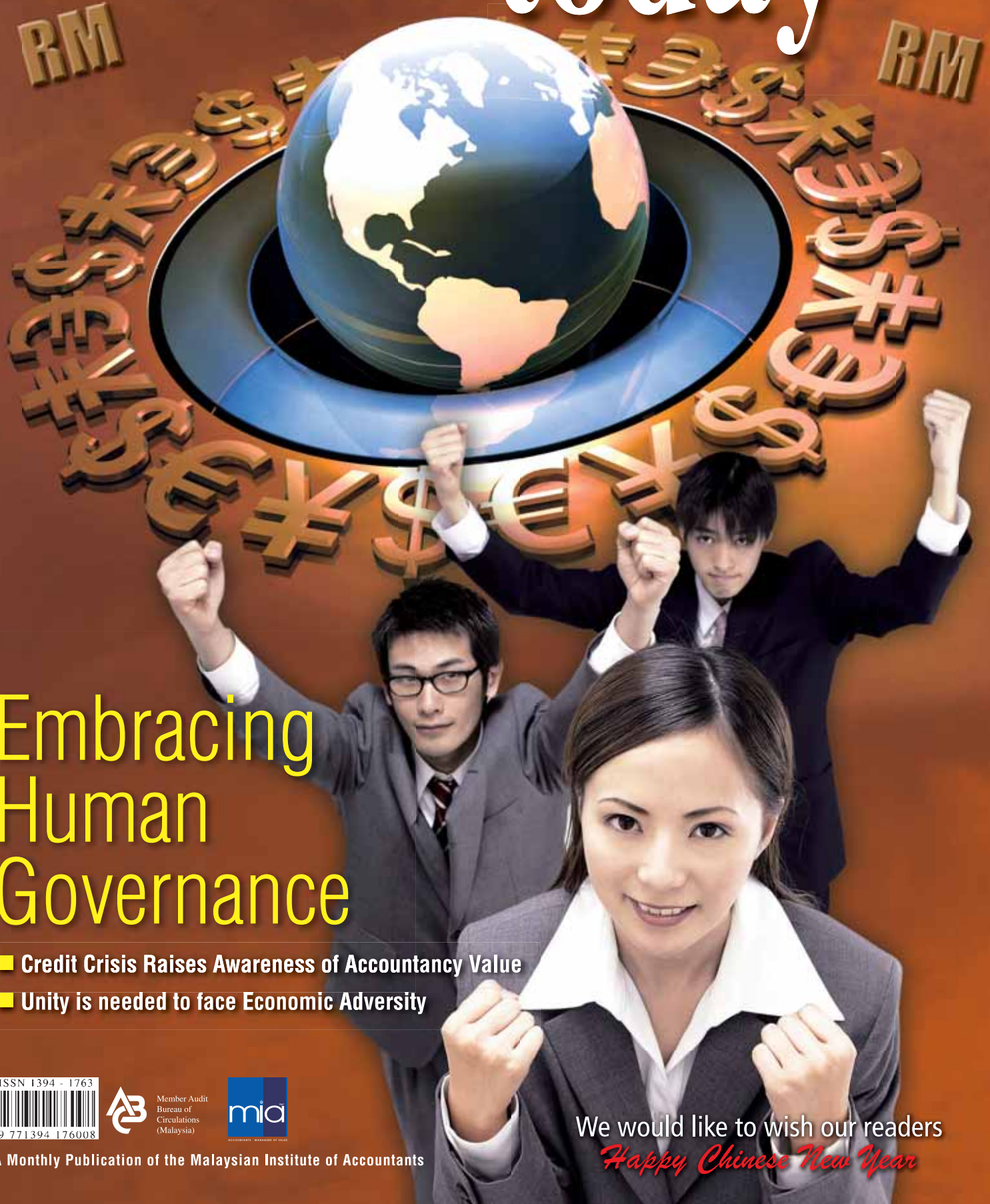


# ACCOUNTANTS

*Professionalism at the Forefront*

JANUARY 2009  
Vol. 22 No. 1

# today



## Embracing Human Governance

- Credit Crisis Raises Awareness of Accountancy Value
- Unity is needed to face Economic Adversity



A Monthly Publication of the Malaysian Institute of Accountants

We would like to wish our readers  
*Happy Chinese New Year*

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*Trust is central in order for markets to work and economies to thrive. When the element of trust is compromised, what the world is experiencing with the present global economic slowdown is only to be expected.*



