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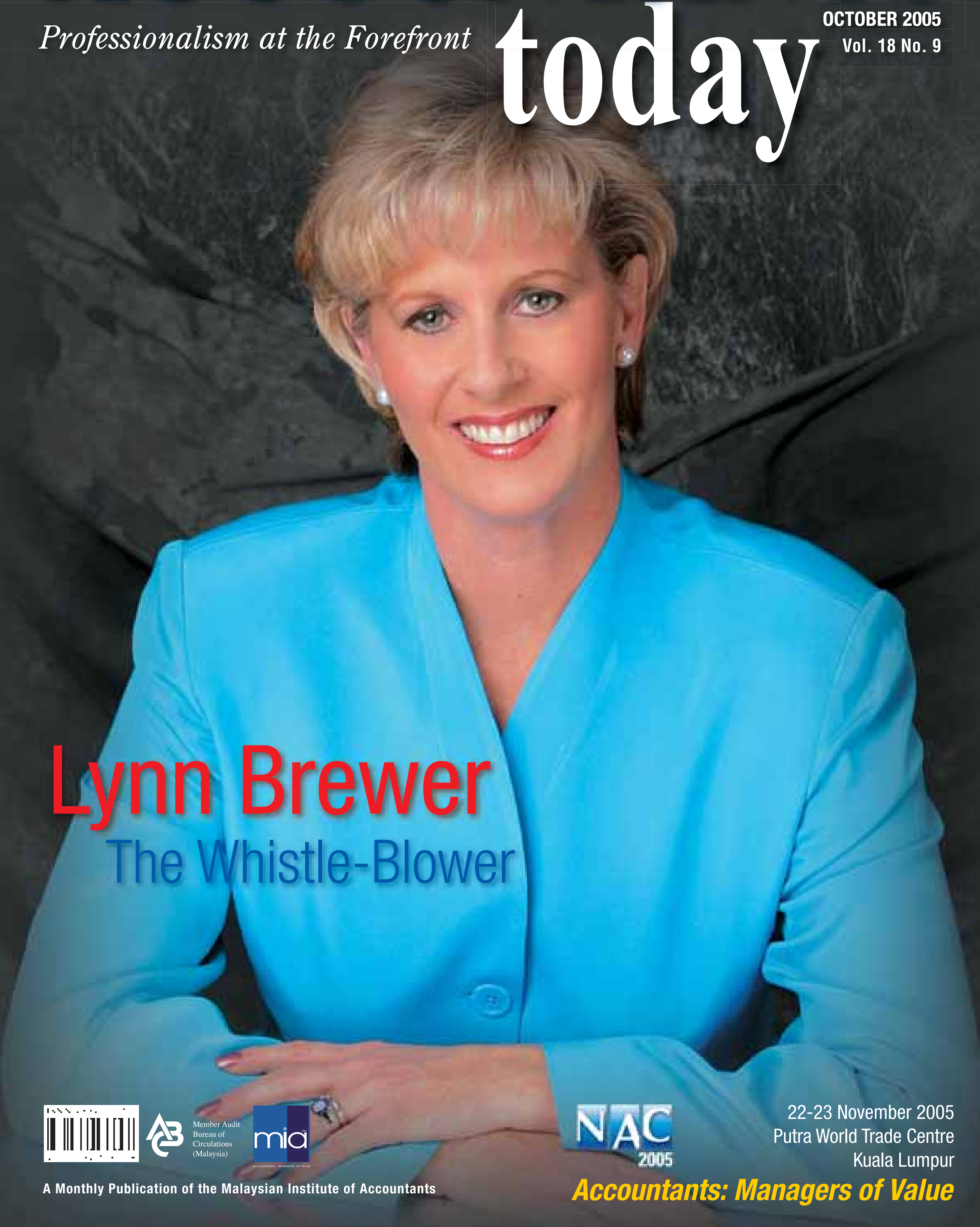

Lynn Brewer
The Whistle-Blower

Member Audit Bureau of Circulations (Malaysia)

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NAC 2005
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Accountants: Managers of Value

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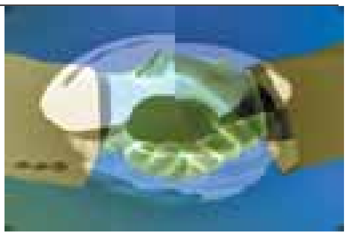

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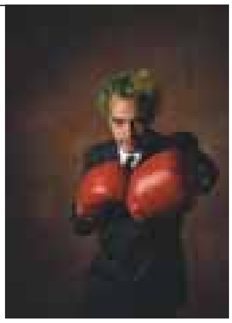

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The value of integrity

Everyone agrees that integrity is important, but few can agree on exactly what integrity is. Where does it come from? How do you get it? And how can you get it back after losing it? *Accountants Today* uncovered a few universal truths about integrity from former Enron executive, Lynn Brewer — the woman who helped shake up corporate America.

It was not an easy decision to make, says this whistle-blower who stood up for integrity and exposed the wrongdoings of the energy giant in 2001. What pushed her to do it? It was the drive 'to do the right thing' she said. Brewer was the only one of several whistle-blowers at ENRON to have gone public.

According to her, unspoiled **integrity** must be the *top requirement* for those seeking leadership roles within corporations, market participant organisations and controlling entities. It is unfortunate that corporate and market leaders involved in most scandals are notorious for their greed and unethical behaviour.

"… no change or improvement in the way we manage our affairs can be sustained without adherence to the principles of good governance. These principles, grounded as they are on the notions of trusteeship, stewardship, transparency, honesty and accountability, are prerequisites in every sphere of life."

Moving forward, no matter how good our institutions, legal framework, rules and regulations may be, they will only serve a limited purpose if the people who work within those rules and regulations are not imbued with values. Integrity and character come from within. The moral fibre of these people is the most important determinant if we want to see our corporate community prosper.

In the final analysis, no change or improvement in the way we manage our affairs can be sustained without adherence to the principles of good governance. These principles, grounded as they are on the notions of trusteeship, stewardship, transparency, honesty and accountability, are prerequisites in every sphere of life. Every sector — including the accountancy profession, must play their part in enhancing integrity.

Happy reading and *Selamat Menyambut Bulan Ramadhan al-Mubaraq* to all our Muslim readers! AT

Editor
Accountants Today

letters to the editor

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

contribution of articles

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

MIA's 19th Annual General Meeting

Three Members Elected as Council Members

The Malaysian Institute of Accountants (MIA) is pleased to announce the election of three new members to its 30-member Council following the conclusion of the Institute's 19th Annual General Meeting (AGM) on 24 September 2005.

Paul Chan Wan Siew, Terence Lee Cheang Hui and Sam Soh Siong Hoon were elected to the Council under Section 8 (1) (g) of the Accountants Act 1967 replacing Raja Dato' Seri Abdul Aziz Raja Salim, Lam Kee Soon and Datuk Nur Jazlan Tan Sri Mohamed who have retired from the Council.

The minutes of last year's AGM together with the Institute's 2005 Annual Report and Financial Statements were passed. The Institute had received two motions to be tabled at the 19th AGM and the motions were contained in the notice of motions circulated to all members for their information and consideration prior to the AGM.

At the meeting, both motions were not carried. Motion 1 lapsed and Motion 2 was withdrawn as the proposer realised that it was a personal statement from the Immediate Past President and not by the Institute.

The Institute's 19th Annual General Meeting (AGM) was held at the Kuala Lumpur Hilton. Chaired by the Institute's President, Abdul Rahim Abdul Hamid, the meeting which commenced at 2 pm was attended by 436 members.

Unlike previous years where meetings stretched into the evenings, the meeting this year ended before 5 pm, as soon as MIA's Registrar, Mohammad Abdullah announced the results of the Council election. The 30-member Council convened for their 1st Council meeting immediately after. AT

MIA's 19th AGM in progress … Abdul Rahim (centre) delivering his keynote address

One for the album … (L-R) Dato' Johan Raslan, Peter Lim, Abdul Rahim, David Tiang, Sam Soh and Gloria Goh

A section of MIA Members during the AGM

Abdul Rahim Sets the Tone for his Leadership

If there was one message by our President that will permeate after our 19th AGM, it is this: *"I have reminded members of the Council, and I shall remind them from time to time that each of us have been appointed to the Council to serve the Institute and not as representatives of the institutions or organisations we come from".*

The message should not be interpreted in any other way except that Council Members should understand their roles clearly. The Council as well as the management have to work towards fulfilling their collective responsibilities to promote the interests of the profession as well as to regulate the profession.

The point could also be perceived by many as one which Abdul Rahim, the Institute's fifth president, has set as the tone for his style of leadership.

Abdul Rahim promised members that the Council is in place for the Institute and the profession. As a new leader, he stated very clearly that he and his team will discharge their duties responsibly, objectively and professionally.

He added, "We will not fear in carrying out our regulatory role. We will not favour in providing services to members."

Moving forward Abdul Rahim also informed members on the achievements recorded by the Institute during the year under review — at the internal, micro and macro levels.

Internally, the Institute continues to progress in the implementation of the e-MIA Total Management System (e-MIA TMS). Whilst a smooth implementation is desirable, glitches are not uncommon. We are continuously working towards perfecting the e-MIA TMS.

The Institute also spearheaded improvements in internal corporate governance through the establishment of the Audit Committee of Council and an Internal Audit Department for the Institute. The Audit Committee of Council is part of the Institute's governance structure and both the internal and external auditors have unrestricted access to the Audit Committee, ensuring that their independence is unimpaired.

At the micro level, he said, the Institute continues to focus on improving the competency of practitioners, while helping to build up a larger pool of qualified accounting professionals. The Council and the management team, in particular, have been instrumental in identifying and implementing the Practice Review Programme and the MIA Qualifying Examination, two highlights in driving the Institute's target of enhancing quality whilst increasing quantity.

On the macro level, globalisation and liberalisation are still core items on the Institute's agenda. Substantial progress has been made in preparing the Malaysian accountancy profession for the progressive liberalisation of markets and heightened competition.

Besides sharing some of the achievements recorded by the Institute, the President also highlighted to members on pockets of challenges which the Institute has to work hard to resolve. Particularly crucial is the proposed Auditors Act. The Act seeks to establish a Board of Auditors and an Institute of Auditors to govern the conduct, standards and licensing of all types of 'audits' or 'auditors', without any differentiation.

According to Abdul Rahim, "As the Auditor-General had requested for our feedback on his proposal, we responsibly met with the Auditor-General in April this year. At this meeting, we sought clarification from him so that we could fully understand his proposal. This allowed us to respond to his request for feedback appropriately and more importantly, in a professional manner. After due consultation with the Minister of Finance II, the Accountant-General, the Securities Commission, Bank Negara Malaysia, the Companies Commission of Malaysia and Bursa Malaysia, we submitted a Memorandum setting out our views and concerns to the Auditor-General. We have not heard of any further developments on this matter."

> "I have reminded members of the Council, and I shall remind them from time to time that each of us have been appointed to the Council to serve the Institute and not as representatives of the institutions or organisations we come from."
>
> **Abdul Rahim Abdul Hamid, MIA President**

Another major challenge which had to be addressed by the Institute was the recent decision by the Ministry of Human Resources in December 2004 to expand the Pembangunan Sumber Manusia Berhad (PSMB) Act, 2001 to cover 10 new industries, including accounting and auditing firms. Since January 2005, member firms with 10 or more staff have had to contribute to the HRDF.

The Institute is of the view that the accountancy profession should be excluded from the scope of the PSMB Act as the firms are already providing training for their staff in line with the requirements of the profession for professional and skilled staff.

Earlier in 2002, the Institute had already submitted a Memorandum to the Ministry objecting to the proposal and suggested variations to the mandatory contribution scheme to PSMB in respect of accounting firms. However, the recommendations in the Memorandum were rejected by the Ministry of Human Resources in September 2004. Discussions were initiated by the Institute with the

PSMB to resolve the matter but to no avail. The Institute submitted a further Memorandum in February 2005 to the Ministry of Human Resources to exclude the accountancy profession altogether from the scope of the PSMB Act. This Memorandum was rejected in March 2005 by the Ministry.

"True to my earlier statement, objectively and professionally we persisted and finally we have now been informed that the profession has been exempted from the PSMB Act. However, we are awaiting the official order to be Gazetted by the Minister. Members will be informed in due course," he added

It should be obvious to all that the Institute has progressed well, despite having to go through some daunting challenges. We owe this to our leaders who have guided us responsibly, objectively and professionally.

> "It should be obvious to all that the Institute has progressed well, despite having to go through some daunting challenges. We owe this to our leaders who have guided us responsibly, objectively and professionally."

On behalf of the profession, Abdul Rahim thanked Datuk Dr. Abdul Samad Haji Alias for his excellent stewardship of the Institute and particularly, for the development and the progress of the accountancy profession in this country as well as abroad. Besides thanking the Immediate Past President, he also introduced MIA members who were appointed by the government to the Council.

Appreciation and heartfelt gratitude was also extended to Lam Kee Soon, Datuk Nur Jazlan Tan Sri Mohamed and Raja Dato' Seri Abdul Aziz Raja Salim, and those outgoing Council Members for their invaluable contributions towards the strengthening of the Institute and the profession. AT

MEMBERS' FEEDBACK

MIA has been playing its role quite effectively thus far. They should keep up the good job, and attempt to maintain relevance of the profession in this age of information technology and globalisation. They should also ensure that members are constantly updated with the latest.

John Bosco, Bank Negara

As far as I am concerned, someone needs to do the secretariat work and MIA is doing its job properly. But they need to look into providing channels for members to voice their opinions as well as to contribute back to the profession for instance by getting members to participate as speakers for CPE courses. Members would charge less as speakers and this might help in reducing the exorbitant CPE course fees. Also, MIA should ensure that the website is updated and always accessible as there always seems to be problems with loading the pages.

Leong Kah Mun, Honorary Treasurer, MCA ICT Resource Centre

I am very satisfied with the service of the MIA staff. They are people with integrity. Just the other day, I was alerted by one of the staff as to a mistake, in which I had overstated an amount for a credit card payment in a form. He called me and rectified the error. I appreciate this very much.

Cheah Lin, IBM

To a certain extent, I am quite satisfied with what MIA is doing. They have implemented the peer review programme and CPE courses for us to fulfil our points. However there are still other areas in which they could improve upon. They are the voice of the profession and must represent each and every member of the profession. MIA has to be self-regulatory rather than surrender themselves to other authorities.

Cecil Chin, Partner, Lean, Chin & Co.

From the perspective of training and education, MIA's courses are fairly well structured and are of value to us. But then again in other areas, MIA also needs to improve itself.

It needs to practice what it preaches. When MIA advocates that members need to be receptive to changes in the market, the regulations and procedures should also be in line with that. An example is the name of firms. Perhaps we should move away from the traditional manner of doing things.

Also, current standards and compliance procedures must be evaluated to ensure that they are in line with the demands of the market.

MIA's effort at branding is good because as we go along it is important to brand and gain recognition but there is always room for improvement because we must attach value with the brand so that we can all be proud of that brand.

