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Professionalism at the Forefront

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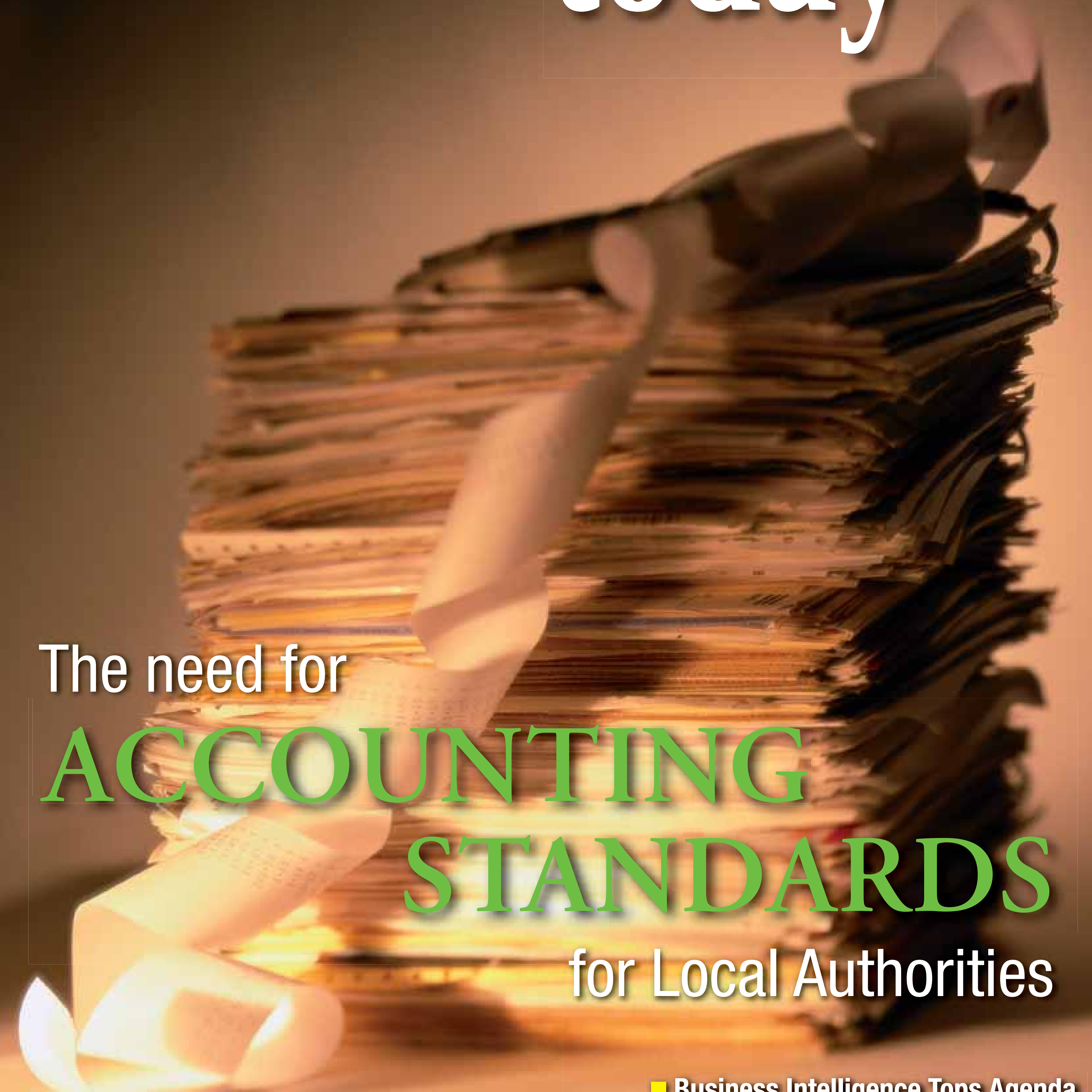

The need for ACCOUNTING STANDARDS for Local Authorities

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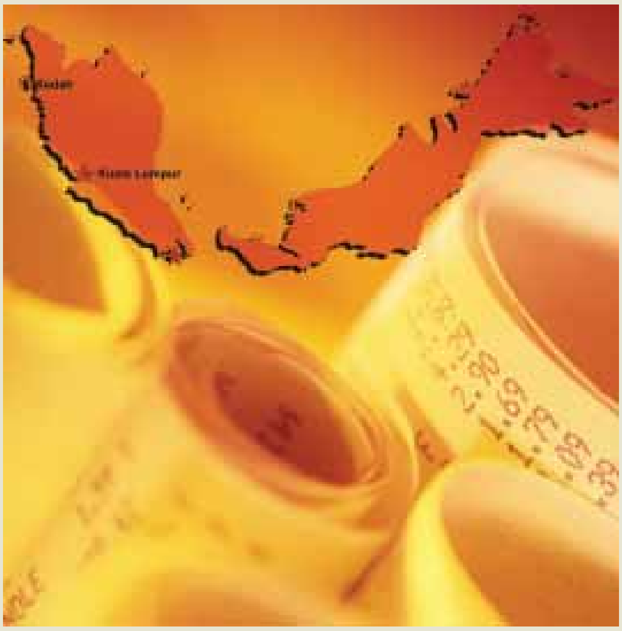

Book Prize for Best Letter

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 and stand a chance to win attractive gifts?

Beginning May 2006, chosen letters will win a book which is featured in the *Accountants Today's* 'Book Review' column.

- Letters must be original and not more than 500 words.
- Letters will be judged on content and writing style.
- A person can only win twice.
- You must include your contact details *viz.* your name, MIA membership number, MyKad number, address, telephone number and e-mail.
- No prize will be awarded if only one letter is received for an issue. Instead, the letter will be judged along with letters received for the following issue.
- The decision to award a prize solely lies with the editorial team.
- Employees of the Malaysian Institute of Accountants and their immediate families are not eligible for a prize.

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(Established under the Accountants Act, 1967)

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ACCOUNTANTS : MANAGERS OF VALUE

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

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

Vision and Mission

MIA'S VISION

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

MIA'S MISSION

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

editorial

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ADVERT

Chalking Up *Milestones*

The end of the year is upon us. Usually, as December draws to a close, some people choose to make New Year resolutions whereas some others don't name them as such but incorporate changes to their lives in the quest for self-improvement. Whatever you call it, for many the end of the year will be a time to take stock of the milestones achieved during 2006 apart from planning ahead for the coming year.

For the Institute it has been an eventful year indeed with significant milestones chalked up along the way. The most significant would be having won the bid to host the World Congress of Accountants 2010 in Kuala Lumpur. This is closely followed by the huge success recorded by NAC 2006. We have included a write-up of the event in this month's issue. Apart from that, the Institute has also recorded many other achievements along the way such as the signing of a mutual recognition agreement with Ikatan Akuntan Indonesia (IAI) during NAC 2006 which provides for the mutual recognition of each other's membership, the kick-off of the Accounting Students Conference which was held in Universiti Sains Malaysia from 25-26 November 2006, and the successful organisation of meetings for both the ASEAN Federation of Accountants (AFA) and the Confederation of Asia Pacific Accountants (CAPA) in Kuala Lumpur.

The most significant would be having won the bid to host the World Congress of Accountants 2010 in Kuala Lumpur. This is closely followed by the huge success recorded by NAC 2006.

Moving on, this month's cover story zooms in on public sector accounting with an article titled "The Need for Accounting Standards for Local Authorities" by Nafsiah Mohamed, Ruhaya Atan and Sjofwina Horoen.

One of the key objectives of the National Mission under the Ninth Malaysia Plan is to strengthen the institutional and implementation capacity. It is stated that this objective can be reached via an improved public service delivery vehicle which leverages upon good and strong governance, streamlined administrative processes and an effective performance measurement system.

The authors suggest that local governments could look into streamlining their finance functions with adoption of accounting standards. The need for this is made even more compelling because there is a need for public sector funds to be managed efficiently.

As always, we at *Accountants Today* have strived really hard to put together an issue that is insightful and interesting. However, we will never know if we are doing it right without your feedback, so please, keep them coming! Happy reading, Merry Christmas and a Happy New Year! AT

Editor
Accountants Today

In a few weeks, 2006 will come to an end. It has been an eventful year, marked by many milestones for the Institute through various activities and projects. On behalf of the Institute, Management and Staff, I would like to take this opportunity to wish all members a very Happy New Year and Best Wishes for the Year 2007.

Ho Foong Moi, *Executive Director*

membership subscription notice 2006/2007

With regard to our notice pertaining to the Payment Advice for Membership Subscription Fees 2006/2007, we are pleased to announce that in addition to the conventional mode of payments via cash, cheque, credit card, online payment (www.maybank2u.com.my and www.rhbbank.com.my), we are introducing payment through credit cards (only Visa and Mastercard issued by banks and financial institutions incorporated in Malaysia) using Maybank's portal. For this service, you are not required to be a Maybank account holder.

We hope you will use the new mode of payment to your convenience. Thank you.

letters to the editor

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

contribution of articles

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

ADVERT

WORLD news

Buffett alerts managers to temptation of 'accounting gimmicks'

Billionaire investor Warren Buffett told senior managers at Berkshire Hathaway Inc. to resist the temptation to use "accounting gimmicks" to manipulate earnings as US regulators broaden their probe into stock options backdating, reports *Bloomberg*.

The report quotes the 76-year-old corporate chief as urging his executives to ensure their actions are legal and would be acceptable if printed on the front page of a newspaper. The report was based on a memorandum dated Sept. 27.

"Somebody is doing something today at Berkshire that you and I would be unhappy about if we knew of it. That's inevitable" at a company that employs more than 200,000 people, wrote Buffett, who has run Berkshire since 1965. "But we can have a huge effect in minimizing such activities by jumping on anything immediately when there is the slightest odour of impropriety."

According to the newswire, the US Securities and Exchange Commission's (SEC) inquiry into options manipulation at more than 100 companies is the largest probe of corporate wrongdoing since a mutual fund trading scandal three years ago led to $4.3 billion in penalties. Buffett, the world's second-richest man after Microsoft Corp. founder Bill Gates, was an early advocate of options expensing rules.

In the memo, the report added, Buffett said he expects the number of companies involved in the backdating scandal to increase and his guess is that "a great many of the people involved would not have behaved in the manner they did except for the fact that they felt others were doing so as well."

"Every time you hear the phrase 'Everybody else is doing it' it should raise a huge red flag," Buffett told his senior managers. "Why would somebody offer such a rationale for an act if there were a good reason available?"

The report said that at least 140 US companies, including Apple Computer Inc. and Barnes & Noble Inc., have disclosed internal or federal investigations into whether they retroactively granted options to coincide with dates when the stock price was low, creating a built- in profit for the executives who received them.

As part of the most extensive overhaul of executive pay rules in 14 years, the SEC voted on July 26 to require companies to explain for the first time the value of their stock options and how they chose the grant dates. The new rules take effect in 2007.

Asyst Technologies Inc., whose products are used to make computer chips, said yesterday it will restate some results to account for $19 million in costs for misdated stock options. Parametric Technology Corp. said it will take $2.3 million in added costs to correct stock-options accounting, and Cheesecake Factory Inc. said a probe of its grants may cost it as much as $1.2 million in the third quarter.

India working on uniform accounting standards

India is working towards an international accounting standard which can be followed by all countries including the US, said T P Ghosh, director, Board of Studies, Institute of Chartered Accountants of India.

Business-Standard.com quotes him as saying: "There should be one uniform accounting standard. It is not just India but even other countries that have problems with the US' Generally Accepted Accounting Principles (GAAP). We are working towards establishing one uniform accounting standard."

Till now, the Institute of Chartered Accountants of India (ICAI) has taken a position towards International Financial Reporting Standards (IFRS) and not GAAP.

The need to have a uniform accounting standard arises from the fact that many of the capital markets in the world are globalised today. The New York Stock Exchange has 459 non-US companies and 17 per cent of the companies listed on the London Stock Exchange are foreign.

Changes would also have to be made to the current Indian accounting standards, said Ghosh. Accounting Standard 11, for instance, is not in accordance with IFRS and needs to be changed. "We will have to change it some day," he added.

The report said that Accounting Standard 15, which is ICAI's new accounting standard, too, poses problems for Indian companies. According to it, companies have to calculate retirement benefits in the form of gratuity, leave encashment benefit and pension for employees on the basis of the salary last drawn by them.

This is in variance with the present practice, wherein the gratuity and pension payable to employees is calculated on the basis of their current salaries, but the actual payment is made on the salary last drawn by employees.

MAS takes action against ex-CFO of AEM-Evertech

The Monetary Authority of Singapore (MAS) said recently that it has taken civil penalty enforcement action against Anthony Yeo Beng Kiat, the former chief financial officer of AEM-Evertech Holdings for contravening the insider trading provisions under the Securities and Futures Act (SFA), reports *The Business Times*.

The Singapore business daily said Yeo has admitted to civil penalty liability and will pay a civil penalty of $86,000 to MAS without court action. The action taken against Yeo was in relation to his sale of AEM-Evertech shares while he was in possession of non-public price sensitive information.

Singapore main-board listed AEM-Evertech had announced on Feb 29, 2004 that its net profit for the second half of 2003 had fallen because of lower gross margin and higher foreign exchange losses of $1 million. Following the announcement, AEM-Evertech's share price closed 20 per cent lower at $0.305 from $0.38 the previous day.

According to the report, Yeo had on Feb 5, 2004, sold 300,000 AEM-Evertech shares while he was in possession of non-public price sensitive information concerning the financial results for 2003 obtained by virtue of his position at the company. As a result of the sale, Yeo avoided a loss totalling about $34,500.

The report quoted MAS as saying Yeo cooperated with the authority in the course of the investigations.

"AEM-Evertech designs and manufactures equipment and precision engineering products and provides engineering materials, chemicals and services to the semiconductor industry.

Insider trading provisions under the SFA prohibit a person who is in possession of material price sensitive information concerning a corporation from subscribing for, purchasing, selling or entering into an agreement to subscribe for, purchase or sell securities of that corporation.

"Other cases of individuals who have had to pay civil penalties to MAS for contravening insider trading provisions under the SFA this year include Goh Yu Ming, the former company secretary and group accountant of GK Goh Holdings, who paid a penalty of $130,500 and Frankie Quek Swee Heng of BreadTalk, who paid a penalty of $200,000," says the report.

MAS started using the civil penalty regime to deal with some types of market misconduct in 2004, as an alternative to the established criminal penalties. The civil route involves a lesser burden of evidence to prove misconduct. AT

Singapore's new rule to raise accountability

Directors walk a tightrope under the latest 'negative assurance' amendment to Singapore's listing rules for public companies, although it is not clear how stringently the courts will interpret the amendment, reports *Business Times*.

From Sept 1, Listing Rule 705 was amended to include a new sub-rule, stating that 'an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading'.

The newspaper reported that the directors are not expected to commission an audit of the financial statements, and two directors may sign the confirmation on behalf of the entire board, the sub-rule says.

The report quotes John Chin, partner and head of risk advisory services at Ernst & Young as saying: "Directors are being made more accountable for their stewardship of the businesses. Penalties and enforcement are real for undischarged responsibilities."

The report says even more than before, directors need to ensure the 'veracity of systems of internal controls', 'be familiar with the company's businesses and affairs', and 'enquire and ask right questions of management, internal auditors and external auditors', said Dilhan Pillay, partner in charge of the capital markets & corporate department at Wong Partnership.

He added that in the event that a financial statement turns out to be false, the directors can be sued under the Companies Act by the company, the shareholders or even by third parties. If the director is found to have breached fiduciary duties, he or she could face civil or criminal penalties, with potential imprisonment of up to a year.

As for what directors are obligated to do before signing the confirmation, 'the standard is an objective one', with 'reasonable care, skill and diligence required', Pillay said.

The report cited the following example: An independent director is expected to have some idea of the company's operations in order to question its financial statements. An executive director is expected to know a lot more, so the standard required is higher.

There has not been any ruling in the Singapore court on 'negative assurance' clauses, Pillay tells the newspaper. But he noted two cases that may illustrate the scope of a director's duty. The first is a case two years ago involving Vita Health Labs, which made a successful claim against a director found to be responsible for incorrect financial statements.

The Singapore Exchange (SGX) has said that the clause should not increase compliance costs, but directors' fees may go up, as they spend more time on each company, Pillay added. AT

China to create 10 big accounting firms

China aims to develop at least 10 accountancy firms capable of comprehensive, international standards of service within the next decade in order to reduce its reliance on foreign groups, reports UK-based *Financial Times*.

In what is certainly a significant announcement, the dream of making waves on the international accounting front was outlined in a draft policy paper released for industry comment by the Chinese Institute of Certified Public Accountants (CICPA).

Quoting CICPA secretary general Chen Yugui, the report says the move to create robust local accounting firms has the backing of the finance ministry. AT

Abdul Rahim delivering his speech

YB Dato' Dr. Awang launching the NAC 2006

NAC 2006
A Roaring Success

A full-house

One of the speakers gets the delegates to do some 'brain' exercise to stimulate creativity

The press conference after the opening ceremony

YB Dato' Dr. Awang (fourth from left) visits the MIA booth at the exhibition hall in KLCC

Accountants have a big responsibility to help realise Malaysia's dream of becoming a developed nation by the year 2020. The participation of accountants in this mission will eventually serve to nourish investors' trust, help generate sustainable growth and build confidence in the economy as they continue in their duties as financial gatekeepers.

Furthermore, accountants are well poised to understand Malaysia's aspiration for growth because, as financial guardians of organisations, they have always been concerned with maintaining and improving the financial health of an organisation to ensure stakeholders' satisfaction.

These remarks by MIA President Abdul Rahim Abdul Hamid set the tone for this year's National Accountants Conference (NAC), the flagship event of the Malaysian Institute of Accountants (MIA). The conference was held from 31 October 2006 to 1 November 2006 at the Kuala Lumpur Convention Centre. The theme was *Accountants: Generating Growth, Building Confidence*.

This year, the event marked another major milestone for the Institute as the NAC, which started modestly 21 years ago with fewer than 300 participants, had managed to attract the participation of 1,700 participants. This is a commendable achievement. Throughout the years, the NAC has emerged as a popular platform for disseminating and exchanging knowledge, expanding networks and raising the standards of the accounting profession in Malaysia. "I am told that participants at today's conference do not just come from the accounting fraternity, but the conference has also attracted professionals from various other professions and industries. This is certainly encouraging, as it demonstrates NAC's status as the premier event that provides accountants with perspectives and insights into the recent developments in business, finance, as well as technology,"

Message for Accountants

In his opening address, the MIA President, Abdul Rahim Abdul Hamid, said that the conference theme encapsulates the role of the accountant — showing that the profession is being practiced in changing circumstances against a backdrop of new opportunities and challenges.

With these developments, he said accountants should be constantly involved in capacity building exercises that would strengthen their competitive advantage.

He stressed that accountants must strive to meet public expectations. "There is a rising need for our members to meet this challenge as a way forward in raising our professional standing in society," Abdul Rahim said. "Being an accountant is serious business. And our profession does have a major impact on the society we live in. We have won the public trust not only through our expertise in finance, standards and professional conduct, but also for the values we stand for."

The opening ceremony of the NAC 2006 was officiated by YB Dato' Dr. Awang Adek Husin, Deputy Minister of Finance II.

In his speech, he commended MIA for successfully organising the NAC 2006 and urged accountants to uphold the probity of the financial affairs of the companies they work for. "The role of an accountant in ensuring corporate governance and ethical business practices has been greatly amplified in recent periods with increasing demand for transparency and corporate governance, particularly in the wake of several high-level financial scandals that were observed globally," he said.

As accountants provide the critical bridge between key stakeholders and the standard setters, he also urged the accounting profession to be more participative and to forge greater collaborative efforts with the standard setters, domestically and internationally. "These efforts should encompass assessment of issues relating to new standards and their applicability, implications and practical implementation of global financial reporting standards in the context of an emerging economy such as Malaysia," he said.

YB Dato' Dr. Awang also called for accountants to seriously embark on capacity building to meet the challenges of the knowledge economy, the effects of which are already being felt. "Today's businesses operate in an era where the environment is highly driven by advancements in communications and information technology, the ability to constantly innovate, where skills and intellectual capacity dictate failure and success and where the market will subject the players to the full rigours of market discipline and forces," he said.

MRA Signing Ceremony

Upon conclusion of the opening ceremony, a signing ceremony between MIA and Ikatan Akuntan Indonesia (IAI) took place at the same venue. The ceremony entailed the signing of a mutual recognition agreement (MRA) between the two institutes, providing for the mutual recognition of memberships.

MIA President Abdul Rahim said during his speech that with the signing of this MRA, eligible members of MIA and IAI will be able to apply for admission to the other body.

He added that this MRA was the first ever to be entered into between any two ASEAN national accountancy bodies. "MIA is proud together with IAI to have risen up to the task set by our respective Governments in the Bali Concord II during the ASEAN Summit in 2003 to work towards MRAs in major professional services by the year 2008," he said.

He added that the MRA was the fruit of almost two years of amicable deliberations between the two bodies in the common desire of promoting bilateral cooperation and that the MRA should be viewed as a positive step in enhancing the socio-economic growth of both countries.

IAI President Ahmadi Hadibroto, in his speech, said that "IAI is delighted to be signing the MRA with MIA which strengthens our already excellent relationship and which will benefit accountants and the wider profession in the future". He added that IAI would present the MRA to its members during its 10th National Congress from 21 to 23 November 2006. The signing ceremony was witnessed by YB Dato' Dr. Awang.

