

ACCOUNTANTS today

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Top Earners in Malaysia

Disclosure of Directors' Remuneration

- **NAC 2003 Highlights**
- **The Accountant's Ever Increasing Role in Financial Planning**



Member Association
Bureau of
Circulations
(Malaysia)



A Monthly Publication of the Malaysian Institute of Accountants

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Malaysian Institute of Accountants
(Established under the Accountants Act, 1967)

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* :

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

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EDITOR'S NOTE

Directors' Remunerations: It is no longer a secret

Directors' compensation is always an interesting subject irrespective of how many times it has been written about. For instance, everybody knows that Bill Gates is the most successful IT man and Warren Buffet is the most successful fund manager.

By holding pole position in their respective fields, it is a foregone conclusion that both are very well paid. But this has not stopped the precipitation of numerous stories every year on what they receive as compensation for their efforts.

Similarly, everybody who knows something about corporate Malaysia is aware of the fact that Genting Bhd is the best paymaster. It is the same this year. The only difference is that the amount that was paid out in 2002 has almost doubled compared to 2001, which is not totally out of the world if the returns to shareholders are taken into account. Genting is easily among the top 10 companies on the KLSE, has a business that is well managed, gives good dividends and has consistently given long term investors a capital gain on their investment.

As a whole there is an increase in the remuneration of directors. It has been reported that for 2002, the compensation for directors increased by 12.4 per cent. But this was accompanied by a 30.7 per cent increase in profit and a 6.1 per cent rise in turnover. So the turnover increased a little and profit much more, which seems to suggest that businesses improved not on the account of improvement in turnover but through other means such as cost cutting, write backs or better margins.

So does this mean that directors deserve a higher payout? That is a question that only the company and its shareholders can answer. But the rule of thumb is as long as investors get a fair share of returns in terms of dividends and capital appreciation on their investments, there is no harm in directors taking home generous salaries. But it should not be too hefty an amount.

Also, the same old issue of transparency still persists. Only a handful of companies are clear in stating exactly what the directors receive. Out of the 900 odd companies, less than 80 are transparent in the remuneration of directors. The ideal situation would be for all companies to fully disclose the remuneration package of each director. But then there is no such thing as an ideal world. Changes will come but at the pace dictated by the companies themselves.

Moving forward, as Malaysians of all races deeply miss a dedicated and visionary leader in the person of Tun Dr. Mahathir Mohamad so have they welcomed an equally capable Datuk Seri Abdullah Ahmad Badawi (Pak Lah) to his new position which promises to be very challenging. After 22 years, Tun Dr. Mahathir has left an indelible mark. We wish to join the thousands, if not millions of other Malaysians in giving Tun Dr. Mahathir a big 'Thank You'. You will always be remembered.

And to our fifth Prime Minister, Pak Lah, may your stewardship of this wonderful country be as enlightening as your predecessors. Congratulations on inheriting the legacy of strong and inspirational leadership. *Selamat Bertugas!*

Excitement of a different kind is also in the air. For Muslims, what else could it be if not the much-awaited month of Ramadan? A month of cleansing, spiritual and physical, and of reflection and prayer. To all our Muslim friends, readers, associates and colleagues, we wish you a peaceful and blissful Ramadan and Selamat Hari Raya Aidil Fitri. **AT**

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, executives and scholars. Manuscripts should cover domestic or international accounting developments. Lifestyle articles of interest to accountants are also welcomed.

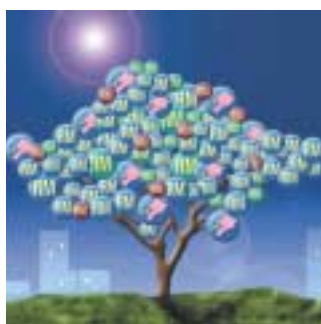
Manuscripts should be submitted in English or Bahasa Malaysia and range from 2,500 to 5,000 words (double-spaced, typed pages). They should be submitted in hardcopy and diskette (3.5 inch) form in Microsoft Word or Lotus Wordpro. Manuscripts are subject to a review procedure and the Editor reserves the right to make amendments which may be appropriate prior to publication.

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Malaysian Institute of Accountants
(Established under the Accountants Act, 1967)

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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LETTERS & COMMENTS

Audit Fee : Sore Point

It seems that every year the same issue crops up again and again without fail. It appears to have paralysed and divided the accounting fraternity. I am talking about no other than the elusive quest for a mandatory minimum audit fee level.

I personally do not agree with this but then I am not a small or medium-sized practitioner.

There are already far too many mandatory fixed prices in our country; I just don't think it is fair. Many a time the minimum or maximum price/fee is designed to protect local interest but I believe in the long run, free choice with adequate competition is the best way forward.

To be fair to those advocating this approach we must have a meaningful discussion by dissecting and deliberating on this issue in greater detail to arrive at a reasonable conclusion.

I had a conversation with a MIA member who remembered that the fraternity was debating this very same issue a decade ago if not earlier. As expected any issue involving the bread and butter of the profession will be debated until the cows come home. So it is not surprising that we are still discussing this issue even now.

The mandatory minimum audit fee advocates cite that many practices are on the brink of collapse due to other members charging a much lower fee than the recommended level, which is not mandatory. The argument is that if it is mandatory then the issue of undercutting will go away. This particular claim may warrant further study by the Institute. So I propose a committee be formed to gather details, perhaps even scrutinise the books and income statements of these practices to see how much or how little the effect is.

Even so, I just don't think it is that simple. It appears to me that outsiders and those who will be at the paying end of a mandatory arrangement may construe this issue as an anti-competition move or as turf protection.

The legal fraternity, which had ventured into this slippery slope of mandating a scheduled list of fees for various mundane procedures and protocol, appear to have not had much success.

What has happened is that many legal outfits will bill you the mandatory amount and then give you a 'clandestine' discount. I think this practice is very shameful to any profession. The point is also that as a customer, one

should be able to shop around for the best deal at the cheapest price. It gets worse, some even charge a percentage fee based on certain criteria. Should we go down that road as well?

Modern businesses are built on the very foundation of free enterprise, the business world is where we as accountants ply our trade and it is a bit off to then buck the trend and ask for 'capital controls'. How then can we morally or professionally ask for a minimum audit fee? Is that not against all principles one upholds as an accountant in a free economy?

There is of course the unspoken accusation that those who are engaging in this undercutting of fees are sustaining the lower fee levels by compromising on the technical and competency levels. While this may or may not be true, this allegation of lack of skill may be uncovered once the practice review machinery is in full swing.

If someone can balance the need for professional competence with a lower than market audit fee, surely it would be preposterous to bar him/her from doing so on the grounds that it hurts other small firms? Surely this is as unjust as the 'unprofessional' charge hurled against them.

Then there is the argument that low audit fees make it difficult to retain audit staff which in turn makes it very difficult to deal with client concerns about the lack of continuity in the audit team. If this is true why then do audit staff also leave the big firms which some think charge higher fees to their clients? It must be something to do with the disparity of pay between staff and partners and the choice of some to venture elsewhere perhaps.

The best solution for this will be for all audit fee license holders to ensure that they charge what is right and just. Not with the intention to undercut others but with a clear perspective of one who is carrying out a business.

Our ethical standards have many rules governing the need to charge what is reasonable, fitting for the level of skill and care needed to undertake and complete an assignment. Anyone breaching this, with sufficient proof from those who are accusing their fellow accountants of unjust and undercutting can be hauled up to the disciplinary board.

There is also another factor that many advocates of mandatory minimum audit fees perhaps may have overlooked. Many of the Institute's members are also in business and they are the "buyers" of this audit service from

the public practice. Is it fair on them to mandate that they must pay a minimum level of fees rather than negotiate at arms length.

In any case, while the fraternity is splitting hairs over the need for mandatory minimum fee levels, a dark cloud has engulfed the 'audit faculty' practically unnoticed. There is a strong lobby from SMIs to completely do away with statutory audits for small and medium-sized businesses.

That is what the profession should be targeting their efforts and attention to. As said by one of the members at the recent MIA AGM, if they (small businesses) do not wish for their accounts to be audited, they can always choose sole proprietorship or partnership. They should not have it both ways, looking for limited liability and then conducting business like a sole proprietor. That is just not on.

I do realise that many small practitioners are extremely enraged (up to their eyeballs) with the advice that they seek other forms of revenue by way of other niche or mass services as they reckon it is easier said than done. However, quoting one of my previous bosses, an audit partner whose reply to any request for 'realignment' of junior staff salary was, 'We do not owe you your living'. The same applies here I gather. Society does not owe us a living. It is down to us and how best we harness our expertise, skills and knowledge that will guarantee our continued existence as a profession in this world.

Radha K. Vengadasalam
CHARTERED ACCOUNTANT
PETALING JAYA

Thank you for your Thoughts

Before you give the Editorial Team a pat on the back for a job well done, let me first personally say we could not have come this far without you, our valued readers. Your feedback has been invaluable as you have shown us things we were probably too close to the job to see ourselves. Your compliments have been encouraging and have confirmed at the very least that we are on the right track to giving you a better communication tool that reflects what the Institute is all about.

Thank you for your suggestions on editorial content... as you can see we have now introduced the 'Book Review' section many of you requested for. And you have my word we will continue to widen our coverage of topics that hold more interest to our readers. One such topic is 'Financial Planning' in this issue that features the views of key players in the industry. It is very informative... so do give it a read.

Improving the content and look of *ACCOUNTANTS TODAY* is an on-going process so you can bet your last ringgit we will continue to seek your feedback and do everything in our power to ensure this magazine lives up to your standards! Once again, thank you for your thoughts. — **Raymond Liew, Editorial Board Chairman** AT

What the Accountants Say

Thumbs Up!

■ *Thank you for the exciting and revamped magazine, what is now called ACCOUNTANTS TODAY. I thoroughly enjoy reading the magazine and please keep up the good work.* — **Joseph Foo, Kuantan**

Reader Friendly Yet Relevant!

■ *"I must say the new Institute magazine, ACCOUNTANTS TODAY is very much better than the previous journal. Not only are the articles more "reader-friendly", they even appeal to non-accountants while still staying true to the principles of the accounting profession. The new Editorial Board certainly deserves credit for this. Just one comment, those of us in Brunei would appreciate if there was more coverage of the country's happenings such as your Institute's involvement in IFAC and the progress of AFA. Apart from that, the Editorial Team certainly deserves a pat on the back for an excellent job. Congratulations!"* — **Lee Kin Chee, Brunei**

Thought Provoking Articles are a Good Read

■ *"The articles are good but the technical elements could be "softened" somewhat so commercial accountants can appreciate the content better. Having said that, certain articles like "Money Tree" does make for refreshing reading.*

On the topic of Tax Agents, why not reveal certified and qualified Tax Agents and disclose the unlicensed ones? Currently, there are many "fake" Tax Agents who pass themselves off as qualified Tax Agents. This is reprehensible as they are putting the public at risk. The Institute cannot intervene as these phony Tax Agents do not belong to the accountancy profession in the first place.

Also, could the Institute disclose the differences between ACCA, CIMA, MICPA, CPA and degree holders and their "alliance" to the Institute. Lastly, in regards to mergers & acquisitions in the July 2003 issue, does it mean that larger sized firms demand higher professional fees? Does size really "value add" to the accountancy profession?" — **Ng Lee Ling, Kuala Lumpur**

Finally a Magazine Worthy of the Institute!

■ *"I like ACCOUNTANTS TODAY. The layout is refreshingly new and the content is not too technical unlike the numerous medical, law, engineering and architecture journals I come across in Hong Kong all the time. The paper quality is superb and I wait anxiously to see the cover of your magazine every issue. Your magazine says volumes of what the Institute stands for. Keep up the good work."* — **Yvonne Ching, Hong Kong**

Perfect Down to the Last Detail

■ *"The colour scheme of the issue for October 2003 was so well thought through that it even blended in nicely with the symbolic colours of Ramadhan. Guys, you sure put in lots of effort to consider the various ethnic groups in Malaysia. Although Budget 2004 is yesterday's news, it was good to have a short 'refresher course' made all the more easy with the writer compartmentalising the issues cleverly. Equally interesting was the article '5 Steps Up'. You are all doing a great job!"* — **Corinne Chai, Selangor** AT



National Accountants Conference 2003

The Transforming Profession

New Strategic Roles in the Organisation

Touted as the premier convergence of the accounting profession in Malaysia, the National Accountants Conference ended on a high note on the evening of 7 October 2003. Hitting an all time-high of 1,600 participants, the Conference this time around, just like its preceding ones, did not disappoint those who came thirsting for information and looking for networking opportunities.

The Conference kicked-off on the morning of 6 October 2003 with the arrival of the Guest of Honour, YB Dato' Dr. Jamaludin Dato' Mohd Jarjis who was scheduled to launch the Conference that morning. Also present were Deputy Accountant-General Mohamad Salleh Mahmud, the Institute's President Datuk Dr. Abdul Samad Haji Alias, Vice-President Albert Wong, the Registrar Mohammad Abdullah, Council Member Datuk Nur Jazlan and Conference Organising Chairman Manjeet Singh.

In his officiating address, Dato' Dr. Jamaludin urged all present to take a look at the big picture by launching a series of fresh initiatives such as being passionate about corporate social responsibility, getting immersed in policy discussions and ultimately helping Malaysia negotiate the next phase of transformation. In doing this, he encouraged Malaysian companies to internationalise their character, scope and dimensions as well as make the world their market place and training ground. In addition, Malaysian businesses ought to leverage

on our population size and growth to tap into new opportunities. "Furthermore, with Malaysia sitting in the middle of two massive markets such as India and China it is all the more easier for Malaysian companies to seek opportunities as opposed to the ageing populace of the rich countries."

He added that it was necessary to make positive changes in order to facilitate Malaysia's transition into becoming a regional services hub. As the country vies to attract more foreign direct investments, various means and methods to step up on service delivery and acquire knowledge as well as skills must be looked at in order to

compete with other players in the market. "An on-going exercise on capacity building and the exposure to new professional experience and skills would be necessary, as the market would demand that accountants have adequate understanding of global business environments to provide the widest range of services within the profession."

Meanwhile, Datuk Dr. Abdul Samad while addressing the participants called on accountants especially small practitioners to hone their skills in specific areas and then integrate with other companies to offer combined services. This, he said would

be beneficial as it allows for specialisation which will in turn result in services of a higher quality. He also stressed on the need for accountants and the corporate sector as a whole to be more flexible and adaptable towards change. "Changes must be embraced because failing to do so would result in dire consequences such as loss of business for the individual who refuses to go with the flow," he said.

Datuk Dr. Abdul Samad also stressed that while change is necessary, accountants should also maintain the core values of the profession which include integrity, objectivity and independence. These must be practiced at all times because as professionals, accountants are expected to adhere to a pre-set code of ethics and technical standards, he said. "The eruption of corporate scandals such as Enron and Worldcom are not the results of a flaw in the accounting system because it was



Warm welcome ... MIA President Datuk Dr. Abdul Samad Haji Alias welcoming the Guest of Honour, Dato' Dr. Jamaludin Dato' Mohd Jarjis. Standing at the back (L-R) Mohd Salleh Mahmud and Albert Wong



One for the album ... MIA council members together with Dato' Dr. Jamaludin Dato' Mohd Jarjis posing for a group photo after the NAC 2003 launching. (L-R) Datuk Nur Jazlan, Datuk Dr. Abdul Samad, Dato' Dr. Jamaludin Jarjis, Manjeet Singh, Mohammad Abdullah, Mohd Salleh Mahmud and Albert Wong

a case of people bending the rules for the sake of self-interest.”

A total of 19 speakers from Malaysia as well as other countries presented various topics ranging from change management to technical issues. In keeping with the theme of the Conference which basically urged the fraternity to keep up with the changing global business climate, most of the topics were centred on giving participants a peek into the future and what they needed to do in order to survive times of globalisation and trade liberalisation. Some of the sessions were motivational in nature, imploring those present to reach out for greater achievements and to scale greater heights.



Impressed ... watching the presentation during the launch



Participants sharing a light moment with one of the speakers

Mountaineer Jamling Tenzing Norgay, the son of Tenzing Norgay who together with Sir Edmund Hillary conquered Everest for the first time in 1953, captivated the audience with his session “*Touching My Father’s Soul — An Odyssey to the Top of Everest*” in which he shared with participants his arduous journey up the world’s tallest mountain. His presentation comprised more than personal triumph and family honour because it was discovered that leadership, planning, confidence, commitment, apprenticeship, experience, judgement, strength, persistence, patience, professionalism, teamwork and humility were quintessential pre-requisites if one was to reach the summit. It did not take too long



Dato' Dr. Jamaludin Jarjis delivering his keynote address



Heartfelt gratitude ... Datuk Dr. Abdul Samad Haji Alias presenting a memento to Dato' Dr. Jamaludin Jarjis



Presidential address ... the MIA President told accountants to change their mindsets



Good turnout ... a section of the Sunway Convention Hall

for participants to realise how relevant the presentation was in facing their everyday organisational challenges.

The Chief Executive Officer of Air Asia, Tony Fernandes, also had the crowd transfixed with his session titled *Cost Control With Flying Colours*. He shared with participants how he managed to turn Air Asia into what it is today. It is a story worth listening to because it highlighted one or two important lessons, the most important one being that "Nothing is Impossible!"



Press conference in progress

Later that evening, it was a full house at the Grand Conference Dinner at the Sunway Resort Hotel's Grand Ballroom.

Gracing this occasion was Deputy Finance Minister II Dato' Dr. Ng Yen Yen who gave a rousing speech calling accountants to shed traditionalist mindsets and embrace the winds of change. The highlights of the evening were definitely the performances put up by Joanne Yeoh and Ruth Sahanaya. The former, clad in an eye-catching outfit thrilled the audience with her brilliant

violin performance. Choosing to walk among the audience while playing instead of just standing on the stage stringing out



Council members and guests during the opening ceremony of NAC 2003



Enthusiastic participants in one of the sessions

NAC 2003 Conference Dinner



Memorable moment ... MIA council members and their spouses posing for a group photo with Deputy Minister of Finance, YB Dato' Dr. Ng Yen Yen before the Grand Conference Dinner



Meeting of friends ... YB Dato' Dr. Ng Yen Yen is delighted to meet YB Puan Sri Datin Susan Cheah while MIA President Datuk Dr. Abdul Samad Haji Alias looks on



Registration ... guests registering themselves at the entrance



A light hearted moment ... YB Dato' Dr. Ng Yen Yen (centre) shares a joke with Securities Commission Chairman, Datuk Ali Tan Sri Abdul Kadir and his wife Datin Tina

her pieces, she had the crowd eating out of her hands during her short but astounding performance. Ruth Sahanaya, the petite lady with the big voice was also in her element that night as she wooed the crowd with popular numbers from her albums. With a powerful and alluring voice, Sahanaya cajoled the crowd into singing popular numbers along with her. Many of those present also went backstage to have their pictures taken with the lovely Sahanaya.

The second day of the Conference was dedicated to concurrent sessions which were held in three different rooms. Participants attended sessions that appealed to

them. One of the sessions that saw a big turn-out was *The Impact of Globalisation on Malaysia's Current Economy*, presented by Professor Dr. Mahani Zainal Abidin. The huge turnout, which signified the level of interest in the topic, was also an indicator that people are really curious as to the effects of globalisation.

Another highly interesting session, which saw a jam-packed room, was *E-Mail vs Snail Mail* which was presented by Shirley Taylor. It was a highly interactive session in which Shirley lightly teased and questioned the crowd on their style of writing, which she finally concluded was in the style of our great-grandfathers. In the age

of e-mail and the Internet changes must occur she told participants. She suggested several steps to help do away with the old style of writing while adopting contemporary writing styles that are more personal in nature!

During session 5A participants crowded the room to see Ronald W Metcalf, Lam Hon Ming and Lam Kee Soon discuss the Practice Review programme in a forum session.

Signifying the closing of the NAC 2003 Conference, Organising Chairman, Manjeet Singh read out the closing speech in which he thanked all parties for helping make the conference a huge success. **AT**



MIA Boleh... the Secretariat staff who tirelessly worked to ensure a successful Conference



The Secretariat staff manning the MIA booth during the Conference



Ruth Sahanaya in her element



Dazzling Joanne Yeoh wooing the crowd



The MIA President presenting Dato' Dr. Ng Yen Yen a memento from the Institute during the Grand Conference Dinner



Cost Control with Flying Colours

*By Tony Fernandes, Chief Executive Officer,
Air Asia Sdn Bhd*



E-mail versus Snailmail

*By Shirley Taylor, Training Consultant,
Shirley Taylor Training and Consultancy*



Touching My Father's Soul — An Odyssey to the Top of Everest

*By Jamling Tenzing Norgay, Founder,
Tenzing Norgay Adventures*

Other Sessions Held During the Conference

6 October 2003

Meeting Challenges, Changing Attitude

*By Dato' Lawrence Chan, Executive Chairman
and Founder of Personal Development Leadership
Management Corp (M) Sdn Bhd*



Renowned for his expertise in the areas of human and leadership development, success and learning strategies, mental and sales training, Dato' Lawrence Chan shared with participants the S.M.A.R.T. formula which can be deployed in facing the multitude of challenges in one's life. He also told participants that challenges could be met successfully by changing one's attitude and utilising latent potentials in addition to working smarter with unusual and innovative ideas and concepts. This lively session was well received by most.

The Investor's Mind of Sun Tzu

*By Dr Foo Check Tek, Associate Professor at
Nanyang Technological University, Singapore*

During this session, Dr Foo imparted to participants his hypothesis of the presence of an accounting unconscious in the mind of Sun Tzu, author of *The Art of War*. To illustrate the conceptual depth of the *Art of War* thinking, Dr Foo related aspects of the ancient Chinese General's work to investment strategy and how in writing the *Art of War* Sun Tzu recorded strategies that were not just relevant to battlefield tactics but economics as well.

FISH!

*By Jimmy Tan, Chief Operating Officer of
Cyber Eureka Pvt Ltd*

Tan shared with participants the FISH! experience which puts

forward the fundamental aspects that help businesses excel by allowing its employees to achieve work excellence, and personal accountability that subsequently result in the achievement of customer satisfaction and ultimately loyalty to a particular brand. Participants were shown a video presentation of how Seattle's Pike Place Fish Market put the FISH! philosophy into practice to achieve increased enthusiasm and passion for their jobs among employees and offer customers a pleasant experience when making purchases.

7 October 2003

Forum on Exporting Your Services

Panellists: *Prakash Nair, Manager of Services Promotion Unit, MATRADE and Dato' Nordin Baharuddin, Joint Chairman/Client Service Partner of Ernst and Young Malaysia*

Moderator: *Nik Mohd Hasyudeen Yusoff, Executive Chairman of Khairuddin, Hasyudeen and Razi*



This dialogue session, which allowed participants to share their insights and experience and provide feedback in response to the issues raised, covered key issues, challenges and trends affecting the services sector in general and the accountancy, auditing and bookkeeping sectors. Discussing globalisation and liberalisation of trade in services at the global (GATS), regional (AFAS) and bilateral levels, the panellists also explored issues such as the changing roles of accountancy firms and accountants, international regulatory changes and the requirements for becoming globally recognised accountants. Also deliberated upon during the session were strategic initiatives that have been put in place to help the profession weather the challenges. At the micro level, the panellists addressed the experiences and problems faced by member firms in exporting their services. Participants were also given an insight into managing their corporate risk scorecards.

Enterprise Software Adoption in the Small and Midsize Business Market

By Sun Whye Mun, Director, SMB Solutions, Asia Pacific, SAP

Information technology (IT), being one of the key elements driving the changes within the profession, was addressed during this session in which the speaker enlightened participants on why IT was so important and how it could work for their benefit. Since the profession also consists of many small and medium-sized firms, this session focused on the implementation of information technology for these organisations. Among others, Sun shared with participants the

benefits of deploying IT, issues and challenges and why IT investment was crucial to businesses. Urging participants to shed misconceptions and fear of technology he went on to explain why there is a need for constant upgrading and how to do it cost-effectively.

Doing Business in China

By Deng Liyang, First Secretary, Commercial and Economic Councillor's Office, China Embassy, Malaysia



Upon entering the WTO, China, which is expected to become one of the formidable economies in the region, will hold attractive investment opportunities for foreigners. During this presentation, Deng highlighted key points relating to foreign trade and investment, China-Malaysia bilateral trade and the processes and procedures involved when establishing a business in China. She also mentioned some of the major projects being conducted in China under the 10th Five-Year Plan (2001-2005) apart from illustrating the achievements of the previous Five-Year Plan.

Competition policy — Bane or Boon

By R. Sivanason, Head, Trade & Economics Consumers International, Asia Pacific

In this session, the speaker illustrated to the audience the effects of competition policy. In presenting his paper, Sivanason told those present that competition policy is significant especially where developing economies are concerned though the implementation challenges are immense. Whether the national competition policy will be a bane or boon, he said, is largely dependent on the objectives chosen to guide the implementation of the policy and its judicious application. He also noted that in developing such a policy, legislators will have to involve all stakeholders and consider the country's economic, social and political development objectives because a standard (one size fits all) model will not work.

Intellectual Property Rights: Issues and Challenges

By Chee Yoke Ling, Legal Advisor, Third World Network

Being a somewhat "controversial" but interesting topic, the speaker enlightened participants on Intellectual Property Rights (IPR). She pointed out problems developing countries faced in promoting research and innovation and how they faced difficulties in gaining access to technologies required for their development. She also presented her views on how certain developed nations use IPR to monopolise a certain market via methods like price control. In doing so they are also hindering the knowledge-sharing process, she said. Another issue worthy of note was the debate involving the patenting of life forms such as plants, animals, micro-organisms, and human genes. AT

(to be continued in the next issue)

Top Earners *in Malaysia*

By S. Vicknes

It is amusing to note that the remuneration packages of directors are always a subject of interest.