Hooi You Von, Principal Consultant, Nova Business Transformation Outsourcing

There have been a lot of improvements especially with the magazine, Accountants Today. However, MIA should look into reducing the CPE seminar fees.

Liow Bee Yen, Accountant, United Bintang Bhd

The most significant improvement is the magazine. It has the feel of a publication belonging to a professional body. It's very encouraging to members to see the magazine looking that way. However, as a member of the profession I would like to see MIA extend more support towards Government Audit.

Susanna Mohd Yamin, Chartered Accountant, Raja Salleh, Lim and Co.

As a member I have no complaints about MIA. It has taken an interesting direction in terms of branding itself and latest developments like the image revamp are heartening to note.

I am proud to admit to being an MIA member because that's what allows me to call myself an accountant right?

Alice Adriana Christopher, Independent Business Owner

Lynn Brewer

THE WHISTLE-BLOWER

Voted "the most innovative and admired" company five years in a row by the American financial press, Enron was indeed a high-flying corporation. It took a woman with guts and conscience to blow the whistle and open the Pandora's box.

You can't help but be awed by her presence. She was in town recently to present a talk on integrity at the Chartered Institute of Management Accountants (CIMA) Malaysia Division's International Speaker Series. Lynn Brewer, Founder and President of the Integrity Institute, Inc., exudes confidence and conviction. She was one of those employees who had the confidence and conviction to report the wrongdoings of her former employer, the now defunct powerhouse Enron Inc.

It was in 1998 that Brewer joined Enron's Risk Management in its Energy Operations Division, working on the infamous off-the-balance-sheet partnerships.

"Six months into the job, I found out that the division was created to hide losses from the general public and massive bank frauds were being committed," she said in an interview with *Accountants Today*.

The fraudulent acts included using non-existing assets as collateral, and when she reported to her superiors, that the gas securing a quarter of a billion dollar loan did not exist, she was told to cover it up.

Subsequently, she also discovered the initial gaming of the power price market in the Midwest in the summer of 1998, when Enron drove prices on power from US$35 per megawatt hour (US$1 = RM3.70) to US$10,000 per megawatt hour in a 24-hour period. Brewer was also assisting in the trading of power in California in the year 2000 when the blackouts began and she was able to witness first-hand how Enron was manipulating the price of power.

Perhaps realising that Brewer could pose a threat, the powers in Enron transferred her to another subsidiary, where she was responsible for e-Commerce initiatives. They must now regret authorising that transfer because at her new position, Brewer discovered frauds committed at the highest levels.

Brewer found it hard to continue respecting one of corporate America's most powerful women, Rebecca Mark-Jusbasche, when she discovered that her husband, Michael Jusbasche, was stealing trade secrets and selling them back to the company. She alerted the bosses and was told, again, to suppress the evidence.

Thinking she did not have all the details, Brewer did as she was told. She could not imagine that a company the size and reputation of Enron, would intentionally commit bank fraud, espionage, manipulate power prices or overstate their financial position. Yet at the same time, she witnessed (and eventually confronted) CEO Jeff Skilling's blatant overstatement of Enron's financial position to the media and analysts.

It may sound tacky but to Brewer, the evidence and events that kept cropping up were fodder for any soap opera or Hollywood movie producer. It was like living in a make believe world of corporate espionage, closed-door scandals, corruption, price manipulation and gross overstatements to the press, public and the financial world.

The only difference was, it was all for real. Not make believe. And there was a feature film produced based on the Enron story.

Brewer said she called Enron's employee assistance programme based on a health problem that she believed was caused by stress in her nearly three years at Enron. At that time, Enron had an "internal" hotline that was managed by Rebecca Carter, then Jeff Skilling's (Enron's CEO) girlfriend and now his wife. There was also a third party employee assistance programme that Brewer called but halfway through explaining the problem, she was asked to hire a private lawyer because their fees were paid by Enron.

That made-up her mind to go outside the company, that is, to the government via the Energy Commerce Committee that eventually investigated Enron.

Indeed, except for a few with the same conscience and guts as Brewer, most of Enron's employees kept mum because they would have lost on the stock options and salaries. It wasn't just them who lost a bundle when the house of cards fell. There were also the teachers, small business owners and retirees.

It was a shame that many research analysts and investors kept driving Enron's stock sky high when they actually were unable to explain how the company made money. This was basically driven by the corporate culture of win-at-any-cost that is practiced by corporations, not just in America, but also the rest of the world.

Following are highlights of an interview that *Accountants Today* and other local media organisations had with Brewer.

> "… the evidence and events that kept cropping up were fodder for any soap opera or Hollywood movie producer. It was like living in a make believe world of corporate espionage, closed-door scandals, corruption, price manipulation and gross overstatements to the press, public and the financial world."

Question Knowing there would be repercussions on your actions, what prompted you to tell the truth?

Brewer It all came from my conscience, as a result of my upbringing. The way my parents brought me up and with my legal background, my gut was telling me that I had to do it. Frankly, I had a personal gain at stake by not reporting it, as I would have got monetary gain from the stock options and huge salary but all that is not important compared to what is at stake for the shareholders as well as the public.

Question After the Enron debacle, did you make an effort to find a new job?

Brewer I only applied for one job, in the summer of 2001, with clearly what would have been one of Enron's competitors. I would have been highly qualified for the job. (But) they said they were not hiring anybody from Enron. So apparently, Enron's competitors knew in the summer of 2001 that Enron was probably not liquid. The fact is that Enron was probably bankrupt three years before they actually filed for bankruptcy.

Question Did you forsee that Enron would one day collapse?

Brewer I think enough people knew that Enron was going down. There was a 300 per cent increase in internal whistle-blowing reports that went to the chairman's office between 2000 and 2001. Reports of misdeeds in Enron went from two a month, to two a day. Of those, about a third were of criminal activities. (And yet), the board of directors of Enron will tell you they had no idea what was going on. Also, there was a report prepared by students at Cornell University in 1998 that recommended a 'sell' on Enron stock. The report, posted on the Internet, said Enron may have been manipulating its earnings. But the fact is, from that point forward, Enron's stock went up 1,400 per cent. And the press never asked any questions.

Question Was the Chairman of Enron ignorant to what was going on?

Brewer Oh! No, he knew. He can't claim he didn't know. He will, but he can't. He did know. Absolutely. As a new employee, when I discovered the bank fraud, I did not go to the office of the chairman (because) I was new (and) had no idea, I thought maybe it was just an oversight issue. But there were plenty of people that were singing the same thing as I was.

Question What is your advise to the would be whistle-blowers?

Brewer I think that blowing the whistle is something to be taken very, very seriously. It's much safer for whistle-blowers today. It's illegal to retaliate against the whistle-

> "One of the concerns that I would have for Malaysia is how quickly it is growing. I think that it is particularly important, in any time of growth, to make sure you don't grow faster than you have the controls in place, so you can control fraud etc."

blower, where before, there was no protection. It's very difficult to get your case settled in a positive manner, and once that is done, do you really want to go back to work for that company?

I think the most important thing is that as an employee of a corporation, you have a right to be protected. But you also have an obligation to tell those in leadership what is really going on in the company. If they choose to ignore you, then you first and foremost have an obligation to protect yourself and your family. There's a heavy price to pay. I have received death threats, but I feel fairly lucky because when the 'bad guys' started to get arrested, the threats started going away.

The fact is, it takes a lot of courage to stand up against any sort of unjustice. I don't think of myself as a courageous sort of person … I thought it was just my job to let people know what was going on. The problem is, they just didn't want to listen.

Question What can our people learn from this debacle?

Brewer The US, for quite a while, gained a sense of arrogance in the way they do business, in that they thought they didn't have this kind of thing going on. One of the concerns that I would have for Malaysia is how quickly it is growing. I think that it is particularly important, in any time of growth, to make sure you don't grow faster than you have the controls in place, so you can control fraud etc. Today, I would be more fearful of doing business with companies in the US. People are getting more creative to get destructive. US companies have a tendency to exploit those that are weak. If Malaysia is not seen as strong, if companies (don't stick up for good governance), then that will get exploited because it gets easier to do business in Malaysia. We are paying a very heavy price in the US because of the misdealings.

Our social security system can't support itself anymore because of this. AT

Lynn Brewer Captivates Audience in Kuala Lumpur

As a special guest of CIMA Malaysia Division, Lynn Brewer, the former Enron whistle-blower, attracted 250 participants to a seminar on *The Value of Integrity — Understanding the Hidden Value of Intangibles* held in Kuala Lumpur on the morning of 6 September 2005. The participants included leaders from the Malaysian business community and accounting professionals from various industrial sectors.

During the seminar, Brewer spoke about her three years working for Enron and how she discovered bank fraud, corrupt dealings and power price manipulation. She is now on a mission to help other companies steer away from the doomed path Enron took. She founded the Integrity Institute Inc, USA, which independently assesses and certifies corporate integrity at the request of organisations.

Brewer said that the role of the Integrity Institute is to examine non-financial indicators of companies and give them a better understanding of their business. "We want companies to understand what would happen if they allow poor corporate governance to go on. If they don't change and end up becoming the next Enron, they will do it knowingly," she said.

The Integrity Institute has identified 10 non-financial indicators that have direct impact on an organisation's bottom line. The indicators are communications, compliance and ethics corporate culture, earnings quality, environmental and social responsibility, executive compensation, governance, leadership, risk and stakeholder perceptions. She said that these measures also benefited consumers as it allowed them to better understand and make informed decisions based on the integrity of the company.

During the seminar, Brewer was joined by her Associate, Jonathan Lewis, Managing Director of Corporate Governance Accreditation (Pty) Ltd (CGA), Johannesburg, South Africa, who presented a paper on *Your Business Excellence Assurance*.

(From left) Lynn Brewer, Datuk Siti Maslamah Osman (Vice-President of CIMA Malaysia Division & Chair of the Q & A Session) and Jonathan Lewis replying to questions from the audience

In the afternoon of 6 September, Lynn spoke at a Round Table Forum on *Ethics & Integrity in the Business World — An International Agenda*. The forum was jointly organised by CIMA Malaysia Division and the Institute of Integrity Malaysia (IIM). About 75 participants attended this event which was held at the premises of IIM in Kuala Lumpur. The participants shared their experiences and thoughts on the value of integrity in businesses, how business performance hinged on having good governance and integrity and that leaders should lead by example.

Malaysia Airlines was the Official Airline for Lynn Brewer's seminar while *The Edge* was the Official Business Weekly. The event was supported by the Malaysian Institute of Directors, Bursa Malaysia (formerly called the 'Kuala Lumpur Stock Exchange'), the Malaysian Institute of Accountants and the Minority Shareholders Watchdog Group. AT

Enron's
LESSONS

by Lynn Brewer

Putting a price on integrity isn't easy. But it's pretty clear that the world is looking beyond the balance sheet. In fact, ROI means 'return on integrity' as much as 'return on investment.' Has your organisation heeded Enron's lessons? How about your stockholders? How do they define ROI?

How many business leaders believe they have learned the lessons taught by Enron? That the Enron story is simply one of failed corporate governance — the oversight necessary to maintain the compliance and ethics of an organisation? What if I told you that the US Securities and Exchange Commission (SEC) currently receives some 40,000 whistle-blowing reports every month — compared to 6,400 per month the year Enron imploded? What if I were to tell you that, right now, 100 of the FORTUNE 500 companies could possibly be cooking their books? Would it make you wonder whether business leaders should take a second look at the issue of integrity?

Redefining integrity

We have been misguided into believing integrity equates to ethics and that if you have solid corporate governance policies, the integrity of the organisation is sound. Although certainly compliance, ethics and corporate governance are part of an organisation's integrity, we must expand our approach. If, for instance, we were to approach organisational integrity the way a structural engineer examines a building, we would realise the issue has far less to do with policies and procedures and more to do with overall soundness of the business and its ability to withstand market forces.

Integrity, originating from the word "integer" (a whole number), in its simplest form means "soundness, wholeness and incorruptibility." When we realise hundreds of companies have demonstrated that they operate with the same level of integrity as Enron, we begin to understand stakeholders' needs to have a way of separating the wheat from the chaff — the Enrons from the others. And equally important, companies need to have a way of differentiating themselves as something other than the next Enron. As they achieve this, companies gain shareholder confidence while shareholders gain the financial benefit of a greater ROI.

"The company may be fully compliant with Sarbanes-Oxley requirements, yet the competency of the leadership may be questionable, compensation excessive and the culture of the organisation dysfunctional — none of which violate the law, but all of which may ultimately destroy the value of the company. "

Measuring integrity

There are several arguments swirling around the importance of integrity. However, despite those companies seeking to "do the right thing," there is no standard means by which we can gain any assurance that a company has integrity, much less a quantifiable measure of the specific level of integrity. The company may be fully compliant with Sarbanes-Oxley requirements, yet the competency of the leadership may be questionable, compensation excessive and the culture of the organisation dysfunctional — none of which violate the law, but all of which may ultimately destroy the value of the company.

By understanding the factors that affect the quality of financial reporting, business leaders can begin to demonstrate the level of integrity under which they operate. For instance, how does the CEO communicate with shareholders? With the intent of putting a spin on the truth — obscuring the facts — or with the intent of demonstrating full transparency?

Of course, most people believe annual letters to shareholders are prepared by investor relations and/or public relations professionals, and thus pay little or no attention to them. However, we need only to look at the case of Enron to realise the importance of the information contained in these letters and the damage caused to investors from their failure to fully examine their contents.

In Enron's 2000 Letter to Shareholders, CEO Jeffrey Skilling stated the company had hit a record "$1.3 billion in net income," yet the audited financials were clear — Enron had reached only $978.5 million in net income. There were no footnotes, no further discussion of the discrepancy, and yet every reference by the media or analysts from that point forward stated Enron was a $1.3 billion company — no questions asked.

Financial recognition or overcompensation?

Moving to the issue of compensation, clearly the packages at Enron were excessive, but Enron is not alone in its excessive pay. While executives who increase the long-term value of a company's assets for investors should be recognised and rewarded, we must also understand that rewarding an executive, or any employee for that matter, with a package based upon false reality or performance that can be manipulated can tarnish a company's integrity. Additionally, leaders must recognise the cultural destruction that can occur for leaders who fail to recognise the disparity between their own compensation packages and the compensation of those they seek to lead — particularly if leaders are out of touch with the culture of the organisation.

Meanwhile, CalPERS and TIAA-CREF, two of the largest institutional investors, have both created policies for fairly and justly compensating their executives. As excess compensation is seen as a lack of good corporate governance, institutional investors have said they will 'punish' companies with excessive compensation packages by withholding their investment dollars. Given that the SEC has issued its own guide to executive compensation for investors, it is likely that this issue will remain a hot topic for many years.

When examining the dual issues of compliance and ethics, we must recognise that they have far more to do with business intelligence than simply doing the right thing. To detect violations of laws and policies, and thus reduce the risk of exposure, the company must have a confidential and anonymous reporting solution. While Sarbanes-Oxley requires such a system for employees of publicly traded companies, the SEC has suggested the system not be limited to employees only. To maintain the confidence of the reporter and the integrity of the system, companies must outsource their reporting solution. The system must be available to all stakeholders via a secure Internet site, telephone and/or mail. Beyond that, the reporting solution should meet the criteria established and defined for all business intelligence systems.

