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Malaysia's Technopreneurs

3 years after the Dotcom Crash

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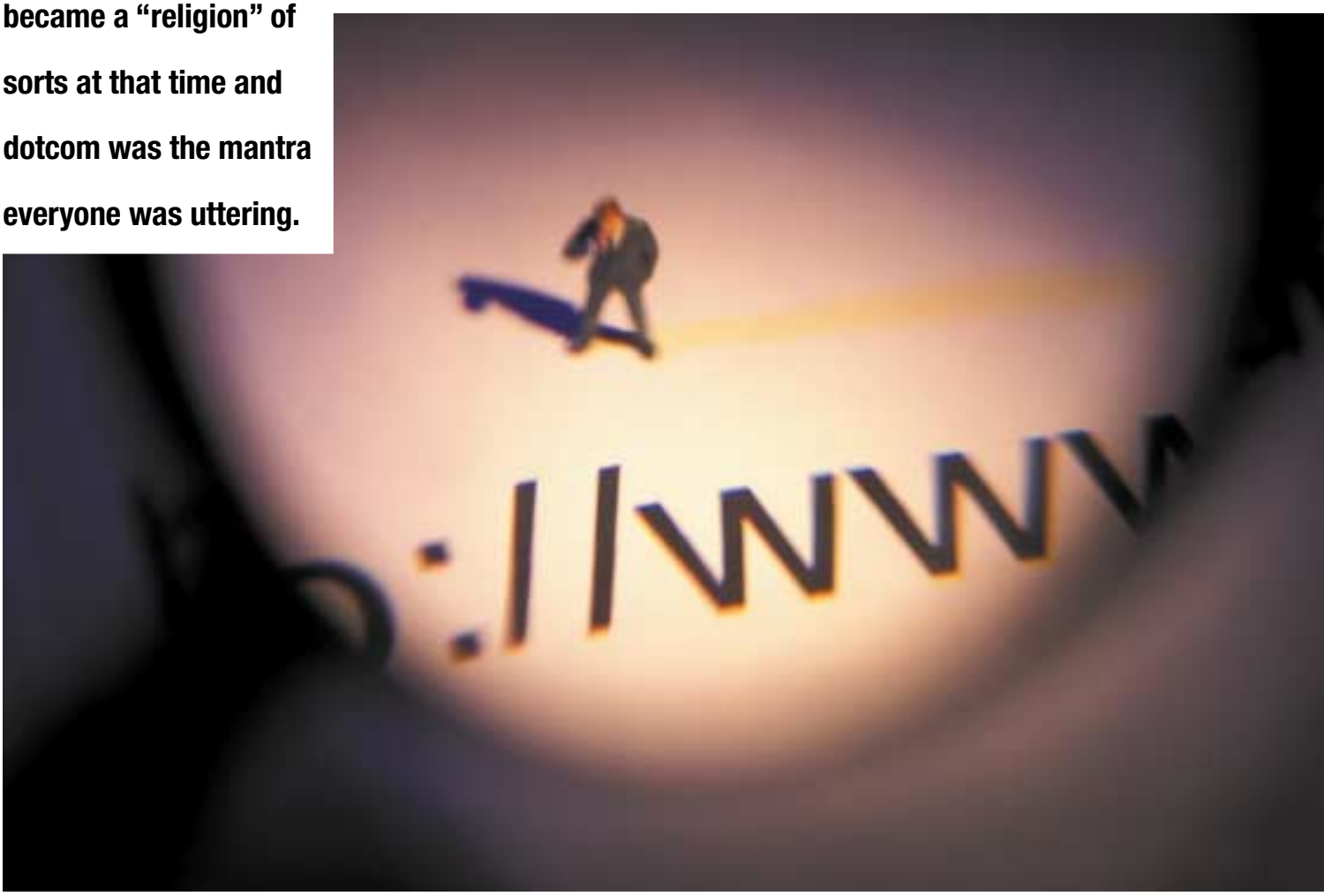
Technopreneurs Version 2

A Snapshot at Technopreneurship in Malaysia after the Dotcom Crash

By Anuja Ravendran

Time and again, we have heard about the story of the dotcom industry. In the late 90s, there was a great rush, which saw many people leaving stable, well-paying jobs to jump onto the dotcom bandwagon and become technopreneurs. E-commerce became a "religion" of sorts at that time and dotcom was the mantra everyone was uttering.



Just about anybody who could think of an idea to make money went on to establish companies that offered services or products via the Net. Nobody gave much thought to establishing firm business models with services and products that truly addressed the needs of the market. The intent was to make money as quickly as possible, as long as the bubble did not burst.

But alas, as the world marched into the new millennium in the year 2000, the bubble did burst, and what a sense of chaos it had left in its aftermath. In retrospect although it did seem akin to a flash of lucidity in a world gone "dotcom crazy", it forced many aspiring technopreneurs to undergo a period of adversity, subjecting them (their businesses really) to a test of strength. Many companies went totally bust leaving thousands jobless.

In Malaysia however, the impact was not as harsh. This was because the dotcom mania only hit our shores towards the end of the period. Perhaps for once, the Malaysian "wait and see" attitude had saved them from trouble. Nevertheless, Malaysia was not without sufferers. In addition, there were only a few of such companies in Malaysia compared to the US. A handful of local dotcoms did in fact go bust but some managed to prevail and weather the challenges they had to face.

Today, the technopreneurship scene in Malaysia has undergone much change and is no longer driven by the need to make money alone. The real technopreneurs who managed to sustain their business while still pursuing their dreams, have adopted a more pragmatic approach towards the way they do their businesses. Local industry players too have had to re-examine their priorities and start afresh with new strategies.

Understanding market dynamics

According to technopreneur and chief executive officer of Innovation City Sdn Bhd, Roslan Bakri Zakaria, the period ensuing the hype saw truer technopreneurs staying on. "Some of them had to change their business models to suit the needs of the market and the more serious technopreneurs held on because we believed in what we were doing," he offers.

It was also understood then that trying to create a market, which is a very difficult thing to do, was not the way forward but instead, more emphasis needed to be placed on serving the needs of the existing market, he adds. "The last time someone created a market was Sony, with their Walkman and that happened years ago."

Meanwhile, the New Entrepreneur Forum's head of the entrepreneur development division, Rizal Alwani, said that in trying to evangelise or push a new product or service in the market, the incumbent company will need to first educate the market in order to see results. "Just putting it out there will not work," he says. It is a very complicated process, which involves understanding the target market, industry trends and competitor patterns, he said.

Rizal believes that Amazon.com is an example of a successful dotcom business. "Not only did it ride the Internet wave and survive the crash, it is the most successful Internet based bookstore in the world."

The Association of Computer and Multimedia Industry Malaysia (PIKOM)'s e-business special interest group chairman Alan Fung believes that e-business is more real today because there is a deeper understanding after the crash. "Technopreneurs now are beginning to take it for what it really is rather than "the ultimate way to get rich." There has been a reality check, a lot less hype and people have now come to realise what e-business is really about. "It is not about money-making but rather offering services efficiently via a different medium," he states.

"Some of them had to change their business models to suit the needs of the market and the more serious technopreneurs held on because we believed in what we were doing,"

Bakri Zakaria
Technopreneur and Chief Executive Officer
Innovation City Sdn Bhd

Then and Now

The only apparent difference that can be observed sans the hype, Roslan says, is the fact that the technopreneurs who managed to survive the crash are now more matured. "They have gained a lot from their experience in the last six years and have or are moving towards doing better. " Apart from that not much has changed in that before the crash there was a lot of talk but no action and after the crash, there is less talk and still no action.

There has been realisation that dreams alone cannot drive you to the top because you have to eat too, he jokes. So some of them, while still pursuing their holy grails, venture into other areas such as managed services and consulting among others.

Fung meanwhile adds that another post-crash development involves the widespread adoption of business to business (B2B) transactions. Instead of simply using the Internet as a sales channel as was previously practiced, he says that it is now being used as a business channel for sales and marketing, customer relationship management, e-Procurement and a host of other business functions. He adds that he foresees a lot more development in the B2B area in the next two years.

The future of business to consumer (B2C) transactions however remains bleak in Malaysia because of the low Internet penetration and a small population, Fung observes.

Also, he is of the opinion that the dotcom crash has brought down the cost of

Internet services compared to before. During the days of hype, the services cost an arm and a leg. "But now as time passes, these services are getting more affordable."

Mismatch Between Stakeholders

Roslan believes that the entire ecosystem, involving the stakeholders within the industry such as the technopreneurs, venture capitals (VCs), the government and other industry players are not moving as fast as they should. While the technopreneurs want to move forward, the other stakeholders, he says do not have enough faith in them.

There are still as many challenges for us as there were back then because the issue of funding is always looming above us, claims Rizal. "The VCs and investment holding companies are still as hesitant in offering funding and even if they do agree, sometimes they impose unreasonable terms for us to abide by."

Why don't we have world class products, Roslan asks? "It is because we don't have good ideas." "Why don't we have good ideas?" he further questions. "That is because good ideas are not invested upon." "And why are they not invested upon?" This is simply because these investors do not understand the local environment due to lack of experience, Roslan states.

Furthermore Roslan adds, the right mindset seems to be missing because in Malaysia people only want to invest after seeing a success story to benchmark against. "This makes it difficult to put new ideas to work because there is not much to benchmark against presently," he notes. Investors are always apprehensive when it comes to putting their money into something untested in the market before because of the risk factor.

But our gripe is the fact that the time to market is very crucial to us, says Rizal. "If we come up with a commercially viable idea and we have to wait six months or more while having our business plan subjected to the scrutiny of the funding party, it will all be lost if someone else who is well funded goes to market first with the product," he says.

He also states that the Malaysian mindset, which always perceives Malaysian made products to be inferior is another stumbling block that technopreneurs encounter. "When you have a foreign product of an established brandname and you try and compete with your own local product, people are always going to choose the foreign product because of accountability."

While what Roslan says makes perfect sense, it also makes fodder for thought. Should Malaysian companies take the risk and use locally developed software so that the technopreneurs are given a fair chance to test their products? Besides haven't we been told countless times before that if we do not try, we will never know how good we are?

Shedding this mindset, Roslan estimates, will take years. "At the risk of sounding like an evangelist, I will say that I hope that someday, our children or grandchildren might be able to succeed as technopreneurs," he quips.

"Malaysia also needs to cultivate a strong research and development (R&D) culture because only then can innovation take place … Moreover, the absence of such a culture, results in little or no appreciation towards innovation. "

Rizal Alwani, Head of the Entrepreneur Development Division
New Entrepreneur Forum

Possible Solutions

What is needed, suggests Roslan is an industry wide collaboration. It is crucial that all the stakeholders join hands in pushing the industry forward. "The key element is to create the awareness and competency in the market."

"The government meanwhile can put in place policies to support technopreneurship such as a tax rebate for companies that buy Malaysian made software." Technopreneurship in the US flourished as a result of policies set by the government 20 to 30 years ago. Only now is it being driven by the market, after they managed to create so many successful technopreneurs who are now contributing back to the industry as angel investors, Roslan offers. "Malaysia however does not have such angel funders and it is difficult to get foreign angels to come here and invest because there is not enough knowledge here."

"Technopreneurs too should take what they do seriously and produce products of the best quality." This he says can be achieved by conforming to standard practices that have been set out to ensure quality control. When you conform to standards, you cannot go wrong, he stresses.

Malaysia also needs to cultivate a strong research and development (R&D) culture because only then can innovation take place, Rizal states. "Moreover, the absence of such a culture, results in little or no appreciation towards innovation. If we want to move forward we cannot remain lackadaisical in the area of R&D because essentially that is how commercially viable products are born," he notes.

Fung has a different opinion. He believes that technopreneurs should not expect too much from the government. "When you want to become a technopreneur, it is not going to be easy. You are going to have to present your ideas many times, to many people and even then there is a possibility of getting rejected. If you keep relying on the government what if they are unable to help you? You will be in serious trouble." In this regard, Fung's

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Alan Fung, PIKOM
E-business Special Interest Group Chairman

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Analyse This

While the industry has been stripped of all the hype and is at the stage where it is discovering ways in which to grow, we must understand that the process will take a number of years and it is still far from being a thriving vein of economic gain for the country. There have been efforts from parties such as the Multimedia Development Corporation with its Technopreneur Development Flagship and the Ministry of Finance's Cradle Investment Programme (CIP) which was devised as a form of pre-seed funding to help technopreneurs turn an idea into a workable prototype.

It is obvious that more initiatives are needed to expedite the growth of the industry and this means that we can only wait and see. But if and when it does happen, it would surely be interesting to see a Malaysian in the ranks of someone like Bill Gates. AT

Jiving to the Beat of Techo "preneurs"

Skali.com merges financial pragmatism and technopreneurship to emerge as a full-fledged solutions provider.

Aimi Aizal Nasharuddin, Executive Director and Co-Founder Skali Group

Back in 1997, before Catcha, MSN and Cari took form, there was Skali.com. But its name belies its function. More than just a dotcom and more than just a portal-search engine, Skali.com has expanded its borders to enter the lucrative and value-added realm of solutions. Likewise, its markets have thrust beyond Malaysia to encompass clients in ASEAN, the UK and the US.

Perhaps no company has a stronger reputation as a stalwart fixture in the local technology sector than the Skali Group. Cooperation and networking has played a key role. The Skali brand — the name means "coming together in unison" in Malay — reflects the company's belief that business is an eco-system of organisations, technopreneurs, employees, individuals and shareholders who cohere to enrich each other and themselves in the process.