The top 50 companies in terms of total payout to directors

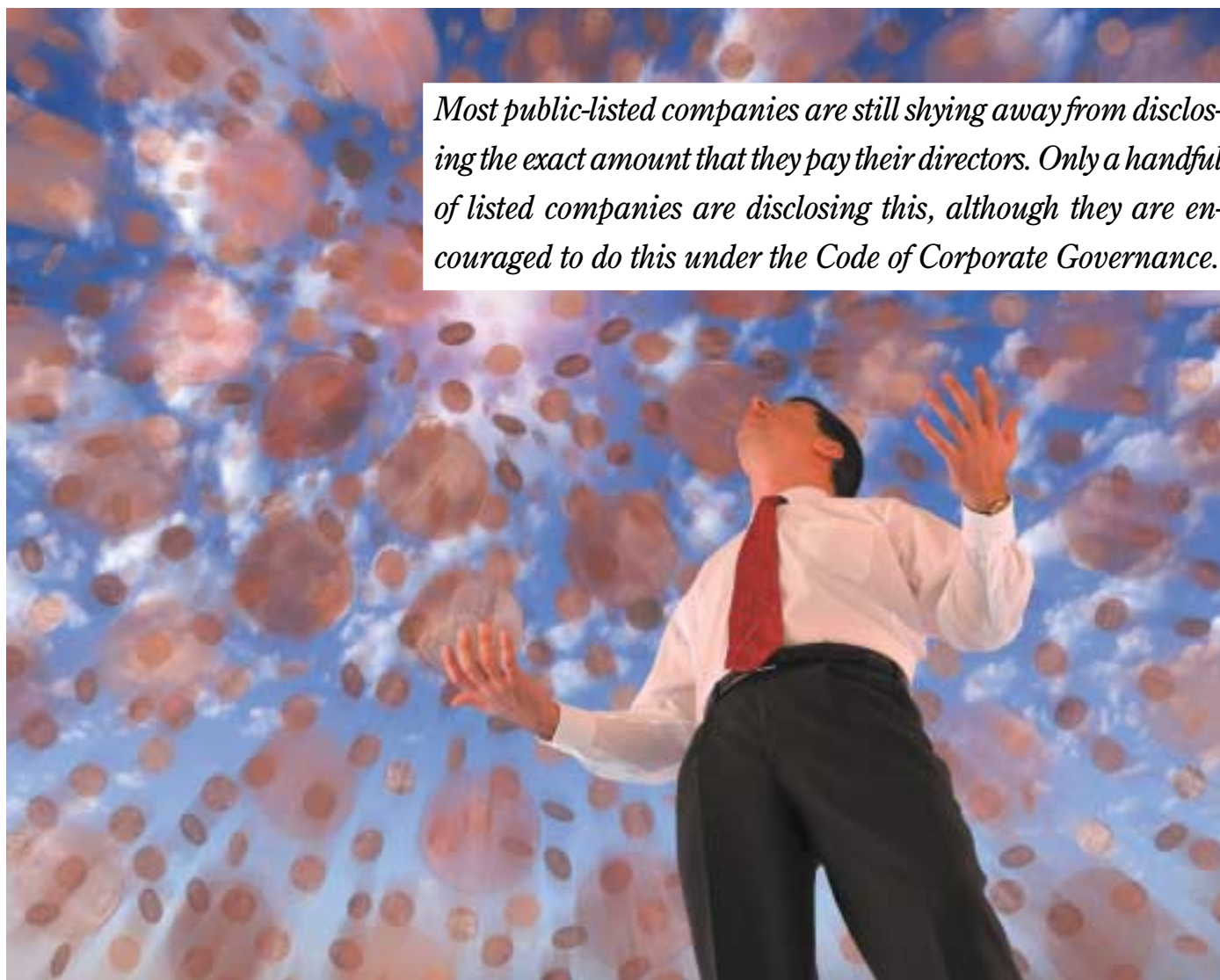
The same old issues of inadequate disclosure crop up. Also the same old suspects dominate the list of the highest paid directors. In 2001, it was no different.

Most public-listed companies (PLCs) are still shying away from disclosing the exact amount that they pay their directors. Only a handful of listed companies are disclos-

ing this, although they are encouraged to do this under the Code of Corporate Governance. The majority are merely following what is required of them, as stipulated in the *Revamped Listing Requirements* of 2001. The listing requirements require that the aggregate remuneration of directors be disclosed in successive bands of RM50,000.

So based largely on bands, here are the top 50 of year 2002 payouts. Sitting at the

Most public-listed companies are still shying away from disclosing the exact amount that they pay their directors. Only a handful of listed companies are disclosing this, although they are encouraged to do this under the Code of Corporate Governance.



top of the pack in terms of the largest payout to directors is leading gaming operator, Genting Bhd. It paid RM86.2 million to its directors in 2002, an increase of 94 per cent from 2001. This figure includes remuneration of directors in subsidiaries, Resorts World and Asiatic Development.

It was also disclosed in the Genting annual report, that one of its executive directors is paid between RM68,500,000 to RM68,550,000, making that person the highest paid director amongst KLSE listed companies. It was not disclosed however, who exactly this director is but it is believed to be either the company's chairman and founder Tan Sri Lim Goh Tong or his son Tan Sri Lim Kok Thay, who now runs the company.

Ranking third after Genting and Resorts World is conglomerate Berjaya Group, which dished out RM33.5 million to its

But the payout deserves closer scrutiny. For instance Berjaya Group made a higher loss in 2002 as compared to the previous year yet its payout to directors remains one of the highest on the local bourse. But it must be noted that the remuneration of the Berjaya Group includes that of its subsidiaries, including money-spinner, Berjaya Sports Toto which is the fastest growing gaming company in the country.

Interestingly there are several companies which are loss making on the top 50-list. Cases in point: Malayan United Industries (MUI), Texchem Resources Bhd, Mulpha Industries Bhd (Mulpha), Hong Leong Industries and Pernas International. But it must be noted that all these companies, with the exception of Pernas are large concerns, with numerous subsidiaries and billions in revenue. The payout is also based on group level, including some

million in 2001. The other listed multinational in the 50-list is Courts Mammoth Bhd at 37th placing. Companies like Nestle (M) Bhd, JT International Bhd and Carlsberg Brewery (M) did not even make the list and yet these companies are known for their excellence in corporate governance.

In terms of market capitalisation, there is no direct link between this and the payout to directors. Of the top 20 companies in terms of payout, only five are in the top 20 in terms of market capitalisation. Take the case of Malayan Banking, which has the largest market capitalisation on the KLSE. However Maybank is only ranked 15th in terms of total payout to its directors.

On the other hand, its banking rival, Public Bank Bhd, which is 6th in terms of market capitalisation, takes the 10th spot for total payout to directors. For that matter, Genting is only 11th in terms of market capitalisation.

“Perhaps the clearest trend that has emerged from the 2002 payout, is that there are certain sectors of companies which are tending to pay their directors more ... In particular, the banking and finance sector is becoming more noted for this.”

board of directors. This payout includes that of its subsidiaries Berjaya Land, Berjaya Sports Toto, Berjaya Capital, Cosway Corporation and Matrix International.

It is interesting to note that while Genting posted a profit of RM761.40 million for the FY 2002, its profits are smaller as compared to those posted by utility giants like Tenaga Nasional Bhd and Telekom Malaysia Bhd, which recorded profits of RM1.48 billion and RM1.56 billion respectively in year 2002. Yet, the latter two, along with other government-related companies such as Sime Darby Bhd and Perushaan Otomobil Nasional Bhd (Proton) are not in the top 50 list in terms of total payout to directors for 2002.

Reward for Losses?

The payout of companies that make a loss does evoke interest. Are directors being compensated for doing a bad job?

money making subsidiaries. As for Pernas, there has been a change in management.

Going even further, there was one company, which was affected by the *KLSE's Practice Note 4 (PN4) guidelines*, — PN4 companies are those with negative shareholders funds — that made it to our list. MBf Holdings' total payout to directors of RM6.46 million places it at the 29th spot. (MBf has already come out of the PN4 list in the middle of this year). There are other PN4 companies (such as Olympia Industries) whose payout to directors surpassed that of blue-chips companies (AMMB Holdings) and multinational companies (Nestle Bhd).

Talking about MNCs, one would expect them to have a higher remuneration package for their directors as compared to local PLCs. It however appears not to be the case. British American Tobacco (M) Bhd is ranked 23rd in the list with a total payout of RM7.68 million, down from the RM11.2

Owner-run Companies Pay More

One notable trend is that companies which are owner-managed have tended to make heftier payouts to directors. Of the top 20 in terms of directors remuneration, only two are managed by a set of professionals who do not own the majority equity in the company. The other 18 all have a major shareholder holding an executive position on the board, usually, the chief executive officer.

Perhaps the clearest trend that has emerged from the 2002 payout, is that there are certain sectors of companies which are tending to pay their directors more.

In particular, the banking and finance sector is becoming more noted for this. Public Bank and RHB Capital led the pack, paying out a total of RM11.3 million and RM10.3 million respectively to its directors last year.

Directors of property companies were also well compensated, as were those from the consumer goods, automobile and construction sectors. Interestingly, telecommunications, technology and media companies paid relatively smaller amounts to their directors.

But the one trend that we all can be sure of is that shareholders are going to be ask-

	Company	Total Payout (incl subs) (RM)		Highest band 2002 (RM)	Revenue RM ('mil)		Net Profit/Loss RM ('mil)	
		2002	2001		2002	2001	2002	2001
1	Genting	86,167,000	44,361,000	68,500,000-68,550,000	3,534.70	3,148.40	761.40	453.60
2	Resorts World	47,567,000	24,221,000	33,700,000-33,750,000	2,781.50	2,503.10	642.60	351.90
3	Berjaya Group	33,483,000	32,124,000	8,200,001-8,250,000	8,241.51	7,723.80	-651.57	-593.25
4	PBB Group	18,079,000	16,349,000	2,650,000-2,700,000	7,857.98	5,629.09	250.70	170.30
5	Berjaya Land	14,184,000	15,580,000	8,200,001-8,250,000	2,961.81	2,773.25	23.91	55.43
6	Malaysian Mosaics	14,044,000	8,521,000	700,001-750,000	753.57	667.36	42.51	47.77
7	Texchem Resources	12,737,730	8,636,025	2,300,001-2,350,000	654.46	551.37	-3.07	4.44
8	Mulpha International	12,226,000	9,697,000	450,001-500,000	1,090.29	992.49	-7.32	63.96
9	Berjaya Sports Toto	11,835,000	13,378,000	8,200,001-8,250,000	2,294.34	2,333.34	303.50	283.63
10	Public Bank	11,304,000	9,586,000	2,200,001-2,250,000	4,046.16	3,794.25	770.24	700.08
11	Malayan United Industries	11,048,372	8,981,704	3,450,001-3,500,000	1,358.88	692.84	-996.51	-35.31
12	RHB Capital	10,334,000	11,704,000	4,900,001-4,950,000	2,614.29	2,854.97	169.52	262.91
13	Rashid Hussain	10,192,000	12,092,000	below 50,000	2,571.29	2,825.72	-269.64	-198.09
14	Oriental Holdings	10,143,000	8,798,000	2,600,001-2,650,000	2,946.28	2,583.04	161.00	116.01
15	Malayan Banking	9,766,000	9,014,000	1,050,001-1,100,000	7,403.24	8,062.30	1,647.70	839.64
16	VS Industry	9,553,000	10,124,000	1,400,001-1,450,000	758.39	578.21	23.05	24.36
17	YTL Corp	9,171,050	8,683,650	1,900,01-1,950,000	2,567.94	2,326.05	362.37	330.87
18	Leader Universal	9,105,000	11,497,000	2,100,001-2,150,000	1,055.60	1,137.20	29.24	9.81
19	Cosway Corp	8,862,000	8,794,000	1,450,000-1,500,000	1,456.62	1,487.80	-146.19	-98.06
20	IOI Corp	8,222,000	7,357,000	6,000,001-6,050,000	2,410.50	1,291.58	350.96	291.13
21	MK Land Holdings	8,197,000	2,433,000	3,785,000 (highest paid)	1,077.29	539.31	182.28	54.44
22	TA Enterprise	7,959,000	8,815,000	1,538,000 (highest paid)	192.62	350.23	10.41	32.83
23	British American Tobacco	7,680,007	11,200,000	2,087,350 (highest paid)	3,072.95	3,010.37	662.88	607.70
24	UMW Holdings	7,525,000	6,540,000	795,000 (highest paid)	3,933.46	3,196.96	225.79	182.79
25	FFM	7,485,000	6,599,000	1,900,001-1,950,000	384.86	357.44	112.57	224.92
26	Hap Seng Consolidated	7,362,000	3,300,000	4,900,000-4,950,000	515.65	174.84	118.59	346.47
27	DRB Hicom	7,165,000	6,077,000	2,350,001-2,400,000	4,329.29	4,968.67	176.11	156.18
28	Sapura Telecom	6,469,000	4,950,000	650,001-700,000	367.46	443.91	1.21	273.33
29	MBf Holdings	6,457,000	7,189,000	800,001-850,000	758.08	683.34	-170.12	-178.89
30	Cahaya Mata Sarawak	6,456,000	6,593,000	900,001-950,000	1,378.99	1,242.77	48.41	85.77
31	SP Setia	6,363,000	8,011,000	1,618,000 (highest paid)	647.57	555.17	102.41	89.68
32	Star Publications	6,191,000	5,076,000	4,600,001-4,650,000	521.35	468.86	77.57	68.27
33	Unza Holdings	6,189,000	4,540,000	1,200,001-1,250,000	381.20	312.44	30.82	25.93
34	Tan Chong	6,187,042	6,407,090	2,450,001-2,500,000	1,526.93	1,500.59	102.96	108.76
35	Pernas International	6,084,000	7,402,000	615,739 (highest paid)	1,081.04	1,016.50	-183.64	-103.96
36	Nam Fatt	5,939,514	5,496,835	1,000,001-1,050,000	444.45	317.77	21.13	-368.75
37	Courts Mammoth	5,859,305	6,099,185	800,001-850,000	498.35	545.16	65.77	81.46
38	Eng Teknologi Holdings	5,698,789	5,553,006	1,150,001-1,200,000	103.01	167.82	-19.93	13.96
39	Hup Seng Ind	5,656,614	5,529,887	1,050,001-1,100,000	164.88	161.19	14.44	14.71
40	Trenergy	5,166,188	4,608,263	450,001-500,000	316.76	263.03	-219.99	14.20
41	Antah holdings	4,940,000	6,334,000	350,001-400,000	384.94	614.13	16.61	-19.92
42	Lafarge	4,778,000	5,665,000	500,001-550,000	1,674.01	1,657.30	83.39	64.80
43	Hong Leong Ind	4,760,000	8,439,000	2,250,001-2,300,000	1,950.27	2,510.65	-78.02	-70.02
44	MWE Holdings	4,746,132	5,057,548	300,001-350,000	490.21	471.55	-18.53	-32.73
45	QL Resources	4,600,000	4,031,000	600,001- 650,000	561.82	475.70	18.05	16.60
46	Muda Holdings	4,543,769	4,444,197	1,100,000-1,200,000	487.25	428.30	1.36	4.93
47	Celcom	4,512,000	5,029,000	1,668,808 (highest paid)	2,400.81	2,558.77	32.93	-62.20
48	Apollo Food	4,511,232	4,213,190	1,900,001-2,000,000	93.43	100.78	13.72	19.74
49	Dialog Group	4,505,591	3,205,357	1,300,001-1,350,000	367.40	321.83	54.31	41.41
50	Padiberas Nasional	4,479,000	4,075,000	50,001-100,000	1,763.80	1,679.86	22.41	70.94

Source: compiled from various published reports

ing for better transparency by companies that they invest in. They are also going to want to be sure that the remuneration amounts that are given to directors are justified. The last thing that companies should do these days is over pay and under disclose. Perhaps companies can take a leaf from the handful that have been transparent in their disclosure as well as not making overly hefty payments to their boards, namely companies such as British American Tobacco, Malayan Banking, Telekom and Tenaga to cite a few. **AT**

“... shareholders are going to be asking for better transparency by companies that they invest in. They are also going to want to be sure that the remuneration amounts that are given to directors are justified. The last thing that companies should do these days is over pay and under disclose.”



Foreign Furore

The public furore that prompted the resignation of Richard Grasso, chairman of the New York Stock Exchange (NYSE), over his US\$13.9 million annual pay package, has put the spotlight on directors' remuneration.

Grasso's departure from the NYSE is surprising because his was not a company that was riddled with scandal and neither was there any indication that his performance was slacking. And yet, shareholders demanded blood when they discovered the actual amount of money Grasso was going to be earning, pension plans and retirement benefits included.

Earlier this year, shareholders in the UK rejected a motion that sought a huge pay and benefit package for GlaxoSmithKline's chief executive, Jean-Pierre Garnier.

This is the first time that an executive pay deal had been rejected by shareholders in the UK. Several large companies including HSBC Holdings Plc, Tesco Plc and Prudential Plc have come under fire for contracts awarded to directors.

So why are people like Grasso and Jean-Pierre coming under fire, merely for earning million-dollar packages?

The answer may lie in the current psyche of investors, which commentators say have been largely influenced by first, the dotcom bubble burst, followed by severely declining stock prices the world over and then the shocker of corporate scandals ala Enron.

This fever has spread to the local environment as well as we have seen a number of cases locally where shareholders have voiced their displeasure with some of the pay practices of listed Malaysian companies, especially those that are loss-making.

Even though these instances are few and far as compared to shareholder activism in the west, it is bringing to light that companies in Malaysia have a duty to ensure that what they are paying their directors is in line with the shareholders' expectations, which in turn are determined largely by a company's performance.



How Much is Right?

But the issue of figuring out the right amount of payout to directors is a universal dilemma. HR consultants themselves acknowledge that no one has worked out an acceptable formula for determining compensation packages. What is clear though is this: First, you have to pay competitive packages to attract and retain good talent at the board level. Two, shareholders expect some correlation between pay and performance. It is the combination of these two factors that is making directors' remuneration a hot topic these days.

While companies claim that they need top-notch packages to attract top-notch talent, critics say that they have no problem with this. "It is reward for failure that is unjust and unwarranted," notes a disgruntled shareholder.

Commentators are also laying blame at the compensation committee, as it is this sub-set of the board of directors who are the ones determining the pay packages. This issue was aptly described by a recent *Wall Street Journal* article which was headlined: *Forget the Fat Cats; Sack the People Who Pay Them.*

Compensation committees ideally, should be composed of independent directors in order to prevent executive directors from setting or influencing their own pay. The audit committee should also act as a check and balance against excessive payouts to directors.

This committee should be setting performance targets and using this as a criteria for determining director remuneration. Therefore, some say that the composition of the remuneration committee should perhaps receive more attention than the ultimate pay packages of directors.

Observers are predicting that it is these committees who are going to soon steal the limelight from audit committees, as they (compensation committees) will come under intense scrutiny. **AT**

A Big Plus for Transparency

By S. Vicknes

Out of the 900 odd companies on the Kuala Lumpur Stock Exchange, only 7.5 per cent or less than 80 are totally transparent on the amount that directors earn. The

numbers, based on the disclosures made in the annual reports for the financial year 2002, may seem small but it is an improvement compared to 2001 when only 31 companies disclosed the exact amount the top executives were paid.



Normally companies that are transparent are those that are favourites among institutional shareholders such as Permodalan Nasional Bhd, the Employees Provident Fund, Khazanah Nasional and foreign funds. Some of the familiar names that fall in this category are Malayan Banking Bhd, UMW Holdings, Tenaga Nasional, Telekom Malaysia Berhad, British American Tobacco and Nestle.

Some smaller names such as Malaysian Building Society Bhd (MBSB) and Golden Hope are also transparent in their disclosure of remuneration although these companies do not attract a diverse range of institutional shareholders. One reason could be that these companies are generally owned by the institutional shareholders themselves. For instance MBSB is owned by the EPF while PNB controls Golden Hope.

It is a norm for companies that are controlled by institutional funds to disclose clearly what the chief executive takes home a year in salaries, the estimated money value of the benefits in kind and other incentives. If the figure is not stated to the last sen, at least the total remuneration of the chief executive is stated in the band of RM50,000. The remuneration of other directors are also stated.

In 2002, there were many new additions to the list of companies being transparent about what the directors were paid. Some of them were MK Land, TA Enterprise, SP Setia, Pernas International Holdings, Celcom and Puncak Niaga.

While the list of companies that are willing to be transparent is growing, it is still far from being a norm if compared to the number of listed companies on the KLSE.

The majority follow the disclosure requirements as laid out by the KLSE listing requirements. Some adopt the bare minimum, which is to disclose the wages in bands of RM50,000 without stating whether an executive or non-executive director is in that particular band. The majority follow a standard format whereby the company states the wages in bands of

RM50,000 and indicate if an executive or non-executive is on that particular band.

Normally executive directors are in higher bands compared to non-executive directors. But most companies have a few executive and non-executive directors. Hence, pin pointing who actually is in the highest band is pretty much left to the imagination of shareholders.

The assumption is the executive chairman or managing director receives the most. But it is not necessarily true, especially in cases where the listed company is managed by professional managers.

For instance the managing director of the listed company may seem to earn the most based on the disclosure in the corporate

“... the managing director of the listed company may seem to earn the most based on the disclosure in the corporate governance segment of the annual report. However closer scrutiny to the notes in the accounts reveals that the owners of the listed entity who are sitting on board subsidiaries ... receive more than the professional manager.”

governance segment of the annual report. However closer scrutiny to the notes in the accounts reveals that the owners of the listed entity who are sitting on board subsidiaries (of the listed company) receive more than the professional manager.

For instance in Malaysian Mosaics Bhd, the total pay out of the company to directors who are on the board of the listed company is RM3.01 million. However the total payout, including that paid by subsidiary companies amounts to RM14.04 million. Texchem Resources is also another example where the total amount paid to directors on the board of the listed company is much less than that paid out to subsidiary companies. In Texchem's case, the amount paid out to directors at the listed company is RM802,859 while the total amount that the company paid to all its directors, including those at the subsidiaries was RM12.74

million. For the record, Texchem generated a turnover of RM654.46 million in 2002.

Hence to get a fair idea of what company directors earn, it is crucial that shareholders do not only scrutinise the remuneration as disclosed in the corporate governance segment of the annual report. It is also essential that shareholders look at the notes to the accounts, which reveal the total payout of the company to directors of the listed companies and its subsidiaries.

No Tangible Benefits

Most companies do not state what each director earns individually citing as ‘excuses’ that such information is confidential, increases security risk and does not add to the enhancement of corporate governance practices significantly.

While many would agree that wages are confidential in nature but generally when a company goes public it warrants higher disclosure, including the amount that is paid out to directors. Overseas, the remuneration is a sensitive and hot topic that has led to resignations.

Last month, Richard Grasso, the chairman of the New York Stock Exchange had to leave his job in a huff after it was discovered that he was paid a lump sum of US\$140 million.

Other executives at the NYSE received US\$133 million. It must be noted that the exchange earned a net profit of US\$28.1 billion as at December 2002 and many are wondering how much was really spent towards improving regulatory works, which is the main function of the exchange.

In Malaysia, the remuneration package is an interesting topic. Except for Genting Bhd that pays figures that are described as jaw-dropping to its executives, most of the listed companies set aside quantum that are hardly disputed by shareholders.

But despite the relative obedience among shareholders, there is a lack of transparency on who actually earns what, especially among smaller companies and those that are owned by individuals. It is sometimes puzzling as to why this occurs. If the remuneration package of the CEO in the largest bank can be made public,



So, are Hefty Payouts to Directors Justified?

The headline numbers show that payouts to company directors have risen. However, that is on the back of higher profit and turnover.

Nobody can say for sure if directors deserve what they get because there is no benchmark for executive compensation. "I cannot see one formulated. We are in a free economic environment where competition among companies is the guiding point," says Raymond Liew, Council Member of the Malaysian Institute of Accountants.

He describes a director as an employee, with performance measured by end-results and reflected in the bonus and fees.

"The main difference between the so-called 'director' and 'employee' is possibly the ownership or control of management. Really, it would be foolish for anyone to think that one can formulate a formula. Perhaps, a suggested guideline — and that itself may be impossible," says Liew who is also an adjudicator for the Nacra award, which recognises companies with the best annual reports.

Reza Ghazali of Korn Ferry International says the remuneration package depends on a number of factors such as the size of the company, the number of staff, revenue, market rate for a similar position and to a lesser extent the executive's last drawn salary.

"There is not one single benchmark that can be used to determine the compensation package of top executives. And it also varies from industry to industry," Reza says.

The compensation package is generally broken into two components — the fixed compensation or the basic package, and the variable portion. The latter, he says, can be a combination of many elements

such as bonus, equity, options and *ex-gratia*. **AT**

why are the smaller companies holding back?

Security cannot really be an issue. The demeanour and lifestyle of well-paid executives clearly reveal their fat salaries. The flashy cars with drivers and bodyguards are ample evidence of their wealth. So security cannot really be an issue.

But what is rather clear is disclosing the compensation package and being transparent about what executives earn, does not necessarily translate into the company receiving tangible benefits such as better shareholders or higher stock prices.

For instance disclosing the remuneration package of the directors individually, does not mean the company will have access to cheaper funds. For instance companies such as Golden Hope, Kumpulan Guthrie, TA Enterprise and MK Land are transparent on what the top executives earn. However their cost of capital is not necessarily cheaper compared to those who do not disclose the full details.

Greater disclosure also does not necessarily lead to higher share prices, greater following by analysts or more institutional funds flocking in to become shareholders of that particular company. Some of the companies that are transparent such as BAT, Maybank and Nestle have a fair amount of institutional shareholders because of the high return on equity and dividend payouts. It is not because the company is transparent over the remuneration package of directors.

But companies that are transparent in the remuneration package earn a lot of goodwill and credibility, which come in handy especially among foreign investors. And if these companies show a little improvement in earnings, the multiplier effect on the share price is much higher.

So being transparent may not necessarily bring short-term benefits. But in the long run, it is definitely a big plus to any listed company. **AT**

Nobody can say for sure if directors deserve what they get because there is no benchmark for executive compensation ... "I cannot see one formulated. We are in a free economic environment where competition among companies is the guiding point ..."

Raymond Liew, Council Member, MIA

"There is not one single benchmark that can be used to determine the compensation package of top executives. And it also varies from industry to industry,"

Reza Ghazali, Korn Ferry International

Does MVA Measure Up?

By Stephen Keef and Melvin Roush

It may be popular and lauded by many, but market value added, argue Stephen Keef and Melvin Roush, does not necessarily give an accurate picture of wealth creation.