Addressing the financial impact of confidential and anonymous reporting, the Association of Certified Fraud Examiners recently published its 2004 study, *Third Report to the Nation on Occupational Fraud Abuse*. It reports that "the median loss among organisations with anonymous reporting mechanisms was $56,000, while it was more than twice as high for those that didn't have established reporting procedures." The study concludes, "Among cases that were detected by a tip, 60 per cent of tips came from employees, 20 per cent came from customers, 16 per cent were from vendors and 13 per cent were from anonymous sources."

Despite the new legal requirement for a confidential and anonymous reporting system, it is obvious, based upon the alarming rate at which employees are reporting directly to the SEC, that employees don't trust the integrity of the systems put in place by their companies. Clearly, through a review of these reports, companies can first understand the integrity of the organisation as it relates to compliance and ethics, and then determine whether corporate governance policies need to be revised. Beyond that, the new law prohibits retaliation against reporters and requires 'treatment' of the problems, which may clearly expose companies to additional liabilities if they fail to analyse the reports being made.

With the passage of Sarbanes-Oxley, many companies have been forced to undertake a review of their corporate governance policies. As organisations, such as Institutional Shareholder Services and The Corporate Library, are measuring this aspect of corporate integrity, many companies today are seeing a real impact to their shareholder value as investment decisions are being made based upon these ratings.

Of course, many leaders falsely believe corporate governance is a fad. Yet, according to a July 2004 study by *The Ethical Corporation* magazine, 85 per cent of senior finance professionals say the issue of governance will remain on their firms' agendas for at least the next 18 months. The referenced survey defined business governance as a three-pronged approach: corporate governance, corporate performance management and corporate social responsibility. In fact, 60 per cent of respondents said they were making "real and significant changes to business processes" with this new emphasis on corporate governance.

> "... investors need transparency if they are to be able to make informed decisions to benefit the economy as a whole by making sure that capital goes to companies that deserve it."
>
> **Frits Bolkestein, European Commission's Internal Market Commissioner**

When it comes to reporting 'non-financial' information like corporate governance policies, we realise it is now becoming mandatory to report corporate social responsibility policies in many countries. The European Commission's Internal Market Commissioner, Frits Bolkestein made it clear: The reason this information is now required is because "investors need transparency if they are to be able to make informed decisions to benefit the economy as a whole by making sure that capital goes to companies that deserve it."

As we move to understanding the value of integrity and the impact non-financial information can have on shareholder value, companies should also look to the importance of stakeholder perceptions. Interestingly enough, according to the 2003 LRN and Wirthlin Worldwide study, 80 per cent of respondents from the general public said their perceptions of a company's compliance and ethical behaviour had a direct influence on their purchasing decisions.

Rather than maintaining a myopic view of our organisations, we should look to employees, customers, vendors and shareholders to provide the insights that business leaders may fail to recognise. The board of directors may understand the business from management's perspective, but do board members understand the perspective of investors and customers?

Finally, companies need to address their business intelligence. The Integrity Institute measures a company's ability to understand its own integrity through the factors listed above, as well as its risk analysis and business intelligence systems. A 'forward-looking' formulation that is predictive is used to assess operational risk, as well as assess the company's business intelligence systems.

For instance, to demonstrate integrity (soundness, wholeness and incorruptibility), the company's business intelligence systems must meet all of the following criteria to be certifiable:

- Functions and technologies across the organisation must be integrated.
- BI systems must be adaptable and understandable to technical and non-technical business users alike so that data is available to anyone who needs the information and in a format that is relevant to them.
- Data must be complete and comprehensive in an end-to-end platform, meaning all components of every system must be integrated.
- The systems must be capable of performing analytic insight into the future rather than a review of the past through historical query and reporting.
- Accurate and uncompromised data can be validated — even when multiple systems, disparate data sources and applications are integrated.
- Uncompromised storage capabilities must be secure and allow for quick and accurate retrieval of information.

After examining the above non-financial factors, the information needs to be validated against the financial information — such as the likelihood that the company's earnings may have been manipulated. This validation is usually performed using a variation of the Beneish Model.

Although many companies have used a number of approaches to measure the level of integrity within their organisations, including the balanced scorecard, many leaders today are still struggling to communicate the value of their integrity to investors. At least 94 per cent of executives, according to the 2003 LRN study, believe that ethical companies are generally more efficient and better run, naturally lending themselves to greater ROI.

When executives are unable to communicate the level of integrity that they maintain, companies are subject to the perceptions of institutional investors. According to a McKinsey Investor Opinion Survey of 200 institutional investors, 89 per cent said they would pay more for the shares of a well-governed company than for those of a poorly governed company with comparable financial information. The Integrity Institute's certification of corporate integrity, similar to the Underwriters Laboratories certification of consumer product safety, is just one of the many ways that companies can communicate they are not another Enron.

Of course, to make a strong case for the benefits of measuring and certifying corporate integrity, one must understand the financial benefit, as well as the impact to such things as the cost of goods, cost of capital and shareholder value.

Beyond the balance sheet

As investors begin to look beyond the balance sheet as the basis for investment decisions, we find they are expanding the definition of ROI — moving from a simple return on investment to adding a return on integrity. That's not to say the balance sheet and the financial analysis will not remain important aspects of investment decisions; rather, institutional investors are beginning to recognise the role that non-financial information plays in the process. In fact, according to a survey conducted by the Cap Gemini Ernst & Young Centre for Business Innovation, "Roughly a third of investors' buying and selling decisions depend at least in part on non-financial information." Perhaps this is why, according to a recent Deloitte survey, "nearly three-quarters (73 per cent) of executives and board directors are under increasing pressure to measure non-financial performance indicators."

— our reputation." GE's recognition of the value of integrity is perhaps one of the reasons that the company earned the honour of being named "The World's Most Respected Company" in PriceWaterhouseCoopers' 2003 survey of 1,000 global CEOs. The survey also placed GE first in integrity.

Those who seek to emulate Jeff Immelt or GE would be wise to heed the warning of Adam Hanft of *Inc.* magazine. "We are now entering a cycle where ethical accountability will shape the way companies will be judged and valued. This isn't ethics as an ornament, as the accessory of the moment, but as a new systemic force and reality."

> "One concern that keeps me up at night is that, among the 300,000-plus GE employees worldwide, there are a handful who choose to ignore our code of ethics. I would be naive to assume that a few bad apples don't exist in our midst."
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> **Jeffrey Immelt, CEO, General Electric**

While study after study shows that there is a "clear negative correlation between levels of corruption (as perceived by investors) and levels of investment," some business leaders still believe that "this too shall pass," thereby failing to meet the demands of shareholders simply because they think that their companies are not "corrupt." However, there are those leaders who are not so naive. Take Jeffrey Immelt, CEO of General Electric, as an example. In his 2002 Letter to Shareholders, he states: "One concern that keeps me up at night is that, among the 300,000-plus GE employees worldwide, there are a handful who choose to ignore our code of ethics. I would be naive to assume that a few bad apples don't exist in our midst." And yet, as he clearly points out, GE spends billions each year to "protect one of our most valuable assets

Clearly, the real force behind this new reality will be the judgement of institutional investors as they make their investment decisions, based in large part on the perceived value they believe that companies place on integrity and the soundness of their organisations.

John C. Bogle, founder of The Vanguard Group, points out that a mere 100 of the largest managers of pension funds and mutual funds now represent the ownership of one-half of all US equities. And the dollar amount held by just six of these managers is $1.4 trillion. While such thought leaders as Bogle and Berkshire-Hathaway Chairman, Warren Buffett realise that the sustainability and success of our capital markets require long-term returns and long-term investors, one of every 10 equity funds turned its portfolio over at an annual rate of more than 200 per cent, while four of every 10 funds at a rate of more than 100 per cent. But who can blame these investors? There is too much uncertainty about the integrity of companies, so rather than get stuck holding shares in another Enron, these investors are simply moving their money from one slot machine to another, hoping to hit the big payoff without losing too much money. This roulette mentality only serves to exacerbate the 'misvaluation', volatility and instability of our markets.

As we look at the issues raised when measuring integrity, we should look at the negative impact that excessive executive compensation can have on investor confidence. With the enforcement of shareholder rights by large institutional investors, excessive executive compensation is now actually considered to be of negative value in assessing integrity. As a result, companies that award excessive compensation over the interests of shareholders will be penalised. As these large institutional investors demonstrated in the cases of Disney and American Airlines, they don't think excessive packages are always deserved and don't necessarily align management's interests with those of the shareholders.

While the issue of executive compensation will be an ongoing debate, excessive packages are indicative of poor board oversight, as witnessed in the case of Dick Grasso, former chairman of The New York Stock Exchange. When we measure the value of board quality in terms of corporate performance, we find, according to a BusinessWeek study, companies with the most highly rated boards averaged 51.7 per cent in shareholder returns, while the worst boards dragged their companies down to an average 12.9 per cent return over the same period of time.

Focusing on the issue of corporate governance as it correlates to shareholder value, we find companies that score higher in their governance rating are the ones that provide greater shareholder returns. In fact, Institutional Shareholder Services, which has a corporate governance quotient (CGQ), found the top 10 CGQ-rated companies outperformed the companies rated in the bottom 10 by 18.7 per cent return on investment and 23.8 per cent return on equity.

Meanwhile, researchers have found that companies that demonstrate weaker shareholder rights earned significantly lower returns, were valued lower, had poorer operating performance, and engaged in greater capital expenditure and takeover activity. *Corporate Governance and Equity Prices*, a paper prepared by economists Paul Gompers, Joy Ishii and Andrew Metrick, revealed that "a portfolio strategy based on purchasing shares in companies with the strongest investor protections and selling short those firms with the greatest management power earned an abnormal return of 8.5 per cent a year."

While corporate governance is important, it is only a small portion of the overall factors that are examined when assessing integrity. In fact, the Cap Gemini Ernst & Young Centre for Business Innovation used a value creation index that, based upon publicly available data, found analysts relied heavily on a broad range of 12 intangible factors. The index was used to measure a company's performance on these intangible factors. The results demonstrated that "at least half of a traditional company's value is based on nine of the 12 intangible drivers." A high index rating correlated to a higher market value, and a relatively small change was found to produce significant changes in market value.

Meanwhile, the University of Michigan, Ross School of Business has perhaps the most interesting data when it comes to the value of integrity. Companies that are perceived to have higher organisational virtues (such as forgiveness, trust, integrity, optimism and compassion) proved to have a higher level of profits.

The conclusion we can draw from all of this data is that the criteria upon which investment decisions are made, which may ultimately affect the long-term sustainability of companies, are changing. Perhaps that's why the Dow Jones Sustainability Index, which invests in companies that integrate economic, environmental and social issues into their strategies, outperformed the mainstream market in 2003. Or why Italy's STAR exchange — which has strict corporate governance requirements and require that the compensation of management and directors must reflect a company's performance — outperformed its counterparts on the less-restrictive Borsa exchange.

As investors realise the risks and benefits of investing in companies that don't understand the full importance of the value of integrity, the likely rise and fall of companies in the future will not be based upon accounting scandals but on the company's ability to measure and certify its integrity.

"We are now entering a cycle where ethical accountability will shape the way companies will be judged and valued. This isn't ethics as an ornament, as the accessory of the moment, but as a new systemic force and reality."

Adam Hanft, *Inc.* magazine

Lynn Brewer is a former Enron executive and author of *Confessions of an Enron Executive: A Whistleblower's Story*. In her nearly three years at Enron, she was responsible for risk management in Energy Operations, the e-commerce initiatives for Enron's water subsidiary and competitive intelligence for Enron Broadband Services. Today, she is the founding chairman of The Integrity Institute, Inc., a public policy institute that assesses and certifies corporate integrity at the request of organisations for the benefit of their stakeholders.

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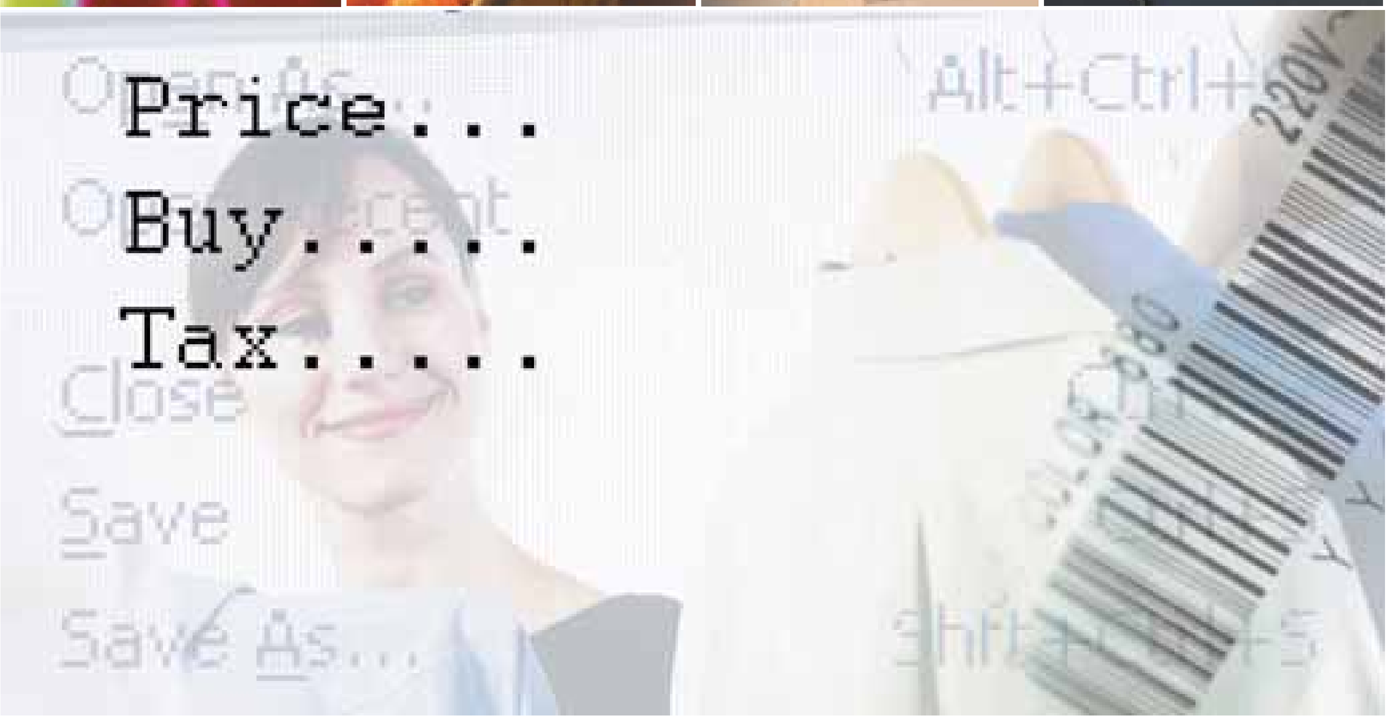
IMPACT OF GST ON THE Business Community:

ARE FIRMS READY?

by Dr. Jeyapalan Kasipillai and Raymond Liew



The term 'Goods and Services Tax' (GST) (popularly known as Value Added Tax in European countries) is imposed on a wide range of local and imported goods and services. According to Grandcolas, C. (2005)[1], GST is a major source of revenue wherever it has been adopted. For example, the share of GST in total tax revenue ranges from 19 per cent in Papua New Guinea to 49 per cent in the Cook Islands. In 2004, contributions from sales tax and service tax accounted for 10.6 per cent of total federal taxes in Malaysia (Bank Negara Report, 2004). However, this figure is expected to rise substantially once GST is introduced in 2007. Furthermore, GST is a broad-based tax that covers the whole production-distribution chain and its implementation may assist in the development of an efficient tax administration.