Exhibition

An exhibition was also held during the NAC 2006. A total of 52 exhibitors participated in the exhibition which was meant to showcase various products and solutions offered by them during the 2-day conference.

The Three Degrees

In the evening of the first day, the delegates were treated to a high-tea session, which was followed by a live-performance by The Three Degrees. They are remembered as the artistes who sang the song *When Will I See You Again* back in the 1970s. They put up a lively performance to entertain the delegates. Some of the delegate even ended up dancing to some of the catchy numbers that were sung by the group that night. All in all, the performance was a splendid way to end the day. AT

THE NEED FOR ACCOUNTING STANDARDS FOR Local Authorities

Nafsiah Mohamed, Ruhaya Atan and Sjofwina Horoen

One of the thrusts of the National Mission (2006-2020) is to strengthen institutional and implementation capacity. As highlighted in the Ninth Malaysia Plan, one of the ways to accomplish this is by improving the usage and cost-efficiency of public sector funds by upholding financial prudence as well as improving the monitoring of implementation.

The Federal government has proposed to implement the KPI System to monitor and measure the performance of the public sector delivery system. The question now is, how reliable can the KPI System for financial performance be, considering that the local authorities do not follow uniform accounting standards. The application of uniformity in accounting standards will enhance the accountability and transparency of the local authorities and make their financial reports more meaningful.

Overview of Accounting Standards

Accounting standards like the International Financial Reporting Standards are designed for the private sector. There are no accounting standards specifically for the public sector. The existing accounting standards in Malaysia do not mention that the standards are applicable to the public sector, specifically the local authorities, even though they adopt accrual based accounting. So, which accounting standards do local authorities follow?

The initiatives of the International Federation of Accountants (IFAC) led to the establishment of the International Public Sector Accounting Standards Board (IPSASB), the purpose of which is to develop high quality accounting standards for use by public sector entities around the world (IFAC, 2006). The public sector entities include federal, state and local governments.

To date IPSASB has issued 21 IPSASs, ranging from the Presentation of Financial Statements in IPSAS 1 to Impairment of Non-Cash Generating Assets in IPSAS 21. According to IFAC (2006), the adoption of IPSASs, together with disclosure of compliance with them, will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This will lead to better-informed assessments of the resource decisions made by governments, thus increasing transparency and accountability.

The Importance of Accounting Standards

Lately, local authorities have been bombarded with criticism from the government and the public. Issues ranging from housing and public safety to financial matters have been discussed up to the parliamentary level.

The Menteri Besar of Selangor, Datuk Seri Dr. Mohamad Khir Toyo, recently highlighted the seriousness of these issues. In his speech at a seminar recently, he announced six challenges that local authorities in Selangor needed to face (*Utusan Malaysia*, 11 June 2006). One of the challenges is to have an efficient financial management system in each local authority.

The efficiency of the financial management system depends on effective financial management and the quality and reliability of the financial reports prepared by the local authorities. Effective financial management includes access to relevant information, the use of that information to enhance management standards and assurance that the information is accurate, relevant and secure (Barrett, 2004).

The term quality refers to the financial information disclosed in the financial reports. Quality information refers to information that is complete, accurate, consistent and timely. In the absence of accounting standards for local authorities, there is inconsistency in the disclosure of information in the financial statements. Thus, comparisons between local authorities is not possible. In fact, there are local authorities that are inconsistent in providing information from one year to another in their financial statements.

It is difficult to assess how well a local authority is performing because there is no owner with an equity stake in the demanding or requiring measurement. There is no bottom-line or easily quantifiable outcomes that can be used as a benchmark. As a government agency, a local authority does not focus on profitability but rather on providing services for the well being of the community. Even the public communities assess the performance of their local authority by looking at whether they have been served to a satisfactory level. The public is not so much concerned whether the local authority has sufficient resources since they expect these resources to come from the government.

An analysis of the financial statements of 42 local authorities over four years (from 2001 to 2004) shows that 34.5 per cent of the time the local authorities incur deficits. In fact 11 of the local authorities incurred deficits for three or four consecutive years. So, what do deficits really mean to the local authorities? To an ordinary person, a deficit simply means the financial performance is not favourable.

Financial performance is very important, not just for profit making organisations but also for any type of organisation. Financial information can be easily accessible from annual reports. The financial information is useful in predicting the level of resources required for continued operation. These statements provide users with information indicating whether resources were obtained and used in accordance with the legally adopted budget.

Assessing financial performance is important in gauging how well a local authority is fulfilling its objectives, how efficiently their resources are allocated and how well the organisation is positioning itself financially. Any local authority is expected to control and manage its finances efficiently since financial support does not come entirely from the state or federal government. Sources of revenue are limited and many local authorities are still dependent on government grants (Mustapha, 2006). The government allocates limited financial resources to local authorities based on certain criteria such as the size of the area and population within the local authorities' jurisdiction. Local authorities should not depend too much on government grants and must find the means of increasing their

> "Lately, local authorities have been bombarded with criticism from the government and the public. Issues ranging from housing and public safety to financial matters have been discussed up to the parliamentary level."

> "Local authorities should not depend too much on government grants and must find the means of increasing their revenues. This could be a major problem for some of the local authorities if they are unable to create economic activities in their areas and generate their own revenues."

revenues. This could be a major problem for some of the local authorities if they are unable to create economic activities in their areas and generate their own revenues (Phang and Subramaniam, 2006). For some, their collection of arrears of revenue is also poor (Mustapha, 2006).

A further analysis showed that the disclosure of financial information is just meeting the minimum requirement of the *Local Government Act 1976*. The Act requires the local authority to prepare financial statements. However, it does not provide for specific requirements on the type of financial information to be disclosed, like in the Companies Act.

Even though the local authorities in Malaysia prepare their accounts on an accrual basis in accordance to standards issued by the Malaysian Accounting Standards Board, some of the local authorities do breach these standards. For example, long-term investment is treated as current assets. It is high time that the local authorities look into this matter very seriously.

Local authorities are accountable for the performance of their organisations. The stakeholders who are interested to know their performance include the Members of Parliament, the local authorities' council members, the community or the tax payers the local authorities are serving, the public at large as well as the mass media. In recent years the media have taken an active role in highlighting many issues that concern the public interest, which pressures the local authorities to be more accountable. The public does not get much information or explanations from their local authorities until some problem or issue crops up and receives media coverage. Because of this, people are becoming more vocal about their grouses over the services provided by their local authorities. They are also demanding clearer and greater accountability for the way the local authorities make decisions and use their tax money.

The annual financial reports of local authorities, which are audited by the Auditor-General's Department, are the means for the local authorities to show their accountability to their stakeholders. This is fulfilling public accountability as provided in Article 99 (4) of the Federal Constitution and Section 16 of the Financial Procedures Act 1957. However, not much information is made available in that report other than the audited financial statements. In addition, there have been a number of issues raised with regard to the published financial statements of the local authorities. Among them are the timeliness of issuing the report, preparation of accounts not following a common accounting standard for the public sector, and the poor quality of financial information reported that has led to some of them getting qualified audit reports (Engku Ismail, 2006: Ambrin, 2006; Emilin and Asmah, 2004; and Nafsiah and Ruhaya, 2006).

In order to enhance the quality and uniformity of financial and non-financial information reported, the local authorities need to have a common set of accounting standards. By having a proper set of accounting standards, the financial statements of local authorities will no more be based on a hotchpotch of accounting principles and practices.

Table 1 **Number of Local Authorities having Deficit and Surplus**

	2001	2002	2003	2004
Number of LA having deficit	9 (21.4%)	19 (45%)	19 (45%)	17 (40.5%)
Number of LA having surplus	33 (79.6%)	22 (55%)	23 (55%)	24 (59.5%)
Number of Local Authorities	42	42	42	42

Table 2 **Number of Local Authorities having Deficit by Category**

Categories of Local Authorities	2001	2002	2003	2004	n
City Council	0	1	1	0	3
Municipal Council	1	6	6	7	10
District Council	6	12	12	10	29
LA with deficit	9	19	19	17	42

Evidence from Research

Currently, there are 145 local authorities in Malaysia. They are made up of 10 city councils (CC), 33 municipal councils (MC) and 102 district councils (DC). An analysis was done on the financial statements of local authorities over four years from 2001 to 2004 with an emphasis on financial performance. Sixty-eight local authorities responded to the request for their annual financial reports. Financial reports from 42 of them are useable due to the availability of the reports for all the four years. The financial years selected are up to 2004 as the financial statements for 2005 have not yet been audited and made available to the public. The sample statements come from 3 City Councils (CC), 10 Municipal Councils (MC) and 29 District Councils (DC).

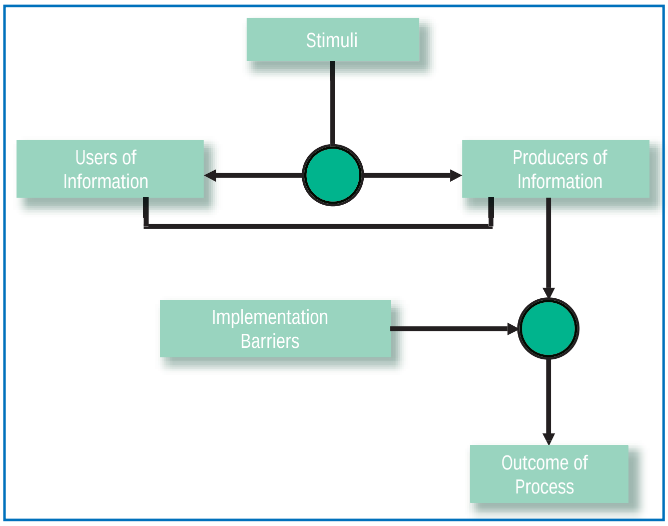
The descriptive analysis shows the number of local authorities with surplus or deficit of revenues over expenditures. Out of the sample of 42 local authorities for the period of four years, only 11 (26 per cent) did not have a deficit in any of those years.

Table 1 shows that 79 per cent of them had surpluses in 2001 and only nine or 21 per cent suffered deficits. However, in 2002, the number increased by 111 per cent. From 2002 onwards, more than 40 per cent of the local authorities had deficits in three consecutive years.

The next analysis shows those with deficits according to the type of local authorities. Table 2 shows that every year, more than 50 per cent of all the local authorities having deficits were district councils. This shows that the district councils are more likely to have less revenue to sustain their expenses as compared to the municipal councils. The city councils are less likely to face deficits.

Even though there was an increase in the number of local authorities with deficits from 2001 to 2002 and 2003 – the number was reduced to 17 in 2004. A further analysis shows that the increase in those years were not actually for the same local authorities.

Figure 1 Contingency Model of Public Sector Accounting Innovations



Source: LŸder, K. G. (1992, p 109)

Public Sector Accounting Innovations

The financial statements of the local authorities do not focus on identifying how well they have fulfilled their objectives or to what extent the quality of life of the communities they serve has been improved. For that the local authorities are now starting to feel the pressure coming from the community (Barrett, 2004).

According to IFAC (2006), the adoption of the accounting standards will improve confidence in the quality and reliability of financial reporting. Thus it is important that initiatives towards the adoption of one single set of accounting standards be made as soon as possible. These initiatives must come from the producers of the financial reports. Nevertheless, it is not an easy task. According to LŸder (1992), the producers of the financial reports will only change (or improve the financial statements) when there is a strong stimulus for change and the willingness of the producers of information to make changes.

LŸder remarked that even though the countries studied by him showed that it is information that determines the appropriate accounting systems, environmental factors might also affect the possibility and speed of changing the existing accounting system. According to him, stimuli are events that occur at the initial stage of the innovation process. These events create a need for improved information on the part of the users of accounting information and increase the producers' readiness to supply such information.

The implementation barriers are environmental situations that prevent the implementation of the innovation process, thus hindering the creation of an improved accounting system that is in principle desirable.

LŸder explained that accounting system changes involve both the users and producers of governmental financial information. The external environment provides stimuli that might potentially jolt the systems into action. The users' change of expectations is necessary, but an insufficient condition for innovations. Producers must also change their behaviour and make a policy decision to change. For these efforts to succeed in overcoming the implementation barriers, they have to be sufficiently intense and sustained.

According to Chan (1994), LŸder's model shows that governmental accounting innovations have greater probability of occurring under 'favourable' conditions, which include:

1. The existence of at least one stimulus;
2. The presence of strong political competition;
3. The influence of private sector accounting on staff training;
4. The open administrative culture and high political competition; and
5. The non-existence of implementation barriers.

Let us use the Contingency Model in the adoption of accounting standards in local authorities. In the absence of a stimulus, and no pressure from the users of information, the producers of information are not pressured to improve the accounting systems. In addition, the lack of accounting knowledge among the council members of the local authorities and staff acted as implementation barriers to accounting reform.

In the current scenario, the users' expectations have changed. This is necessary for an innovation to take place but still insufficient as the stimulus for change is not there or, if the stimulus exists, it is not strong enough to make the producers of information change.

Based on LŸder's Contingency Model, for an innovation to materialise, strong political influence is required. Thus, the adoption of a common accounting standard for local authorities would only become a reality if the Federal Government and relevant authorities demonstrate commitment and put pressure on the producers of information.

At the same time, the implementation barriers need to be overcome; otherwise the process of change would be delayed. In this context, the implementation barriers are resources needed to develop the accounting standards for the local authorities. The Federal Government might not have the resources to develop the standards. In order to speed up the change it is recommended that the Federal Government work hand in hand with the Malaysian Institute of Accountants, the Malaysian Accounting Standards Board, the Accountant-General's Office, the Ministry of Finance, the Ministry of Housing and Local Government, the state governments and the local authorities.

Conclusion

The adoption of a common set of accounting standards should be the main agenda for all local authorities. The process of change has taken too long. IFAC believes that the adoption of accounting standards would produce more reliable and better quality financial reports and make users more informed on the operations of the public sector entities.

The change that would take place would enhance the accountability and transparency of the financial reports. Transparency of management decisions in the public sector is a recipe for better corporate governance. Thus, we propose that a special board or body be established to spearhead the efforts towards developing Malaysian Public Sector Accounting Standards (MaPSAS). AT

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ACCOUNTANTS CAN EFFECTIVELY ASSIST IN RESOLVING Business Disputes

Goh Joon Hai

As Malaysians become better educated and enlightened, more and more are turning to the civil courts to settle their business disputes instead of resorting to the more unorthodox methods common in gangland. As a result, and with the complexity of modern commerce including cross border trade, business disputes are common and the courts are now clogged with huge backlogs of pending cases. Indeed, the situation has become so acute that the Chief Justice of Malaysia, Tun Ahmad Fairuz Sheikh Abdul Halim, has directed that all cases filed in and prior to 2000 should be resolved by June 2004. Unfortunately, many pre-2000 cases are still pending in the courts today. The Chief Justice has now proposed to rope in retired judges to clear pending and newly registered cases in the High Courts.

NST 24 August 2006

Alternate Dispute Resolution Methods Gaining Acceptance

A backlog of cases in the courts are common in many developing countries, and Malaysia is no exception. It appears that the adoption of the Alternate Dispute Resolution (ADR) method in the US, Canada, Australia, New Zealand and the UK has helped to reduce the backlog of cases in those countries. In fact, ADR methods like arbitration and mediation were introduced in the US in the 1970's with other countries following closely thereafter. Mediation was introduced in Singapore about 10 years ago, and this has helped to almost eliminate the backlog of cases. Mediation is now actively encouraged and widely accepted in Singapore as the alternate dispute resolution mechanism.[1]

Mediation as an ADR method was introduced in High Court 3 in Penang by Y.A. Datuk Su Geok Yiam as Court Annexed Mediation (CAM) in 2002/2004.[2] It is gaining popularity and acceptance.

Mediation in Malaysia is also actively promoted by the Bar Council of Malaysia. The Malaysian Mediation Centre (MMC) has under its wings about 101 accredited mediators practising from major centres throughout the country.

MMC conducts courses for those seeking accreditation. At present all the accredited mediators under MMC are lawyers. However, I know of at least one practising accredited mediator who is a dental surgeon.

At present there is no law regulating mediation and mediators. Anyone can act as a mediator if the disputing parties accept the individual. Mediation agreements are enforceable in the courts provided it is properly drawn up with sufficient clarity and certainty. In fact, it is preferable that the mediation agreement be drawn up by an advocate and solicitor. However, the mediator should prepare the "Heads of Agreement" for the parties to sign immediately after an agreement has been reached; otherwise the mediation may go to waste. In this, the mediator must ensure that there is sufficient clarity and certainty in the terms agreed.

Business Disputes Are About Money

Practically every business dispute is about money. As accountants are trained in accountancy and finance, they are well equipped to understand the financial issues involved and to help to quantify the sums involved. In the course of their training and work they are also exposed to the legal principles in commercial law. I have observed that there are many commercial disputes before the courts in which accounting concepts and principles and their applications are involved. Accountants have been asked to assist in these cases. Indeed, I have assisted in several such cases. Therefore, I am perplexed by the fact that few accountants are involved in ADR processes such as mediation. I strongly believe that accountants can effectively assist in the resolution of business disputes.

With the practice of public accountancy becoming multi-disciplined, mediation is no more than taxation or consultancy. Those who are involved with back duty cases may well regard their role as mediating between their clients on the one hand and the Inland Revenue Board on the other. A successful settlement of a tax dispute is just like a successful mediation in a business dispute. The only difference is that the accountant is paid by the taxpayer only in a back duty case, whereas he is paid by both disputants in the case of mediation.

Many accountants in Canada and the US are actively involved in mediation services. Indeed, many have given up other services and chosen to specialise in mediation alone. They even offer their services to members in the legal and accounting professions. Besides mediation they also practise in the areas of business valuation, arbitration and personal financial planning (for retirement?). Obviously, everyone knows that a lawyer or accountant in practice must one day retire and very often disputes arise at the point of retirement. Therefore, it is better to be prepared. Just as one doctor would need to see another doctor as a patient one of these days!

When and Where Accountants Can Assist

Everyone in business must eventually retire whether voluntarily or because nature dictates it and regardless of whether the business is carried on as a partnership or limited liability company. Very often the person retiring from the business entity would sell his or her interest to the remaining partner or partners. If the business entity is a public-listed company the retiring partner may sell his or her interest in the open market. But this is perhaps unwise and should be avoided, as it may be disruptive to the remaining partners unless legal restraints dictate otherwise.

In some cases, when cordiality and confidence among the partners evaporate over time, a parting of ways becomes inevitable and a necessity. Several of the successful family-owned businesses which are now listed on the local bourse, Bursa Malaysia, also cannot escape this fate. The second-generation successors are now embroiled in acrimonious battles in the courts. Mediation should have been preferred.

In many of these cases valuation becomes the central issue. In all such cases mediation is highly recommended if a mutual agreement cannot be reached. Litigation should be avoided. I have seen in several cases that litigation parties went back to mediation after a long battle in court when the dispute was over valuation in the first place. I am now mediating in one of these cases.

Many have been surprised that many businesses carried on as partnerships do not have a written partnership agreement. These include accountancy and legal firms. Of course there is the Partnership Act, 1960 to fall back on. In many other instances the partnership agreements are not comprehensive enough and leave much room for dispute.

Where the business is carried on under a limited company incorporated under the Companies Act, 1965, the Memorandum and Articles of the company and provisions of the Companies Act, 1965, would govern the relationship between the shareholders and provide some broad basis for resolv-

1 *Non-Court Annexed Mediation in Singapore* by Loong Seng Onn, Executive Director, Singapore Mediation Centre, presented at **Asia Pacific Conference on Contemporary Trends In Mediation and Arbitration** held in Kuala Lumpur, 17-18 July 2006.

2 *Court-Annexed Mediation* by Y.A. Datuk Su Geok Yiam, Judge of the High Court of Malaya, Penang, read and presented by Ramsun Ho at the **Asia Pacific Conference on Contemporary Trends in Mediation and Arbitration** held in Kuala Lumpur, 17-18 July 2006.

ing any dispute that may arise. However, many businessmen do not understand or even care what is in these documents and the relevant provisions of the Act. Here the accountants are well placed to assist the businessmen to understand and appreciate what is best for them under the circumstances and guide their actions accordingly.

It should be remembered that a dispute could still arise in spite of all the best efforts made in the preparation of the partnership agreements and corporate constitutions. This is because it is not possible to anticipate the causes of conflict at the time when these documents are drawn up.

To many laymen the value of a business is reflected in the accounts prepared in accordance with generally accepted accounting principles and, in the case of Malaysia, approved accounting standards issued by the Malaysian Accounting Standards Board under the authority of the Financial Reporting Act, 1995.

I believe that all accountants would agree that this is not necessarily the case. First of all, most accounts are still being prepared based on historical cost convention. Current cost accounting is yet to be fully implemented. There are also such matters as deferred taxation, valuation of intangibles and off balance sheet items which need to be considered. One very important single item is the "goodwill" of the business, which is generally not reflected in the accounts.

Many businesses own land and buildings as part of their fixed assets. Most of these are normally carried in the balance sheet at historical cost less accumulated depreciation, commonly known as "book value". The market value may well be much higher than the book value. The market value may be independently established by a property valuer. However, I was very surprised to discover in a recent case I handled that two independent valuers in fact gave two valuations with a wide gap in between. The second valuation was two and a half times the first.

