be announced later when there arose a real need for introducing the system.

A working committee comprising representatives from the Ministry of Finance, the Inland Revenue Authority, the Customs and Excise Department and the Attorney General's Chambers was formed in June 1990. The formulation of the draft GST legislation was completed in June 1991. A White Paper on GST was introduced by the Ministry of Finance and Ministry of Trade and Industry on 9 February 1993 after many rounds of refinement.

It was estimated that the Singapore income tax base was expected to fall in line with the growing aging population. It was estimated that in 1993, eight working persons would be supporting one aged person. This ratio was projected to be worse in 2020 with three working persons supporting one aged person. With the introduction of this broad-based consumption tax, the tax burden on the working persons would increase.

Interestingly, it was pointed out that since this is a tax on consumption and not on income tax, the proposed system would actually promote savings and investments.

The GST was initially slated for introduction in 1993 after the 1993 Budget announcement but was deferred to 1 April 1994. Interestingly, soon after the announcement, the corporate tax and personal income tax rates in Singapore were brought down by 3% to 27% and 30% respectively in Year of Assessment 1994. Soon after the implementation of the GST in Singapore, the corporate tax rate was brought down further by another 1% to 26% and the personal income tax rate was brought down by 2%, both in Year of Assessment 1997.

It was estimated that the Singapore income tax base was expected to fall in line with the growing aging population. It was estimated that in 1993, eight working persons will be supporting one aged person. This ratio was projected to be worse in 2020 with three working persons supporting one aged person. With the introduction of this broad-based consumption tax, the tax burden on the working persons will increase.

Please note that Year of Assessment 1997 refers to the tax year 2006 as Singapore is on the preceding year basis.

As you can see, it was a costly affair as the Singapore approach was to phase in the idea of GST in stages and the various consultations and lobbying lasted for years.

Some of the key features of the initial GST law:-

1. In order to meet the need to determine what goes in and out of the GST net, it was decided that the GST be extended to all goods and services in Singapore except for sales and lease of residential land and certain financial services.
2. Low GST rate at 3% and an assurance to Singaporeans of 5 years of not increasing the rate.
3. High revenue threshold of S$1 million to keep small vendors out of the GST net. This was to reduce compliance costs for them.
4. Various schemes that were put in place to safeguard Singapore's status as a financial hub, its strategic location and tourist destination. To this end,

   i. Constant consultations were held with representatives of the various financial institutions, including banks, insurance companies and leasing companies on the various issues surrounding the implementation of GST. Some of the special treatments for financial institutions included the fixed input GST claims rather than going on a line by line claim. You may note that although GST had been introduced for the last 13 years, such consultations are still ongoing.

   ii. The Major Exporter Scheme (MES) and the Bonded Warehouse Scheme (BWS) were introduced to provide relief to importers of the GST liability should the items be re-exported, and this was to maintain Singapore's status as a hub for logistics.

   iii. Tourist GST refund was available subject to certain conditions being met. This was to preserve Singapore's status as a tourist destination.

What can Malaysia do?

As you now aware, it took time for the idea of consumption tax to be accepted in Singapore and Japan. It was a long, winding and rough road.

Even if we can get the people of Malaysia to buy the idea and hence to vote a yes to the Bill, a lot of preparation work would still have to be done.

1. Learning from the past mistakes of implementation of the broad-based consumption tax system of other countries. Learning trips should be made to these countries with broad-

based consumption tax and with tax structures similar to Malaysia's. Perhaps collaborations should be forged between the tax authorities of Malaysia and these other countries.

One example of a mistake that we may learn from was that made by Japan when there was a lack of small coins, i.e. ¥1 coins, in the hands of the traders. Yet another problem that faced Japan was that, with hours to go before implementation, government officials were still grappling with the issue of how to enforce consumption tax of 3% on a ¥10 pay telephone call.

2. A proper administrative structure should be constructed and officers within the government machinery should be trained as soon as possible.
3. A Taxpayer Education Programme prior to the implementation of the consumption tax system is very vital. Seminars, dialogue sessions, field visits, hotlines, brochures, direct mailers and media campaigns are a must.
4. As the GST system is a self assessment tax regime, software upgrading/modification in the identified government agencies may be needed to cope with the potential submissions.
5. Enough time for businesses to appreciate the idea of broad-based consumption tax and to have their human capital trained. Also, their hardware, i.e. their computer system, will have to be upgraded or modified for this new tax.

Some positive notes after the implementation of the broad-based consumption tax system in Singapore:-

1. Customs collected about S$2 million on the first day of implementation. It was declared on 2 April 1994 that the implementation of the GST in Singapore was a non-event and the day went by without any hiccups.
2. Due to effective deployment of tax officers around the country, traders did not pass the bulk of the GST to the consumer in the form of higher prices for goods and services. The consumer price index in 1994 was about 3.6%, a far cry from the expected 5.5% but was still higher by 2.4% as compared to the one in 1993.
3. Corporate tax and personal income tax rates continue to fall with corporate tax standing at 17% and personal income tax at 20% for tax year 2009. This means more taxpayers may now find themselves out of the corporate and personal tax net.
4. Despite the falling rates in the direct taxes mentioned above and the increase in the GST rate from 3% to 7% (from 1 July 2007 onwards), the government revenue from corporate and individual taxes continues to rise although in terms of percentage the total tax revenue fell from 54% to 47% between 2006 and 2008. The GST revenue, however, continues to rise and accounted for 21% of the total tax revenue in 2008.

> "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings to the treasury of the state."
>
> **Adam Smith, The Wealth of Nations, 1776**

Conclusion

I believe that the current economic climate, the socio economic demography, the effectiveness of the prevailing tax system and the financial pressure to meet social demands will dictate the dates of implementation of such a system in Malaysia.

However, one could say that the postponement of a broad-based consumption tax in Malaysia has been a blessing in disguise. It allows the various government machineries to work even closer for a successful implementation because Malaysia can learn from the mistakes of other countries.

Finally, whatever the outcome of the GST in Malaysia, there is a need for such a system to be as simple as possible and, better still, painless for businesses to comply with.

"Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings to the treasury of the state."

Adam Smith (The Wealth of Nations, 1776) AT

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Discussion Paper for Goods and Services Tax in Malaysia, by the Ministry of Finance, *http://www.gstmalaysia.com:9080//gstproj/gstsavedb.jsp*

MALAY$IAN TAX

The tax updates are summarised from the MIA's circulars related to tax matters and the selected Government Gazettes published from 5 March 2009 to 8 May 2009.

INLAND REVENUE BOARD (IRB)

Public Ruling (PR)

■ Third Addendum to PR No. 2/2004: *Benefits-In-Kind*

Date of issue: 17 April 2009

Effective date: Year of Assessment (YA) 2008

This Addendum provides clarification in relation to tax exemption on certain benefits-in-kind received by an employee pursuant to his employment.

The above Addendum to the PR can be downloaded from the Inland Revenue Board (IRB)'s website at *www.hasil.gov.my* under the heading "*Law and Regulations – Public Rulings*". AT

News

■ Mini Budget 2009

To mitigate the impact of the global contraction on the domestic economy, the then honourable Deputy Prime Minister and Finance Minister, YAB Datuk Sri Mohd Najib Hj. Tun Abdul Razak, announced the Second Stimulus Package on 10 March 2009.

The Mini Budget Speech and the relevant appendices as well as the Finance Bill are available on the IRB's website under the heading "*Mini Budget 2009*".

In addition, the IRB has also issued and uploaded guidelines related to the Mini Budget 2009 on its website under the heading "*Bajet Mini 2009*", to provide guidance on the following areas:

- *Carry back of current year losses* — Section 44B of the Income Tax Act, 1967 (ITA).
- *Tax deduction on housing loan interest* —Section 46B, ITA.
- *Renovation or refurbishment allowance* — Paragraphs 8A and 32A, Schedule 3, ITA.
- *Compensation for loss of employment* — Paragraph 15(1), Schedule 6.
- Accelerated Capital Allowances for plant and machinery.
- Incentive for employing local retrenched workers.
- Incentive for banks to defer the repayment of housing loans by retrenched individual borrowers.

■ 2009 Second Stimulus Package Tax Commentary

Following the announcement of the Second Stimulus Package by the then honourable Deputy Prime Minister and Finance Minister, YAB Datuk Sri Mohd Najib Hj. Tun Abdul Razak on 10 March 2009, we are pleased to inform that the 2009 Second Stimulus Package Tax Commentary has been published by the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Tax Institute of Malaysia (formerly known as Malaysian Institute of Taxation) for members' reference. The above tax commentary can be downloaded from the Institute's website under the heading "*Taxation – Knowledge Base — Budget Booklet*".

■ Issuance of Blank Tax Return Forms

The IRB has allowed tax agents to collect the blank tax return forms from the IRB's branches. To apply for the blank forms, tax agents are required to furnish a list of their clients' names and the relevant income tax reference numbers to the IRB.

Nevertheless, tax agents are strongly encouraged to file their clients' tax return forms via the e-Filing system.

■ Minutes of the Working Group Meeting with the IRB on 15 December 2008

The minutes of the Working Group meeting with the IRB on issues related to the filing programme for year of assessment 2008, which was held on 15 December 2008, can be viewed at the Institute's website under the heading "*Taxation – Circulars – 18/3/2009*".

■ Chinese Translated Forms B and BE for Year of Assessment 2008

The Chinese translated tax return Forms B and BE for year of assessment 2008 which are only available for reference can be viewed at the IRB's website under the heading "*Borang – Borang Cukai Pendapatan*".

■ Authority to File Return Electronically (Form CP55[1/2009])

The IRB has issued a revised Form CP55 [1/2009] to replace the old Form CP55 [1/2008]. The PDF and Microsoft Excel format of the revised Form can be downloaded from the IRB's website under the heading "*Forms – Other Forms*".

■ Tamil Translated Forms B and BE for Year of Assessment 2008

The Tamil translated tax return Forms B and BE for YA 2008 which are only available for reference can be viewed at the IRB's website under the heading "*Borang – Borang Cukai Pendapatan*".

■ IRB's Press Statement — Filing of Tax Return Forms for YA 2008

The IRB has issued a press statement on the filing of tax return forms for YA 2008.

Some of the key areas highlighted in the statement are:

- Situations where taxpayers will not receive their tax return forms for YA 2008;
- Situations where tax return forms will continue to be issued to taxpayers;
- Submission of the supporting documents;
- Due dates for submission of tax return Forms BE, B, M, TP, TF, TJ, P and E;
- The duly completed forms are required to be submitted to the following address:

Forms BE and E

Lembaga Hasil Dalam Negeri Malaysia
Pusat Pemprosesan, Aras 10-18, Menara C
Persiaran MPAJ, Jalan Pandan Utama
Pandan Indah, Karung Berkunci 11054
50990 Kuala Lumpur Malaysia

Other Forms

Lembaga Hasil Dalam Negeri Malaysia
Pusat Pemprosesan, Aras 10-18, Menara C
Persiaran MPAJ, Jalan Pandan Utama
Pandan Indah, Karung Berkunci 11096
50990 Kuala Lumpur Malaysia

■ **e-Filing for the following forms is available on the following dates:**

Type of Forms	Available Dates
BE & B	3 February 2009
M, P & E	1 March 2009
BE, B, M, P & E (TAeF)	1 March 2009

For further details, please refer to the IRB's press statement, which can be viewed at the Institute's website under the heading "*Taxation – Circulars – 8/4/2009*".

■ **Minutes of the Dialogue with the Revenue Management Department of the IRB on 25 February 2009**

The minutes of the dialogue with the Revenue Management Department of the IRB held on 25 February 2009 can be viewed at the Institute's website under the heading "*Taxation – Circulars – 8/4/2009*". Some of the key issues stated in the above minutes are highlighted below:

No.	Issues	Page
2.1.1	Schedular Tax Deductions (STD) — Compound on late payment	4-5
2.1.3	STD — Waiver of penalty on wrong computation under the new STD rules	6
2.3	Extension of time for filing Forms C & R — Companies with March & December year-ends	7
2.4	Tax clearance for leaver cases	8
2.6	Verification of passport for leaver	9 - 10
2.9	Form CP 204 – Non-resident branch/ Permanent Establishment providing services	11 - 12
2.10	Submission of documents to the IRB	12 - 14
2.11	Appeal for lower initial estimate of tax payable	15
2.12	Late submission penalty imposed on approved EOT cases	15 - 16
2.13	Refund cases	16
4.2	Part G of Form E	20 - 21
4.3	Compound of prior year PDF filing	21 - 22

■ **Minutes of the 2009 Post Budget Technical Dialogue held on 12 December 2008 with the IRB**

The minutes of the 2009 Post Budget Technical Dialogue held on 12 December 2008 can be viewed at the Institute's website under the heading "*Taxation – Circulars – 29/4/2009*". Some of the key issues stated in the above minutes are highlighted below:

No.	Issues	Page
Part B Income Taxation		
2	Re-definition of Small and Medium Enterprises (SME)	3-8
4	Exemption on Allowances, Benefits-in-kind and Perquisites	9-17
8	Tax Treatment of Cost of Dismantling	20-21
12	Tax Exemption on Interest Income	24-25
13	Self Amendment of Tax Return	25-29
15	Withholding Tax on Section 4(f) Income	30-35
20	Reinvestment Allowance (RA)	38-43
21	Single Tier System	43
23	Deduction on Expenses for Recruitment of Worker	44-45
25	Extension of Accelerated Capital Allowance (ACA) on Security Control Equipment	45-46
Part C Stamp Duty		47
Part D Other Technical Issues		
1	Tax Treatment of Unabsorbed Losses and Capital Allowances	48-49
2	Rental Income of Investment Holding Company (IHC)	49-50

■ **Extension of Time to e-File Forms e-BE and e-M under the TAeF System**

The IRB has granted an extension of time until 3 May 2009 for all tax agents who use the Tax Agent Module (TAeF) under the e-Filing system to e-file their clients' Forms e-BE and e-M (no source of business income) for year of assessment 2008. The IRB's letter dated 30 April 2009 on the above matter can be viewed at the Institute's website under the heading "*Taxation – Circulars – 30/4/2009*". AT

Government Gazettes

■ **Income Tax (Special Treatment on Interest on Housing Loan) Regulations 2009 [P.U. (A) 109/2009]**

Where any amount of interest is due and payable by an individual on a housing loan granted by a bank or financial institution in the basis period for a year of assessment and a moratorium on such interest is approved by the bank or financial institution, such interest shall not constitute the gross income of that bank or financial institution for that basis period for a year of assessment. Notwithstanding the above, where any amount of the above interest is received by the bank or financial institution in the basis period for a year of assessment, such interest shall be treated as the gross income of the bank or financial institution for the basis period for that year of assessment.