Solid corporate patronage is another logical reason for Skali's atypical survival during a crisis-laden era when dotcoms were dropping like flies. The company is backed by private and public investors, notably, Malaysia Airports Holdings Berhad (MAHB) and the National Entrepreneur Corporation or Perbadanan Usahawan Nasional Bhd (PUNB). It also currently holds an Application Service Provider (ASP) license from the Communications and Multimedia Commission.

Plus, the Skali Group might owe its longevity to the fact that its six founders were never exclusively tech devotees. Instead, Skali was the brainchild of four merchant bankers and two telco executives, businesses where pragmatism rules and fundamentals like IRR and ROI hold sway.

Four of these existing founders — Tengku Farith Rithaudeen, Azmi Ahmad, Aimi Aizal Nasharuddin and Maznida Mokhtar — form the backbone of Skali's management. In particular, Head of Skali.com and accountant-by-training Aimi Aizal looks set for a spot in the firmament of Malaysia's top technopreneurs. He was ranked as one of the Top 50 Malaysians likely to move and shape Malaysia's new economy in an influential list compiled by one of Malaysia's best-selling business and financial publications. At Skali, Aimi oversees and guides business strategy, including the high-potential but risky sectors of online business and community development.

Aimi wasn't always a derring-do technopreneur. However, IT did play a part in his early career as an auditor and business advisor at Arthur Andersen & Co

(AA). Aimi was a member of AA's computer audit team, which advised on technology implementation at multinationals as well as Malaysia's largest investment firm and its largest oil and gas company.

Later, he entered merchant banking at Commerce International Merchant Bankers (CIMB), where he was involved in several privatisations and corporatisations of Government agencies. Aimi also took part in corporate and financial restructuring and re-engineering exercises such as take-overs and acquisitions, reverse take-overs and corporate financing to facilitate IPOs (initial public offerings). He was exposed to numerous industries including contract manufacturing, property and development, port authorities and management, and led the establishment of a Malaysian unit trust operation in 1992.

Cementing long-lasting and productive business relationships were a key facet to his early success. Aimi transferred these traits of leadership and stakeholder management over to Skali, where he has nourished business relationships with international Internet players and service providers, crucial to maintaining Skali's edge as a leading solutions provider in Malaysia's buoyant tech sector. Below, he shares his analysis of the turbulent history of dotcoms and the success factors of the fittest tech companies, both at home and abroad:

Question *How does the dotcom industry — post-recession — compare with the industry prior to the crash of 1997?*

Answer Typically during the dotcom boom, many Internet entrepreneurs tried to duplicate the business models of success stories like Yahoo, Hotmail, Ebay, Mirabilis (ICQ), and China.com, where entrepreneurs gained high capital returns either from IPOs or the divestment of stakes to large corporations. There were three distinct models:

i) the creation of internet services, targeted either to the masses or specific target groups

ii) maximising "eye-balls" or internet traffic through aggressive spending on marketing and branding

iii) incorporating IPOs or the eventual divestment of investments as part of the business model or the survival of the company.

Financial returns and business fundamentals were of scant importance in constructing these models. As a result, the tech bubble that grew up around dotcoms was essentially a baseless phenomenon, creating inflated asset values out of greed and exaggerated expectations. Such a huge, unjustifiable bubble naturally burst with a BIG bang. Some of the reasons behind this can be summarised as follows:

i) Overkill on branding.

ii) Under estimating their real world know-how.

iii) Over estimating customer demand.

iv) Lack of fiscal control.

v) Ideas were not translated into concrete actions — i.e. ideas remained ideas.

However, after the crash, we saw tremendous business and corporate consolidation where many went "back-to-

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basics" in business fundamentals. They returned to the right route of increasing revenue, rationalising costs and enhancing competitiveness.

Question *The dotcoms phenomenon had a vast impact even on non-tech sectors. But what are the changes that affected other industry stakeholders, such as Venture Capitalists and the Government?*

Answer Some large corporations (though not all) and VCs were also influenced by the dotcom buzz then. We observed companies changing their name to incorporate the "dotcom" tag due to the perceived value and premium of an Internet label. And the acquisition of Internet companies also affected the share prices of companies floated on stock exchanges.

Though VCs in Asia were not as aggressive as their counterparts in the States and Europe then, there were VCs investing in dotcom companies merely based on perceived brand value and potential growth in Internet eyeballs. These cases were further worsened by lack of expertise and knowledge by their investment committees in evaluating Internet-based businesses.

VCs too had to go back to basics in benchmarking investments. But the bitter lessons of yesteryear did provide some good news: VCs today are more judicious and better equipped with knowledge and experience in evaluating investments in Internet or technology-based companies.

Question *What are some of the factors that enabled certain companies to survive?*

Answer First, entrepreneurship values — determination, perseverance, team-building, adaptability to change and a bit of luck. Then, all the key elements in business-building — business focus, product and/or service development, marketing and sales, unique value proposition, resource management, ROI, accounting, financing, cost management, and the building of team spirit or corporate culture, etc.

Question *Could you provide a snapshot of what these netpreneurs are doing right now, particularly in the dotcom sector?*

Answer Inevitably, some have rejoined the workforce. Some have realigned their business towards brick-and-mortar models that provide tangible operational financial returns and growth potential, whether in technology or Internet businesses or even traditional businesses.

After the crash, we saw lots of industry consolidation — and some expansion. The unlucky ones wound up their businesses. On the other hand, some small outfits became big, some big boys shrunk, whereas a few big guns became even bigger. On top of that, a new breed of entrepreneurs emerged. Many that I've met are more business-focused; they channel their efforts towards the business fundamentals and elements mentioned earlier. What could be lacking are funding and business mentoring.

However, recognising these set backs, the Malaysian government created various funds to aid and succour these entrepreneurs. Recently, the Ministry of Finance launched a program called "Cradle Investment Program" or CIP (http://www.cradle.com.my). Basically, CIP provides pre-seed funding and entrepreneurial support to generate new ideas and innovations from individuals, research institutes, and institutions of higher learning. The CIP is a platform to help entrepreneurs and technopreneurs leapfrog into business, which hopefully, can eventually be spun off as global companies.

Question *What tech trends do you predict in the future?*

Answer Well, the Internet business will be here for a very long time. All consumer and business indicators point to growth trends, i.e. internet usage, connectivity, adoption of Internet technologies and e-business in corporations, and the advent of new mediums, especially those addressing mobility. Basically, if there is a need, there is a "want"; if there is a want, there is money to be made.

The Internet value chain is very wide, encompassing infrastructure, applications, professional services, contents, web tools and services, and communities. New key players are emerging in each phase of the value chain and this is poised to continue.

"… the Internet business will be here for a very long time. All consumer and business indicators point to growth trends … especially those addressing mobility. Basically, if there is a need, there is a "want"; if there is a want, there is money to be made."

Mobility is expected to be the next potential high growth area, where technology, applications, infrastructure and peripherals are being continuously developed.

Later in the future, artificial intelligence will gain prominence, and technology such as fuzzy logic will become more conspicuous than it is today. AT

Executive Privileges

— *do they affect share values?*

By Suresh Ramachandran

The theory of finance has given the needed insight about firms from the market perspective. Theories on efficient markets, capital structures etc., view the functions of a firm from the market perspective and assume that firms have the motivation and urge to fulfil the market's expectations. These theories uphold the view that firms are entities created to fulfil some expectations by the stakeholder community. While these theories assume that, firms have a specific purpose for their existence, Jensen and Meckling (1976) took a different view of the function of firms. They postulated that firms are not mere entities with motives but a juxtaposition of relationships, (contracts) with their own internal equilibrium, hence the theory on Agency relationships.

The agency relationship was postulated by Jensen and Meckling as *"[a] contract under which one or more per sons, (the principal(s) engage another person (the agent)), to perform some service on their behalf which involves delegating some decision-making authority to the agent"*. In firms, there are numerous relationships that fit the above definition. The relationships between shareholders, directors, employees, lenders and the management are only but a few apparent and legally defined relationships. There are however, thousands of other relationships that are not apparent but are necessary to hold the firm in equilibrium.

While the equilibrium is reached through a complex juxtaposition of relationships, it would be naive to assume that all parties to relationships subscribe to the same set of objectives. Every association within the firm is motivated by different sets of factors and objectives and as such, the said equilibrium is a process of competition and compromise.

Managers, being bestowed with the authority and position within firms, are able to shape this equilibrium. Their role in bringing about the equilibrium can be deemed equitable if managers are devoid of personal objectives. However, given that it is unrealistic to expect managers to act selflessly, the possible conflict between the objectives pursued by managers and other contracting parties is inevitable.

Amongst the many conflicts that managerial actions pose, ones involving shareholders come under increased scrutiny as it involves the unsuspecting public. From a legal standpoint, the owners of a public limited company, i.e. shareholders, elect the directors to act in the best interest of their investment. In this relationship between managers and shareholders, contractually, the former takes on the position of an agent while the latter plays the role of the principal agent. The agent's role herein is to maximise the wealth of his principal by utilising his capabilities regardless of the personal gains that may accrue due to his position.

The above, purist notion of relationship is hardly a norm given that, agents aspire as much as principals to maximise their personal wealth. The recent debacle at Enron is a case in point but is not the only instance where divergence of objectives between agents and principals has been detected.

Managerial actions that impair the wealth of shareholders via reduction of the value of firm can be categorised into three broad instances. These are;

1. Milking the property;
2. Taking excessive risks than what the shareholders would have intended to; and
3. Complacency with regards to the growth opportunities of the firm.

Milking the Property

Senior managers avail themselves both pecuniary and non-pecuniary benefits, at times far exceeding their rightful entitlement. Pecuniary benefits, being defined in monetary terms are expected cash outflows and as such are discounted in the valuation of a firm. However, non-pecuniary benefits, such as large expense accounts, luxurious air travels and other perks with unspecified monetary value can siphon funds off shareholders wealth. While perks are essential to enhance the image of a corporate position, the quantum involved has always been a debatable. The following analogy explains how executive compensation can undermine the value of a firm.

Let us assume that Mr. X owns a firm with a value of 100 million. If Mr. X spends one million on some non-pecuniary benefit, the value of the firm will reduce to 99 million resulting in the total wealth of Mr. X to remain the same. As the owner-manager, Mr. X would therefore be indifferent to any combinations of value of non-pecuniary benefits extracted from the firm and the remaining value. In this analogy;

Value remaining in the firm	= (100-1)	= 99 million
Value extracted via non-pecuniary benefits		= 01 million
		=100 million

If Mr. X were to sell, say 10% of his investment and continues to take the same benefit as before, the analogy will be as follows;

Value remaining in the firm	= (100-1)	= 99 million
Mr. X's share of Value	= 99(0.9)	= 89.1 million
Value extracted via non-pecuniary benefits		= 1.0 million
Total Value to Mr. X		= 90.1 million

i.e. the true value that the minority investor receives will be (100 – 90.1) = 9.9 million

The above numerical analogy suggests that even though at the time of sale the potential buyer acquires 10 per cent of the original value of the firm (100 million), the buyer will only be prepared to pay 9.9 million. The investor's rational expectation in this case is that, the manager is unlikely to reduce the quantum of benefit in proportion to the reduction of his stake. Put in a generic form, the amount that the buyer will be willing to pay (S_0) can be represented as;

$$S_0 = aV^* - aF$$

Where;

a = Proportion of firm that the owner/manager is willing to sell.

V^* = the current value of the firm

F = the buyer's expectation of the amount that managers will avail themselves on non-pecuniary benefits.

Reverting to the numerical analysis above, the 9.9 million computed as the possible price that the buyer will be willing to pay, is dependent on his expectation of the manager's behaviour *after* the sale. In this analogy, it is assumed that the post sale behaviour of the manager aligns with that of the buyer's expectation. However, as managers are free to choose the quantum of non-pecuniary benefits, if F exceeds the buyer's expectation, then the price paid for the purchased share of equity is over valued. Alternatively, if the buyer expects the managers to consume more than the current level of non-pecuniary benefits, the share value is likely to diminish further. This is a direct result of executive compensa-

tion policy adopted by the firm.

The above evaluation was done on the assumption that the firm is equity funded. When debt capital is involved a similar analogy can be provided wherein the bonding costs incurred by the managers will transfer company value to the bondholders leaving the equity holders with reduced wealth.

Complacency

An increase in non-pecuniary benefits to executives needn't be detrimental to the value of equity held by the minority if it accompanies a corresponding increase in the value of the firm. Modigliani and Miller (1958) postulated that firm values increase by the present value of every growth opportunity exploited. Hence, in the presence of increasing non-pecuniary benefits managers must continually aspire to exploit new growth opportunities. This requires innovative capabilities and enthusiasm on the part of managers. In the early stages of an organisation's growth we often see this dynamic behaviour where managers pursue projects zealously. However, when the 'engines' of firms are firmly set in motion, managers slip into complacency — often waiting in golf courses for the 'big' project while numerous profitable, albeit 'small' projects slip away.

Taking higher risk than that can be afforded by the shareholders

The third instance is analogous to the problem referred to in medical insurance literature as the moral hazard problem. Clients intending to buy medical insurance often take good care of their health with a view of obtaining a clean health certificate, which will set premiums at a lower level. Insurance companies trust that clients will maintain their healthy lifestyle contract for health coverage at lower rates. However, once the insurance coverage is secured, clients revert to their old habits of unhealthy lifestyles, which from the insurance company point of view, effectively makes the coverage undervalued.