There is always the tax implication which is not well understood by businessmen. In the case of land and buildings as cited above, the question of "unrealised balancing charges" needs to be considered.

Some businesses may have owned lands and buildings as part of their operating assets as in the case of a manufacturing plant occupying acres of land which are suitable for conversion to housing land, and one of the partners (a substantial shareholder) wants to get out. Apart from valuation there are also such issues as uncertainty in conversion, conversion premium, income tax versus real property gains tax, with all the complexities to be considered

Therefore, accountants are ideally suited to mediate when disputes are over interpretation of accounts and valuation of businesses.

However, they need not confine themselves to these areas alone. They can also assist in resolving disputes involving the law of contracts as shown in my own experience as follows:

A medical doctor had purchased expensive equipment for his practice from a manufacturer who also provided leasing facility to finance the transaction.

Warranty was provided by the manufacturer.

The equipment malfunctioned.

The source of income from using the equipment was interrupted.

The doctor defaulted on leasing payments. The principal reason was that there was no income from the equipment which had malfunctioned.

The manufacturer sued for default and the doctor counterclaimed under warranty.

The dispute went to court.

I was asked to assist. ("Mediation" was not the term used then.)

After several meetings the manufacturer offered the doctor a new improved equipment at a higher price and higher leasing payments and waived all outstanding leasing payments due, including those in arrears.

The doctor accepted the offer.

The dispute was thus amicably settled.

Essential Ingredients in a Successful Mediation

The mediator should recognise as early as possible whether the essential ingredients are present in a successful mediation. These would include:

1. Parties are genuinely interested in resolving their dispute as early as possible.
2. Parties have confidence in the integrity and impartiality of the mediator.
3. Parties have objective grounds to sustain the claim on the one hand as well as objective grounds to refute the claim on the other hand.
4. Parties agree to and do in fact co-operate fully with the mediator.

The mediator should also be on the lookout for elements which would make mediation a waste of time and effort. These would include:

1. One of the parties denies liability. Early recourse to the court is preferred.
2. One of the parties attempts to use mediation to stall meeting its obligation.
3. Cases where a crime has been alleged and a police report has been lodged.

Conclusions

Based on the experience gained over the years, I strongly believe that the benefits of resolving business disputes through mediation are enormous, and accountants can play a useful and significant role in this. In my professional life of more than 30 years I have successfully mediated various business disputes. I have also:

- provided litigation support in legal proceedings
- appeared as an expert witness in court
- given expert opinion in court proceedings
- sued and have been sued in my professional capacity
- also sued in my personal capacity, and have been sued as well
- even successfully represented myself in court in a civil case

I have found **mediation** to be both **satisfying** and **rewarding**. My fellow accountants may wish to make a go for **mediation**. AT

Goh Joon Hai is the Managing Partner of Goh Joon Hai & Co. He has been an active member of MIA and served as a Council Member for many years.

Driving Performance WITH Business Rules

Patrick PC Ow

Business rules are explicit statements that regulate or direct how a business operates and how it is structured, describing the operations, definitions and constraints applied to an organisation in achieving its goals and objectives (or desired results) — a rule or directive that your business follows. Key Performance Indicators (KPIs) are financial and non-financial measures used to quantify corporate objectives (desired outcomes) to reflect the strategic performance of an organisation.

Foundations upon which KPIs strategically operate are the business rules. Business rules simply tell an organisation *what it can do* while corporate strategies tell organisations *how to do it* to be successful in obtaining its vision, goals and objectives (the *end*).

An analogy for the relationship between business rules and corporate strategies would be the relationship between a road map and a path along the map to reach a destination.

Because business rules drive organisational performance as measured by KPIs, we must design and implement business rules logic carefully, understanding the direct causal link to achieving the desired outcomes.

At its core, business rules implement the broader business policies. For example, a business policy such as "provide discounts to repeat customers" is further clarified by stating a more discrete, atomic business rule: "If a customer orders products totalling RM1,000 or more in any calendar year, then offer a 10 per cent discount on each non-sale product item."

Because business rules lurk behind functional requirements, it is easy to miss them. The challenge therefore is to develop and manage business rules logic so that the business and its processes behave and evolve as its management intends, according to its strategies and tactics, which are the course of action the organisation needs to take in order to achieve the desired result or performance.

Business rules usually consist of three parts:

1. **Facts** — Represent information about the real world. As an example, a retiree fact might be defined as:
   - Retirement age: 55.
   - Disabled when retired: False.
   - Final working salary: RM5,000.
2. **Rules** — Define conditions in terms of facts and call actions. Conditions are arbitrarily complicated Boolean expressions involving facts. In this case rules that compute a retiree's pension might be:
   - If (retired at or after 55) then return the final working salary as the pension amount.
   - If (retired before 55) then return 80 per cent of the final working salary as the pension amount.
3. **Actions** — Execute rule actions when rule conditions evaluate to true. Some types of actions are:
   - *Return Result* — In the example above, pension amount is the return result.
   - *Method Call* — Issue alerts, send e-mail or update databases/system. This is relevant for systems functionalities.
   - *Fact Creation* — The result of a rule might be to create a new fact. For example:
     - If <GPA greater than 3.8> or <SAT greater than 1400> or <in top 5% of class> then create fact (<scholarship eligible>).
     - If <scholarship eligible> and <assistance request> then <grant assistance request>.

Articulate business rules by a simple IF-THEN statement where:

- "If part" is considered as the condition part of the rule;
- "Then part" is considered as the action part of the rule; and
- Execute the action when the condition evaluates to true.

Develop a rules table from a combination of rules. For example, one business rule for each outcome situation:

- A credit check must be performed for a customer if the order total is between RM800 and RM1,000 or if the order total is more than RM1,000 and a waiver has not been authorised.
- A credit check must not be performed for a customer if the order total is less then RM800 or if the order total is more than RM1,000 and a waiver has been authorised.

The rules table that enumerates all possible outcomes and the combinations for each outcome:

	A credit check must be performed for a customer		A credit check must not be performed for a customer	
Order Total	Between RM800 and RM1,000	More than RM1,000	Less than RM800	More than RM1,000
Waiver has been authorised	—	No	—	Yes

Categories of business rules are as follows:

- *Regulation and constraints* — Parts of laws implemented using rules (constraints, validation) and processes (mandatory procedures).
- *Pricing and billing* — Rules describe pricing policies that depend on customer profiles or promotional campaigns.
- *Quality of service* — Rules check for performance, service defects, or propose workarounds, etc in line with agreed service level.
- *Events* — Rules describe how the organisation should react to events (coming from various sources) and to the correlation of events and occurrences of events within time patterns.
- *Process flow* — Rules describe routing decisions, participant assignment policies (e.g. If the process is late, then assign it to the most experienced person).

Using a fictitious car rental company called MyCarRental as an example, the topology to illustrate this is shown in Table 1.

The *end* (desired results) is something MyCarRental seeks to commercially accomplish for its stakeholders, whereas the *means* represent organisational and individual capabilities (some device, capability, technique or method) that are called upon, activated or enforced to achieve the *end*.

MyCarRental's *vision* and *mission* respectively are to "be the car rental brand of choice for business users in the countries in which we operate" and to "provide car rental services across Asia Pacific for both business and personal customers."

The *vision* describes the future state of the organisation (the *end*), without regard to how it is to be achieved, whereas *mission* indicates the on-going operational activity of the organisation that describes what the business is or will be doing on a day-to-day basis (the *means*). *Mission* makes the *vision* operative, and is planned and executed by way of long-term *strategies* and detailed short-term *tactics*.

The *course of action* (consisting of both *strategies* and *tactics*) is an approach or plan for configuring some aspect of the organisation involving things, processes, people, or timing undertaken to achieve the *desired results* or organisational performance, which is the end state or target that the organisation intends to maintain or sustain.

To help ensure success, *course of action*

(a) is governed by *directives* (consisting of both *business policy* and *business rules*); and

(b) channels efforts towards the *desired result* (consisting of both *goal* and *objective*). Specifically, a *directive* (e.g. *business rules*) defines, or constrains, or liberates some aspect of the organisation.

Strategies are a component of the long-term plan for MyCarRental's *mission*. It represents the essential *course of action* to achieve the *end* or long-term *goals*.

One *strategy* for MyCarRental is to "operate nation-wide in each country of operation, focusing on major airports, competing head-to-head, on-airport, with other premium car rental companies."

A *goal* generally amplifies a *vision*, focused enough that it is quantified by *objectives*. *Objectives* are statements of an attainable, time-targeted, and measurable target that the organisation seeks to meet in order to achieve its *goals*.

A *goal* tends to be longer term, qualitative, general and on going, whereas an *objective* tends to be short term, qualitative, specific and not continuing beyond its timeframe and by definition will have measures. If a measure is particularly important, it may attain a special status and be called a KPI.

The *goal* and *objective* for MyCarRental is "to provide well maintained cars" and that "during 4th Quarter of current year, 98 per cent of customers who ask to rent a car get one."

In most organisations, measures govern, control, and influence a wide range of important aspects of the organisation. For the *goal* "to provide well maintained cars", the measure of performance could be the "quality of product".

Business policies are non-actionable *directive* whose purpose is to govern or guide the organisation. They provide the basis for *business rules* and govern business processes. *Business rules* provide specific, actionable guidance to implement *business policies*.

Table 1

	Capabilities — The Means		Accomplishments — The End
	Mission *To provide car rental service across Asia Pacific for both business and personal customers*		**Vision** (the Future State) *To be the car rental brand of choice for business users in the countries in which we operate*
	Course of Action	**Directives**	**Desired result**
Strategic Level	**Strategy** *To operate nationwide in each country of operation, focusing on major airports, competing head-to-head, on-airport, with other premium car rental companies*	**Business Policy** *Minimise depreciation*	**Goal** *To provide well maintained cars* [Determine Critical Success Factors (CSFs) to achieve the stated Goal/ Objectives. CSFs are the prerequisites and areas of dependency for a goal to be successful. A CSF could be "*quality control of cars.*"]
Operational/ Actionable Level	**Tactic** *Equalise the use of cars across rentals*	**Business Rule** *The car assigned to a rental must be, at the time of assignment, of the available cars in the requested car group, the one with the lowest mileage*	**Objective** *During 4th Quarter of current year, 98% of customers who ask to rent a car get one* [Use balanced and prioritised measures/ KPIs and targets to quantify performance and achievement of the Vision/ Goal/Objective. KPI's must be relevant to the CSF's and /or the objectives.]

Avoid *business policies* that exist merely to enable a *strategy* in a direct and trivial manner. For example, the *strategy* "encourage repeat business" with a *business policy* "repeat business should be encouraged" is trivial and does not need to be expressed.

Implement the *business policy* "rental payments must be guaranteed in advance" with a specific *business rule* for "a provisional charge for the estimated cost of the rental must be made against a valid credit card held by the renter before the car is handed over."

Business rules sharpen the business *tactics* because they make the *course of action* more concrete and actionable at the operational level.

Tactics generally implements the long-term *strategy*. For example, the *tactic* "call first-time customer personally" implements the *strategy* "increase repeat business". *Tactics* tend to be shorter term and narrower in scope.

Tactics also channel efforts towards operational *objectives*. For example, the *tactic* "ship products for free" channels efforts towards the *objective* "within six months, 10 per cent increase in product sales."

MyCarRental can develop a *tactic* to "equalise the use of cars across rentals" for its "minimise depreciation" *business policy*, by way of a *business rule* that "the car assigned to a rental must be, at the time of assignment, of the available cars in the requested car group, the one with the lowest mileage."

Any change of *business rule* will impact the *tactics* adopted. This in turn will affect the measurable *objectives* and the corresponding KPIs that measure these *objectives*.

Business rules do affect organisational performance directly and it is important to review *business rules* at the micro level to ensure that there is alignment throughout the organisation. Misalignment can cause dearly, affecting our customer service delivery.

Unfortunately, many organisations do not put much emphasis on *business rules* and have left *business rules* development to people who do not have the right skill sets — usually the IT folks implementing the system! AT

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Business Intelligence TOPS AGENDA AS Data Explodes

Nick Groves and Eduard Garcia

Business Intelligence will succeed only if it is properly integrated.

Business information has never been so important and valuable to the chief financial officer. This has been brought about in part by the dramatic surge in data requirements driven by legislation such as Sarbanes Oxley, Basel II and IFRS.

But legislation is not the only reason for businesses to get their data in order. The explosion of data volumes, demands for information and the proliferation of increasingly sophisticated vendor tools across organisations have all contributed. The recent focus on delivering strategy through integrated performance management techniques and bringing together financial and non-financial data across integrated planning, budgeting and reporting processes, has led many organisations to look at business intelligence (BI) and ask if it can help address some of these issues.

BI solutions aim to automate and rationalise these processes. Yet many implementations fail, or succeed only by incurring disproportionately high costs. Part of the problem is the way the solutions are executed. More often than not, the broader context of the challenges is not fully considered at the outset.

Not linked to value

One of the main issues is that the majority of today's BI efforts have no clear link to business value. As a result many BI systems become the preserve of a small number of specialised analysts within a department. To support decision-making, BI needs to be relevant to the major strategic issues in the business (in other words, linked to value drivers).

Technology — not business-led

Too many of today's BI efforts are undertaken as pure technology deployments. Often if there is not enough emphasis on the people and process aspects of BI, it cannot become embedded in the core business processes of an organisation. It then risks becoming an ancillary bolt-on used only by a few 'techies'.

No information control

The creation and management of important business information is at best an ad-hoc activity. Vital information on customers, products, suppliers and business geographies often exists in multiple locations, seldom tallies between different systems and is generally allowed to grow and evolve with no proactive management.

Data quality

The success of many BI projects is also often compromised by the poor quality of the data. While this is not a failing in the tool itself, it can be seen as a failure of the business to address key data management activities. Key processes and controls must be put in place to ensure that data are captured consistently and accurately at source.

So how can these issues be addressed at the outset of a BI project to deliver valuable business intelligence?

Link BI projects to value generation

BI projects must be selected and prioritised based on their explicit linkage to delivering value in an organisation. Too many BI projects are undertaken because the data exist, the tools exist and it is believed that doing the project will shed new light on some dark corner of the business. Projects should be undertaken because the outcomes will contribute directly to the generation of business value.

Balance focus on people, process and technology

The successful deployment and long-term adoption of a BI solution is dependent on it becoming an integral component of the business system architecture. This cannot be achieved by a technical team alone. The people and change aspect needs to be addressed, including the definition of roles and responsibilities for BI capability, development of training materials and embedding the system within the organisation's support processes.

Also, business processes supported by BI need to be addressed with a keen eye on the relevance of analysis. Just because a data store can scale to accommodate vast volumes of data it is unlikely that an obsession with detail will lead to improvement in cycle times.

Integrate with operational systems

For BI to continue maturing and evolving, it has to be embraced by a wider community of business users. Key to achieving this is for BI to become more real-time. This can only be achieved by formal integration with the major operational systems and reference data sources in a business.

"The recent focus on delivering strategy through integrated performance management techniques and bringing together financial and non-financial data across integrated planning, budgeting and reporting processes, has led many organisations to look at business intelligence (BI) and ask if it can help address some of these issues."

Improve data quality

BI systems rarely generate new information; instead they manipulate data from other sources. Hence their success or failure depends heavily upon data quality. Adequate resources need to be devoted upfront to designing the overall system so that the data are fed from the right sources. This avoids manual data manipulation and parallel data flows (for example, for statutory and management data) that could lead to reconciliation issues.

Information is repeatedly heralded as a major asset. Organisations that move away from applying the spreadsheet mindset and towards BI projects will reap the rewards. AT

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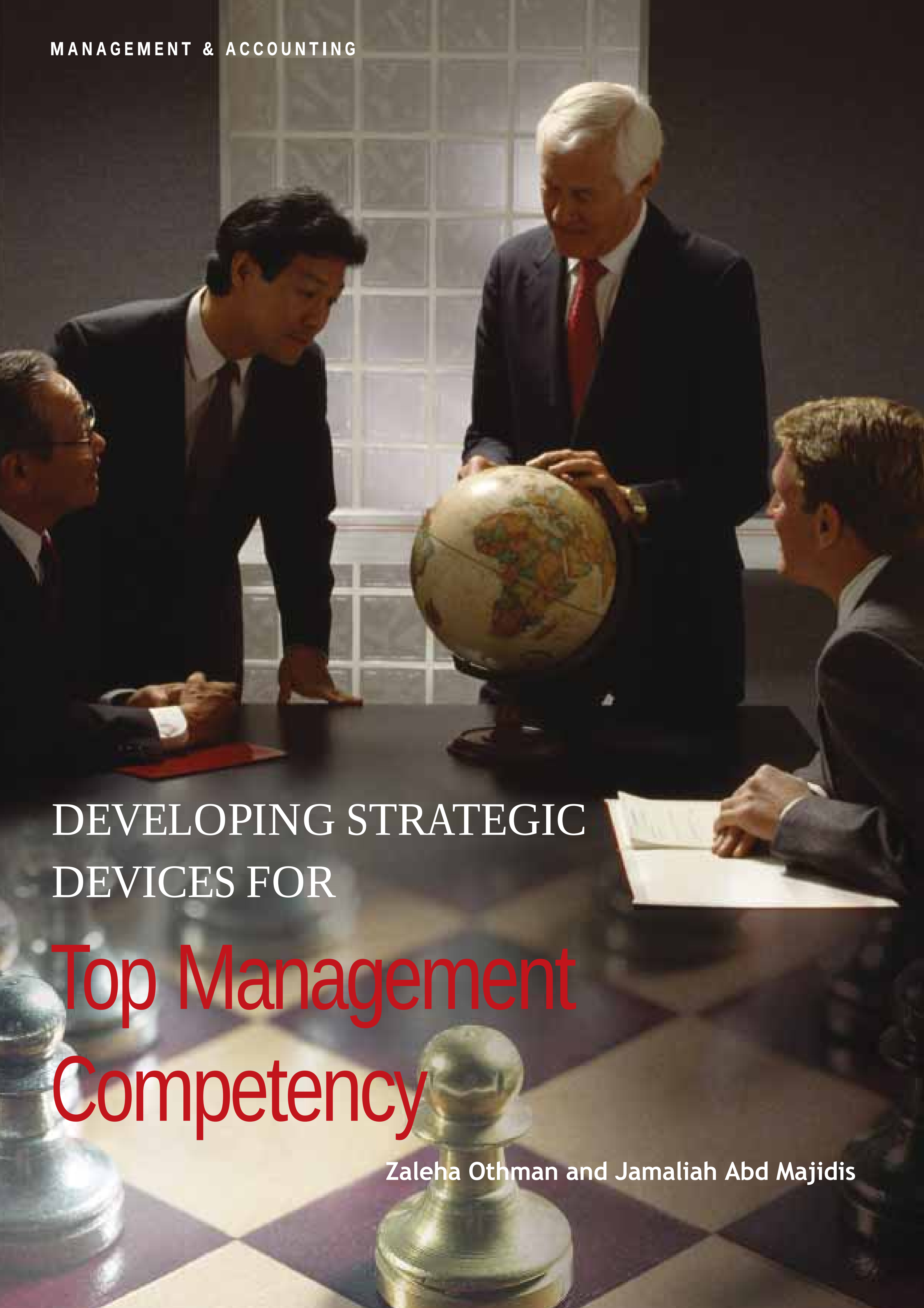
MANAGEMENT & ACCOUNTING



DEVELOPING STRATEGIC DEVICES FOR Top Management Competency

Zaleha Othman and Jamaliah Abd Majidis

Top management should take an aggressive role in producing good governance in a company. Good governance reflects the quality of top management, in particular, director competency. Several strategies need to be adhered to in order to improve or instil higher competency among top management. This article focuses on training as a device to develop top management competency. Attention is also given to various initiatives taken to instil top management competency through formal training. This article also highlights the constraints which prevent top management from attending training. The article concludes that training is essential and must benefit and yet not burden top management.

Organisations are divided into three layers of management: top managers, middle managers and first line managers. Each hierarchy has its division of responsibility. Overall, the top managers play an important role in controlling the whole organisation. Top managers are given the mandate to make decisions. However, the top manager's decision could either damage the organisation or guide it towards impressive strides in the profitability and growth of the organisation (Hold, 1993). In sum, good managers are the key element in producing better governance in an organisation. Therefore, top managers are expected to have knowledge and discipline in strategic planning in order to bring success to a company.

"… good managers are the key element in producing better governance in an organisation. Therefore, top managers are expected to have the knowledge and discipline in strategic planning in order to bring success to a company."

However, of late, there seems to have been a lot of criticism hurled at top managers. Many have commented that top managers do not play their part in managing their companies. Indeed, top managers have been blamed for organisational mishaps. Several critics say that top managers, especially directors, are vague as to their duties and responsibilities (Thomas, 1994). Studies have found that among the major reasons for many cases of corporate failures such as non-compliance or corruption are due to lack of awareness, limited understanding, ignorance and negligence among directors in conducting their duties and responsibilities (Brammall, 2001; Byrne, 2002; Zandstra, 2002; Nestor, 2004).

Thus, to curb the occurrence of these corporate failures, companies are advised to provide more exposure to their directors (Cohan, 2002). According to PRONED and the Stock Exchange study in the UK, one third of non-executive directors did not know much of their roles and responsibilities. One of the reasons is the directors lack of knowledge as to their duties and responsibilities (Thomas, 1994).