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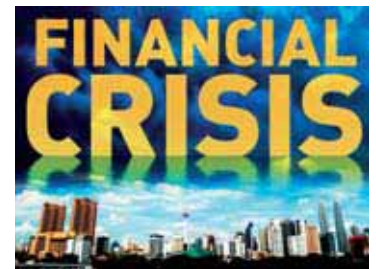
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- To regulate the practice of the accountancy profession in Malaysia;
- To promote in any manner it thinks fit, the interests of the accountancy profession in Malaysia;
- To provide for the training and education by the Institute or any other body,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

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# Human governance is essential

From an economic point of view, the year seems to have kicked off on a negative note. Adversities brought about by the financial meltdown chain effect, are slowly but gradually taking full form in various sectors but it isn't just this. Increasingly, we are hearing of cases of corporate fraud being brought to the surface.

Another 'Enronesque' saga is beginning to unfold, this time in India in the form of Satyam Computer Services Ltd's founder Ramalinga Raju's admission to falsifying accounts "for several years." It is alleged to be a US\$1 billion fraud.

Certainly a lesser amount compared to Madoff's US\$50 billion Ponzi scheme but equally disturbing nonetheless. Investors have filed lawsuits against the company, the founder and his brother are facing jail terms, 53,000 jobs are on the line and I hope it does not get any uglier.

Previous corporate scandals like Enron prompted a concerted effort from standard-setters and regulators to call regulations that encouraged transparency and disclosure. Corporate governance became a very important agenda for organisations because it became a determinant to continuity.

Despite the countless suggestions, legislative bills passed in relation, strategic economic reforms introduced and belt tightening measures at global levels, it would all be in vain if the failure in values is not addressed initially and dealt with expeditiously.

We surface this by featuring a cover story titled 'Embracing Human Governance' on page 8 of this month's magazine. In line with promoting human governance, MIA launched a monograph titled 'Soulful Stewardship: Steering Corporations through Human Governance' at the National Accountants Conference 2008 in November last year.

Moving on, this issue also features an array of articles which offer insight into how to deal with the challenging economic landscape. We hope you enjoy reading *Accountants Today* this month.

We would also like to take this opportunity to wish all our readers a Happy Chinese New Year! **AT**

Editor  
*Accountants Today*

Despite the countless suggestions, legislative bills passed in relation, strategic economic reforms introduced and belt tightening measures at global levels, it would all be in vain if the failure in values is not addressed initially and dealt with expeditiously.

## 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.



# Embracing Human Governance

*Trust is central in order for markets to work and economies to thrive.  
When the element of trust is compromised, what the world is experiencing  
with the present global economic slowdown is only to be expected.*



**T**ake for example the subprime mortgage crisis which has led to the present credit crunch. It exists because there is need for prudence and control amidst a general climate of scepticism.

At the end of 2001, the scandal that was Enron surfaced — one of the largest corporate failures in history. Mismanagement and the death of ethics were central in the downfall of this corporate giant which had previously recorded stellar growth and even won industry awards for its performance.

The degree to which fraud was perpetuated in Enron was a turning point for the corporate sector and the accountancy profession. We witnessed the tightening of regulations, the introduction of more controls, and an intensified focus on corporate governance to curb recurrence.

Unfortunately we continued to hear of more cases of fraud being perpetuated.

“In these times when the general approach towards addressing the interest of corporations has become profit-driven, corporations must realise that there is so much more to achieving good governance than just checking the boxes ... There is a need to also focus on people, who are crucial towards this end.”

**Nik Mohd. Hasyudeen Yusoff, President, MIA**

More recently, the Madoff scandal was exposed — a US\$50 billion Ponzi scheme, run by a highly respected individual in the financial sector in the US. It seemed to have escaped the scrutiny of regulators and market players alike.

Are these simply cases of oversight? Aren't there sufficient controls in place to thwart these scandals?

While the debate would continue on who should be blamed for causing the financial and economic tsunami, there appears to be a consensus that one of the key drivers was the meltdown of values among the market players, says the President of the Malaysian Institute of Accountants (MIA) Nik Mohd. Hasyudeen Yusoff. “When profits and personal interests take precedence over the overall benefit to society, such a catastrophic outcome is not unexpected.”