In the early 1990s, market value added (MVA) was seen as the solution to all financial performance measurement needs. G. Bennett Stewart III is typical when, in his book *The Quest for Value*, he says that “maximising MVA should be the primary objective for any company that is concerned about its shareholders’ welfare”.

Many agree. Much praise has been heaped on MVA and its related measure, economic value added (EVA), and many companies have reported great financial success after adopting the techniques. *Fortune* magazine has published the rankings of companies based on MVA performance since 1993.

Stewart defines MVA as “the difference between a company’s fair market value, as reflected primarily in its stock price, and the economic book value of capital employed”. Economic book value is the best estimate of the monies shareholders have invested in the company. It consists of the sum of the monies subscribed for new shares, together with retained earnings, which are profits that could have been paid out as dividends, but have been re-invested for shareholders.

The classic approach to wealth generation has been to invest in projects with a positive net present value. One has a view of the future that can be characterised as

a time series of expected cash flows. These are discounted to their net present value using the appropriate risk adjusted discount rate. The cash flows could arise from a new project, an increase in the productivity of an existing project, or from the sale of surplus, or underperforming assets.

A New York consultancy firm, Stern Stewart & Co has used these to market EVA and MVA. Its ideas are not new, but it has successfully differentiated its products from the old approach.

For wealth maximisation, it recommends applying generally accepted accounting procedures to the view of the future. The resulting profits, in conjunction with the asset values in the balance sheet, are then converted into a series of expected EVAs, which are discounted to a present value. Rather than urge the maximisation of net present value, it stresses that one should maximise MVA and EVA. While it is understandable for Stern Stewart to champion its own performance metric, some may see it in the same light as driving from London to Bristol via Newcastle.

Stern Stewart’s approach to EVA and MVA has been uncanny: it presents them as being closer to economics than to accounting. It believes that divisional managers should be able to understand the mechanics of EVA and MVA without being experts in accountancy.

Part of MVA’s popularity may be its apparent ability to convert accounting numbers into useful measures of economic value. One would be forgiven for thinking that the *holy grail* of accountants is to establish the value and relevance of figures, particularly profit. A big breakthrough in this search was made by R. Ball and P. Brown more than 30 years ago. They studied risk-adjusted share price reaction to the announcement of unexpected profit and found that it accounted for around 10 per



“maximising MVA should be the primary objective for any company that is concerned about its shareholders’ welfare”.

cent of the abnormal share price reaction.

MVA won ringing endorsements from the CEOs of leading companies: "It is the way to keep the score. Why everyone doesn't use it is a mystery to me." (Roberto Goisoeta of Coca-Cola); "MVA gauges true economic performance," (Art Krause, CFO of Sprint). MVA seemed to be the ideal measure.

Of course, it is not as simple as that. One of the main uses of performance measurement is to provide information about the results of effort expended in the recent past. The trouble is that MVA is a hybrid statistic. Is it an ex-post or an ex-ante performance measure?

The equity book value number in the MVA equation represents investments made in the past, so it is clearly an ex-post measure. Market value is the present value of future cash flows, which makes it an ex-ante statistic. The difference between those two figures, the MVA, is neither ex-ante nor ex-post. Therefore it is not clear what MVA measures.

MVA is the net present value created for shareholders over the life of the company. It therefore follows that MVA is the present value of future EVA. Market value consists of two components: the value created (MVA or net present value) and the cost of the investment.

There are two things wrong here. First there is no systematic link between the cost of the investment and resulting net present value. It is easy to think of examples of small investments that created large gains (Microsoft, Dell Computer) and examples of large investments that incurred heavy losses (General Motors and Ford). So the value created is no more or less important than the cost of the investment. Individually, they are meaningless.

Second, the only measure of importance is their sum, that is, market value. The net present value created or destroyed last month, or last year, is unimportant. It is the same for economic book value. In the jargon of management accountants, both are sunk costs. What matters is current wealth and how it will change over the next period.

What about predicting the financial future? Consider a firm that has experienced big wealth increases in the past. In the future, the expected wealth increase, through change in share price, is just the standard risk-adjusted expected rate of re-

turn. Indeed, two firms with the same beta would have the same expected return even though one has a large MVA and the other a large negative MVA. This is because all relevant information is fully factored into the current share price if the market is semi-strong form efficient.

IBM is a good example. In 1985 it was top of the MVA rankings. By 1995 it was ranked 997, but climbed back up to 16th position by 1998. In contrast, Microsoft rocketed to the top in just a few years. Unless these are the exceptions that prove the point, MVA is of limited use as a predictor of the future. Share prices are far more volatile than economic book values. The implication is that strategic decisions affect share prices — assets employed by the firm are of far less significance.

Size is a problem for MVA. It is well recognised that, all other things being equal, larger firms tend to produce larger profits. One answer to this is to standardise the reported profit to a rate of return statistic — for example, return on assets employed or return on equity. MVA standardised by an appropriate measure of size would be a more suitable statistic, something Stewart's book acknowledges.

Dell Computer, for example, was ranked 42 in *Fortune's* 1998 list of America's greatest wealth creators. Its MVA was a staggering US\$25.7 billion on an asset base of just US\$0.5 billion. Its MVA to economic book value ratio was more than 50. By ignoring the size effect, Dell's ranking has been grossly understated.

Periodic change in MVA can be used as a performance measure. The change is calculated by the change in market prices less the change in book value. The change in book value can be seen as the new equity contributed by shareholders. Therefore, the change in MVA represents the net present value created for shareholders during the period in question.

Changes in market value occur almost continuously. Share prices are routinely reported but, because of the timing of financial reports, a quarterly change in MVA is usually the best that can be achieved. So is it the MVA since inception or the recent change in MVA that is of most significance to shareholders? The answer should be clear. A ranking of companies by MVA cre-

ated in the past year would make interesting reading.

For any interval shorter than the ordinary reporting period, the change in MVA is simply the change in market value. Why bother calculating changes in MVA when an inspection of share price changes will reveal the same picture? This differential measure is applicable only for a short time: it does not take into account the risk-adjusted rate of return that is expected in a competitive market.

The MVA of the firm represents the MVA of shareholders who bought their shares when the firm was set up. But what is the MVA of recent investors? Theirs is the change in the market price of the share since the purchase. Since shares are always changing hands, there are almost as many MVAs as shareholders.

The annual turnover on a competitive stock market is about a third of market capitalisation. A conservative assumption is that the half-life of a share is two years — in other words, half the shares in the average company are sold every two years. After 10 years, only three per cent of shareholders will retain their shares. So it could be argued that each shareholder has a different MVA. What about shareholders who bought half of their shares a year ago and the other half last week?

Having examined the MVA created by CEOs in relation to the capital available at the time they assumed their position, Al Erhbar, a senior vice-president of Stern Stewart, tacitly acknowledges that MVA depends on when shareholders purchase their shares. The implication is startling; there is no such thing as an MVA that is applicable to all shareholders.

By promoting MVA, Stern Stewart has focused on the true goal of CEOs — to create wealth for shareholders. But there are drawbacks. Rather than maximise MVA, CEOs should seek to maximise the orthodox risk-adjusted abnormal returns. This is what interests shareholders and measures wealth creation in a competitive capital market. **AT**

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Sustainability Reporting

Comprehensiveness is central to effective reporting. Identifying its key stakeholder audiences and the information applicable for each, it provides a wealth of data, messages, charts and background, together with policies, key performance indicators and quantified targets. A company's performance should also be put into context with that of its peers.

A potential downside of comprehensive reports is that their in-depth coverage of diverse issues results in a long read which may satisfy only reporting nerds and discourage a broader readership. Therefore all reports — but especially the larger ones — need an executive summary. Reports should include a third-party verification statement. Verification of web-based reports is an emerging area: how can a single statement cover a “living” document?

Electronic Formats

Electronic reporting formats are becoming more widespread although readers may find the information more difficult to access. A printed report can be skim-read and assessed within a few minutes, whereas electronic reports are often difficult to find on a corporate website and frustrating to navigate.

The major issue is to enable readers to orientate themselves and identify information within a potentially huge document. Attention spans are shorter on the Internet. If information is not found quickly the reader may lose interest; the best report content in the world is useless if it isn't communicated. Site maps, search engines and better design can all assist navigation. Regardless of the report's format, a balance must be struck between comprehensiveness and effective communication (requiring reports to be reasonably short and fairly succinct).

The CEO's Statement

Most reports have some form of introduction by the company head. These CEO statements tend towards being smug and self-congratulatory. With a few honourable

exceptions, the CEO tends to list some “major achievements” and offer bland reassurances about his or, more rarely, her commitment to sustainable development and CSR. These statements should be more balanced, outlining shortcomings as well as the good news. They should give a CEO perspective on how any stated commitment to sustainable development is aligned with business strategy: readers need reassurance that this is not an optional add-on with little business significance. Key issues and challenges to be faced would also help to provide a more rounded outline.

Verification Statements

While verification statements are important in establishing a report's credibility, a statement with no substance can actually undermine it. Statements often appear to be prepared for the benefit of the commissioning company rather than the reader. It takes a brave independent verifier to draw attention to shortcomings in the report or in company performance, prepare a list of recommendations, and insist that the full statement is published. But this should become the norm, not the exception. As matters stand the cosy relationship between verifiers and the companies they work for is resulting in a series of jargon-filled, verification statements. This has the cumulative effect of undermining the credibility of the reports themselves.

Stakeholders

Reports are not produced in a vacuum. They are developed with specific stakeholder



audiences in mind such as employees (including unions), local communities, investors and business partners. An issue on which all commentators agree is that stakeholders need to be involved in the report development process. The needs and expectations of a company's stakeholders should influence that company's policies and decisions, and this process, together with the outcomes, should be outlined in the report. Some companies collate stakeholder feedback and use it in developing their reports.

Better Balance

Companies also need to work towards a more even balance between environmental, social and economic issues, when they report on sustainability or CSR. There is currently a preponderance of environmental information in most reports, with some social and even less economic data.

Lobbying

Finally, lobbying positions should be disclosed. Clearly, stakeholders have an interest in knowing how a company is using its muscle on key public policy issues, such as governance or carbon emissions. Some stakeholders will monitor closely how these stated positions square with the CEO's statements on commitment to sustainability and CSR.

Companies that started reporting early are now reaping the benefits in terms of embedded policies, working systems and availability of data. Reporting will prove its value when thousands of leading companies, rather than the current hundreds, publish reports. **AT**

*Note : ACCA issues a free web-based newsletter, **Accounting & Sustainability**. To subscribe please visit www.accaglobal.com/sustainability*

Putting *Strategy* into the Balanced Scorecard

By Peter Brewer

Talk to any balanced scorecard consultant, and you'll find that the most important step in creating a balanced scorecard is defining your strategy. While that sounds like an easy thing to do, it's surprising how many companies struggle to define their strategy clearly, embed it into their balanced scorecard performance measurement system, and communicate it effectively throughout their organisation (*see sidebar: The Balanced Scorecard at a Glance*). The problem: companies don't have access to structured approaches to translate high-level strategy statements into specific scorecard measures. The result: a disconnection between strategy and performance measurements.

The changing nature of value creation complicates the performance measurement process as well, especially since the new economy has stood the world of value creation on its ear. In 1978, the average US company had a book-value-to-market-value ratio of 95 per cent, but by 1998 the ratio had plummeted to 28 per cent! In fact, numerous highly successful companies such as AOL Time Warner, Cisco Systems, Amazon.com, Coca-Cola, Microsoft, General Electric, and Charles Schwab had book-value-to-market-value ratios in recent years of less than 10 per cent and, in some cases, even less than five per cent! Why? Intangible assets! Though Wall Street understands the value of intangible assets, the traditional financial accounting model is mired in the world of physical and financial assets that dominated value creation 20 years ago. For managers trained in the Old Economy finance, the New Economy forces them to stretch their mental model of what constitutes a sustainable business model.

The VDF Framework

So how do you translate strategy into measures? The Value Dynamics Framework (VDF), shown in *Figure 1*, is a tool that can help companies interested in bridging the gap between strategy statements and balanced scorecard implementation. It enables them to disaggregate broad strategy statements into the underlying assets that are

being used to deliver value to customers, thereby helping them focus the balanced scorecard metric selection process on the assets that are critical to achieving strategic objectives. The VDF recognises that, in today's economy, physical and financial assets aren't the only types of assets used to create wealth but acknowledges that customer, organisational, and employee/supplier assets are also important. Consider how some of the assets of AOL Time Warner, Starbucks, and DaimlerChrysler AG never appear on the balance sheet.

Subscribing customers are an asset for AOL, not in terms of their subscription revenue but in terms of their ability to generate advertising revenue. Numerous companies pay AOL to gain visual exposure to the millions of customers relying on AOL for Internet access. Despite the revenue-generating ability of AOL's customers, they don't show up on AOL's balance sheet.

When Starbucks introduced its gourmet coffee-flavoured ice cream, it became a best seller in the US within three months, thanks to the company's brand image. While brand is an organisational asset in the VDF framework, the value of Starbucks' brand isn't reflected in its balance sheet.

DaimlerChrysler AG views its relationships with suppliers as a critically important asset, yet the value of its supply chain relationships in terms of improved product quality, time compression, and lower costs isn't depicted on its balance sheet.

How Can I Create a VDF?

You can break the process of creating a Value Dynamics Framework into four steps. First, create a list of assets that supports your strategy. Include physical and financial assets such as office buildings, desks, computers, cash, and accounts re-

The Balanced Scorecard at a Glance

The balanced scorecard offers an alternative to organisations that have historically overemphasised short-term financial performance. It measures performance from four perspectives: customer, process, learning and growth, and financial, recognising that long-run financial success is driven by an organisation's ability to continuously learn and grow and to manage the processes that deliver customer value.

A balanced scorecard should have 15 to 25 measures that support a company's strategy and are linked together in the form of cause-and effect hypothesis statements. Forming these linkages encourages a company to specify how investments in learning and growth will drive continuous process improvement, increasing customer satisfaction and financial prosperity.

The balanced scorecard measures should cascade across divisions and down through the levels of an organisation so that all employees are evaluated and rewarded using action measures that are connected to the scorecard.

ceivable only if they differentiate your company from its competitors.

Second, explain how the assets in the VDF interrelate to deliver customer value. According to strategy expert Michael Porter, a competitive advantage is created when your company's activity system is difficult to replicate. Therefore, it's the combination of assets depicted in the VDF that works in unison to create an activity system leading to a competitive advantage.

Third, identify the strengths, weaknesses, opportunities, and threats (SWOT analysis) underlying the VDF. The future may hold unexploited opportunities and unforeseen threats that render a current VDF and its associated activity system obsolete. Hence, the VDF is an evolving business model, not a stagnant one.

Fourth, define the critical success factors underlying the strategy, and identify particular combinations of assets as being supportive of each critical success factor. Creating a VDF in this manner will focus your balanced scorecard metric selection process on the assets and critical success factors most important to achieving your strategic objectives.

Building Dell's VDF

To illustrate the application of the VDF, I'll use Dell Computer Corporation. Dell's mission statement, which appears on its website, is "To be the most successful computer company in the world at delivering the best customer experience in markets we serve." While this mission statement provides a high-level expression of Dell's strategy and goals, it doesn't specify the combination of

assets that Dell relies on to meet customer expectations. It would be a substantial leap of unstructured thought processes to jump directly from this mission statement to the process of choosing measures for a balanced scorecard. Here's where the VDF can help.

Figure 2 provides a VDF for Dell. It breaks down Dell's high-level mission statement into the assets that drive the attainment of strategic objectives. Dell's two biggest assets are classified under organisational assets, namely the leadership of Michael Dell and the business processes underlying the direct business model. Other organisational assets include:

- Patents related to Dell's direct business model;
- Corporate consumers' perception of brand stability;
- Individual consumers' perception of first-to-market technology leadership; and
- A segmented organisational structure that enables managers to get intimately acquainted with customers' needs within a business segment.

Dell's physical assets provide a classic example of "less is more." As a result of bypassing distributors and selling directly to customers, Dell minimises the need to maintain inventory. Also, Dell maximises its flexible-response capabilities by outsourcing component-part manufacturing. Dell doesn't have substantial resources tied up in physical facilities dedicated to winning the first-to-market battle for each successive generation of technology. But Dell invests in the information technology infrastructure that supports real-time communication among its customers, its own manufacturing facilities, component suppliers, and airfreight carriers.

The policy of outsourcing component manufacturing leads to a discussion of supplier and employee assets. By maintaining partnerships with as few highly reliable suppliers as possible, Dell streamlines its operations and relies on its computer monitor suppliers to ship directly to the customer. As long as a supplier retains its leadership position, Dell will collaborate with it to achieve mutual success, but if a particular supplier loses its edge, Dell has the flexibility to respond quickly. Another asset? Employees. Direct sales people, help desk operators, engineers, and the like all have to

Figure 1

The Value Dynamics Framework

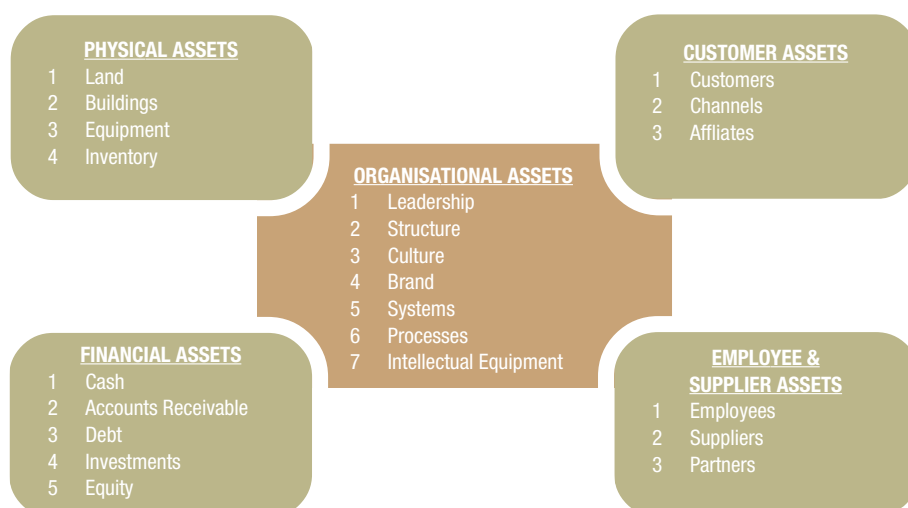
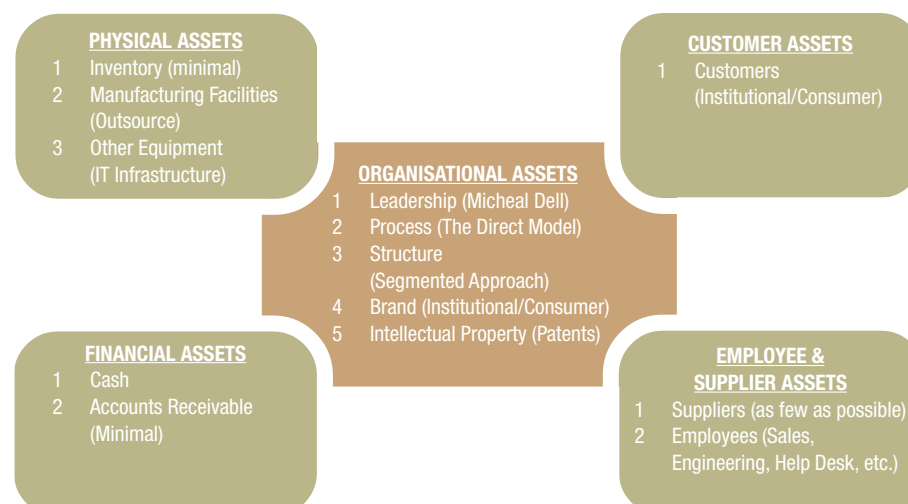


Figure 2

Dell Computer's Value Dynamics Framework



Adapted from *Cracking the Value Code: How Successful Businesses are Creating Wealth in the New Economy* by Richard Boulton, Barry Libert and Steve Samek.

be knowledgeable and customer focused to ensure Dell's continued competitiveness.

In addition, customers are critically important assets to Dell. When Dell introduced the direct model, all of its competitors were selling computers to end consumers via distributors and detaching themselves from end consumers. Dell, on the other hand, sells directly to consumers and is continuously communicating with them and benefiting, especially in two areas: seeing sales trends and learning about unmet customer needs.

The sales trend data helps Dell match supply with demand, and information related to unmet customer needs translates into opportunities for innovation of products and services. The company also relies on customers' knowledge of what they want to purchase and when they want to complete the transaction to drive the direct business model. Dell leverages this source of customer knowledge by making it as easy as possible for a customer to place a customised order electronically. In fact, Dell has set up about 7,000 customised versions of dell.com for various customers. Electronic ordering is hassle free for the customer and cost effective for Dell.

Finally, financial assets appear in the VDF. The primary financial assets for Dell include minimal accounts receivable and a strong cash position. Dell's cash conversion cycle (e.g., days accounts receivable outstanding + days inventory on hand – days accounts payable outstanding) is minus five days, which means customers pay Dell before it has to pay suppliers. This minimisation of working capital provides not only a cost advantage, but cash availability to support necessary investments to stay at the forefront of technology.

Linking Dell's VDF to the Balanced Scorecard

Dell's Value Dynamics Framework provides a richer body of information to support the balanced scorecard metric selection process than the mission statement alone because it specifies the assets that deliver customer value and profits. It provides a structure that facilitates the underlying thought process involved with transitioning from the high level mission statement to selecting measures for each of the four balanced scorecard perspectives: learning and growth, process, customer, and financial.

Let's look at Dell's assets that relate to its customer intimacy and operational efficiency value propositions. *Figure 3* suggests that Dell's leadership, structure, customer, brand, and employee assets play a pivotal role in delivering on the customer intimacy value proposition. Likewise, *Figure 4* suggests that customers and employees, as well as the remaining assets from Dell's V13F, support its operational efficiency value proposition. Here's an analysis of the underlying logic of the links between Dell's customer intimacy assets and the balanced

scorecard measures shown in *Figure 3*.

The Customer Intimacy Value Proposition

Michael Dell says his most important leadership responsibility is looking for "value shifts" in his company's customer base. To identify the shifting needs of customers, he has to stay in close contact with them. The segmented organisational structure and the employees who work within that structure are two other assets that enable Dell to focus on building intimate relationships with its segments of customers. To build customer intimacy and loyalty, Dell leverages its customers' knowledge of their own unmet needs. Dell's brand image was and is shaped by customer feedback.

Identifying this linked set of assets enables Dell to select strategy-focused, asset-based balanced scorecard measures that support the customer intimacy value proposition. For example, the balanced scorecard's learning and growth measures might include:

- Training dollars spent per full-time equivalent by customer segment to ensure that well-educated business segment managers provide state-of-the art advice to customers.
 - Number of collaborative customer-solution teams that motivate Dell to collaborate with its customers and jointly create technology solutions that fulfil any unmet customer needs.
 - Number of emerging technologies evaluated inspires Dell's leaders to stay abreast of technology threats and opportunities that may alter the competitive landscape in the future.
- Business process measures might include:
- Percentage of total hours spent in contact with the customer,
 - Number of customer-initiated product innovations, and
 - Average customer idea ramp-up time.

The first measure — hours spent with the customer — would be evaluated at the executive as well as managerial levels. This would motivate Dell's highest-level leaders, as well as its segmented management teams, to stay in touch with the customer. The second business process measure — customer-initiated product innovations — should motivate Dell employees to listen to and collaborate with customers. The first two measures

For More Insight

Many books and articles provide information on issues related to the VDF. The book *Cracking the Value Code: How Successful Businesses Are Creating Wealth in the New Economy* offers a wealth of information on the VDF framework. Michael Porter's article, "What is Strategy?" in the November/December 1996 issue of the *Harvard Business Review* provides a deeper understanding of strategy.

If you like insight on inter-organisational, supply chain-oriented balanced scorecard performance measures, see the article, "Using the Balanced Scorecard to Measure Supply Chain Performance," which appeared in the Spring 2000 issue of the *Journal of Business Logistics*, and "Adapting the Balanced Scorecard to Supply Chain Management" in the March-April 2001 *Supply Chain Management Review*. Both articles were written by Peter C. Brewer and Thomas W. Speh.

To learn more about customer intimacy and operational efficiency as value propositions, see Michael Treacy and Fred Wiersema's article titled *Customer Intimacy and Other Value Disciplines* in the January-February 1993 *Harvard Business Review*. And to obtain further information on how these value propositions relate to the balanced scorecard, read Robert S. Kaplan and David P. Norton's book titled *The Strategy-Focused Organisation: How Balanced Scorecard Companies Thrive in the New Business Environment*.