Training as a solution

Knowledge, especially the kind related to company law and regulations, are certainly vital for the directors of today's corporate world. The success of implementation of good governance comes with a knowledgeable board. Therefore, top managers are expected to update themselves with rules and regulations related to their companies. How can top managers improve their knowledge?

Mumford (1995) in his study discovered that some managers are expected to learn from experience (Mumford, 1995). However, several scholars suggest that educating top managers is the best solution for improving their skills and competence (Sargent, 1996; Mumford, 1995). The education could be in the form of participation in training or formal education (Mumford, 1995). Despite the suggestion, little has been written on training programmes for top managers and the benefits reaped from those programmes.

Initiatives on training

Among the countries that have initiated training for top managers are those that are members of the Commonwealth Association for Corporate Governance (CACG). CACG has initiated a five day programme to promote best practice among directors (*www.psoj.org/cor.gov*). CACG was established in 1998 to promote good standards in corporate governance and business practice and to facilitate the development of appropriate institutions which will be able to teach, advance and disseminate such standards[1].

A quite similar initiative has also been carried out in Malaysia. The Malaysian High Level Finance Report on Corporate Governance has recommended that training should be structured parallel to corporate governance matters (Seong and Kaur, 2004). Thus, for Malaysian directors, training is seen as a base for improving their

"… for the Malaysian directors, training is seen as a base to improve their compliance with rules and regulations *per se*. Simultaneously, training is expected to improve a director's skills and competence in order to promote healthy management."

1 Taken from *www.psoj.org/cor_gov.html*

compliance with rules and regulations *per se*. Simultaneously, training is expected to improve a director's skills and competence in order to promote healthy management.

The directors' training programmes in Malaysia are categorised into two groups. One group is designed for public-listed companies and the program is called Mandatory Accreditation Programme (MAP). In addition to improving directors' knowledge and understanding of recent developments in laws, regulations and business practices, MAP is also aimed at enhancing professionalism among directors (Seong and Kaur, 2004).

The second group is for non-public-listed companies. The program for this group is known as Corporate Directors Training Programme (CDTP) (Kaur, 2004). CDTP was established in April 2001 by the Minister of Domestic Trade and Consumer Affairs through the Companies Commission of Malaysia (CCM). It has been made compulsory for all non-public-listed companies via an official letter dated 27 September 2001 issued by the Registrar of CCM (Harun, 2001). It is anticipated that, after attending the programme, directors' compliance level would be greatly enhanced since the CDTP provides directors with basic understanding of the statutory laws and regulations and highlights common areas of non-compliance and the penalties involved. (Harun, 2002).

Benefits of the training programme

Several studies have described that benefits were gained by top management after going through training. Hendrik (1995), as cited in Zainal and Wahab, (2003) for example claimed that training for directors would lead to more productive and effective directors. Similarly, Mumford (1995) described training as being contributors to the development of management and directors that would gear towards improving performance.

Armstrong (2000) also believed that apart from participation in education, participation in training is a cornerstone to producing top quality service. Armstrong, the managing director of Disaster Restoration Limited (DRL) in the UK, is convinced that companies can provide the best service to their clients only after training their top managers. He said internal and external training would help to motivate directors to produce a higher standard of performance. Armstrong implemented this principle in his organization and found that training paid off. Vinten (2002), as cited in Zainal and Wahab (2003), said company directors who had undergone training knew better how to maintain quality and achieve company goals. Hence, it is vital for directors to participate in programs that would enhance their knowledge and awareness of releveant laws. Such a programme is the CDTP.

> "The nature of a business also plays an important factor in top managements decision to forgo training. In Malaysia, this is especially common for directors of family-owned companies... Top managers in this type of business are believed to gain knowledge through experience."

Training constraints

Although there are various claims on the benefits of directors' training programmes, directors themselves are somewhat reluctant to participate in training. Among the constraints cited by the directors are:

1. time as well as financial constraints, and
2. nature of their businesses.

Time and financial constraints

Various studies have found that the lack of directors' participation in training might be due to several factors such as time and financial constraints (Sargeant, 1996; Kippenberger, 1997). To be exact, Sargeant (1996) conducted a study of 400 small businesses in Devon, UK and found that entrepreneurs of these small and medium size companies were reluctant to participate in training as they were too occupied with business or the training is too costly or there was a lack of awareness on training.

Nature of business

The nature of a business also plays an important factor in top managements decision to forgo training. In Malaysia, this is especially common for directors of family-owned companies (Seong and Kaur, 2004). Top managers in this type of business are believed to gain knowledge through experience. Therefore, they believe that training is not important for them. This is because they learnt from their father at a young age. They believe knowledge acquired from experience is more valuable than formal training. Indeed, to some directors and managers, training is considered an insult (Seong and Kaur, 2004).

Conclusion

Overall, in Malaysia, there is an increasing number of training courses offered to top management. This is due to benefits reaped by top management after attending such training. Directors' training programmes are believed to produce directors who have the skills and knowledge to do their duties more efficiently. Thus, they are then regarded as assets to their businesses. However, in providing a training programme, great care must be exercised to ensure that the program itself does not become burdensome to the directors. AT

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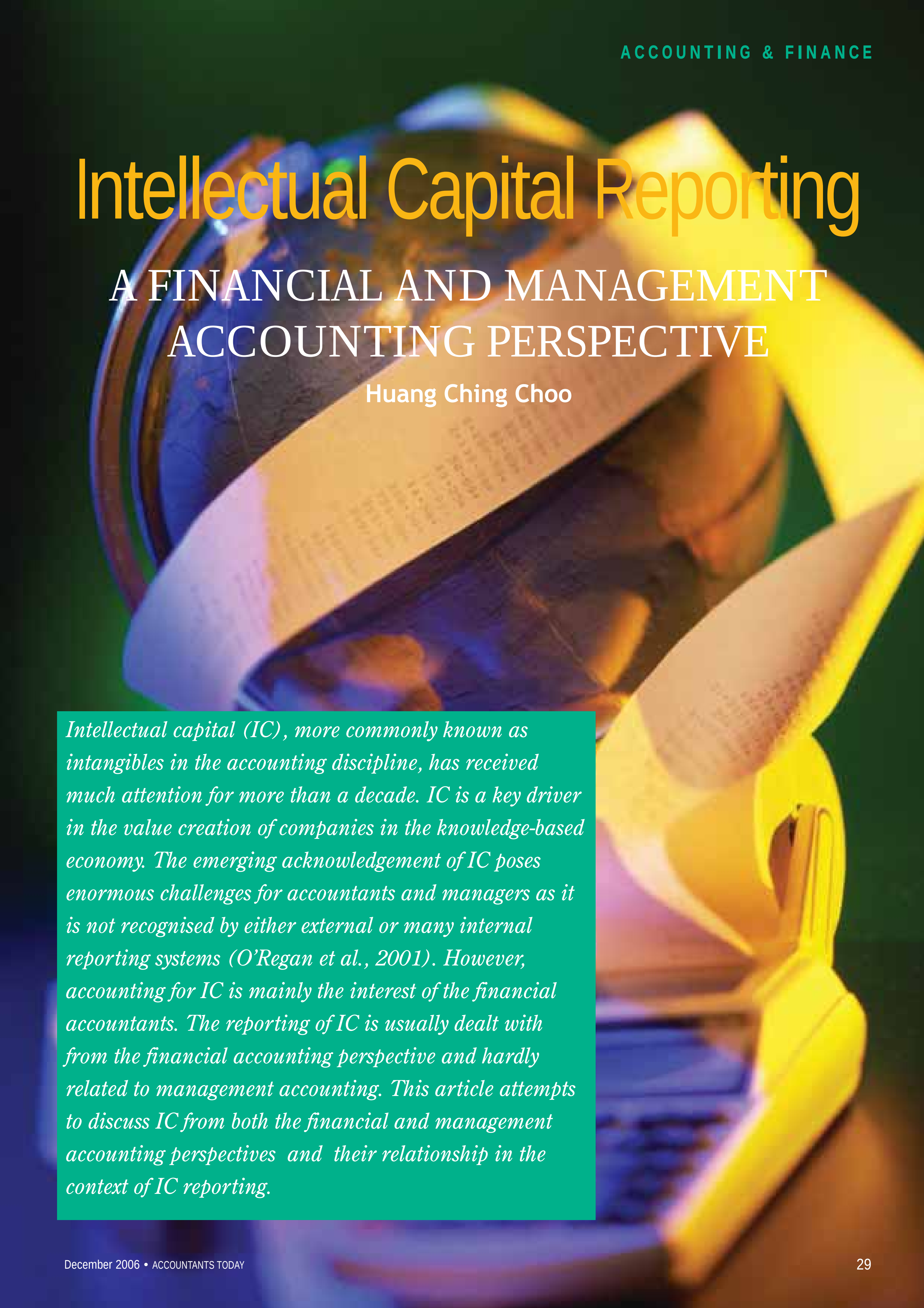

Intellectual Capital Reporting

A FINANCIAL AND MANAGEMENT ACCOUNTING PERSPECTIVE

Huang Ching Choo

Intellectual capital (IC), more commonly known as intangibles in the accounting discipline, has received much attention for more than a decade. IC is a key driver in the value creation of companies in the knowledge-based economy. The emerging acknowledgement of IC poses enormous challenges for accountants and managers as it is not recognised by either external or many internal reporting systems (O'Regan et al., 2001). However, accounting for IC is mainly the interest of the financial accountants. The reporting of IC is usually dealt with from the financial accounting perspective and hardly related to management accounting. This article attempts to discuss IC from both the financial and management accounting perspectives and their relationship in the context of IC reporting.

A New Challenge to Accountants

Generally speaking there is both a deficiency and an inconsistency in current reporting practices of corporations' IC (Abdolmohammadi *et al.*, 1999). Financial reporting is not keeping pace with the rapid growth of IC. The traditional financial accounting framework is criticised as being inadequate and failing to communicate the most important assets and resources (IC) of today's business.

Accounting information is essential for the decision making of various users. For instance, managers need timely and reliable information in order to carry out the budgeting process and implement control mechanisms. As IC becomes the key determinant of the value of companies, there is a need to manage IC efficiently and enhance management information on IC. Current financial accounting does not deliver information for future-oriented strategic management decisions on knowledge-based resources and intangibles. There is a need for information on IC determinants of the value of companies to help improve the decision making process of managers. Accountants should take up the challenge of measuring, reporting and monitoring IC.

The traditional financial accounting system and management control systems and techniques need to be reshaped to incorporate the IC perspective. Hope and Hope (1997: 89) state that the *way forward, at least in the short term, is for firms to take the necessary steps within their management accounting systems and provide much more information about the intangible assets voluntarily…. Managers can make considerable progress by adopting an internal measurement framework that monitors improvement.*

In response to the altered business environment some companies have changed the information and key performance indicators used to gauge performance and manage their operations. In a qualitative study on the management control of intangibles in three Swedish companies Johanson *et al.* (2001) found that indicators are continuously reported internally. The presence of these indicators indicates that firms have started reporting IC internally. On this foundation, the reporting of IC can be further enhanced and disclosed voluntarily for external users.

In the last decade, various new non-financial performance measurement frameworks focused on the value creation process have been designed. An example is the balanced scorecard of Kaplan and Norton (1992, 1993, 1996). Kaplan and Norton (2004) have drawn attention to the importance of measuring the true value of the organisation's intangible assets. The balanced scorecard comprising customer, innovation, efficiency and financial data is one approach which has been adopted by many companies for internal reporting purposes. The approach suggests 21 measures to capture the four key perspectives: financial, customer, internal business process and learning and growth. According to Fincham and Roslender (2003), one of the strengths of scorecards is that they offer a future oriented means of reporting on IC both internally and externally. Financial accountants can use scorecards to identify relevant IC indicators and expand them in narrative form for voluntary external reporting.

Accountants need to develop new insights into the performance of key business processes. Instead of showing results, they should make transparent how the results were achieved. Information about the goals, the activities and processes and their results is crucial in managing and controlling IC (Meer-Kooistra and Zijlstra, 2001). Accountants can apply their skills to create and integrate knowledge within the firms, to direct and control the knowledge transformation process and evaluation, and to report and audit the results of these processes on an ongoing basis (FMAC, 1998). The accountants will need to identify and classify components of IC and link them to the overall strategic goals of the firms and finally evaluate how they contribute to the IC of their firms in comparison with other firms.

Roles of Financial and Management Accounting

The functions of Financial Accounting and Management Accounting overlap, providing synergies, in various aspects. However, there is clear distinction between them in other areas. According to Drury (2000), they are different from the following aspects: legal requirement, focus on individual parts or segments of the business, generally accepted accounting principles, time dimension and report frequency. The contents of financial statements are highly regulated by accounting standards, which is of little use to business managers. Financial controllers have needed to act positively to ensure management data produced are not limited to the constraints that standardisation inevitably brought to Financial Accounting (Allen, 2002). At the moment management accountants may use one set of measures that gets converted into another set when reported externally (CIMA, 2002). Moreover, the increasing complexity of business has required customisation of management accounts.

Financial accounting reports past events while management accounting reports both historical facts as well as forward-looking information. Decisions are mainly concerned with future events. Hence, management accountants can incorporate IC into management information systems so that decision making processes are given the correct signage of the conditions ahead before a decision is arrived at.

Within companies, as managers become more aware of the role played by intangibles in generating profitable businesses, new demands are being imposed on management accounting to capture, measure and report IC value and performance. However, as Roslender and Fincham (2001) observe, there is very little empirical academic literature on how management accounting handles IC. The potential for an exponential impact on profit from investment in IC has been pointed out, however, and Tayles *et al.* (2002) have made the case for the potential role of Strategic Management Accounting to focus on the evaluation, appraisal, and measurement of IC as a development in internal reporting.

Relationship between Financial Accounting and Management Accounting

The impact of external reporting requirements upon management accounting systems may not be neutral and is likely to increase with trends towards increased disclosure (Jones, 1985). There is a strong relationship at the firm level between reporting and management tools. According to Eustace (2003), generally, management only would report externally on things about which they have confidence, and things they can predict and control. Disclosure will make sense in the context of the business strategy and operating plan. Internal IC reports can be used as a management tool and further developed into external reports excluding competitive-sensitive IC information. Management accountants should look into the development of IC management control systems. The information made available from the system will aid the financial accountants in developing the reporting framework for the external reporting of IC.

From a European perspective on the voluntary reporting of IC, Mouritsen *et al.* (2005: 70) states that: *IC reports are influenced by management accounting and are responses to the relevant loss of traditional accounting.*

Management and financial accountants need to work together to develop a framework for measuring the key indicators or elements of IC. It can then be further extended to the reporting of IC information internally and eventually delivering IC information that is relevant and credible to the external users. The collaboration of management and financial accountants is not to provide a value for IC but to provide non-financial information, which would improve the assessment of whether the firm's IC is heading in the right direction.

Besides, firms need to explore ways of reporting their strategies by focusing on information relevant to the users. Management accountants should develop strategies for creating value in a way that obtains credibility by the actors on capital markets. According to Meer-Kooistra and Zijlstra (2001), external reporting of IC requires an in-depth insight into the nature and components of IC and into its value to a company. Management accountants can help by producing more detail information on IC using tools available to them.

The IC statement is a management tool used internally in the firm and as a communication tool used to explain how the firm works to develop its knowledge resources to generate value (Mouritsen *et al.*, 2005). Developing this statement improves the internal understanding of which resources are important and how they can be combined and managed to create value. Internal managers are able to learn about their knowledge production and utilisation process from their IC Reports. The IC Report, according to Bornemann and Leitner (2002), represents a cornerstone for the improved management of the corporate knowledge base, providing a foundation for management intervention based on sound data. Besides being a strategic management tool, the IC report provides information which is useful in the decision making of managers and investors. As we know the reporting of IC is currently non comparable with the accounting system and it is difficult for reporting of IC to stand alone. Management accountants need to step in to enhance the reporting and management of IC.

Conclusion

Accountants are faced with new challenges in the knowledge-based economy. Traditional accounting-based information systems generally fail to provide adequate information on IC. Research indicates that these information failures cause serious private and social harms, such as excessive cost of capital to intangibles-intensive enterprises, hindering their investment and growth; abnormal high volatility of stock prices, causing undue losses to investors and misallocation of resources in capital markets; systematic biases in managerial decisions and excessive trading gains to corporate insiders, eroding investors'confidence (Lev, 2003). The failure to identify, measure, and report the value of relevant IC components may lead managers to make business decisions without considering their effect on the value of IC. The ignorance of IC in decision-making may affect the future of a company because IC is elusive, fragile and usually hidden.

A company would need relevant information for decision making, in particular on its value creation process. Though recognising IC in the financial statements violates some principles of the present historical cost based financial accounting framework, the accounting profession cannot afford to delay further if it is to provide relevant information to users in the New Economy. More business information which is future oriented and forward looking, with the ability to predict the value of the firms, should be emphasised.

Information on IC needs to be reported internally as demand is growing for effective governance and management of IC. It is difficult to develop a robust external reporting framework for IC at this moment. However, some guidelines on voluntary internal reporting of IC information can improve the current IC information available to managers.

Management and financial accountants can work together to develop some key indicators of IC to be used for reporting IC internally, and expanding it after removing competitive-sensitive IC information to supplement external reporting. Finally, as stated by Fincham and Roslender (2003: vii):

Given IC's central role in the value creation activities of companies, there is a pressing need to ensure that the information that accountants make available in any business report includes appropriate details of a company's stock of IC.

Management accountants will be able to help in providing relevant information on IC, allowing the CEO and directors the benefit of making informed decisions in a timely manner. AT

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Sale and Leaseback

THE WAY FORWARD

Tan Hooi Beng

Of late, sale and leaseback transactions taking place in Malaysia are on the rise. Indicated below are the recent sale and leaseback deals involving Malaysian listed companies. The enormous monetary amount speaks for itself. Indeed, sale and leaseback is gaining popularity as an effective financing tool these days. This article discusses the basic concept and advantages of sale and leaseback followed by the tax implications.

Recent Deals

Entity selling and leasing back the property	Property	Purchase Price (RM million)
Advance Synergy	Three hotels in Alor Setar, Cherating and Langkawi	99.87
Seal Inc	Selayang Mall Shopping Centre	120
Aeon	Kinta City Shopping Centre	121
C.I. Holdings	Industrial leasehold land with buildings in Bandar Baru Bangi	23
SEG International	SEGi College, Subang Jaya and two commercial buildings in Serdang	48.319
AIC Corp	Leasehold land with offices and factories in Shah Alam	19
Silver Bird Group	Main manufacturing facility in Shah Alam	93.1 (indicative price, subject to valuation and agreement)
Tamadam Bonded Warehouse	Leasehold land with industrial ware	31 (indicative price, subject to valuation and agreement)

An Overview

Sales of real property

Acquirer/Lesser ⇄ Seller/Lessee

Lease /Letting out of real property

Basically, a sale and leaseback transaction involves two back-to-back deals, namely:

1. The owner of the property will sell the property to the buyer.
2. The buyer (lesser) will let out or leaseback the same property to the seller (lessee) for a long term, at least 15 to 20 years with renewal options.

The long-term lease is crucial so that the lessee can continue to do business using the same facility without disruptions. In reality, normally, the purchaser of the property will be a deep-pocket investor who buys the property with cash or some financing.

In negotiating a sale and leaseback arrangement, two important financing considerations must be duly considered, i.e. the sale price of the property and the rental rate and terms of the lease. Whilst the sale price will be ascertained normally at market value based on valuation by an independent professional valuer, the lease rate and the terms are broadly dependent on the following factors:

- The type of business carried out by the lessee.
- The financial credit/strength of the lessee.
- The location of the property.
- Lessor's funding costs.
- Estimated residual value of the property at the end of the lease.
- Tax benefits to be received by the lesser.
- The risk/reward ratio.

Under a typical sale and leaseback arrangement, either a "triple net lease" or "gross lease" will be used. The former will require the lessee/tenant to be responsible for paying all of the maintenance, quit rent and assessment, insurance and utilities associated with the property. The "triple net lease" is common on properties such as the ones used in retailing, but mostly where the tenant occupies the whole building. On the other hand, under the "gross lease", the property owner pays most if not all of the associated expenses and is common on industrial and warehouse buildings.

The Commercial Advantage

- *Freeing Up Capital* — When the seller disposes of his property, he will receive an amount of cash. This will free a huge sum of funds previously tied up in land and building. As such, the seller will be able to fund or expand his business operations with a view to reaping some handsome returns. Certainly, this is one of the investors' expectations, that is, for a company to improve its capital management and make the most of the available fund in an effective manner.
- *Concentration in Principal Business* — Is one ready to be jack of all trades and master of none? If not, a company with a core activity of manufacturing should concentrate on the business and not stretch its resources in doing other things like owning and managing real properties. This being the case, certainly a sale and leaseback transaction will enable a manufacturing concern to continue operating under the same facility without disruption even though it no longer owns the factory.
- *Minimal Business Disruptions* — Unlike outright disposal, the seller is still able to carry on his daily business operations in the same premise although he no longer legally owns the said premise.
- *An Indirect Way of Raising Funds* — By realising the market value of the property, the seller will obtain immediate cash to retire other debts, reinvest, expand and meet working capital requirements. This means the debt to equity ratio can be improved. Also, depreciation and interest costs can be reduced.