Countries around the world are working together to collectively handle the present economic challenges which affect the global

community. For example, the recent G20 summit in the US included recommendations which would result in some structural reforms in the governance of the global financial architecture.

However, any reform which overlooks the issue of the failure in values, the inner-core of human beings — the soul of enterprises and organisations - would at the minimum be incomplete.

In these times when the general approach towards addressing the interest of corporations has become profit-driven, corporations must realise that there is so much more to achieving good governance than just checking the boxes, he says. “There is a need to also focus on peo-



*The Monograph*

academia, namely Professor Datuk Dr. Aziuddin Ahmad and Professor Dr. Arfah Salleh from the Graduate School of Management of Universiti Putra Malaysia, published a monograph titled *Soulful Stewardship — Steering Corporations through Human Governance*.

It is a move taken by MIA as part of its efforts in leading the accountancy profession to protect public interest. It is felt that there is a need to create more awareness within the corporate world that people are the ones

who are at the heart of decision-making and the focus should be on encouraging them to possess a strong set of values in order to actualise what is right from the ethical perspective.

“Organisations must nurture dynamic and versatile personnel who will provide ideas and guidance in terms of innovation and profit creation while at the same time not compromising on accepted principles of human interest,” Nik says.

*Accountants Today* also caught up with both Professor Datuk Dr. Aziuddin and Professor Dr. Arfah to get their help in shedding more light into facilitating greater understanding on their research subject matter — human governance. The questions and answers are below:

## 1. What is human governance essentially about?

Human governance is an internal mechanism to guide human behaviour. The target object should not be the corporation but the human being since the soul of the corporation is human. It is through the adoption of human governance that stewards of corporations would be able to steer their corporations with integrity. Human governance brings back due regard to the profoundness of governing the individual rather than the corporation, which is the artificial legal person.

## 2. How is human governance different from corporate governance?

Corporate governance is manifested as

ple, who are crucial towards this end.”

While corporate governance continues to be an essential element in spurring public confidence and trust, the tenets of human governance must go hand in hand with it, Nik says. “This is because corporate governance is manifested as an external, outside-in rules and regulations to legislate the corporations. But corporations are ultimately run by people who are central to the decision-making process and it is therefore this element that requires most attention.”

Inevitably, Nik says, the onus falls upon leaders and corporate captains to understand the importance of human governance and drive it in organisations. While there is no formula on how human governance must be implemented, what is important is that initiatives must focus on reminding people about the importance of values and ethical behaviour.

It is also towards this end that MIA, working together with two members of the

an external, outside-in rules and regulations to legislate the corporations whereas human governance is an inside-out values-based conviction to guide the human where the human is viewed essentially as a non-material soul embodied in the physical being rather than as machine. Being parameter-driven and rule-based, corporate governance emphasises the letter of the law, unlike human governance, which is about the spirit of the law.

### 3. How will human governance benefit us?

As the leading segment of society, business has become the most powerful force for positive change in the world today, taking over the role of governments. The decision-making process of business now must take into consideration human well-being and the interest of the people. For business corporations to assume this role is never easy since conflict can arise between serving the self and the public. History shows that the original corporations were actually regulatory agencies such as guilds or local governments and had nothing to do with profits. But, over time, events such as the formation of “joint stock companies” and the court’s decision to grant legal person status to corporations have resulted in corporations being incapable of commitment to a community or any other undertakings that could diminish profits. Rather unfortunate too, free market fundamentalists further exacerbate the situation by arguing that corporations which pursue any other goal besides profit-maximisation disrupt the market ecosystem. This is when the presence of human governance will help corporations to make decisions that will benefit us, society. Human governance can take us back to the original intention of the corporation, homing on values that should be upheld during decision-making. The fact that corporate scandals have taken place only further endorses the benefits of human governance. And the fact that reactionary corporate governance measures have not managed to impede fur-

ther disgrace only tells us that we have nothing to lose by upholding human governance. To the accounting fraternity, with human governance in place, the essence of the true and fair principle becomes less rhetorical.