Figure 3 Linking the VDF to the Balanced Scorecard :
Dell's Customer Intimacy Value Proposition

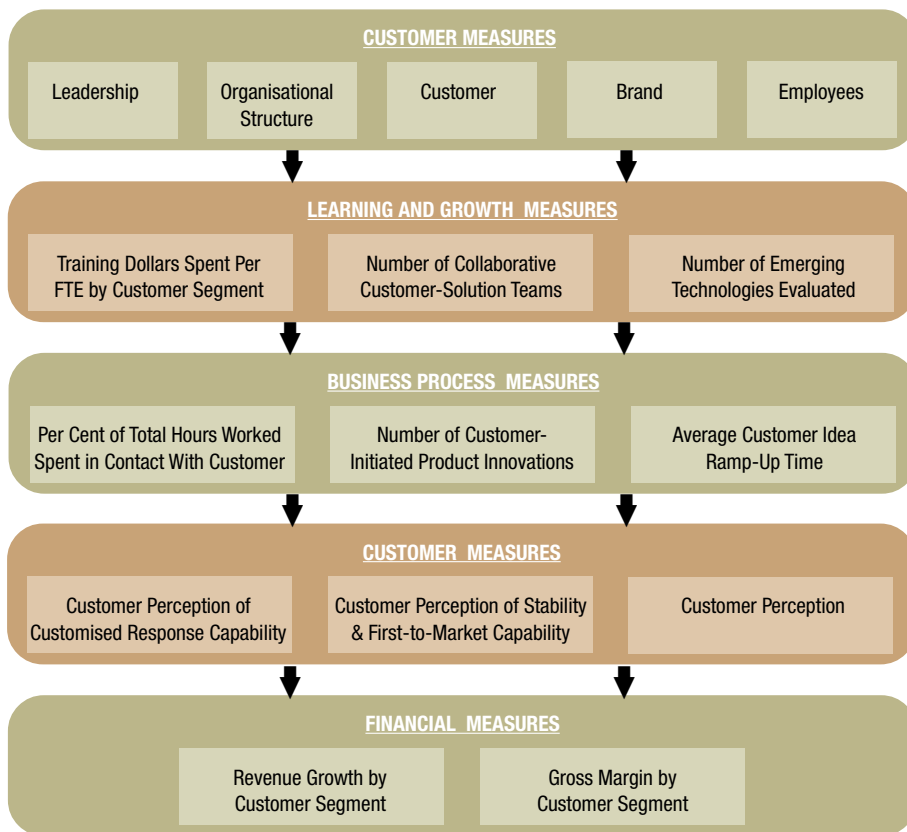
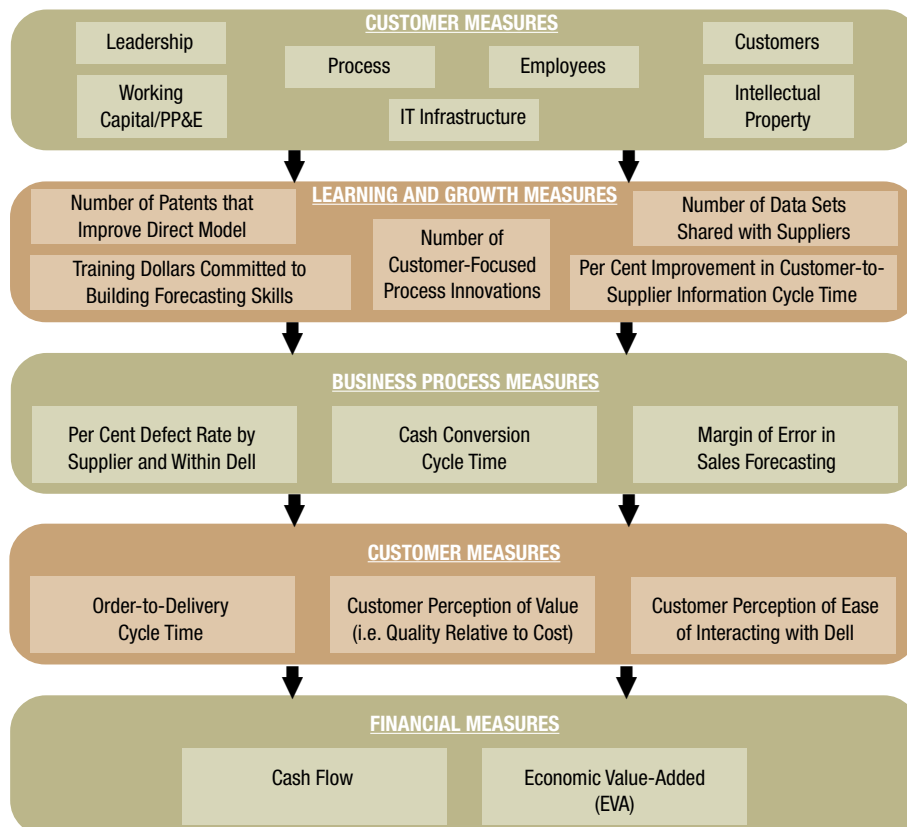


Figure 4 Linking the VDF to the Balanced Scorecard :
Dell's Operational Efficiency Value Proposition



from the learning and growth perspective would support this process-oriented measure. The third measure — ramp-up time — assesses how long it takes Dell to translate a customer's idea into reality because creating innovative ideas is one thing, but delivering results in a timely manner is another.

The three customer measures are customer perception of customised response capability, customer perception of stability and first-to market capability, and customer retention. If the learning and growth and business process outcomes are being achieved, then as the first customer perspective measure suggests, customers should perceive that their individual needs are being met in a timely manner. The second measure focuses on brand image. If Dell stays in touch with customers and delivers solutions consistent with their needs, then its brand image of stability in the institutional segment and "first-to-market with the latest technology" in the consumer segment should remain strong. Finally, if customer perception regarding the prior two measures is positive, Dell should be able to retain customers and grow the business.

Pursuing the value proposition of customer intimacy should lead to revenue growth, so the financial measures are revenue growth by segment and gross margin by segment. Since the growth needs to be profitable growth, gross margin is included as a financial measure to ensure profitable growth.

Key to Success

Bain & Company's research suggests that 50 per cent of the Fortune 1,000 and 40 per cent to 45 per cent of larger companies in Europe use the balanced scorecard. Many more companies, large and small, are likely to implement the balanced scorecard in the near future. The Value Dynamics Framework is the key to balanced scorecard success because it helps translate broad strategy statements into strategy-focused, asset-based measures.^{AT}

This article first appeared in the Institute of Management Accountants published journal *Strategic Finance* in January 2002. IFAC's Professional Accountants in Business Committee (PIAB) selected the article as the winner of its Articles of Merit 2003 Competition, an Award Program for distinguished contribution to Management Accounting

2003/2004 Broad-Based Tax Measures for Companies

No doubt, the prelude to Budget 2004 was filled with eager anticipation as to what extras the government had in store, having already rolled out a total of 96 measures in its not-so-distant Economic Stimulus Package on 22 May 2003. Understandably, broad-based tax measures were not in abundance although Budget 2004 managed to present a handful of incentives for specific industries.

By Kenneth Yong Voon Ken

This article attempts to examine the broad-based tax measures relevant to most companies as announced in Budget 2004 and in the Economic Stimulus Package, and provides some insights to their economic rationale. The four main measures to be discussed are:

- ① 20 per cent tax rate on first RM500,000 of chargeable income of small and medium scale companies (SMCs).
- ② Deductibility of entertainment expenses.
- ③ Double deductions of leave passage.
- ④ Real Property Gains Tax exemption.

20 per cent tax rate on first RM500,000 of chargeable income of SMCs

The Budget 2004 proposal grants Malaysian resident companies with a paid-up share capital not exceeding RM2,500,000 at the beginning of the basis period (collectively known as "small and medium scale companies" or SMCs) a dual tax rate of 20 per cent on the first RM500,000 of chargeable income, and 28 per cent on the remaining chargeable income.

This measure represents an extension of the existing dual tax rate of 20 per cent on the first RM100,000, which was first introduced in Budget 2003. Critics have commented on numerous occasions that the



Budget 2003 proposal merely granted a RM8,000 tax savings — and many were quick to point out that this was relatively low.

Generously enough, the Budget 2004 proposal effectively increases this figure by five times, resulting in potential tax savings of up to RM40,000 (8 per cent x RM500,000). Increasing the threshold for the 20 per cent tax rate produces a noticeable reduction in the effective tax rate for SMCs, making them a competitive and attractive vehicle for business. This reduction in effective tax rates may lead to greater incentives to work and, more importantly, encourage a higher degree of tax compliance. Collectively, these two effects could increase the governments' tax coffers in the longer term.

There are various reasons why the government has placed great emphasis on the development of SMCs in recent years. During the last US recession, SMCs saved the US economy, while in Taiwan, it was the SMCs that spearheaded the country's economic growth. SMCs represent a real alternative to reliance on Multi-National Corporations (MNCs) which have, of late, been relocating to business hot-spots such as China. Apart from the fact that Foreign Direct Investments are becoming scarce, SMCs have one major feature that makes them an attractive engine of economic growth: a relatively high multiplier effect. It follows that capital flows through SMCs into the economy faster than they do in MNCs, and this increased velocity of monetary circulation is expected to contribute to the potential growth of the economy as a whole.

The government hopes the eight per cent tax reduction on the first RM500,000 chargeable income will provide "additional" RM40,000 of funds for SMCs, which if reinvested into the business, could spur further rounds of growth through its high multiplier effect.

Dividends declared by SMCs are to be franked at 28 per cent even though the corresponding profits are taxed at 20 per cent. This has subtle implications. Section 108 tax credit is depleted faster than it is "earned", thus effectively limiting the amount of dividends an SMC (in particular,

a newly set up SMC) can declare per year. While this may not be intentional, the tax credit franking mechanism is indirectly encouraging (perhaps even compelling) the SMCs to reinvest retained profits rather than distributing dividends.

Given that the 20 per cent threshold applies to the first RM500,000 of chargeable income, it is interesting to see just how many companies will earn sufficient taxable profits to enjoy the 20 per cent rate to the fullest. An SMC with shareholders' funds (capital plus reserves) of RM2,500,000 would need to have a Return on Equity (ROE) of at least 16 per cent (500,000/

Shareholders' Funds vs ROE

Shareholders' funds RM	ROE required to achieve RM500k profit before tax (%)
500,000	80.00
1,000,000	40.00
1,500,000	26.67
2,000,000	20.00
2,500,000	16.00
3,000,000	13.33
3,500,000	11.43
4,000,000	10.00
4,500,000	8.89

2,500,000 x 80/100) to earn RM500,000 before tax. Table A depicts various levels of shareholders' funds and the corresponding ROE required to generate RM500,000 profit before tax. It is worth highlighting that ROE is proportional to the net profit margin and the degree of gearing used. Highly profitable companies with high gearing tend to have higher ROE.

In 2002, the average ROE of the Kuala Lumpur Composite Index was 10.2 per cent. If we assume the performance of SMCs to double that of the KLCI (i.e. assume SMCs achieve ROE of up to 20 per cent), Table A suggests that only SMCs with shareholders' funds in excess of RM2,000,000 are likely to enjoy the full benefit of the 20 per cent tax on RM500,000 and lock in the RM40,000 tax savings.

Deductibility of entertainment expenses

Entertainment expenses, banished from

the list of tax deductions since year of assessment 1989, has received a long-awaited reinstatement. Budget 2004 provides for a 100 per cent deduction on "the provision of entertainment which is related wholly to sales arising from the business of the person", and a 50 per cent deduction on other entertainment expenses. Both the Finance Bill 2003 and the Budget 2004 are silent on details of what constitutes entertainment "related wholly to sales arising from business" and other entertainment. In order that correct classification and deduction can be made, further guidelines are required. Furthermore, since entertainment has not been deductible in the past 15 years, the criteria for claiming entertainment expenses may need re-examination.

Section 18 of the Malaysian Income Tax Act 1967 defines entertainment to include :

- a) the provision of food, drink, recreation or hospitality of any kind; or
- b) the provision of accommodation or travel in connection with or for the purpose of facilitating entertainment of the kind mentioned in paragraph (a) *by a person or an employee*

of his in connection with a trade or business carried on by that person.

It is obvious that the entertainment must have been spent in connection with business (i.e. having a business purpose) for it to be deductible. Private entertainment such as spent by directors of controlled companies may not necessarily qualify, and may still be added back as a private expense. It follows that the taxpayer will need to keep sufficient records of persons entertained and purposes of the entertainment for verification during tax audits (which may occur years after the entertaining event).

Another issue for concern is exactly what is meant by "entertainment which is related wholly to sales". An example will expose the problem more clearly. It is usual for businesses to entertain customers in hopes of securing a major sales order. This entertainment expense can be argued as an expense related wholly to generating sales (it would not be incurred otherwise).

However, if the entertainment was insufficient to induce the anticipated sales order (i.e. the sales did not materialise), will the entertainment satisfy the test of “wholly related to sales arising from business” and be eligible for 100 per cent deduction? The natural question to follow is: does full deductibility depend on the occurrence of sales?

The wording of the proposed amendment to Section 39 is “entertainment related wholly to sales arising from the business” and this seems to suggest that sales must occur before full deduction can be made. Compare this with the general deduction Section 33 which states: “expenses wholly and exclusively incurred ... in the production of gross income”. Section 33 indicates that expenses must be incurred in the process of producing income (only the process must be present, income need not necessarily be produced). By contrast, the amendment to Section 39 does not refer to any process of generating sales, but instead, seems to link the entertainment expense directly to “sales arising from business”. If sales do not arise, then a strict interpretation may suggest that full deduction may not be conferred.

The Inland Revenue Board will certainly need to examine this and provide guidelines to clarify this position. It is understood that the IRB is currently in the process of preparing a Public Ruling relating to entertainment expenses.

Double deduction of leave passage

The Economic Stimulus Package confers double deduction to employers who provide local leave passage for domestic travel to employees not exceeding three times in a calendar year. This provision is applicable for the period from 1 June 2003 to 31 May 2004.

Public Ruling 1/2003 issued in August 2003 further defines leave passage as “travelling during a period of absence or vacation from duty or employment”. It follows that the exemption is limited to the cost of

travel fares only.

The impetus for this exemption is to revive the tour-and-travel-industry which was severely battered by the SARS epidemic. While it had gruesome origins, the deduction itself is rather interesting, as it grants employers a 56 per cent discount on travel fares given to employees (28 per cent x 2 = 56 per cent). Employers effectively pay only 44 per cent of the cost of travel (the balance being “refunded” in the form of a “double

tax shield”). Considering that travel fares have already been significantly depressed, coupled with the fact that leave passage was formerly a non-deductible item under Section 39, employers have a very good reason to provide local company trips for staff.

“If we were to search for a defining measure in the Economic Stimulus Package that would create the most hype, then our search will most certainly land on the real property gains tax exemption ...”

Real Property Gains Tax exemption

If we were to search for a defining measure in the Economic Stimulus Package that would create the most hype, then our search will most certainly land on the real property gains tax exemption or RPGT (pun not intended). All disposals of real property or real property shares during the period from 1 June 2003 to 31 May 2004 will not be subject to RPGT. Both individuals and companies are entitled to the exemption which covers all forms of real property including shares in real property companies.

Nonetheless, the relevant return forms must still be submitted to the IRB within the stipulated deadline of one month, and the IRB will still issue the relevant letter of clearance. What is not so certain is the position of the retention sum? The Real Property Gains Tax Act 1975 states that the seller (usually through his solicitors) shall retain five per cent of the disposal price for settlement of the RPGT. While an exemption order has been proposed for the exemption of RPGT, it was silent on the retention sum. It is interesting to observe whether the retention sum is still required to be withheld, and where solicitors have insisted on withholding such sums, is there any grounds to

challenge this rather rigid approach.

The exemption itself is expected to encourage transactions in the real property market by giving an incentive for sellers to sell and buyers to buy at prices that are more favourable than they would have been if RPGT had to be factored into the selling price. However, considering that the property market is somewhat depressed in the past few years, gains arising from real property transactions are generally expected to be modest (if any), and the RPGT exemption may have more of a psychological effect than any actual financial effect where genuine sellers are concerned.

However, the RPGT exemption offers a very rare opportunity for companies to carry out restructuring exercises without incurring unnecessary RPGT during the transfer of real property company shares. In particular, groups of companies suffering from interest restriction (as a result of holding investments in shares) may wish to take this opportunity to rationalise their shareholdings.

Conclusion

From a cursory glance, Budget 2004 did not present many profound tax measures. However, measures which might have been planned for the Budget announcement were inevitably rolled out early through the Economic Stimulus Package. One should therefore examine the Budget 2004 and the Economic Stimulus Package collectively (and not in isolation) to gauge the full set of tax measures planned for 2003/2004. More importantly, the tax measures are complemented by many non-tax measures whose main intent is to infuse the economy with available finance for business to flourish. Non-tax proposals such as the SMI loan scheme and the Cradle Investment Programme (RM50,000 grant) are certainly steps in the right direction. Now, all the economy needs is time. AN

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Tax Audit and Tax Investigations

By Choong Kwai Fatt



The New Era

Malaysia began implementing a self-assessment system on companies in 2001. Other taxpayers such as employees, sole proprietors, partnerships and trusts will join in 2004 (Income Tax (Amendment) Act 2002). Under the self assessment regime, taxpayers have the legal burdens of estimating their own income tax payable for the current year of assessment, informing the tax authorities of the estimate, paying the tax monthly, and submitting a tax return within six months of the end of their financial accounts.

Notices of assessment (Form J) will not be issued to taxpayers, under self-assessment. The final tax payable (the difference between the actual income tax payable and the estimate) must be paid, together with the submission of tax returns, six months from the end of the accounting period. No tax computation, receipts or other documents are to be submitted to the tax authorities except the tax return. All computations, supporting schedules, relevant receipts etc, are now maintained by the company, and may be subject to tax audit in future years.

The new role of the tax authorities

The tax authorities are released from the responsibilities of computing the estimates of tax, examining every tax computation submitted (for errors) and the issuing of notices of assessment, however, they are now given new responsibilities to educate taxpayers, encourage voluntary tax compliance, widen the tax net, and lastly tighten up on tax compliance through tax audit and tax investigations.

The tax authorities will carry out an external tax audit at the taxpayer's offices at regular intervals. The primary function of

the tax audit is to ensure that taxpayers prepare their tax computations in accordance with the tax laws and Public Rulings issued. The amount of income tax reported must be in line with the tax activity, substantiated by primary evidence (receipts, vouchers, invoices, credit notes) and secondary evidence (accounting books, minutes and statement from banks, creditors). There must be a full disclosure of income. Any omission of income due to human error, in completing records will then be communicated to the taxpayer, resulting in an additional assessment being issued. Penalties may or may not be imposed depending on the merits of each circumstance and the adequacy of explanations made by the taxpayer.

Tax audit may detect tax evasion. Tax evasion is the blatant act of a taxpayer understating his income or overstating his expenses by illegal means (such as false invoices, receipts or keeping two sets of accounts) with the intention of defrauding the tax authorities. When the tax audit personnel discover fraud or irregularities, they will refer the case to the tax investigation team. The tax lost coupled with a monetary penalty (up to 300 per cent) will be imposed on the taxpayer. In serious cases, the taxpayer can also be prosecuted in court and imprisoned if he is found guilty.

As well as tax audit, educating the public and conducting street surveys are the new roles assumed by the tax authorities under self-assessment. Self-assessment allows the tax authorities to have additional human resources to educate the taxpayer on the importance of tax submissions. Seminars and discussions have been conducted, service counters have been set up at all branches, and more public rulings have been issued to guide taxpayers on contentious technical issues. All these efforts it is hoped will encourage voluntary tax compliance. Street surveys are crucial in creating a fair system of taxation, deterring under-reporting activities and preventing the black economy.

The distinction of tax audit and tax investigations

Tax Audit must be clearly separated from tax investigation. Under tax audit, the tax authorities personnel will advise the tax-

“Under the self assessment regime, taxpayers have the legal burdens of estimating their own income tax payable for the current year of assessment, informing the tax authorities of the estimate, paying the tax monthly, and submitting a tax return within six months of the end of their financial accounts.”

payers of the date and estimate of the duration of the audit. The scope of audit will also be defined so that the taxpayer can adequately prepare the documentation required.

Public Ruling 7/2000 spells out the responsibility of the taxpayer to provide reasonable facilities and assistance to the tax personnel while they are carrying out the tax audit. If they fail to do this the taxpayer may be liable to a monetary penalty of RM1,000 to RM10,000 and imprisonment for one year or both. The number of years of assessment subject to tax audit cannot exceed six years.

Tax investigation is conducted by surprise. It is also known as a back duty case. The tax authority's personnel will arrive at the taxpayer's premises and take possession of the required documents and books for investigation purposes. If required, additional notice may be served on taxpayers, creditors, and bankers of the taxpayer to obtain new information in order to formulate the best judgment of the tax affairs of the taxpayer. Additional assessments will be issued to recoup the tax lost, coupled with penalties, which can be up to 300 per cent. In addition, tax authorities are empowered under the Act to revise the tax computations, taking into account tax lost beyond the six years of investigation notwithstanding that the taxpayer may not have records for this period, if fraud, wilful default or negligence is established. In serious cases, or for repeated offenders, the taxpayer may be prosecuted and if he is found guilty, imprisonment up to three years can be imposed.

Remedies for the taxpayer

A taxpayer who receives the additional assessments (which may incorporate the penalties) may appeal to the tax authori-

ties within 30 days from the date of notice. The tax payable nonetheless has to be paid within 30 days from the date of the receipt of the assessment, notwithstanding the appeal. Failing which, a late payment penalty of 10 per cent will be imposed, after the expiration of 30 days, and additional five per cent, will be imposed after the expiration of 60 days from the date of additional assessment.

Taxpayers are required to provide explanations, with the required documentation, to the tax authorities to substantiate the appeal. Tax authorities will then review the appeal and try their best to reach an agreement with the taxpayer. The assessment will then be confirmed. If no agreement can be reached among the parties or upon expiration of 12 months from the date of appeal, tax authorities are under the legal obligation to remit the case to the special commissioners (SC) for decision.

The onus of proof is placed on the taxpayer to demonstrate or convince the SC that the assessment is excessive. The SC will decide on the question of fact and law. Any dissatisfied party can further appeal to the High Court and the Court of Appeal on the question of law or mixed fact and law. With the amendment to the Court of Judicature Act 1964, no further appeal is allowed to the Federal Court.

Conclusion

The self-assessment regime is a new regime for taxpayers, tax professionals and also the tax authorities. It is therefore important for taxpayers to familiarise themselves with these new laws in order to avoid penalties and also to mitigate the tax in the event of a tax audit or a tax investigation. **AN**

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MASB 25

Deferred Taxation Redefined (Part II)

By Goh Kean Hoe

MASB 25 has become more specific in its implementation.



Deferred Tax can either be a liability or an asset depending on what gave rise to it. Should a deferred tax liability or asset be recognised in the accounts depends on whether or not it meets the recognition criteria laid down in the applicable accounting standard. There is a significant (in fact, the biggest) difference in the recognition rules and criteria on both the deferred tax liability and deferred tax asset between the original IAS 12 and MASB 25.

Deferred Tax Liability

The original IAS 12 permits non-provision for deferred tax liability on certain timing differences when there is reasonable evidence that these timing differences will not reverse for some considerable period

(at least three years) ahead. This is sometimes referred to as 'partial application'.

Under MASB 25, there is no such permission, that is, deferred tax liability arising from all timing differences must be recognised in the accounts whether or not they may reverse in the future. This big change is in line with the change in the fundamental concept and the shift in focus to balance sheet. It is not important if the reversal may not happen in the near future

but the net assets in the balance sheet must be stated after taking into consideration the future tax effect.

Companies that have deferred tax liabilities but do not recognise or only recognise partially because of adopting partial application will be hit with a potentially big adjustment when MASB 25 becomes operative. There will be a negative impact on the net tangible assets of these companies.

Deferred Tax Liability on Revaluation Surplus of Assets

The original IAS 12 does not make it compulsory for deferred tax liability on the revaluation surplus of assets to be recognised in the accounts. Generally, Malaysian accountants consider it sufficient to dispose off this issue by stating that the company has no intention to sell the assets in the foreseeable future.

Under MASB 25, taxable temporary differences arising from the revaluation upward of assets is treated the same way as other taxable temporary differences and accordingly the resulting deferred tax liability will need to be recognised. It is irrelevant whether there is any intention to dispose off the assets in the foreseeable future except that the tax rate to be used in the calculation of deferred tax may be different.

Many companies in Malaysia opted for no recognition of deferred tax liability on revaluation surplus of assets as permitted by the original IAS 12. As such, these companies will have to book in an adjustment to recognise the deferred tax liability on the revaluation surplus of assets in the first year of operations of MASB 25. The deferred tax liability is to be debited from the revaluation reserve account and as such it will not have any effect on the income for the year. However the NTA will be reduced.

Deferred Tax Asset

The original IAS 12 stated that the tax effect of timing differences that result in a debit balance or a debit to the deferred tax balance should not be carried forward unless there is a reasonable expectation of realisation. Also, the potential tax savings relating to a tax loss carried forward may only be recognised if there is assurance

Note : This is the second part of a two-part article by the author. The first part of this article appeared in the October issue of *Accountants Today*.

beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit of the loss to be realised.

Under MASB 25, deferred tax asset should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

The same criteria applies to unused tax losses and unused tax credits. However, when the deferred tax assets is recognised beyond the existing taxable temporary differences and the enterprise has suffered a loss either in the current or preceding period, the amount of the deferred tax asset and the nature of the evidence supporting its recognition must be disclosed.

What are the differences, really?

With respect to deferred tax asset on timing or temporary differences, any difference would lie in the difference between 'reasonable expectation' and 'probable'. It would appear that 'reasonable expectation' requires a higher level of possibility of the realisation compared with 'Probable'. 'Probable' would ordinarily mean a chance of more than 50 per cent. With respect to deferred tax assets on unused tax losses, it is obvious that the requirement of 'assurance beyond any reasonable doubt' under the original IAS 12 is almost equivalent to no recognition is allowed. Accordingly, under the original IAS 12, the accountants generally apply the prudence principle and very rarely recognise deferred tax assets.

Under MASB 25, it would appear that it tends to allow recognition of deferred tax assets. The requirement to disclose the evidence supporting the recognition of deferred tax assets when (only when) an enterprise suffers losses either in the current or preceding period indirectly suggests that the deferred tax assets can certainly be recognised if the enterprise is and has been in a profitable situation. The discussion notes in MASB 25 also mention about the possible use of tax planning opportunities to create future taxable profits as one way to show support for recognising deferred tax assets.

It is expected that companies will begin to recognise deferred tax assets either partially or fully when MASB 25 is effective.

Review of Carrying Amount of Deferred Tax Asset

The original IAS 12 does not specifically mention the need to review the carrying amount of the deferred tax assets although it is understood that all assets should be stated not more than their recoverable amount.

MASB 25 specifically requires a review on each balance sheet date of the carrying amount of deferred tax asset. A reversal should be done to the extent it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax assets to be realised.

Specific Measurements

The original IAS 12 allows either Deferral or Liability Methods to be used. Under the Deferral Method, the tax rate applicable when the timing differences originates will be used. Upon reversal of those timing differences, the same tax rate will be used. Under the Liability Method, the tax rate applicable at the balance sheet date is used. Adjustment on the deferred tax balance will be made when the tax rate changes.

Under MASB 25, deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Adjustment on the deferred tax balance will be made when the tax rate changes. This is equivalent to the Liability Method of the original IAS 12. This is also in line with the change of focus to the balance sheet.

More Disclosures

Both the original IAS 12 and MASB 25 require the deferred tax liability/asset to be presented as a separate item on balance sheet and as non-current liability/asset. The original IAS 12 allows offset between deferred tax assets and liabilities but does not set up criteria for offset. This suggests that they can be offset in any circumstances. MASB 25 has expanded this by setting up conditions for the offset.