Tax Considerations

Stamp Duty

Stamp duty has to be considered when the acquirer buys the real property from the seller under a sale and leaseback arrangement. Stamp duty is imposed on instruments effecting transfer of properties. The instrument of transfer must be presented for stamping within 30 days of its execution. The stamp duty is to be borne by the acquirer. The transfer of property is chargeable to stamp duty at *ad valorem* rates. The stamp duty payable on the transfer of property (except for the sale of shares or stock) is as follows:

1. 1% on the first RM100,000
2. 2% on the next RM400,000
3. 3% of the transfer consideration or market value (whichever is higher) in excess of RM500,000 .

In addition, stamp duty must also be considered when the lessee enters into a lease agreement with the lesser. The quantum of stamp duty will depend on the lease period.

Real Property Gains Tax (RPGT)

The seller would be subject to RPGT on the gains from the disposal of the real property situated in Malaysia. The quantum of RPGT will depend on the length of ownership of the real property. The RPGT rates applicable to disposal of real properties by a company are as follows:

Category of disposal (for company)	Rate (%)
Disposal within 2 years	30
Disposal in the 3rd year	20
Disposal in the 4th year	15
Disposal in the 5th and subsequent years	5

Under the present RPGT law, the grant of a lease is the disposal of an asset for RPGT purposes, namely, the lease. Although the grant of a lease is considered a disposal of an asset, where a lease is granted for a full rent, there will be no RPGT consequences as there is no consideration for disposal, i.e. no premium involved.

Income tax

When the lesser leases the property to the lessee, the former will receive rental income which is subject to income tax. The issue here is whether the rental income is to be assessed as a non-business or business source. It benefits the lesser when rental is assessed as a business source given the availability of capital allowance, wider scope of tax deduction, etc.

The Way Forward

In light of the ever-challenging economy, cash and capital management is the key to sustaining business operations and competitiveness. Unlocking the value of real property may be one of the ways to improve cash flow given the various aforesaid advantages. In so doing, as always, tax implications have to be duly considered with a view to minimising tax in a legal way. AT

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LISTED IHCs REDEFINED
One Business or Three Businesses?

Dr. Choong Kwai Fatt

The Finance Act 2005 introduced a new provision (S 60FA) into the Income Tax Act 1967 on the tax treatment of a listed Investment Holding Company (IHC) to take effect from the Year of Assessment 2006. It provides preferential treatment for listed IHCs' sources of income to be treated as business sources. However, the issue of whether dividend income, interest income and rental income received by a listed IHC constitute a single business source or three separate business sources remains contentious among tax practitioners and tax authorities.

The Finance Act 2005[1] introduced a provision resulting in the redefinition of IHC as a company whose activities consist mainly of the holding of investment and not less than 80 per cent of its gross income other than gross income from a source consisting of a business of holding investment (whether exempt or not) is derived from there. The business of holding an investment is defined as the business of letting of property where a company in any Year of Assessment (YA) provides any maintenance or support services in respect of the property. It takes effect from YA 2006.

Significance of a business source or many business sources

'Source' is an important concept in the Act as income is computed on an individual source basis. Section 33 of the Act requires expenses that are incurred wholly and exclusively in the production of income of *that source* to be deducted from the gross income of *such source*. Apportionment of common expenses incurred by a company such as overhead expenses, utilities, directors' fees, salaries and allowances are required if there are more than one business source.

Likewise, capital allowances (CA) for common assets such as motor vehicles, office equipment, plant and machinery which are used in the businesses are also required to be apportioned among those businesses. The basis of apportionment remains the gross income basis according to the recent Court of Appeal decision in *Ketua Pengarah HDN v Daya Leasing Sdn Bhd*.[2]

Where revenue expenses are apportioned into several business sources, a current year loss is said to exist within a business source when revenue expenses exceed the gross income of such source. Such adjusted loss is deductible against the aggregate income of that YA by virtue of S 44(2) of the Act. Any unutilised business losses can be carried forward to the next YA, to be deducted from the statutory income of any business source, which may not be the same business source.[3]

However, the CA allocated to any business source is deductible against that particular business source only. Any unutilised CA must be carried forward to the next YA to be deducted from the *same* business source.[4]

The above is the general rule allowing the carrying forward of unabsorbed CA and business losses for business sources. The general rule is not available to a listed IHC even though its income may now be treated as a business source. According to S 60FA(3)(a)(ii) and S 60FA(3)(b) of the Act, any unutilised CA and business losses will be lost in that YA. In addition, it is prohibited to deduct adjusted loss of a source from the aggregate income of that YA.[5] In short, it is a loss within that business. These restrictions on deduction of adjusted loss and the carrying forward of unabsorbed CA and losses have a severe impact on listed IHCs, making the treatment of a single business or three businesses a pertinent tax dispute, affecting the quantum of income tax payable.

The law

Section 60FA(2) provides: *Where an investment holding company is a company resident for the basis year for a year of assessment and listed on the Bursa Malaysia in the basis period for that year of assessment, income of that investment holding company from the holding of investment in that basis period shall be treated as gross income of that investment holding company from a source or sources consisting of a business for that year of assessment.*

The phrase "source or sources consisting of a business" means that dividend income, interest income and rental income together constitute a single business. Similar observations can also be seen from CL12 of the Explanatory Statement of Finance Bill 2005. This is akin to the tax treatment of investment dealing companies where dividend, interest and rental income are regarded as a single business.

Source and business

'Source' and 'business' are two distinct concepts in the Act. A Sdn Bhd can have more than one business. A business, however, can have one or more sources of income. For example, a life insurance business has two sources of income, namely, life fund and shareholders' fund. Likewise, a Sdn Bhd can have two businesses such as manufacturing of instant noodles and trading in ice cream.

In *River Estates Sdn Bhd v DGIR*,[6] the High Court and Federal Court accepted the Special Commissioners analysis that one business can have three sources of income.

Lord Scarman reproduced the analysis on p. 1202: *Much thought was given by the courts below to the question whether one business could include several sources of income. The Special Commissioners decided that it could …., which they found to be one business with three sources of income …. The High Court and the Federal Court accepted this analysis.*

Relying on the legal principle enunciated in *River Estates*, it is concluded that a listed IHC has only one business with three sources of income, namely, dividend, interest and rental.

The landmark case of *River Estates*

In *River Estates*, the Privy Council held that a company could have more than one business. Whether a company is carrying on one or more businesses is a question of fact to be finally decided by the Special Commissioners. The test to decide whether two business activities constitute a single business was propounded by the eminent tax judge Rowlatt J in *Scales v George Thompson & Co Ltd*:[7]

Was there any inter-connection, any interlacing, any inter-dependence, any unity at all embracing those two businesses?

If two business activities are closely connected and inter-related, they are one business. In a listed IHC, the direction and management of the shares, bonds and landed properties are centralised at the directors and managers. The management of the three activities is closely connected and inseparable, within centralised control of the IHC operations. These, and the interchangeability of senior executives and staff on the management of shares, bonds and landed properties strongly suggest that there is only one business.

Parliamentary intention

Prior to YA 2006, an IHC, whether listed or not, has to treat dividend, interest and rental as investment income. This means they are treated as three separate sources of income assessable under Section 4(c) and Section 4(d) of the Act, and not under Section 4(a) as business income. A source under Section 4(a) as business income and a source under Section 4(c) and Section 4(d) as investment in-

1 Act 644/2005.
2 [2003-2005] AMTC 130.
3 The Act, S 43(2).
4 The Act, Sch 3, para 75.
5 The Act, S 60FA(3)(a).
6 [1979-1986] AMTC 1200.
7 13 TC 83.

come are entirely two different concepts. A business can have more than one source of income as affirmed in the Privy Council decision of *River Estates.* This Privy Council decision does not apply to investment income under Section 4(c) and Section 4(d). Investment income may only have three sources: dividend income, interest income and rental income. Further sub-division within each source of dividend, interest or rental income is not possible. Contrast this with a 'business', which can have one or more sources of income. In *Ketua Pengarah HDN* v *Multi Purpose Holdings Bhd*,[8] KC Vohrah J, who delivered the landmark decision, acknowledged that sub-division of source applied to business but not to investment. His lordship held:

It is business income that can be divided into two sources or more as affirmed in the Privy Council decision of *River Estates*.

His lordship held that an IHC deriving Section 4(c) and Section 4(d) income will have each of dividend, interest and rental income as a separate source. Each source has to be accounted for individually. Within a source such as dividend, no further sub-division into income and non-income producing source may be allowed.

Investment income assessed under Section 4(c) and Section 4(d) is not eligible for CA. Only common revenue expenses incurred in generating the various sources of investment income are apportioned into these three sources. Other general expenses are subject to the fraction of permitted expenses formula of A x B/4C as provided in the then Section 60F(1) of the Act.

The Government acknowledged the importance of listed IHCs as contributors to the national economic growth. The profits are distributed as dividend to shareholders who will further stimulate local consumption and productivity. The restriction on deduction of expenses using the statutory formula A x B/4C, non-availability of CA to a listed IHC, resulted in higher tax costs to the listed IHC.

The Government in the 2006 budget proposal provided a tax incentive to listed IHCs to spearhead the national economic growth. Section 60FA was enacted to give listed IHCs the preferential treatment of their income as deriving from a business source. Full deduction of revenue expenses is allowed to reduce the cost of doing business and increase tax efficiency.

Considering the Parliament's intention, dividend, interest and rental income should together constitute a single business source. The Parliament never intended to treat dividend, interest and rental as three separate business sources as they have been treated under investment income, which requires the apportionment of revenue expenses and CA. If dividend, interest and rental were treated as three separate business sources, more losses and unutilised CA would result in a YA. These results could not be the intention of the Parliament given the fact that the new legislation already has the provisions to prohibit the carrying forward of adjusted loss and CA of a business.

Further, into the provisions of the Act, gazette and orders relating to foreign fund management companies, operational headquarters, including those in the Income Tax Leasing Regulations 1986, the Parliament has inserted provisions to state that the business sources are separate and distinct. The absence of such provisions from Section 60FA lends support to the view that dividend, interest, and rental together form a single business source.

Rule of interpretation of tax statute

The recent Federal Court's decision in *Palm Oil Research and Development Board Malaysia v Premium Vegetable Oils Sdn Bhd*[9] held that in relation to tax statutes, the Parliament's intention must be strictly interpreted. Similarly, Gopal Sri Ram JCA in the Court of Appeal's decision of *Exxon Chemical (Malaysia) Sdn Bhd v Ketua Pengarah HDN*[10] held that such strict interpretation has to be construed against the revenue and not the taxpayer.

The clear words of S 60FA using "a source or sources consisting of a business" mean that listed IHCs have a single business with three sources. Even if there is ambiguity with regard to this provision, it must be construed in favour of the taxpayer as seen in the Supreme Court judgment of Gunn Chit Tuan in *National Land Finance Co-operative v DGIR*[11] where his lordship held:

There are ample authorities to show that courts have refused to adopt a construction of a taxing Act, which impose liability when doubt exists. In *Re Micklewait*,[12] it was held that a subject was not to be taxed without clear words. We realise that revenue from taxation is essential to enable the Government to administer the country and that the Courts should help in the collection of taxes whilst remaining fair to taxpayers. Nevertheless, we should remind ourselves of the principle of strict interpretation as stated by Rowlatt J in *Cape Brandy Syndicate v Inland Revenue Commissioners*[13] where Rowlatt J said:[14] In a taxing Act one has to look merely at what is clearly said. There is no room for any intendment. There is no equity about a tax. There is no presumption as to a tax. Nothing is to be read in, nothing is to be implied. One can only look fairly at the language used.

Postscript

In a recent dialogue between the Inland Revenue Board and tax professional bodies, the tax authorities gave their opinion that listed IHCs should treat dividend, interest or rental as three business sources instead of a single business source. Some form of business decision is thus required in the self-assessment computation. If the company feels that listed IHCs should treat the various sources of income as a single business, the following courses of action are available:

(a) Compute on a three-business source basis and submit an appeal letter to the tax authorities, disputing its own computation.
(b) Compute on a single-business basis and enclose a letter to the tax authorities disclosing the basis of computation relying on the legal principle of the decision in *River Estates*.

Conclusion

Tax disputes between taxpayers and tax authorities are always on uneven bearings. Tax authorities have the strength of time, manpower, and expertise to deal with taxpayers. Taxpayers are always constrained by time and have to bear the cost of employing tax consultants to argue for the tax treatment or appeal to the Special Commissioners.

With the greatest respect, it is hoped that tax authorities would re-examine their position and accept the single-business position for listed IHCs. The success of the self-assessment regime requires some form of certainty and the support of the tax authorities by adopting a fair stand in the name of national interest. AT

8 [1997-2002] AMTC 2308.
9 [2003-2005] AMTC 85.
10 [2003-2005] AMTC 371.
11 [1979-1996] AMTC 1565.
12 (1855) 11 Exch 452.
13 12 TC 358.
14 Ibid at p. 366.

Building Brands from Within

WHEN LEADERSHIP REALLY MATTERS

Hermawan Kartajaya

Recently, I watched the United 93 movie that tells the story of heroism. On September 11, the aircraft on the flight was one of four planes hijacked. It was the only one of the four planes that did not reach its intended target because the passengers fought back against the hijackers. Two other planes were crashed into the Twin Towers of the World Trade Centre in New York City. (The fourth was crashed into the Pentagon building.)

Speaking of September 11 and New York City, one name always comes to my mind. He is Rudy Giuliani, phenomenal former Mayor of New York City. Throughout his leadership from 1994 to 2001, this *TIME* Magazine's Man of the Year 2001 successfully led the rebranding of New York City.

Just look at the following numbers. Under his leadership, overall crime in New York City fell 65 per cent and murder was reduced by 70 per cent. He changed the city that had been known to be crime-ridden into one that was safe. The quality of life, too, improved, correspondingly increasing tourist visits to the city.

Giuliani said that a leader must be optimistic and have courage. An optimistic leader is not just more fun, as people also follow those who can offer hope, dreams and solutions to their problems.

On courage itself, Giuliani believes that this is not the absence of fear, but rather the presence of fear and of overcoming it. Fear can sometimes make someone reluctant to do something that he actually really wants to do. That is why courage is something you have to acquire.

He also told of his most difficult times during the 11 September 2001 tragedy. He was, however, able to face and overcome these because he has two core beliefs that helped him on what he called "the worst

day of my life." The first is his faith in God — the belief that a higher power exists and watches over us. The second is his belief that people living in freedom are better than people living in fear and oppression.

Giuliani communicated these principles and beliefs to all the people of New York City. He realised that he could not work alone and that without the support of the citizens all his efforts would be in vain. With everyone getting together to help, New York City underwent a rebranding process and could then relatively quickly recover after experiencing the disastrous September 11 tragedy.

So, what then is the lesson that can be taken from this?

If it is linked to building and marketing a brand, this effort must begin from the existing beliefs and vision of the leader of the company. That leader must have an attitude and character that "reflect" that brand itself, and can then inspire his employees to behave the same, so the brand can more easily be marketed to customers.

In his article entitled "Selling the Brand Inside" in *Harvard Business Review*, Colin Mitchell, senior partner and group planning director at Ogilvy & Mather New York, says that many companies frequently ignore internal marketing (marketing a brand to your own employees).

What is the result of this? These employees eventually come to treat lightly the expectations that have already been set by the company's ads — either because they do not understand what the ad has promised, or even because they do not believe in the brand and feel they have no connection with it.

With this lack of emotional connection, even worse again, an attitude of enmity towards the company may then appear. Every move to develop the brand will be met with criticism from within the company, only because the employees do not feel they have been involved.

On the other hand, employees who do believe in the company's brand will work harder and feel a sense of belonging. They will feel they are taking part in giving birth to the brand and that they own it, much like a mother feels towards her child.

Hence the leader must be the one responsible for communicating all the company's activities — including the building and marketing of brands — to employees. Employees must get the same impression they convey to customers in the commercial market. In this way, the brands developed will also become stronger, better loved, and have greater charisma. AT

Hermawan Kartajaya is the President of the World Marketing Association and founder and President of MarkPlus&Co (*www.markplusnco.com*), Asia's leading strategy consulting firm. Author of four books with Philip Kotler, he was named by Chartered Institute of Marketing, UK, as one of the "50 Gurus Who Have Shaped the Future of Marketing". Visit his blog at *www.hermawankartajaya.com*.

Activity-Based Management

FOR HIGHER EDUCATION INSTITUTIONS

Dr. Noor Azizi Ismail

There is widespread recognition that the world is now changing, and the higher education sector is one area facing unprecedented challenges.

The digital revolution is one development that would fundamentally change higher education institutions. For example, the development of the Internet creates enormous opportunities as well as challenges. There is also an increase in student enrolment and in student expectations for better outcomes from their education and for programmes that are tailored to the market needs. Increasing competition between education providers, i.e. public and private universities, nationally and internationally is another challenge for individual institutions and their management.

In response to this rapidly changing environment, higher education institutions need to take action to pursue the opportunities presented and responding positively to the challenges. For example, institutions of higher learning can take a new approach to the provision of information and communication technology (ICT), information delivery and the support of teaching and learning such as the E-Learning project that will enable them to achieve their strategic objectives. These efforts, however, will further contribute to the already high cost of higher education, which is not unusual since salaries, utilities and other operating costs will increase over time in a market economy. The rising cost of higher education and the recent cuts of government funding for public universities in Malaysia have demanded that the institutions become more cost effective. Public universities thus need to scrutinise to a greater degree their spending and demonstrate that resources are being used effectively and efficiently.

University leaders must strive to work on controlling costs while aggressively working to address faculty and administrative productivity. To achieve this, the universities need to find methodologies that can link the accounting data to the university's strategic plan as well as performance measures. As a first step in enhancing the quality of products/services and lowering cost, an institution needs to implement state-of-the-art cost management techniques such as activity-based costing (ABC) to accurately determine the cost of providing specific products/services. Moreover, university leaders should not view cost management as an accounting exercise but as a business tool that empowers them with the information and feedback necessary to meet their goals and track progress towards the attainment of their strategic agenda.

Rising to these challenges, several universities and colleges in developed countries such as the US, the UK and Australia have implemented activity-based management (ABM) as a decision support system that can accurately determine the true costs of many products and services. Alas, the ABC/M method is still new to organisations in Malaysia, especially the higher education sector. Therefore, this paper attempts to explain the limitations of traditional costing systems and then highlights the advantages of the ABC/M methodology for use within Malaysian higher education institutions.

"The rising cost of higher education and the recent cuts of government funding for public universities in Malaysia have demanded that the institutions become more cost effective."

Traditional Cost Management

Financial accounting information remains the primary source of management information in many organisations, including higher education institutions. However, as Johnson and Kaplan (1987, p. 1) observed, "today's management accounting information, driven by procedures and cycles of the organisation's financial reporting system, is too late, too aggregated and too distorted to be relevant for managers' planning and control decision". The reason is that traditional costing systems focus on managing costs by means of cost-based budgets, standards, and variances, established at the departmental or unit level. In such a system, many of the volume-sensitive cost drivers are attached to the overhead costs as an economical means of ensuring a proper match between revenues and expenses. This approach, however, tends to over or underestimate the costs of products/services based on misleading measures, thus resulting in erroneous decisions (Cokins, 1996).

Today, organisations including higher education institutions need to focus on processes/activities costs, as well as performance measurements for quality attributes such as customer satisfaction, reliability, cycle time, and productivity. The critical success factor of any organisation requires continuous involvement in managing all activities to ensure that a high-quality service is provided in the most efficient and effective manner. This means that using Generally Accepted Accounting Principles (GAAP) is not very useful in planning, managing, controlling and directing activities, because they do not provide information on how an activity is accomplished.

"Today, organisations including higher education institutions need to focus on processes/activities costs, as well as performance measurements for quality attributes such as customer satisfaction, reliability, cycle time, and productivity."

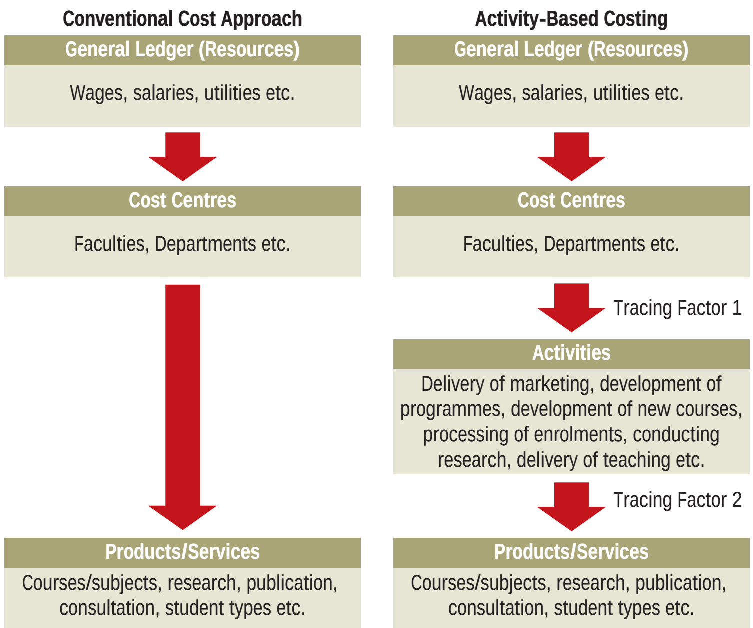
Activity-Based Costing/Management

There is a growing body of literature which argues that, compared with traditional costing systems, ABC offers important advantages to organisations. Despite the slow diffusion rate, the ABC method is now an accepted element of the accounting and control systems of industrial and service firms, and it has also been employed in both governmental and not-for-profit organisations.