Therefore, from the bigger picture, human governance will improve human well-being. The individual business organisation too, as implied by Ritscher (1985), “can increase fun, productivity and resiliency” by including spirituality, an essence of hu-



*Professor Datuk Dr. Aziuddin, Nik and Professor Dr. Arfah addressing the press during the launch of the monograph.*

man governance. Fred Kofman (2006) in his book titled “*Conscious Business: How to Build Value through Values*” also believes that a conscious business fosters personal fulfillment in the individuals and mutual respect in the community; and sustainable success in the organisations.

### 4 Is there really a need to go beyond corporate governance into human governance?

The question that we should attempt to answer is how to go beyond corporate governance into human governance rather than whether there is really a need to go beyond corporate governance into human governance. If we are convinced that corporations should consider public interest as how they were originally meant to, and amidst the unintended consequences that have taken place as a result of granting the corporations legal person status, then human governance is our only hope, unless we truly believe that governing corporations without directing them to the human can arrest human misdeeds.

Wishing to be presumptuous that societal contribution does matter to the corporate citizens, we now attempt to answer the

question of how we transform ourselves to go beyond into human governance. To answer this question, let us learn a lesson or two from the development of science. The rise of modern materialistic science is an evolutionary leap in human history. But more than three hundred years later, this material science’s knowledge of the world of sense perception is shown to be an incomplete representation of reality. Scientific knowledge has now been extended to the realm of subjective experience through new sciences. If scientists have accepted that science has shown that the reality of the world now takes a different inclination, going beyond the physical dimension to the levels of intellection and contemplation, is it too difficult for social scientists and accountants to move from corporate governance to human

governance?

### 5. Is the corporate world ready for such a framework?

The corporate world cannot do without it. But to start with, we must first believe that we need and want to move on to a different dimension; that we need and want to transform our mindset. There must be corporate will akin to the imaginal cells that are responsible to morph a caterpillar into a butterfly. We need to nurture those imaginal cells to transform corporations into the knowledge-based economy. Everywhere people are talking about transformation, but is their transformation really transformation or is it just about fiddling at the peripherals, analogous to quantitatively moving from three to four decimal places? We need to move to the cause of accounting failures, addressing the humans who somehow seem as if they do not want to be accountable. We need to address the issue of integrity in the stewardship of corporations. But for transformation to take place, corporate players need to reequip themselves with the right knowledge: that which includes the subjective besides the objective. **AT**



# Credit Crisis Raises Awareness of Accountancy Value

*It is said that crisis breeds opportunity and the global credit crunch may have done just that for the accountancy profession. Many respondents to the International Federation of Accountants (IFAC's) 2008 Global Leadership Survey report that the crisis has actually benefited the profession, with professional accountants — both in public practice and in business — being viewed as professionals who can help to turn the economic tide.*

Overall, leaders of accountancy bodies from around the globe see the accountancy profession as very important for economic growth and development and believe that in the coming years demand for accountants' services, particularly audit and assurance, accounting, tax, and advisory services, will continue to increase. Similarly, respondents predict that the demand for professional accountants working in business, industry and in the public sector will increase. However, some respondents indicate that the current crisis may negatively impact overall demand for professional accountants as economies falter.

"According to survey respondents, the credit crisis is resulting in increased awareness of the value of professional accountants and the services they provide," says IFAC Chief Executive Ian Ball. "It is now up to the profession to continue to meet the expectations of those that depend on our work and to contribute to rebuilding confidence in financial markets." Respondents suggested that IFAC should reinforce the message that qualified accountants are best equipped to assist businesses in making their way through these uncertain times. They also recommend that the accountancy profession continue to do what it does best: delivering accountancy services with a high degree of integrity and professionalism.

Leaders of accountancy organisations re-

ported an increased trend in the need for services that are related in some way to the crisis. Overall, survey respondents indicate that they are receiving calls for information on the credit crisis, especially on accountancy-related topics such as fair value accounting. In the coming year, survey respondents expect their members in public practice to be more involved in forensic accounting, corporate recovery and insolvency services, assurance services (other than audits), as

*"According to survey respondents, the credit crisis is resulting in increased awareness of the value of professional accountants and the services they provide."*

**Ian Ball, Chief Executive, IFAC**

well as risk and compliance-related work. They see their members in business being more involved in the areas of corporate social responsibility and sustainability, risk management and internal control, as well as governance and compliance.