The interest referred to in the above paragraph is interest which is due and payable for a period of 12 consecutive months beginning from the month where the moratorium is approved by the bank or financial institution.

The above Regulations have effect for year of assessment 2009 and subsequent years of assessment.

■ **Income Tax (Deduction for Expenses relating to Remuneration of Employee) Rules 2009 [P.U. (A) 110/2009]**

These Rules shall apply to a person who is a resident in Malaysia who employs an employee on full-time basis between the period of 10 March 2009 until 31 December 2010.

In ascertaining the adjusted income of a person who is a resident in Malaysia from his business in the basis period for a year of assessment, there shall be allowed to that person a further deduction equal to the amount of expenses incurred and allowable under Section 33 of the Act in respect of the remuneration paid to his employee, who:

a) is a citizen and resident in Malaysia;
b) whose employment with a previous employer has been terminated pursuant to a separation scheme or retrenchment, on or after 1 July 2008; and
c) whose termination of employment has been registered with the Director General of Labour, the Ministry of Human Resources.

The amount of the further deduction shall not exceed a maximum amount of ten thousand ringgit for each month in respect of each employee for a maximum period of 12 consecutive months commencing from the first month the employee is employed.

These Rules have effect for the year of assessment 2009 and subsequent years of assessment.

■ Income Tax (Accelerated Capital Allowance) (Plant and Machinery) Rules 2009 [P.U. (A) 111/2009]

A person who is a resident in Malaysia and, for the purpose of his business, incurs qualifying plant and expenditure under Schedule 3 of the Act on or after 10 March 2009 but not later than 31 December 2010, qualifies for an initial allowance under paragraph 10 of Schedule 3 of the Act for the qualifying plant expenditure which shall be equal to one-fifth of the expenditure and an annual allowance under paragraph 15 of Schedule 3 of the Act for the qualifying plant expenditure which shall be equal to two-fifths of the expenditure.

These Rules have effect for the year of assessment 2009 and subsequent years of assessment.

■ Income Tax (Exemption) Order 2009 [P.U. (A) 152/2009]

An employee is exempted from the payment of income tax in relation to the benefit or gift specified below which is received by such employee from his employer in ascertaining gross income from his employment in the basis period for a year of assessment. The benefit and gift referred to shall be such benefit and gift that are generally provided to all employees.

List of benefits

1. Travelling allowance, petrol card and petrol allowance
2. Toll payment
3. Parking rate and parking allowance
4. Meal allowance
5. Child care allowance
6. Payment for traditional medicine and maternity expenses
7. Discounted price for consumable business products of the employer
8. Discounted price for services provided by the business of the employer and for the benefit of the employee, spouse and child of the employee
9. Monthly bill for subscription of broadband, fixed line telephone, mobile phone and pager registered under the name of employee or employer
10. Subsidy of interest housing, education and car loan

List of gifts

1. Pager
2. Personal digital assistant
3. Telephone
4. Mobile phone

This Order shall have effect from the year of assessment 2008 and subsequent years of assessment except for the benefit (1): travelling allowance, petrol card and petrol allowance

Benefit (1) above shall have effect from the year of assessment 2008 until the year of assessment 2010.

■ Income Tax (Deduction for Benefit and Gift from Employer to Employee) Rules 2009 [P.U. (A) 153/2009]

In ascertaining the adjusted income of a person resident in Malaysia from his business in the basis period for a year of assessment, there shall be allowed as deduction expenses incurred by such person in respect of the following benefits and gifts to his employees:

a) payment of monthly bill for subscription of broadband, fixed line telephone, mobile phone or pager issued in the name of the employee or in the name of such person as the employer;
b) travelling allowance, petrol card or petrol allowance provided for employees from home to place of work and from place of work to home; and
c) personal digital assistant, telephone, mobile phone or pager.

These Rules shall have effect from the year of assessment 2008 and subsequent years of assessment except for benefit (b) above.

Benefit (b) above shall have effect from the year of assessment 2008 until the year of assessment 2010.

■ Income Tax (Exemption) (No. 2) Order 2009 [P.U. (A) 156/2009]

The Minister of Finance exempts an approved Bio Nexus company in the basis period for a year of assessment from the payment of income tax in respect of statutory income derived from an approved business for a period of ten consecutive years of assessment commencing after the exempt year of assessment.

The income derived from the above approved business shall be treated as a separate and distinct business source and a separate account for the income shall be maintained. Despite the exemption, the approved Bio Nexus company must submit a return or statement of accounts in accordance with the Act.

This Order is deemed to have come into operation on 2 September 2006.

■ Income Tax (Exemption) (Amendment) Order 2009 [P.U. (A) 159/2009]

Paragraphs 3 and 4 of the Income Tax (Exemption) (No. 11) Order 2005 [P.U. (A) 75/2005] related to venture capital companies are amended.

This Order is deemed to have effect from the year of assessment 2008. AT

ROYAL MALAYSIAN CUSTOMS (RMC)

News

■ Minutes of the Customs-Private Sector Consultative Panel Meeting 2/2008 on 19 December 2008

The minutes of the Customs-Private Sector Consultative Panel Meeting 2/2008 held on 19 December 2008 can be viewed at the Institute's website under the heading "*Taxation – Circulars – 8/4/2009*". AT

Government Gazettes

■ Customs (Prohibition of Imports) (Amendment) Order 2009 [P.U. (A) 116/2009]

The Customs (Prohibition of Imports) Order 2008 [P.U. (A) 86/2008] is amended in the Fourth Schedule, in Part II, by substituting for item 1 and the particulars relating to the item on Description of Goods, Heading/subheading, Country and Manner of Import.

This Order came into operation on 15 March 2009.

■ Customs (Amendment) (No. 3) Regulations 2009 [P.U. (A) 120/2009]

The subregulation 3(5) in proviso (iv) of the Customs Regulations 1977 [P.U. (A) 162/1977] is amended by substituting for the words "10.00 p.m." the words "11.00 p.m.".

These Regulations came into operation on 15 March 2009.

■ Customs Duties (Amendment) Order 2009 [P.U. (A) 123/2009]

The Customs Duties Order 2007 [P.U. (A) 441/2007], is amended in the First Schedule in column (4) in relation to subheadings 3802.90 100, 3802.90 900 and 9504.10 000, by substituting for the words "5%" the word "Nil".

This Order came into operation on 19 March 2009.

■ Customs Duties (Goods of ASEAN Countries Origin) (ASEAN Harmonised Tariff Nomenclature and Common Effective Preferential Tariff) (Amend-

ment) Order 2009 [P.U. (A) 124/2009]

The Second Schedule of the Customs Duties (Goods of ASEAN Countries Origin) (ASEAN Harmonised Tariff Nomenclature and Common Effective Preferential) (Amendment) Order 2007 [P.U. (A) 440/2007], is amended as follows:

a. in column (5) in relation to subheadings

3802.90.10 00	3802.90.90 00
3802.90.20 00	9504.10.00 00

by substituting for the words "5%" the word "Nil"; and

b. in column (7) in relation to subheading 3802.90.20 00, by substituting for the words "5%" the words "0%".

This Order came into operation on 19 March 2009.

- **Customs (Anti-Dumping Duties) Order 2009 [P.U. (A) 125/2009]**

Anti-dumping duties shall be levied on, and paid by, the importer in respect of the goods specified in columns (2) and (3) of the Schedule exported from the country specified in column (4) into Malaysia by the exporters specified in column (5) at the rates specified in column (6) and the duties payable shall be paid in cash.

The imposition of anti-dumping duties shall be without prejudice to the imposition and collection of import duties under the Customs Act 1967 and sales tax under the Sales Tax Act 1972 [Act 64].

This Order shall have effect for the period from 21 March 2009 to 18 March 2014.

- **Sales Tax (Exemption) (Amendment) Order 2009 [P.U. (A) 141/2009]**

The Schedule A of the Sales Tax (Exemption) Order 2008 [P.U. (A) 91/2008] is amended.

This Order is deemed to have come into operation on 1 April 2008.

- **Sales Tax (Exemption) (Amendment) (No. 2) Order 2009 [P.U. (A) 142/2009]**

The Sales Tax (Exemption) Order 2008 [P.U. (A) 91/2008], is amended in Schedule A.

This Order came into operation on 10 April 2009.

- **Sales Tax (Rates of Tax No. 2) (Amendment) (No. 2) Order 2009 [P.U. (A) 143/2009]**

The First Schedule of the Sales Tax (Rates of Tax No. 2) Order 2008 [P.U. (A) 93/2008] is amended.

This Order is deemed to have come into operation on 1 April 2008.

- **Sales Tax (Rates of Tax No. 2) (Amendment) (No. 3) Order 2009 [P.U. (A) 144/2009]**

The subheading 4409.21 000 under the First Schedule of the Sales Tax (Rates of Tax No. 2) Order [P.U. (A) 93/2008], is amended by inserting after the words "of bamboo" appearing in column (2) the words "other than rounded, moulded and sanded or finger jointed".

This Order came into operation on 10 April 2009. AT

Form M1 (A) Revisited

When members are submitting Borang C for the renewal of their audit/ liquidator licences, a declaration using Form M1 (A) has to be submitted together to support the renewal application. The MIA, in the normal circumstances, will issue a letter of no objection, partly based on the declaration made under the Form M1 (A).

Following the notice to all audit firms dated 17 April 2008, the Institute has adopted the following mechanism which we believe will strengthen the quality of practices among member firms in Malaysia, going forward:

a) With effect from 1 May 2009, a new form is required to be submitted to the Accountant-General's Office (AGO), detailing the firm's compliance with ISQC 1;

b) A checklist has been approved by the Council and it is available on the web for download. This checklist can be used to assist the practitioners when completing the new Form M1 (A). However, the checklist need not be enclosed for the purpose of submission of the Borang C to the office of the Accountant -General;

c) Any exceptional case will be dealt with on its own merit. This may entail further enquiries by the Institute prior to the issuance of the letter of no objection to the AGO;

d) It has to be highlighted that any declaration made under the Statutory Declaration (SD) Act, 1960 must be truthful. Misrepresentation in a SD can be considered a penal offence with serious repercussions including a jail sentence;

e) In order to assist members in completing the new form, a series of seminars will be organised in due course. Meanwhile, please call 03-2279 9200 and ask for the Public Practice Department/Practice Review Department for clarification on ISQC 1, if the need arises;

f) The Institute would also like to draw your attention to the availability of various resources such as the "Technical Links" section in the webpage which contains useful technical materials for members' reference. The webpage links cover the following areas: accounting, audit, ethics, tax, regulatory, and relevant publications. This can be accessed via *www.mia.org.my/psp/links.htm*.

The objective of the above is to help members to carry out their assurance services in line with the minimum standards that are currently required by the Institute.

In addition, the ISA Guide has been made available in the IFAC homepage at *www.ifac.org/bookstore/SMPs* as training materials, especially for new assurance staff. This publication has been proven to be hugely popular based on the number of downloads tracked by IFAC thus far. AT

MIA PROFESSIONAL DEVELOPMENT CENTRE (MPDC)

Upcoming MPDC Events

"The Latest Updates Governing Malaysian Tax"

Want to learn about the latest tax policies? Or the in-depth issues concerning globalisation and liberalisation of trade? And what about hearing it from a roster of leading tax experts and nationally recognised speakers?

If you do, come along to the nation's most sought after event; *The Malaysian Tax Conference 2009,* where you'll get all that and a whole lot more.

The Malaysian Association of Tax Accountants (MATA) in collaboration with Malaysian Institute of Accountants (MIA) will be organising this annual event on 16 & 17 June 2009 at the Putra World Trade Centre (PWTC) to discuss the elaborate changes found in tax policies, the nation's revenue and expenditure and issues surrounding globalisation and liberalisation of trade which have brought a major shift to the policies of private and governmental sectors worldwide. As such, this conference will serve as an initial platform to gather tax practitioners, experts and economists across the country in determining the positive implications and evaluating the nation's strategy in facing such changes. You will also have the opportunity to network with your peers throughout the conference.

It all happens on 16 & 17 June 2009 at the PWTC. Don't miss this essential event!

For registration, contact Watie at 03-2279 9359. AT

"Labuan Out to Capture Regional Finance Flows"

Labuan benefits from being centrally located in the Asia Pacific region, a region that has been one of the fastest growing regions in the world and the most open in terms of international trade and investment.