Basically, ABC is a methodology that is designed to provide managers with more accurate product/service costs, clearer insights into what causes costs to exist and what drives costs and more relevant information for strategic decision-making. ABC information reflects the activities performed in the institution, the resources consumed, and the purpose of those activities. In other words, it provides a focus on activities not visible through traditional accounting. With this information, managers can make better decisions about "what happens in the business?", "who does what in the business?", and "what do activities cost?". This redesign process will lead to higher levels of productivity while either maintaining or decreasing costs.

ABM, on the other hand, refers to the use of ABC information to understand and to make beneficial changes in the way institutions do their business. It is a strategic tool that allows managers to: quantify the value of products/services; use a common language for base lining/bench-marking process; look at their activities with a process view; and choose courses of action based upon ABC information. Other management initiatives such as the balanced scorecard and performance management also draw upon the knowledge created by ABC. Indeed, strategic ABM information can provide vital financial/non-financial measures of performance to support the four perspectives, i.e. financial, customer, internal business processes and learning and growth view of the balanced scorecard project. In a nutshell, ABM is a discipline that focuses on the management of activities as the route to improving organisational performance and the value received by its customers.

Figure 1 How ABC/M Differs from Conventional Cost Approach



Comparing Traditional Cost Management to ABM

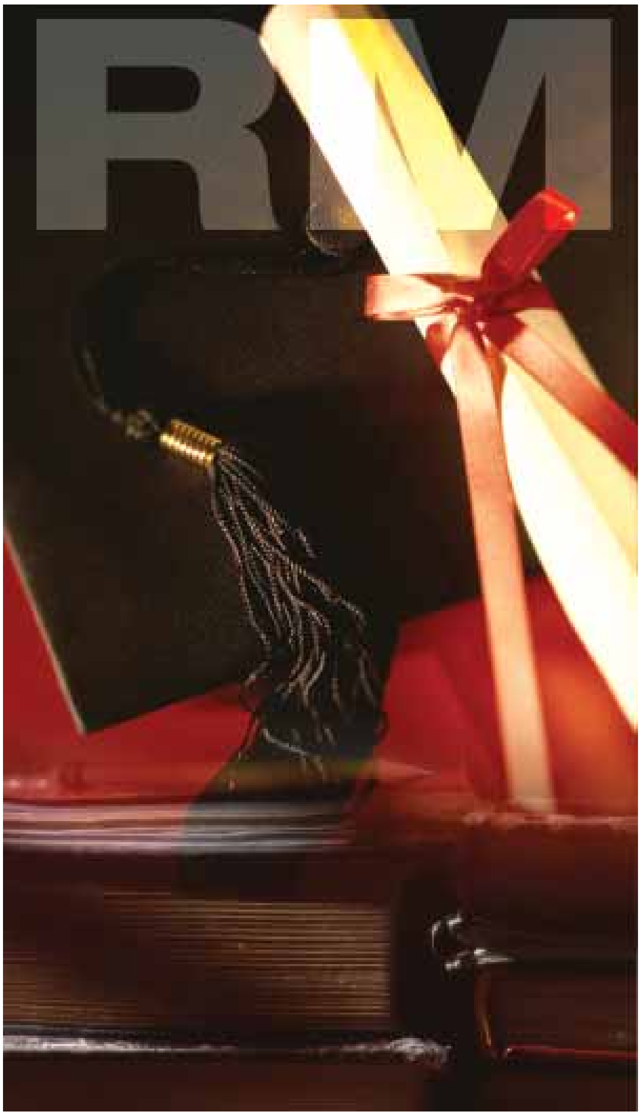
Traditional cost management systems often allocate overhead costs to services or departments primarily to distribute the overhead for financial reporting purposes. The systems allocate costs via a one-step process (i.e. costs directly to products, services or customers) using several simplistic allocation methods, which often produce inaccurate and thus misleading information. They fail to understand that the range of activities performed within an institution are what causes costs to exist and that each of these activities are driven by unique, as opposed to simplistic, characteristics. In contrast, the ABM system focuses on the activities performed to produce or service cost objects. The system assigns costs via a two-step process (i.e. tracing the department costs that have been grouped by cost element to activities that consume those costs, and then tracing the activity costs to specific products/services that consume those activities). This approach enables the activity analysis, identification of resources consumed by activities and resources to be managed by managing activities. The contrasting perspectives are illustrated in Figure 1 above.

How ABM can assist higher education institutions

According to Robertson *et al.* (1998), service organisations such as higher education institutions need costing systems to perform three primary functions: financial reporting for management and statutory purposes; understanding the costs of activities, products, services, channels and customers; and providing feedback and insights to management on what causes costs. Robertson *et al.* further argue that ABM appears to be the only tool that is currently able to deliver information to service sector organisations that satisfies the last two of these primary functions. It is able to achieve this through: determining an institution's major processes/activities; determining the activity cost/performance; determining the input/output measure; tracing the activity cost to various cost objects such as services, courses and students; and evaluating process/activity effectiveness and efficiency.

Public universities, like other public sectors, have a tradition of managing operations through budgetary control of cost centres, i.e. faculties/departments. Financial performance is measured by comparing actual and budgeted results, where most of the costs of a particular cost centre come from resources that have been committed in advance. This simple financial practice has led to university management not having accurate knowledge of the costs of the products/services that are provided or the costs of different student types enrolled. Simply having an accurate knowledge of how much each faculty/department within a university spends, by type of expenditure, is not sufficient, as it cannot reveal how much it costs to produce and deliver university products/services. With the ABM system, universities can gauge the amount of resources that are consumed by individual cost centres and customers, and by the activities and processes that deliver the products to customers. This process will identify the true costs of producing and delivering services to the university's customers.

Therefore, in light of the recent cuts in government funding and numerous other challenges facing the higher education sector, it is highly timely for Malaysian universities to have accurate and precise knowledge of all their costs. This requires accurate and timely cost information on all of the universities' activities. To achieve this, universities can employ the ABC methodology to link the costs of the products/services they provide, such as courses, research, publications and consultations, to the revenue they receive from these resources. It is through understanding this linkage and the relationship between customer type, pricing, resource allocation, capital expenditure etc., that a university can make strategic decisions regarding the student type it should target, the courses it should provide, the most suitable delivery method and the appropriate mix and allocation of resources required to achieve its strategic goals and objectives.



Results from several studies conducted in developed economies suggest that the ABC/M methodology can also be applied to the academic environment. For example, Gordon and Charles (1998) reported that several universities in the UK that have implemented ABC found the use of ABC accounting has helped them with tighter financial management and resource allocation. Ernst & Young, with the cooperation of several universities, has published the ABM methodology for use in Australian higher education institutions (Robertson *et al*., 1998). Granof *et al*. (2000) demonstrated how ABC could be used by universities and other governmental organisations to manage more effectively.

Implementation Approach

The ABM implementation can be divided into four stages. Stage I involves the identification of the project goals, scope and objectives, including the types of management decisions that are expected to be based on the results of this project. For example, a university may wish to cost: courses/subjects; student types; commercial activities and operations; and services. The costing activities stage is the second of four stages. This stage focuses on: defining the activities performed within the institution (e.g. undergraduate/graduate instructions, undergraduate/graduate academic advising, university/other funded research, academic support/administration, student service, marketing etc.); and gathering data that will enable costs (resources) from the general ledger to be attributed to activities via resource drivers (e.g. number of faculty members). Stage III is fully costing cost objects. This stage involves: performing a cost object analysis; and gathering activity driver information (e.g. number of students) to attribute activity costs to cost objects. The data collection methods for stages I, II, and III involve, among other things, surveys, interviews and workshops. Reporting is the final stage of the four stages and it involves the generation of costing reports such as activity cost report, activity unit cost report, course cost report and student cost report. Finally, to transform the paper model to a working model, the institutions should consider purchasing a specialised cost management software tool that possesses the functionality to import files from the general ledger and other data collection points. Other points to be considered are the availability of an OLAP (Online Analytical Processing) feature and its capability to integrate with third-party software, i.e. advanced statistical software tools.

Summary

The higher education sector will see a significant difference between the past and future trends. Changes will occur more frequently, more intensely, and in a more competitive, global environment. This requires universities to embark on more effective cost management systems that are flexible and timely and provide information critical to support their decisions and the ABC/M methodology is one alternative for universities to consider in trying to convert to competitive entities. AT

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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:

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

*** TERMS AND CONDITIONS APPLY**

APPOINTMENT

Dr. Christopher Heng (MIA 4418)

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Faculty of Online-Distance Learning

KURSK STATE TECHNICAL UNIVERSITY
ul. 50 let Oktyabrya, 94. Kursk, Russia 305040
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Online e-learning website:

www.ics-edu.com

MIA Johor Branch Office

The latest addition to MIA offices nationwide is the Johor Branch, which commenced operations on 1 January 2006. Its main objective is to cater to the increasing number of members in Johor. It will provide an avenue for the Johor members to direct their queries and make use of the various services the branch has to offer.

All MIA-CPE courses in Johor are now coordinated from the Johor Branch office. Therefore all registration forms and payments are channelled directly to the branch for much smoother and effective transactions.

Johor members now also have the option of paying their annual membership subscription at the branch office and have the branch issue the receipt to them immediately. The branch has also been equipped with the credit card facility, enabling members to make their various payments via this mode just by faxing over the respective credit card authorisation letter.

The branch has a small but growing resource centre. Members may visit the branch to read the books that are available there or request for the books to be photocopied (photocopying charges apply). For non-members a nominal fee is charged for accessing the resource centre. While visiting the branch, you can also choose to purchase MIA's souvenir items.

For Johor members who have yet to pay a visit to the branch office, you are welcome to do so. The branch operates between Monday to Friday from 8.45 am to 5.30 pm. MIA Johor hopes to further develop and grow in terms of its functionality to better serve its members. AT

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MIA e-CAREER

We refer to our circular No MF4/2006 dated 2 May 2006 sent to member firms on the above.

We are pleased to note that the level of interest shown among member firms in participating in the MIA e-CAREER has been very high. Hence, the Institute has decided to proceed with this project for the benefit of member firms.

The Institute would like to reiterate that the objective of MIA e-CAREER is to provide an avenue for employment of graduates from recognised universities, which are listed under the Accountants Act, 1967. We see our member firms as prospective employers. The project assists future graduates in securing jobs and encourages member firms to employ qualified graduates.

The process of the MIA e-CAREER for member firms is explained in brief:

Member firms will be required to access the Institute's website under *www.mia.org.my/e-CAREER*

↓

Member firms will use their firm usernames and passwords (which are already provided to the member firms by the Institute) to access the graduates' forms

↓

Member firms to contact the selected graduates on their own

This portal will be officially launched during the Accounting Students Conference (ASC) 2006 and will be available for member firms' usage from 1 December 2006.

Please take note that the number of graduates registering on the MIA e-CAREER web portal will depend on the graduation period of the respective universities. Because of this, the number of graduates in December 2006 may not be high. However, we anticipate that the number of graduates registering on the MIA e-CAREER will grow gradually.

This portal is offered to member firms on a complimentary basis for the time being and will be chargeable in the near future.

If you are unsure about your password, please send an e-mail to *password@mia.org.my* and we will revert to you in due course.

Should you require further information/ clarification on the above, please contact Thane Meyyappan or Tarana G. Ramchand at ext 306 and 226 respectively. AT

DO YOU *Really* NEED A Financial Planner?

Rajen Devadason

Why would a smart accountant like you need to hire a financial planner? Good question. Do you have a good answer? While you formulate one, here is my position on the subject.

For many Malaysian accountants, there's no justifiable reason to recruit the services of a financial planner.

My blunt, politically incorrect rationale is simple: Most accountants don't earn enough to justify the added expense of hiring a financial planner, particularly one who charges fees as opposed to one who derives her income solely from commissions earned on products sold.

Yet, there are accountants who do 'earn enough' — say more than RM150,000 a year — *and* are so busy doing their company's work they have no time to look into their own affairs.

Whether you fall into the first or second group, there's one thing that's undeniable: Everyone — meaning every normal adult, rich or poor — can benefit from implementing the financial planning process. This remains true even if not everyone can do so through the ministrations of a dedicated one-on-one planner.

Therefore, most people will need to implement the process on a D-I-Y basis. That isn't a bad thing.

After all, you will never meet a financial professional, be he or she an insurance agent, unit trust adviser, generic financial consultant or even a Securities Commission-licensed financial planner, who cares more about your finances than you do.

There's no reason to get shocked!

A Time for Deep Thoughts

It's a basic human characteristic. You'd be hard-pressed to find a doctor who is more concerned about your children's health than about his own kids' health. It's the same sort of thing.

That's why it's incumbent upon you to take the time to learn enough about the process of financial planning to be able to ask the right questions and figure out whether the person sitting across from you is a financial shark starving for a juicy meal or a true professional who cares about doing what is right for you in a spirit of high fiduciary responsibility.

How do you begin to teach yourself enough to be able to sense the difference? In my opinion, these 5 steps will help you think through this vital issue for yourself:

1. Clearly understand what financial planning is all about;
2. Take the time to think about what your life goals are;
3. Realise a complete financial plan must address three issues;
4. Get aggressive in raising your personal savings rate; and
5. Talk to several financial planners for additional insights.

Step 1: Clearly understand what financial planning is all about

The best-known definition of financial planning is the Certified Financial Planner Board of Standards', which you can check for yourself at *www.cfp.net*: "Financial planning is the process of meeting your life goals through the proper management of your finances."

A fast way to improve your understanding of this vital definition is to read and re-read that entire sentence aloud. (You might want to wait till you're alone before carrying out my suggestion.) With each new reading, emphasise a different word. Then jot down your thoughts on the subject as they come to you.

Step 2: Take the time to think about what your life goals are.

Do not let someone else tell you what your life goals ought to be. Those must flow from you.

If you aren't sure how to begin setting such goals, you're welcome to inspect my six favourite suggestions. However, please remember you mustn't take my word for it.

You may use this list as a starting point for your own ruminations on the subject but you alone should decide upon your personal list of life goals. As long as you're clear about that, here are my six suggestions to help get your goal-setting mental juices flowing:

1. Retirement funding;
2. Kids' tertiary education funding;
3. Specific career enhancement to align your work with your passions;
4. General wealth accumulation;
5. General health improvement; and
6. Fun, slightly outlandish long-term goals like travelling around the world on the QE2 or owning a Porsche, a Lamborghini or a Ferrari.

You may choose to link any of those suggested goals together to see if you come up with something uniquely personal. For instance, how might you couple my third and fifth suggestions? (For guidance in reducing your stress levels at work, while beginning to chart a course toward your own self-defined goal of improving work satisfaction, you're welcome to read my article *Stress & High Blood Pressure Control Via Goal-Setting and Personal Process Management* at *www.freecoolarticles.com/HighBloodPressureGS8.htm*

Step 3: Realise a complete financial plan must address three issues.

Those are wealth protection, wealth accumulation and wealth distribution.

The primary instrument for wealth protection is insurance. For most people, the main area of confusion is figuring out just how much is needed. To help you to work through the numbers yourself, read my online articles *How To Correctly View Life Insurance* (*www.freecoolarticles.com/FP6.htm*) and *How Much Life Insurance Do You Really Need?* (*www.freecoolarticles.com/FP7.htm*).

When it comes to wealth accumulation, remember the risk-reward relationship reigns supreme — most of the time — in the realms of saving and investing. In all likelihood, you are bombarded by financial professionals eager to tell you of the potential rewards of their latest offering; you don't need me to add to the list.

But if you want to grow in your understanding of the less emphasised element, risk, help yourself to my free one-month eCourse *Understanding Investment Risk & Profiting From It! (www.freecoolarticles.com/giftcentre.htm)*.

Also, because most serious investors are involved in unit trusts to some extent, you will benefit a lot from reading two articles written by my friend and two-time co-author Wong Boon Choy, CEO of MAAKL MUTUAL Bhd: *Successful Unit Trust Investing* and *Does Dollar Cost Averaging Work?* (My short answer to the question posed by the second title is an emphatic 'yes', but it would be best for you to read both pieces and make up your own mind. You may access them at www.maaklmutual.com.my).

Finally, the two main instruments used for wealth distribution are the will and the trust. Great companies that can be contacted for more information are BHLB Trustee Bhd, OSK Trustees Bhd and Rockwills Corporation Sdn Bhd.

One nuance Muslims need to be aware of is they may only use a will to distribute up to a maximum of one-third of their estate. The rest will have to be distributed in accordance with the section of Islamic law known as *Faraid*. More information on this can be found here: *https://app.faraid.gov.sg/syariah/faq-e.asp*

Muslims may also want to refer to Amanah Raya Bhd for specific guidance in this area.

Step 4: Get aggressive in raising your personal savings rate.

A high savings rate covers a multitude of (expense-related) sins! That's because those who are committed to 'paying themselves first' a sufficiently high proportion of their net income (after taxes, EPF and SOCSO) may then spend what's left with a clear conscience. Doing so accords stability and sanity to other areas of life – read my online article *The Psychological Strengths of a Saver* at *www.freecoolarticles.com/FP19.htm*

Step 5: Talk to several financial planners for additional insights.

While I've tried to make this article as comprehensive — and thus as useful as possible to you — I'm just a solo financial planner. There are many of us out there. So, do make time today to visit the site of the Financial Planning Association of Malaysia (FPAM) and to check out its CFP directory: *www.fpam.org.my/index.php?fuseaction=cfp.main*

Even if you feel you don't earn enough money, yet, to warrant hiring a financial planner, talking to several about their specific strengths will help you identify areas of your financial life you may immediately enhance through dedicated D-I-Y effort.

If you're rich enough, busy enough, and motivated enough to want to specifically hire a financial planner, then take – no, make – the time to build up a shortlist based on referrals and direct research. Remember to ensure that any person or company you're checking out is licensed by the Securities Commission in the realm of financial planning. This can be verified at *www.sc.com.my* under LICENSING.

You may also find it helpful to take careful note of some of the areas of possible questioning covered in my article *How to Choose a Financial Planner (www.freecoolarticles.com/FP17.htm)*.

Conclusion

Few personal journeys are as satisfying as coming to grips with the mentally and materially rewarding subject of financial planning. The payoff in terms of intellectual development and financial success can be enormous and can last a lifetime and beyond. I hope you enjoy the journey! AT

Rajen Devadason, CFP, is a speaker, author and independent consultant. He is the CEO of corporate mentoring consultancy RD WealthCreation Sdn Bhd, which helps companies increase profits by teaching their best people how to enhance their personal effectiveness. His internationally read, free electronic magazine *GET BETTER* can be subscribed to at no cost at *www.RajenDevadason. com*. Rajen welcomes feedback at *rajen@Rajen Devadason.com*.

Colourful lepa lining the waterfront

Semporna-Regatta Lepa

Janet Lo

Semporna is an hour by road from the third largest town in Sabah, Tawau. It is also the gateway to beautiful diving havens in Sabah such as Pulau Sipadan, Mabul Island, Mataking Island and Kapalai Island.

Residents of Semporna come to life and celebrate the water festival every April. This festival is organised to commemorate the use of the *lepa*, a single-mast sailing boat. The *lepa* is normally made of red seraya timber and is the pride of the Bajau Laut, the sea nomads. Colourful and dazzling *lepa* line the waterfront, where you are greeted by smiling dancers and musicians. Regatta Lepa is an annual event for the Sea Bajau to show off their beautifully decorated boats. The highlight of the day is when the most beautiful boat is chosen.

Many programmes are organised for the two-day celebration: a rowing competition, tug of war between boats, cultural dances, the strongest-man contest and various other games. This year the festival was celebrated on a national scale.

Dancer with beautiful bead-studded headgear and blouse.

Dancers and musicians in festive mood

Besides enjoying this colourful cultural happening, one can try the fresh seafood. Many restaurants here serve live fish like garupa, lobsters, clams and prawns. Singgamata is a floating restaurant built on shallow reefs.

So, remember to make a date with Semporna next April.

AT

Planning a Marketing Mix

Allen Turnbull

You may have heard the term marketing mix used in connection with marketing planning. In simple terms, marketing mix means the combination of promotions, products, places (distribution channels) and prices you choose for your business. Including both short-term and long-term strategies makes for a more profitable marketing mix.

The long-term strategies build brand or company awareness and give sales revenue a permanent, gradual boost. Short-term strategies, on the other hand, create a temporary, immediate revenue boost by giving buyers an incentive to purchase.

By implementing both long and short-term strategies, you can attend to immediate sales goals while building your business reputation and goodwill. Some examples of both types of strategies are given below.

Long-Term Strategies

Branding. General advertisements and other high profile activities contribute to your company's image. These points of contact with your target customer help mould your image, which in turn can create loyalty from your customers.

Philanthropy. Donating money, services, and/or time can build trust and a positive image for your business. Philanthropy contributes both toward your branding efforts and your company's internal well-being.

New Product Pipeline. New products in development represent your future sales. If you get feedback from your customers or potential target market then design new products (or change existing ones) to meet their needs, you are ensuring a demand for your products in the future.

Short-Term Strategies

Reduced Price Sales. Limited time sales encourage customers to act. You likely have customers intending to buy but have not "gotten around to it". Holding a sale will give them incentive to purchase.