A similar analogy can be made with regards to the amount of risk that managers undertake. Security markets determine values of firms by discounting the risk profile at a given point in time. Equity holders hence pay the price for the shares and expect the risk profile to be maintained. However, given the discretionary powers that managers have to undertake any investment of their choice, it is possible that managers could be undertaking high-risk projects with the view of increasing returns. This will increase the overall risk profile of the firm, making the price paid by the investors to exceed the true value of the risky firm.

The instances detailed above illustrate the possible conflict that can arise between objectives pursued by managers and that of equity holders. While the intentions of managers in all the above instances may not be to deliberately undermine the wealth of the equity holders, equity markets interpret them as negative influences on value.

Agency Problem and Associated Cost

When divergence between the objectives of agents and principals exists, each party incurs a cost to bring the other's objective in line with their own. The principal, recognising the fact that the agent is less likely to make decisions always in his favour, would stipulate conditions that will deter the agent from making sub-optimal decisions. These stipulations include limits on borrowing, disposal of assets, working capital maintenance, restrictions placed on free cash flows available to managers by forcing higher dividend payouts etc. Once these stipulations are in place, the principal has to incur monitoring costs to ensure that stipulations are adhered to. This would involve appointment of independent directors and audit committees, which increases the costs of overheads of the firm and hence reduce its value.

The agent on the other hand would spend resources to guarantee that he will act in favour of the principal or at least not to act against the interest of the principal. For example, the agent would want to employ external auditors to certify that he has acted in the best interest of the principal. This pecuniary expense incurred by the agent is referred to as bonding cost of the agency problem.

In addition, there will also be a residual loss of welfare incurred by the principal in the event the decisions made by the agent are incongruent to those wished by the principal.

The agency cost is thus a combination of:

1. Monitoring costs incurred by the principal
2. Bonding costs incurred by the agent
3. Residual losses

These costs reduce values of firms and hence need to be kept in check. The extent to which costs need to be incurred to bridge the divergent objectives in place will depend on the relative benefits that either part is likely to receive. Excessive control over the executives will not only deplete the wealth of shareholders but also dampen the enthusiasm of managers.

The Solution

Literature on agency related problems show that the conflict of interest can be solved by two different approaches, namely

the normative approach and the positive approach. The normative approach attempts to make the agent comply with the requirements of the principal by the use of rewards. This approach postulates that, the agency problem can be mitigated by empowering managers with the status of that of shareholders through the provision of equity options and other pecuniary benefits.

Positive theory on the other hand believes that individuals will be able to sort their normative concerns through contractual relationships, but probes deeper in to the characteristics of the individual incentives that would make them agree on an equilibrium position. The positive theory in fact attempts to identify the compromises that are made by either party in arriving at equilibrium in terms of their respective claims.

In practice, the solution hinges on a combination of both the above approaches. Taken to extremes, the normative theory believes that in order to achieve goal congruence owners should manage their firms. The positive theory on the other hand suggests that managers can be 'bought' by offering attractive pecuniary benefits. Neither theory is able to relate to the real world, as both extremes are not feasible. Like in most managerial situations, the solution to this problem is a balancing act between the two extremes.

Agency Theory assumes that managers have no particular incentive to act in consonance with the requirements of their principals. Empirical evidence in this regard suggests that this assumption is not unrealistic. Further, the recent corporate debacles lend support to the notion that equity holder's welfare is not at the top of the list of priorities of managers.

The solution hence, depends on the level of trust that managers can instil in their principals. Transparency with regards to actions and decisions by managers is a powerful means by which such trust can be instilled. Transparency cannot be selective but should encompass all decisions and actions. Building trust is a long drawn process that requires consistent and earnest efforts by managers. This is easier said than done for it involves a paradigm shift in the managerial thinking and behaviour.

The corporate governance movement, which is currently pursued internationally, attempts to cover the gulf between owners and managers through a structured reporting system. The finance committee's report on corporate governance released in March 1999 addressed a number of issues to reform the corporate governance process in Malaysia. The key focuses of this report were to:

1. To ensure all shareholders, particularly the minority shareholders get a fair treatment.
2. To ensure corporate matters are transparent to the investor community through timely and accurate disclosures.
3. To ensure that directors are accountable for their actions.
4. To promote training and education to directors and to facilitate greater regulatory enforcement.

The matters of focus on the Finance Committee Report were further strengthened by the amendments to the KLSE listing requirements where by the KLSE now requires companies intending to obtain listing status to have:

1. One third of the board of directors to comprise independent directors;
2. A mandatory accreditation programme to qualify directors to manage public funds; and
3. Additional disclosures on the state of internal controls and risk management practices of the company.

These measures along with the existing listing requirements is hoped will turn the spotlight on to the company affairs which were hitherto hidden from the unsuspecting shareholder.

Large institutional investors (The Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji and Permodalan Nasional Berhad) in Malaysia also have stepped up their efforts to monitor managerial actions by setting up a minority shareholder watchdog group.

All the above measures, both punitive and persuasive, seem to have one solitary purpose — to increase the confidence that investors have in their managers. AT

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From Napkin to Corporate Performance Management

Dr Martin Fahy, National University of Ireland, and David Turner of finance software specialists CODA Group compare specialised reporting tools with scribbled-on napkins, spreadsheets and data marts.

"I don't know what I want. But I'll know it when I see it." Strange words from an anonymous successful senior executive but they may reflect a reality that many do not admit to. There are occasions in organisations when we are simply not sure of the next step.

Let's take an example. The COO and CFO of a large fashion retail outlet in the young adult market are concerned with falling store profitability and, specifically, the failure of the firm's investment in expensive high street locations to generate a significant return to shareholders. The COO wants the CFO to review store profitability and find some answers. The discussion is being aided by a high-tech decision support tool — a paper napkin. As the CFO scribbles on it, the COO interjects and drives the scribbles in a new direction.

This may sound familiar. The COO and CFO aren't quite sure what the question is, never mind where to find the answer.

The solution recommended by many corporate performance management (CPM) or bus intelligence (BI) vendors and consultants would typically involve a major end-to-end, activity-based management (ABM) project to allow the firm to calculate store, product and customer profitability. This would be followed by a BI project to exploit data mining to identify purchasing and shopping basket opportunities. Finally there would be a balanced scorecard project to ensure that the firm continues to deliver value from its strategy. But does the data-information-solution format inherent in many of the CPM approaches work?

Recent research by Dr. Martin Fahy on behalf of CODA suggests that the debate over the superiority of specialised reporting tools and planning and budgeting software misses the point. These tools are seen by many managers as the route to better information and systems but they involve much integration and fail to provide the database architecture needed for robust analysis and reporting. They also lack the flexibility and user-friendliness of packages such as Excel.

The research found that 67 per cent of users of mid-market financial solutions were using spreadsheets for enterprise reporting and 77 per cent were using them for all sorts of modelling applications. However, results from AccountingWeb's IT Zone Survey found big differences in the

attitudes of Managing Directors (MDs) and finance professionals when it came to acquiring specialist CPM-type reporting and budgeting tools. While MDs and CEOs seemed to be committed to purchasing solutions, finance professionals seemed less convinced of the need to do so.

Bring on the Spreadsheets

The real appeal and strength of spreadsheets is that they allow managers with just a basic understanding of the problem to develop a model of the problem space. We fill in some rows, add some headings and change a few things as we think about the problem. Gradually the model grows and details, relationships and assumptions start to surface in the discussion (but unfortunately are hidden again in the formulas).

Spreadsheets work because they allow us to proceed even when we do not know where we are going — essential in the imperfect reality of the market economy. CPM solutions, such as ABM and BI, require managers to have an almost complete understanding of what information they require — they assume the ability to articulate an accurate, quantifiable model of the situation. Many of the problems that managers face involve uncertainty, ambiguity and a lack of reliable, accurate information. In many cases managers find it difficult to specify a mental model of the problem, either because of problems in specifying the variables and their relationships or because of the relative novelty of the problem.

Problems can range from the familiar, structured and specifiable to the unstructured, novel and highly tacit. For the former, managers can see in detail the nature of the problem space, the decision variables and their relationships. The problem can be supported by a formal CPM tool — examples are month-end reporting or a well-worn costing model. For the tacit, under-specified problems, the real challenge is to provide the decision-maker with an environment in which their understanding of the problem space can evolve through intuition, experimentation and trial and error.

This does not suggest that spreadsheets are the solution to all our decision support needs. However, spreadsheets are inefficient for large models, are prone to errors and poorly documented. As a means of processing large amounts of data, spreadsheets are disastrous but as a thinking tool, they are right up there with the napkin and the flip chart.

The objective of any form of strategic decision support is to improve decision making, not just improve the systems that provide it. Unfortunately the focus so far has been on improving the technology rather than the core issue of decision-making. The offerings from many of the enterprise resource planning systems and the CPM providers are based on improving financial outcomes by implementing better strategic decision support systems. These could include activity-based costing/management (ABC/M), scorecards, or planning and budgeting. While they are worthwhile and useful techniques, their impact on decision-making at a senior level has been limited. Surveys continue to show techniques such as ABC, balanced scorecards and BI struggling to get above 40 per cent adoption levels.

Let us step back and think about decision-making and what we want from CPM as a source of decision support. Shortcomings in the data availability and the technology have, in the past, explained some of the failure of CPM techniques to make significant inroads at the strategic level. However, the real cause of disappointment may lie in the failure to address the issue of decision-making processes.

More effective decision making is typically characterised by:

- a shared insight and understanding of the business model, where everyone agrees on the role of different levers in the business model;
- space to think and freedom to act, derived from well-balanced mechanisms for corporate performance monitoring;
- the ability to make fast and widely-supported decisions based on collective intuition;
- being apolitical on technique and technology;
- realising that we don't have the luxury of perfect insight and have to live with incomplete information;
- being based on better processes, not just better information (this helps to avoid traditional decision-making traps such as sunk costs, confirming evidence, wrong framing, and forecasting traps).

Strategic decision making is a high-performing firm's fundamental dynamic capability. Our research suggests that success in the decision support CPM space comes not from blindly adopting the latest technologies but from first understanding the nature of the problems and then recognising that firms need to adopt a more contingency-based approach. This approach takes into account their own abilities and experiences and the characteristics of the problem at hand.

So we start by developing our understanding of the problem domain. As our understanding grows, we move from napkin to spreadsheet to more robust modelling environments. As we begin to understand the problem space in the form of a mental model we can consider CPM techniques.

Because managers and finance professionals often are not able to specify the information they need, or have limited insight into their problems, it makes sense to provide them with tools that allow them to build up an understanding. So data marts, CPM tools, spreadsheets and napkins all play an important role. Napkins and spreadsheets are used early in the "exploratory" phase where model development is key. This model might initially be pointed at a data mart for source data, and as the model stabilises, a more complete version can be established using CPM tools.

In a typical, stable business environment, where the business model is well understood, a firm might have a substantial portion of its institutionalised decision support based on CPM tools fed from a data mart. Any fluid ad hoc analysis and modelling would typically require spreadsheets again, but probably pointed at a data mart. In the current turbulent business environment, finance professionals are faced with changing business models and in many cases they are reverting back to the more flexible spreadsheet environment. AT

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A budget for the "Rakyat"

Budget 2004 is a budget for the *rakyat* aimed at safeguarding the well-being of the less financially well-off, while putting into place a strategy to re-engineer the Malaysian economy to be a global player in the international arena! *The theme is "Building on success, investing for the future"*

By Raymond Liew

The theme of **Budget 2004** is *"Building on success, investing for the future"*, thereby clearly putting the focus on enhancing efforts towards achieving excellence.

Contrary to widespread speculation, the government did not reduce the corporate tax rate of 28 per cent under the **Budget 2004** to create a more attractive business environment as the present rate is no longer considered competitive. This simply did not materialise — much to the displeasure of the corporate sector!

Budget 2004 was announced on *Friday, 12 September 2003* and received mixed responses from the public and a somewhat dreary response from the corporate sector. The immediate impact on the stock market is likely to remain neutral since there are no short-term fixed measures but rather medium and long-term measures. Most sectors and companies will benefit from the budget though the impact is by no means immediate. The general comment was that the budget is passably prudent but the impetus somewhat falls short of expectations. However, **Budget 2004** is considered a pro-growth and domestic Budget with continued emphasis on the enhancement of the private sector's productivity and competitiveness. As the process of fiscal consolidation enters into the new era, the private sector is again expected to take the lead to drive the country's economy.

The prudent budgetary stance sends out a credible signal in that the government intends to seriously address the seventh consecutive year of a budget deficit since 1998. In this connection, a continuation of restraining fiscal policy at least on expenditure in the years ahead is definitely positive to ensure sustainable public sector finance management. The federal government is expected to register yet again a deficit but a smaller deficit of RM13.4 billion, translated to 3.3 per cent of Gross Domestic Product (GDP) in 2004 compared to a deficit of RM20.8 billion or 5.4 per cent of GDP in 2003.

Financing the deficit would continue to be sourced from the domestic market. The continuing high savings rate and sizeable liquidity in the banking system of the country will allow the deficit funding requirements to be met without impeding the private sector access to financing. Since the theme of **Budget 2004** is *"Building on success, investing for the future"*, the focus is on enhancing efforts towards achieving excellence. The five broad strategies of Budget 2004 are:

- Accelerating the domestic private sector and stimulating the service sector to spearhead economic growth with emphasis on strengthening small and medium industries as engines of growth;
- Implementing fiscal consolidation towards a balanced budget in the near term;
- Implementing monetary policy to support and stimulate private consumption and investment;
- Enhancing the country's competitiveness to face challenges of globalisation and trade liberalisation so that Malaysia can be a truly trading nation; and
- Strengthening the social agenda to enhance quality of life and gearing it towards a caring society.