Primed to be Asia's most connected, convenient and cost-efficient offshore financial hub, the Labuan International Business and Financial Centre (LIBFC) opens new investment opportunities. LIBFC Inc. has been sanctioned by the Malaysian government to undertake all marketing and promotional efforts in enhancing the awareness of Labuan and achieving its goal of being the premier international business and financial centre in the Asia Pacific region.

MIA Professional Development Centre's exclusive one-day seminar on *Expand Your Business Horizons — Add Value to Your Current Range Services* on 16 June 2009 at the Traders Hotel Penang and on 18 June 2009 at the Securities Commission Kuala Lumpur will bring to you a regulatory and legislative update to further enhance Labuan as an efficient place to conduct business, as well as actual financial structures which may now be applied by Malaysian corporations and individuals to retain it as a competitive advantage over other international financial centres.

The strategic location of the LIBFC and the fact that Labuan enjoys the benefits of Double Tax Agreements (DTAs) with 68 countries — more than any other offshore location in the region — make Labuan a leading location of choice.

Join us to understand how you can tap offshore financial centres to be your "anchor". Sign up now to find out how you can expand your range of services and benefit from structuring your business through Labuan!

For registration, contact:

- *Sylvia at 04-261 3320 (Penang)*
- *Meera Devi at 03- 2279 9360 (KL)* AT

"Avoid Cheque Scams or Fraud!"

Many businesses have suffered losses by being victims of cheque scams and fraud. It is expected that as the economy continues to take its downturn, such fraudulent practices will be even more prevalent. Cheques are the most commonly used instruments for payment. Companies pay out and receive cheques daily. More often than not, businesses are not aware of the inherent risks involved in cheque transactions.

To top that, Bank Negara Malaysia recently introduced the Cheque Truncation and Conversion System (CTCS) which allows quicker clearance of cheques. With this new system, cheque imageries are used and the procedures pose newer risks to the cheque issuer.

MIA PDC's one-day course on *Protecting Your Business from Prevailing Cheque Scams/Frauds* on 16 June 2009 at Hilton Petaling Jaya will alert businesses to the many cheque risks or scams involved in the daily task of receiving and paying out cheques and what effective measures can be taken to avoid such fraudulence.

It is often thought that as long as cheques are crossed 'account payee' there will be no risk to the issuer. This is not true. Weeks or even months later you discover that it was fraudulent and the cheque is returned to you unpaid and the full amount is deducted from your account. Unfortunately, when this cheque is returned unpaid, you are responsible for any related loss!

Make the right move today by learning more about these scams and avoiding them before it is too late!

For registration, contact Rozline at 03-2279 9361 AT

"Improve Business Analytics with Excel" *An Evening Talk especially 'FREE' for MIA Members*

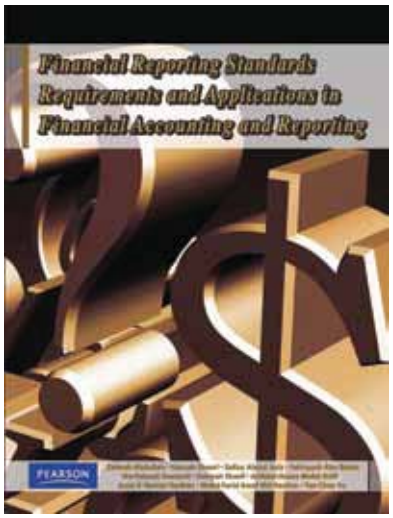
Excel is a powerful tool which allows users to prepare reports in a more efficient, creative, innovative and impressive way. It does a lot of things that is beyond the limitation of PowerPoint.

MIA Professional Development Centre's evening talk (especially FREE for MIA Members) on *Business Analytics Reporting* on 23 June 2009 at the MIA Resource Centre will encourage participants to think out of the box and improve the ways of handling business reports with greater flexibility and minimal preparation time and data storage size.

Avoid spending long hours to produce and complete highly efficient reports. Dynamic interactive charts for easy comparison and decision-making within management reports will be applied. It is also very beneficial in terms of reports in budgets and presentation slides.

This course is highly recommended to all executives and middle management, to assist them in their daily work and increasing tasks. It is an excellent mark for career development.

Hurry, seats are limited! Call us today to make reservations. (Watie 03-2279 9359) AT



Financial Reporting Standards Requirements and Applications in Financial Accounting and Reporting

Zaimah Abdullah *et al.*

Publication Date: February 2009

Pages: 542

Price: RM65.00

The objective of this book is to assist readers in understanding the requirements and applications of accounting standards in a financial reporting setting. The Malaysian Institute of Accountants (MIA) requires the tertiary accounting curriculum to adopt the standards in the learning process. Therefore, all accounting students must equip themselves with a thorough understanding of the standards and their applications in the real world. By incorporating the latest changes in the standards, this text provides students with a strong foundation in financial accounting and reporting. Every chapter contains objectives and changes in the FRSs, a brief introduction, comprehensive discussions and a summary. Every subtopic is accompanied by simple yet practical illustrations. To facilitate the understanding of the students, a comprehensive set of illustrations and revision questions are available at the end of every chapter with some clues to the answers. Written in simple English by experienced lecturers, the book serves to prepare students for financial accounting and reporting practices in the real world. This book is intended to be a useful companion for students in their learning process and also serves as a quick reference for practioners. AT

Corporate Finance

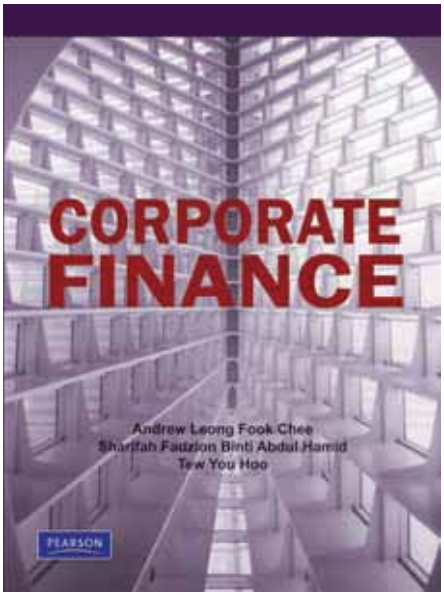
Andrew Leong, Sharifah Fadzlon & Tew You Hoo

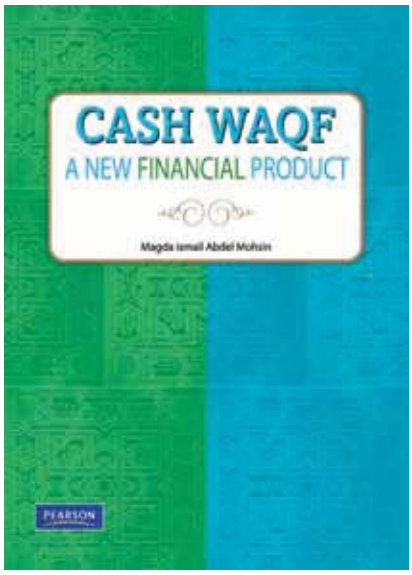
Publication Date: June 2009

Pages: 409

Price: RM47.00

Corporate Finance is written primarily for Malaysian students taking courses in corporate finance in accounting undergraduate programmes, as well as in business studies and finance programmes. This book can also be used as a reference for students preparing for professional examinations such as the Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA) and Institute of Chartered Secretaries and Administrators (ICSA). Students pursuing postgraduate courses in finance would find the book useful. In addition, it can serve as a guide for practicing managers. This book explores corporate finance in a simple, easy to-understand and user-friendly manner. The book explains theory, principles and concepts as well as provides numerical and graphical illustrations to assist readers in learning. There are 19 chapters in this book and each chapter includes learning objectives, an introduction, examples that provide detailed applications and illustrations of the text material, conclusion, an illustrative question with solution and practice questions on both computational and conceptual topics. Key answers to computational questions appear at the end of the text itself. These answers help students check if they are on the right track. Full answers to the practice questions are available to instructors on the instructors' manual. AT





Cash Waqf: A New Financial Product

Magda Ismail Abdel Mohsin

Publication Date: December 2008

Pages: 116

Price: RM72.00

Cash waqf is an interest-bearing trust fund set up to promote services to mankind in the name of *Allah*. This book, Cash Waqf: A New Financial Product will be a valuable addition to the growing literature on this subject. The author talks about the concept of cash waqf, its mechanism, operations and management in the light of *Shariah*. The book covers both theory and application of the cash waqf concept in Muslim countries as well as in non-Muslim countries. Cash waqf can monetise the Islamic voluntary sector, accumulate social capital and national wealth, implement a strategic social investment programme that reinforces family values and heritage and stimulates the economic, social and moral foundation of a caring society. The product also provides new opportunities to transfer liquid assets and connect with one another on a global scale. It also opens up possibilities for developing the social capital market for the first time in the history of Islamic voluntary sector banking. AT

The Hidden Cost of Smoking

Malaysians smoke 20 million cigarettes, burning away RM800,000 in a day!

People smoke for different reasons, some of which are really myths. They smoke because of physical or mental addiction, to release stress, to look more mature, to gain more energy and for many other excuses. If you are a smoker, be warned that every drag from a cigarette releases as many as 10 trillion harmful free radicals into your body. Each pack of 20 costs 28 minutes of your life. Thus a typical smoker is estimated to lose approximately 20 to 25 years of his or her life.[1]

Tobacco smoke contains 4,000 chemical agents, including 60 known cancer-causing compounds and 400 other toxins.[2] The chemicals found in each puff can be more shocking and hazardous than you would expect. They include ammonia (toilet cleaner), cadmium (batteries), carbon monoxide (car exhaust fume), tar (used to build roads), methanol (rocket fuel), nicotine (insecticide), hexamine (barbecue lighter) and stearic acid (candle wax). These chemicals can kill in over 20 different ways, including various forms of cancer, heart diseases, strokes and chronic bronchitis and other respiratory diseases.

Tobacco smoke causes great damage to your lungs. Each of us has a pair of lungs that is responsible for respiration. Every day you breathe about 23,000 times, and inhale almost 11,000 liters of air. With each breath, your lungs deliver oxygen to the red blood cells and expel the waste product (carbon dioxide) to the atmosphere. The body requires a sufficient delivery of oxygen to the cells, tissues and organs for normal functioning; therefore it is important to keep your lung healthy and strong.

About 90% of the tar and nicotine inhaled through smoking is absorbed by the lungs. Tar build-up impairs the cleansing membranes of your lungs, blocks oxygen absorption and retains the carcinogens and these eventually lead to the development of lung cancer. Smoking raises the temperature in your mouth and dries the mouth by inhibiting saliva flow. Bacteria start to grow when saliva stops flowing. Because saliva cleanses your mouth, the lack of it results in bad breath (halitosis). Prolonged smoking also leads to stained teeth, tooth decay, gum diseases and oral cancer.

When you inhale a puff of cigarette, the nicotine reaches your brain via the bloodstream within eight seconds and spreads through the whole body in 15 to 20 seconds. Nicotine is very powerful in making you crave cigarettes. Besides enslaving your mind, it also destroys brain cells and diminishes concentration and memory.

Tobacco Smoke Kills Non-Smokers Too

Tobacco smoke is not only hazardous to the smokers themselves but also causes innocent non-smokers to suffer from many diseases when they breathe in second-hand smoke. It is estimated that only 15% of cigarette smoke gets inhaled by the smoker. The remaining 85% lingers in the air for everyone to breathe in. If you spend more than two hours in a room with a smoker, you inhale the equivalent of four cigarettes.

Do not underestimate the harmful effects of second-hand smoke as it is four times more toxic than mainstream smoke.[3] Even just 30 minutes of exposure to second-hand smoke can cause blood vessel injury, stem cell damage and impaired coronary circulation in a non-smoker. Research has shown that people who are routinely exposed to large amounts of second-hand smoke have a triple risk of getting lung cancer. [4]

Regardless of whether you are a smoker or non-smoker, every day you are heavily bombarded with noxious gases from industrial factories, second-hand smoke, haze, fuel, toxic chemicals, floating dust and motor vehicle exhaust fumes. The World Health Organization (WHO) estimates that 2.4 million people die each year due to air pollution.

Air pollutants such as particulate metals, ground-level ozone, carbon monoxide and sulphur oxides will injure and irritate your lung tissue directly. Some chemicals and pollutants constrict your blood vessels, raising the blood pressure and causing the heart to beat faster and work harder. Over time, your heart muscle weakens and this leads to heart failure.

New Weapons Against Tobacco Smoke and Environmental Pollution – Spices and Herbs

Spices and herbs do more than add taste to your food. Recent research has shown that spices and herbs bring enormous health benefits through a series of actions such as the detoxification of free radicals, elimination of toxins from the body and inhibition of the body's ability to form carcinogens. Here are some spices and herbs that help to minimize the damaging effects of tobacco smoke, fumes and pollutants:

Turmeric[5]

This bright yellow spice of Indian cuisine is normally used in a variety of curry dishes. Curcumin is a precious active ingredient that makes turmeric well-known as nature's most powerful golden healer. Turmeric is especially beneficial for individuals who smoke or are exposed to pollution due to its powerful an-

ti-cancer and anti-inflammatory properties. Frequent intakes of turmeric can boost your body's ability to destroy mutated cancer cells, reduce the number and size of tumors, inhibit tumors and eliminate carcinogenic compounds. Besides, it also effectively aids liver function, relieves arthritis pain, improves gall bladder functioning and treats stomach ulcers.