Group Discounts and Offers. Discounts or other offers to a specific group can help expose your business to new customers, resulting in a sales surge.

Pay-Per-Click Search Engines. Pay per click search engines is another way to become visible to new customers. Use them carefully, however. Do not bid more per click than the profit you expect to make from that click.

Search Engine Roles in the Marketing Mix

High search engine placement can produce both short term and long term results. Short term, you can gain immediate sales. Long term, results come as potential business partners find your site.

Do not, however, become obsessed with search engine optimisation to the detriment of your other marketing strategies. Search engine marketing should be one part of a more comprehensive plan. Include other marketing strategies in your plan to reach additional customers.

I do not put a lot of time into search engine optimisation — two or three hours a month at the most. Instead, I focus on quality content, which in turn creates strong rankings for my site. This approach has gotten me results with Google — close to 1,000 visitors a week through their free search engine.

Create an Effective Marketing Mix

More ideas for creating an effective marketing mix should be your target marketing plan and Web promotion guide. AT

A New Look at Time Management

Davis Sharp

It's amazing the time pressure people must operate under today. Not only are fewer people being asked to produce more, but "conveniences" such as fax, overnight mail, three-minute microwavable meals and eyeglasses made in an hour add to time stress rather than reduce it. Even rock bands are speeding up old hits in their concerts! Most of us feel life's quickening pace.

Many who feel caught in time's pincers develop a ravenous hunger for any and all means to squeeze more productivity out of each available minute. Frequently they end up attending a time management seminar. These seminars hold the promise of finally, at last, once and for all, giving us the tools to control our own time.

After attending such a seminar and successfully implementing the tools given, most folks find it's not enough. They still don't have all the time they need to get everything done. After viewing this scenario again and again it must be said that time stress is often not caused by poor time management.

> "I have never yet talked to a man who wanted to save time who could tell me what he was going to do with the time he saved."
>
> **Will Rogers**

There seem to be two basic approaches to coming to terms with time. The more prevalent one – the don't-waste-a-minute school taught in most time management seminars – emphasises squeezing maximum productivity out of each second with better planning, list making, and high tech tools. A different approach will be more effective for many people, perhaps even for you.

Suppose you did just the opposite of the conventional approach to time management: reduced the volume of your activities and became less concerned about time in an effort to better see the big picture, reflect regularly and stay focused on what really matters in your job, your family and your life. Think of this as the don't-just-do-something school of time management.

What the first approach lacks is a means to keep the whole in constant view. Keeping the big picture in mind will allow us not to get so caught up in the numerous minutia of daily life that don't really matter. Conventional time management thinking involves ways to slot time, but not how to continually reassess all slots.

Maybe we're doing things that we don't really need to be doing! Ask yourself, "What am I actually supposed to be (want to be) doing? What is the best use of my time right now to help me do that?"

This does not mean that conventional time management techniques aren't useful. They are, especially at work. But the limit of their value is reached when the time-managed life becomes counterproductive. It's not that we can't organise our time more efficiently, and perhaps "save" a few minutes here and there. But what price do we pay for doing so? And more importantly, to what end are we saving time?

Will Rogers once said, "I have never yet talked to a man who wanted to save time who could tell me what he was going to do with the time he saved." Saving time is of little use if the time saved goes for more of the same (as it usually does). What's the point?

To free ourselves from the time crunch we're in we first need to revise our attitudes about time. Forgo the delusion that measuring time in precise units and squeezing the most out of those units will allow us better control. Rather than doing battle with time, we can learn to get it on our side and win its support. For example, review the day to come each morning not just in terms of its necessary tasks, but to make sure those tasks further our life as a whole.

> "To a degree greater than we may realise, time pressures come from within more than from without. How we respond to life's demands has as much to do with our attitudes as the demands themselves."

I spoke with one couple recently who always put time for each other on their calendars "because otherwise it gets invaded by all kinds of other stuff. If we don't set time aside for us and the things that are really important, it disappears on us." Doing this may sound contrived. But for many, scheduling time for themselves may be the only way to get any.

If we only put time with others on our calendars, that gives them de facto priority in our lives and claims on our time. Time becomes the enemy when we give too much of it away to others and lose track of our own needs in the process.

Over the past three years a number of my friends and acquaintances have suffered heart attacks. Fortunately, not all of them died. The survivors returned to good health. As a result, some of them began to look at their life very differently. They saw life in a different perspective, which caused them to make some changes.

After about six months one individual slipped back into his old way of life. He went back to attempting to manage time in the conventional way by stuffing more into each day. He suffered another near fatal heart attack. Since then he's vowed he's actually going to change his ways before it kills him.

Ask yourself this question: If I had only six months to live, would I be living my life the way I'm living it now? Most people answer no, they'd live their life differently.

I've asked this question of people in numerous workshops. When I ask them what's getting in the way of living their life differently, I've frequently heard the following explanations. Ask yourself if any of these are yours.

- I'm too busy to spend time thinking about how I really want to live my life.
- I'm too busy living for tomorrow (the upcoming vacation, planning for retirement or the children's college expenses, etc.).
- It's just not realistic! I've got a family to support, a mortgage to pay, Christmas presents to buy. I've got to live my life this way. I have no choice.

The last one is the toughest of all. If we believe we have "no choice" but to live our life in the time-crunch way we do now, then we're doomed to live the rest of our lives as we are now. Only if we believe we have a choice, and get up the courage to make that choice, do we have a real chance of getting control of our time and life.

To a degree greater than we may realise, time pressures come from within more than from without. How we respond to life's demands has as much to do with our attitudes as the demands themselves. This is not to suggest that today's time pressures are not real. They are. It's believing we have a choice in how to respond to them, and the courage to make those choices, that is the way out. AT

Malaysian and Indonesian Accountancy Bodies Sign Mutual Recognition Agreement

The Malaysian Institute of Accountants (MIA) and its Indonesian counterpart, Ikatan Akuntan Indonesia (IAI), signed a Mutual Recognition Agreement (MRA) on 31 October, 2006, in Kuala Lumpur, which provides for the mutual recognition of the two parties memberships.

MIA President Encik Abdul Rahim Abdul Hamid said during his speech that the signing of the MRA will enable eligible members of MIA and IAI to apply for admission into each other's bodies.

"This MRA between MIA and IAI is the first ever MRA to be entered into between ASEAN national accountancy bodies. For this, MIA is proud together with IAI to have risen to the task set up by our respective governments in the Bali Concord II during the ASEAN Summit in 2003 to work towards MRAs in major professional services by the year 2008," Rahim said.

Abdul Rahim and IAI President Ahmadi Hadibroto exhanging the MRA documents

During the MRA signing ceremony

He added that the MRA is the fruit of almost two years of amicable deliberations between the two bodies in the common desire of promoting bilateral cooperation and that the MRA should be viewed as a positive step in enhancing socio-economic growth for both countries.

The President of IAI, Mr. Ahmadi Hadibroto, said that "IAI is delighted to be signing the MRA with MIA, which strengthens the already excellent relationship and one that will benefit accountants and the wider profession in the future."

He said that Malaysia was chosen as a partner for the MRA because of cultural similarities, close relationship between the two institutes and the professional bodies of Indonesia and Malaysia are both members of the International Federation of Accountants (IFAC). This MRA applies strictly to reciprocal acceptance of membership although the end goal would be mutual acceptance of licenses by both competent authorities.

IAI would present the MRA to its members during its 10th National Congress from 21 to 23 November 2006.

The signing ceremony was held in conjunction with MIA's National Accountants Conference 2006, which was officiated by the Deputy Minister of Finance II, Y.B. Dato' Dr. Awang Adek Husin.

In his speech, Y.B. Dato' Dr. Awang Adek Husin congratulated both institutes for their initiatives and the accounting profession in both countries for taking proactive steps to see the profession in the ASEAN region move closer together. AT

Members at the forum

PENANG BRANCH

26 Attend Forum

In disseminating information on financial reporting standards to members in the northern region, MIA Penang Branch organised two forums on 11 August and 13 October 2006 for members, especially targeted at practitioners.

Danny Tan facilitated both forums: *The Future of Private Entity Reporting in Malaysia covering a discussion of the Exposure Draft* and *Accounting for Property covering FRS 116, FRS 117 and FRS 140.*

A total of 26 members attended the forums which were held at the branch office in Penang. AT

PENANG BRANCH

Courtesy call on State Manager of CCM Penang

Last August, MIA Penang Branch committee members led by Chairperson Adelena Chong, Company Law working group Chairperson Amanda Thum and other MIA members called on Tuan Haji Ghazali Ismail, the recently appointed head of the Companies Commission of Malaysia (SSM), Penang.

The objective of the meeting was to enhance the working relationship and facilitate the exchange of information between the two organisations.

Among other matters, Ghazali briefed the MIA delegation on the procedures and practice of the SSM pertaining to the review and approval of applications for striking off dormant companies under Section 308 of the Companies Act 1965. He also informed the delegation that statutory declaration service is provided to the public free of charge in facilitating the lodgement of the relevant documents for business registration with the Registrar of Business, provided that the individuals must be personally present at SSM Penang.

The MIA representatives conveyed a few administrative concerns pertaining to company secretarial practice and suggested their solutions and requests. Ghazali was appreciative of the feedback and said he would consider the suggestions for implementation and the ongoing requests to improve service delivery.

Adelena Chong presenting a memento to Ghazali

Ghazali also expressed hope for SSM to foster closer ties with the Institute and its members in the northern region. Chong said she would be willing to disseminate the notices/announcements issued by CCM Penang to our members and perhaps organise dialogues with CCM.

Also present during the meeting were CCM Operations Manager Noraini Ibrahim and Enforcement Manager Ramle Leen. AT

SARAWAK BRANCH

Golf for Accountants

The Sarawak Branch 2006 Golf Competition, facilitated by Daryl Sim was organised by MIA's Sarawak Branch at the Kelab Golf Sarawak in Kuching. Corporate sponsorships from PricewaterhouseCoopers, E.S.Lim & Co, Tong & Chong Partners, Priority One Consultancy Services Sdn Bhd and Ernst & Young ensured that all participating accountants walked home with prizes and goodies.

Due to the success of the event, it was felt that the golf competition should be organised on a quarterly basis. Golfers who missed the September game, should be on the lookout for an announcement of the date of the next competition.

There has even been an offer from one of the golfers to sponsor a barbeque dinner at his residence after the next golf competition. AT

Happy golfers with their prizes

Bintulu 5TH Annual Dinner

MIA Bintulu Chapter successfully hosted its fifth annual members dinner in September.

A total of 170 guests and members including 10 IRB Officers attended the event. Sarawak's PPT Chairman, Tuan Haji Wan Idris Wan Ibrahim represented MIA Sarawak Branch Chairman, David Tiang as the guest of honour. Other invited guests included representatives from the various Chambers of Commerce, Bintulu Development Authority and professional bodies. AT

A gathering of the organising committee, guests and MIA members

Association of Chartered Certified Accountants ▼

Tay is ACCA's Director of ASEAN and Australasia

ACCA appoints new Director of ASEAN and Australasia

ACCA has appointed Tay Kay Luan as its Director of ASEAN and Australasia. This is a new role within ACCA, which has been created to lead one of ACCA's most rapidly growing markets.

In his new role, Tay, who lives in Malaysia, will be taking charge of direct strategy in the Asia Pacific region and will assume overall line management responsibilities of the ACCA offices in Malaysia, Australia, Singapore, Vietnam and Cambodia. The focus of this role will be on achieving synergy between regional and country objectives and leading the Business Alignment process in the region.

Commenting on his appointment, Tay said that he was honoured to be given the opportunity to lead regional teams. "I also look forward to working closely with many important partners and stakeholders in the region so as to ensure we build an accounting profession that meets the needs of the region and global market," he added.

Tay joined ACCA in 2003 as the Country Head of ACCA Malaysia. AT

Chartered Institute of Management Accountants ▼

CIMA to develop joint qualification with New Zealand Chartered Accountants

CIMA and the New Zealand Institute of Chartered Accountants (NZICA) have concluded an alliance agreement through which they will jointly develop a qualification for accountants in business in New Zealand.

Speaking in London, CIMA President John Coghlan said, "This new strategic alliance builds on the close relationship we have developed with the New Zealand Institute and we are excited by the opportunity to combine CIMA's expertise in the qualification and support of business accountants with NZICA's pre-eminent position in New Zealand, to develop a qualification tailored to the needs of accountants in business."

Speaking in New Zealand, NZICA President Keith Wedlock said, "We are exploring a number of other options for practical actions arising from the alliance, with the overriding objective of benefiting members of both bodies, as well as working in the interests of the wider business community. Such options include information exchange, reciprocal support for one another's members and joint education programmes." AT

Eow and Dalimin exchanging gifts

Launch of CIMA 1st in East Malaysia

CIMA Malaysia launched CIMA 1st in the School of Business and Economics in Universiti Malaysia Sabah (UMS), Kota Kinabalu, recently. The launch was officiated by Mr. Michael Eow, President of CIMA Malaysia, and YBhg Prof. Datuk Dr. Mohd Noh Dalimin, Vice-Chancellor of UMS.

In his speech, Mr. Eow thanked UMS for the opportunity to introduce CIMA to UMS. He said, "It is our duty, both as members of an institution of higher learning and as members of a professional accounting body, to guide our students in the choice of their future career and to give them the options to decide."

CIMA 1st is a great opportunity for students studying in local universities and colleges to get to know more about becoming a professional management accountant. It is a scheme that allows students to expand their knowledge and exposure to business and financial management.

Today, 20 universities throughout Malaysia have collaborated with CIMA to make CIMA 1st a success. In East Malaysia, UMS is the first university to be part of this exciting venture. Curtin University in Miri is the second.

Another significant event was the launching of the CIMA Corne. A special section in the Resource Centre of the School of Business and Economics has been dedicated for materials and resources relating to accounting, particularly, management accounting. In conjunction with the launch, a talk on 'Latest Issues in Management Accounting' was presented by Iruthaya Das, a fellow member of CIMA. This was followed by a talk on the CIMA qualification by Doreen Tan, Manager of CIMA Sarawak Branch. AT

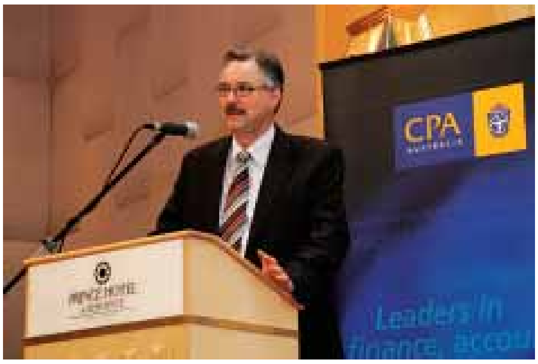
CIMA 1st is a great opportunity for students studying in local universities and colleges to get to know more about becoming a professional management accountant.

CPA Australia ▼

Luncheon talk by Australian Deputy Auditor General

Senior members of CPA Australia were privileged to meet Australian Deputy Auditor General Steve Chapman at a recent luncheon talk here. Steve shared the Australian experience in Performance Auditing, touching on public expectation and the vast improvements over the years in enhancing transparency. He said the public sector should be more receptive to performance auditing as it increased public trust in the system and assisted in improving efficiency and performance. He said the Australian National Audit Office was in constant discussions with its government to improve public sector performance.

Apart from members, the audience also included representatives from the Malaysian Auditor General's office, the Malaysian Institute of Accountants and academicians from institutions of higher learning. Earlier that day, Steve together with Malaysia Division President Margaret Chin paid a courtesy visit to Tan Sri Dato Setia Ambrin bin Buang, Auditor General of Malaysia. AT



The audience engaged Steve in a lively question and answer session

CPA Australia opens new office in Shanghai

The world's sixth largest accounting body, CPA Australia, has opened a second office in mainland China to cater for its increasing number of members there and to work closely with its Chinese counterparts to develop the accounting profession.

CPA Australia President Paul Meiklejohn said that Shanghai was chosen because its importance as a trading hub creates demand and opportunities for accountants.

"Many corporations and large businesses based in Shanghai are serviced by a large number of our members who are well qualified and well regarded for the services they provide.

"The country's economy is growing at such a pace that demand for accountants far outstrips the supply, and the accounting profession in China is still developing," he said.

As a result of CPA Australia's international strategy, the organisation has been expanding into new markets. It opened its Beijing office in 2002, and established its Hong Kong office in 1993. CPA Australia has over 1,000 members in mainland China and 8,000 members in Hong Kong.

"In a global economy, our members travel the world to work and live. We need to respond to this reality. Where our members go, we go," Meiklejohn said.

The Shanghai office is the third international office that CPA Australia has opened in two years, the others being in London and in Auckland.

CPA Australia has a Memorandum of Cooperation with the Chinese Institute of Certified Public Accountants and will continue to work closely with it to further the profession in mainland China.

CPA Australia was formed in 1886 and has 110,000 members, of whom 25,000 are based outside Australia. Its members can be found in 98 countries. AT

"In a global economy, our members travel the world to work and live. We need to respond to this reality. Where our members go, we go."

Paul Meiklejohn, President, CPA Australia

Fermín del Valle assumes Presidency of IFAC; Council names Robert Bunting Deputy President

Leaders of accountancy institutes worldwide met in Istanbul, Turkey, from 9 to 13 November 2006 to participate in the International Federation of Accountants' (IFAC) Board and Council meetings. The reins of the organisation were turned over to the new IFAC President, Juan José Fermín del Valle of Argentina, and the Council approved the nomination of Robert L. Bunting of the US as Deputy President. Each of these individuals will serve in their respective capacities through November 2008. In addition, the Council approved the appointment of five new members to the IFAC Board and the reappointment of three Board members to a second term.

Mr del Valle emphasised his commitment to enhancing societies around the world by contributing to their economic growth and development. He encouraged Board and Council members to "lead by example" by following the highest ethical standards, urged IFAC's member bodies to collaborate with IFAC in serving the public interest, and called on member and regional accountancy bodies to join IFAC in its initiatives to develop the profession worldwide.

Supporting these goals, the IFAC Council approved an updated Strategic Plan that emphasises the need for ongoing collaboration between IFAC and its member bodies and external stakeholders, calls for increased efforts for the development of the global profession, and outlines standard-setting priorities for the next two years. "As part of our ongoing planning, we recognise that the profession should continue to look at the markets it serves — both within organisations and public practice — as well as the needs of these markets. We must be willing to be flexible and innovative to address these needs," states Mr. del Valle.

During the meeting, Developing Nations Committee Chair Ndung'u Gathinji announced the production of new French and Spanish language versions of the IFAC good practice guidance for the profession in developing nations, entitled Establishing and Developing a Professional Accountancy Body.

The IFAC Council also approved a new constitution designed to modernise IFAC's approach to constitutional issues and to enhance specific aspects of governance. The Council also accepted the Certified Practicing Accountants Papua New Guinea as an associate of IFAC.

IFAC Board Members (November 2006-November 2007)

Juan José Fermín del Valle, President
Robert Bunting, Deputy President, US
Warren Allen, New Zealand *
Yugui Chen, China **
Kevin Dancey, Canada *
Roberto D'Imperio, Italy
Ingrid Doerga, Netherlands *
Ndung'u Gathinji, Kenya
Charles Horstmann, US
Gen Ikegami, Japan
David Leonard, UK **
Bernadette McGrory-Farrell, Ireland
Ofer Minirav, Israel
Joycelyn Morton, Australia
William Nahum, France **
Norbert Pfitzer, Germany *
Roberto Resa, Mexico *
Haji Alias Abdul Samad, Malaysia
Göran Tidström, Nordic Federation
Charles Tilley, UK
Kamlesh Vikamsey, India
Sylvie Voghel, Canada

* New IFAC Board members as of November 2006
** IFAC Board members reappointed for a second term AT

IFAC proposes guidance to help companies develop codes of conduct

Effective codes of conduct are a key element of strong corporate governance and internal controls within businesses worldwide. Recognising the critical role that professional accountants in business play in these areas, the International Federation of Accountants' (IFAC) Professional Accountants in Business (PAIB) Committee has issued draft new guidance to assist companies and their professional accountants in developing and implementing a code of conduct.

The proposed new good practice guidance, Defining and Developing an Effective Code of Conduct, highlights the varied roles of professional accountants in business in driving and supporting organisational ethics and conducting ethics programs. It also provides practical guidance on the design and development of such codes.

"The goal of this proposed guidance is to support sound corporate governance practices globally," emphasises PAIB Committee Chair Bill Connell. "This guidance is the first in a series of principles-based pronouncements that the PAIB Committee will be developing as part of a long-term work programme."

The PAIB Committee previously issued an exposure draft on developing codes of conduct in January 2006. Following significant comments and suggestions received, the committee made extensive changes to the content of the guidance. In the new exposure draft, the committee is recommending an approach based on developing a values-based organisation and a values-driven code. The aim is to promote a culture that encourages employees to "do the right thing" and allows them to make appropriate decisions.

This exposure draft will serve as the foundation for the committee's long-term work programme to develop principles-based pronouncements. A preface document and explanatory memorandum on developing these new pronouncements will be exposed for public comment in early 2007. AT

Comments on this exposure draft are requested by 16 February 2007. These comments will assist the PAIB Committee in modifying and/or augmenting the guidance to improve its usefulness and relevancy. The exposure draft may be viewed by going to www.ifac.org/EDs. Comments may be submitted by email to EDComments@ifac.org. They can also be faxed to the attention of the PAIB Committee Technical Manager at +1-212-286-9570 or mailed to the PAIB Committee Technical Manager at 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.