Although the currency of the credit crisis makes it a prominent topic, other top issues in the IFAC survey included addressing the needs of small and medium enterprises (SMEs) and small and medium practices (SMPs); meeting expectations to identify and prevent fraud; dealing with the changing regulatory landscape; and transitioning to International Standards on Auditing. Respondents also believe it is increasingly important to address the transition to International Financial Reporting Standards, auditor liability issues, the use

of new technologies like XBRL, and corporate social responsibility issues.

Recently-appointed IFAC President Robert Bunting has indicated that addressing the needs of SMPs and SMEs will be a priority for IFAC over the next two years. "The survey confirms that meeting the needs of SMPs and SMEs is a global concern and a global goal. These entities are among those likely to suffer significantly from the current financial crisis. Yet they are among the least at fault. We must look for ways to mitigate the effect of the crisis on SMPs and SMEs," emphasised Bunting.

Despite the challenges, accountancy is becoming an increasingly attractive profession for students. According to survey respondents, the factors positively influencing students are the career options available and earning potential. However, leaders of accountancy institutes indicated that the two factors having the most negative impact on the attractiveness of the profession are work/life balance and legal liability.

This year's survey sought the views of chief executives and presidents of 110 accountancy organisations worldwide. The majority of these organisations have been actively engaged, like IFAC, in identifying and executing appropriate responses to the crisis, supporting their members in understanding applicable international standards, and working with regulators, business groups and others to find solutions. **AT**

# Value Creation Strategy for Sustainability

Raja Adzrin Raja Ahmad, Abu Thahir Abdul Nasser  
and Maisarah Mohamed Saat

*Resources and capabilities are the core competencies for an organisation because they serve as a source of a firm's competitive advantage. They also facilitate the innovation process. Without them, innovation is difficult to embrace. Innovation can be viewed as the successful introduction and development of anything new and novel about the operations of an organisation or the products produced or services rendered.*

## Value creation

In the global competitive landscape, value creation is undeniably an important agenda for firms as it can be a tool for gaining competitive edge. It is increasingly being recognised as a better management goal than profit maximisation. Value in the broader sense means benefits outweighing costs. From a firm's perspective, value is in place when customers are willing to pay premium. Sustainability is intrinsic to value creation; in order to be sustainable, firms need resources and capabilities.

## Resource-based theory

Resource-based theory, or the "resource-based view," spurs an awareness of competitiveness, for it focuses on the resources and capabilities of a firm. It conceptualises a firm as a bundle of resources and capabilities heterogeneously distributed across them. Hitt, Ireland, and Hoskisson (2005, p. 19) defined resources as "the inputs into a firm's production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers," while capability is defined as "the capacity for a set of resources to perform a task or an activity in an integrated manner." These resources have to be superior to those of the competitors; otherwise, any advantage would be promptly swept away. These resources and capabilities have to

be unique and should provide the basis for strategy. The strategy chosen by a firm through the exploitation of its unique resources will enable the firm to ultimately gain a competitive advantage. However, to sustain this competitive advantage, a firm needs resources which possess four characteristics: resources must be valuable, rare, costly-to-imitate and non-substitutable (Barney 1991; Hitt, Ireland, and Hoskisson 2005).

Resource-based theory, which became important in the 1990s, draws attention to the link between resources and capabilities, sustainable competitive advantage and superior economic performance. This theory of the firm also suggests that improved financial performance will be the result of the effective management of the bundle of resources and capabilities that possess the four characteristics identified above (Branco and Rodrigues 2006). Resources are valuable when they enable a firm to take advantage of the opportunities available and allow the firm to employ a value-creating strategy. They are rare when not many competitors own them. If the resources are common, then they would not have the competitive edge. Resources are costly-to-imitate when the costs of developing them are extremely high. Resources are non-substitutable when there are no strategically equivalent resources that are able to replace them. If

they can easily be substituted, then, prices will be pushed down and the competitive advantage is no longer sustainable. As such, to be a source of sustainable competitive advantage, acquiring these unique qualities is essential.

## Tangible and intangible resources

Resources can also be categorised into two broad categories: tangible and intangible. The former refers to those resources that have a physical form, such as buildings, land, plant, and equipment. The latter refers to resources that do not have physical form, such as a patent, a trademark, corporate culture, goodwill, accumulated customer information, an organisation's employee knowledge, technological advancement, customer trust, and dealer loyalty.