Green tea[6]

You can obtain more benefits if you consume turmeric together with green tea because the two work synergistically to increase the cell's protective activity by a factor of 200%. The secret of green tea lies in the fact that it is rich in catechin epigallocatechin gallate (EGCG). Green tea provides antioxidants that are 25 times and 200 times more powerful than vitamin C and vitamin E to protect you from oxidative damages and promote longevity.

Ginger

Ginger is a wonderful lung and circulatory stimulant. It helps to strengthen your lungs by increasing the ability of the immune system to protect it against pollutants, improving oxygen assimilation, supporting mucus production and promoting tissue fluid balance. It is also helpful in minimizing irritation to the respiratory system caused by second-hand smoke and fumes.

Parsley & peppermint

Fresh breath imbues a person with a pleasant and hygienic personality while bad breath reflects a lack of cleanliness and being messy. Bad breath is embarrassing and most people will not let you know directly about your bad breath while trying to avoid close contact with you. Parsley and peppermint are excellent natural remedies which solve your worries on bad breath. The high content of chlorophyll in parsley assists in breaking down the bacteria in your mouth and absorbs bad odors. The menthol in peppermint delivers a brisk cooling sensation that relaxes and refreshes your breath, body and mind. AT

1 *http://www.kidon/com/smoke/percentages2.htm*
2 *http://www.quitsmokingsupport.com/whatsinit.htm*
3 Schick, S and Glantz, S., 2005. Philip Morris toxicological experiments with fresh sidestream smoke: more toxic than mainstream smoke. Tobacco control. 14:396-404.
4 Picard, A., 2001. Secondhand smoke can triple risk of lung cancer. Globe and Mail.
5 *http://www.healthdiaries.com/eatthis/20-health-benefits-of-turmeric.html.*
6 *http://drinkhealthydrinks.com/green-tea-and-5-components-which-make-green-tea-so-special.*

This article is contributed by VitaLife. For more information, please contact VitaLife at 03-7725 8881.

Work-life Balance

Part 2 will be published in our July 2009 issue.

Famous Izedonmi and Nma Ndubisi

WORK-LIFE TRIANGLE

The Four Fundamentals

Every product is designed to meet specific function(s). Harmony exists if order is honoured.

- The Designer of man gave him both life and work immediately after creation.
- Work is anything you do for a living.
- Work is for the living but life is not all about work.
- Your productivity at work is a function of your lifestyle.

The Triangle

Domestic Life: A stable work-life triangle must have domestic life as its base. Great characters and virtues stem from good upbringing at home. Too many people are too busy to bring up their children. Foundation is everything. What happens in the bedroom affects the boardroom and vice-versa.

Social Life: Your looks and appearance introduce you before your name. What you do outside your home and work-place, the type of fun you enjoy and the kind of company you keep affect your personality, productivity and happiness.

Official Life: You are assessed by a productivity that is spiced by your creativity. A good worker must be able to relate well with other workers, clients/customers or other stakeholders because 'iron sharpens iron'. Job satisfaction in a worker makes him an asset.

Interface Between Home and Work

Effective time management is essential if we must strike a balance between work, homes and social life. Therefore :

- Create time for the family — spouse, children and relatives.
- Inadequate time management could lead to friction between your work and your family. Some marriages have collapsed due to poor handling of this. Your success has a better colour if your family stands by you.
- Planning helps to resolve this.
- Carry your family along with your work. If possible, get them involved in what you are doing to win their support.

- Make adequate provisions for their comfort from the fruit of your labour.
- Remember that it is easier to get another job if you lose one than to get another family if you lose yours.

Interface Between Socials and Home

- Your home still comes first.
- Let your family know who your friends are (caution on the opposite sex).
- Build in celebrations (at your level) into the home, such as wedding anniversaries, children's birthdays, etc.
- Take your family out for beach splash, dinner, holidays, etc.

Interface Between Office and Socials

- Your job still has priority over your social activities, so do not socialise at the expense of your work.
- Participate in your office's social activities.
- An anti-social tendency may be suggestive of some hidden agenda.

Balance

- Whatever you do, wherever you go, whatever you are, you will always return home at the end of the day. Therefore give priority to your home and guard it jealously.
- You stand to lose the confidence and respect of your family (like an infidel) if there is no take home at the end of the day. Therefore be a diligent worker.
- All work and no play could reduce your productivity and affect your family life. The tension betweek your family and job might be the result of lack of fun.

BASIC HEALTH TIPS

In this section we shall focus on Water. Part 2, to be published in the next issue, will focus on Diet, Cholesterol and Exercises.

WATER

Seventy to 75 per cent of the human body (80 per cent in babies) is made up of water, which also serves as the base for all

body fluids. Most people drink water only at meal times because they do not understand the role of water in healthy living.

Regular water losses

Water leaves the body as vapour through the air you breathe out and moisture from your mouth when you are talking or singing. The skin loses water when you sweat. The kidneys regularly filter the blood and get rid of its by-products, which is eliminated in the form of urine. Normal stool leaves the body with some water.

Adjustment mechanisms to water shortage

In order to maintain optimal function in the body, the regular water losses must

be adequately replenished. When the demand for water outweighs the supply, the body automatically applies certain control mechanisms for adjustment.

The brain, which is the most vital control centre in the body, is made up of over 70 per cent of water. When it senses a drop in the water level, it applies some shut-down/rationing measures. This approach is aimed at protecting and preserving the vital function of the brain, which the body cannot afford to shut down. Some of these conservative mechanisms involve the release of certain chemicals which redirect water from the less vital organs, bringing about some inconveniences to the body such as reduced muscle tone and joint pain.

Water therapy

Apart from replenishing the body's need, water also serves as medicine in the prevention/treatment of certain conditions:

- **Arthritis:** Joint spaces are filled with some fluid (synovial fluid) which serves as a lubricant, preventing friction during movements. An adequate water intake supplies sufficient fluid to the joint, enhancing its shock-absorbing effect. Without this cushioning effect, the ends of the bones would rub against each other, get rough and inflamed, a condition known as arthritis. This creates a lot of pain, difficulty in movement and, sometimes, stiffness. Good water intake, among other things, helps to relieve this pain.
- **Management of Asthma:** Asthmatic patients struggle for air because of the narrowing and spasm of the airways. They also breathe through the mouth in a bid to get sufficient air. These result in water loss through the moisture they breathe out. In addition to drug treatment, fluid intake (by drip/infusion) helps to grant them some relief by lubricating the airway and relaxing the tubes.
- **Prevention and management of Sickle Cell Crisis:** Sickle cell patients are always advised to increase their water intake. This enhances a free flow of blood through the tiny blood vessels which tend to constrict when there is water shortage. Such constrictions encourage further sickling and blockage of the small blood vessel (capillaries) which results in destruction of the affected cells and pain. This is what happens during the so-called sickle cell (vaso-occlussive) crisis. Good water intake helps to prevent and also contributes to the treatment of sickle cell crisis by mobilising the blockage and bringing about relief.
- **Management of Hepatitis:** Fluids help to flush out the excess by-product of damaged cells.
- **Body odour and foul breath:** A study on wild life showed that when a deer is thirsty, it produces some body odour which gives him away to his predators. This is partly why the deer, according to the scriptures, 'pants after the water brooks'. In addition to discovering and treating the cause of body odour, increased water intake should be encouraged as a step towards the solution. Some people complain that their urine is dark-coloured and smells. This could be a result of water shortage in the body, which causes the kidneys to restrict waste by concentrating the urine. The treatment is simply increased water intake.
- **Good singing:** Dry throat has an adverse effect on the voice and makes it crack easily while water lubricates the vocal pipe.
- **Healthy Sex:** Couples could find the missing ingredient in their relationship by improving their water intake for enhanced lubrication. This apply especially to females.
- **Indigestion and Constipation:** these two different conditions could be prevented and treated by sufficient water intake.
- **Premature wrinkling:** Water refreshes and helps to invigorate the skin, thereby reducing premature wrinkling and ageing.

Water-drinking habit

It has been established that an average adult needs about one and half to two litres of water every day. This amount increases in very hot weather or when much water has been lost in diarrhoea. Note that mineral beverages are not alternatives to water. It is usually advisable to start the day with a glass of water on an empty stomach. This helps to cleanse the stomach, stimulate bowel movement and encourage the activity of digestive enzymes. Ideally, it is better to drink water about 30 minutes before and two hours after meals. Much water intake with meals could give false satiety and dilute enzyme activity.

Bowel habits

Bowel simply refers to the colon, which is the lowest segment of the intestine where solid waste (faeces) collects before it is evacuated. The bowel plays the important role of waste management in the body. A mention needs to be made here of common diet-related bowel problems:

- **Constipation:** Many people mistake constipation for another common intestinal condition called indigestion, in which the upper abdomen feels unusually full and uneasy, with occasional belching. Constipation is the slow, difficult movement of the content of the intestine, with delayed evacuation and (most times) hard faeces.
- **Causes of constipation:**
  - *Poor diet:* A very common cause of con-

stipation is consumption of refined food which is devoid of fibre/roughage/chaff. Such a diet is said to be low-residue because the body digests and absorbs virtually everything it contains, leaving a small residue which is not bulky enough to command a downward movement. The presence of waste in the bowel initiates a feeling to defecate but the signal, in this case, is weak because of the small volume. This causes the faecal matter to stay long in the bowel, thereby making the bowel insensitive to such signals.

A high fibre diet usually attracts water to increase the bulk of the stool but with low fibre and a long stay, coupled with a low water intake, the bowel absorbs the water content of the faeces/stool. The result of this is a small, hard, 'pellet-like' stool (like the dung of goats). This small volume, consequently, requires much straining to evacuate. Straining further leads to other conditions such as hemorrhoids (piles), painful cracks on the wall of the anus (fissure in ano), among other complications.

- *Irregular bowel habits:* Some people ignore/suppress the feeling to evacuate because they are in a hurry to go to work (especially in the mornings), or because they have poor toilet facilities or emotional problems. If you constantly suppress such feelings, the bowel becomes used to accommodating stool without evacuation and the reflex may die. It is important to make provisions for this as a vital part of your lifestyle.
- *Regular use of purgatives:* Some people form the habit of purging their bowels regularly. Purgatives irritate the bowels and stimulate evacuation. The danger here is that the bowel might get used to such stimulations and, with time, refuses to respond to the normal (gentle) signal from normal faeces.
- *Lack of physical exercise:* Physical exercise encourages the muscles of the intestine to contract and propel their content to the exit point. Lack of exercise contributes to constipation. This is always the problem with the elderly or bed-ridden patients.

You can avoid constipation in the following ways :

- Drink enough water.
- Eat proper meals.
- Eat fibre-rich food.
- *Train the bowel:* Bowel training is not only for babies. Many adults have poor bowel habits and need to be retrained as follows: do not ignore the signal to evacuate; try and evacuate at regular times; and do some physical exercises.

'S' guiding principles of healthy eating (safety valves)

It is not very easy to have detailed information about every food item before you, or to determine requirement by weight for the various nutrients but you can apply the following rules/guidelines :

- **Salt:** Dietary salt is necessary but can destroy. Healthy food should contain moderate amounts of salt. The sodium in salt makes the body retain water, thereby swelling the blood volume. This could lead to a rise in blood pressure, overloading of the heart or swelling (oedema) of the body tissues. Certain health conditions, for example, heart failure and hypertension, do not go well with salt. Someone once told me "…but iodized salt is healthy". It is healthier than the ordinary salt because of the iodine it supplies to prevent its (iodine) deficiency, but it is still salt and could be as harmful as ordinary salt. To be on the safe side, be cautious with your salt intake.
- **Sugar:** This has been mentioned under recommended diabetic diet but the warning is not only for diabetics. Careless intake of sugar, either as refined table sugar or as drinks can make a diabetic out of a healthy person. An abuse of processed fruit juices and mineral beverages has led many people to their predicament. You can train your taste buds. Remember that the taste of that food in your mouth is only momentary but the cumulative effect may follow you to the end of your road.
- **Sweeteners:** At first, sweeteners looked like a way to eat your cake and have it by enjoying a great taste without getting the sugar but it is not so. Studies on sweeteners have shown association between some brands of sweeteners and the following diseases: low blood sugar attacks; leukaemia; tumors/abnormal growths; seizures/epilepsy; panic attack; headaches; mood changes; memory impairment; nervousness; depression and a lot more. Premature ageing has also been associated with the consumption of sweeteners.
- **Spices:** Spices are good as they add to the taste of food but too much of them have adverse effects on the intestine. Some local spices are believed to contract the uterus and prevent bleeding. This is why women, in some parts of the world, are placed on spicy pepper soup for about one month after delivery. These spices have also been found to have some negative effects such as palpitations and sometimes increased blood pressure. A general advice, therefore, is to be moderate with the consumption of spices whose active ingredients may not have been fully identified.

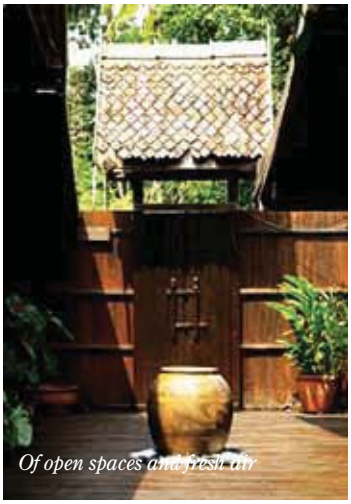
- **Stimulants:** Be moderate with the consumption of nicotine and caffeine products because of their effect on the heart and nerves. Over stimulation is not healthy for the body, especially for hypertensive people.
- **Self-control:** The key to all of this is self-control. Avoid excesses. An adult does not always have to eat to fill the stomach. AT

Part 1 of a 2 - part series article.