IFAC requests proposals to develop quality control guide for small and medium practices

The International Federation of Accountants (IFAC) is seeking proposals for the development of an explanatory guide on implementing International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements for use by small and medium-sized practices (SMPs).

The purpose of this guide is to help SMPs around the world understand, comply with, and apply ISQC 1. The purpose of ISQC 1, which became effective on 15 June 2005, is to establish standards and provide guidance regarding a firm's responsibilities for its system of quality control for audits and reviews of historical financial information, and other assurance and related services engagements.

"Assisting SMPs in understanding how to apply ISQC 1 is consistent with IFAC's objective of helping these entities to implement international standards and so perform high quality work," states IFAC Chief Executive Ian Ball. "We envisage the guide being of particular benefit to auditors in those countries where the profession is at an early stage of development, but we believe it will also be of value in developed countries." AT

The specifications for the Request for Proposal: Development of a Guide to Quality Control for Use by Small and Medium Practices are available on IFAC's SMP Committee's home page (www.ifac.org/smp). The deadline for submission is 12:00pm (EST), 29 December 2006.

World Federation of Exchanges endorses the IAASB's International standard-setting process

The World Federation of Exchanges (WFE) formally endorsed the processes for establishing International Standards on Auditing (ISAs) at its General Assembly meeting in Sao Paolo, Brazil, last week, viewing ISAs as key to the development of a globally uniform financial reporting system. ISAs are developed by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

"WFE's endorsement of IFAC's structure of public oversight and the processes its public bodies have established for creating high quality global standards for audit work and assurance reviews is a critical advance for establishing the world's capital markets with constantly improving financial information," emphasises WFE Secretary General Thomas Krantz.

The WFE represents 57 securities and derivative markets that account for more than 97 percent of world stock market capitalisation. Its endorsement provides important impetus for convergence to international standards, which is among IFAC's and the IAASB's most critical goals.

"We welcome this important endorsement of the ISA standard-setting process by the World Federation of Exchanges. It is a significant recognition of the quality of the ISAs and the important role they play in ensuring greater comparability of financial information for investors and facilitating cross border trade – both of which are critical to generating economic growth," states IFAC President Graham Ward.

The ISAs represent an integrated body of standards that provide direction on the actions and procedures the auditors need to perform and the judgments that need to be made to achieve the objective of an audit.

ISAs are intended for use in all audits — publicly traded companies, private business of all sizes and government entities at all levels. They are increasingly being adopted worldwide; over 100 countries have adopted or incorporated ISAs into their national auditing standards or are using ISAs as a basis for preparing national auditing standards. AT

The IAASB, which meets in public, develops its standards following a rigorous and transparent due process. All proposed ISAs are exposed for public comment, and detailed project information is posted on its website (www.iaasb.org). The IAASB receives public interest input through public members that serve on the IAASB and from its Consultative Advisory Group which is comprised of organisations, including the WFE, with an interest in the development of high quality international auditing standards. In addition, the Public Interest Oversight Board, whose members are nominated by international regulators and organisations, provides public interest oversight of IAASB activities. All IAASB standards and guidance can be downloaded free-of-charge from the IFAC online bookstore: www.ifac.org/store.

IFAC'S International Public Sector Accounting Standards Board issues proposed standard on employee benefits

For the majority of public sector entities, the costs of employee benefits have a major impact on financial performance and financial position. To assist governments and other public sector entities in appropriately accounting for these benefits, the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has issued an exposure draft (ED) of a proposed new International Public Sector Accounting Standard (IPSAS), *ED 31, Employee Benefits*.

"The proposed standard will contribute to more transparent and consistent accounting for employee benefits, which is essential to ensure responsible financial reporting by governments and other entities," emphasises IPSASB Chair Philippe Adhemar. "The significance of employee benefits for the vast majority of public sector entities cannot be overestimated. The ED's requirements that entities account for obligations under public sector defined benefit plans and, when appropriate, recognise liabilities related to those obligations are particularly notable and may lead to important changes in existing practice for many public sector entities globally."

ED 31 is based on International Accounting Standard (IAS) 19, Employee Benefits, and addresses the four categories of employee benefits dealt with in IAS 19:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

The proposed standard also deals with a number of issues of specific relevance to the public sector, including:

- Determining the risk-free discount rate to be applied for discounting obligations arising from post-employment benefits;
- The treatment of post-employment benefits provided through composite social

security programs; and

- Mechanisms for the orderly implementation of the proposed standard in the public sector.

This ED was developed in accordance with one of the IPSASB's key strategic aims: promoting convergence with International Financial Reporting Standards (IFRSs) where the requirements of IFRSs are applicable to the public sector. It is also critical to the IPSASB's work to improve the quality of financial information reported by public sector entities around the world. AT

The IPSASB has identified a number of issues of particular significance to the public sector and is particularly keen to obtain constituents' views on how the ED deals with these issues. Comment on these and other issues raised in the ED are requested by 28 February 2007. It 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.

IFAC'S International Public Sector Accounting Standards Board issues proposed standard on Impairment of Cash-Generating Assets

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) is working to improve both the quality and uniformity of financial information reported by public sector entities around the world. In pursuit of this objective, the IPSASB has issued an exposure draft (ED) of a proposed International Public Sector Accounting Standard (IPSAS), ED 30, Impairment of Cash-Generating Assets.

The majority of public sector entities globally operate for the purposes of delivering services to citizens. The IPSASB has already addressed assets, which are held and operated primarily for the purposes of service delivery when it issued IPSAS 21, Impairment of Non-Cash-Generating Assets, in December 2004. ED 30 deals with cash-generating assets held and operated by public sector entities which are not government business enterprises.

"IPSAS 21 deals with the impairment of non-cash-generating assets and directed readers to International Accounting Standard 36 for guidance on the impairment of cash-generating assets. However, our constituents indicated that it would be useful if IPSASs included further guidance dealing with the impairment of cash-generating assets. The issuance of this proposed standard responds to that view," says IPSASB Chair Philippe Adhémar. AT

Comments on the ED are requested by 28 February 2007. It 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.

IFAC and Development Agencies Focus on Economic Development in African Nations

Continuing to combat poverty and develop stable economies remain two fundamental and interrelated challenges facing African nations, according to participants representing 37 African countries at the Africa Region Learning Workshop held in Nairobi, Kenya, on 28 and 29 September 2006. Sponsored by the African Development Bank and co-sponsored by the World Bank and the International Federation of Accountants (IFAC), the workshop attracted over 200 participants, including representatives of the accountancy profession, governments, donor community, and academia.

Discussions focused on achieving quality financial reporting, the needs of the accountancy profession in the region, the role of the government in accountancy and accountancy development, and the importance of sustaining good governance and ethics.

Participants contributed pan-African recommendations to:

- Reform and strengthen institutional frameworks for corporate reporting;
- Build accountancy capacity in the private and public sectors, including the development of established educational guidelines for accounting technicians;
- Establish contact and begin development of the accountancy profession in those African countries where the profession is not yet established;
- Assist regional and national professional bodies to access donor funds; and
- Support the "Nairobi Declaration", signed by over 30 professional bodies, which calls for the creation of a Pan-African Federation of Accountants.

"This workshop represents the first major collaborative effort between IFAC and development agencies to address the development of the accounting profession on the African continent. It is essential that the organisations represented at the workshop work together to address the recommendations that have been put forth," says Ndung'u Gathinji, Chairman of the IFAC Developing Nations Committee.

One of the major outcomes of the workshop was the establishment of an Africa Focus Group which will coordinate dissemination and follow-up activities for the recommendations identified at the workshop. The workshop program, recommendations and ongoing activities will be available at *www.ifac.org/DevelopingNations/africa_workshop.php*. The Africa Focus Group will have representatives from the African Development Bank, the World Bank, IFAC, the Eastern Central and Southern African Federation of Accountants, the Association of Accountancy Bodies of West Africa, and the Fédération Internationale des Experts-Comptables Francophones.

Russell Guthrie, IFAC Director, Quality Assurance and Member Body Relations, commented, "This workshop is a vital part of IFAC's efforts to support economic development in Africa and to strengthen professional accountancy bodies. IFAC's Developing Nations Committee will be focusing a significant portion of its efforts on mentoring and guiding the establishment and strengthening of professional accountancy bodies in the 33 African countries where IFAC is not currently represented." AT

Non-Audit Firms

FROM 1-31 OCTOBER 2006

New Registration

NON-AUDIT FIRM	NF NO.

JOHOR DARUL TAKZIM

Sim & Associates **0830**
No. 7 (1st & 2nd Floor)
Jalan Persiaran Yayasan
86000 Kluang
Tel: 07-772 1149 Fax: 07-776 5149
e-mail: simyiansiang@yahoo.com

PERAK DARUL RIDZUAN

SH Chew & Co. **0832**
11A, Jalan Medan Ipoh 7
Bandar Baru Medan
31400 Ipoh
Tel: 05-546 7488
e-mail: soonhin5@yahoo.com.sg

PULAU PINANG

Norhashimah & Associates **0829**
A-10, No 5, Lebuh Buckingham
10607 Penang
Tel: 012-473 5587
e-mail: zashim@yahoo.com

WILAYAH PERSEKUTUAN

Mahmmud & Co **0831**
52B Jln 6/21D
Medan Idaman Buss. Ctr, Gombak
53100 Kuala Lumpur
Tel: 03-4025 5693 Fax: 03-4024 5693
e-mail: paksimgt95@yahoo.com

Ceased Operation

SELANGOR DARUL EHSAN

S.F. Wong & Co **0473**
913, Blk A4, Leisure Commerce
Square, 8, Jln PJS 8/9
46150 Bandar Sunway

WILAYAH PERSEKUTUAN

KK Lye Management Services **0317**
14-1-1(B), Metro Prima, Jln Prima 7
Batu 7, Kepong
52100 Kuala Lumpur

Audit Firms

FROM 1-31 OCTOBER 2006

Name Change

AUDIT FIRM	AF NO.

WILAYAH PERSEKUTUAN

YF. Ng **1328**
(Previously known as Y.F. Ng & Associates)
55-3(3rd Flr),Jln Metro Perdana Barat 1
Tmn Usahawan Kepong, Kepong Utara
52100 Kuala Lumpur
Tel: 03-62571881 Fax: 03-62574378
e-mail: tony@yfng.com

Ceased Operation

MELAKA

Horwath Wong & Company **1130**
535 Jalan Merdeka
Melaka Raya
75000 Melaka

ERRATA

In the book review column in Accountants Today—November 2006 issue (pages 34 & 35) the pricing of the books were erroneously mentioned in Ringgit Malaysia. The pricing should be in USD. We regret the error. We would like to state that a 10% discount will be given to MIA members for any purchases made.

… Counting on Humour

Memo Degradation

Memo from CEO to Manager:

Today at 11 o'clock there will be a total eclipse of the sun. This is when the sun disappears behind the moon for two minutes. As this is something that cannot be seen every day, time will be allowed for employees to view the eclipse in the parking lot. Staff should meet in the lot at ten to eleven, when I will deliver a short speech introducing the eclipse, and giving some background information. Safety goggles will be made available at a small cost.

Memo from Manager to Department Head:

Today at ten to eleven, all staff should meet in the car park. This will be followed by a total eclipse of the sun, which will appear for two minutes. For a moderate cost, this will be made safe with goggles. The CEO will deliver a short speech beforehand to give us all some information. This is not something that can be seen every day.

Memo from Department Head to Floor Manager:

The CEO will today deliver a short speech to make the sun disappear for two minutes in the form of an eclipse. This is something that cannot be seen everyday, so staff will meet in the car park at ten or eleven. This will be safe, if you pay a moderate cost.

Memo From Floor Manager to Supervisor:

Ten or eleven staff are to go to the car park, where the CEO will eclipse the sun for two minutes. This doesn't happen every day. It will be safe and as usual it will cost you.

Memo from Supervisor to staff:

Some staff will go to the car park today to see the CEO disappear. It is a pity this doesn't happen everyday.

Signs You Had Too Much of the 90's

- You try to enter your password on the microwave.
- You now think of three espresso's as "getting wasted."
- You no longer own a real deck of cards because all your favorite card games [solitaire, spades and hearts] are all played on your computer.
- Every commercial on television has a website address at the bottom of the screen.
- You have a list of 15 phone numbers to reach your family of 3.
- The concept of using real money, instead of credit or debit, to make a purchase is foreign to you.
- You e-mail your son in his room to tell him that dinner is ready and he emails you back "What's for dinner?"
- Your friend's daughter sells Girl Scout Cookies via her web site.

Your Tax Dollars

When NASA first started sending up astronauts, they quickly discovered that ballpoint pens would not work in zero gravity.

To combat this problem, NASA scientists spent a decade and $12 billion developing a pen that writes in zero gravity, upside down, underwater, on almost any surface including glass and at temperatures ranging from below freezing to over 300°C.

The Russians use a pencil.

Second Notice

A taxpayer received a strongly worded "second notice" that his taxes were overdue. Hastening to the collector's office, he paid his bill, saying apologetically that he had overlooked the first notice.

"Oh," confided the collector with a smile, *"we don't send out first notices. We have found that the second notices are more effective."*

Convention

A friend and I stayed at a Chicago hotel while attending a convention. Since we weren't used to the big city, we were overly concerned about security.

The first night we placed a chair against the door and stacked our luggage on it. To complete the barricade, we put the trash can on top. If an intruder tried to break in, we'd be sure to hear him.

Around 1 am there was a knock on the door.

"Who is it?" my friend asked nervously.

"Honey," a woman on the other side yelled, *"you left your key in the door."* AT

Calendar of Professional Education Programmes

TOWN	DATE	PLEASE TICK ✔	TITLE	VENUE	CPE HOURS
Kuala Lumpur and Selangor	1 Dec	☐	Tax Planning For Property Business	PJ Hilton	8
	5 Dec	☐	Public Rulings by IRB	Concorde Hotel	8
	5-6 Dec	☐	Financial Reporting Standards & Salient Features	Concorde Hotel	16
	6-7 Dec	☐	Effective Financial Planning and Control Techniques and Practices	PJ Hilton	16
	7-8 Dec	☐	Tax Appeal Procedures	Melia Hotel	16
	11-12 Dec	☐	Email and Business Letter Writing Skills	Concorde Hotel	16
	12 Dec	☐	Field Audit and Tax Investigation	PJ Hilton	8
	13-14 Dec	☐	Essential Workshop for Managing ERP or IT Projects	PJ Hilton	16
	13-14 Dec	☐	Understanding and Preparing Consolidated Financial Statements (FRS 127 and FRS 3)	Concorde Hotel	16
	14 Dec	☐	Collateral For Bank Borrowings — Know what the bank wants, the risks and the documentation and enforcement	PJ Hilton	8
	15 Dec	☐	Reporting Financial Performance + IAS39	Concorde Hotel	8
	19-20 Dec	☐	Audit Committee and the Internal Audit Function	PJ Hilton	16
	20-21 Dec	☐	Understand How Bank Considers Haircut on Difficult Loan	PJ Hilton	16
	4 Jan 07	☐	Collateral For Bank Borrowings — Know what the bank wants, the risks and the documentation and enforcement	Concorde Hotel, KL	8
	10 Jan 07	☐	The Accountant as Business Advisor	PJ Hilton	8
	16-17 Jan 07	☐	Better Grammar for Business Writing	Concorde Hotel	16
	22-23 Jan 07	☐	Managing Strategic Corporate Planning	TBA	16
	23-24 Jan 07	☐	Understand How Bank Considers Haircut on Difficult Loan	Concorde Hotel	16
	23-24 Jan 07	☐	Speed Reading for Professionals	PJ Hilton	16
	25-26 Jan 07	☐	Cross Border Transaction	TBA	16
Alor Setar	8 Feb 07	☐	Zest for Life	StarCity Hotel	4
Penang	4-5 Dec	☐	Tax Appeal Procedures	Evergreen Laurel Hotel	16
	9-10 Jan 07	☐	Understand How Bank Considers Haircut on Difficult Loan	Traders Hotel	16
	16-17 Jan 07	☐	Speed Reading for Professionals	Traders Hotel	16
	30-31 Jan 07	☐	Cross Border Transaction	Traders Hotel	16
	9 Feb 07	☐	Zest for Life	Bayview Georgetown Hotel	4
Ipoh	10 Feb 07	☐	Zest for Life	Casuarina Hotel	4
Johor Bahru	5-6 Dec	☐	Speed Reading for Professionals	M Suites Hotel	16
	7-8 Dec	☐	Microsoft Excel 2000 (Advanced)	MCSB Systems (Johore)	16
	12-Dec	☐	Avoiding Cheque Risks and Fraud	Mutiara Johor Bahru	8
	14-Dec	☐	FRS 134 — Interim Financial Reporting	Hyatt Regency	8
	18-19 Dec	☐	Applied Project Financing by Bankers	Mutiara Johor Bahru	16
	20 Dec	☐	Zest for Life	Hyatt Regency	4

Yes! I would like to know more about the programmes ticked above.
Please send the information to:

Contact Person: ______________________________

Organisation: ______________________________

Address: ______________________________

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Tel: ____________________ Fax: ____________________

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

FOR FURTHER INFORMATION PLEASE MAIL, FAX OR E-MAIL TO:

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Dewan Akauntan, 2 Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
Tel: +603-2279 9200 Fax: +603-2273 5167
e-mail: cpe@mia.org.my
Homepage: www.mia.org.my

Calendar of Professional Education Programmes

TOWN	DATE	PLEASE TICK ✔	TITLE	VENUE	CPE HOURS
Johor Bahru	10-11 Jan 07	☐	Cross Border Transaction	Hyatt Regency	16
	16-17 Jan 07	☐	Understand How Bank Considers Haircut on Difficult Loan	Mutiara Johor Bahru	16
Kuantan	9 Dec	☐	Public Rulings by IRB	Hyatt Regency	8
	12 Jan 07	☐	Zest for Life	Hyatt Regency	4
Kota Bahru	14 Jan 07	☐	Zest for Life	Renaissance Hotel	4
K. Terengganu	13 Jan 07	☐	Zest for Life	Hotel Grand Continental	4
Kuching	4-5 Dec	☐	Audit Planning and Audit Completion	Hilton Kuching	16
	7-9 Dec	☐	Practical Accounting	Holiday Inn Kuching	—
	11 Dec	☐	Zest for Life	Holiday Inn Kuching	4
	5-6 Feb 07	☐	Cross Border Transaction	Crowne Plaza Riverside	16
Sibu	12 Dec	☐	Zest for Life	Tanahmas Hotel	4
Miri	14 Dec	☐	Zest for Life	ParkCity Everly Hotel	4
Bintulu	13 Dec	☐	Zest for Life	ParkCity Everly Hotel	4
Kota	7-8 Dec	☐	Audit Planning and Audit Completion	Shangri-La Tanjung Aru	16
Kinabalu	7-8 Feb 07	☐	Cross Border Transaction	Hyatt Regency Kinabalu	16
Labuan	1-Dec	☐	Zest for Life	Sara Hotel	4
MCSB COURSES — December 2006					
	4-5 Dec	☐	Microsoft Word 2000 (Basic and Intermediate)	MCSB Systems (M) Bhd	16
	6-7 Dec	☐	Microsoft Excel 2000 (Basic and Intermediate)	MCSB Systems (M) Bhd	16
	8 Dec	☐	Microsoft PowerPoint 2000 (Basic and Intermediate)	MCSB Systems (M) Bhd	8
	11-12 Dec	☐	Microsoft Access 2000 (Basic and Intermediate)	MCSB Systems (M) Bhd	16
	12-13 Dec	☐	Automating Tasks with Microsoft Excel	MCSB Systems (M) Bhd	16
	13-14 Dec	☐	Expanding MS Excel Functions	MCSB Systems (M) Bhd	16
	15 Dec	☐	Introduction to Networking	MCSB Systems (M) Bhd	8
	15 Dec	☐	Introduction to Internet	MCSB Systems (M) Bhd	8
	18-19 Dec	☐	Microsoft Word 2000 (Advanced)	MCSB Systems (M) Bhd	16
	18-19 Dec	☐	Microsoft Project 2000 (Basic and Intermediate)	MCSB Systems (M) Bhd	16
	18-19 Dec	☐	Mastering Microsoft Excel Charts	MCSB Systems (M) Bhd	16
	20-21 Dec	☐	Microsoft Excel 2000 (Advanced)	MCSB Systems (M) Bhd	16
	21-22 Dec	☐	Designing Web Pages with MS FrontPage	MCSB Systems (M) Bhd	16
	22 Dec	☐	Microsoft PowerPoint 2000 (Advanced)	MCSB Systems (M) Bhd	8
	27-29 Dec	☐	Microsoft Access 2000 (Advanced)	MCSB Systems (M) Bhd	24
MAICSA COURSES					
Kuala Lumpur	01 Dec	☐	MAICSA CSP Manual Series: CSP for PLCs — Meeting the Pre and Post Listing Requirements of Bursa Malaysia Securities Bhd		8
Kuala Lumpur	6-7 Dec	☐	Corporate Directors Training Programme		16

Yes! I would like to know more about the programmes ticked above.
Please send the information to:

Contact Person: ______________________________

Organisation: ______________________________

Address: ______________________________

____

Tel: ____________________ Fax: ____________________

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