The major allocation of **Budget 2004** is targeted for the social services — the likes of education, health, housing etc.; and economic services — the likes of trade and industry, agriculture, transport and rural development.

Sectors that would most benefit from **Budget 2004** are:

Corporate and Business Sector

■ Small and Medium Industries (SMIs)

SMIs with a paid-up capital of not more than RM2.5 million under Budget 2003 that were taxed at 20 per cent for the first RM100,000 will now benefit from **Budget 2004**, which increased the level to RM500,000. This reduction of corporation rates mean tax savings of RM40,000 {i.e. RM500,000 @ a tax saving rate of eight per cent (28 per cent less 20 per cent)} compared to a mere RM8,000 provided for in Budget 2003. Dividends distributed will be given a tax credit of 28 per cent in the hands of the shareholders under **Budget 2004**. A real thumb-up gesture from the government!

What's more, the government will provide an additional RM1 billion to the Micro-Credit Scheme under Bank Pertanian Malaysia and Bank Simpanan Nasional. In this respect, the government has also called on financial institutions to grant loans and credit facilities to the SMIs, as the sector needs to be further promoted to generate greater domestic investment activities. In addition, the government will also assist SMIs to address their non-performing loans (NPLs) with financial institutions using a mechanism *ala* the Corporate Debt Restructuring Committee (CDRC). Bank Negara will establish the SMI debt restructing committee to help resolve the NPLs of SMIs.

"The general comment was that the budget is passably prudent but the impetus somewhat falls short of expectations."

■ Entertainment Expenditure

This long-standing grouse among business entrepreneurs is now put to rest as **Budget 2004** allows entertainment expenditure as a tax deduction. The deduction is two-fold i.e. 100 per cent tax deduction on expenses incurred for sales promotions and 50 per cent on "other business entertainment expenses".

■ Federal Land Development Authority (FELDA)

FELDA, the world's biggest plantation group, owned by the Malaysian government will soon go public and the government plans to lure more investors to the Kuala Lumpur Stock Exchange (KLSE). With the listing, FELDA will be able to tap funds from the capital market and will no longer depend on the government for its financial requirements. The FELDA group of companies, settlers, co-operatives and state governments will certainly benefit from this listing. Settlers will now be able to hold equity as members of the co-operative.

■ RM300 million allocation for Malaysia Venture Capital Management Berhad (Mavcap)

The additional RM300 million allocation to Mavcap is a confidence signal from the government as a key provider of venture capital in the country. Such a move en-

hances the capabilities of Mavcap to provide more funding for the requirements and needs of different segments of entrepreneurs to start their own businesses, to commercialise new ideas or innovations or market their products at both the local and global levels.

Budget 2004 also stresses on more research and development activities in Malaysia, as effort is required to be more competitive at the global level. In this regard, Mavcap is in the process of creating a critical mass of researchers who are catalysts to the country's drive in achieving Information Technology success and to grow in the area of intellectual property.

■ Multinational Companies (MNCs)

There are several tax incentives proposed under **Budget 2004** for foreign direct investment (FDI) particularly in the service sector to encourage more MNCs to set up operations in the country, particularly in the Multimedia Super Corridor (MSC). Not forgetting that the "New Strategies" package announced in May of this year further relaxed the equity conditions apart from providing many tax incentives to attract service-oriented companies such as Operational Headquarters (OHQs), Regional Distribution Centres (RDCs) and back room out-sourcing operations by MNCs.

Currently, the incentives are only enjoyed by RDCs but the incentives proposed under **Budget 2004** include income tax exemption not exceeding 20 per cent of its total income from its global operations for income derived by OHQs from the provision of services to its related companies in the country.

■ RM215 million to boost tourism

In addition to the incentives provided under the "New Strategies" package last May, **Budget 2004** further accords for the hotel and tourism project operators, additional tax incentives by way of pioneer status and investment tax allowance (ITA) up to 100 per cent. Those that invest on expansion, modernisation and renovation will enjoy a second round of pioneer status whereby the income tax exemption will be increased to 100 per cent from the previous 85 per cent. For the claim of ITA, the rate is now increased to 100 per cent from the previous 85 per cent.

"With the tourism industry badly hit by SARS and worsened by the Iraq war, an allocation of RM215 million is earmarked for promotional activities to lure tourists from overseas."

Other incentives include the proposal to encourage all hotel operators to work together to set up tourism information centres at all entry points including airports and major railway stations to enable tourists to make hotel reservations upon arrival. The hotel and tourism project operators are also encouraged to provide online reservation facilities and the government will develop portals and provide access to these portals at airports, railways and bus stations throughout the country.

With the tourism industry badly hit by SARS and worsened by the Iraq war, an allocation of RM215 million is earmarked for promotional activities to lure tourists from overseas. The government will also continue to undertake more effective tourism promotion efforts together with Malaysia Airlines and AirAsia as well as tour agencies.

Individual Taxpayers

■ Continued exemption of income remittance from overseas

The remittance of foreign source income into Malaysia by a resident individual taxpayer, a trust body and a cooperative will continue to be exempted from income tax. This measure would definitely spur the domestic market where individual investors are encouraged to repatriate funds from overseas without the burden of further tax liability.

■ Child Relief

The increase of child relief from RM800 to RM1,000 will also reduce the tax burden of individuals hence providing them with additional disposable income in their pockets.

■ Housing boost for the disabled

The proposed 20 per cent discount for low and medium cost houses for the disabled will assist this group of people to own houses. At present, most of the disabled stay in institutions or centres specifically catered for them since they are unable to afford homes of their own. Further to this incentive, the disabled in the low income group will also be given priority to purchase low and medium cost houses from Syarikat Perumahan Negara Berhad (SPNB).

To add on to the above incentives, the exemption on road tax for cars, vans and motorcycles owned by the disabled will no doubt ease their burden further. Although the RM25 monthly allowance given to parents with disabled children to encourage them to send these kids to special schools may not be much, every cent helps!

■ **Civil Servants**

In line with past budgets, civil servants are offered an additional half-month bonus, taking bonus payments for the whole year to a full month salary while those with disabled children will enjoy flexible work hours.

■ **Pensioners**

Serial bonds will be issued for pensioners aged 55 years and above by Bank Negara to ensure that this group of individuals receive higher returns on their savings. These bonds will have a maturity period of two years with a return of five per cent annually, a rate much higher than the interest rates on savings in financial institutions. The government also proposed that the returns from the bonds be exempted from income tax.

"…the government will now reduce the interest rate on loans given out by PTPTN to three per cent from the current four per cent … This incentive would reduce the financial burden of graduates in their loan repayment arrangements."

■ **Healthcare**

Although the recent epidemic of Severe Acute Respiratory Syndrome (SARS) has ended, the government will allocate RM20 million to expedite the setting up of centres for disease control to combat the spread of such diseases and to put in place measures to prevent any recurrence.

■ **Lower fees for streamyx users**

Streamyx users can now expect to pay lower subscription fees for faster Internet access following the announcement of **Budget 2004** to reduce charges imposed by service providers. This incentive is very much in line with the government's policy to promote e-commerce through wider and cheaper access to broadband Internet. Cheaper broadband services will see homeusers and corporations using more of the Internet hence enhancing the knowledge and the usage of information communication and technology which is in line with the policy of the government to turn the country particularly Cyberjaya into a regional telecommunications hub.

The proposed merger of Jaring and TMNet will provide wider and more efficient Internet services overall. The reduction of broadband pricing is an incentive to boost the consumer market to make use of more Internet services and by that same token, enable businesses to harness the power of the Internet and prepare themselves for globalisation and trade liberalisation.

Women

■ **Allocation of RM105.4 million for development programmes**

Programmes for the development of women and the family institution will receive an allocation of RM105.4 million. These include training, guidance and counselling to instil greater confidence in women, particularly single mothers, the disabled and the elderly.

■ **Village Micro-Credit Scheme of RM100 million**

To enable single mothers in rural areas to increase their income, RM100 million from the Village Micro-Credit Scheme will be set aside to give loans to those with own businesses.

Furthermore, single mothers in the low-income group will also be given priority to buy low and medium-cost housing from Syarikat Perumahan Negara Berhad at a 20 per cent discount.

Students

■ **Interest on Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) reduced to three per cent**

Following the announcement of **Budget 2004**, the government will now reduce the interest rate on loans given out by PTPTN to three per cent from the current four per cent — a reduction of one per cent. This incentive will reduce the financial burden of graduates in their loan repayment arrangements. The repayments will commence on the third year of the graduate's employment and will be restructured to enable them to repay their loans at five per cent of their monthly income for the first five years and 10 per cent for the balance of the repayment period.

Both university students and lecturers have reacted positively to this proposal as well as to the exemption of road tax for motorcycles of engine capacities not exceeding 150cc.

The two main losers under **Budget 2004** are:

■ **Smokers and Drinkers**

Import and excise duties on cigarettes and other tobacco products will increase by 20 per cent while alcohol will increase by 10 per cent. This would mean that smokers and drinkers have to fork out more to enjoy their puff and glass of beer or liquor under the proposed increases which is to encourage a healthy lifestyle among the *rakyat*.

It must be emphasised that the government's decision to levy excise duties on imported cars is not likely to affect car sales as it may not result in reduced prices for new cars. The impact of reduced import duty in line with the ASEAN Free Trade Agreement (AFTA), is now negligible with the new excise duty.

Industry players expressed their views

that while the reduction in import duty was in line with AFTA, which sought a gradual reduction in the trade barrier for cars imported from ASEAN countries, it was unlikely to result in an immediate price reduction for cars sold. Hence, the actual impact would only be felt once the government comes up with details of the excise duties.

Albeit no reduction in corporation taxes, Prime Minister Datuk Seri Dr. Mahathir said, "All the investors have been given pioneer status and even if companies registered exports of RM1 billion or RM2 billion, they would have to pay a tax of just about RM1 million. So, it is very little and makes no difference to them." If it is any consolation, no new taxes were imposed other than "sin" taxes and as seen earlier many sectors will benefit from **Budget 2004**.

The outlook for 2004 is based on stronger growth in household consumption, private investment and export growth to offset a slower growth in public spending. All sectors of the economy are expected to register a positive growth rate with the services and manufacturing sectors leading the Gross Domestic Product growth.

Budget 2004 — Executive Summary

- Income tax rate reduced to 20 per cent on chargeable income of up to RM500,000 for SMIs with paid-up capital of not more than RM2.5 million.
- Many of the existing incentives are to be enhanced including Pioneer Status, Investment Tax Allowance (ITA) to include incentives for machinery and equipment industries, hotel and tourism areas, cold chain facility providers and users of oil palm biomass.
- Tax exemption for Operational Headquarters (OHQs) will be extended to income from qualifying services rendered to its related companies in Malaysia, provided such income does not exceed 20 per cent of the OHQ's income from qualifying services.
- Proposed deduction for entertainment expenses.
- Tax deduction for incorporation expenses is to be extended to companies with authorised share capital exceeding RM2.5 million.
- Taxation measures are to be introduced for asset-backed securities, the issuance of Islamic securities to include incentives for Property Trust Funds and Real Estate Investment Trusts.
- Excise duties on imported cars with effect from 1 January 2004 will be introduced.
- Import and excise duties on cigarettes and alcohol have been increased by 20 per cent and 10 per cent respectively.
- Remittance of foreign source income into Malaysia by a residential taxpayer, a trust body and a cooperative will continue to be exempted from income tax.

"Budget 2004 is indeed a comprehensive package that touches the heart of all sectors of the economy. It definitely has taken into account the needs of the "less financially well-off" and adheres to a strong sense of social responsibility to build and provide for deserving citizens."

The Budget is unlikely to add impact on domestic interest rates as the pool of ample domestic liquidity will be sufficient to meet the financing needs of the government without exerting upward pressure on domestic interest rates, which will continue to be driven by considerations of growth and inflationary assessments.

Given the continued volatility in foreign exchange markets, the Ringgit peg will be maintained as this policy ensures that the Ringgit exchange rate remains stable, which will help companies overcome undue fluctuations in dealing with overseas trade. It is worth noting that the country's strengthening economic fundamentals provide a favourable support for the Ringgit peg.

Budget 2004 is indeed a comprehensive package that touches the heart of all sectors of the economy. It definitely has taken into account the needs of the "less financially well-off" and adheres to a strong sense of social responsibility to build and provide for deserving citizens.

Kudos to our Prime Minister Datuk Seri Dr. Mahathir who like a "father" nurtured the country for the past 22 years and helped propel Malaysia through its golden years. Where would the country be without this great man?

Our Prime Minister ended his Budget 2004 speech with this poignant poem dedicated to Malaysia reproduced here for the reading pleasure for all :

"Because of you, Malaysia
We uphold the nation, unite the people
We set a thousand steps forward
Together we strive in darkness, riding the waves
Seeking for the light, reaching for the dream
Defying a million obstacles
Though we may fall
We shall persevere to achieve our vision
Peaceful is my country
Blessed with success, bestowed with prosperity
United we stand, resolute in determination
Glow the spirit of patriotism
The world has acknowledged
Our dignity has been upheld
No more aggression
No more humiliation
Our independence enshrined
Peaceful is my country … Malaysia!" AT

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MASB 25

Deferred Taxation Redefined (Part I)

By Goh Kean Hoe

Big adjustment on deferred tax that reduces or increases the net tangible assets of companies maybe expected when MASB 25 becomes operative.