Tax Review Panel

The Tax Review Panel formed by the Ministry of Finance, released on 18 July 2005, a discussion paper on Goods and Services Tax for Malaysia. Essentially, GST is a broad-based consumption tax imposed on a wide range of local and imported goods and services, and has a multi-staged consumption tax applied at each stage, from the purchase of raw materials to sale of finished goods i.e. the final consumer. The discussion paper is merely an initial proposal but provides ample material on how the GST would be broadly implemented from 2007.

Discussion paper

GST covers a set of broad-based *ad valorem* taxes that share three common characteristics. First, the tax is levied at every stage of the production process. Secondly, the amount of tax collected at each stage is based on the value added at that stage. Thirdly, most varieties of GST also use a method of assessment known as the 'input tax credit method', whereby the tax assessed on a firm is the difference between what is effectively a turnover tax assessed on sales (at the standard GST rate) and tax credits given in respect of GST already paid on its consumable inputs such as raw materials and power, and semi-finished components.

Input Tax Credit

The principal aim of the Input Tax Credit (referred to as the credit or ITC) is to eliminate the tax on business input. Normally, ITC can be claimed based on the following conditions:

1. the claimant must be a taxable person;
2. the goods and services are acquired (with a valid invoice) for the purpose of making a taxable supply;
3. an invoice must be issued under the name of the claimant; and
4. the goods and services acquired are not subject to any input tax restriction.

In reality, a GST of the pure form, with no exemptions and no zero-rating except for exports, is no different from a tax on retail sales: it taxes all domestic private consumption expenditure. Nevertheless, while the GST appears to be more complex than a retail sales tax as a way of taxing domestic consumption, and consequently more costly in terms of both compliance and administration, it has important advantages over a retail sales tax in practice. This is because either form of consumption tax would necessarily require exemptions for small-sized businesses in order to avoid the cost-inefficiency of collecting small amounts of tax from a large number of businesses, as well as exemptions for particular types of goods often consumed by the poor.

In this article, the term 'GST' will be taken to mean 'VAT of the consumption type'.

Impact of GST on Businesses and the Poor

There is general anxiety that the GST, once implemented, adversely affects businesses and firms, particularly smaller enterprises. Businesses are required to maintain orderly accounts under GST so that the records can be periodically audited by the revenue authorities. Consequently, compliance cost of firms is expected to increase as businesses have to handle more accounting records and collect taxes for the Government. In the past, the main objection to a broad-based GST in Malaysia was undoubtedly based on equity concerns: the tax will raise the relative prices of foodstuff, clothing, transport, fuel and other basic commodities, which have a disproportionate impact on the real incomes of the poor. Nevertheless, a number of considerations suggest that the impact might be quite moderate due to several reasons. There is currently the Sales Tax (under the Sales Tax Act 1972) as well as Services Tax (Service Tax Act 1975) component covered indirectly in the price of most goods and services. There are four rates of sales tax namely five per cent (applying to fruits, certain food and building materials); 20 per cent (liquor and alcoholic drinks); 25 per cent (cigarettes and tobacco products); and 10 per cent (the default rate applying to all other products). The service tax is applied to a set of defined activities at a single rate of five per cent on the turnover.

Generally, the poor members of society are more likely to buy basic foodstuff from what will be a largely exempt sector of retailing while most of the supply chains for these foodstuff will also be exempt, and only a small GST component will be included in the retail price.

Manufactured items purchased from small business retail outlets would normally contain a bigger GST component, but exemption of these small businesses would guarantee that the effective tax rate would be lower than the nominal rate. Where other 'necessities', such as public transport, education and medical care are concerned, there is already sufficient Government intervention in the relevant sectors to ensure that appropriate protection of the poor is quite feasible and can be well-targeted. For example, increased subsidies for medical care will largely shield the poor from increased health bills, while providing few benefits to higher income people. In the event that there will be a predicted significant impact on the poor, alternative avenues for effecting compensation should be explored. What should not be done is to apply zero-rating to 'necessities' as this may compromise the effectiveness of a GST regime, increase its cost, can have an unintended equity impact and is a virtually immovable set of concessions once in place.

Generally, businesses must assess the impact of the GST now and determine if they are ready to implement and comply

1 Grandcolas, C. (2005) "Occasional Failure in VAT Implementation: Lessons for the Pacific", *Asia-Pacific Tax Bulletin*, Amsterdam, Volume 11.

with the legal requirements. No doubt, successful implementation of the GST would require a well-coordinated effort and commitment from all parties, namely the government, business organisations and taxpayers. GST is a more structured and transparent form of transaction taxation, hence firms must assess the nature and magnitude of the impact of GST on their businesses. To be GST ready, firms ought to develop a system framework and a well-structured work plan to ensure a smooth transition but most importantly to minimise business disruptions so that businesses remain competitive.

"… businesses must assess the impact of the GST now and determine if they are ready to implement and comply with the legal requirements. No doubt, successful implementation of the GST would require a well-coordinated effort and commitment from all parties, namely the government, business organisations and taxpayers."

■ Accounting for GST

The taxable period will be determined at the time when the GST registration is approved. However, the taxable period would be either on a monthly basis, quarterly basis or even six-monthly basis for special cases.

The method of accounting would either be based on invoices (accrual) or on a payment basis (cash). Firms are required to maintain all books and records relating to GST for a period of seven years.

Naturally, the introduction of GST will no doubt create additional workload for accounting firms since most businesses will farm-out such workload instead of taking on the burden themselves.

■ Transitional issues

As mentioned earlier, the Tax Review Panel formed by the Ministry of Finance released on 18 July 2005 a discussion paper on Goods and Services Tax for Malaysia. The discussion paper highlighted three broad transitional issues:

1. situations where sales tax and service tax are paid on raw materials, trading stocks and capital assets prior to the introduction of GST;
2. the consideration for supplies provided spanning the introduction of GST; and
3. the consideration for contracts or agreements signed before the introduction of GST.

Designing an action plan to meet challenges ahead

A decision has been made to introduce a GST regime in Malaysia effective from 1 January 2007, hence, there is a need for an action plan to design an appropriate mechanism to implement the comprehensive tax.

■ Exemptions and no zero-rating

An ideal GST is one with no exemptions and no zero-rating, except for exports but for equity reasons and other business concerns, this may not be appropriate. Pragmatic considerations, therefore, require exemptions at least for small businesses and exemptions or special arrangements for sales that involve special assistance. This ideal sort of GST is not common, but the example of New Zealand shows that it is possible, and the New Zealand scenario could provide a good template for Malaysia (Kasipillai, J. and Baldry, J. (2005)[2]. Unlike GSTs introduced in most other countries, including Australia and Thailand, New Zealand does not apply zero-rating to any products other than exports, and all exemptions are made on clear pragmatic grounds. This makes it relatively simple and easily implemented.

The government has indicated that low-income groups would not be burdened by the introduction of GST. Goods and services regarded as basic needs of individuals should be considered for zero rating or exemption from GST. Small businesses whose turnover are below a certain threshold could be exempted. It is important to distinguish exemption against zero rating to meet the above objectives.

Zero rate means supplies not taxed but the supplier can claim input tax credits i.e. supply truly free from tax burden. The government has to refund the tax collected. **Exemption** means supplies not taxed but the supplier cannot claim input tax credits i.e. value added of final supplier not taxed, inputs suffer tax. Hence, this is not a truly tax-free scenario. The zero rating option is the most effective way to relieve consumers from GST. This has to be balanced by the need to preserve revenue base. Zero rating and exemption of goods and services tax should be carried out on a selective basis to ensure that the revenue base of the government will not be eroded. The government will of course influence the consumption pattern of certain luxury goods by the use of other taxes such as excise duty.

Several goods and services may be considered for either exemption or zero rating. Items considered for exemption, include, education services provided by the government; financial services; sale or lease of property; public transportation (excluding airline services); health care services and religious and charitable activities.

Zero rated goods and services include exportable items; goods under permanent price control; low cost housing; prescribed drugs; aids specifically for the disabled; and approved R&D centres. Utilities such as electricity (below RM80 per month) and water (below RM30 per month) may also be considered for zero-rating.

Concluding remarks

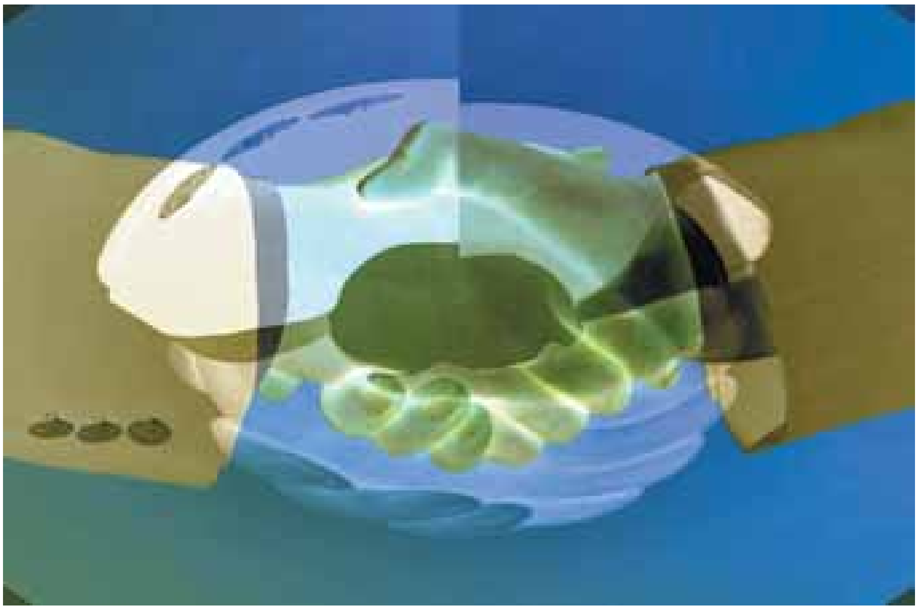
A GST is undoubtedly the most appropriate choice to replace sales and service taxes. Once implemented, the GST can bring about substantial improvements in overall tax administration, more specifically the establishment of an integrated tax administration and the development of modern procedures based on voluntary compliance.

On a final note, with the implementation of GST, it is possible that some forms of direct tax cuts or exemptions will be made available to individuals and businesses that may be hard hit. AT

2 Kasipillai, J. and Baldry, J. (2005) "Malaysia: A Goods and Services Tax", *Asia-Pacific Tax Bulletin*, Amsterdam, Volume 11.

Business Combinations AND Consolidation

Financial Reporting Standards (FRSs) have undergone significant improvements to reflect the changing global business environment and to enhance comparability of financial statements across borders. The Malaysian Accounting Standards Board (MASB) has prepared a series of articles intended to give the public a general understanding of the 21 FRSs that have been approved throughout 2005. In this fifth article[1] we will look at FRSs that relate to accounting for business combinations and consolidation.



Business Combinations

Overview

IFRS 3 *Business Combinations* is the result of Phase I of the IASB's project on business combinations. It focuses on the use of the acquisition method[2] of accounting for business combinations.

As a consequence of the project, IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets* were accordingly revised to address the subsequent accounting for goodwill and intangible assets acquired in business combinations.

The MASB has approved IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) as FRS 3, FRS 136 and FRS 138 respectively.

FRS 3 supersedes FRS 122$_{2004}$ *Business Combinations*. FRS 136 is a revision to FRS 136$_{2004}$. FRS 138 is a new standard, but because intangible assets include research and development costs, it also supersedes FRS 109 *Research and Development Costs*.

Use of Acquisition Method of Accounting

In FRS 122$_{2004}$, a business combination would be accounted for using the merger method (also known as the pooling of interest method) if it met all eight criteria of a merger. A business combination that did not meet the criteria of a merger would be accounted for using the acquisition method.

FRS 3 requires all business combinations within its scope to be accounted for using the acquisition method. This is because the IASB had concluded that in virtually all business combinations, an acquirer can be identified, and are thus acquisitions. *(Compare paragraphs 8-9 of FRS 122$_{2004}$ with paragraphs 14 and BC37-BC55 of FRS 3)*

Separate Recognition of Contingent Liabilities Acquired

Under FRS 122$_{2004}$, the cost of acquisition was allocated to the acquirer's share of identifiable assets and liabilities acquired. Implicitly, contingent liabilities of the

1 The first four articles appeared in the June to September issues of *Accountants Today.*

2 IFRS 3 uses the term *purchase method*. However, in this article we use the term *acquisition method* as it is in common use in Malaysia. Moreover, there is indication that the IASB will revert to the use of the term in Phase II of the project on business combinations.

acquiree were subsumed within goodwill or negative goodwill.

FRS 3 requires an acquirer to recognise separately contingent liabilities of the acquiree as part of allocating the cost of a business combination if its fair value can be measured reliably.

The new prescription to separately identify contingent liabilities would further enhance users' understanding of the components of the cost of acquisition. *(Compare paragraph 63 of FRS 122$_{2004}$ with paragraph 36 of FRS 3)*

Goodwill

FRS 122$_{2004}$ merely mentioned that goodwill arising in a business combination should be treated in accordance with generally accepted accounting principles.

FRS 3 specifies recognition of goodwill acquired in a business combination as an asset. Goodwill is to be initially measured at cost, and is not to be amortised thereafter. Instead, it shall be tested for impairment at least annually in accordance with FRS 136 *Impairment of Assets*.

For the purpose of impairment testing, the revised FRS 136 requires goodwill to be allocated to the acquirer's cash-generating units that are expected to benefit from the business combination, irrespective of whether the acquiree's assets or liabilities are assigned to those units.

FRS 136$_{2004}$ allowed an impairment loss on goodwill to be reversed when the loss was caused by a specific external event that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. The revised FRS 136 prohibits the reversal of an impairment loss on goodwill.

Negative goodwill is recognised as a gain. If the acquirer's interest in the fair value of the net assets of the acquiree exceeds the cost of acquisition, the acquirer must reassess the identification and measurement of the acquiree's assets and liabilities and the measurement of the cost of acquisition. Any negative goodwill remaining after that reassessment must be taken to profit and loss. *(Compare paragraph 75 of FRS 122$_{2004}$ with paragraphs 51, 54-55 of FRS 3, compare also paragraphs 81-85, 111 of FRS 136$_{2004}$ with paragraphs 80-99, 124 of FRS 136)*

Subsequent adjustment to provisional items and amounts

In some cases, the cost of a business combination or the acquiree's assets and liabilities are only provisional as at the date of acquisition. This could arise because the fair values are provisional, or because certain assets and liabilities have yet to satisfy the criteria for separate identification. Subsequent adjustment to the provisional initial accounting may be made as the fair values are adjusted, or as certain assets and liabilities become separately identifiable.