There are more requirements on disclosures under MASB 25 compared with the

original IAS 12 in terms of items and details. The main highlights are as follows:

■ **Component of tax expenses** — MASB requires the major components of tax expense/income to be disclosed separately. The components will primarily comprise current tax, deferred tax and adjustments on current and deferred tax.

■ **Relationship between tax expense/income and accounting profit/loss** — The original IAS 12 requires an explanation of the relationship between tax expense and accounting income if not explained by the applicable tax rate. In practice, usually a descriptive explanation is provided by quoting the major factor for the difference such as the presence of significant non-deductible expenses or the availability of tax incentives such as reinvestment allowances. However under MASB 25, the explanation must be in the form of reconciliation in terms of amount or rate. In addition, the basis of computing the rate and the reason for change in the applicable tax compared with the previous period must be disclosed, if available. This detailed reconciliation will indirectly reveal the tax efficiency of the company and the accuracy of the tax estimation. Users of financial statements will find it useful to understand quite thoroughly why the tax expense of the company is lower or higher than the applicable tax rate. It will also alert and remind the management to take steps to find a more efficient tax structure if the company always shows a high effective tax rate due to non-deductibility of certain expenses or absence of group relief on losses incurred by certain companies in the group. The management may take more interest in the subject of tax planning to ensure that there is efficiency in the taxation management for the group.

■ **Composition of deferred tax liabilities/assets** — MASB 25 requires each type of temporary differences, unused tax losses and unused tax credits in respect of the deferred tax liabilities/assets recognised on each balance sheet date presented to be disclosed. The amount of deferred tax expenses/income recognised in the income statement should also be disclosed

if it is not apparent from the changes of the balance sheet dates.

■ **Deferred tax assets for companies that suffer losses** —

If a company that has suffered losses in either the current or preceding period recognises deferred tax assets beyond the existing taxable temporary differences, it is required to disclose the evidence supporting its recognition. This disclosure will enable the users of financial statements to judge for themselves if the deferred tax assets recognised may be recoverable.

■ **Tax credit to frank distribution of retained profits** —

Although the original IAS 12 does not have requirement to disclose if there is sufficient tax credits to frank the distribution of retained profits, such a requirement is provided in the Ninth Schedule of the Companies' Act, 1965. Such disclosure is usually found in the audited financial statements of Malaysian companies although omission of such a disclosure is also surprisingly quite common. MASB 25 has specifically required such disclosure and if it is not sufficient, the extent of the retained profits not covered.

With so much and so detailed disclosure on taxation items required by MASB 25, users of financial statements will now have adequate information to form their own evaluation of the tax position of the companies concerned.

Conclusion

The adoption of MASB 25 gives rise to a new regime of accounting and reporting for tax expenses that has been delayed. The changes can be briefly described as follows:

- 1 Shift in focus to balance sheet;
- 2 Introduction of new terminology and new method of determining deferred tax using temporary differences and tax base;
- 3 No more partial application of recognition of deferred tax liabilities is allowed and deferred tax liabilities on revaluation surplus on assets must be recognised;
- 4 Criteria for recognition of deferred tax assets is less stringent;
- 5 Deferred tax effect on temporary differences arising from fair value adjustments in business combination and translation of foreign operations must be accounted for;
- 6 More disclosures are required to provide more information to users to understand the tax position of the company and to assess the effect of taxation on the company's financial position.

Nevertheless, the real big change in MASB 25 compared with the original IAS 12 that may carry a significant effect on the financial statements is the new recognition rules and criteria on both deferred tax liabilities as well as assets. Companies that had significant deferred tax liabilities but did not recognise them fully because of adopting partial application will face a significant negative impact on its financial statement under the MASB 25 regime. On the other hand, companies that have significant deferred tax assets and do not recognise them because of prudence principles expected by the industry will now have the opportunity to recognise them without risking the critics. In short, any 'hidden' deferred liability/asset will now be unfolded. Businessmen, directors and those responsible for the bottom line of their enterprises may now need to take more interest in understanding the concept of deferred tax as it has a direct impact on the enterprise's financial statements although there is no cash flow implication. More interest on tax planning is also expected to ensure the taxation accounts and the information provided in the published financial statements do not indicate that the company's or the group's tax matters have not been efficiently managed.

To the users of financial statements, the adoption of MASB 25 will enable them to easily understand the tax position of the company and will allow a more consistent comparison of performance to be made on different companies. This is made possible by the more standardised (no option given) and clear-cut rules on recognition of deferred tax liabilities/assets and the more disclosures requirement imposed. Every

company will be on the same level of fair play now in terms of showing their tax position, structure and efficiency. This is probably the biggest benefit of MASB 25 to financial reporting.

To the accountants, the adoption of MASB 25 represents a new challenge to them as a new internal system and policy will have to be developed to ensure the deferred tax is determined accurately and the required disclosures are complied with. Those who ignored deferred tax all this while will have to play catch up to master the concept and 'beauty' of deferred tax. There is no room for ignorance under MASB 25.

Its effect on the NTA and EPS will be a great area of concern. In addition to understanding the new MASB 25, a good knowledge of taxation will certainly be helpful to accountants to ensure compliance with MASB 25.

From experience in applying MASB 25, the writer finds that following the four steps listed below will help to ensure compliance:

- **Step 1:** Identify all possible deferred tax items.
- **Step 2:** Determine tax base, temporary differences and thus deferred tax liabilities/assets.
- **Step 3:** Analyse and reconcile movement of deferred tax liability/asset balance between the balance sheet dates and the corresponding items in income statement and tax computation.
- **Step 4:** Perform an overall review to ensure compliance with the recognition rules and criteria, and the disclosures requirement set out in MASB 25 as well as if the financial statements are 'true & fair'.

In addition, in the first year when MASB 25 becomes operative, that is, the first financial year commencing on or after 1 July 2002, there will be a need to determine if the adoption of MASB 25 represents a change in accounting policy and if so, retrospective application will be relevant. AN

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The Accountant's Ever Increasing Role in **Financial Planning**

Financial planning is very much the current buzzword and a rather good indicator that the accountancy profession is moving one step closer to embracing Malaysia's move to become part of the global financial planning community.

By Raymond Liew



The financial planning industry in Malaysia is still in its infancy although in more developed economies, it has long become part and parcel of an accountant's job scope — especially those from medium and small practices. Taking into account the ever-growing affluence of the average Malaysian, this is an industry that should not be neglected.

As part of the Institute's strategic framework, the Public Practice Committee has recognised the importance of financial planning as well as the tremendous opportunity now available to accountants.

A working group chaired by Raymond Liew, a Council Member of MIA is now in the process of reviewing the various channels open to practitioners in the financial planning industry while encouraging more accountants to seriously consider this option more seriously.

The Institute is mindful to inform accountants that it does not have the authority to decide the necessary qualifications required although it may be in a position to influence the relevant authorities on this matter, if need be.

Recently, MIA sent official letters to both the Securities Commission (SC) and Bank Negara Malaysia (BNM) to consider the Institute's views on financial planning in future policy implementations.

At a recent "get-together", members of the working group, comprising Raymond Liew, Steve Teoh, Lim Yuen Seong and Wong Loke Lim, addressed a series of questions, the responses of which are reprinted below (in excerpts):

MIA: *How do you see the involvement of accountants in the financial planning industry?*

Steve Accountants have traditionally been involved as 'historical gatekeepers' meaning to say, they engage themselves in, by and large, routine compliance work of undertaking audit and submissions of annual returns. The general market perception is that their 'added value' is 'after the fact'. They report (because the law requires it) but seldom proactively counsel and advise. On a bad day, their services are deemed as a 'necessary irritation'! But make no mistake; they are true professionals in their own right. They are highly skilled, ethical and therefore respected by members of the general public and trusted by their 'corporate' clients. But clients are also individuals who need professional personal financial advice. Who then can they best turn to? — you guessed right, someone who they already



know — their accountant! Accountants in practice already have ready-made clients!

Lim As the environment changes, I think it is inevitable that more and more accountants will move into financial planning practice to expand their scope of work and to protect their earnings. They can either provide the service or work with other financial planning organisations.

Raymond The accountancy profession

In other countries, accountants also provide general investment advice, for example, advice on the creation of and investment in superannuation funds. Also, personal financial management includes identifying net worth, cash flow status and preparing budgets for individuals, all considered part and parcel of an accountant's work.

MIA: *Why is it important for accountants to be involved in financial planning?*

to offer their services in areas of personal financial planning.

Lim Accountants are trained in finance and many already run a practice. Legislation is constraining many accountants in their traditional earning source. The growth of the financial planning industry provides new earning opportunities that trained financial professionals like accountants can tap into naturally. The question for most accountants should be "Why not?"



Raymond Liew

Council Member of MIA, a Practitioner and Chairman of the Financial Planning Working Group of the Institute



Steve Teoh

Vice-President of the Financial Planning Association of Malaysia (FPAM)



Lim Yuen Seong

Representative from the National Association of Malaysian Life Insurance & Financial Advisors (NAMLIFA)



Wong Loke Lim

Member of MIA and a Practitioner

speaks for itself in so far as financial planning is concerned. Accountants have always been involved in financial planning one way or the other. Take for instance, the provision of taxation service, which itself is part of the financial planning exercise, just like the advisory role of accountants to their clients in wealth creation, wealth management, wealth preservation as well as wealth distribution. As you can see, accountants have always been key players in the financial planning arena worldwide.

In fact, most accountants have already included financial planning in their range of professional services in view of the possible exemption of small audit of companies in Malaysia, such as in Singapore. Financial planning has long been neglected in the past partly due to the fact that the industry in Malaysia is still rather new. The recent report by FPAM indicates that accountants form a whopping 43 per cent of their total membership base! This itself shows accountants today are more involved in this industry.

Wong You mentioned practicing accountants are already providing tax planning which is part of financial planning.

Steve In two words, to 'value add' and 'survive' (and thrive and prosper even!). In the near future (my estimate, five years maximum), private exempt companies/ companies below certain set turnovers, will no longer be required to have their books audited or their annual returns submitted (ala the UK, Singapore etc). The merging of accounting practices is not the answer. Look what happened to the dinosaurs! The answer lies in remaining relevant in one's service offerings — such as offering financial planning services for example. Look at what's happening to remisers as the market turns to technology and is increasingly going towards self-help on-line trading.

Wong In most countries, accountants are well-respected professionals and accountant associations like MIA play a leading role in the development of the economy. Given the change in the financial landscape and the complexity and sophistication of financial issues and products, consumers will need professionals like accountants who are well versed in financial issues to guide them. Accountants are trained to manage financial matters and it is natural for them

Raymond With the impact of globalisation and trade liberalisation on the accounting profession, size does matter. Accountants can no longer confine themselves to providing merely the traditional services of accounting, corporate secretarial duties and company audits. They need to look beyond such traditional services, hence, I fully concur with Steve that "value add" and the need to "survive" are key to any profession. However, from my personal observation, many practitioners are what I would classify as "complacent", thereby happily following the footsteps of their forefathers in merely continuing the trend of providing traditional services. Rapid changes in the local and global accountancy profession and the financial marketplace as well as the convergence of these industries mean that accountants must wake up and face reality. In view of these global changes, I strongly suggest that smaller to medium-sized accounting firms now consider some forms of "merger" with a view to compete more effectively not only in the Malaysian accounting professional arena but that of the financial planning industry. A merger provides a larger base for clients with greater expertise — the range of financial services can be widened with each

“partner” specialising in different fields, which will ultimately provide clients with “value-added” benefits. Such a move towards mergers and expansion of the range of services will leverage on their perceived comparative advantage both in skill and scale, and in turn give the firm significant cost advantages over other players. All in all, accountants have always been involved in financial planning, hence, why not incorporate this specific financial service as part of the total range of services already in place?

Raymond The participation of accountants in the financial planning arena is definitely long term. Traditionally, financial planning was part and parcel of the accounting profession. With this industry now growing rapidly, it is timely for accountants to consider financial planning seriously. Currently, remisiers, stockbrokers, investment managers and even insurance agents carry out the financial planning activity. Mind you, many of these so-called “financial planners” have no idea what tax planning is all about.

to a “real” professional whom he/she can trust would never change but is further affirmed under this volatile industry. It is just that your accountant is already familiar with your personal financial circumstances and the battle of planning ahead is already half won! At the end of the day, a financial planner needs to show how much he/she cares for the client — mind the words “care” and “client” and “interests at heart”. I am of the opinion that since financial planning is at its infancy in this country, a fee-based option should be introduced for



MIA: *Do you see this participation as a long-term involvement? Is there a future for accountants?*

Wong Yes. It can be seen that in countries like the US and Australia, accountants are playing a major role in the area of personal finance. In these countries, many Certified Public Accountants (CPA) hold the Certified Financial Planner (CFP) designation. In US, some of the state CPA Associations award their own financial planning qualification — Personal Financial Planner (PFP). In Australia, it is the Personal Financial Specialist (PFS), awarded by CPA Australia.

Steve To state the obvious, if a profession continues to ‘value add’ and remain market relevant, any profession or product for that matter will continue to have a client or customer for life!

Naturally, many of them are assisted by accountants who are qualified tax agents. If this is the case, why shouldn’t accountants be directly involved as “financial planners” themselves? In the past couple of years, I understand FPAM has been encouraging accountants to undergo a 40-hour course to qualify as financial planners. I would emphasise that it is important that quality and integrity of the financial planning profession be maintained at all times.

Who you choose to plan your investments and finances to achieve your life’s goals may either make or break you, hence, one should always choose a financial planner who will always have your interests at heart and that more often than not is your accountant! This is not to say that other financial planners would not have your interests at heart as I am an advocate that the need for a client to turn

financial planners since with the changing market environment, the emphasis now is on a “need-based” requirement. Perhaps, consideration should be given to dispense with commissions on products and services to include referral compensation as these more often than not are based on circumstances other than the “need-based” requirement of clients. Alternatively, make it compulsory to disclose the “commission’s” receivable by the financial planners, so as to be transparent and keep the client fully aware of the circumstances.

The question is, “is there a future for accountants in this field?” Naturally! Accountants themselves are natural financial planners!

Lim My answer to both is yes, but the degree will vary from person to person and from practice to practice. I think age does matter. Young accountants who intend to

set up their own practice or tie up with other financial practitioners are highly encouraged to move into the financial planning arena. Time is on their side to adjust and to build a new version of an accountant-based financial planning practice. Those who are older may find it harder to move out of their established comfort zone but if they intend to stay long and competitive, it is still worthwhile to move into the game. They can always tie up with other practicing financial planners.

MIA: *How are other countries regulating this industry?*

Steve You will need a separate dissertation to answer this one and I'm not sure the Securities Commission is prepared to! This is not to say that they have not done their own research. Indeed, they have. Take my word for it. I know that for a fact!

Raymond As Chairman of the Securities Commission, Datuk Ali Tan Sri Abdul Kadir

commented that the financial planning industry is part of the capital market and supports the various development efforts undertaken by the Securities Commission. From the regulatory perspective, financial planning is a regulated activity under the securities laws and efforts are being made to expand and tighten the regulatory framework of this country to meet the changing needs of the financial market.

In the UK, there is an Act known as the Financial Services Act (FSA) which regulates the financial planning industry, hence, it is only a matter of time before a similar Act will be introduced to perform the similar function *per se*, bearing in mind that there is already in place the Securities Commission Capital Master Plan 2001 and the Bank Negara Malaysia Financial Sector Master Plan 2001 on the development and the facilitation of the financial planning industry in Malaysia.

Lim In Singapore, with the Financial Advisors' Act (FAA) and FAR being

introduced, a Financial Adviser (FA) must be a company and not an individual. Individuals can become FA representatives. They do not regulate Financial Planning but Financial Advisory work. Commission disclosures and need-based selling was introduced for the life insurance industry. Self-regulatory organisations such as IFPAS and FPAS support the industry by getting more people to be FP professional designees. IFPAS offers the Chartered Financial Practitioner programme while FPAS offers the Certified Financial Planner programme. In Australia, Policy Statement 146 requires that a FA must pass a four paper diploma in financial planning and get a Proper Authority from a financial services organisation. After 30 June 2004, the bar will be raised and they must pass the advanced diploma to be a FA. ISO standards for financial services are in the process of being developed. There has been no outcome yet as there are disagreements as to how the standards should be set. [AN](#)

Shanghai's Furious March



Like many other cities in China, the Oriental Pearl City is embracing foreign investors. Things are looking very upbeat here. The place is lively and the city is oozing with life.

Look at Shanghai's skyline and one can see signs of its booming economy. The city is already almost littered with skyscrapers. At last count, it had close to 5,000 high-rise buildings 18 floors and above.

The pace is simply maddening. Shanghai is today's, and surely, tomorrow's growth story. Businessmen are pouring into this massive city in droves. As each week passes by, you will find yet another multinational company (MNC) opening up a base in this fast-growing economic powerhouse. Obviously, the Malaysian business community is also keeping a close watch on the potentials in the Oriental Pearl City.

Some have braved the-sometimes patchy business environment to open shop. Others are on the lookout, actively. Yet others recall the various memorandums of understanding signed a decade ago. The MOUs

fizzled out even before the ink dried up. "A decade ago," says one businessman with some experience with China business, "many MOUs were signed. But very few made any headway."

What's up in Shanghai? Pretty much. Last year, the city's economy grew by more than 10 per cent. That's a couple of notches above mainland China's 7.3 per cent figure for growth domestic product (GDP). Average personal income in Shanghai jumped 11.5 per cent to 13,250 yuan last year.

Look at Shanghai's skyline and one can see signs of its booming economy. The city is already almost littered with skyscrapers. At last count, it had close to 5,000 high-rise buildings 18 floors and above.

The building craze is still pounding away. It is reported that some 2,000 high-rise buildings are either being built or have been approved for construction. In late-October, local authorities scrambled to bring some order to its skies. In future, high-rise developers, depending on how high they build, will be required to allocate more land space. But the 2,000 high-rise buildings will not fall under this new ruling. This is for the future.

On the property side, expect to pay an arm and a leg for some areas. In a recent report, newspaper *Shanghai Daily* reported that Shanghai property prices might jump a quarter this year. The boosters come from a surge in investments, personal incomes and expatriate demands. According to the report, Shanghai's apart-



ment prices may rise to 5,691 yuan (\$688) a square meter, from an average of 4,553 yuan at the end of 2002.

A total of 57 overseas companies, according to the newspaper, have set up offices in the city, boosting demand for homes as a large number of expatriates moved to Shanghai.

Oversupply? This concern is currently being hotly debated in Shanghai circles. 'Will the property market crash?' *Beijing Review*, a nation-wide magazine, posed the question in its September issue. Folks, be-

couple of kilometres away from Xin Tiandi, the purchasing power diminishes dramatically. Here, in the towering of-fices, new university graduates are making less than 1,500 yuan. This includes those working for well-known MNCs.

Further down the road, you meet the working class. Living in the older parts of Shanghai, some unemployed workers are living on around 500 yuan a month in social welfare.

This is the source of the cheap labour targeted by various corporations setting up bases here.

Like other major cities and districts, Shanghai is vying actively for foreign direct investment. Acting as the 'dragon head', Shanghai leads the charge of groups in the Yangtze River Delta. They trail closely, in terms of total FDI, the region on the southern Pearl River Delta, with about 20 cities surrounding Hong Kong, Shenzhen and Guangdong.

When looking for an investment spot, many compare the Hong Kong neighbourhood with that of Shanghai. From the looks of it, Shanghai is set to take the bigger slice in the years to come. Hong Kong's predicament was well put in a recent article in *The Economist*. "Coastal China's pre-eminent city, Hong Kong, has a great disadvantage," it says. "It is more than 1,500km (940 miles) from the capital, Beijing, and its leaders do not belong to the Communist Party's ruling elite."

The magazine argues that the 'remoteness from China's political pulse leads to a nagging, nervous question: will Shanghai, 1,200km away and much nearer to Beijing, recover its pre-communist status as China's greatest city, and once again outshine Hong Kong as a business and financial centre?' Well, folks, Shanghai is surely moving at a maddening pace.

AT

Shanghai Business Tips

Shanghai Dress Code

If visiting on business, then smart clothing is definitely a must — suits, ties etc. It is advisable not to wear anything too revealing, which may offend. When not conducting business, conservative casual wear tends to be acceptable. Remember if you visit in the winter months it can become very cold. In contrast the summers can become pretty steamy.

Greeting Someone in Shanghai

It is a good idea to take a large quantity of business cards with you, and it is wise to have the inscription translated into Chinese and printed on the reverse side of the card. When you are introduced to a local, take out your card, bow slightly and present it with both hands. They will probably reciprocate in a similar manner most likely holding their card-anglicised version uppermost. It is at this point, considered good manners, to pass a polite comment on the appearance of the other's card, whilst tucking it carefully within the confines of your wallet. Don't get flustered if when meeting a group of people they start clapping when you arrive. This is simply a form of greeting and you may respond by clapping also.

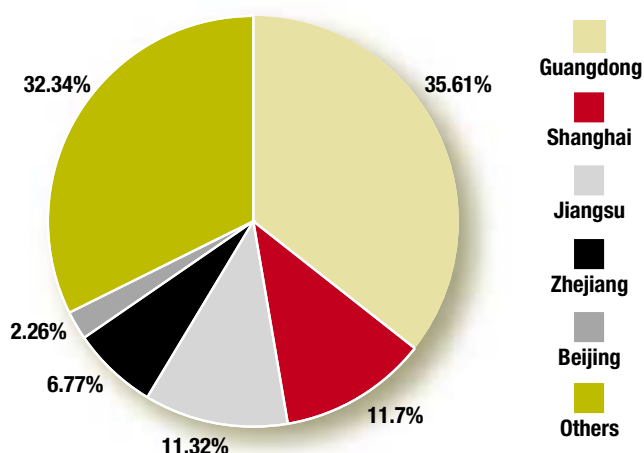
Shanghai Business Hours and Banking

In China, banks, offices and government departments are open Monday to Saturday. Most will open for business at around 08:30, close for lunch from 12:00 to 14:00, and reopen until around 17:30. Many branches of the Bank of China open Sunday morning but some will close on Wednesday afternoon.

Smoking in Shanghai

Chinese restaurants offer areas that cater for those who smoke and those who don't, with some operating complete 'No-Smoking' policies. There is a ban on smoking on public transport and the visitor should observe this even if the locals often do not. In business, it is advisable to refrain and take cues from the host. AT

MAIN FOREIGN TRADE IN 2003



ware, especially if property is your line.

Just like property, the entertainment front can be an equally expensive affair. Stepping into luxury restaurants? Do check out the prices first.

In some of the most luxurious restaurants, dishes are prepared according to the Ming Dynasty empress' menu. For a small dinner party, it can cost anything above 15,000 yuan (RM6,800). While in Shanghai, the tourist maps prominently mark out Xin Tiandi. Literally, the new heaven and earth, this is Shanghai's version of Kuala Lumpur's Bangsar Baru. The clubs and music here meet the standards of any cosmopolitan city in the world. People walking into this district, including local Shanghai folk, command a respectable purchasing power.

Of course, it's not everyone's cup of tea. This is all the more so if one is price sensitive. "I was here the other day," said one young business executive. "All I had was a small slice of beef. The bill: 240 yuan."

She is like many fellow executives. Just a

Getting Literate at The Oriental

As the ghosts of the literate past continue walking along The Oriental's corridors, it's enough to send anyone into writing an impromptu prose. Anis Ramli explains why



Even if your last encounter with literature happens to be the abridged version of Charles Dickens, it's hard not to get all bourgeoisie and literati when you stay at The Oriental Bangkok. This former residence of such august intellectuals as Somerset Maugham, Noel Crawford and Joseph Conrad continues to be a literary haven today, keeping the tradition alive in many exciting ways.

The Early Days

Situated along the banks of the Chao Phraya, the site of the present-day Oriental Hotel was favoured among seafarers who docked by Siam's flourishing waterways for a bit of R'n'R. The Oriental was originally founded in 1876 to replace an earlier boarding house for seamen and would later become the first and only quality hotel available in the city.

But the modest building was to be officially opened only in 1887 with the launch of its 40-room Authors Wing that still stands today. Its first literary guest was not even a writer then, but a Polish merchant marine officer whom

the world would later know as Joseph Conrad. Thus began The Oriental's journey into the realm of literary greats.

The hotel flourished into a symbol of all things fashionable and European, and would be host to many other famous writers and literary luminaries in later years. It would also play an intricate part in the lives of many of its famous guests.

Somerset Maugham recalls his days at The Oriental in his book *The Gentleman in the Parlour*. He was to be a regular visitor to the hotel whenever his research brought him to Bangkok. But on his last visit to the hotel in 1960 to celebrate his 85th birthday he reminisced: *"I was almost evicted from The Oriental because the manager did not want me to ruin her business by dying in one of her rooms."*

Noel Coward was also one of many to have taken time-out at the hotel, treasuring his memories of his favourite cocktail venue: *"There is a terrace overlooking the swift river where we have drinks every evening ..."*

And every night, the hotel pays tribute to past and present literary greats and writers by putting a sleep card on a perfectly turned-down bed. In bold script, an anonymous quote that reads, *"It's better to have slept and snored than not to have slept at all"* manages to court sleep with a lingering grin.

Writers Honoured

More nostalgia runs rampant at The Oriental at its Author's Wing — the original part of the hotel. With its sweeping stair-



case and rustic terrace, the wing recalls the age of colonialism at its best. Here, suites are named after famous authors who once sought refuge — or even wrote during their trips to Siam — at the hotel. Among those honoured are Joseph Conrad, James Michener, Somerset Maugham and even Dame Barbara Cartland.

All the suites look out over the Chao Phraya that rolls along beneath the hotel, but each reflects not only the richness of Thailand, but also the essence of each honoured writer. Beds are often huge four-posters accented with complementing furniture and décor, all the while giving it the luxury one would expect from The Oriental. Maugham's works reflects the richness of the Thailand in which he worked. Conrad's boasts of worldly elegance. Michener's captures the essence of international luxury, while Coward's is strikingly whimsy but stylish.