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

The new MASB 25 Income Taxes becomes operative for annual financial statements covering periods beginning on or after 1 July 2002. Companies with financial year-end of June will be the first group of companies to be subject to this new standard. MASB 25 supersedes MASB Approved Accounting Standard IAS 12 Accounting For Taxes on Income (the original IAS 12) that has been effective since 1981.

The International Accounting Standards Committee (IASC) has issued a revised IAS 12 in 1998 to replace it. MASB 25 is in all respects; similar to the revised IAS 12 and the Malaysian Institute of Accountants had actually issued the revised IAS 12 as an Exposure Draft in 1998. It was, however, not subsequently implemented. What is included in MASB 25 should, therefore, be nothing new to the Malaysian accounting fraternity except that its implementation has been delayed until today, almost five years later.

Like the original IAS 12, MASB 25 deals with accounting for income taxes that include both current tax payable and deferred taxation. The accounting for current tax is a straightforward one and there is no significant change between MASB 25 and the original IAS 12. The interest is on deferred taxation as MASB 25 introduces some major changes whose application may have significant effect on the financial statements of companies. This article discusses the deferred taxation part of MASB 25 only.

What then are the big changes in MASB 25 when compared with the old standards on the subject of deferred taxation?

The following provides a glimpse of the differences between MASB 25 and the original IAS 12, *"New focus, new terminology and method, more comprehensive, more specific, and more disclosures. But the real big change is in the new recognition rules and criteria on both deferred tax liabilities and assets."*

It can be said that MASB 25 has actually introduced a new concept of deferred taxation. A number of new terminology and definition have been inevitably introduced along with the new concept. It attempts to be more comprehensive and more specific on the application, recognition and disclosures. In the following discussion, we attempt to take a critical look at these and other areas and highlight the major changes compared with the original IAS 12.

Shift in Focus

Accounting for deferred taxation is a result of tax effect accounting that treats income tax as an expense incurred in earning the income and must therefore be accrued in the same period as the income under the accounting principle of accrual. This is and has to be the same between the original IAS 12 and MASB 25. There is, however, a major shift in the focus on accounting for deferred taxation in MASB 25.

The original IAS 12 focuses on income statement and the timing differences, which cause the difference in the accounting and taxable profits. It allows the use of either a deferral or liability method.

MASB 25 focuses on balance sheet and it allows the use of the liability method only. It is often regarded as Balance Sheet Liability Method.

Accordingly, the deferred taxation under MASB 25 is primarily based on the Temporary Differences between the carrying amount of assets and liabilities in the balance sheet and their respective Tax Base. It should be noted that all timing differences are temporary differences. In the end, MASB 25 is concerned with ensuring the net assets of an entity are stated after accounting for their possible tax effect. The amount transferred to or from the tax expense account in the income statement is essentially the residue of the changes in the deferred tax liability/asset between current and previous balance sheet date.

Although there is a change in focus, theoretically the result should be the same as the cumulative effect of the deferred taxation on the timing differences in each year should add up to the deferred taxation calculated based on the balance sheet method. In practice, even under the original IAS 12 regime, the balance sheet amount was used in the calculation of deferred tax as it serves as a shortcut to the cumulative timing differences.

In essence, however, the change in focus is paramount as it represents a shift to a new fundamental concept of deferred taxation. It is in fact based on this new fundamental concept that new terminology and method of determining deferred tax are introduced, a new scope is derived and new recognition rules as well as criteria are set.

New Terminology & Method

The change in the fundamental concept and focus inevitably introduces new terminologies. The key terminologies used in the original IAS 12 are Accounting Income,

Taxable Income, Timing Differences and Permanent Differences.

In MASB 25, Accounting Profit and Taxable Profit are used to replace Accounting Income and Taxable Income but they basically refer to the same thing. The biggest change is the new terminology called Temporary Differences.

Temporary Differences is defined in MASB 25 as the differences between the carrying amount of an asset or liability in the balance sheet and its Tax Base. Temporary Differences may either be Taxable Temporary Differences or Deductible Temporary Differences. Taxable Temporary Differences will lead to deferred tax liability whereas Deductible Temporary Differences will lead to deferred tax asset. Tax Base of an asset or liability is defined as the amount attributed to that asset or liability for tax purposes.

The discussion notes in MASB 25 further explain the tax base of an asset and liability as follows:

- The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an enterprise when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.
- The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods.

It is thought that with the shift in the focus, there is a need to introduce new terminologies that will ensure adherence to the new focus. Timing Differences and Permanent Differences, the terminologies used in the original IAS 12, signify the focus on income statement. Both timing differences and permanent differences may give rise to Temporary Differences. In addition, there are additional items that also form part of Temporary Differences. Temporary Differences, therefore, is more comprehensive.

Under the original IAS 12, Permanent Differences are not deferred tax items. In MASB 25, the term Permanent Difference is not mentioned at all. To take care of this, MASB 25 introduces exception clauses on recognition of deferred tax liability/asset. Under the exception clauses, no deferred tax (both liability and asset) shall be recognised on Temporary Differences that arose from the initial recognition of that asset or liability which:

a) is not a business combination; and
b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

This exception clause would have covered all Permanent Differences.

The introduction of new terminology and the shift of focus to balance sheet at the end give birth to a new way or methods of determining deferred tax liability/asset. The new method would logically start from balance sheet. The next step is to determine the tax base of the balance sheet items. Temporary Differences are simply the difference between the carrying amount in balance sheet and the corresponding tax base. Deferred tax liabilities/assets are derived from the temporary differences subject to fulfilling the recognition criteria.

It is clear that Tax Base is the key item in determining the Temporary Differences and hence the deferred tax liabilities/assets. However, the definition of Tax Base in MASB 25 (as mentioned above) is very general. Knowledge of the taxation laws will be required to determine the tax base of each of the assets and liabilities in the balance sheet. The explanation and examples given in MASB 25 do offer help though.

More Comprehensive

MASB 25 attempts to be a comprehensive standard that addresses the tax effect of accounting for income taxes. As stated before, all timing differences are Temporary Differences. As such, all items considered being a deferred tax item under the original IAS 12 would also be covered by MASB 25. As in the original IAS 12, tax effect on revaluation of assets is also dealt with in MASB 25. However, as Temporary Differences also arise in other circumstances that may not constitute timing differences, MASB 25 thus has a wider scope. It includes the Temporary Differences that arise when:

- The cost of acquisition is allocated to the identifiable assets and liabilities based on their fair value in business combination;
- The non-monetary assets and liabilities of a foreign operation that is integral to the operations of the reporting entity are translated at historical exchange rate; and
- Non-monetary assets and liabilities are restated under the international best practice on financial reporting in hyperinflationary economies.

Although the original IAS 12 provided a definition on Timing Differences, it only gave two examples of timing differences in the discussion notes (different treatment on revenue recognition and difference in accounting depreciation and tax depreciation rates). What constituted a timing difference was therefore not clear at times and was thus subject to interpretation by the accountants of the definition of timing differences. As a result of this, there were times where deferred tax liabilities were not accounted for on certain items on the argument that they did not constitute a timing difference. When this argument failed to stand up, the policy of partial application would conveniently come to the rescue. This has partly caused accounting for deferred taxation to be inconsistent between years and among companies.

Although MASB 25 does not provide definition on Timing Differences, it states that all timing differences are temporary differences. In addition, the discussion notes and illustrations provide many examples of temporary differences where deferred tax liabilities/assets are to be recognised if the criteria are met.

The examples given in MASB 25 include:

- Interest revenue that is recognised on time proportion basis but subject to tax on receipt basis;
- Accounting depreciation that is different from tax depreciation/capital allowances;
- Development cost that is capitalised and amortised over future periods but deductible for tax purposes when incurred;
- Assets are revalued and no equivalent adjustment is made for tax purposes;
- Cost of a business combination that is an acquisition is allocated to the identifiable assets and liabilities acquired by reference to their fair values;
- Retirement benefit costs that are provided as services provided by employees but deductible for tax purposes only when paid;
- Research costs that are recognised as expenses when incurred but only deductible for tax purposes at a later period when conditions are met.

These specific examples, together with the disallowance of partial application have made the scope of deferred tax liabilities/assets under MASB 25 more comprehensive and more specific. It basically attempts to ensure all assets and liabilities included in the balance sheet are stated net of their tax effect, now and in the future. In addition, all off balance sheet items (such as tax losses) that have tax effect are also accounted for, one way or another. AN

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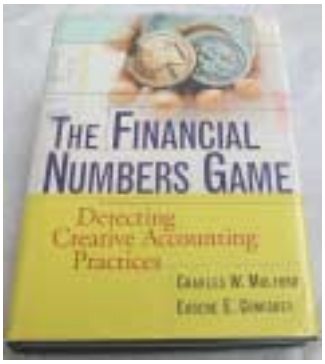
THE FINANCIAL NUMBERS GAME : Detecting Creative Accounting Practices

By Charles W. Mulford & Eugene E. Comiskey



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Price RM159.80

FIRST, Enron. It did not take long for other names to emerge. Corporate shenanigans began to capture the attention of the media.

But ask accountants and others involved in the business world, this is nothing new. Messing around with the financial statements has been going around for a long time. Only, this time around, the figures are astronomical.

The Financial Numbers Game: Detecting Creative Accounting Practices documents such practices. The book lays bare of the sometimes sinister, sometimes shady, sides of the accountants and auditors.

For investors and number-crunchers, this book released last year goes beyond just narrating creative accounting. Here, readers are taken on the track to detect such massaging of the books.

Its authors — two accounting professors — attempt to assist readers of financial statements avoid being misled by financial results that have been altered with creative accounting practices. They draw cases from US companies that had in the past resorted to such creativity.

To be sure, playing the numbers game is not always a fraud. The red flags are up only when one crosses the line — a thin line, indeed, judging from the various corporate misdeeds coming to the public attention.

First, why does it happen at all? The problem, says the authors, will continue as long as there are measurable rewards, including positive effects on the share prices, borrowing costs, bonus plans, and corporate regulations, to be gained by those who seek to play this financial numbers game.

Will it be too basic for accountants? Probably not. The authors claim that the book targets serious readers of financial statements, including equity analysts, investors, credit analysts and credit professionals.

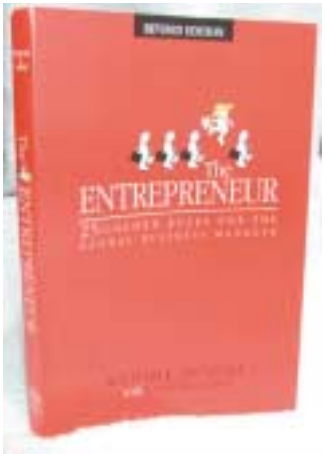
The professors provide readers with a checklist on the various issues of creative accounting. The purpose is to alert readers when creative accounting is at work. These lists were developed with examples of hundreds of companies that were caught in the act of playing the financial numbers game.

The idea is to arm investors and company managers with the keen eye to detect such practices. Of course, once armed with the ability to detect creative accounting, those folks can then, hopefully, avoid equity-investment and credit-granting mistakes.

A good office companion, indeed. AT

THE ENTREPRENEUR : 25 Golden Rules for the Global Business Manager

By Allan R. Cohen



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'A GREAT pleasure in life is doing what people say you cannot do,' says Walter Gagehot. That quote begins one of the chapters of the 'The Entrepreneuer: 25 Golden Rules for the Global Business Manager'. This is a book for people in business. And for all those people ever lurking on the outer ring of business ventures.

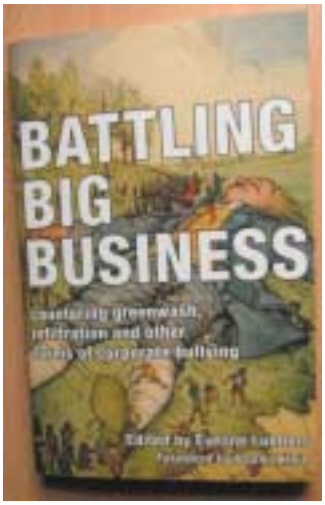
The presenter is no ordinary person. William E. Heinecke is the chief executive officer of Thai-based The Minor Group. He started his business venture while still young. Hence, the name 'Minor'. Today, the group has since made significant investments in the marketing, manufacturing, food and property fields, employing more than 12,000 people and charting sales of US$400 million in 2002.

The book contains 25 chapters — one for each rule. Chapter one: Find a vacuum and fill it. Then it goes to 'Do your homework', 'You won't be committed if you're not having fun' and 'Work hard, play hard'.

He goes on to discuss topics like trusting your intuition, learning to sell, becoming a leader, making the most of lucky breaks, embracing change as a way of life and reinventing oneself.

One piece of advice. Begin small, the book cautions. It's probably best to smart with one venture. 'Keep it simple. Take one good idea and run with it,' he says.

The final chapter: Be content. For the burning entrepreneurial spirit within, may you find the answer. AT



BATTLING BIG BUSINESS

Edited by Eveline Lubbers

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Price RM64.90

BATTLING Big Business is not about small companies taking on the big brothers of the cor-

porate world. Rather, its about the growing trend of people, in small and big numbers, taking on huge corporations that they claim are spoiling planet earth.

As people involved in business — whether as an accountant or manager or owner — such awareness is important. The role played by the 'dissenters' cannot be ignored.