Under FRS 122$_{2004}$, such an adjustment was adjusted in goodwill or negative goodwill with two conditions. Firstly, the adjusted carrying amount of goodwill must not exceed its expected recoverable economic benefit. Secondly, the adjustment must be made by the end of the first annual period commencing after acquisition. Otherwise, the adjustment was recognised as an income or expense.

Under FRS 3, the initial accounting and any adjustment to it must be completed within twelve months of the acquisition date. An adjustment to initial accounting can only be recognised if it is to correct an error retrospectively. The initial accounting cannot be adjusted for changes in estimates. Instead, the effect of any change in estimate is recognised in current and future periods in accordance with FRS 108.

However, FRS 3 maintains the three exceptions in FRS 122$_{2004}$. Two relate to adjustment to the cost of combination contingent on future events. The third exception relates to adjustment for the acquirer's subsequent recognition of the acquiree's deferred tax assets that did not satisfy the separate recognition criteria at initial accounting. *(Compare paragraphs 83, 84, 88, 92, 93 of FRS 122$_{2004}$ with paragraphs 33-34, 62-65 and BC 159-BC169 of FRS 3)*

Reverse acquisitions

In a typical reverse acquisition, the equity interests of a private entity are acquired by an issuing public entity. Legally, the issuing public entity is regarded as the parent and the private entity is regarded as the subsidiary.

However, under FRS 3 the legal subsidiary is deemed the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Consolidated financial statements prepared following such a reverse acquisition shall be issued under the name of the legal parent, but described in the notes as a continuation of the financial statements of the legal subsidiary. *(See Appendix B of FRS 3)*

Consolidation

Overview

Three standards affecting consolidation — FRS 127 *Consolidated and Separate Financial Statements*, FRS 128 *Investment in Associates*, and FRS 131 *Interests in Joint Ventures* — have been revised to reflect changes undertaken in the IASB's Improvements Project.

The title of FRS 127 was changed to *Consolidated and Separate Financial Statements* to reflect that the revised standard does not address only investment in subsidiaries, but also investments in jointly controlled entities and associates in the separate financial statements of a parent, a venturer or investor.

Exemption from presenting consolidated financial statements

FRS 127$_{2004}$ exempted a parent from presenting consolidated financial statements if it is itself a wholly owned subsidiary of another parent incorporated in Malaysia.

The revised FRS 127 modifies the circumstances such that a parent may elect not to present consolidated financial statements if and only if:

a) the parent is itself a wholly owned subsidiary, or is a partially owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
c) the parent did not file, nor is it in the

process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and

d) the ultimate or any intermediate parent of the parent is incorporated in Malaysia and produces consolidated financial statements available for public use that comply with Financial Reporting Standards

(Compare paragraph 8 of FRS 127$_{2004}$ with paragraph 10 of FRS 127)

Assessing voting rights in determining control

In FRS 127$_{2004}$, an investee-company was deemed a subsidiary if the investor company held more than one half of the issued share capital.

The revised FRS 127 considers the existence and effect of potential voting rights when assessing whether an entity has the power to govern the financial and operating policies of another entity. *(Compare paragraphs 13-14 of FRS 127$_{2004}$ with paragraphs 14-15 of FRS 127)*

Exemptions from consolidation

FRS 127$_{2004}$ excluded an entity from consolidation if control was meant to be 'temporary', or when the entity was operating under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

Under FRS 127, an entity is required to consolidate all subsidiaries. A 'temporarily controlled' entity is now to be consolidated but measured and presented in accordance with FRS 5. An entity that is unable to transfer funds to the parent is to be consolidated because an impairment to transfer funds does not constitute loss of control.

In addition, FRS 127 clarifies that a subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity. *(Compare paragraph 15 of FRS 127$_{2004}$ with paragraphs 19 and BC13 –BC22 of FRS 127)*

Uniform accounting policies

The revised FRS 127 requires consolidated financial statements to be prepared using uniform accounting policies, and eliminates the previous exception given "if it is not practicable to use uniform accounting policies". *(Compare paragraph 26 of FRS 127$_{2004}$ with paragraph 28 of FRS 127)*

Minority interest as part of equity

FRS 127$_{2004}$ required minority interests to be presented separately from liabilities. The revised FRS 127 requires minority interests to be presented within equity, separate from the parent shareholders' equity. *(Compare paragraph 34 of FRS 127$_{2004}$ with paragraph 33 of FRS 127)*

Investments in Associates

The revised FRS 128 excludes investments in associates held by venture capital organisations, mutual funds, unit trusts and similar entities that are held for trading and accounted for in accordance with FRS 139. *(Compare paragraphs 1 of FRS 128$_{2004}$ and FRS 128)*

The revised FRS 128 also requires the consideration of the existence and effect of potential voting rights in determining significant influence over an associate. *(Compare paragraphs 4-5 of FRS 128$_{2004}$ with paragraphs 6-10 of FRS 128)*

Under FRS 128, the equity method is applied in accounting for an investment in an associate except for those classified as held for sale. In addition, when the parent with an investment in an associate applies the exception in FRS 127 for not presenting consolidated financial statements or when an investor in an associate meets the circumstances under which certain parents need not prepare consolidated financial statements, the equity method shall not be applied. *(Compare paragraphs 8-9 of FRS 128$_{2004}$ with paragraphs IN10, 13 and BC14-BC15 of FRS 128)*

FRS 128 requires the associate's financial statements to conform to the investor's accounting policies, and eliminates the previous exception given "if it is not practicable". *(Compare paragraph 20 of FRS 128$_{2004}$ with paragraphs 26-27 of FRS 128)*

Interests in Joint Ventures

The revised FRS 131 excludes venturers' interests in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities that are accounted for in accordance with FRS 139. *(Compare paragraphs 1 of FRS 131$_{2004}$ and FRS 131)*

Under the revised FRS 131, a venturer in a jointly controlled entity is exempted from proportionate consolidation or equity method when its interest is classified as held for sale and accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. It is also similarly exempted when the parent with an interest in a jointly controlled entity applies the exception in FRS 127 for not presenting consolidated financial statements or when a venturer that meets the circumstances under which certain parents need not prepare consolidated financial statements. *(Compare paragraph 40 of FRS 131$_{2004}$ with paragraph 2 of FRS 131)* AT

For more information, please contact Dr. Nordin Mohd Zain, Executive Director or e-mail *nordin@masb.org.my*.

SPECIAL NOTICE

This space could be yours for RM200.00*

MIA members and the Institute's member firms may use this column to place general notices such as:

■ Moving (Change of Address) ■ Change of Firm's Name or Logo ■ Recruitment ■ Seeking Strategic Alliance OR Seeking Assistance Among Member Firms ■ Transfer of Technology/ Expertise/Know-How ■ General Announcements ■ Locating MIA Member(s)/Member Firms.

To place your notice or advertisment, please contact Hani of the Development and Promotion Department at +603-2279 9200 (ext. 324 or 146) or Fax: +603-2274 1783

*** TERMS AND CONDITIONS APPLY**

* Terms and conditions.

- Whilst every endeavour is made to publish suitable member firms' or members' advertisement in this special notice column on the requested month, it cannot be guaranteed.
- This advertising space is reserved for MIA member firms and MIA members. To be eligible to advertise in this special section, member firms or members must indicate their firm's or membership number. If the advertisement submission is incomplete or does not meet the submission requirements, the advertisement will be deemed invalid and excluded from the special column.
- The special advertisement assessment task force reserves the right to review, to hold over, to reject or to edit any advertisement(s) without prior notice to the advertiser and to publish the said advertisement(s).
- The Institute and the magazine shall not be responsible or liable for any claims, loss or damage whatsoever, resulting from or in connection with this advertisement.
- With immediate effect, these new terms and conditions supersede the earlier advertisement notice.
- The deadline for submission of notices or advertisements are on the 15th of each month.

Public Ruling (PR) No. 3/2005: Living Accommodation Benefit Provided for the Employee by the Employer

Please be informed that the PR No. 3/2005: *Living Accommodation Benefit Provided for the Employee by the Employer* was issued on 11 August 2005 by the Inland Revenue Board (IRB). The said public ruling can be downloaded from the IRB's website at *www.hasilnet.org.my* under the heading of "Law & Regulations-Rulings". AT

Forum on International Education Standards for Professional Accountants

The Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA) will be conducting a Forum on International Education Standards for Professional Accountants on 27 October 2005. This forum is organised with a primary objective to promote competence requirements for Audit Professionals, Ethics Education and Assessment Methods across the profession. This is consistent with the Exposure Draft on International Education Standards (IES 8) requirements issued by the International Federation of Accountants (IFAC). Among the experts who will be speaking and sharing their views on various issues pertaining to this matter are:

- Henry Saville, Chairman of IFAC's Education Committee;
- Claire Egan, Technical Manager of IFAC;
- Prof. Philomena Leung, Acting Head, School of Accounting, Economics and Finance, Deakin University; and
- David Hunt, Member of the IFAC Education Committee.

Forum's Fact File

Date:	27 October 2005
Venue:	Conference Hall, Securities Commission, Kuala Lumpur
Registration Fee:	RM180.00
Registration and Inquiries:	Karen Yeong (MICPA) Tel: (603) 2698 9622 Fax: (603) 2698 9403 e-mail: karen.edu@micpa.com.my OR Mohd Muzammir Bakri (MIA) Tel: (603) 2279 9200 Fax: (603) 2274 1783 e-mail: muzammir@mia.org.my AT

CPE AUDIT

The list below are members who were selected for the 2002 — 2004 (Batch 1) CPE Audit cycle in accordance with By-Law A-4 of the Institute's By-Laws (On Professional Conduct and Ethics).

We regret to inform that the letters which we have sent to these members notifying them that they were selected for the audit were returned to us. We would be grateful if these members could contact the Membership — Registration & Supervision Department of the Institute for the copy of the letter before 24 October 2005.

No.	Name	Membership Number	Required Hours
1.	Abdul Wahab bin Jaafar Sidek	1039	60
2.	Shakirah Rohanim bt. Kassim	10585	60
3.	Ling Yuh Huah	10772	60
4.	Norazlin b. Abdul Aziz	10963	60
5.	Pak Bee Hong	11050	90
6.	Lo Kwee Chow	11466	60
7.	Maznah bt. Sulong	11511	60
8.	Suzie bt. Mohd Bohari	11647	60
9.	Tan Kang	11762	60
10.	Soo Hoo Khoon Yean	12372	90
11.	R. Sundara Raj A/L Ramamurthy	12433	60
12.	Ling Chia Wei	12747	60
13.	Liau Choy Hee	12792	60
14.	Lim Bee Khiam	12933	60
15.	Tan Siew Hiong	13046	60
16.	Lim Kok Hoong	1320	60
17.	Tee Ching Lan	13370	60
18.	Mohd Zakir bin Omar	13682	60
19.	Wazir b. Baharuddin	13895	60
20.	Zulkifflee b. Mohamed	14066	60
21.	Ding Meng Hee	14096	60
22.	Mohamad Azmi B. Abu Bakar	14185	60
23.	Tham Hon Sin	14332	60
24.	Tan Cheu Keat	14362	60
25.	Chan Yit Chooi	14408	60
26.	Saiful Anuar b. Sabarudin	14467	60
27.	Yee Pui Yuen	14688	60
28.	Koh Yen Voon	14749	60
29.	Wan Zurini bt. Wan Mustapha	15168	60
30.	Yeo Guat Cheng	1517	60
31.	Yin Thooi Yong	15197	60
32.	Yap Choon Siong	15270	60
33.	Afridah bt. Ahmad	15727	60
34.	Sivananthan A/L Thillaichidambaram	15919	90
35.	Noraini bt. Jerai	15974	60
36.	Chong Kok Siong	16016	60
37.	Chin Wan Ching	16228	60
38.	Nikmal Muzal b. Mohd Muhaiyuddin	16305	60
39.	Azhana bt. Abdul Jalil	16474	60
40.	Ahmad Raphaie b. Bachok @ Abdul Aziz	16539	60
41.	Low Pau Lin	17041	60
42.	Aishah bt. Mohamed Nasir	17047	90
43.	Wendy Teng Siat Li	17140	60
44.	Ng Choon Teng	17158	60
45.	Tee Sing Yeah	17538	90
46.	Jospeh Mugilen A/L Soosay Manickam	17647	60
47.	Jeffrey b. Bosra	17666	90
48.	Nor Azmah bt. Zharullail	17736	60
49.	Ng Yee Lin	17755	60
50.	Chin Kah Kit	17876	60
51.	Abdul Halim b. Abdul Rahman	17912	60
52.	Ho Kai Min	18101	60
53.	Ngian Yoke Tee	18213	60
54.	Nor Muhamad Nizam b. Nordin	18375	60
55.	Mohammad Fauzi b. Baharum	18622	60
56.	Noraizat b. Shik Ahmad	18631	60
57.	Hew Moi Lan	18715	60
58.	Liew Yoke Theng	18765	60
59.	Tan Teck Soon	19130	60
60.	Yan Sut Yin	19147	60
61.	Kang Hann Shin	19518	60
62.	Lee Chee Keong	19576	60
63.	Lam Jen Shung	19826	60
64.	Ooi Poh Imm	19878	60
65.	Norita bt. Ramli	19912	60
66.	Munira bt. Mohamad Ariff	20135	60
67.	Sin Phooi Cheng	20215	60
68.	Chua Pin Lin	20250	60
69.	Rosdi b. Nordin	20253	60
70.	Tengku Sharifena RM b. T Sulaiman S.	20277	60
71.	Tan Huey Chyi	20344	60
72.	Kwan Chiew Yan	20484	60
73.	Maryati @ Maryati Legori bt Ibrahim	20500	60
74.	Lam May Yoong	20608	60
75.	Ahmad Pardas b. Senin	2495	60
76.	Teo Ah Lek	2530	60
77.	Chua Put Moy	2809	60
78.	Mah Kim	3680	60
79.	Cheong Yuen Mun	3981	60
80.	Loh Lee Har	5069	60
81.	Ho Thim Yuen	5547	60
82.	Goh Kim Leong	5620	60
83.	Zahirin Mokhtar	5676	60
84.	Sariah bt. Ismail	5735	60
85.	Tay Kheng Khiang	5853	60
86.	Riki Adikumara b. Ibrahim @ Zakaria	6017	60
87.	Soon Pei Hoon	6418	60
88.	A'tikah Ahmad	6726	60
89.	Ungku Farid Ungku Abd Rahman	6957	60
90.	Tang Seng Mun Eddie	6959	60
91.	Hue Ngoi Leng	7146	60
92.	Foo Yoke Pin	7269	60
93.	Hong Hock Ming	7493	60
94.	Heah Theng Chye	7590	60
95.	Moh Mee Wah @ John Moh	7674	60
96.	Kuo Chik Lee Kenneth	7818	60
97.	Chew Chin Hong	8079	60
98.	Liew Yeh Yin	8677	60
99.	Fong Foong Meng	8704	60
100.	Zakaria b. Mohd Nor	9178	90
101.	Phua Keng Chiew	9798	60
102.	Yong Kwei Choo	9836	60

Maintenance of the Audit Working Papers and Other Documentation

Presently, companies are required to keep accounting and other records for a period of seven years (as stipulated in the Companies Act, 1965). This is a statutory obligation on the part of the companies. Whether, this requirement will also be extended to audit firms in respect of their audit working papers and other documentation is subject to further interpretation.