This article was first printed in *The Nigerian Accountant* July/Sept 2008, vol 41, No. 3. Professor Prince Famous Izedonmi Ph.d, FCA is from the University of Benin, Edo State while Dr. (Mrs.) Nma Ndubisi, MBBS is from the Convenant University, Ota, Ogun State.

A Royal Treasure
Pura Tanjung Sabtu


Raised walkways linking the palace complex


Of open spaces and fresh air


The main dining hall

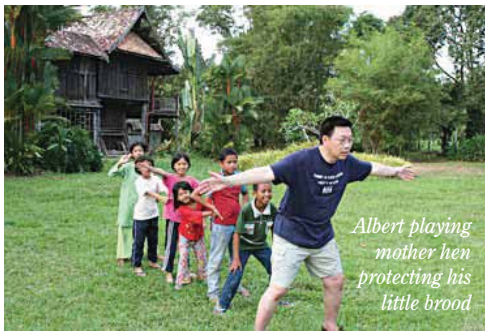
Pura Tanjung Sabtu is located on 14 acres of lawns, gardens and fruit orchards, a family inheritance. Once the country retreat of the late Sultan Zainal Abidin III of Terengganu, it lies on a promontory of the slow-moving Nerus River, a tributary of Terengganu River, overhung with luxuriant natural vegetation of bamboo, Rengas trees and Nibong palm. Its name is a combination of the Sanskrit word Pura which means "palace, temple or city", and Tanjung Sabtu, which is the name of the village where it is located.

A princely retreat

Standing proud and tall was a dark wooden stilted Malay styled house, rising high from the clearings like a Prince surrounded by his royal subjects. This is the famous Pura Tanjung Sabtu - royal residence of a soft spoken Prince of Trengganu.

Pura Tanjung Sabtu is an architectural marvel and unique manifestation of grandeur. Tengku Ismail quite literally moved houses and reassembled them at Kampung Tanjung Sabtu. The complex is divided into two wings. Visitors and guests enter through the *Balai* or main entrance hall. All the seven houses of the main complex, averaging 20 feet by 30 feet each, are connected by raised wooden walkways.


When was the last time you did something for the first time?


Albert playing mother hen protecting his little brood

Where else can you enjoy the experience of having breakfast with a blue blood, and even get served tea by his Royal Highness himself? Tengku Ismail has a certain charm and candour about him. His theatrical gestures *(Alamak! Pengsan lah* - as he raises his palm to his forehead), a distinctively English accent and signature throw-back-your-head laugh are as endearing as the stories he would share with his guests.

At play with Tengku's young *rakyat*

The children of the *kampung* leading into Tengku's Pura love to play. At about 4p.m. each afternoon, they would stream into the palace grounds, pay their respects to Tengku and drag us from our rooms for our afternoon games.

Our favourite game was *Helang* dan *Ayam* (Eagle and Chickens). Once Albert was the Mother Hen. At almost 6 foot tall, he was towering over the children. The *Helang* (eagle) looked set to go hungry. In fact, just as soon as the game started the *helang* was "caught" by the mother hen in a tight grip. What an anti climax to this traditional Malay game!

We also played Blind Man's buff and Paralysis. It was Paralysis that drove the kids wild with delight. At the count of 10, all of us would have to freeze our action, usually after putting on weird body gestures and distorted facial expressions.

As the sun dropped behind the coconut trees, little Marina came up to non-Malay speaking Albert and asked *"Besok mau main lagi?"* inviting him to play again the next day. Bewildered for a moment, Albert then appropriately replied *"Okay. Mau"*. AT

Regional Conference 2009 in Kuching to discuss
Key Issues Affecting the Accountancy Profession

The issue of sustainability continues to take centre stage in discussions which concern the continuity of humankind. Heads of states, business leaders and professionals alike are all aware of the need to ensure sustainable development especially now in light of issues such as the global financial crisis and global warming.

While discussions on sustainability begin to dominate the public sphere, one pressing area for accountants and finance professionals to direct their attention on is the matter of how do they contribute to the sustainability agenda.

While accountants who are leading organisations are in a position to ensure that the sustainability agenda continues to be served, there may be other finance professionals who may not be able to directly influence organisation direction. However, your involvement in the process of preparing information for the decision-making and financial reporting certainly puts you in a favourable position to ensure that sustainable solutions continue to be pursued by organisations.

It is with this in mind that the Malaysian Institute of Accountants (MIA) has chosen *'Exploring Opportunities, Inspiring Growth Towards Sustainability'* as its theme for the Regional Conference 2009 in Kuching to be held from 10-11 August 2009. The Conference Organising Chairperson Christina Foo expresses hope that through this conference, accountants can see a bigger role for themselves in terms of contributing towards organisational sustainability.

"Sustainability is a topic of global urgency. It is no longer about the bottom line and quantitative work performance but rather a more qualitative role which can be tapped into in order for organisations to remain sustainable and relevant in times to come," she says.

"It is about weighing in investments as accountants and financial controller or director. With the issue of sustainability brought in, other more relevant concerns are voiced out such as the impact of organisational decision on the environment. It will also fare well for the accountants as it will show them to be more caring to the environment."

"Sustainability is a topic of global urgency. It is no longer about the bottom line and quantitative work performance but rather a more qualitative role which can be tapped into in order for organisations to remain sustainable and relevant in times to come."

Christina Foo, Conference Organising Chairperson

In order to achieve all this, Foo feels that it will be beneficial for accountants to hear from organisations that have done much work in this area. It is also important to hear from known accountants on how other accountants can play a role towards this end.

For the two-day conference, the first day will set the stage for invited speakers to share on what is happening out there in the world. "Come August a lot of things in terms of business related perspectives would have emerged further," Foo offers.

Apart from that, topics that are very relevant to any accounting and finance profession will be featured.

On the second day of the event, the topics of discussion will be more technical in nature and will incorporate issues such as fair value accounting and its updates, risk management, technical and tactical strategies available towards profit enhancement, taxation and other relevant issues.

In terms of opportunities in Sarawak, a session during the conference will be dedicated towards placing Sarawak in the limelight particularly now. Foo adds that a conscious effort is being done to address interest in the state as MIA is working with the Sarawak Government to put up an ' information desk' manned by State Government representatives who will be able to share in-depth information on the opportunities available in the state.

She says that the organising committee plans to feature a healthy mix of speakers of international and local background who are experts in their fields. "The event will focus on relevant and topical subjects to financial and accounting personnel and business owners. If one is involved in management then this conference is important to keep you updated and abreast with the latest developments out there both locally and internationally."

With all this and more lined up for the Regional Conference, do not miss out on the opportunity to keep abreast with the latest happenings in the business and accounting landscape in the Land of the Hornbill. For more information on RC 2009, please contact Yoges of the MPDC Department at 03-2279 9200. AT

RC 2009 ADVERT

World Congress of Accountants 2010
Moves to the Next Gear

The technical programmes of the World Congress of Accountants 2010 (WCOA2010) to be held at the Kuala Lumpur Convention Centre from 8-11 November 2010 has been endorsed by the Congress's Steering Committee which met in April in Kuala Lumpur.

Focusing on the theme of the Congress, "Accountants: Sustaining Value Creation", 39 topics have been identified. The topics will be presented by globally renowned speakers and commentators.

"The topics were chosen after extensive research by the Technical Committee. Inputs were received from various global accounting bodies and the International Federation of Accountants (IFAC)," said Professor Datuk Dr. Daing Mohd Nasir Daing Ibrahim, Chairman of the Technical Committee.

Among the thought provoking issues to be debated during the four day Congress are value creation, the accountant's role and sustainable development, Islamic finance and the impact of the G20 initiatives. Other issues include SMPs as trusted business advisors, Enterprise Governance, global developments in corporate reporting, the sharing of experience of oversight boards, the essence of audit quality and shaping the next generation of accountants. Participants will also receive updates and information on the latest developments in financial reporting, XBRL, regulation and compliance, international convergence, the activities of IFAC and its standard-setting boards.

Datuk Dr. Daing further emphasised that in identifying and selecting potential speakers and commentators, the committee had ensured a balanced representation of views across the globe and from various sectors and stakeholders of the accounting industry. The invitations to speakers and commentators will be issued in July 2009 and finalised by November 2009.

Commenting on the technical programme, the President of the Malaysian Institute of Accountants (MIA), Nik Mohd. Hasyudeen Yusoff believed that sustainability, both in value creation as well as matters that relate to the well-being of the human race would be the key focus of the conference.

Jim Sylph, IFAC's Executive Director of Professional Standards applauded the Steering Committee's painstaking efforts and preparations, especially in facing challenges of implementing planned activities under the present economic circumstances.

"The global financial crisis is teaching us to create wealth in a sustainable manner; not through maximising short-term value based on risks that could create global havoc" said Nik.

During the April meeting, the Steering Committee also deliberated in detail the preparation for the WCOA2010, particularly in promoting the event to the global accountancy community.

Y.C. Lee, the Chairman of the Steering Committee, explained that the focus of current efforts is to expand awareness of the conference among accountants who are the constituents of IFAC member bodies.

"The WCOA2010 team will be conducting awareness programmes during selected events in a number of countries around the world from the second half of this year" reiterated Lee when asked about promotion of the Congress.

"There are still opportunities for related institutions and organisations to benefit from the global outreach and marketing opportunities presented by the Congress. I believe that, given the global coverage of the event and the prominence of accountants in leading and sustaining value creation globally, the WCOA2010 is an event worthwhile investing in" added Lee.

When asked about his view on the overall preparation of the WCOA2010, Jim Sylph, IFAC's Executive Director of Professional Standards applauded the Steering Committee's painstaking efforts and preparations, especially in facing challenges of implementing planned activities under the present economic circumstances.Jim and Alta Prinsloo, who is the Director, Governance and Operations of IFAC, were in Kuala Lumpur for the Steering Committee meeting. While in the capital of Malaysia, Alta was given a briefing about the preparation made by MIA and took the opportunity to visit the conference site and the world class facilities that are available. AT

For more information, kindly visit *www.wcoa2010kualalumpur.com*

Enhancing Audit Quality

The quality of financial statements is the primary responsibility of the Board of Directors and management. Auditors are the external party appointed by the shareholders to conduct an independent audit on the financial statement and to offer a professional opinion on the true and fair view of the state of affairs and results of the company. Although the responsibilities of auditors has not changed, the operating environment has grown complex over the years.

Audit quality is viewed as one of the important factors that affect the credibility of financial statements. Users are more likely to demonstrate a high level of confidence on the information presented in the financial statements if the audit of the financial statement is perceived to be of high quality. Hence, the auditors are expected to demonstrate the highest possible regard to due process in discharging their responsibilities.

With the introduction of ISQC 1 in July 2006, audit firms in Malaysia have been mandated to adopt this international standard to enhance their operations so that they can be benchmarked against the international requirements.

Although the cost of audit has risen somewhat since then, it is nevertheless seen as a positive development within the profession. A recent study by some Malaysian firms has shown that fees payable to auditors is still the lowest in the Asean region.

ISQC 1 prescribed the quality elements within a practice, starting with strategic leadership within the firm with emphasis on quality all the way down to how decisions should be properly documented. Other elements of ISQC 1 include:

a) Commitment to high ethical conduct;
b) Procedures that deal with client's due diligence;
c) Firms' HR practices and an emphasis on continuous learning;
d) The need to carry out assurance engagement based on approved auditing standards; and
e) Creation of quality review circles within the practices.

The adoption of ISQC 1 standards is expected to shift the audit firms' traditional focus on building individual competency towards the entire organization. It is the team that delivers the quality reports.

Recently, a seminar was organised by the Universiti Teknologi Mara (UiTM) to introduce an audit quality assessment portal called Audit Quality Rating "AQUR". Developed by a research team from the university's Accounting Research Institute (ARI) and the Faculty of Accountancy, the system helps audit firms self assess their quality control mechanisms, based on criteria from ISQC 1.

The Deputy Vice-Chancellor of UiTM, Professor Dr. Mustaffa Mohamed Zain, expressed hope that AQUR would help raise the bar on audit quality in Malaysia.

Meanwhile, Public Accounts Committee Chairman Datuk Seri Azmi Khalid, who launched the AQUR system, stressed the need for high quality audits in order to enhance investor confidence.


Datuk Seri Azmi delivering his speech

The launch of the AQUR System


Guests at the launch

He reminded the auditors to remain focused on the integrity and quality of the audit process to enhance public confidence in their work.

"To me, audit quality has many contributing factors including good leadership, experienced judgment, technical competence, ethical values and appropriate client relationships, proper working practices, effective quality control and the monitoring of review processes.

"Thus, high quality audits should be a priority to avoid more unexpected financial scandals which eventually lead to a further erosion of public trust in the profession", he said.

Datuk Seri Azmi added that more stringent audit regulations are expected when the Audit Oversight Board (AOB) announced in the 2008 Budget is set up.

MIA President Nik Mohd. Hasyudeen Yusof, who was also present at the launch, called on members in the auditing profession to be committed to quality. In addition, he reminded members that new procedures have been put in place that MIA members renewing their audit licences must comply with prior to the Institute issuing the support letter to the Ministry of Finance to allow them to renew their audit licences.

The AQUR system was launched at the opening ceremony of the *Audit Quality : Towards Enhancing Public Trust* seminar organised by UiTM and the Malaysian Accountancy Research and Education Foundation (MAREF). MIA played a supporting role in the seminar, which was attended by about 170 participants. AT

PENANG BRANCH NEWS

LHDNM-MIA Taxpayers' Awareness Day 2009

In the continuous effort to improve the compliance rates among taxpayers and to promote the use of the e-filing system, the Malaysian Institute of Accountants (MIA) Penang Branch in collaboration with Lembaga Hasil Dalam Negeri Malaysia (LHDNM) organised a Taxpayers' Awareness Day on 13 April 2009 at the Penang Skills Development Centre (PSDC) in Bayan Lepas.