Below the residence is the Author's Lounge, dressed in fresh white walls, tropical plants, white rattan furniture and photographs of old Bangkok. A small museum of sorts, if you will, plus a reading room with bounded works from the various afore-named authors. And every year, The Oriental re-enacts Conrad's arrival in the city with much pomp and splendour right at the lounge, because it was here at the hotel that Conrad gathered much of his material for the books that were to come when he later gave up the sea.

Tomorrow's Great Literates

Apart from playing up its connection to past writers who have stayed there, The Oriental also celebrates present-



*Somerset Maugham
recalls his days at
The Oriental in his
book 'The Gentle-
man in the Parlour'.
He was to be a
regular visitor to the
hotel whenever his
research brought
him to Bangkok.*



day writers in style through the Southeast Asian Write Awards. Every year since 1979, the hotel involves itself with the award that is designed to honour leading poets and writers in the ASEAN region.

This tribute to creative literary talents of the region emerged from discussions among the management of The Oriental, Bangkok, Thai Airways International Public Co., Ltd., and the ItalThai Group of Companies. In addition, the Organising Committee also received support from the PEN International Thailand-Centre as well as from the Writers' Association of Thailand.

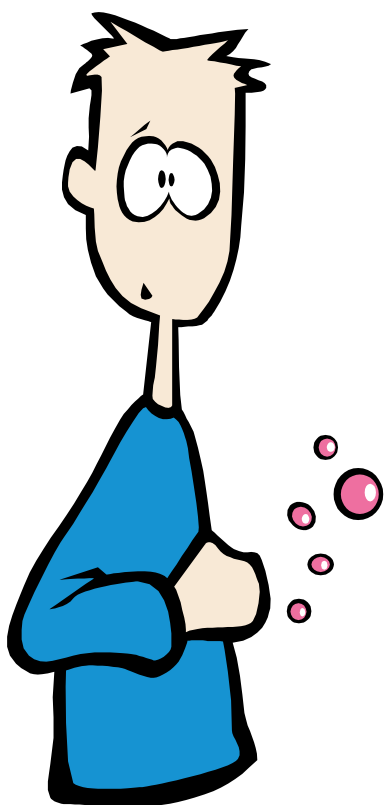
The first ceremony was presided over by Her Majesty the Queen of Thailand, and each year after that the event has been honoured with the presence of a member of the Thai Royal Family. Guest speakers are luminaries from the world over: James Michener was the first, while others have been Norman Mailer, Pico Iyer and Mario Vargas Llosa.

Apart from its romance with writers and authors, The Oriental is in a class of its own just by its sheer aristocratic heritage and history. But perhaps historian Andreas Augustin summarised its allure best when he recounted how Jim Thompson once owned it, that Queen Elizabeth II loved it, how Somerset Maugham almost died in it and that Nijinsky danced in the ballroom. That in itself is enough to justify a stay at The Oriental, if not a visit. **AT**

A 'Windy' Situation

My friend's husband was flying back from London recently. Upon arrival, totally exhausted, he told his wife that he had a terrible flight because the person sitting next to him kept on passing gas! The smell was so bad that at times he could not breathe properly. Unfortunately, the flight was full! Most of us are able to control flatulence and time 'expulsion' so as not to disturb people. Obviously, some people cannot.

By Christina T. Chew



Healthy people produce gas. This is a fact of life. Did you know that most healthy people produce about one to three pints a day and pass gas about 14 to 23 times a day. Obviously, gas can be an inconvenience at times. Excess gas can cause pain, bloating of the abdomen, belching as well as smelly or noisy exits from the body.

Gas is always found throughout the intestinal tract. Too much gas in the stomach may exit as a belch. Increased sensitivity to gas or excess gas in the small intestine may cause abdominal pain as well as bloating. Flatulence refers to gas that exits from the large intestine.

it reaches the large intestine where digestion results in gas.

Insoluble fibre such as wheat bran produces very little gas in individuals who are healthy. Most bacteria cannot break it down as it passes mainly unchanged through the intestines.

Humans are unable to break down very complex fibre structures. Harmless bacteria in the colon are able to break down some of these structures. In the breakdown process some of the bacteria produce gas while some actually break down the gas that other bacteria produce. The balance between the two types of bacteria may explain why some people produce more gas than others.



It is comforting to know that 90 per cent of gas is odourless vapour made up of carbon dioxide, nitrogen, hydrogen and sometimes methane. Yet, sometimes there can be an odour. This is because the gas produced contains sulphur introduced by bacteria in the large intestine.

In order to prevent symptoms of gas, it is important to understand the two primary sources of gas: swallowed air and the normal breakdown of food by harmless bacteria in the large intestine.

What Causes this Problem?

Fibre Foods — Many foods contain both soluble as well as insoluble fibre. Soluble fibre is found in oat bran, peas, beans and most fruits. Soluble fibre dissolves in water and takes on a soft gel-like texture in the intestines. It is not broken down until

Starches — Rice, our common staple here in Asia, is the only starch that does NOT cause gas. Potatoes, corn, wheat and noodles produce gas as they are broken down in the intestine.

Fructose — Fructose is found in onions, pears, artichokes and wheat. It is also used as a sweetener in some fruit and soft drinks.

Lactose — Lactose is the natural form of sugar found in milk and dairy products such as cheese, ice cream, processed foods such as bread, cereal and salad dressing. A low level of this enzyme is not only found in Asians but African and Native Americans as well. Ageing can also cause lower levels of this enzyme to be produced. As a result people may notice increasing amounts of gas after eating food containing lactose.

Sorbitol — Sorbitol is naturally found in

fruits, including apples, pears, peaches and prunes. It is also used as an artificial sweetener in many dietetic foods, sugar free candy and chewing gum.

Raffinose — Raffinose is a complex form of sugar found in large amounts in dried beans and legumes. Smaller amounts are found in cabbage, brussel sprouts, broccoli, asparagus as well as other vegetables and whole grains.

Foods that are frequent gas offenders

- Whole grains such as whole wheat and bran.
- Fruit drinks and soft drinks.
- Certain vegetables such as broccoli, cabbage, brussel sprouts, onions, asparagus, artichokes.
- Fruits such as apples, pears and peaches
- Beans — dried beans and legumes.
- Milk and dairy products such as ice cream,

absorbed but the remainder can cause bloating, abdominal pain as well as a musical exit!

Smoking, wearing loose dentures, chewing gum and sucking on hard candy can also cause this problem.

Be selective in the types of food you eat

The foods we eat are a major source of gas. Carbohydrates (sugar, starches and fibre) are the main culprits. Protein foods seldom cause gas. Fat in the diet does not generally cause gas but can cause discomfort because of the slow moving of the food through the intestinal tract.

All carbohydrates cannot be digested by the body. Carbohydrates that cause gas vary according to individuals. Lactose intolerance (common amongst Asians) results in flatulence because the body is unable to break down the enzyme lactose, which is found in dairy products.

When I was a youngster I remember the

women is one of the symptoms of ovarian cancer. Crohn's disease or colon cancer may also cause bloating as well as intestinal inflammation or obstruction. These are only a few examples of gas symptoms, which should be reported to your doctor, and further investigations carried out.

Remember that the amount of gas caused by certain foods varies from person to person. The only way to reduce this problem is through trial and error of how much of the offending foods you can handle. Enjoy the fruits and vegetables you can tolerate but remember to eat them slowly, chew thoroughly and swallow carefully.

References

National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK) US. AT

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cheese. Packaged foods containing lactose such as cereal, bread and salad dressings.

- Sorbitol containing foods (sugar free) such as dietetic foods as well as candy and chewing gum.

How to Prevent Gas

The expulsion of gas can be minimised. Here are some tips to help with this problem.

Eat slowly and chew your food properly

Have you ever eaten dinner with someone who eats and drinks so fast that they have practically finished eating when you sit down? Immediately upon finishing, they let out a loud belch! The reason is because they have been swallowing air as they eat and drink too fast. Some of the air is expelled as a belch but the remaining gas moves along into the intestines. Some of the gas is

ditty "Beans, beans, the musical fruit, the more you eat, the more you toot." Yes, beans are known to be a universal problem but again tolerance varies from individual to individual.

Preventing a 'windy' situation

In summary, it is normal and healthy to produce gas. When gas becomes a nuisance, the common ways to reduce this discomfort is to make changes in your diet.

Take note that all gas is not natural or caused by diet or swallowing habits. If you have developed this problem, having never suffered from this problem before, then this could be a sign of a serious medical problem. Belching may be a sign of an upper GI disorder such as GI reflux or Gastroparesis (abnormal slowing down of food to the intestinal tract). Bloating in

Brief Profile on prohighwayhealthcare

ProHighway Healthcare Sdn Bhd provides health information to the public through its URL : www.prohighwayhealthcare.com

Such information includes useful health tips that range from baby to elderly health as well as information on diseases, drugs, statistics and treatment contributed by various national organisations such as the National Cancer Society and Malaysian Aids Council.

Linkages with various other websites also provide wider and more comprehensive content. Other community services in the URL are :

- 1 **Ask Dr Bella.** A question & answer column where the public can ask our team of medical specialists' health questions.
- 2 **E-Family Counselling.** Focus on family counselling.

Procrastinate on Procrastination

By Gerry Robert

Research conclusively shows that accountants must learn to handle time better.

Our own research and that of leading universities from the US indicate that management correctly assesses a major reason for poor productivity to the lack of time management skills within their organisations. In particular, procrastination and interruption top the list of personal productivity killers.

It is relatively easy to come up with many excuses for putting things off. We don't have the time right now. I will get around to it later. Let me sleep on it first. There is lots of time to do that this weekend. Why do we procrastinate?

The reason is quite simple! It is easy to put off the unpleasant, difficult and time-consuming tasks. In essence, procrastination is nothing more than a time waster. It causes many more headaches than it cures. Think right now of all the small tedious things you have procrastinated about in the past week, month, year, decade. They are all cramping your brain.

So we only do those tasks that scream the most, as it were. We rush to finish them. The minute we lick the envelope we notice we forgot to insert the letter. We start cooking hamburgers only to remember the barbeque gas tank is empty. There is a cure for procrastination! Look in a mirror and you will see the cure. The only person who will manage you is YOU!

Here are some methods being used by major corporations to curb the time problems.

Procrastination Strategy 1

Start the task

Get going, even if you have failed at it in the past. If you want to win, you must begin. This seems obvious but if you have been procrastinating at something just make a start at it and you will have begun the process of success.

Procrastination Strategy 2

Block off the necessary time to finish the job

Chances are very remote that you will ever get done without it getting scheduled into your calendar. We procrastinate forever because we don't block off the necessary time to finish the job.

Procrastination Strategy 3

See the job in bite size pieces

You will never start losing weight if you see the whole project in one lump sum. An alcoholic would have difficulty picturing him-

self not drinking for the rest of his/her life. They can handle not drinking for this 24-hour period. "One day at a time" is a popular slogan among self-help groups.

Procrastination Strategy 4

Adopt a "do it now" mentality

People who conquer procrastination problems learn to become "Do It Now'ers". They never wait until tomorrow to do what they know should be done today. They put things back after each use. They refuse to delay.

Procrastination Strategy 5

Set up objectives

We already discussed the need for objectives in life but it bears repeating here as it affects the procrastination dilemma. Set a goal to accomplish something you have procrastinated doing.

Procrastination Strategy 6

Review Accomplishments

Winners in life dwell on their successes. Losers constantly focus in on their failures. It is of value to remind yourself of areas you have succeeded in winning the procrastination game.

Procrastination Strategy 7

Reward or punish yourself

Now I am not espousing deviant behaviour by suggesting you conquer procrastination problems by punishing yourself. What I am suggesting is that you find some way of punishing negative behaviours like not doing things you said you would do.

One manager I know buys all his staff lunches, out of his own pocket, if he does not have his reports in on time. If he promises to deliver something and procrastinates, he has to fork out cash and for him this is negative reinforcement for negative behaviour.

Similarly if you have succeeded in doing a task you have long procrastinated in doing, reward yourself. We tend to repeat those behaviours with positive reinforcements and shun the negative reinforcers. AT



Gerry Robert is the best selling author of *The Millionaire Mindset* and founder of The MONEY Tree University. Over one million people have attended his live seminars. You can get a FREE Report entitled : *The Fine Art of Procrastination: How to overcome the disease of putting things off*, e-mail : gerry@gerryrobert.com requesting "Procrastination Report." Gerry helps individuals

and organisations overcome procrastination with his Monthly Procrastination Buster ® service. For more information visit his website : <http://www.moneytreeuniversity.com> or write to him at 12 Geoffrey Crescent, Stouffville, Ontario, CANADA, L4A 5A6. © Copyright, 2003 — Gerry Robert. All Rights Reserved.



"With reference to your letter ..."
"Enclosed herewith please find..."
"I am writing to inform you ..."
"Please be advised ..."

Are you still writing letters and e-mails using the same old standard, boring clichés? In today's fast-paced business world with its focus on effective communication, these stuffy formalities make your writing unnecessarily complicated and impersonal. Yet each office has someone who is intoxicated with the exuberance of their own verbosity. Phrases like *"We have received your letter"* and *"Kindly be advised,"* and *"Please find enclosed herewith"* are recycled regularly. For such people, all correspondence has to be peppered with these standard clichés made up by our great-grandfathers. What a paradox to use such convoluted language in today's business world, which runs at 2,000 beats a minute!

With the ever-increasing speed of technological change, we all need to stay up-to-date with new equipment and new computer programs. As soon as a new version of a popular program becomes available, we must learn it. When some new technology comes out, we have to have it. In line with technological developments, the way business is conducted generally has changed immensely over the last couple of decades. Business is being conducted in a much more informal way — a natural, informal, more relaxed language is being used in meetings and conferences rather than stilted, formal language. But what's happened to our business writing skills? It seems many people today are still using a style more suited to our great-grandfathers

Business Writing

Yesterday and Today

By Shirley Taylor

than to 21st Century businessmen and women.

It seems we are now writing more than ever. Most managers are creating their own communications — letters, memos, faxes, reports, articles, marketing materials, and especially e-mails. Especially in this global age, speed is often the key to successful negotiations, so writing effectively under these circumstances is often very demanding.

E-mail has promised us a future of minimum effort and maximum communication. Where once words were the signs of ideas, now words are being replaced by signs themselves ;-). Despite this, there is one huge anomaly that holds out against this torrent of speed and ultra-efficiency. Despite the growth of e-mail and the new jargon it has introduced, it seems our skill in business writing has evolved very little. Age-old conventions are still being dredged up from the very core of our beings. Somewhere deep within each of us there seems to be a hoard of standard phrases and old-fashioned clichés that are just shouting out to be included even in today's modern e-mails.

"As spoken in our telecon ..."

"Please revert to me on this matter ..."

"Kindly furnish us with this information ..."

"The above-mentioned goods ..."

"at your soonest convenience ..."

"for your reference and perusal".

The list is endless!

Including stuffy formalities like this in business writing serves only to obscure the real meaning, and spinning out sentences makes them intolerably long. The reader often ends up searching for the real meaning in this haystack of rhetoric.

This is 2003, not 1903! The speed of sound is old hat today. People want the speed of thought! If you are still peppering

your writing with these standard, boring clichés, then you aren't doing yourself or your company any favours — and you are certainly not helping your readers. Such phrases have only one place in today's business language — the trash bin.

Effective communication gives a professional impression of you and of your organisation. Effective communication helps to get things done. Writing effectively is perhaps the most demanding work we do. Writing requires imagination, creativity, organisation, careful planning and many other skills if a message is to be effective and get results. In today's fast-paced business world, there should be no room for yesterday's old-fashioned, long-winded jargon.

Today's business language should be proactive, stimulating, interesting, and most of all, it should reflect your own personality. Instead of using boring clichés that have been around for decades, the key is to write in a natural style, as if you are having a conversation. The golden rule of all communications is: "Remember! If you wouldn't say it, don't write it!"

The Internet has made it possible for us to communicate with people from all over the world. The only way those people can form an opinion of us is by looking at the way we write. So please ... learn to write well! **AT**



Shirley Taylor is an accomplished author of several popular books on effective communication and business writing. She has become a leading authority in modern business writing. Originally from the UK, Shirley lives in Singapore

and travels widely conducting her popular training seminars and workshops. She is also regularly asked to speak at international conferences. Sign up for her free e-newsletter at <http://www.shirleytaylor.com>. © Shirley Taylor.

Notice to all Member Firms

Amendments to the Listing Requirements of the KLSE and the MESDAQ Market in Relation to :

- ① Rationalisation with the Securities Commission's (SC) Guidelines
- ② Reduction of the Timeframe for Listing and Quotation of Securities
- ③ Share Buy-Backs

Members are hereby informed that the Kuala Lumpur Stock Exchange (KLSE) has issued amendments to the Listing Requirements of the Main Board and Second Board (KLSE LR), the MESDAQ Market (MMLR) and also pursuant to Section 9 of the Securities Industry Act 1983, collectively referred to as "the said Amendments" in relation to the following:

Rationalisation with the SC's Guidelines

a) KLSE LR

The said Amendments to the KLSE LR in relation to rationalisation with the SC's guidelines (*Appendix 1*) relate to the following areas:

- admission criteria;
- advertisement of prospectuses;
- requirements pertaining to call warrants; and
- requirements pertaining to property trust funds.

The above said Amendments are intended to streamline the requirements with the SC's guidelines and to remove duplication of regulation. Thus, it is to be noted that although certain requirements have been deleted, namely paragraph 3.13, parts of paragraph 5.06, parts of Appendix 5B, paragraph 6.22, Part C of Appendix 9C and Part A of Appendix 9D, it does not mean that the obligations relating to these requirements are extinguished. SC's guidelines still contain provisions that relate to or encompass the deleted requirements.

b) MMLR

The said Amendments to the MMLR in relation to rationalisation with the

SC's guidelines (*Appendix 2*) relate to the advertisement of abridged prospectuses.

Reduction of the Timeframe for Listing and Quotation of Securities after receipt of the Application for Quotation

The said Amendments to the KLSE LR and MMLR in relation to the timeframe for listing and quotation of securities (*Appendices 3 and 4*, respectively) are part of the continuing efforts of the Exchange to enhance efficiency in the market and reduce time to market. In line with this objective, the timeframe for listing and quotation of securities after receipt of an application for quotation has been reduced.

Implementation

The said Amendments relating to Rationalisation with the SC's Guidelines and Reduction of Timeframe for Listing and Quotation of Securities shall take effect from 1 September 2003.

The said Amendments relating to the reduction of timeframe for listing and quotation of securities will apply in respect of applications for quotation that are received on or after 1 September 2003.

Share Buy-Backs

Key Changes

The key changes encompassed in the Amendments for share buy-backs are as follows:

- For the purpose of renewing an existing Shareholder Mandate, a listed company may either issue a shareholders' circular (as previously required) or alternatively, issue a statement ("Share Buy-back Statement") accompanying the no-

tice of general meeting, the minimum contents of which have been prescribed;

- A listed company may appoint up to two Member Companies for the purpose of purchasing its own shares or reselling treasury shares on the Exchange; and
- More flexibility has been accorded as regards the resale price of treasury shares.

Implementation

The said Amendments for Share Buy-Backs shall take effect from 1 November 2003. Please see the Questions and Answers pertaining to the said Amendments (*Appendix 6*) for further clarification. [AT](#)

Note : Members are required to access MIA's website at www.mia.org.my for Appendices 1 to 6 as mentioned.

For further information or any enquiries on the said Amendments, kindly contact:

Legal Advisory
9th Floor
Kuala Lumpur Stock Exchange
Exchange Square
Bukit Kewangan,
50200 Kuala Lumpur.
Tel: 03-2026 7099
Fax: 03-2732 0065
Contact persons :
Emilia Tee (Ext 1016)
Yew Yee Tee (Ext 2338)
Anisah Suyuti Low (Ext 7970) or
Noraishah Ismail (Ext 7977)

Note : All these amendments are also available for reference on the KLSE website at www.klse.com.my.

Notice to all Practitioners

Compliance with the Institute's By-Law B-2.5(4)

The Institute has received several official correspondences from Jabatan Akauntan Negara notifying us on member firms who are still not complying with the By-Law B-2.5(4) which stipulates: *"Every member in public practice shall state his/her firm's number immediately after or below the firm's name in official letters, accounts, invoices, official notices, publications, bills of exchange, cheques, receipts, requisition forms, and other like documents issued by the firm."*

The audit firm number refers to firms providing audit services and this number is issued by the Companies Commission of Malaysia whereas the Institute would issue the firm number for firms providing services other than audit i.e. the non-audit firm number. Adherence to By-Laws of the Institute is necessary as non-compliance could lead to possible investigation and disciplinary action being taken against all partners of the firm. Please be guided accordingly. **AT**

Notice to all Members

The Institute would like to inform members that the Council has resolved to remove from the register of members, those members who do not settle their outstanding Annual Subscription by 31 December 2003. Accordingly, all members are reminded to settle their Annual Subscription before 31 December 2003. A re-admission fee of RM500 will be imposed on members who seek re-admission. **AT**

MIA & IAI sign MoU

The Malaysian Institute of Accountants and the Indonesian Institute of Accountants (IAI) signed a Memorandum of Understanding (MoU) in Jakarta recently with the aim to foster closer ties between both Institutes for the joint development of the accountancy profession in both countries.

The MoU, which is the first of its kind between national associations of accounting professionals in ASEAN, is primarily driven by the challenges for ASEAN professionals in liberalising the ASEAN services sector by 2020, which is part of the objectives of the ASEAN Economic Community.

MIA's President, Datuk Dr. Abdul Samad Haji Alias in speaking to the press after the signing ceremony, commented that due to the different levels of developments between ASEAN member countries, "bilateral cooperation in the accounting sector, was more feasible than multilateral agreements" in rising to the challenges. He mentioned the failure of the recent WTO Ministerial Meeting in Cancun as further proof that multilateral agreements can be a very tedious process. This is why, he stated that both Institutes have agreed to concentrate

on training and education, research and development as well as other technical cooperation and other knowledge sharing initiatives as items that are the main crux of the MoU, not only for both the continuous improvement of the members of both Institutes, but also "to enable accountants of each country to have a better understanding of each other and to operate on similar platforms, in preparation of the single ASEAN market by the year 2020."

Meanwhile, Ahmadi Hadibroto, the President of IAI said the implementation of education programs and seminars and knowledge sharing initiatives between the two Institutes envisaged under the MoU would help improve the quality of our accountants. He also stressed the importance for accountants in both countries to have standardised procedures, to enable them to facilitate trade and business activities when the AEC plan is realised.

The signing ceremony of the MoU was witnessed by the Malaysian Ambassador to Indonesia, HE Dato' Hamidon Ali and the Director of Accountants and Appraisal Supervision Department, Ministry of Finance Indonesia, Mirza Mochtar. **AT**

Accruals-Based Accounting System Plan Gets Backing From MIA

The Malaysian Institute of Accountants welcomes the Government's plan to adopt the accruals-based system in accounting for its revenue and expenditure. The new system would enable the Government to better account for its assets and liabilities and eliminate the timing differences that exist in the current cash-based system, said MIA public relations committee chairman Datuk Nur Jazlan Tan Sri Mohamed.

"The Government's budgeting process will be greatly enhanced as the change will enable it to allocate funds to its departments more efficiently and measure the performance of employees more accurately, as their contribution will be assessed in financial terms," he said in response to

Second Finance Minister Datuk Dr. Jamaluddin Jarjis's statement on the Government's plan to change the current "conservative" accounting system to a more commercially driven method.

Nur Jazlan said the system would also reduce the occurrences of cheque fraud in government agencies.

"The presence of a strong internal control system is vital to ensure financial discipline in the Government. The Government should also consider upgrading the post of State Financial Officer to attract qualified professional accountants to serve the Government," he said.

He added that the public would also benefit from the change of policy as the new system would promote better effi-

ciency, transparency and accountability in the public sector accounts.

"The move, when fully implemented, would provide a clearer picture of the country's fiscal status in a financial year and would be similar to producing an income and balance sheet statement," he said.

But Nur Jazlan said the Government should not rush into implementing the system as the objectives of the system, which is profit-driven, might be in conflict with the Government's objective of providing services to

the public.

The Institute is ready and willing to provide assistance to the government in promoting and executing this timely initiative. MIA together with the Melaka state government will be conducting a special conference to address this issue through the National Public Sector Conference 2004, which will be held from 1-2 April 2004 in Melaka. The Conference will be a good arena for both accountants and accounting personnel in the public sector to gain additional knowledge in this area. **AT**

Small Accounting Firms Urged to Merge, Form Alliance

Smaller accounting firms have been urged to merge or form alliances to increase the breadth of services they provide and better equip themselves to meet the challenges of liberalisation and globalisation.

Second Finance Minister Dato' Dr. Jamaludin Jarjis said Malaysia had the potential to be "a hub in Asia for the accountancy industry" with services exported to the region, but that required local firms to be of a certain size maintaining high standards and offering a wide range of services from auditing to tax and financial planning.

Without the mergers, however, Jamaludin warned of grave consequences for the future of some 1,400 small accounting practices in the country.

"They will lose out ... and we don't really want that to happen," he told reporters after opening the National Accountants

Conference 2003 on 6 October 2003.

He, however, ruled out the suggestion that the government would interfere: "The mergers would be market driven," he said.

In view of this proposal, a working group for mergers and strategic alliances, chaired by Raymond Liew, a Council Member of MIA, has been in dialogue and meetings with keen practitioners over the past months. Interested practitioners should contact the Institute for further information.

The industry is currently dominated by the so-called 'Big Four' accounting firms that have among them the lion's share of professional work and fees with most listed corporations and multinationals as their clients.

However, the vast majority (over 90 per cent) of firms in Malaysia are small proprietor-

ships and two-partner firms, whose main income sources could be at risk if Malaysia follows countries like Singapore in abolishing the audit requirement for small companies.

Malaysian Institute of Accountants President Datuk Dr. Abdul Samad Haji Alias said that in light of global dynamics, change was no longer an option for local accountants.

"You simply cannot survive if you insist on standing still," he said in his address during the Conference.

The MIA President asked smaller firms to specialise and achieve expertise in their core areas.

"Then, when required (they can) make strategic partnerships with other firms offering other services," he said. **AT**



Make a Date with the MIA Toastmasters Club

"Expand our Horizons" is the slogan of the District 51 Toastmaster's Club and the MIA Toastmasters Club has definitely lived up to this slogan by obtaining its first Competent Toastmaster (CTM) and also by hosting the area W5 Humorous and Speech Evaluation contest.