Recently, an audit firm has enquired from the Institute whether they can discard the audit working papers and other correspondences with a group of companies (about 20 subsidiaries) a year after their professional relationship had been terminated. Their contention is that, with such a huge group of companies, to maintain any records for such length of time as per the Companies Act, 1965 is unreasonable.

Auditing standards is silent over the tenure to maintain the audit and other working papers. Auditing Standard AI 230 on Documentation (para 13) only states that *"The auditor should adopt appropriate procedures for maintaining the confidentiality and safe custody of the working papers (including correspondences) and for retaining them for a period sufficient to meet the needs of the practice and in accordance with legal and other professional requirements of record retention"*.

The question is: What is "a period of sufficient length"? Since, the audit working papers are not part of a company's accounting records *per se*, the need to comply with Section 167 (2) — the seven year requirement does not arise, as some would interpret. In the absence of any legislation, what should be a period of sufficient length? The possibilities, among others are:

(a) At least one year because any period lesser than that is untenable for a professional set-up

(b) Three years would be appropriate. For purposes of track record analysis in an IPO situation, the Securities Commission (SC) usually, in the long form accountants report, ask for a pro-forma of results not less than three years prior to proposed flotation period. Hence, a three year period can be recommended.

(c) Five years would also be acceptable. The Inland Revenue Board (IRB) has undertaken to conduct a field audit of a company once every five years. Audit files are documents the Inland Revenue Officer would be interested to review based on our past dealings with IRB.

(d) As a matter of best practice, a number of firms interviewed by the Secretariat maintain a seven year rule. Many of these firms also adopt the same as a result of their need to comply with their own international offices best practice guide.

The above are some options firms could adopt. However, for purposes of risk management, each firm should be given the flexibility to decide on their proper length of time for their internal record maintenance policy and the Institute would like to request members to conduct an internal risk management review within their own practice and thereafter, to eventually adopt a policy which is consistent with the firms' risks and other exposure. The fact that firms are in operation to service their clients will always be of a paramount consideration, risk aversion not withstanding. AT

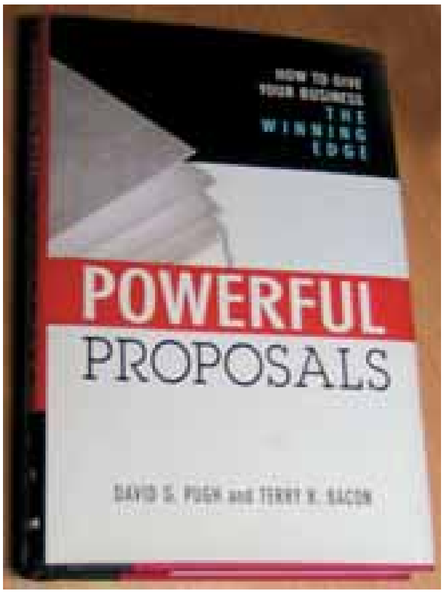
Powerful Proposals:

How to Give your Business the Winning Edge

Author: David G. Pugh and Terry R. Bacon

Publisher: American Management Association (AMACOM)

Pages: 254



Remember the time you wanted to draft that 'killer' proposal letter for that all-important deal? That is the time you want to not just tell your story, but sell it as well.

Needless to say, trimming a proposal to just the right style and size is a challenge. It goes beyond mere practice.

If you need to sharpen your skills in getting the message across, give *Powerful Proposals* a read. Here's a book that is designed to give your business that extra bit that potentially makes or breaks a deal.

The book presents a step-by-step plan for creating informative, engaging documents that satisfy your client's needs and features the solutions your firm can provide.

The authors — co-authors of *Winning Behaviour* and *The Behavioural Advantage* — claim that this latest book is an invaluable tool for winning contracts in any market, with strategies and techniques.

Whether it's for all markets, that is left to be seen. But the 11 chapters that make the book provide enough food for thought.

At the end of the day, the book attempts to assist you in creating proposals that are both compliant (they respond to customer requests) and responsive (they address customer's broader needs, key issues, values and goals).

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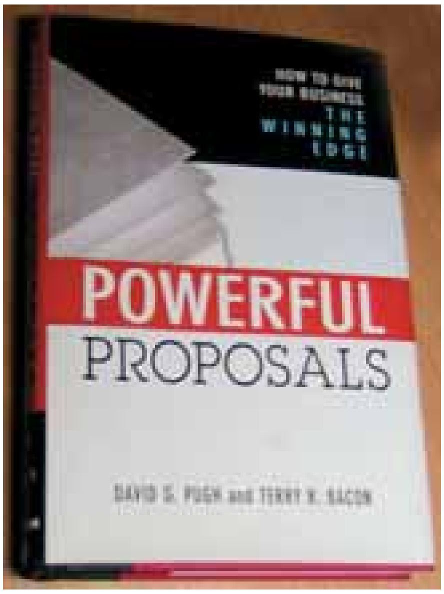

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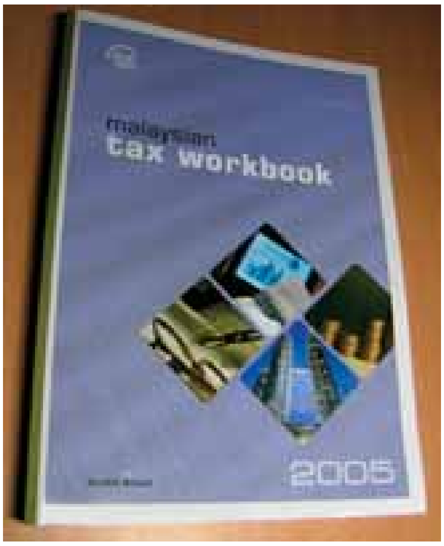
Malaysian Tax Workbook 2005

Author: Faridah Ahmad

Publisher: CCH Asia

Pages: 489



Learning the ropes of taxation is no easy task. When the moment comes to tabulate the tax returns, many a person will be looking around for help.

Here is one source of help, both for students and people who simply need to get by in dealing with the tax returns.

The Malaysian Tax Workbook 2005 presents the fundamentals in taxation, particularly in the context of computing tax liabilities and the obligations of taxpayers in respect of filing returns and tax appeals.

The 24 chapters in the book cover a wide range of areas. You have discussions on income assessment, employment income, income exempt from tax, business deductions, capital allowances on plant and machinery and on withholding tax.

The book is especially helpful for those with little knowledge of computing taxes. For a novice, tax laws will always be a source of bewilderment. They will be able to pick up a point or two that may help them understand better the complex subject at hand.

For students, the book is also packed with questions and suggested solutions that reflect the current tax law. The questions are crafted to ensure that the principles required for each subject matter are adequately covered.

The author is a fellow member of the Association of Chartered Certified Accountants (FCCA, UK), a fellow member of the Malaysian Institute of Taxation (FTII) and a Chartered Accountant of the Malaysian Institute of Accountants (CA).

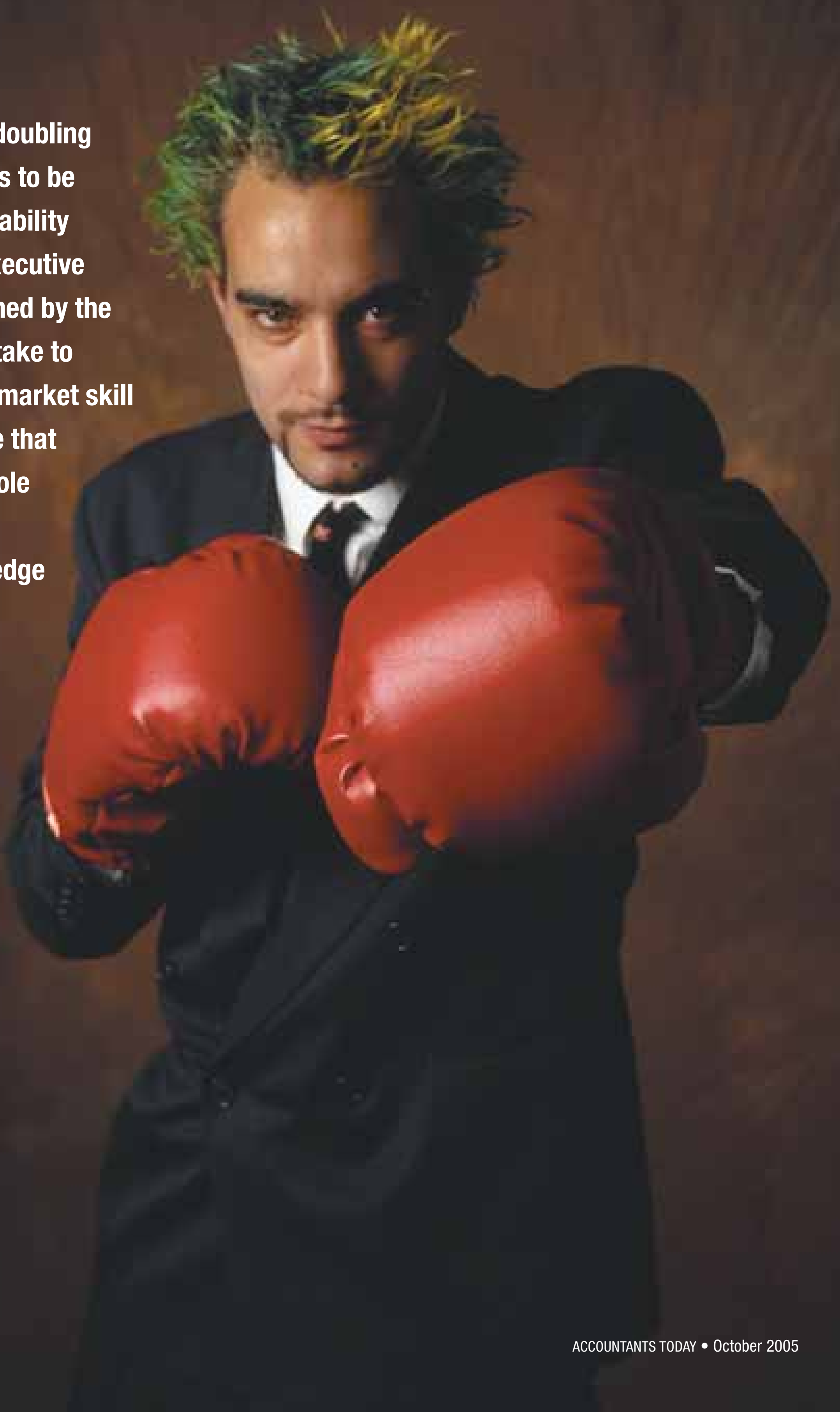
She is currently an Associate Professor at the Faculty of Accountancy, UiTM, specialising in Malaysian taxation.

The book is suitable for students in local universities and also for those pursuing professional examinations such as CAT, ACCA, MIT, ICSA as well as the Malaysian Institute of Accountants' qualifying examination. It is also an ideal reference book for tax professionals who wish to obtain the essentials of tax knowledge for their career advancement. AT

Motivating Yourself

by Shiv Prasad

In a world in which the doubling rate of knowledge seems to be outstripping everyone's ability to keep up, the young executive can easily be overwhelmed by the prospect of what it will take to maintain and develop a market skill base. It is crucial to note that while the world as a whole is changing rapidly, the basic underlying knowledge in any given area of expertise develops far more slowly. And it is therefore the ability to apply knowledge that counts.



As the new breed of young executives you have no choice but to *get off your assets*, do some serious self-examination, and motivate yourself to achieve the type of success one dreams of in life!

How to Programme Yourself for Success

So often in life, we become victims of negative programming through various outside influences. *It can be said we are all born to win, but programmed to fail*. What do we do?

- We need to take stock of ourselves.
- We ought to teach ourselves how to control our own mental programmes by understanding why we do what we do.
- We have to know how to change our own programming to achieve the results we desire through personal accountability and responsibility.

The Power of Personal Identity and Purpose

It has been proven throughout history that people can do the most remarkable things when they are confronted with heavy odds, even life-threatening issues, and if they have the right motivation.

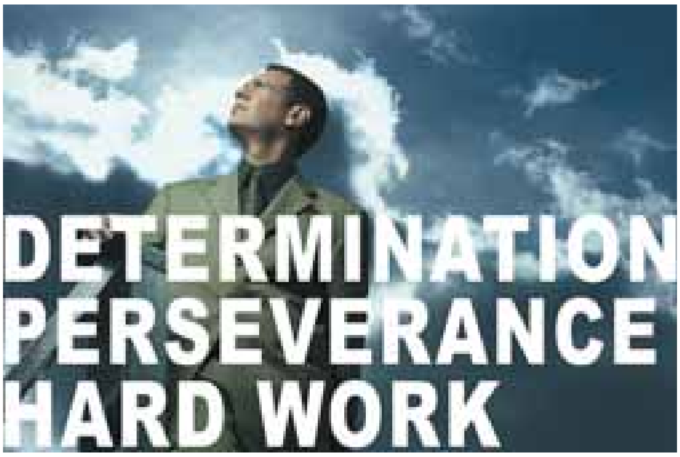
The first key to success is to understand our true selves and diligently identify what makes us function. Secondly, each of us individually must specifically define our mission in life, both personally and professionally.

These courses of action will eventually empower you with the tools to identify your mission and how to accomplish it.

Personal Development

Personal Development is the foundation, the key for making our lives work for the better. More and more universities, and continuing education centres focus on executive training and information technology. These centres offer executives opportunities, to participate on speaker's panels, give speeches, and teach, which, while appearing to be one-way activities, often result in potential business contacts and clients.

Most executives spend the first 10 or 15 years of their professional careers developing and learning to apply their core skills within their organisation. And the young executive can likewise receive much of his or her skill maintenance and development on the job. In a business environment, it becomes easy for the young executive to



"The first key to success is to understand our true selves and diligently identify what makes us function. Secondly, each of us individually must specifically define our mission in life, both personally and professionally."

identify ways of applying his or her skills and to receive the feedback necessary to improve the performance. The standards of measurement within any given company are of course specific to that company's purposes and to stretch the development process the executive needs to have diverse job assignments outside the company.

One of the major successes from this is 'Quantum Learning'. By mastering this process, you develop the skills to take you from *who you are now* to *who you want to become*.

Modelling Excellence

One of the most powerful ways to be successful in life is to model other people or organisations who have achieved success. You have to closely observe and study the characteristics of peak performers, and in turn adopt these attributes yourself. You have to position yourself and learn how to create niches that can infuse your business with new opportunities and yield outstanding results.

The Value + Goal Connection

This is basic equation we tend to overlook early in our professional career. Until we value ourselves, we won't value our time, and further until we value our time, we won't do anything with it.