LHDNM officers together with representatives from member firms were present throughout the day to assist and attend to taxpayers. E-filing kiosks were set up to allow taxpayers to e-file their income tax returns on the day. Other assistance rendered were the issuance of pin numbers and new passwords to facilitate e-filing as well as clarification on e-filing and allowable income tax deductions (relief and rebates).

This community service event organised by MIA Penang Branch for the second consecutive year reached out to some 100 members of the public. Also present were MIA Penang Branch Committee Members, Andrew Loh Swee Man and Tan Tcheow Woei. AT

The event in progress

Visitors getting advise from a LHDNM officer

One for the album: Datin Hajjah Noor Izzah (sitting, 3rd from left) Sam Soh, MIA Council Member and Moderator for the event (sitting, 4th from left) and Steven Choong, MIA Johor Branch Chairman (standing, 2nd from right) in a group photograph with some of those who attended the dialogue

JOHOR BRANCH NEWS

IRB Networking Dialogue with Professional Bodies

MIA and the Chartered Tax Institute of Malaysia and the Malaysian Association of Tax Accountants (MATA) attended a Networking Dialogue with the Inland Revenue Board in Johor Bahru on 16 April 2009.

The main purpose of the dialogue was to provide an opportunity for professional bodies to discuss and exchange views with Johor IRB senior officers on IRB related operational issues and other issues arising from the IRB audits and investigations.

Johor IRB Head, Datin Hajjah Noor Izzah Mansor was present at the meeting together with seven senior IRB officers from the Johor Bahru, Muar, and Kluang Branches. Twelve representatives from the professional bodies including their Chairmen and 20 practitioners from Johor Bahru, Batu Pahat and Kluang attended the dialogue. AT

(Left to right) Management staff with Sabah Branch Committee and Staff from the Tourism Ministry and State Minister of Tourism, Culture and Environment . (Left to right) Catherine Linggian, Clarice Boon (STB), Norkatah Puddin(STB), Tn Hj Rizal Othman, Alexandra Thien, Datuk Masidi Manjun, Desmond Chu, Viviana Lim, Peggy Lee and Mary Sipaun

SABAH BRANCH NEWS

Working Closely with Local Authorities

On 13 April 2009, Alexandra Thien, Sabah Branch Chairman, led the Sabah Branch Committee on a courtesy call to YB Datuk Masidi Manjun, State Minister of Tourism, Culture and Environment.

Alexandra briefed Datuk Masidi on the World Congress of Accountants (WCOA) 2010. Datuk Masidi congratulated the Malaysian Institute of Accountants for winning the bid to host the 18th World Congress of Accountants (WCOA) 2010. Datuk Masidi assured MIA of his support and said he would encourage his Ministry to take this opportunity to participate in this prestigious event and to bring the delegates to Sabah. AT

SARAWAK BRANCH NEWS

Special One Day Seminar Jointly Presented with Labuan International Business and Financial Centre (LIBFC)

MIA Sarawak Branch was privileged to have jointly organised a seminar with Labuan IBFC, titled *Expand Your Business Horizons — Add Value to Your Current Range of Services*, recently in Kuching.

The seminar provided an avenue for participants to gain the latest updates on LIBFC and how to benefit from the financial centre, and an overview of the extensive legal changes which will come into force later this year. Representing LIBFC were Martin Crawford (CEO) and Mike Grover (Tax Specialist).

In addition, representatives from successful trust companies presented case studies on trading, leasing, captive insurance and capital raising structures respectively. A Labuan Offshore Financial Services Authority (LOFSA) senior officer from its Legal and Supervision department also spoke to participants on the LIFC law review.

Some 25 participants attended the seminar. Most found the seminar to be very informative and interesting, and met their expectations in terms of gaining a better understanding of the potential opportunities available via LIBFC. AT

Martin Crawford (standing) chairing the Q&A session with other speakers seated from left to right: Sue Tang, Annie Undikai, Rita Mohd Sharif, Sue Yong and Mike Grover

MIA STAFF TRIP 2009

The Malaysian Institute of Accountants (MIA) management staff were rewarded with a staff trip from 8-11 May 2009. The trip which is organised once every two years was held at the Pangkor Island Beach Resort this year.

More than 60 employees, their spouses and children attended the trip, which also saw staff from MIA's branch offices in Penang, Johor Bahru, Sabah and Sarawak joining the trip.

During the trip, MIA's Sports and Recreation Committee (SRC), supported by the Administration and Events Management department lined up numerous fun activities and games for staff and their family to participate in, including treasure hunts, telematches, and a themed dinner. AT

Staff and their family members during the telematch

"Pakistan is amongst the world's most exciting emerging markets, recording a recent average growth in GDP of six to eight per cent and attracting multinationals from around the globe."
Andrew Harding, CIMA Director

Chartered Institute of Management Accountants ▼

CIMA office in Pakistan to meet employer needs

CIMA opened its first office in Pakistan on 22 April 2009 in response to the increasing demand for international finance professionals throughout the region. CIMA Director, Andrew Harding, hosted the event and spoke alongside CIMA's Regional Director, Bradley Emerson, and keynote speaker, Dr. Hafiz Pasha, Dean of the School of Social Sciences at the Beaconhouse National University, and Vice- Chairman of the Institute of Public Policy in Lahore

The opening was attended by approximately 200 guests including CEOs and CFOs from employers such as Philips, Cadbury's, Karachi Stock Exchange, Unilever, as well as colleges, newspapers, and TV channels.

Chief guest and keynote speaker, Dr. Hafiz Pasha applauded CIMA for coming to Pakistan during a time when the country is receiving mixed press coverage internationally. Dr. Pasha is a member of the Economic Advisory Council to the Prime Minister of Pakistan. The British deputy high commissioner for Pakistan, Robert W. Gibson, also attended the event and expressed excitement at CIMA's foresight during a challenging and hostile time for Pakistan.

Andrew Harding, CIMA Director, commented: *"Pakistan is amongst the world's most exciting emerging markets, recording a recent average growth in GDP of six to eight per cent and attracting multinationals from around the globe. Our new office in Karachi will allow us to offer even greater support to our existing members and students and to create opportunities for the talented young people of Pakistan."* AT

"The report showcases the 'Infinity Model', a groundbreaking new framework which adds value to organisations by demonstrating the impact of marketing, on the bottom line."

Professional bodies unite to promote integrated approach to marketing and finance

Three leading professional bodies — the Chartered Institute of Management Accountants, the Direct Marketing Association and the Chartered Institute of Marketing — have joined forces to issue an urgent call for better working practices between finance and marketing via the launch of their joint report *Return on Ideas: Better results from finance and marketing working together on* 28 April 2009. The report showcases the 'Infinity Model', a groundbreaking new framework which adds value to organisations by demonstrating the impact of marketing, on the bottom line.

All three bodies are concerned that many companies do not have the right blend of marketing and accountancy acumen to either establish the value of their marketing campaigns or account to shareholders on the effectiveness of marketing spend or investment. Hence it is vital that marketing and finance work jointly to demonstrate the real value of marketing to the bottom line.

Over 100 organisations were surveyed by *Return on Ideas* author Professor Robert Shaw in order to find out what works and what doesn't when it comes to marketeers working with their finance business partners to create and demonstrate their financial worth. Professor Shaw also researched current measurement theories that are commonly used by accounting firms, consultants and marketing service firms. The essence of this candid research has led to the creation of the 'Infinity Model' — an innovative framework designed to help marketeers create greater sustainable value with input from their colleagues in finance. AT

"… in the wake of the GFC: access to finance or more specifically, lack thereof, is one of the biggest hurdles facing businesses as they battle their way through the global financial crisis."

CPA Australia ▼

Pain before gain, reveals international survey

The majority of business leaders believe the current economic downturn will be over by the end of 2010, according to one of the largest, most recent surveys of international business sentiment by CPA Australia.

However, the survey also reveals extensive cuts in staff numbers, bonuses, R&D expenditure, production and capital expenditure are likely to precede any upturn.

Conducted by CPA Australia in March this year, the survey canvassed the opinions of nearly 300 business leaders around the world, predominantly in Australia and South East Asia including Malaysia.

The survey also shows businesses are experiencing considerable difficulty accessing finance due to restricted access to credit, particularly in Asia.

CPA Australia Malaysia Division President Lam Kee Soon said the results confirmed what many in the business and finance sector have cited as a major problem in the wake of the global financial crisis: access to finance or more specifically, lack thereof, is one of the biggest hurdles facing businesses as they battle their way through the global financial crisis.

"This is one of the most pressing issues and one that needs to be addressed as soon as possible before the lack of liquidity strangles business," Lam said.

Also of interest was the result that large companies are more likely to consider possible staff reductions (57 per cent) rather than cuts to executive remuneration and bonuses (47 per cent).

"This is a reflection that talented leadership has never been in greater demand than now," Lam said. "Executives who can demonstrate strategic leadership, particularly given that we are playing in the global marketplace, are highly valued, and I would think

globally, companies with the budget and an eye on the future are looking to keep or secure the best and brightest talent.

"Why would you let your talent walk out the door if you can keep them through incentives. You don't cut your talent for the sake of short term savings if it's going to cost you further down the track."

Key findings

Large organisations

- 43 per cent have had difficulty accessing finance due to the current tighter lending conditions
- areas of possible cost cutting: capital expenditure (67 per cent); staffing levels (57 per cent); bonuses (47 per cent); and production (34 per cent)

Small organisations

- 70 per cent have experienced difficulty accessing finance due to tighter lending conditions
- generally consistent approach to cost cutting: around 45 per cent with capital expenditure, staff numbers, bonuses and incentives, and production AT

The Malaysian Institute of Certified Public Accountants ▼

Public Practice Committee Organises Half-Day Forum

The Institute's Public Practice Committee was set up in 1989 to identify the professional development needs of smaller practices, who form a large majority of members in practice, to undertake activities for their benefit.

The Committee held a Half-Day Forum for members and practitioners on 24 April 2009 at the Best Western Premier Seri Pacific Kuala Lumpur, which served as a platform for exchange of information and views on contemporary issues affecting members' work as well as networking. The Forum on *Limited Liability Partnership (LLP) Bill and its Impact on Accounting Practitioners and the Public* was attended by close to 120 members and practitioners who were keen to gain knowledge and a better understanding of the LLP Bill from the distinguished speakers and panellists who were invited to lead the discussions.

The Companies Commission of Malaysia (SSM) issued and circulated the Consultative Document on the LLP to all professional bodies and other interested parties for comment in June 2008. Appropriate responses were then compiled and forwarded to SSM for consideration.

SSM subsequently issued a discussion draft on Limited Liability Partnership (LLP) Bill for feedback and comment. The purpose of the LLP Bill is to confirm the recommendations that were proposed in the Consultative Document on LLP which was issued in April 2009. The LLP Bill has also taken into consideration comments received during the consultative period.

This is in tandem with SSM's strategy to develop and modernise the corporate regulatory framework to create a conducive regulatory environment for Malaysia in meeting future challenges.

The panellist highlighted the key features and issues arising from the LLP Bill and its impact on accounting practitioners and the general public in Malaysia. Judging from the enthusiastic deliberations and concerns raised during the open forum, the topic was definitely interesting and relevant to a CPAs work. The forum was chaired by Peter Lim Thiam Kee, Chairman of the Public Practice Committee. AT

CPA MALAYSIA

"The Forum... was attended by close to 120 members and practitioners who were keen to gain knowledge and a better understanding of the LLP Bill from the distinguished speakers and panellists who were invited to lead the discussions."

The Institute Of Chartered Accountants ▼

ICAEW Malaysia City Group AGM

The Malaysia City Group of the Institute of Chartered Accountants in England and Wales held its 7th AGM on 23 April 2009 at the Kiara Equestrian and Country Resort and elected its new committee for 2009/2010 as follows:

Chairman	Datuk Gan Ah Tee DNS, JP
Deputy Chairman	Bingley Iskandar Sim
Treasurer	Nora Tahir
Secretary	Lim Kit Wan

Committee Members

Adrian Lee; Ramesh Pillai; Andrew Lee; Ramesh Rajaratnam; Elaine Hong; Irvin Menezes; T. Jeyaratnam; James Koh

Co-opted Committee Member: Ravi Markandu

The ICAEW held its Graduation/Annual Dinner on 28 May 2009 at the Royale Chulan Hotel, Jalan Conlay, Kuala Lumpur. AT

Datuk Gan delivering his address

Members who attended the AGM

ICAEW THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

WORLD news

US: Board tightens off-balance-sheet loan rules

The board that sets US accounting standards in mid-May moved to end the use of a bookkeeping device that allowed banks to park hundreds of billions of dollars in loans off their balance sheets and that has been blamed for stoking financial companies' losses as the housing market collapsed.

The change will tighten the use of so-called 'qualifying special purpose entities' by requiring banks and other companies to report to regulators the loans contained in the entities and to increase their capital reserves in proportion as a cushion against potential losses, reports AP.

In a story filed from Washington , the newswire noted regulators as saying that it was the lack of disclosure and absence of capital supporting ballooning subprime mortgage loans in these special entities that aggravated the massive losses sustained by banks.