At times, ignorance here is at one's own peril. Giants Coca Cola and Pepsi felt the sting of the small folks in India recently. A small non-government organisation (NGO) created havoc in its marketing — sales almost dropping one-third — when it released findings claiming the pesticide content in the two colas were way beyond acceptable levels.

Battling Big Business is about sustainable management, corporate responsibility, or the merits of business engaging with NGOs. It's subhead says it all: Countering greenwash, infiltration and other forms of corporate bullying.

Through case studies and analyses, this book exposes a spirit of intolerance coursing through the corporate world: intolerance of criticism and dissent, as well as a deep aversion to public scrutiny and accountability.

It illustrates some companies that treat democracy with disdain. And its about growing numbers of activists who, despite facing escalating attacks from the state and corporate world, are insisting on their right to express dissent, openly and vocally.

You may disagree with some of its arguments, but one cannot completely ignore the forces at work. AT

Globalisation in the Financial Services Industry

Globalisation has been the buzzword in the financial services industry for quite some time. Indeed, over the past two decades, an increasing number of the world's largest financial services companies have joined the bandwagon to establish significant proportion of their assets and operations outside their home countries. Examples of some of the globalisers are ABN AMRO, Citibank, Credit Suisse, Standard Chartered, HSBC, UBS and Zurich Insurance. What exactly fuels foreign expansion across financial services?

Based on a recent research, large financial companies that have gone global over the past 20 years were chiefly motivated by at least one of the following four reasons:

1. Perceived comparative advantage in skill and/or scale.
2. Low-growth and/or sluggish domestic markets.
3. Domestic customers' expansion to foreign markets.
4. Deregulation of market and relaxation of foreign ownership rules.

Leverage on perceived comparative advantage in skill and/or scale

Some financial services companies have expanded internationally in order to leverage on their perceived comparative advantage in skill and/or scale. For example, some companies have globalised primarily to exploit their particular skills (e.g. credit card processing, money transfer, mortgage loans processing), which in turn give them significant cost advantages over other players. A good example of such expansion will be Citibank, which has established its operations in more than five continents with its slogan *"The Citi never sleeps"* (providing banking anywhere, anytime and anyhow) is driven by the desire to exploit its know-how in brand management, customer management, credit card processing and go-to-market strategy. For other companies, scale may be the main motive to go international. For these companies, scale plays an important advantage to re-coup the heavy investment and to stay in the game.

Break out of a low-growth and/or sluggish domestic market

Some financial services companies have decided to go international fuelled by growth aspirations that were otherwise unattainable in their home countries. Most of these companies were either situated in markets that were too small, growing too slowly or both. ABN AMRO, which was based in Netherlands, saw the need to venture abroad for continued growth while Zurich Insurance and the Swiss Bank group were similar examples from Switzerland.

Serve important domestic customers in foreign markets

The increase in foreign direct investment (FDI) by multinationals has *vis-à-vis* increased cross-border activities. Ever since globalisation began to soar in the early 80s, cross-border banking transactions have also risen exponentially. In order to serve their important customers better, thus main-

taining the valuable relationship, some financial services companies have decided to make their services available abroad. For many companies, such expansions were rather a defensive move than a profit-making one. These companies deliberately expanded their operations to foreign lands in order to retain large accounts that needed services abroad. Most of these expansions remained sub-scaled and were even making losses. However, some companies have made use of their foreign operations to attract local customers in those markets. For example, HSBC first followed its customers by opening offices around the world. However, today, HSBC is poised to become *"The World's Local Bank"*.

Deregulation of market and relaxation of foreign ownership rules

Increasingly, more and more countries are opening up their markets to allow the entry of foreign financial services companies, which in turn will allow the inflow of capital. These countries are increasingly removing all kinds of regulatory barriers to investment in their banking system. Examples of such countries are New Zealand and Mexico where foreign ownership in the banking sector is 100 per cent and 70 per cent respectively. On the local front, the Malaysian government has put into effect a Financial Sector Masterplan that, *inter-alia*, will allow for domestic liberalisation to take place in stages as well as to prepare the sector for possible future liberalisation in the context of the WTO. Currently, the Masterplan is focused on strengthening the capacity and the capability of the domestically-owned financial institutions. The Plan aims for the development of an effective, competitive, resilient and dynamic financial sector in the next ten years before fully liberalising Malaysia's banking and insurance industry. To further enhance the pace of development and progress, Bank Negara Malaysia has recently announced that it will bring forward the financial liberalisation for the Islamic banking sector. This will involve issuing new Islamic Bank licenses to qualified foreign players with presence in the global Islamic banking industry.

"On the local front, the Malaysian government has put into effect a Financial Sector Masterplan that, *inter-alia*, will allow for domestic liberalisation to take place in stages as well as to prepare the sector for possible future liberalisation in the context of the WTO."

The future of globalisation — the way forward

Not all globalised financial services companies have impressive track record. Cases of failed foreign expansions are not uncommon. Despite these failures, the financial world is set to see more globalisation in the future. Deregulation of market, relaxation of foreign ownership, evolution of electronic banking, saturation of local market and the increase in cross border trade will all fuel foreign expansion across financial services. Traditionally, globalised financial services companies come from relatively small countries with limited growth opportunities. However, this trend is changing. In Europe, the formation of the European Community (EC) has created enormous opportunity for financial institutions to set up its operations in member countries. The US based financial services companies are marking their global presence by leveraging on their superiority in the technology know-how. This phenomenon indeed creates a crucial period for companies in the emerging markets of Asia and Latin America. These companies tend to be rather inefficient and complacent due to the regulations protecting their market from foreign competition. With the onslaught from foreign players, the local companies will have no choice but to be efficient and start picking up the market share. AT

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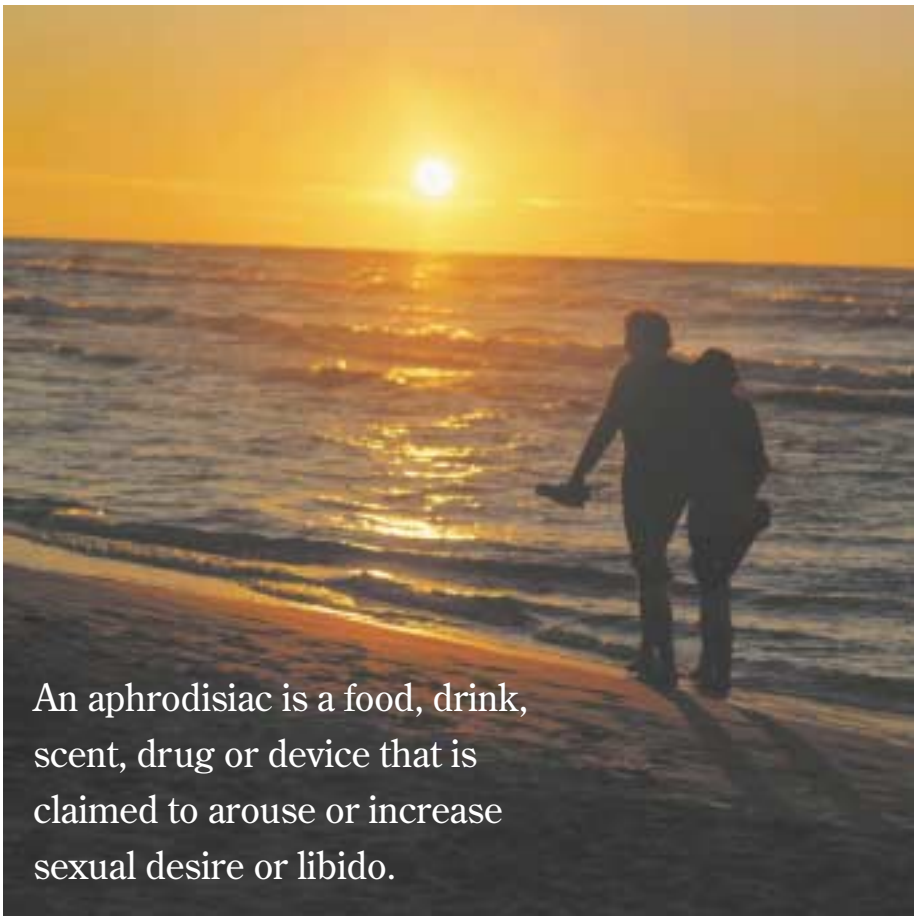
Aphrodisiacs

Do They Really Work?

Everyone desires a great 'sex' life. After all, if something we can eat or drink can increase our sexual desire why not try it? Did you know that a ram or goat's testicle boiled in sweetened milk is thought to enhance sexual performance? Fancy some? Not for me. How about sparrows eggs and rice with butter and honey? Doesn't sound too bad. On the other hand, where can I find sparrows eggs? These are some of the potions recommended in the ancient book 'Kama Sutra.' For thousands of years love potions have been touted and sold right up to and including the present day.

By Christina T. Chew



An aphrodisiac is a food, drink, scent, drug or device that is claimed to arouse or increase sexual desire or libido.

The word aphrodisiac is named after Aphrodite, the Greek goddess of beauty and sexual love. Aphrodisiacs are said to aid sexual performance. Is this really true? Do they really work? Is it all in the mind? Are all these recommended products safe to consume?

What is an aphrodisiac?

An aphrodisiac is a food, drink, scent, drug or device that is claimed to arouse or increase sexual desire or libido. There are hundreds of these products available on the market ranging from scallops, gingko nuts to anchovies.

What are the more popular aphrodisiacs

Chocolate — When I think of aphrodisiacs, I think of chocolates, the traditional lovers gift. For some of us, there is nothing more sensuous than the texture of melted chocolate. Chocolate contains a stimulant called phenylethylamine. Some researchers consider this chemical as the "love chemical" as when eating chocolate one experiences a feeling of well-being and excitement. I am sure you have heard of a 'chocolate high!' This is very similar to the endorphins that give us a natural high.

Chilli Peppers, curries and other spicy foods — This particular group of foods has been considered as aphrodisiac because of the chemical "capsaicin" found in chillies, which raises our pulse and makes us sweat. Some researchers maintain that eating hot foods triggers the release of endorphins, body chemicals which give us a natural high, similar to reactions that are experienced during sexual intercourse. One of my staff members swears by his wife's chicken curry! He says he always has a sexual high after eating curry! (I am still waiting for the recipe!)

Ginseng — For centuries, ginseng has been looked upon as a rejuvenating as well as an invigorating agent in China, Korea, Tibet Indochina and India. The word ginseng means "man root". The plant has a marked similarity to the human body and this is probably where the reputation as an aphrodisiac comes from. It has been noted that ginseng acts as a mild stimulant similar to coffee. Some experiments carried out on animals treated with ginseng have shown a sexual response. However, there is no evidence that ginseng has an effect on human sexuality.

Rhinoceros Horn — As stated earlier, the phallic shape of the horn helps in its reputation worldwide as a libido enhancer. Significant amounts of calcium and phosphorus are contained in the horn. Most diets contain adequate amounts of these minerals and therefore the effect of consuming the horn powder would not affect physical performance. However, if the diet was deficient in these minerals and the horn powder consumed then the person's general health and vigour would improve and possibly increase sexual interest.

Gingko — Some success has been seen in the treatment of sexual dysfunction with ginkgo. This could be due to the stimulating release of nitric oxide with results in widening blood vessels of the genitals and erectile tissue. Ginkgo should not be taken with drugs that are given to thin the blood or by those suffering from heart disease. At the present time, Ginkgo is used to aid in the treatment of age-related memory loss.

Oysters, Scallops, Caviar — Aphrodite was said to be born from the sea and perhaps this is one of the reasons why many types of seafood are reputed to be aphrodisiac in nature. Oysters in particular are recommended. It is a known fact that oysters contain the mineral zinc and in days gone by it was not uncommon for people to suffer from a deficiency in zinc. Therefore, with an improvement in diet by consuming oysters, their overall health improved therefore leading to an increased sex drive. Zinc is also necessary for the production of testosterone. Testosterone is a necessary hormone for the male sex drive. It is also believed that testosterone also stimulates the female libido as well.

Caviar appears to have qualities that nourish nerve cells resulting in heightening romantic feelings. Some people state that when caviar is taken with vodka, sexual explosions occur.

Alcohol, Champagne — The aphrodisiac virtues of wine were born a long time ago. Casanova, the great lover gave champagne to his new conquests so that they would fall for him. Alcohol has been found to be a depressant. The porter in Shakespeare's Macbeth observed, it "provokes the desire, but takes away the performance." Too much alcohol can actually decrease sexual desire. However, this drink of the gods is still associated with love today. Champagne is still heralded as the drink of choice for lovers to celebrate special occasions.

Truffles — Truffles are known as black diamonds! Truffles are a form of fungus which emit a unique aroma. They grow at the base of trees in the woodlands. They can cost up to $900 US per pound. Female pigs are attracted to truffles because they emit a steroid similar to a pheromone produced by boars in premating behaviour. Pigs will fight over truffles! Not only are they highly aphrodisiac but they contain large amounts of phosphorous, sodium, potassium, chlorine, magnesium, calcium, sulphur, iron and parotids! Truffles are considered to be a 'mood enhancer.' However, truffles are seasonal and are only available in January and February. They are mainly grown in Europe.

Yohimbine — Yohimbine is extracted from Yohimbine bark. Erections can be facilitated by stimulating the nervous system and therefore increasing blood flow to the penis. However, side effects such as increased heart rate, raised blood pressure, anxiety and nausea have been known to occur. This drug is only available by a doctor's prescription. This drug is not available in Malaysia.