There is a need to discover your core values and implement these core values into goals. Such objectives or goals have the power and impact to cause you to take action toward building your better future.

The Power of Rapport

One of the most powerful ways to immediately increase the quality of our lives is to increase our skill in influencing other people in a positive manner. The art of personal rapport allows us to get things done by teaming with and leveraging the strengths of others:

- OPT (other people's time) can be made available to further your objectives.
- OPI (other people's ideas) very often touch and expand your own vision and affords you a new approach or dimension to your own business or career.
- OPE (other people's energy) can be just the catalyst you have been seeking all along to provide you with the correct leverage.

An Attitude Adjustment

Finally it's our attitude that determines our direction in life. There are forces in life — both good and bad — that determine how we feel and react toward others. Obviously you need to balance the two, so that your emotional state is congruent with power, control, and achievement. AT

Best Internal Audit Practice Award (BIAPA) 2005

The winner… Telekom Malaysia Berhad. Hashim Mohammed, Group Chief Auditor, receiving the award from Datuk Dr. Abdul Samad Haji Alias

First runner-up … Malayan Banking Berhad. Hazim Kassim, CAE receiving the award from Datuk Dr. Abdul Samad Haji Alias

Second runner-up … Maxis Communication Berhad. Chow Chee Yan, CAE receiving the award from Datuk Dr. Abdul Samad Haji Alias

Most Promising Award … KWSP

The 2nd Best Internal Audit Practice Award (BIAPA) ended successfully with Telekom Malaysia Berhad being announced as the winner. The award presentation ceremony was held in conjunction with the Institute of Internal Auditors Malaysia's (IIA Malaysia) National Conference dinner on 29 August 2005 at Renaissance Hotel, Kuala Lumpur. The winner received the award from Datuk Dr. Abdul Samad Haji Alias, a member of the International Federation of Accountants' (IFAC) Board and immediate past president of the Malaysian Institute of Accountants (MIA).

Following Telekom closely in the first category was Malayan Banking Berhad, who was first runner-up while the second runner-up award went to Maxis Communication Berhad.

BIAPA is Malaysia's most prestigious award in recognition of outstanding internal audit practice and is jointly organised by MIA and IIA Malaysia with the support of the Malaysian Institute of Corporate Governance and the Companies Commission of Malaysia. The Association of Chartered Certified Accountants and Rating Agency Malaysia were sponsors for the Award.

The Award, which is in its second year, continued to focus on the same objective i.e. to recognise and award the company with the most outstanding internal audit practice that is demonstrated by:

- continuous development and promotion of best practice in internal audit;
- promotion of leadership and professionalism in internal audit; and
- enhancement of internal audit roles in corporate governance, risk management and internal control.

However, for a more challenging competition and to see companies competing with companies of the same strength, some changes were made in respect of the Awards for 2005. The categories were restructured whereby the Award was divided into two categories of companies which were:

1. Those with shareholders' equity exceeding RM200 million; and
2. Those with shareholders' equity less than RM200 million.

However, there was no winner for the second category as none of them were considered as having reached a level considered acceptable by the judges.

A special Award was also added known as the Most Promising Company Award which was aimed at an organisation that has taken the initiative to set up the internal audit function within its organisation.

In the same ceremony, the Award was given to Kumpulan Wang Simpanan Pekerja in recognition of its efforts in developing good internal audit practice.

The Best Internal Audit Practice Award which was first organised in 2004, was re-launched on 7 June 2005 in an event graced by YB Dato' Dr. Ng Yen Yen.

In organising the Award, a joint Task Force between MIA and IIA Malaysia was established. It comprised Co-Chairmen, Raymond Liew and IIA Malaysia's President, Wee Hock Kee as well as other committee members from both MIA and IIA Malaysia.

The process of selecting the winner involved two stages. At the first stage, a Selection Committee (SC) set up by the Task Force was given the task of evaluating the questions in the questionnaires. As a result of that, the questionnaire had been improvised where three parts were introduced with 40 questions in total compared to four parts and 35 questions in the previous year. They were:

- Positioning and Audit Strategies (40 per cent)
- Process/Enabler (30 per cent)
- Audit Resource Capability (30 per cent)

A new requirement for BIAPA 2005 was that companies were required to submit a list of documents in support of their response to the questionnaire together with their nomination forms.

To assist the SC in the interview process, a group of interviewers with wide knowledge in the internal audit background was selected by the SC. They were Devanesan Evanson, Abdul Manan Mansor, Kamil Hj. Abdul Rahman, Sudirman Masduki and Madhuraiveran Marimuthu.

Upon completion of the interview process, the SC members recommended the short-listed candidates for each category to the Adjudication Committee (AC). This is where the second stage took place. The AC comprised of a group of independent persons chaired by Chan Guan Seng, the Managing Director of JF Apex Securities Berhad. Other members were the head of listing compliance of Bursa

Malaysia, Wong Kay Yong and MAICSA Vice-President, Zainal Abidin Pit. Both joint Chairmen of the Task Force acted as facilitators for this committee.

At this stage, the Chief Internal Auditor of the short-listed candidates was tested on their soft skills and their biggest contribution to their organisations. The AC then reviewed the finalists and decided on the winners.

BIAPA Organising Task Force Co-Chairman and MIA Council Member, Raymond Liew stated that there is a need to reward successful organisations that leverage on stringent and effective internal audit practices. "Local companies must realise that having an internal audit department will enhance their business operations and performance, while at the same time providing stakeholders with much-required assurance." Establishing an Internal Audit Department is imperative to spur success," he further offered.

"As the internal audit function is now fast evolving beyond that of the basic control framework, the Organising Task Force wishes to see more companies vying for the Award in 2006 to benchmark their internal audit practices against that of other companies," added BIAPA Organising Task Force Co-Chairman and IIA Malaysia President, Wee Hock Kee.

A competent adequately resourced internal audit function will provide reliable assurance on the control, governance and risk management systems and whether they are functioning as intended. A good internal audit function will help directors "sleep better at night' especially the independent directors and the shareholders. AT

"Local companies must realise that having an internal audit department will enhance their business operations and performance, while at the same time providing stakeholders with much-required assurance."

Raymond Liew
BIAPA Organising Task Force Co-Chairman

SABAH BRANCH

Courtesy calls in Sabah — Connecting with the Sandakan & Tawau IRB

The Sabah Branch Chairman and the Sandakan Chapter committee members made a courtesy call on En. Abdul Wahab bin Abd. Ghani, the Sandakan IRB Director. The visit was very fruitful and many issues were discussed and clarified with the IRB officers.

The Tawau Chapter committee led by Tawau Chairman, Ho Yun Kong also called on Tuan Haji Mohd Daud, the Tawau IRB Director. Issues discussed include payment of tax by credit cards, field audit resolutions, co-owners of property for Form P submission. AT

Forging greater ties … MIA Sabah Branch Chairman, Alexandra Thien presenting a memento to Sandakan IRB Director, Abdul Wahab Abdul Ghani. Looking on are Sandakan Chapter committee members and IRB officers

One for the album … MIA Tawau Chapter Chairman, Ho Yun Kong (fifth from left) and Tawau IRB Director, Tuan Haji Mohd Daud (fourth from right) posing with the rest of the Tawau Chapter committee members and Tawau IRB officers after the courtesy visit

Annual Members' Dialogue in Sabah — Labuan & Sandakan Visits

Sabah Branch Chairman, Alexandra Thien met with members in Labuan and Sandakan during the Annual Members' Dialogue on 11 & 12 August 2005 respectively. The Dialogue in Labuan was attended by 31 members while in Sandakan it was attended by 61 members. Dennis Wong, Practice Review Manager gave a talk on Practice Review, Lucy Read, Branch Manager briefed members on By-Laws on CPE while the Branch Chairman briefed members on recent developments on Corporate Law Reform, the Human Resource Development Fund and other practice issues. AT

Updating members … Lucy Read gave a briefing on By-Laws on CPE to members in Labuan

Members in Sandakan listening attentively to the presentation during the members' dialogue

Association of Chartered Certified Accountants ▼

ACCA's Fantastic Five!

It was a clear hot day! 6 September 2005 was the day that marked ACCA's debut in the Edge/Bursa Malaysia Rat Race 2005.

Azami Ghazali, Helmy Shahrin Mohtar, Suzianna Wong, Tan Meng Chai and Wee Hock Kee were the **Fantastic Five** who represented the ACCA team, joining another 500 runners at the biggest gathering of corporate 'rats' in the six-year history of the Rat Race. Bursa Malaysia's Exchange Square, the starting and finishing point of the race, was transformed into a carnival-like atmosphere, with runners dressed in 'interesting' attire and 'eye-catching' costumes, and highly spirited cheerleaders who were very 'gungho' and supportive of their favourite teams.

ACCA superheroes and heroine — Fantastic Five — posing with the 'Cheese' mascots

The Rat Race in Kuala Lumpur has its origins from the Carey Wall Street Rat Race, which provides the corporate world with an opportunity to blow-off steam after a hard day's work while doing their bit for charity.

Kudos to our **Fantastic Five** — Azami, Helmy, Meng Chai, Wee and Suzianna for the determination, sportsmanship and for being the 'cool' accountants despite the HOT weather! All ACCA runners finished the race — and that was no mean feat as it was really challenging to run in hot weather in business attire.

In addition to the five ACCA 'rats', there were about thirty ACCA cheerleaders mostly comprising ACCA Student Ambassadors and students. And where there are 'rats' there will be 'cheese' as well. Three ACCA students dressed as 'cheese' mascots attracted a lot of attention from the crowd.

"The Rat Race is a great way to get the corporate community to be more involved in charity and create awareness on the plight of the disadvantaged. It is THE event in Malaysia that can lure executives out on the roads and run!," said Mr Tay Kay Luan, Head of ACCA Malaysia. "Participating in this event gives ACCA an opportunity to express togetherness and commitment towards CSR and it was a fun way to keep our members and students together!" AT

Finance for Non-Finance Managers for Malaysian Resources Corporation Bhd

ACCA and Malaysian Resources Corporation Berhad (MRCB) co-organised this custom-designed, two-day workshop intended for non-finance managers of the company.

The objectives of this workshop were to provide an understanding of key financial issues in business organisations (with focus on the construction industry) and to provide a framework for basic analysis of business performance indicators.

The speaker, Kenny Tay, enlightened participants on areas such as understanding the company's performance, business profitability and its measures, the financial condition, cost behaviour with reference to the construction industry and the budget process. These topics are important as managers, even non-finance managers need to make certain financial decisions and understand the language of finance.

Kenny Tay enlightening participants with financial topics relating to business organisations

Kenny Tay, FCCA, is currently the Principal Consultant for Finet Associates Sdn Bhd where he is responsible for designing, developing and implementing financial skills training programmes for financial and industry executives.

MRCB currently holds a registered status under the ACCA Employer Accreditation (EA) scheme. The workshop is part of ACCA's support to employers under its Employer Accreditation (EA) Scheme. A total of fourteen MRCB employees from the conglomerate and its subsidiary companies attended this workshop. AT

The IMAG Golf Tournament Rescheduled to December

The 4th Inter-Malaysian Accounting Group (IMAG) Golf Tournament 2005 is now rescheduled to 4 December 2005. The tournament will be held at Bangi Golf Resort, Bandar Baru Bangi.

Registration is open to all members of MIA and recognised professional accounting bodies. The closing date for registration is 18 November 2005. For further information or to register, please email to *imag@my.accaglobal.com* AT

Chartered Institute of Management Accountants ▼

CIMA President's Visit to Malaysia

Professor Dato' Dr. Daing receiving the CIMA Study System from Ian Christison

CIMA President, Ian Christison FCMA, had a memorable time during his visit to Malaysia from 22-30 August 2005. He participated in various events including a fun night out with members and students at Zouk, one of the *hip and happening* clubs in the heart of Kuala Lumpur.

Christison FCMA also hosted a dinner for a select group of CIMA members who had lapsed in their membership. The dinner was but one of the activities to promote the reinstatement scheme for lapsed members in Malaysia. Since the launch in June this year, about 60 members have taken advantage of the scheme.

Another highlight of the President's visit to Malaysia was the launch of the CIMA Corner at Universiti Sains Malaysia (USM) in Penang. Mr Christison presented a set of the CIMA Study System, comprising 15 books, to Professor Dato' Dr. Daing Nasir Ibrahim, Dean of the School of Management at USM. The other appointments included a meeting with the Malaysia Divisional Council members, face-to-face membership assessment, presentation on the CIMA Learning scheme and a special briefing on membership elevation using the CV route. AT

Accountants ain't 'square' but 'cool'

CIMA members performing a 'Bollywood' dance

Management accountants of CIMA (The Chartered Institute of Management Accountants) are shedding their image of being boring, 'square' and serious people who are involved in strategy development, decision making and forward planning for companies. In this ever-changing world of computers, internet, mobile phones and virtual chat communities, CIMA's management accountants are keeping up with the times. For the first time ever, CIMA Malaysia held its Members Night at one of the trendiest clubs, Zouk, in Kuala Lumpur. It was a fun night with fellow members and the CIMA President, Ian Christison, and his wife, who spent 10 days in sunny Malaysia.

Christison told the audience, "I'm very glad to be in Malaysia and to see so many young people here tonight and the great enthusiasm they have in member activities organised by the Division. It's great to be different, to take a different route from the normal one, as seen in having this dinner at Zouk. You are members and students of an institute that is vibrant, dynamic and forward looking. Our belief is that the CIMA qualification is the foundation of your future career."

The choice of Zouk as the venue for the President's Night with members is unusual as this place is a regular haunt for the young and 'yuppies' in Malaysia. President of CIMA Malaysia, Lee Yee Chong, who was instrumental in the choice of Zouk, said, "We want to reach out to our young (and the young at heart) as they are the future of CIMA." 170 CIMA members and students had a great night out, laughing to the antics of Logi & Monty, the comedians, and taking part in the games and lucky draws. AT

3rd Undergraduate Conference a Success

The CPA Australia 3rd Undergraduate Conference hosted by Help University College (HUC) saw the participation of 80 passport members from HUC, Taylor's Business School, Monash University, Sunway College, Kolej Damansara Utama, the International Islamic University, University Malaya, University Tuanku Abdul Rahman, Universiti Tenaga and Universiti Sains Malaysia. Malaysia Branch President, Margaret Chin together with HUC President and co-founder, Paul Chan, Malaysia Branch Director, Ian Watt and HUC Acting Head of Accounting, Stephen Wu were present at the one-day conference.

Ian Watt and Paul Chan engaging in light conversation before the commencement of the conference

A variety of topics were covered in line with the theme of the conference *Bridging Career Opportunities*. Among the speakers were CPA Australia member Terence Tan, Executive Director of Globe Success Learning Sdn Bhd who challenged the audience to follow their hearts in pursuing their careers. In giving the students an insight into what employers looked for when hiring, Mohamed Izam Mohamed Yusof, General Manager of Corporate Services, TH Technology Sdn Bhd highlighted competency, communication skills, problem solving skills and leadership qualities, among others.

Sirajudeen Abu Haniffa's take on effective communications skills was both witty and endearing. In sharing his real life experiences with the students, he was able to elicit nods of approval and knowing smiles from students who had been in similar predicaments.