The move by the Financial Accounting Standards Board 'addresses the critical need for continued improvement to the accounting for arrangements that were at the epicentre of the financial crisis,' James Kroeker, acting chief accountant at the US Securities and Exchange Commission, said in a statement.

"The SEC staff is committed to working with companies and their auditors to assure an effective transition as FASB's improvements are implemented," he said, according to the report.

The change could result in about US$900 billion in assets being brought onto the balance sheets of the 19 largest US banks, according to federal regulators. The information was provided by Citigroup, JPMorgan Chase & Co and 17 other institutions during the government's recent 'stress tests,' which were designed to determine which banks would need more capital if the economy worsened, it said.

In its quarterly regulatory filing in May, the AP report said Citigroup said the rule change could have 'a significant impact' on its financial statements. Citigroup estimated it would result in the recognition of US$165.8 billion in additional assets, including US$90.5 billion in credit card loans.

JPMorgan estimated in its quarterly filing that the impact of consolidation of the bank's qualifying special purpose entities and variable interest entities could be up to US$145 billion. AT

CHINA: Deloitte continue growth in China

Deloitte Touche Tohmatsu (Deloitte), one of the world's leading accounting and consulting firms, will continue its business growth in China despite the economic slowdown, said Chris Lu, CEO of Deloitte China, the Shanghai Daily reported.

Lu said the expansion is necessary, because the existing 11 offices are not enough for the huge China market. He did not reveal a timetable or any target locations for expansion, explaining that these things depend on many factors. Lu added that Deloitte will open a new office within a month. It opened an office in Hangzhou , Zhejiang Province last year, as reported by China Knowledge.

In mid-May, Lu said on the sidelines of the Lujiazui Forum that the company would also enter Sichuan Province as a step toward the potential western China market.

As for transforming Shanghai into a global financial centre, Lu viewed these times as an opportunity for Shanghai because the existing global financial centres have been affected by the financial crisis. Shanghai will be able to take advantage of this historical opportunity if the supporting infrastructure along with the judicial and regulatory improvements can be implemented.

The report said, according to the statistics released by the Chinese Institute of Certified Public Accountants (CICPA) last year, Deloitte's total revenue in China was about RMB 2.5 billion, including audited income of about RMB 1.7 billion.

Meanwhile, the big four consulting firms, Pricewater-houseCoopers (PwC), Ernst & Young, Deloitte and KPMG, reaped a combined revenue of about RMB 10.39 billion in 2008, accounting for 33.5% of the total revenue in China's accounting industry. AT

FASB changes rule for qualifying special purpose entities

The Financial Accounting Standards Board (FASB) in mid-May gave approval to accounting rule changes that will require the companies to bring their off-balance sheet assets onto their balance sheets, reports Zacks.com.

The FASB rule-change affects the so-called Qualifying Special Purpose Entity (QSPEs), which are generally off-balance-sheet entities that are exempt from consolidation under the current rules. The new standard eliminates that exemption from consolidation. The approved standards will be effective as of the beginning of 2010, and will apply to existing qualifying special purpose entities, the report said.

QSPEs played an important role in the financial crisis, as many banks used them to hold more risky securities without having to disclose the details or to provide adequate capital for the potential losses. As the securities deteriorated in value, the losses mounted and eroded the capital of the banks.

The report noted that the changes will make it harder for the banks to keep the assets off balance sheets, and they will also be required to maintain adequate capital for those assets. The rule change will also make securitisation of loans and receivables more difficult, since this is mainly done through QSPEs.

The rules will certainly improve the transparency of the banks' balance sheets. In the stress tests recently conducted, the Federal Reserve had estimates of assets likely to be brought onto the balance sheet as a result of these amendments. It is estimated that 19 banks subjected to stress tests would have to bring about $900 billion of assets onto their balance sheets.

In their latest regulatory filings, Citigroup (C) estimated that the rule change would result in consolidation of $165.8 billion in additional assets, and JPMorgan (JPM) estimated it to be $145 billion.

We think that the new rule is a very positive move by FASB, after the much criticized and much debated revision allowed by it (under intense pressure from Congress) on mark-to-market accounting recently. (*Zacks.com*) AT

IFAC's International Public Sector Accounting Standards Board Launches Review of Cash Basis Reporting in Developing Countries

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the International Federation of Accountants (IFAC), has appointed a task force to review the International Public Sector Accounting Standard (IPSAS), Financial Reporting under the Cash Basis of Accounting. As part of the review process, it is asking those who have been involved in the adoption of the Cash Basis IPSAS in developing economies or who have been exposed to the standard to complete a questionnaire on their experiences, or anticipated experiences, with respect to implementation issues.

The questionnaire, along with an invitation letter that more fully explains the review process, can be downloaded from the IPSASB website at *www.ifac.org/PublicSector/Projects.php#InProgress*. These materials are available in English, Spanish, and French. Responses are invited by 15 July 2009 from interested parties, including Ministers of Finance and heads of finance departments or their equivalents, users of financial reports, advisors, and other relevant financial management and similar experts, including members of the international and national aid agencies.

According to IPSASB Chair Mike Hathorn, "While the IPSASB promotes the adoption of the accrual basis of accounting, it also recognises that many governments adopt a form of cash or modified cash basis reporting, and it has a responsibility to support those jurisdictions in strengthening their cash basis financial reports." The Cash Basis standard, first issued in January 2003, was updated in 2006 and 2007, making the review very timely.

"The primary objective of the review is to identify the major technical issues that governments and other public sector entities in developing economies have encountered, or expect to encounter, in implementing the standard. This will provide input to IPSASB deliberations on whether the standard should be modified and/or if further guidance on its application should be provided," explains IPSASB Deputy Chair, Erna Swart, who is chairing the task force.

The questionnaire is the first step in the IPSASB task force review process. As a follow up, the task force will undertake more detailed discussions with a range of users, implementers, technical advisors, and others in a number of regions who have responded to the questionnaire. AT

IFAC President Robert Bunting says Government Bailouts bring International Public Sector Accounting Standards to the Forefront

Speaking at the Higher Education Forum of the National Association of College and University Business Officers (NACUBO) in Miami, FL, on 26 April 2009, Robert L. Bunting, President of the International Federation of Accountants (IFAC), described the enormous changes happening as a result of the global financial crisis and explained why convergence and implementation of international standards is needed to rebuild and sustain the global financial system.

"We are rapidly moving to one world in accounting, auditing, and corporate governance," emphasised Bunting, adding, "IFAC is expediting the development of standards and guidance on key issues, such as going concern, fair value, financial instruments, and corporate governance — and other issues that have been raised as a result of the crisis — so accountants worldwide operate on a level playing field."

He pointed out that government bailouts of the financial and automotive industries are also resulting in calls for greater accountability and transparency on the part of governments, and indicated that governments can achieve this by adopting International Public Sector Accounting Standards (IPSASs). "Convergence to international public sector accounting standards, which has proceeded at a slower pace than convergence to those in the private sector, is now urgent," Bunting emphasised. Such standards are used by the United Nations, NATO, IFAC, and the Organisation for Economic Cooperation and Development, are supported and promoted by the World Bank, and are already used by many governments around the world.

Bunting called on university leaders to broaden their curriculum to address the growing need for convergence to international standards: "Teaching only US GAAP (Generally Accepted Accounting Principles) handcuffs students to the US economy. Academic institutions must incorporate International Standards on Auditing, IPSASs, and International Financial Reporting Standards into their accounting curriculum." AT

Bunting's comments on international standards were part of a presentation about the future of the accounting profession and how universities must broaden their view of what students need — and what the world needs — from accountants. To view the slides of his presentation, go to the IFAC Media Center at *www.ifac.org/MediaCenter/?q=node/view/643*.

IFAC Releases 2009 Handbook of International Standards on Auditing and Quality Control

The International Federation of Accountants (IFAC) has released the *2009 Handbook of International Standards on Auditing and Quality Control*. The handbook can be downloaded free of charge from the IFAC online bookstore (*www.ifac.org/store*), and print copies can be ordered for shipment from May.

The handbook brings together all the International Standards on Auditing and the International Standard on Quality Control that have been redrafted by the International Auditing and Assurance Standards Board (IAASB) to improve their clarity. It also includes a Glossary of Terms and the Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services. These become effective on 15 December 2009. This handbook replaces Part II of the 2008 Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements.

Part I of the *2008 Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements* will remain in effect during 2009. It contains pronouncements on auditing, review, other assurance, and related services issued by the IAASB as of 1 January 2008. It also includes the IFAC Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants. The pronouncements on auditing in Part I of the *2008 Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements* will remain in effect up to 14 December 2009; thereafter, they will be replaced by those contained in the 2009 handbook. AT

The 2009 Handbook of International Standards on Auditing and Quality Control can be downloaded free of charge in PDF format or ordered for US$85.00 plus shipping from the IFAC online bookstore (*www.ifac.org/store*). Discounts are available for students, academics, and individuals living in developing countries, as well as for orders of 10 or more copies.

List of New Books

Available at the
MIA Resource Centre

ACCOUNTING

Financial Accounting and Reporting, by Azharudin Ali *et.al.*, Kuala Lumpur: Pearson Malaysia Sdn Bhd, 2009.

Call No.: 657.4809595 FIN

iGAAP 2009: A Guide to IFRS Reporting, 2nd ed., Deloitte Touche Tohmatsu, London: LexisNexis, 2008

Call No.: 657.0218 IGA

A Briefing for Chief Executives, Audit Committee & Boards of Directors: International Financial Reporting Standards (IFRSs), London: IASC Foundation, 2009.

Call No.: 657.0218 INT

International Financial Reporting Standards: Official Pronouncements as issued at 1 January 2009, London : IASB, 2009.

Call No.: 657.0218 INT

CORPORATE REPORTING

Valuing Sustainability Reporting: Perspectives from the International Investment Community: Corporate Reporting Pulse, Melbourne : CPA Australia Ltd., March 2009.

Call No.: 658.408 VAL

COMPANY SECRETARY

An Introduction to Malaysian Company Secretarial Practice For Private Limited Companies, 2nd ed., by Zubaidah Zainal Abidin, Kuala Lumpur: Pearson Malaysia Sdn Bhd, 2008.

Call No.: 651.37409595 ZUB

TAXATION

Malaysian Taxation: Principles and Practice, 15th ed., by Choong Kwai Fatt, Kuala Lumpur: InfoWorld, 2009.

Call No.: 336.2009595 CHO

Advanced Malaysian Taxation: Principles and Practice, 11th ed., by Choong Kwai Fatt, Kuala Lumpur : InfoWorld, 2009.

Call No.: 336.2009595 CHO

A Comprehensive Guide to Malaysian Taxation: Under Self-Assessment System, 4th ed., by Jeyapalan Kasipillai, Kuala Lumpur: McGrawHill Education, 2009.

Call No.: 336.2009595 JEY

The Essential Guide to Personal Income Tax in Malaysia: Under Self-Assessment System, 2009 ed., by Adam Malik Farouk *et.al.*, Kuala Lumpur: McGrawHill Education, 2009.

Call No. : 336.2409595 ESS

Audit Firms Ceased Operation

AUDIT FIRM	AF NO.
WILAYAH PERSEKUTUAN	
Aidid & Co No. 89-3, Jalan 2/27F Pusat Bandar Wangsa Maju (KLSC) 53300 Kuala Lumpur	**0267**
Aidid Hasyudeen & Associates No. 89-3 Jalan 2/27F Pusat Bandar Wangsa Maju (KLSC) 53300 Kuala Lumpur	**0885**
Hew & Co 7th Floor, South Block Wisma Selangor Dredging 142A Jalan Ampang 50450 Kuala Lumpur	**0089**
Koay, Goh, Tang & Gan 7th Floor, South Block Wisma Selangor Dredging 142A Jln Ampang 50450 Kuala Lumpur	**0236**
Larry Seow & Co 7th Floor, South Block Wisma Selangor Dredging 142A Jln Ampang 50450 Kuala Lumpur	**0132**
Tan Toh Hua & Partners 7th Floor, South Block Wisma Selangor Dredging 142A Jln Ampang 50450 Kuala Lumpur	**0212**

Name Change

WILAYAH PERSEKUTUAN

CK Chin **0622**
(Formerly known as Horwath Chin & Associates)
Grd Flr, Lot 7, Blk F, Saguking Commercial Building, Jln Patau-Patau
P.O. Box 80688, 87016 Labuan
Tel: 087-412031 Fax: 087-416128
email: chin@ckchin.com

Non-Audit Firms New Registration

NON-AUDIT FIRM	NF NO.
PULAU PINANG	
Cheah Taxation Services 69 Tingkat Kancil Dua, Taman Hwa Seng Alma, 14000 Bukit Mertajam Tel: 04-551 5515 Fax: 04-551 5515 email: cheaheanling@yahoo.com	**0986**
N.R. and Associates 19, 1st Floor, Market Street 10200 Penang Tel: 04-261 7944 email: ramnachu@tm.net.my	**0983**
SELANGOR DARUL EHSAN	
Azam Accounting Services No. 28, Jalan Kota Raja E27/E Hicom Town Centre, 40400 Shah Alam Tel: 03-5191 7334 Fax: 03-5191 4200	**0985**
WILAYAH PERSEKUTUAN	
David & Co 36-3-1, Block D, Jalan 2/101C Cheras Business Centre, 56100 Kuala Lumpur Tel: 03-9131 2175 Fax: 03-9130 2411	**0987**
Isabella & Co C-16-8, Bukit Pandan 2, Off Jalan Perdana 3/1 Pandan Perdana, 55300 Kuala Lumpur Tel: 03-9274 8876 Fax: 03-9274 8876 email: isabellaco168@yahoo.com	**0984**

Ceased Operation

KEDAH DARUL AMAN

Baqir Hussain, Yeap & Associates **0307**
No. 126 B, 1st Flr, Kompleks Alor Star
Lebuhraya Darulaman
05100 Alor Setar

MASB Amends 3 Standards and Issue 3 Interpretations

The Malaysian Accounting Standards Board (MASB) announced the issuance of a revised Standard and two limited amendments to Financial Reporting Standards (FRSs), together with the issuance of three new Interpretations. The revised Standard, amendments and Interpretations, which are virtually identical to those issued by the International Accounting Standards Board (IASB), are:

- *FRS 123 Borrowing Costs*
- *Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations*
- *Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions*
- *IC Interpretation 13 Customer Loyalty Programmes*
- *IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The Standards, already effective internationally, are mainly improvements and guidance issued by the IASB after their consultative process with standard-setters worldwide and interested parties.