The Club is proud to announce that our own Vice-President for Membership, Karunanithi (Karu) is the first CTM for the club followed by our Assistant VP Public Relations, CTM Renuka Devi. Both completed the Communications and Leadership Programme Manual that consists of ten assignments in lightning speed. For the record, both CTM Karu and CTM Renuka expressed they would not have achieved the CTMs without the support of the MIA Club members including those from the sister clubs who graciously allowed them to do their assignment speeches during club meetings. Club President, Raymond Liew highlighted this was a significant achievement for the club and both CTM Karu and CTM Renuka have

set a dynamic example for other club members to follow.

The Toastmasters Club is a good platform for accountants to learn the rudiments of communicating effectively with people. Accountants are in the service industry where communication is an important tool for obtaining and expanding business. Other than teaching us the art of speaking, the Toastmasters Club also helps us to sharpen our listening and thinking skills.

Sounds interesting? Don't just be content with reading this article. Come join us to experience it.

Although a fairly new club chartered in June 2003 in Kuala Lumpur with about 30 members, the Toastmasters Club still actively recruits more and more MIA members by the day. Currently we organise two meetings on a monthly basis i.e. the **first and third Thursdays** of the month. The upcoming meetings for **November and December** are:

- 1 6 November;
- 2 20 November;
- 3 4 December; and
- 4 18 December.

The 20 November meeting is a joint programme with IGB Corporation's in-house Toastmasters Club and everyone is, as always, invited. The venue will be the MIA Office at **No. 2 Jalan Tun Sambanthan 3, Brickfields Kuala Lumpur (near the KL Sentral station).**

For the record, the MIA Toastmasters Club President, Raymond Liew would like to personally thank the IGB Toastmasters Club for their continuous support and encouragement to its members to excel in the area of public speaking.

Recently, the Executive Committee (Exco) of the MIA Toastmasters Club agreed to the proposal to levy an entrance fee of RM5 with effect from January 2004. For those who wish to find out more about this club but do not want to pay the entrance fee, do make a date with us in November or December 2003.

Our meetings start at 6.30 p.m. with refreshments. The meeting proper starts at 7.00 p.m. usually ending at about 9.00 p.m. Please do come and partake in our activities; you will be pleasantly surprised at what you can "take home" in the two hour session. For those who dream to achieve great success in public speaking, let me assure you that by joining the Toastmasters family, your dreams will come true — as quoted from the Presidential message of the Toastmasters International President 2003-2004 Ted Corcoran, DTM of Ireland.

Should you need more information about our club, please call 03-2279 9200 at Ext. 323 (Cik Shuhairah) or at Ext. 252 (Johnny Yong) from the Institute's Practice Matters Department. Alternatively, you can e-mail us at johnny@mia.org.my. See you at the next meeting!! **AT**

Melaka Melaka to Host High-Level Conference for Public Sector Accountants

1-4 April 2004

The Institute, in collaboration with the Melaka State Government will be organising the National Public Sector Conference, which aims to impart to participants useful information on public sector accounting. The national level seminar will seek to address areas such as the problems in public sector accounting as well as short and long term strategies to alleviate problems, contribution of the sector towards the state economy and corporate governance. The conference will also give participants an insight into

state bodies expectations of public sector accountants as well as guidelines and procedures concerning the sector.

Featuring prominent figures from the accounting profession as speakers for the event, it is also expected to serve as an effective networking platform to foster closer relationships between accountants and accounting personnel from both the public and private sectors at the national level. The participants will consist of accountants and accounting personnel from all states in the country.



The team behind the Conference ... (L-R) Abd. Halim Husin, Chuah Soon Guan, Manirajan, Manjeet Singh, YB Datuk Hj Ahmad Rusli Joharie, YB Abd. Khalil Abd. Hamid, Lee Hin Kan, Lim Fook Yin, Zaini Ishak

The Working Group For Accountants And Accounting Personnel In The Public Sector (PSA-WG), which was established by the Melaka Branch this year will be spearheading the initiative by acting as the organising committee for the conference. The PSA-WG has held two meetings so far with the first meeting having been

chaired by Melaka State Secretary Datuk Haji Ahmad Rusli Joharie. During the second meeting, the Institute's Continuing Professional Education Chairman, Manjeet Singh and the Melaka State Financial Officer, Abdul Khalil Abdul Hamid were appointed as the joint organising chairmen for the Conference. **AT**

Sarawak Let's Network

Networking was the theme of the 2003 Sarawak Inter Professional Games played in September and October, which saw competitive but friendly networking between 11 professional institutes, associations and societies. They were brought together by the State Government and Sarawak Chief Minister. They comprised of more than 400 accountants, lawyers, engineers, surveyors, architects, doctors, pharmacists, veterinarians, town planners, chemists and agriculture scientists who participated in badminton, bowling, darts, chess, golf, pool, tennis, table tennis and football.

The accountants did exceptionally well this year, coming in second to the overall champion, the engineers, with two

challenge trophies in hand for football and darts. The accountants' football team, the underdog, under the strict and disciplined watch of team captain/manager, Rolend Tama, stunned even the more well prepared and confident lawyers with their performance. With tremendous support and encouragement from team captain, Jack Karin, the accountants' darts team retained the challenge trophy. Coming in second place in Chess was a notable achievement for the accountants made up of Wong Yii Chiong, the captain, and his small team of four. A total of RM17,000 was raised for the Sarawak Kidney Association during the Inter Professional Golf game. The money will be used to expand their dialysis

centres in Kuching.

Over in Miri, the accountants came up tops in three games out of four, i.e. badminton, golf and volleyball and were overall champions in the Miri Inter

Professional Games 2003. Although the accountants lost at bowling, 2003 turned out to be their best year ever, since the inception of these Games three years ago. **AT**



Rolend Tama (front row, 3rd from right) and fellow accountants waiting to be signed up by the professional football league



Chess players, James Brodie and Mok Hung Meng in action

Sabah Golf in Bongawan

The venue for the 2003 Sabah Branch Annual Golf Tournament was the renowned Jack Nicklaus signature course, the Borneo Golf & Country Club, Bongawan, located 69km south of Kota Kinabalu. This 18-hole golf paradise has the magnificent Mount Kinabalu as its backdrop and the sandy beaches of the South China Sea as its fringes. The competitors departed the city at 6.30 a.m. passing by lush, green

padi fields and watermelon farms, in time to tee off at 8.30 a.m. After five hours under the sun, lunch was most welcomed at 2.00 p.m., preceding which Simon Liew, the organising chairman, presented prizes to the winners and novelties to Arthur Chin (nearest to pin-hole 16-9' 10"), Patrick Epin (longest drive-hole 2 -189 m) and Johnny Cham (nearest to line-hole 18 -5.4m) **AT**

IFAC Proposes New Standard on Mandatory Continuing Education for Accountants

A commitment to maintaining professional competence through lifelong learning is critical for professional accountants to meet the needs of a competitive worldwide economy and carry out their public-interest responsibilities. This is one of the fundamental premises in an exposure draft (ED) of a proposed new standard issued by the International Federation of Accountants (IFAC's) Education Committee.

The proposed standard, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, prescribes mandatory continuing professional development (CPD) for all professional accountants. It makes it clear that the responsibility to maintain professional competence applies to all professional accountants, including those working for accounting firms, corporations, small or medium enterprises, public sector organisations or in other environments. All IFAC member bodies are expected to comply with the standard from the proposed effective date of 1 January 2006.

"The profession operates in a dynamic environment, where the role professional accountants play is evolving all the time and the knowledge and skills required is constantly expanding," states Warren Allen, chair of the IFAC Education Committee. "To meet the needs of those who rely on the profession's services and expertise, it is critical that all professional accountants make a commitment to lifelong learning and maintaining competence."

The standard advocates a broader view of CPD, one that encompasses a wider range of learning and development opportunities that assist professional accountants to maintain competence. It focuses on the need for CPD to be relevant to the accountant's professional responsibilities and introduces the concepts of CPD as verifiable and measurable learning activities and outcomes.

IFAC's Education Committee released two initial EDs on this topic in July 2002. Having considered the range of comments received, the committee reviewed its approach and has released the revised standard for comment. The ED may be downloaded from the IFAC website by going to www.ifac.org/EDs/. **AT**

E-mail responses to this ED should be sent to EDComments@ifac.org. Comments may also be faxed (+1 212-286-9570) to the attention of Claire Egan, Technical Manager, or mailed to her attention at IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017. December 31, 2003 is the deadline for comments.

IFAC and International Regulators Propose Reforms to Strengthen Audit Quality

The international accountancy profession, together with international regulators, are spearheading reforms to improve the quality of standards and practices in auditing and assurance worldwide and to achieve global convergence of high quality standards.

According to its press statement the objective of the reforms, which are expected to be implemented in early 2004, is to help ensure that IFAC's standard-setting activities reflect the public interest and are consistent with the priorities of the international regulatory community.

Key aspects of the reform proposals include the development of a more transparent standard-setting process, particularly with respect to audit and assurance standards, and the provision for greater public and regulatory input into that process. In addition, the proposals call for the establishment of a Public Interest Oversight Board (PIOB) to oversee IFAC's public-interest activities. Members of the PIOB will be selected by the regulatory community.

The reforms were described in a paper entitled *Proposals for Reform*, developed by the International Federation of Accountants (IFAC) and international regulators with input from IFAC member organisations, regional accountancy organisations and the profession at large. **AT**

IFAC Releases New International Education Standards For Professional Accountants

The IFAC has released six International Education Standards (IESs) that establish the global benchmarks for education and development for professional accountants. The standards are a critical component of IFAC's overall efforts to ensure high quality performance by professional accountants worldwide.

Developed by IFAC's Education Committee, the standards are designed to achieve quality and consistency in global accounting education. They prescribe the essential elements of education to become a professional accountant and the ongoing education requirements necessary to remain competent. All IFAC member bodies are expected to comply with the standards effective 1 January 2005.

Titles of the IESs are as follows:

- **IES 1** *Entry Requirements to a Programme of Professional Accounting Education;*

- **IES 2** *Content of Professional Accounting Education Programmes;*
- **IES 3** *Professional Skills;*
- **IES 4** *Professional Values, Ethics and Attitudes;*
- **IES 5** *Practical Experience Requirements; and*
- **IES 6** *Assessment of Professional Capabilities and Competence.*

An introduction and framework have been issued with the standards and should be read in conjunction with them. These documents explain the scope of issues covered in the standards and the ways they may be applied to the education programs of IFAC member bodies.

"The goal of accounting education is to produce competent professional accountants who can continue to meet the expectations of the communities they serve as well as the challenges they will face in the future," states Warren Allen, chairman of the Education Committee. "IESs are designed to cultivate and reinforce an attitude of lifelong learning so professional accountants can effectively maintain competence throughout their careers. This attitude is essential in an environment of ongoing change."

The standards provide important assistance to IFAC member bodies, which are generally responsible for either establishing or implementing education standards and requirements at the national level. They are also designed to assist those responsible for accounting education to develop the skills and strategies professional accountants require. Another proposed standard on continuing professional development will be re-exposed for comment by 1 November 2003.

Regulatory and other international groups involved in the development of the proposals include the International Organisation for Securities Commissions (IOSCO), Basel Committee on Banking Supervision, European Commission, World Bank, and International Association of Insurance Supervisors, as well as the Financial Stability Forum (FSF), which strives to promote international financial stability and improve the functioning of markets.

The IOSCO recently reported that it "strongly supports IFAC's efforts" to reform its public-interest activities, including the formation of a Public Interest Oversight Board (PIOB).

The FSF also indicated its support of the reform proposals, which they view as a positive step in ensuring that the international auditing standard-setting process is responsive to the public interest.

"The FSF welcomes the reforms developed by IFAC and the international regulatory community to provide assurance that IFAC's audit-related standard-setting activities are conducted in a manner consistent with the public interest," states Roger Ferguson, FSF Chairman. "We look forward to their adoption by IFAC's Council in November and implementation in the months to come."

The PIOB will comprise 10 members and will focus on IFAC standard-setting activities related to audit and assurance services, independence and other ethics standards. It will also oversee the education standard-setting process and IFAC's member body compliance programme.

The reform proposals also include recommendations for strengthening and enhancing the transparency of IFAC's governance, expanding the role of Consultative Advisory Groups in standard-setting processes, and formalising ongoing collaboration between regulators and IFAC to ensure the efficacy of the reforms.

"Countries around the world recognise the critical need for high quality audits," states Jaime Caruana, Chairman of the Basel Committee on Banking Supervision and Governor, Bank of Spain in Madrid. "Over time, IFAC's reforms should result in improvements in international audit standards and practices that will help restore the confidence of capital markets in the quality of audit services. The Basel Committee is pleased to be involved with other regulatory and international organizations in supporting this important reform effort."

"The result of this very collaborative effort is a series of proposals which we strongly believe are in the best interests of the public," adds IFAC President René Ricol. "The most effective way to build public confidence in financial markets is to develop a well-designed, rigorous and transparent standard-setting process in which external parties are fully integrated. This is what the reform proposals are designed to accomplish." **AT**

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The standards, introduction and framework may be downloaded from the IFAC website by going to www.ifac.org/education.



CAT Teachers' Conference 2003

For the first time ACCA Malaysia hosted the regional CAT Teachers' Conference 2003 on 5 September at the Pan Pacific Kuala Lumpur. More than 120 participants from Malaysia, Singapore, Myanmar and Cambodia attended the conference.

In August 2003, ACCA announced the new syllabus for the CAT or Certified Accounting Technician scheme. CAT provides a firm foundation of accounting knowledge and the opportunity to fast track towards becoming a professional ACCA accountant. The qualification was first launched by ACCA in 1998 and there are now nearly 30,000 registered students in 120 countries.

The one-day conference aimed to introduce to tuition

providers the new CAT scheme which was due to be examined for the first time in June 2003. The conference also provides the opportunity for lecturers of various tuition providers to meet and talk personally with the examiners from UK during the workshops sessions for inputs and feedback.

Through the presentations of the examiners, the lecturers had the opportunity to hear the examiners' impressions of the new syllabus and were updated on various developments related to education in ACCA.

"The conference is a perfect opportunity for teachers to increase their understanding on the new syllabus requirements and examiners' expectations. Following that teachers will be able to

devise ways and new teaching strategies for the success of their students," said Tay Kay Luan, Head of ACCA Malaysia.

He further added, "ACCA acknowledges and appreciates the partnership role with our teachers



Carol-Anne Graham (left) and Andrian Mcmeeham (middle) from the UK having a conversation with Tay Kay Luan, Head of ACCA Malaysia



Participants listening attentively to the overview of the new syllabus of CAT

all over the world and always welcome feedback. ACCA believe we are not only preparing students to pass the examinations but grooming future accountants of great values."

In addition to the conference for lecturers, there was also a "Students Meeting" in the afternoon. The meeting gave stu-

dents the opportunity to meet the examiners to gain first hand information with regard to changes in the syllabus. The discussion covered papers 2,4,5,6,7 and 8.

The meeting was a good platform to bridge any expectation gap that might exist between the examiners and candidates. **AT**

ACCA National Conference : The Finance Profession — Embracing Challenges, Shaping the Future

ACCA organised a one-day conference on *The Finance Profession: Embracing Challenges, Shaping the Future* recently.

The theme focuses on the urgent need for finance professionals to keep up with the challenges they are constantly faced with. As job responsibilities have shifted, so have the requirements to be successful in the field. It is no longer enough to have solid financial expertise. Finance professionals must also have diverse skills that enable them to serve as business advisers.

In view of these changes and expectations, the conference was specially designed to focus on the skills needed to manage the changes. Emphasis will be placed on soft skills development as these skills play an important role for finance professionals today.

"Over the past 20 years, it seems as though accountants have been in a period of constant change; and the scope and speed of those changes just keep on accelerating. Until fairly recently, traditional accounting firms monopolised two essential business services: auditing and tax work. Changes in job scope, which now includes management and consultancy, had ramifications on career paths, compensation and investments within the firm. Competitive pressures are forcing accountants to upgrade their skills, lower their prices and redesign the way they serve the business customers," said YBhg Dato' Khalid Ahmad, President of the ACCA Malaysia Advisory Committee (MAC) in his keynote address. **AT**



Panel discussion session ... (from left) Wee, Evanson, Tan and Petrus Gimbad

CIMA Management Accounting Conference 2004

13-14 April 2004, Hotel Nikko Kuala Lumpur

Special conference rate for MIA members

CIMA Malaysia Division's conference in April 2004 is set to bring a host of international speakers to touch on the theme "*Strategic Enterprise Management — Enhancing Stakeholders Value*".

Dr Martin Fahy, facilitator for the CIMA Strategic Enterprise Management (SEM) Round Table, said, "In recent years, finance professionals have found that the demands on their time and resources have grown hugely. SEM is an attempt to help finance professionals improve strategic management by

giving them better tools and approaches to meet the continuous stream of requests for analysis and information from senior executives." He added, "The reality is that the biggest constraint on most corporate analysis and planning groups is a poverty of time to think about challenges facing the firm, not technology. Successful firms have long recognised that excelling at strategic management tasks such as business intelligence and decision making is a competitive advantage in itself."

Speakers

- **Claire Ighodaro FCMA**, President of CIMA, UK
- **Bill Connell**, Chairman of the International Federation of Accountants (IFAC) Committee for Professional Accountants in Business.
- **Dr Martin Fahy**, Independent Consultant & Senior Lecturer in Accounting and Information Systems at National University of Ireland
- **Professor Akira Nishimura**, Professor of Management Accounting and Assistant President of Kyushu Sangyo University, Japan
- **Hermawan Kartajaya**, Founder and President of Markplus & Co (Indonesia), a leading strategy consulting firm in Asia
- **Michael Freedman**, President of the worldwide strategy practice of Kepner-Tregoe, UK
- **Joseph Lee**, National Transfer Pricing Leader for China and Hong Kong, Deloitte Touche Tohmatsu, Beijing, China
- **Assoc Prof. Dr Normah Omar**, a specialist in the area of strategic management accounting, Universiti Teknologi MARA (UiTM), Malaysia
- **Margaret Chin**, Managing Director of Roots Consulting Sdn Bhd

Key Topics

- Strategic Enterprise Management ■ Enterprise Governance ■ Value Creating Enterprise ■ Financial Risk Management ■ Strategic Leadership ■ Management Accounting ■ International Transfer Pricing

Conference Fees	MIA/CIMA members (per person)	Non-Members (per person)
Normal fee	RM 750	RM 900
Early bird (registration and payment before 31 December 2003)	RM 650	RM 800
Groups of 3-9 persons*	RM 650	RM 750
Groups of 10 persons and above*	RM 600	RM 700

* from same organisation

For enquiries, please call Sharon, Swea Ping or Siew Lian at 03-7803 5243, 7803 5268, 7803 5531 or email kualalumpur@cimaglobal.com.

60,000 Members and Going Strong

At CIMA's New Members Celebration, held at the Birmingham Museum and Art Gallery on 8 September, Sarah Webb, a 25-year-old Financial Analyst at Rolls Royce's Risk and Revenue

past decade, which has also seen membership of CIMA double in number.

The word 'accountant' is increasingly being dropped for titles such as 'analyst' and 'financial manager',

and roles are far wider in their reach. As Sarah puts it, "I decided that I didn't want to be a number-crunching accountant. Instead I wanted to influence how financial decisions were made, and how they would affect business, so management accountancy and CIMA were the next steps after graduating."



Claire Ighodaro,

Sharing Division, was announced as the 60,000th CIMA member by Claire Ighodaro, CIMA president.

Claire Ighodaro congratulated CIMA's new members and said "Reaching the 60,000 mark is a great achievement for CIMA, and shows just how important the qualification and our members are to employers around the world."

At 25, Sarah Webb is the perfect example of the changing role of the management accountant. CIMA, which originated in the manufacturing industry, has always focused on providing business accountants, financial and strategy specialists who understand the business as well as the figure. But job titles and roles have changed fundamentally in the

President of CIMA and Finance Director of BT Broadband is another great example of the opportunities CIMA provides. She has risen through the ranks of the BT Group and past achievements include leading successful trade missions on behalf of the UK Department of Trade and Industry. She is keen for others to have the opportunities that she has benefited from. "All new members can be proud to have joined the ranks of the Chartered Management Accountant with all the new opportunities that this brings, she said, "What makes CIMA so valuable and differentiates us from other accountancy bodies is our sole focus on training and qualifying accountants in business." **AT**



Impressive Number of Participants at State Conference

The third annual state conference, this time, in the state of Perak drew over 200 participants comprising CPA members, government officials, businessmen, academicians and students. The Conference was officiated by Malaysia's Rural Development Minister Dato' Azmi Khalid. Also present at the Conference were Dr. Ken Levy, Deputy President CPA Australia and Malaysia Division President Albert Wong.

The theme of the Conference, *SMEs: The Engine of Growth* aptly reflected the Malaysian government's aspirations to develop SMEs into an important area of growth. The Conference which was one of the major events in Perak this year received tremendous support from the Perak state government.

Albert Wong in his welcome remarks said accountants can work with banks to better service small business customers with financial advice. This means accountants will have to keep themselves informed about banking packages and

offerings available to small business operators. With 90 per cent of practice firms in Malaysia being SMEs themselves, they must be prepared for the effects of globalisation of services which will come into effect in 2005. "As members of the profession, we need to prepare ourselves to be ready to meet and manage these changes rather than allow these changes to control our pathways," said Albert.

In his speech, Dr. Levy said as finance accounting and business professionals, CPAs can enhance the prospects for SMEs and help position them to identify and realise their potential. He said an important consideration will be to maximise the benefits for businesses arising from the Malaysian government's ongoing assistance programmes.

Also at the Conference, the Minister was called upon to launch the Malaysia Division's publication on franchising entitled, *"A Guide to Franchising in Malaysia"*. The book is intended as a reference for aspir-

ing entrepreneurs to dabble in the field of franchising as it discusses issues and trends in Ma-

aysia in addition to looking at the franchise industry in other countries. **AT**



Awalan who was also one of the speakers at the Conference receives a token of appreciation from Malaysia Division Councillor Billy Lee



Dato' Azmi Khalid (centre) launching the CPA Australia publication, "A Guide to Franchising" at the opening ceremony. Looking on are (from left) Albert Wong and Dr Ken Levy. Partially hidden is the author of the book Awalan Abdul Aziz

New Appointments



Gloria, highest number of votes



Mark, 12 years experience in financial services

Malaysia Division welcomes Gloria Goh Ewe Gim and Mark Lim Khai Geen on board its Council. Gloria, who has over 20 years experience in providing assurance and advisory services, is a partner of Ernst & Young and heads the Global Financial Services Practice in Malaysia. Gloria recently stood for council election of Malaysia's national accountancy body, Malaysian Institute of Accountants (MIA), and secured the highest number of votes. With

the inclusion of Gloria, CPA Australia now has six representatives on the MIA council.

Mark is the Deputy General Manager of PM Securities Sdn Bhd and has been in financial services for 12 years. He holds a Bachelor of Economics from Monash University. Mark gained invaluable experience in technology specialising in the area of stockbroking during his stint as Vice-President-Operations with Worldstocks. Com. Sdn Bhd. **AT**



SC Issues Details on Shortening of “Time-to-market”

Offer period cut to five days from 10, processing period cut to eight days from 15

The Securities Commission (SC) has issued further details of the reduced time-to-market for Initial Public Offerings (IPOs) following the announcement by the Minister of Finance II YB Dato’ Dr. Jamaludin Mohd Jarjis.

In line with the overall thrust towards a more facilitative fund-raising framework, the time-to-market for IPOs will be reduced to 13 market days from 25 market days effective 1 December 2003. Time-to-market refers to the period beginning from the date prospectuses for IPOs are issued until the day companies are listed.

The reduction is achieved partly by reducing the offer period to investors from a minimum of 10 market days to five market days. Companies retain the discretion to extend the offer period. In addition, offers would close at 5.00 p.m. instead of 8.00 p.m. presently. The rest of the reduction comes from the shortening of the various processes carried out by the participants to the IPO distribution. (*See Appendix I*).

Investors must also have a Central Depository System (CDS) account, from 1 December 2003 onwards, before they can apply for IPO shares. This new aspect substantially cuts down the processing time taken by the Issuing Houses as applicants’ details would already then be available. The SC has decided to implement the new time frame only from 1 December 2003 to give sufficient time for potential investors to open CDS accounts with their local Authorised Depository Agents.

Based on the new framework, companies seeking listing offering up to 20 million shares to the public (through the “white forms”) can list on the Kuala Lumpur Stock Exchange (KLSE) as early as 13 market days from the date when they issue their prospectus, although they can extend the period if they choose to do so.

“Apart from improving efficiencies in fund raising, this reduction of time-to-market puts the Malaysian stock market on a more competitive platform with the rest of

the leading bourses in the region,” said SC Chairman Datuk Ali Tan Sri Abdul Kadir.

The SC had established an Industry Working Group (IWG) last year to look into enhancing the IPO distribution timeframe. The reduced time-to-market was arrived at after considering the roles of all participants in the IPO distribution framework including the Issuing Houses, Malaysian Central Depository (MCD) and KLSE.

“Everyone has worked very hard to review and enhance his organisation’s efficiencies and work processes to lessen the overall time-to-market. It took considerable time and effort, and cooperation and coordination. I would like to thank everyone for their hard work,” said Datuk Ali Tan Sri Abdul Kadir.

The IWG was led by the Association of Merchant Banks in Malaysia and comprised representatives from the KLSE, MCD, Malaysian Issuing House Sdn Bhd, MIDF Consultancy and Corporate Services Sdn

Bhd, Association of Stockbroking Companies Malaysia, Federation of Public Listed Companies and Association of Registrars.

“It was an interesting process, and I would also like to thank all the working group members who have looked at the well-being of the capital market, even as they worked on their own internal processes,” said Pushpa Rajadurai who chaired the IWG.

“The market would certainly benefit from the reduction of the IPO distribution timeframe. It reduces the holding costs for investors and their exposure to the volatility of the KLCI, whilst for companies seeking listing, they would be able to reduce the underwriting costs incurred in their journey towards listing on the local bourse,” she said.

A list of questions and answers to facilitate understanding on the time-to-market is attached (*Appendix II*).