Spanish Fly — Spanish Fly is one of the most well-known love potions, although known to be very dangerous. It is made from the dried body of a special type of beetle. It works by irritating the urinary tract. A rush of blood is sent to the genitals. Spanish Fly is a poison that burns the mouth and can lead to genito-urinary infections, scarring of the urethra and even death. This drug is illegal.

Damiana — Damiana is a type of wild yam used traditionally as an aphrodisiac. Chemical analysis has shown that it contains chemicals that increase sensitivity to the genitals. It has also been known to induce erotic dreams, although not proven in clinical trials.

Vitamin E — Vitamin E not only protects our blood cells and body tissues but as a rebuilder, it has a direct effect on fertility and sexual functions. It is known as the reproduction vitamin. Most vegetable oils, particularly corn and wheat oil, peanut oil, sunflower oil contain vitamin E. Other foods such as oats, asparagus, spinach, dandelion, parsley and sprouted corn contain vitamin E. Vitamin E can also be taken as a food supplement in the form of capsules.

Uncommon food aphrodisiacs

Asparagus — Asparagus is thought to be an aphrodisiac because of its phallic shape as well as its rich content of vitamin E. Vitamin E is thought to stimulate production of our sex hormones, therefore making it an essential ingredient for a healthy sex life. A 17th-century herbalist wrote this, "asparagus stirs up lust in man and woman."

Cappuccino — Coffee drinkers are reported to be more sexually active then non-coffee drinkers. No wonder some people are hooked on Coffee Bean and Starbucks!

Radishes — Said to work on the ancient Egyptians.

Garlic — Garlic "which makes women fall in love and men powerful" was the basis of recipes of the priestesses in the temple of Eros, Aphrodite or Dionysos. They were considered experts in the field of love potions. The heat in garlic is supposed to fan the flames of passion. Garlic has been known to have many other properties apart from being an aphrodisiac. This is probably the cheapest form of aphrodisiac available in the Malaysian market. We have plenty!

Other aphrodisiacs — The senses

Hearing can have an effect on our sexual desire. After all, why would Shakespeare write "If music be the food of love, play on." I am sure that many of us can relate to that statement when we listen to soft, romantic music, especially when our loved one is by our side.

"Seeing is believing." Some cultures regard foods such as bananas, asparagus and carrots as erotic stimulants because of their phallic resemblance.

According to studies at the Smell and Taste Foundation in Chicago, US, it has been found that the smells of certain foods have been found to be sexually arousing. Liquorice was found to be a 'turn on' for women and pumpkin pie and buttered popcorn a 'turn on' for the men. (Now I know why they serve popcorn at the cinema!) Perhaps you remember a certain person wearing a particular brand of perfume or aftershave that aroused your sexual feelings.

What is the most potent aphrodisiac?

In my opinion, the most potent and cheapest aphrodisiac available is the **mind**! We are all born with a reliable mechanism - our imagination! It is logical to me that if you tell someone that what they are taking is an aphrodisiac, by implanting that thought into their mind it might actually lead to a sexual reaction. We can all stimulate our minds erotically by means of our imagination. Renowned sex expert Dr Ruth Westheimer, Ed. D has this to say, "The most important sex organ lies between the ears."

To take or not to take?

According to the Food and Drug Administration, US, the sexual effects of so-called aphrodisiacs are based in folklore, not fact. In 1989, the FDA reported that there is no scientific proof than any over-the-counter aphrodisiacs work in the treatment of sexual dysfunction. However, the latest research has discovered that some well known aphrodisiacs do contain certain vitamins and minerals that contribute to a healthy reproductive system and possibly libido. Oysters for example, are known to contain the mineral zinc. Zinc is a mineral required for the production of testosterone.

There is a lack of scientific evidence of safety and effectiveness of 'love potions.' It is estimated that sellers of aphrodisiacs rake in hundreds of millions of ringgit per year. Experimentation with aphrodisiacs may not only prove costly but deadly as well.

Individuals who have sexual problems should seek the advice of their physician. A lack of sexual energy may be caused by something as simple as stress or drugs that you are taking. Perhaps other more serious underlying causes such as high blood pressure or diabetes may be the cause.

In conclusion, I would consider a good mental state with regular exercise and good diet a better path to a healthy sex life than depending on ginseng, truffles and rhinoceros horn for a sexual high (cheaper too)! However, the final decision rests with you! AT

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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.

Working Visit to ICPAS

On 28 August 2003, the Public Practice Committee of the Malaysian Institute of Accountants (MIA) paid a visit to the Institute of Certified Public Accountants of Singapore (ICPAS) and also visited another member firm of ICPAS, Ng Lee & Associates — DFK Singapore. The delegation led by the Public Practice Chairman, Nik Mohd Hasyudeen Yusoff had a warm welcome by both ICPAS and the partners of DFK. Apart from the Chairman, the Malaysian delegates were Peter Lim, the Chairman of the Small Practitioners Working Group, Samuel Soh the Johor Branch Chairman and Johnny Yong, the Secretary of MIA.

The purpose of this trip was to gauge the preparedness of the firms in Singapore in meeting the exemption of audit for exempt private companies (EPC) with turnover less than S$2.5 million. The legislation in Singapore on this change was meant to comprise companies with financial year beginning May 2003. Our counterpart in Singapore, the Public Accounting Practice Committee was represented by the Chairman, Kon Yin Tong who is also the managing partner of Foo Kon Tan Grant Thornton and three of his committee members. They met the MIA's delegates at the ICPAS's office in Aljunied Road. For the visit to DFK Singapore, the delegates were welcomed by the managing partner Susan Ng Son Keat and five other partners.

Based on the discussion with both ICPAS and DFK, it was concluded that there are now new vistas or avenues which were not explored that should come into prominence following these changes to the auditing landscape in Singapore. Simultaneously, firms are now refocussing and re-strategising their manpower to offer new types of services, which will be in great demand in the near future. One such area is the preparation and the review of financial statements for compliance with Singapore's accounting standards. Firms that have planned ahead will be able to realign their manpower to service their clients' future needs. It may still be too early to gauge but some of the practitioners have forecasted that their firms (incidentally, these are small sole proprietor firms) may not be affected as badly as earlier predicted. According to the Deputy Technical Director of ICPAS, Ramchand Jagtiani, although the audit requirements for EPC below a certain threshold will no longer be mandatory, the accounts to be prepared in accordance with the approved accounting standards in Singapore are still required to be filed with their Companies Registry and a statement to that effect will have to be made by two directors of the companies. ICPAS has mobilised a series of campaigns that will urge these company directors to exercise due diligence when certifying that such accounts are in compliance with the approved accounting standards. One of the assurances can be obtained by engaging a firm of qualified accountants to review the financial statements prior to the lodgement with the Companies Registry. ICPAS has also sought clearance from the Institute of Chartered Accountants of England & Wales (ICAEW) to reproduce two sets of booklets for the public, *The Benefits of an Audit* and *Investing in an Audit*, both of which have been well received.

As for helping its members in the future, the Chairman mentioned the need to create specific interest groups for the profession. It is expected that, in the near future, the profession will grow to be more "specialist focused" and as such, their needs will be very specific. Hence, these special interest groups (such as those that intend to practice financial planning as a profession) will act as a form of mutual support to meet the needs of the members. In addition, ICPAS will be pursuing a policy of encouraging practices to expand beyond the border of Singapore. Perhaps, a strategic alliance with Malaysia to tackle the world will be on the cards for the future. Hopefully, the issue of MIA and ICPAS co-operation will be more amicable when seen in the light of other issues between Malaysia and Singapore currently. AT

Comprehensive Seminar on Taxation

Participants got exactly what they wanted when they signed-up for the '21st National Seminar on Taxation' at Mutiara Hotel, Kuala Lumpur on 16 September.

The seminar package was aimed at increasing tax awareness now that the Prime Minister has unveiled a new strategy to stimulate the nation's economic growth.

The first topic covered was the *Budget 2004 Proposals* by Deputy Director-General (Technical & Legal), Othman Abdullah and Principal Assistant Director, Technical Division, Nor'aini Jaafar.

Next was *Enforcing Tax Compliance — the Role of IRB* by Deputy Director-General (Compliance & Prevention) and Director, Audit Division, Che Omar Abd. Rahman.

Self-Assessment System for Non Company Tax Payers — (Compliance Issues) by Director, Operation Division, Dr. Mohd. Shukor Mahfar was the final topic delivered.

The Director-General of IRB Y.Bhg. Dato' Zainal Abidin Abd. Rashid delivered a speech on behalf of Dr Ng Yen Yen, the Guest of Honour who was unfortunately unable to attend. Approximately 410 participants attended the seminar. AT

(from left) Abu Samad, President of IROU; YBhg. Dato' Zainal Abidin Abd. Rashid, Director General of IRB and Albert Wong, Vice-President of MIA

Romancing Your "Inner-self"!

By Raymond Liew

Does it not seem like only yesterday when we were children? So why don't we go back in time, for just a while and sweep aside our stressful daily routines.

I have come to realise that doing this is like taking a mental "holy day" break and is one of the easiest ways to overcome the stresses of adult responsibilities. Just lay back and imagine you are "young" again. Yes, I did say "young". All right, you cannot be young again … but trust me, picturing yourself being young with a carefree life can be very comforting if not soothing to the soul.

We may be adults, but the young and carefree "child" resides in our souls throughout our lifetime. Since it is a part of who we are, we must take care to nurture it.

We can remember all too clearly being told we were not good enough to do certain things like paint, sing or speak in an open forum. I personally see this as a total hindrance to all we could and should have been able to accomplish. I believe virtually anyone can paint, sing or speak if he or she puts their mind to it! Saying one can't, hinders one's growth and stunts self-discovery thereby robbing one of the pure enjoyment of life itself.

Now, we have the power to discard these "cannot do" stigmas and acknowledge the things we have always wanted to do. Whatever it is, learn to develop and romance your "inner self" — that child in you, in the way you want and not the way you were told to! You have choices, so take advantage of it.

If you wish to polish your public speaking skills, connect with your inner self and acknowledge that it is your right to pursue your dream. If what you have decided on is joining the Toastmasters Club, then bravo, you've made a move in the right direction. Remember, public speaking is an acquired skill, so the more you practice, the better you become!

As a matter of fact, research shows that most American adults would rather have a root canal and a bikini wax at the same time rather than give a five-minute speech to an audience of strangers. There you go, you are not the only one.

It is normal for first-timers to experience sweaty palms, jelly knees and failing vocal chords. You're not alone, so chin up! With regular practice, these 'symptoms' will soon be a thing of the past.

A fellow toastmaster, Lydia Ng (Vice-President of Education of IGB Toastmasters Club), once said, "Practice positive affirmation. Keep telling yourself over and over again that you can do it just as well as the next person. Without you knowing it, a profound sense of success will slowly overtake you. Success no longer means adding digits to your pay cheque. Instead it's about balancing your well-being and continuing to romance your inner-self."

So where do you start? First, believe in yourself. Remove that inner fear and take the first bold step to make your first public speaking speech at a club you feel comfortable with. As this article is written for Accountants Today, you may well have guessed it. Most members in the MIA Toastmasters Club are accountants either in practice or in commerce and industry. As a MIA member, partaking in club activities will no doubt enhance not only your public speaking skill but also your skills pertaining to the profession.

The accountancy profession is evolutionary in nature and the sharing of knowledge through shared club activities is one way fellow professionals can gain much from each other. However like other Toastmasters' Clubs, we too have members who are not accountants but who are competent public speakers who share the same inner drive to further excel in their public speaking skills.

So I appeal to all MIA members — come take the challenge. Discard the "cannot do" stigma and praise yourself instead for taking that maiden step to greater self discovery. Never say "I cannot". Let the child in you say "I want" rather than "I should". "I should" comes from school teachers and parents but "I want" comes from inside you, that child who wants to feel free.

"Practice positive affirmation. Keep telling yourself over and over again that you can do it just as well as the next person."

Lydia Ng

Remember, the ability to say "I want" is the first sure step you can take towards developing and romancing your inner-self and rekindling your hidden abilities. So my friends, comrades and fellow toastmasters, let us toast to this first sure step. Say "I want" and say it at the MIA Toastmasters Club!

In the words of Bernard Edmunds:

"To dream anything you want to dream;
that is the beauty of the human mind.
To do anything you want to do;
that is the strength of the human will.
To trust yourself to test your limits;
that is the courage to succeed." AT

Raymond Liew is the Charter President of MIA Toastmasters Club.

Notice of club activities

Meetings : 1st & 3rd Thursdays of each month
Time : 6.30 p.m. with light refreshments. Meeting proper starts at 7.00 p.m.
Contact : Cik Shuhairah
Phone : +603-2279 9200 Extension 323
e-mail : mia@mia.org.my

Speak Your Way to Success

Develop your public speaking skills in ways that will spell instant success for you. Whether it is about speaking with confidence, expressing your thoughts coherently or convincing another of your views, you will find it all here at the 'Toastmasters International Success/Communications Series'.

Date	:	8-9 November
Time	:	9.00 a.m. to 5.00 p.m.
Venue	:	Dewan Akauntan, Kuala Lumpur.
Fee	:	RM320 per participant (inclusive of two lunches and four tea breaks, a set of notes and a Certificate of Participation)
Contact	:	Cik Shuhairah
Phone	:	+603-2279 9200 Extension 323
Organisers	:	MIA Toastmasters Club, Kuala Lumpur & Taman Indrahana Toastmasters Club

Penang Evening of Contest and Camaraderie

The MIA (Northern Branch) Toastmasters Club held its in-house *Humorous and Evaluation Speech* contest on 25 September 2003 at the branch office. Samantha Lo emerged champion with her witty speech titled " Price of Beauty" while Andrew Chee won the Evaluation Speech contest.