About the Standards

FRS 123 which replaces FRS 123_{2004}, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

The amendments to FRS 2 clarify that vesting conditions are service conditions and performance conditions only and do not include other features of a share-based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

First-time adopters of the FRS framework would welcome the amendment to FRS 1 as it allows them to measure the initial cost of investments in subsidiaries, jointly controlled entities (JCE) and associates either at fair value or the previous carrying amount. Without this amendment, first-time adopters may face practical difficulties on transition to the FRS framework as these investments would have to be measured in accordance with FRS 127 retrospectively. As a result, the requirement to distinguish between pre and post acquisition dividends from a subsidiary, JCE or associates is removed but at the same time, a new impairment indicator is included in the standard on impairment.

FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date.

About the Interpretations

IC Interpretation 11 clarifies how share-based payment transactions involving its own or another entity's instruments in the same group are to be treated and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

IC Interpretation 13 explains how entities that grant loyalty award points to its customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

IC Interpretation 14 addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. AT

The new FRSs and Interpretations are available from the MASB website (*www.masb.org.my*) or can be purchased in booklet form from the MASB office.

… Counting on Humour

The Usher

An usher at a posh theatre came across a man lying sprawled across three seats. *"Sorry sir, but you're only allowed one seat,"* the usher whispered.

In response, all the man did was groan. But he didn't budge!

Becoming impatient, the usher called the manager. The two of them tried repeatedly to move the man, but had no success. Finally, they summoned the police.

The cop surveyed the situation and then asked: *"Alright buddy, what's your name?"*

"Sam," moaned the man.

"Where you from Sam?"

With pain in his voice, Sam replied: *"… the balcony!"*

Birthday

A man asked his wife what she'd like for her birthday. *"I'd love to be ten again,"* she replied. On the morning of her birthday, he got her up bright and early and off they went to a local theme park. What a day!

He put her on every ride in the park: the Death Slide, the Screaming Loop, the Wall of Fear, everything there was! Wow! Five hours later she staggered out of the theme park, her head reeling and her stomach upside down. Then off to a McDonald's they went, where her husband ordered her a Big Mac along with extra fries and a refreshing chocolate shake. Then it was off to a movie — the latest epic, and hot dogs, popcorn, Pepsi Cola and M&Ms.

What a fabulous adventure!

Finally she wobbled home with her husband and collapsed into bed.

He leaned over and lovingly asked, *"Well, dear, what was it like being ten again?"*

One eye opened … *"You idiot, I meant my dress size."*

The moral of this story:

Even when a man is listening, he's still gonna get it wrong!

Life Lesson

On the first day God created the dog. God said, *"Sit all day by the door of your house and bark at anyone who comes in or walks past. I will give you a life span of twenty years."* The dog said, *"That's too long to be barking. Give me ten years and I'll give you back the other ten."* So God agreed.

On the second day God created the monkey. God said, *"Entertain people, do monkey tricks, make them laugh. I'll give you a twenty-year life span."* The monkey said, *"How boring, monkey tricks for twenty years? I don't think so. Dog gave you back ten, so that's what I'll do too, Okay?"* And God agreed.

On the third day God created the cow. God said, *"You must go to the field with the farmer all day long and suffer under the sun, have calves and give milk to support the farmer. I will give you a life span of sixty years."* The cow said, *"That's kind of a tough life you want me to live for sixty years. Let me have twenty and I'll give back the other forty."* And God agreed again.

On the fourth day God created man. God said, *"Eat, sleep, play, marry and enjoy your life. I'll give you twenty years."* Man said, *"What? Only twenty years! Tell you what, I'll take my twenty and forty the cow gave back and the ten the monkey gave back and then the ten the dog gave back, that makes eighty, okay?" "Okay,"* said God, *"You've got a deal."*

So that is why the first twenty years we eat, sleep, play, and enjoy ourselves; for the next forty years we slave in the sun to support our family; for the next ten years we do monkey tricks to entertain the grandchildren; and for the last ten years we sit on the front porch and bark at everyone.

Life has now been explained to you! AT

The Four Stages Of Life:

- You believe in Santa Claus.
- You don't believe in Santa Claus.
- You are Santa Claus.
- You look like Santa Claus.

Success

At age 4 success is … not wetting your pants.
At age 12 success is … having friends.
At age 16 success is … having a drivers licence.
At age 20 success is … going all the way.
At age 35 success is … having money.
At age 50 success is … having money.
At age 60 success is … going all the way.
At age 70 success is … having a drivers licence.
At age 75 success is … having friends.
At age 80 success is … not wetting your pants!

2009 MIA Professional Development Centre Training Programmes

Location	Date	Event Title	Speaker	Venue	Fee (RM)	CPE Hrs	Claimable
June 2009							
Klang Valley	1&2 June	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Istana Hotel KL	800	16	HRDF
	2&3 June	Financial SOS 2009 — Strategies, Options and Solutions for Survival	Kenny Tay	Hilton PJ	900	16	HRDF
	3&4 June	Effective Corporate Report Presentation for Accountants	Bryan Ng	Training Choice KL	1100	16	HRDF
	8&9 June	Integrating Smart Technology for Accountants	Bryan Ng	Training Choice KL	1100	16	HRDF
	10&11 June	Managing Strategic Corporate Planning	Boey Tak Kong	Hilton PJ	800	16	HRDF
	10&11 June	Mind Mapping for Quick Action	KC Liew	Concorde Hotel KL	1200	16	HRDF
	15&16 June	Update on International Financial Reporting Standards (IFRS) 2009 Version	Woon Chin Chan & Tan Liong Tong	Hilton PJ	950	16	HRDF
	15&16 June	Deferred Taxation	Danny Tan Boon Wooi	Concorde Hotel KL	700	16	HRDF
	16 June	Protect Your Business from Prevailing Cheque Scams / Fraud	William Leong	Hilton PJ	400	8	HRDF
	16&17 June	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Concorde Hotel KL	800	16	HRDF
	16&17 June	Malaysian Tax Conference 2009 in Collaboration with MATA	various	PWTC	750	16	
	17 June	2009 Financial Reporting Standards and International Financial Rerporting Standards Update	Danny Tan Boon Wooi	Concorde Hotel KL	400	8	
	17&18 June	Better Grammar for Business Writing	Dr. Ng Keat Siew	Hilton PJ	700	16	HRDF
	18 June	Expand Your Business Horizons Roadshow by Labuan IBFC	various	Securities Commission	190	8	
	18&19 June	Financial Instruments: Recognition, Measurement, Disclosure & Presentation (FRS 132, FRS 139 & IFRS 7)	Woon Chin Chan & Tan Liong Tong	Hilton PJ	950	16	HRDF
	18&19 June	Financial Reporting Standards in Malaysia - Salient Features	Danny Tan Boon Wooi	Concorde Hotel KL	800	16	HRDF
	22&23 June	Risk Based Internal Audit	Dr. Joseph Eby Ruin	Hilton PJ	900	16	HRDF
	22&23 June	Business Writing: Write for Results	Lum Woon Foong	Hilton PJ	800	16	HRDF
	23 June	Evening Talk on Business Analytics & Reporting	KK Tang	MPDC	foc	2	
	23&24 June	Inventory System Appraisal for Cost Rationalisation and Control	Teo Kim Soon	Hilton PJ	800	16	HRDF
	24&25 June	Financial Reporting Standard 139: Recognition and Measurement — Preparing to Implement	Danny Tan Boon Wooi	Concorde Hotel KL	800	16	HRDF
	25 June	Advanced Consolidation Principles	Woon Chin Chan & Tan Liong Tong	Hilton PJ	500	8	HRDF
North Region	3 & 4 June	Managing Risk of Tax Audit & Investigation	Vincent Josef	Traders Hotel Penang	800	16	
	16 June	Expand Your Business Horizons Roadshow by Labuan IBFC	various	Traders Hotel Penang	190	8	
	17&18 June	Risk Based Internal Audit	Dr. Joseph Eby Ruin	Traders Hotel Penang	900	16	HRDF
South Region	3&4 June	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Equatorial, Melaka	800	16	HRDF
	23&24 June	Maximising Tax Benefits from Latest Tax Updates and Developments. Including 2009 Budget Proposals and Mini-Budget 2009	Sivaram Nagappan	Puteri Pacific JB	900	16	HRDF
	26 June	Protect Your Business from Prevailing Cheque Scams / Fraud	William Leong	Puteri Pacific JB	400	8	HRDF
East M'sia	8&9 June	Risk Based Internal Audit	Dr. Joseph Eby Ruin	Shangri-La Tg. Aru Resort	900	16	HRDF
	11&12 June	Risk Based Internal Audit	Dr. Joseph Eby Ruin	Riverside Majestic Hotel, Kuching	900	16	HRDF
	15&16 June	Optimising Corporate Tax Planning Strategies	Sivaram Nagappan	Shangri-La KK	850	16	HRDF
	17&18 June	Optimising Corporate Tax Planning Strategies	Sivaram Nagappan	Hilton Kuching	850	16	HRDF

FOR FURTHER INFORMATION PLEASE MAIL, FAX OR E-MAIL TO:
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Tel: +603-2279 9200 Fax: +603-2273 5167
e-mail: mpdc@mia.org.my Homepage: www.mia.org.my

2009 MIA Professional Development Centre Training Programmes

Location	Date	Event Title	Speaker	Venue	Fee (RM)	CPE Hrs	Claimable
July 2009							
Klang Valley	1&2 July	Construction Contracts (FRS 111), Property Development Activities (FRS 201) & Borrowing Costs (FRS 123)	Lim Geok Heng	Concorde Hotel KL	700	16	HRDF
	2&3 July	Maximising Tax Benefits from Latest Tax Updates and Developments. Including 2009 Budget Proposals and Mini-Budget 2009	Sivaram Nagappan	Concorde Hotel KL	900	16	HRDF
	21&22 July	Strategies to Grow & Sustain the Business in Difficult Times	Agee Lee	Hilton PJ	900	16	HRDF
North Region	2&3 July	Financial Instruments: Recognition, Measurement, Disclosure and Presentation	Woon Chin Chan & Tan Liong Tong	Traders Hotel Penang	950	16	HRDF
	7&8 July	Financial SOS 2009 — Strategies, Options and Solutions for Survival	Kenny Tay	Traders Hotel Penang	900	16	HRDF
South Region	8&9 July	Risk-Based Internal Audit	Dr. Joseph Eby Ruin	Puteri Pacific Hotel, JB	900	16	HRDF
	14 July	Anti-Money Laundering & Anti-Terrorism Financing Act 2001	William Leong	Mutiara Hotel JB	400	8	HRDF
	20&21 July	Construction Contracts (FRS 111), Property Development Activities (FRS 201) and Borrowing Costs (FRS 123)	Lim Geok Heng	Mutiara Hotel JB	700	16	HRDF
East M'sia	13&14 July	Financial Statement Fraud	Hari Ramulu Munusamy	Pacific Sutera KK	750	16	HRDF
	15 & 16 July	Financial Statement Fraud	Hari Ramulu Munusamy	Riverside Majestic Hotel, Kuching	750	16	HRDF
Information Technology							
Klang Valley	1 June	Microsoft PowerPoint 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	22 June	Microsoft PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	25&26 June	Microsoft Access 2003 (Advanced)	tba	PentaWise Sdn Bhd	410	16	
	2&3 June	Microsoft Excel 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	23&24 June	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	22 June	Get Started with Internet	tba	PentaWise Sdn Bhd	150	8	
	15 June	Analysing Financial Data with MS Excel	Chan Phooi Lai	PentaWise Sdn Bhd	500	8	
	16&17 June	Tasks Automation using MS Excel Macro/VBA	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	18&19 June	Microsoft Excel Functions and Formulas	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	8 June	Financial Data Management with PivotTables	Chan Phooi Lai	PentaWise Sdn Bhd	400	8	
	1&2 July	Microsoft Word 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	6 July	Microsoft PowerPoint 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	27 July	Microsoft PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	9&10 July	Microsoft Access 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	28&29 July	Microsoft Project 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	520	16	
	30&31 July	Microsoft Outlook 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	320	16	
	30&31 July	Microsoft Frontpage 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	450	16	
	16&17 July	Microsoft Excel 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	21&22 July	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	20 July	Analysing Financial Data with MS Excel	Chan Phooi Lai	PentaWise Sdn Bhd	500	8	
	14&15 July	Tasks Automation using MS Excel Macro/VBA	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	8 July	Expanding Microsoft Excel Charts	Chan Phooi Lai	PentaWise Sdn Bhd	350	8	
	23&24 July	Microsoft Excel Functions and Formulas	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	13 July	Financial Data Management with PivotTables	Chan Phooi Lai	PentaWise Sdn Bhd	400	8	

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