Table 1 Current IPO Time-to-Market		Appendix I
Event		Timing (Market Days)
1. Offer opens		T
2. Offer closes at 8:00 p.m.		T + 10
3. Basis meeting for Bumiputera & public categories of applicants		T + 13
4. Balloting ceremony for Bumiputera & public categories		T + 14
5. Announcement of subscription rate		T + 14
6. Mini Ballot		T + 17
7. Deposit of shares into successful applicants’ CDS accounts		T + 19
8. Submission of final prescribed list of information to the KLSE for listing		T + 21
9. Despatch of “Notice of Allotment” to successful applicants		T + 21
10. Commencement of trading on a ‘ready’ basis on KLSE (i.e. Listing Day)		T + 25

Table 2 New IPO Time-to-Market		
Event		Timing (Market Days)
1. Offer opens		T
2. Offer closes at 5.00 p.m.		T + 5
3. Basis meeting for Bumiputera & public categories of applicants		T + 7
4. Balloting for Bumiputera & public categories (no ceremonial event)		T + 7
5. Announcement of subscription rate		T + 7
6. Submission of final prescribed list of information to the KLSE for listing		T + 10
7. Deposit of shares into successful applicants’ CDS accounts		T + 11
8. Despatch of “Notice of Allotment” to successful applicants		T + 12
9. Commencement of trading on a ‘ready’ basis (i.e. Listing Day)		T + 13

Appendix II

IPO Time-to-Market — Frequently Asked Questions

1. *Why is the current time-to-market relatively long?*

- Current time-to-market: 25 market days (from the day the prospectus is issued until listing date).
- The long current time-to-market is attributed to the relatively long offer period (10 market days) and processes adopted by the Issuing Houses and MCD (for e.g. balloting processes).

2. *What is the new proposed time-to-market?*

- New time-to-market: 13 market days (from the day the prospectus is issued until listing date).
- The new time-to-market is shorter as the offering period is shorter (five market days) and the processes adopted by the Issuing Houses and MCD have been made more efficient (for e.g. no more mini ballots).

3. *Where does the time savings come from?*

- The time savings is illustrated in the table below:

No.	Events	Present Timeline (Market Days)	Proposed Timeline (Market Days)	Time Savings (Market Days)
1.	Offer period ¹	10	5	5
2.	Processing by the Issuing Houses and MCD and other preparatory work by the advisers	12	6	6
3.	KLSE listing procedures	3	2	1
4.	Total	25	13	12

4. *Is the 13 market days applicable to all IPOs?*

- The 13 market days time-to-market is applicable to IPOs with public offer sizes (i.e. “white form” shares) of up to 20 million shares.
- Larger public offer sizes would attract the following time-to-market, which is shorter than the current time-to-market:

Public Offer Size	Current Time-to-Market	New Time-to-Market
20 million to 50 million shares	T+28	T+16
Above 50 million shares	T+31	T+18

5. *Why does an offer to the public exceeding 20 million shares attract different time-to-market?*

- The maximum number of applications that the Issuing Houses

can realistically process within 6 market days would be based on public offer of 20 million shares, given their resources as well as the physical form of applications (which can only be processed manually). Owing to these constraints, they would need additional time to process applications if the public offer size exceeds 20 million shares.

6. *The new time-to-market is still longer than those in Singapore and Hong Kong. Why?*

- *Hong Kong:* 10 Market days
Singapore: 7 markets days
- Applications for IPO shares in Malaysia are mostly in physical form as opposed to electronic [i.e. electronic share application (ESA)]. As a result, the processing of applications is still manual-based whereupon the Issuing Houses would need to check and verify manually the individual details of successful applicants before proceeding further.
- Thus, the longer time-to-market in Malaysia compared to Hong Kong and Singapore where the applications through the ESA are high (90 per cent compared to 20 per cent in Malaysia).

7. *When does the new time-to-market take effect?*

- The new time-to-market takes effect on 1 December 2003 and applies to companies issuing prospectuses on or after 1 December 2003.
- To facilitate the new time-to-market, investors would be required to have a CDS account upfront before applying for IPOs. This requirement would take effect on 1 December 2003.

8. *What are the benefits of the reduced time-to-market?*

- Minimise the holding cost of investors.
- Minimise the exposure of the volatility of the KLSE Composite Index to investors.
- Minimise the underwriting exposure of underwriters.

9. *Will the rest of the participants to the IPO distribution such as the Issuing Houses and KLSE shorten their time to carry out their work?*

- Yes, they will. In fact, they have reviewed their work processes to lessen the overall time-to-market. For instance, the Issuing Houses will reduce their processing time from 12 to 6 market days whilst the KLSE will reduce theirs from 3 to 2 market days.

10. *Where can a list containing the names and addresses of Authorised Depository Agents (ADAs) be found?*

- The list can be found in IPO prospectuses. **AT**

¹ Refers to the minimum period for which the offer must be kept open. It is at the discretion of the companies seeking listing to extend the offer period if they wish to do so.

The following persons are now entitled to use the word 'Accountant' upon their admission to the Malaysian Institute of Accountants, in accordance with Section 22 & 23 of the Accountants Act 1967.

CA — Chartered Accountant

Registration of Accountants

AS AT 26 SEPTEMBER 2003

JOHOR DARUL TAKZIM

Johor Bahru

Azlin Md Yusof	21866/CA
Joseph Sewi Chuan En	22114/CA
Koh Lee Ching	21986/CA
Lau Sin Huat	22120/CA
Lim Meow Lee	21938/CA
Nurul Amalina Abas	21914/CA
Tan Chin Kiang	22158/CA
Woi Lee Nyet Fa	22113/CA

Kluang

Ng Boon Kong	21942/CA
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Kota Tinggi

Chew Meng Kee	21950/CA
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Kulai

Loh Choo Shien	22027/CA
Sim Chin Heng	22037/CA

Masai

Ferhard Abdullah	22108/CA
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Muar

Too Chang Kit	22090/CA
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Segamat

Ng Chai Peeng	22019/CA
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Senai

Ng Heng Chee	21854/CA
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Tangkak

Norazali Mohd Ali	22068/CA
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Ulu Tiram

Kee Kok Lim	21880/CA
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KEDAH DARUL AMAN

Alor Setar

Kho Yen Theng	21913/CA
Khor Lian Imm	21971/CA
Siew Poh Lye	21897/CA
Teh Lian Hua	21860/CA

Kulim

Siti Shakilawati Umar	21857/CA
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Lunas

Bong Mee Tin	22145/CA
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KELANTAN DARUL NAIM

Kota Bahru

Lee Chow Peng	22121/CA
Law Bee Lian	22084/CA

MELAKA

Bukit Baru

Lokman Latip	22018/CA
Wong Tze Ling	22107/CA

Bukit Beruang

Wong Li Fun	21992/CA
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Melaka

Agilah A/P Narayanasamy	21868/CA
Lim Li Ping	21991/CA
Sew Sher Ming	22012/CA
Soon Yen Ting	22000/CA
Tan Chin Heng	22115/CA
Zarinah Japar	21917/CA

Tampin

Lim Hui Ping	22033/CA
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NEGERI SEMBILAN DARUL KHUSUS

Johor

Mohammad Haniman Kechek	21924/CA
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Seremban

Cheong Li Wei	21926/CA
Hasniza Hashim	21909/CA
Khoo Teck Kheng	22105/CA
Noridawati Jamaludin	21911/CA
Wong Yoke Kien	21883/CA
Yap Peck Geok	21976/CA
Yip Siew Loong	22096/CA

PERAK DARUL RIDZUAN

Bidor

Kong Yuet Fei	22129/CA
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Ipoh

Aimee Hew Chooi Yee	22155/CA
Choo Kee Shoei	22152/CA
Eugene Hui Jin Hock	22069/CA
Kok Thiam Oi	22154/CA
Loh Shok Fun	22014/CA
Mohamad Shariff Sarepudin	21910/CA
Muhammad Faizul Hazizi	22134/CA
Yap Choo Sim	21870/CA

Kuala Kangsar

Goh Ting Keong	22073/CA
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Lahat

Tang Siew Chuen	21856/CA
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Menglembu

Chong Pooi Foon	22063/CA
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Parit Buntar

Ng Chit Chong	22065/CA
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Taiping

Teo Gin Lian	21902/CA
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Teluk Intan

Looi Ee Li	22122/CA
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PERLIS INDRA KAYANGAN

Kangar

Mohd Rusidan Ishak	22110/CA
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PULAU PINANG

Bandar Baru Air Itam

Chuah Ai Lin	21968/CA
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Bukit Mertajam

Cheng Boon Chern	22026/CA
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Gelugor

Loo Kien Seang	22016/CA
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Sabarina Harun

Sabarina Harun	22022/CA
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Georgetown

Wee Eng Chin	21921/CA
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Penang

Amir Fauzan Zaini	22066/CA
Chan Kok Chung	22039/CA
Chee Ming Yau	22070/CA
Hafezali Iqbal Hussain	22147/CA
Loh Boon Pin	22062/CA
Nor Hidayah Omar	22061/CA
Oon Leong Lye @ Khoo Leong	22058/CA
Tan Yen Leong	22059/CA
Chitra A/P Sakrabani	21970/CA
Law Sok Hoon	21871/CA
Siah Chin Soon	21873/CA
Teoh Teng Teong	21893/CA

SABAH

Kota Kinabalu

Bainie Atam	21922/CA
Chai Heui Jeat	21937/CA
Chai Huei Yung	21891/CA
Chan Pek Ee @ Erna	21853/CA
Edward Lee En Fah	22064/CA
Ho Ken Wei	22040/CA
Mapiati Sullit	22156/CA
Silawati @ Ken Silawati	22079/CA
Voon Chieu Siam	22013/CA
Wong Vui Yee @ Wendy Wong	21994/CA

Penampang

Lambert Francis Tangkim	22035/CA
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Sandakan

Loo Sui Ping	22153/CA
Ng Shoon Tshin	21995/CA
Rosalia Mathew Sipaun	22034/CA
Wong Kim Sun	21996/CA

Tawau

Rajimin Mohd Yaakob	21867/CA
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SARAWAK

Kuching

Liew Kuang Chiang	22076/CA
Natalie Kong Sie Yiu	21978/CA
Sim Hui Meng	22029/CA
Wong Ngik Seek	22025/CA
Yong San Chien	21923/CA

Sarikei

Koh Ping Kui	21901/CA
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Sibu

Tony Wong Khung Ong	21985/CA
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SELANGOR DARUL EHSAN

Ampang

Fahmy Ismail	22119/CA
Gauri A/P Appena @ Apparao	21881/CA
Hew Chee Hau	21967/CA
Manjit Kaur A/P Jeswant Singh	21862/CA

Neoh Siew Lean

Neoh Siew Lean	21896/CA
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Ong Kim Leng

Ong Kim Leng	22138/CA
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Razman Mohamed

Razman Mohamed	22087/CA
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Balakong

Ng Lee Yoon	22160/CA
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Bandar Baru Bangi

Zahida Maarof	22001/CA
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Banting

Azli Charop	22151/CA
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Batu 9, Cheras

Hariati Hariri	21936/CA
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Batu Caves

Ana Salwati Embong	22163/CA
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Azbir Abu Bakar	22144/CA
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Faridah Mansor	22161/CA	Zainudin Othman	22099/CA	Chin Nyook Chin	22103/CA
Jasmin Jaafar	21908/CA	Port Klang		Chin Wan Keang	21974/CA
Khairul Anuar Ghazali	21957/CA	Cheong Yong Chye	22132/CA	Chin Yuen Han	22043/CA
Lai Kim Len	22089/CA	Puchong		Chong Mei Leng	22139/CA
Lee Sook Fong	21962/CA	Lim Fang Ngee	22081/CA	Chua Ee Leen	22102/CA
Liew Pui Foong	21952/CA	Phuan Siew Ling	21899/CA	Fathemah K E Mohamed	22038/CA
Sarahan A/L A.Regunathan	22141/CA	Teh Lee Chew	21884/CA	Foong Woon Tuck	22131/CA
Tang Kee Hui	22142/CA	Viveen Goh	21958/CA	Goh Lee Fong	22054/CA
Zanariah Jamaludin	21887/CA	Wan Shukri Wan Mustapha	21982/CA	Guan Yen Lin	21963/CA
Cheras		Wong Kok Sing	22015/CA	Harjeet Singh A/L Daya Singh	21886/CA
Lim Seok Hong	22048/CA	Rawang		Helmy Omar	22046/CA
Mohamad Fazli Salleh	21894/CA	Intan Norazura Masaud	21948/CA	Ho Kim You	22104/CA
Siti Noraisyah Maatan	22003/CA	Sharir Ismail	21956/CA	Ismail Jamaluddin	22116/CA
Kajang		Serdang Raya		Jamaludin Mohamad	21961/CA
Azlin Alias	22055/CA	Chan Oi Mui	21915/CA	Kailash A/L Herkishan	22047/CA
Kirubarharan A/L Ponniah	22162/CA	Serendah		Kelvin Tan Chung Jii	21947/CA
Lee Yan Yaw	21861/CA	Bazirana Bakar	21972/CA	Khoo Yok Sian	21944/CA
Mohd Rahisham Ab Ghani @ Rani	22149/CA	Shah Alam		Koh Ying Ying	21888/CA
Muhammad Nizan Redzuan	21872/CA	Saipul Baharin Ahmad	22007/CA	Lai Mei Yee	22159/CA
Nor A'dni Ismail	22123/CA	Shazalyza Mohammad	21925/CA	Lam Kah Hoe	21932/CA
Sivaruban @ Ruban s/o Kandasamy	22005/CA	Siti Rohana Abdullah	22128/CA	Lau Oi Wai	22094/CA
Teoh Phaik Ai	21855/CA	Tan Swee Kiow	22060/CA	Law Pau Onn	22045/CA
Yeong Kian Peng	21988/CA	Zulfadlie Abdullah	22088/CA	Lee Chee Keong	21980/CA
Klang		Subang Jaya		Lee Chin Hon	22101/CA
Ahmad Zailani Mohamad Ali	22100/CA	Azma Jusoh	21920/CA	Lee Chwee Kin	22010/CA
Daryani Mansor	22072/CA	Mohamed Azlan Mohd	21885/CA	Lee Miaw Siang	21998/CA
Lee Ah Suat	22023/CA	Rasheed Khan		Leong May Li	21895/CA
Lim Hua Tiong	21863/CA	Nazlisham Abdul Majid	21959/CA	Leong Siaw Feng	21931/CA
Lim Szu Wei	22057/CA	Nor Hanna Mustapha	21929/CA	Lim Cheng Seong	21999/CA
Ng Choe Kee	22044/CA	Ong Chong Chee	22150/CA	Lim Hooi Choo	22111/CA
Ng Hui Tieng	22112/CA	Tay Boon Hwee	22148/CA	Lim Joo Seng	22097/CA
Wong Soon Yoke	21875/CA	Wong Nyet Ching	21912/CA	Lim Nguk Siew	22146/CA
Petaling Jaya		Wu Sweet Ting	22004/CA	Liu Jiun Huey	21993/CA
Chin Ying Jack	21904/CA	Sungai Buloh		Loh Lee Kim	22049/CA
Chong Chen Kian	22077/CA	Jacqueline Tan Mei Lin	21984/CA	Low Bee Leng	21953/CA
Chong Nyok Hon	21977/CA	Teluk Panglima Garang		Low Hooi Mein	21919/CA
Chow Yee Fung	21933/CA	Suzana Abu Bakar	22127/CA	Mah Ai Chia	22075/CA
Eric Tai Kong Hon	22117/CA	Ulu Langat		Mak Kok Tai	21973/CA
Foo Ken Nee	21877/CA	Suraya Mahmud	21934/CA	Mohd Aziz Idris	22092/CA
Kanikaemari Janet A/P Joseph	22032/CA	TERENGGANU DARUL IMAN		Mohd Fairuz A Razak	22082/CA
Theodore Samy		Chukai		Mohd Hamka Omar	22036/CA
Karina Lai Mei Ling	21869/CA	Mohd Rafizi Ramli	22030/CA	Mohd Norhafidz Buyong	21983/CA
Lau Mui Hoon	22024/CA	Kuala Terengganu		Ng Kar Teik	22020/CA
Lee Siew Fang	22133/CA	Kualati Saleh	21865/CA	Nor Hashimah Jusoh @ Hussain	22124/CA
Lim Eng Boon	22157/CA	WILAYAH PERSEKUTUAN		Nor Suhaila Ismail	22126/CA
Lim Sen Lee	21930/CA	Kepong		Norleda Sapei	22137/CA
Loh Jun May	22006/CA	Wong Kah Chieh	21879/CA	Ong Li Liy	22136/CA
Low Kean Seng	21941/CA	Kuala Lumpur		Othman Shahid	22002/CA
Lu Kiat Zee	21900/CA	Ong Siew Kim	21858/CA	Pang Lung Kong	22017/CA
Mohd Othman Omar	21964/CA	Abdul Halim Abu	22067/CA	Peragalathan A/L Birasamy	22140/CA
Ng Boon Hui	21907/CA	Addy Rizaidi Amat Tosirim	22118/CA	Phuah Shok Cheng	21949/CA
Ng Yeou Mai	21979/CA	Adi Fazuli Mamat	22095/CA	Puteri Haslinda Megat Ahmad	21966/CA
Nor Rosmini Ibrahim	21997/CA	Ahmad Junaidy Awang	21990/CA	Supian	
Ong Win Nee	22021/CA	Alexander Melkin Spencer	22053/CA	Razina Mazelan	22011/CA
Shazia Mohamed Ishak	22083/CA	Ang Wee Wee	22050/CA	Roziah Abdullah	21960/CA
Shireen Chia Yin Ting	22052/CA	Azman Sisek @ Bachok	21882/CA	Salawati Masdar	21954/CA
Tan Lay Lee	21965/CA	Camay Ho Kit Ching	21943/CA	Satvinder Singh Gill	22130/CA
Tan Yen Nee	22086/CA	Chai Hoon Boon	21945/CA	See Chee Fwai	21889/CA
Tang Yee Hing	22143/CA	Chan Mei Mei	21940/CA	See Yee Siar	22135/CA
Vivien Hooi Wye Ping	22106/CA	Chau Lai Mun	21898/CA	Shaizatul Fathiah Shafie	21906/CA
Wong Chee Shan	22078/CA	Chay Pik Har	22041/CA	Shim Gek Yong	21975/CA
Wong Chin Poh	21981/CA	Cheang Peng Peng	21951/CA	Siti Rosehaida Shikh Wahid	21946/CA
Wong Jern Keong	21927/CA	Cheong Wei Fuen	21905/CA	Soh Boon Bee	21878/CA
Yap Chih Ming	22056/CA	Chia Siew Leong	21969/CA	Soo Yong Nam	22028/CA
Yeow Chee Keong	21859/CA	Chieng Siong Kuong	21874/CA	Sri Anita Mashat	21916/CA

Sujaihah Abdul Shukor	21928/CA
Syahrel Azlee Abdullah	22093/CA
Tan Bee Yoke	21892/CA
Tan Chee Beng	22098/CA
Tan Hwee Chien	21987/CA
Tan Tian Wooi	22074/CA
Tang Choon Foo	21903/CA
Teo Lee Koon	21876/CA
Thong Kok Chin	22042/CA
Vilashini A/P V. Ganespathy	22164/CA
Wong Siew Loong	21864/CA
Wong Sooi Peng	22009/CA
Woo Hui Kuin	21918/CA
Woo Kim Hun	21939/CA
Yap Ka Fui	22071/CA
Yap Wooi Yong	22091/CA
Yaw Chee Jian	21955/CA
Yazid Bin Abd Razak	22080/CA
Yew Teong King	21935/CA
Yim Jiin Lih	22031/CA
Zaida Azian Shafiei	21852/CA
Zanariah Sukor	21989/CA
Zuraida Hussain	22125/CA
Labuan	
Geraldine Teresa Peter Kadau	22109/CA
Putrajaya	
Raftah Ibrahim	22008/CA
SINGAPORE	
Darren Koh Ngiap Thiam	22051/CA
Ng Boon Leng	22085/CA

Reclassification From Associate Member To Chartered Accountant

Dr Shamsul Nahar Abdullah	13723
Dr Takiah Mohd Iskandar	17416

Readmission of Accountants

AS AT 26 SEPTEMBER 2003

Muhammad Nadzri Hamzah	2114
Choo Seng Gee	2201
Chia Swee Yuen	4402
Awang Hashim Hj Md Yusof	5438
Ismail Maidin	5671
Chung Tack Soon	6493
Ng Yong Buah	6944
Rashidi Zainal Abidin	7040
Azizan Hassan	7228
Yeo Beng Kheng	7371
Roslina Daud	7440
Wan Shariah Wan Mahmud	9255
Tan Tai Kim	9568
Zaidi Zainal Abidin	12486
Kok Hon Fook	12652
Liew Wei Lee	12830
Wan Norizam Wan Salleh	13073
Wong Shu Mai	13595
Ong Yeam Koon	14181
Radin Adi Hilmi B. Radini	17811
Yazid Mohammad	22017

Non-Audit Firms Registered with MIA

FROM 1 TO 30 SEPTEMBER 2003

NON-AUDIT FIRM NAME	NF NO
JOHOR DARUL TAKZIM	

Wang Accounting Services	0431
23-A, Jalan Sulam	
Taman Sentosa, 80150 Johor Bahru	
Tel : 07-334 9924 Fax : 07-334 8161	
YI Management Services	0439
97A, Jalan Pahlawan 1	
Taman Ungku Tun Aminah, 81300 Skudai	
Tel : 07-556 6790 Fax : 07-559 1362	

MELAKA	
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KPH & Associates	0428
114, Taman Kota Laksamana	
75200 Melaka	
Tel : 06-283 6776 Fax : 06-284 1280	
e-mail : kphassociates@hotmail.com	

PAHANG DARUL MAKMUR	
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KS Wong & Associates	0437
No. 11, 1st Floor, Jalan Haji Kassim	
28400 Mentakab	
Tel : 09-277 9377 Fax : 09-277 1377	
e-mail : wkw66@tm.net.my	

PERAK DARUL RIDZUAN	
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<i>(Change firm name from Shanti & Associates)</i>	
K. Manoj, Shanti & Partners	0268
No. 10A Jalan Hj Mustaffa Raja Kamala	
35900 Tanjong Malim	
Tel : 05-458 3440 Fax : 03-3373 1036	
e-mail : manojh_nair@yahoo.co.uk	
Tang Yuet Mun & Co.	0425
No. 81, 1st Floor, Jalan Berek	
34000 Taiping	
Tel : 05-804 1200 Fax : 05-804 1300	
e-mail : ymtang1@pd.jaring.my	

PULAU PINANG	
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C. T. Lim Management Services	0426
12, Jones Road, 10250 Penang	
Tel : 04-227 3181 Fax : 04-227 2750	

SABAH	
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<i>(Change firm name from Yong Fung & Co.)</i>	
K. Y. Yong & Co.	0266
P.O. Box 11465, 88816 Kota Kinabalu	
Tel : 088-469467 Fax : 088-469 460	
e-mail : pkyyong@pc.jaring.my	
TKM & Co	0427
3rd Floor, Lot 5, Block F	
Bandar Kim Fung, Mile 4, 90000 Sandakan	
Tel : 089-226525 Fax : 089-226526	
e-mail : tkmdw@hotmail.com	

SELANGOR DARUL EHSAN	
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WKM Management Services	0423
15, Lorong Jelai 5D, Off Jalan Jelai 5	
Off Jalan Kim Chuan, 42000 Port Klang	
Tel : 03-3165 9327 Fax : 03-3165 9327	

Zahari & Co	0424
22-2A, Jalan UP 1/7, Ukay Perdana	
68000 Ampang	
Tel : 018-2218446 e-mail : zhr@myjaring.net	

P. S. Low & Associates.	0432
18B-4, Jalan SS 6/3	
Kelana Jaya, 47301 Petaling Jaya	
Tel : 03-7880 8559 Fax : 03-7880 8502	
e-mail : lclkimara@hotmail.com	

JMW & Associates	0436
No. 5-2A, Jalan Emas 6	
Taman Emas Cheras, 43200 Cheras	
Tel : 03-9080 1808 Fax : 03-9080 1808	

WILAYAH PERSEKUTUAN	
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KF Lee Management Consulting	0429
47-4-1, Jalan 3/101C, Cheras Business Centre	
5th Mile, Jalan Cheras, 56100 Kuala Lumpur	
Tel : 012-664 9532 Fax : 03-9130 7034	
e-mail : keingfoon@hotmail.com	

Jbaliyah & Co	0430
25-1-37, Plaza Prima, 4 1/2 Mile	
Jalan Klang Lama, 58200 Kuala Lumpur	
Tel : 03-7981 5010 Fax : 03-7980 7010	

Ganthan & Co	0433
No. 13A-3, 3rd Floor, Sri Desa Entrepreneurs Park	
Jalan 1/116B, Off Jalan Kuchai Lama	
Menjalara, 58200 Kuala Lumpur	
Tel : 03-79871760 Fax : 03-7981 5746	

TBL & Associates	0434
45-2-1, Jalan 1/62D	
Medan Putra Business Centre,	
Bandar Menjalara, 52200 Kuala Lumpur	

S. M. Chen & Co.	0435
5, Jalan 8, Desa Jaya, Kepong	
52100 Kuala Lumpur	
Tel : 016-693 8755 e-mail : csm@accamail.com	

C. S. Ong Management Services	0438
M5C-15, Jalan Pandan Indah 4/1	
Pandan Indah, 55100 Kuala Lumpur	
Tel : 03-4291 1131 Fax : 03-4293 8131	
e-mail : ocs@tm.net.my	

Audit Firms Registered with MIA

FROM 1 TO 30 SEPTEMBER 2003

AUDIT FIRM NAME	AF NO
SARAWAK	

Wong Joo Hua & Co.	1504
P-11-1-1(A), Plot 11, Chonglin Park	
Jalan Tabuan, 93200 Kuching	
Tel : 082-422550 Fax : 082-422559	
e-mail : pemgmt@tm.net.my	

WILAYAH PERSEKUTUAN	
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Kamal Zahari & Co	1505
No. 32-3-2, Diamond Square, Jalan 4/50	
Off Jalan Gombak, Setapak	
53000 Kuala Lumpur	
Tel : 03-4025 3022 Fax : 03-4025 3022	