From left … Mohamed Izam, Dr. Arfah and Professor Dr. Syed Noh

In the session on 'Story of a Successful Entrepreneur , CPA Australia's regular speaker and member Azmi Ahmad was in his element as he passed on his entrepreneurial skills to the students. He shared with them pointers on perseverance, will power and a need for a 'never say die' attitude in taking on challenges in life.

Others who presented that day were Professor Dr. Syed Noh Syed Ahmad on exploring a career in forensic accounting, Lau May Chee on first impressions and Associate Professor Dr. Arfah Salleh who was one of the presenters at the closing forum. AT

CPA Australia 9th Asian Regional Conference *Thriving in the Global Economy*

Malaysia Branch played host to the 9th CPA Australia Asian Regional Conference in Kuala Lumpur recently.

From left … CPA Australia members Nik Mohd Hasyudeen and Dr. Nordin Md Zain together with Education Business Unit Leader, Ann Johns, senior member Larry Seow and Director International, Jim Dickson

Rotated annually among Hong Kong, Singapore and Malaysia, the annual conference was the peak event for Malaysia Branch this year. Timed to coincide with the Board of Directors and the Board International Committee meetings in Kuala Lumpur, the conference saw the attendance of over 50 international delegates among the 300 plus participants. International Trade and Industry Minister, YB Dato' Seri Rafidah Aziz officiated the Conference. Also present was His Excellency James Wise, the Australian High Commissioner to Malaysia. AT

H.E. James Wise and YB Dato' Seri Rafidah sharing a hearty laugh

IIUM International Accounting Conference III

Theme: Islam and Accounting: Towards Accountability, Governance and Performance

26-28 June 2006, Pan Pacific Hotel, KL

Call for Papers

The Department of Accounting, Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia (IIUM) would like to invite academicians, practitioners and graduate students to submit high quality papers in accounting and related areas, and participate in the IIUM International Accounting Conference III.

Suggested topics include, but are not limited to:

- Accounting and governance for Islamic institutions.
- Accounting and management of *Waqfs* and *Zakat* institutions.
- Accounting and culture: Cross cultural studies in international accounting.
- Comparative studies of accounting in different religious institutions.
- Accounting regulation and policy.
- Auditing and accountability.
- Corporate governance.
- Earnings management.
- Empirical studies of accounting practices in Islamic banks and Takaful companies.
- Ethical, social and environmental accounting.
- Financial accounting and reporting.
- International accounting.
- Islamic accounting: Theories and practices.
- Islamic ethics and accounting education.
- Islamic finance.
- Non-financial performance measurement of Islamic institutions.
- Performance measurement in private and public sector.
- Public sector accounting and accountability.
- Islamic and *Syari'ah* auditing.
- Management accounting and control.

All interested paper presenters are suggested to observe the following deadlines:

- Submission of abstract not later than 1 October 2005.
- Notification of acceptance of abstract will be made by 15 November 2005.
- Submission of complete paper not later than 1 January 2006.
- Notification of acceptance of complete paper will be made by 1 March 2006.

All papers are subject to a blind review and must be written in English. Authors are requested to submit the abstract through e-mail attachment in Word Format and three hard copies of their completed paper(s) through normal mail to:

Dr. Muslim Har Sani Mohamad, Chairman
IIUM International Accounting Conference III
Department of Accounting
Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia
Jalan Gombak, 53100 Kuala Lumpur
Tel: 03-2056 4695, 03-6196 4695, 03-2056 4698 or 03- 6196 4698 Fax: 03-2056 4850, 03-6196 4850
e-mail: *muslimh@iiu.edu.my*

IFAC

IFAC Requests Proposals to Develop ISA Guide for Small and Medium Entities

The International Federation of Accountants (IFAC) is seeking proposals for the development of an explanatory guide on implementing International Standards on Auditing (ISAs) for audits of small and medium-sized entities (SMEs). The purpose of this guide is to help auditors around the world understand, comply with and apply ISAs when conducting SME audits.

"Assisting SMPs (small and medium practices) and SMEs in understanding how to apply ISAs is consistent with IFAC's objective to support professional accountants working in SMPs and SMEs," states IFAC Chief Executive, Ian Ball. "We envisage the guide being of particular benefit to the profession in developing nations."

The specifications for the *Request for Proposal: Development of a Guide to International Standards on Auditing for Use in Audits of Small and Medium-sized Entities* are available on IFAC's SMP Permanent Task Force homepage. The deadline for submission is 12:00 p.m. (EST), 18 November 2005.

IFAC Exposure Draft Updates International Public Sector Standards to Conform With IFRSs

To enhance the convergence of International Public Sector Accounting Standards (IPSASs) with International Financial Reporting Standards (IFRSs), the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has issued exposure draft (ED) 26, *Improvements to International Public Sector Accounting Standards*. ED 26 proposes changes to 11 accrual basis IPSASs to better reflect developments in the equivalent IFRSs issued by the International Accounting Standards Board. The ED has been issued as part of the IPSASB's program to converge IPSASs, which set out the requirements for financial reporting by governments and other public sector entities, and IFRSs, where the requirements of IFRSs are appropriate for the public sector.

"Converging IPSASs with IFRSs is one of the objectives of our standards development programme," states IPSASB Chair, Philippe Adhémar. "The issuance of this ED reflects the IPSASB's commitment to progress the IFRS convergence component of its work program, as well as to address public sector specific issues not dealt with by IFRSs."

To assist accountants in applying IPSASs, the IPSASB has issued ED 25, *Equal Authority of Paragraphs* in IPSASs. This ED proposes that the Preface to International Public Sector Accounting Standards be revised to clarify that all paragraphs within IPSASs have equal authority.

"The IPSASB has proposed this clarification after reviewing the text of all IPSASs currently on issue. This change will enhance the clarity of the standards and align them more fully with IFRSs, which also adopt this approach,"says Philippe Adhémar.

Comments on the exposure drafts are requested by 31 January 2006. The EDs may be viewed by going to *www.ifac.org/EDs*. Comments may be submitted by email to *publicsectorpubs@ifac.org*. They can also be faxed to the attention of the IPSASB Technical Director at +1 (212) 286-9570 or mailed to IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

Non-Audit Firms

FROM 1-31 AUGUST 2005

New Registration

NON-AUDIT FIRM	NF NO

MELAKA

Azlinda Zubir & Co **0696**
21, 1st Flr, Jln Laksamana Cheng Ho 2
Taman Laksamana Cheng Ho
75050 Melaka
Tel: 06-282 6955 Fax: 06-282 5953
e-mail: azlinda_zubir@yahoo.com.my

PERAK DARUL RIDZUAN

WT Choong Consultancy Services **0699**
524A, Jalan Pasir Puteh
31650 Ipoh
Tel: 05-322 8018 Fax: 05-322 8018
e-mail: thomascwt123@yahoo.com

PULAU PINANG

CH Lim Consulting **0697**
22C, Krian Road
10400 Penang
Tel: 04-226 6006 Fax: 04-226 6008
e-mail: chlim_consulting@yahoo.com

SABAH

Teo Gim Suan **0691**
P.O Box 2881
90732 Sandakan
Tel: 089-271 771 Fax: 089-272 896
e-mail: gsteo1963@yahoo.com

SELANGOR DARUL EHSAN

Michael & Associates **0693**
52-B, Jalan Nanas
41400 Klang
Tel: 03-3343 2700

Sariah & Associates **0688**
Unit 732, 7th Floor
Block A, Damansara Intan
No 1, Jln SS20/27
47400 Petaling Jaya
Tel: 03-7728 5032 Fax: 03-7728 5036
e-mail: sariahismail@yahoo.com

TML & Associates **0689**
124-1A, Jalan SBC 3
Taman Sri Batu Caves
68100 Batu Caves
Tel: 03-6186 9068 Fax: 03-6186 0685
e-mail: Lth_mgt@yahoo.com

Wayne Soo & Co **0698**
206, Entrance 1,
Block A, Damansara Intan
1 Jalan SS20/27
47400 Petaling Jaya
Tel: 03-7726 5808 Fax: 03-7726 7808
e-mail: hw.soo@pacific.net.sg

WILAYAH PERSEKUTUAN

C.H.Loo & Co. **0700**
31-1F, Block B, Jalan Maju 3/1
Taman Lembah Maju
56100 Kuala Lumpur
Tel: 03-4297 5200 Fax: 03-4297 6200
e-mail: choohongl@yahoo.com

CJ Woon & Co **0701**
No. 39 Jalan 3/37B
Taman Bukit Maluri, Kepong
52100 Kuala Lumpur
Tel: 03-6257 2686 Fax: 03-6251 2171

CSY Management Services **0695**
10, Jalan Udang Gantung 7
Taman Megah, Kepong
52100 Kuala Lumpur
Tel: 03-6258 0226 Fax: 03-6258 0226

KVJ Associates **0694**
13-2, Jalan 6/38D, Plaza Sinar
Taman Sri Sinar, Segambut
51200 Kuala Lumpur
Tel: 03-6275 3740 Fax: 03-6275 3741
e-mail: kvj_associates@yahoo.com

Season Wenda & Co **0690**
50-7-2 Vista Magna
Metro Prima, Kepong
52100 Kuala Lumpur
Tel: 03-6186 5389 Fax: 03-6185 2389

Y.C. Lau & Associates **0692**
53-3, Jalan Metro Perdana Barat
Tmn Usahawan Kepong
Kepong Utara
52100 Kuala Lumpur
Tel: 03-6272 2378 Fax: 03-6275 2378
e-mail: ynchlau@yahoo.com

Audit Firms

FROM 1-31 AUGUST 2005

New Registration

AUDIT FIRM	AF NO

SELANGOR DARUL EHSAN

KC & Partners **001805**
15-5.1, Jalan PJU 1/42A
Dataran Prima
47301 Petaling Jaya
Tel: 03-7880 1923 Fax: 03-7880 7928

Maran & Co **001809**
No. 109, 2nd Flr
Pusat Perniagaan NBC
Batu 1 1/2, Jalan Meru
41050 Klang
Tel: 03-3345 2810 Fax: 03-3345 2811
e-mail: maranco@tm.net.my

WILAYAH PERSEKUTUAN

Brenda Hoh & Associates **001807**
No 3A Jalan 5/62A
Bandar Menjalara
52200 Kuala Lumpur
Tel: 012-203 0299
e-mail: nickbrenda@yahoo.com

Chua,Cheng & Co. **001804**
18-2, Jln 2/114, Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur
Tel: 03-7984 8988 Fax:03-7984 4402
e-mail: admin@chengco.com.my

Ken Teh & Co **001801**
9th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2693 1077 Fax: 03-2693 0997

Richard Ho & Associates **1600**
(Converted From NF 0631)
No. 11-1-1 Jalan 3/62D
Medan Putra Business Centre
Bandar Sri Menjalara
52200 Kuala Lumpur
Tel: 03-6277 2054 Fax: 03-6277 2054
e-mail: hst5609@tm.net.my

Operation Ceased

AUDIT FIRM	AF NO

WILAYAH PERSEKUTUAN

Hasyudeen & Co **0875**
B-5-7, Megan Phileo Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2710 7717 Fax: 03-2710 7727
e-mail: nik@khr.com.my

Name Change

AUDIT FIRM	AF NO

JOHOR DARUL TAKZIM

Kiang & Co. **0760**
(Formerly known as Tay & Co)
28B-1, 3rd Flr, Jalan Abiad 1
Taman Pelangi
80400 Johor Bahru
Tel: 07-332 2596 Fax: 07-331 2596
e-mail: tkkk@streamyx.com

… Counting on Humour

A New CEO

A company, feeling it was time for a shake-up, hires a new CEO. This new boss is determined to rid the company of all slackers. On a tour of the facilities, the CEO notices a guy leaning on a wall. The room is full of workers and he thinks this is his chance to show everyone he means business!

The CEO walks up to the guy and asks, *"And how much money do you make a week?"*

Undaunted, the young fellow looks at him and replies, *"I make $200 a week. Why?"*

The CEO then hands the guy $200 in cash and screams, *"Here's a week's pay, now GET OUT and don't come back!"* Feeling pretty good about his first firing, the CEO looks around the room and asks, *"Does anyone want to tell me what that slacker did here?"*

With a sheepish grin, one of the other workers mutters, *"He's the pizza delivery guy."*

Warning Signals for Accountants…

You might be taking accounting too seriously, if:

- You cheer at the Oscars when they announce the accounting firm in charge of the envelopes.
- You read film credits to identify the name of the Production Accountant.
- You double underline your mother's name when preparing her death notice.
- You can explain the difference between "downsizing", "right sizing", "re-engineering" and "firing people".
- You use the term "value added" with a straight face.
- You schedule a meeting with your spouse to discuss the past year's performance.
- You aren't sure, but you think that you can claim depreciation on your human capital as a tax deduction.
- Your idea of "absolute terror" is an unbalanced T account.
- Your idea of "creativity" is a one-sided journal entry.

The Corporate CEO's Assistant

Joe, the CEO's most trusted assistant, died in his sleep one night. The CEO had depended on Joe for advice on every subject, from sending memos to wardrobe decisions. In addition, Joe had been his closest friend.

So, it was understandable that the CEO didn't take kindly to the droves of ambitious job seekers who wanted Joe's job. *"They don't even have the decency to wait until the man is buried,"* the CEO muttered.

At the funeral, one eager beaver made his way to the CEO's side. *"Sir,"* the man said, *"is there a chance that I could take Joe's place?"*

"Certainly," the CEO replied. *"But you'd better hurry. I think the undertaker is almost finished."*

A Foggy Night

One foggy night an accountant and a lawyer drove into each other. They weren't hurt, but both were shaken. The lawyer offered the accountant a drink from his hip flask. The accountant thanked him and took a couple of swigs. As the lawyer put the flask back in his pocket the accountant asked, *"Aren't you going to have one too?"* *"Of course I am,"* replied the lawyer, *"after the police get here."*

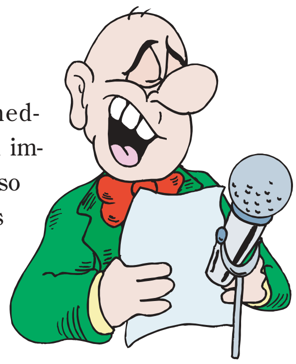
The Audit

Bill the accountant and two associates were going to an audit one day. They parked their car and got out. Then Bill realised that the keys were still in the car and the doors were locked.

"What are we going to do," said Bill. One accountant said, *"Well, we could get a coat hanger and try to unlock the door."* The second accountant said, *"We could try to pry the door open."*

Bill then replied, *"Well, whatever you do, you'd better hurry. A storm is coming and the top is still down."*

20-Minute Speech



The CEO was scheduled to speak at an important convention, so he asked one of his employees to write him a punchy, 20-minute speech. When the CEO returned from the big event, he was furious.

"What's the idea of writing me an hour-long speech?" he demanded to know. *"Half the audience walked out before I finished."*

The employee was baffled. *"I wrote you a 20-minute speech,"* he replied. *"I also gave you the two extra copies you asked for."*