The Club welcomes all MIA members, accountancy graduates and students. It meets every 2nd and 4th Thursday of the month from 8pm to 10pm at the MIA branch office (behind Citibank) 1st Floor, Menara Penang Garden, Jalan Sultan Ahmad Shah, 10050 Penang. AT

The Champions, Samantha Lo & Andrew Chee

Melaka IVAQ 2003 a Great Success

The University of Malaya Team 1 emerged winners of the annual *Inter-University Accounting Quiz* event, organised by the Melaka Branch of the Malaysian Institute of Accountants together with the Accounting Club of the Multimedia University (MMU Melaka Campus). The team walked away with the MIA President's Challenge Trophy. The team from the Multimedia University (team 1) and University of Malaya (team 2) took the second and third placing respectively.

The event that was officiated by the Melaka Chief Minister, YAB Datuk Seri Haji Mohd Ali Mohd Rustam on 12 July 2003 attracted 25 teams from various universities and Institutions of Higher Learning from all over the country.

In his opening remarks the Chief Minister commended the effort taken by the Institute as well as MMU in preparing these students with the necessary knowledge and expertise in order to face the challenges of the business world.

"Furthermore the annual event is aimed at enhancing the understanding, knowledge and application of accounting essentials in managing a business," said the IVAQ 2003 Organising Committee spokesperson.

The competition is one of many activities organised by MIA Melaka Branch to promote the study and practice of accounting among students. AT

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Sarawak Month of Career Talks

After the rush for the IRB filing deadline in August, the committee members of the Sarawak Branch and the various chapters could finally concentrate on the promotion of the accountancy profession in the state. Simon Tan Cho Khiang spoke to secondary school students in Kuching High, Chung Hwa Middle School, O-level students at Lodge School in Kuching and accounting students in UiTM. Branch Chairman, David Tiang and fellow committee members, namely Teo Kin Mia, Yeo Ah Tee and Wan Idris Wan Ibrahim assisted by answering questions from the university students at UiTM.

The Sibu, Bintulu and Miri Chapters co-ordinated and organised the annual career talks at local hotels which were attended by secondary school students, school counsellors and concerned parents. They were informed of the pathways to obtaining a recognised accountancy qualification and career opportunities by the Institute's Branch Manager.

History repeated itself. Exactly a year ago, on her annual round of career talks in Sibu, Miri and Bintulu, Lucy Read was "bumped off" her confirmed flight from Sibu to Bintulu by MAS. Desperate to arrive in Bintulu on time, she took the alternative and was the sole passenger on the 5.30 am, bumpy 250 km, three hour bus ride. This year, MAS did not load her baggage on the aircraft and she was stranded in Bintulu dressed in casual jeans and slippers, most unsuitable attire for a talk on the accountancy profession.

Miri was much kinder to her. The 50 accountancy students in the new campus of Curtin University were all ears. The second talk in a Miri hotel was organised by Paul Bong and his fellow committee members all dressed most appropriately, as it was the eve of our national day. Bong managed the Q&A session with ease, directing queries raised by the students to members on the panel. AT

Miri Committee Members (L-R) Yong Nyet Yun, Lucy Read (MIA staff), Matthew Wong, Paul Bong, Alex Wong, Tan Siew Bee, Jennifer Phang and Lily Yong

Members of the Sarawak Branch Committee with UiTM representatives in Kota Samarahan

Sabah Flying Doctors and Accountants

Sabah members took the opportunity to participate in an industrial cum study tour of Sabah Air, one of the branch's social cum educational activities organised by the Sports & Social Committee. Owned by the Sabah State Government, Sabah Air provides non scheduled air services and flying services. Besides the chartered services, the aircrafts are also used by the state for SAR — Search and Rescue missions and to transport medical personnel and supplies to remote areas under the FDS — Flying Doctors Services

William Hee, Acting Engineering Manager briefed members on the operational, technical and mechanical aspects and members were given a tour around and inside the hangar. AT

Sabah members in front of one of the SAR aircraft

Benjamin Lee gets a feel of the inside of a helicopter

Rewarding Transparency Through Environmental Reporting

ACCA (The Association of Chartered Certified Accountants) is proud to announce that ACCA Malaysia Environmental Reporting Awards (ACCA MERA) 2003 is now open for entries. Malaysian companies are invited to send their environmental reports for the Awards until 30 November 2003.

ACCA MERA was first launched in July 2002 by Yang Berhormat Dato' Seri Law Hieng Ding, the Minister of Science, Technology and the Environment. A total of 11 companies sent their entries last year and in March 2003 the judges awarded four Awards to Shell Malaysia, Sony Technology (M) Sdn Bhd, Ford Malaysia and Golden Hope Plantations.

Tay Kay Luan, Head of ACCA Malaysia, said, "A growing awareness of environmental issues by the general population has led many companies to reflect on and revise their corporate environmental capabilities. ACCA believes that it is critical that the accounting profession, which is central to world commerce, is seen as being concerned with more than just profit and loss and recognises the social responsibility towards environment and sustainability matters.

"Environmental reporting promotes transparency on how business activities are having an impact on the environment. ACCA MERA aims to identify and reward transparency through environmental reporting, and not to comment on the performance itself," said Tay further.

Last year ACCA commissioned a study on the state of environmental reporting in Malaysia. According to the study only eight per cent of companies listed on the Kuala Lumpur Stock Exchange include environmental information in their annual reports, but awareness is picking up. ACCA hopes ACCA MERA 2003 will promote better uptake on environmental reporting among companies in Malaysia.

However persuading companies to "walk the talk" where environmental reporting is concerned will be no easy task. Companies that perceive zero or little benefit will remain apathetic towards environmental reporting, citing increased costs and resources as negatives. The key lies in changing this perception.

"In these days of cookie-cutter companies, shrewd corporate entities must change the perception and distinguish themselves from the herd in order to attract and retain stakeholders. One means of being different — while adding value to investors — is via environmental reporting. We hope more companies would integrate the environment in economic decision-making," said Tay.

The ACCA Environmental Reporting Award was first introduced in the UK in 1991 aimed to support and encourage the development of corporate environmental reporting techniques. The Awards have proved influential in the development of creating greater awareness within the corporate community to implement environmental reporting in UK, and the scheme has been mirrored by many other countries worldwide like Ireland, Europe, North America, Singapore, Hong Kong and Pakistan.

The ACCA Malaysia Environmental Reporting Award is fully endorsed by the Ministry of Science, Technology and the Environment. Companies can send in the entries either as a stand-alone report or incorporated in annual reports.

The award presentation ceremony is scheduled to be in March 2004. All organisations are invited to participate in the ACCA Malaysia Environmental Awards. Further details please contact Zaiti Ali at zaiti.ali@my.accaglobal.com or visit www.accaglobal.com/sustainability AT

ACCA Announces New Chief Executive


Desmond Hudson

The Association of Chartered Certified Accountants (ACCA) recently announced the appointment of its new Chief Executive, Desmond Hudson.

Desmond Hudson, 47, has had a varied career. After obtaining a law degree at the University of Leeds, he qualified as a solicitor and was a partner with a major provincial law firm, specialising in criminal law.

Desmond Hudson's experience has been wide-ranging. He has had an excellent mix of managing director and chief executive experience in the very different environments of building societies, newspapers and publishing. This means that he has both worked in a regulated industry and will bring to ACCA a strong commercial background.

The most important factor, however, is that Desmond has the energy, commitment and clear strategic vision to provide the drive and leadership required of ACCA's Chief Executive. He is well placed to give new impetus and to represent ACCA's commitment to all aspects of responsibility in accounting. AT

CIMA

Fourth CIMA President's Challenge Trophy

The Hole-in-One prize was a cool 1.6 litre Peugeot 307 sponsored by Cycle & Carriage for the 4th CIMA President's Challenge Trophy Golf Tournament played recently at the Glenmarie Golf & Country Club, Shah Alam. This prize encouraged the competitive spirit of 60 ardent golfers comprising CIMA members and representatives from the accounting fraternity such as MIA, MICPA, MAICSA, MASB and ICAA. Corporate associates from Telekom Malaysia, Golden Hope Plantations, UMW Holdings, Sime Darby and Unilever also took part in the tournament.

The CIMA President's Challenge Trophy Golf Tournament is a yearly event organised by CIMA to foster closer ties among its members and fellow accounting bodies.

Emerging as the 2003 winner of the Challenge trophy was Raveendhar Vasu ACMA, Site General Manager/Finance Controller of Lumileds Lighting (M) Sdn Bhd. He also won a 21-inch television.

The Nearest to Pin (hole no. 8) novelty prize was won by Samsul Husin from Century Software LMI Sdn Bhd while the Longest Drive (hole no. 15) was won by Sudesh Kumar ACMA from Suria KLCC Sdn Bhd. Y Bhg Datuk Othman Yusoff of Sime Darby won the novelty prize for Nearest to Line (hole no. 5).

Although none of the golfers were lucky enough to win the *Peugeot 307*, each of them took home either a prize or something from the lucky draw. CIMA extends its sincere thanks to all the companies and individuals who generously sponsored the prizes and lucky draws for the tournament. AT

Raveendhar s/o Vasu ACMA (left) receiving the CIMA President Challenge Trophy Year 2003 from Haji Muztaza Hj Mohamad FCMA, Immediate Past President of CIMA Malaysia Division

The three Novelty Prize Winners ...(from left) Samsul Husin, nearest to the Pin; YBhg Datuk Othman Yusoff, nearest to the Line and Sudesh Kumar ACMA, longest drive, posing with Organising Chairmam, Lee Yee Chong FCMA

CIMA International Speaker Series

In 2003, CIMA started the International Speaker Series under its Continuing Professional Education (CPE) Programme where international speakers are invited to share different perspectives on management accounting issues and business strategies. Participants have responded well to the CIMA International Speaker Series, with many appreciating the knowledge imparted.

First in the series was *Mike Freedman*, President of Kepner-Tregoe Inc, UK, who gave a fresh insight into "The Art and Discipline of Strategic Leadership". Freedman believed that organisations should not just have a contingency plan in place in case events hit them (e.g. September 11, the Iraqi war, SARS); they must use "preventive thinking" to develop their strategy to anticipate events and their impact. He said that the weakness in today's organisations stemmed from merely responding to day-to-day events and was the cause of many of the failures we see today — Enron, Arthur Anderson, Xerox, Marconi, numerous dotcoms and others.

In July, *Michael Goodman* from the US spoke on "The Learning Organisations." Goodman is an international speaker on "Organisational Learning & Systems Thinking", based on the work of leadership guru, Peter Senge. His talk focused on key learning practices that create the capacity for change within organisations, such as building shared vision, mental models and systems thinking.

Margaret May FCMA was the third international speaker brought in specially from the UK. Margaret is a CIMA member and Director of Management Accountants in Practice (MAP). She delivered three full-day seminars on management accounting topics such as Value Based Management, Beyond Budgeting, Business Community Integration and Business Process Management.

Look out for the next CIMA International Speaker Series! For more information, please e-mail : kualalumpur@cimaglobal.com. AT

Margaret May FCMA, at the appreciation dinner hosted by CIMA. On the right is Lim Eng Seng FCMA, Institute Council Member for South East Asia

CPA Australia Inter-Varsity Quiz Competition

University Malaya in 1 – 2 finish at CPA Australia Quiz

University Malaya (UM) Team A and Team B emerged as champions and runners-up respectively at the CPA Inter-Varsity Quiz Competition 2003. The second and third runners-up were Team B and Team A respectively from HELP Institute.

For their efforts the UM Team A — Teo Ee Ming, Yap Beng Lay, Elwin Goh Kok Chye, Tan Min Seng and their lecturer received a challenge trophy, RM3,000, a certificate of participation and a chance to attend the CPA Australia Perak State Conference and gala dinner in Ipoh.

The runners-up, Team B of UM comprising Eric Sanjayraj Peter, Lim Hooi May, Lim Chu Guan and Mohd Faizal Mohd Fadillah received RM2,000, a certificate of attendance and the chance to attend the CPA Perak State Conference and gala dinner.

The CPA Inter-Varsity Quiz Competition is held every year. Participants are tested on their knowledge of corporate finance, financial accounting and management accounting. "The Quiz questions are very mind-boggling and really challenge the participants' speed and skills" said Albert Wong, President, Malaysia Division. "Through the Quiz, we also aim to create awareness among students about the importance of technical knowledge required of an accountant," he added.

This year 20 teams from more than 12 universities and colleges took part. AT

The winning team

High Achievers Honoured

In conjunction with the opening of the Board of Directors Meeting, the Malaysia Division took the opportunity to present awards to those who have advanced their status to Fellows and CPAs and also members who have scored high distinctions in the Semester 1 2003 CPA Programme. The auspicious ceremony was witnessed by David Baulch the President of CPA Australia, members of the Board, Divisional Councillors, award recipients, members and invited guests.

The Award ceremony is held twice a year. For this particular occasion, there were 113 recipients, out of which there were five Fellows and 61 CPAs and 64 who scored High Distinctions in the various segments of the CPA Programme.

The top scorer this time was Lee Hao Zhong, who scored High Distinctions in all the five segments of the CPA Programme. AT

Lee Hao Zhong receiving his award from CEO Greg Larsen