Although intangible resources do not have any physical nature, yet they are proven in today's market-place as being invaluable to the long-term success of a business and have a positive effect on a firm's bottom line. In fact, they are superior to the tangible ones. For instance, Mercedes Benz, which is celebrating its 50th anniversary, is able to generate superior returns due to its strong brand-name recognition, uncompromising quality, and technological innovation. This superb reputation is not something built overnight. According to the head of the car maker's environmental division, Profes-

sor Herbert Kohler, who is responsible for Mercedes' advanced engineering, "Daimler invested more than €1.7 billion in product and process innovation in 2007 – that's the biggest innovation budget in the global automotive industry ...so that we are ideally placed for the future." This suggests that innovation is a firm's foremost concern as this will lead to sustainability in a competitive market-place.

### Innovation process

Resources and capabilities serve as the primary sources of a firm's competitive advantage and facilitate the innovation process; without them, innovation is difficult to embrace. Innovation can be viewed as the successful introduction and development of anything new in the operations of a firm or in products and services. The main goal of innovation is to create positive change and make genuine differences that will ultimately increase the value of a firm. The results of innovation include advances in the production process, the creation of new

market segments, improvements in material input quality, reduction in production costs or energy consumption, conformity to regulations, reduction in environmental damage, and extension of product/service range.

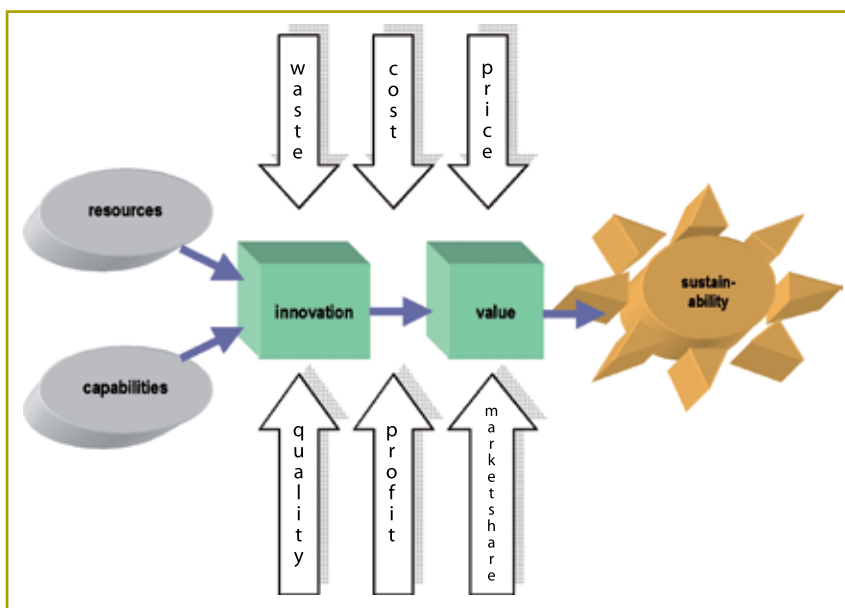
As shown in **Figure 1**, through innovation, a firm can identify how to reduce waste and costs by researching and developing new techniques and operational processes, simultaneously enhancing the quality of the product/service and market share. Quality is usually perceived as the ability to fulfil the reasonable, ever-changing, expectations of customers and other stakeholders. This is sometimes mistakenly associated with increased costs, but this may not necessarily be the case. For example, by introducing "Just-In-Time" techniques, a firm may incur additional costs, but be able to reduce unnecessary future

storage costs, thus reducing the unit cost. Successful efforts at cost reduction have unique consequences for the firm in terms of value creation. Through the value creating strategy, price can be reduced without diminishing revenue. This can be realised by increasing the sales volume. Furthermore, according to Michael E. Porter, Professor at the Harvard Business School, successful innovation can bring about differentiation and may also lead to cost reduction, two ways of gaining competitive advantage. In return, the firm's market share will increase.

ordinating these resources to put them into effective use, i.e. the capabilities. Effectively blending resources and capabilities enables a synergy, where the benefits derived from the combination is greater than the sum of the individual components. For instance, through innovation, a firm will find ways to add new, improved features to a product/service valued by its customers. This will lead to differentiation advantage. Additionally, by sharing assets between business units, economies of scale can be obtained and average unit cost will decline. This will assist a firm to derive competitive advantage

by being the lowest cost producer.

**Figure 1: The route to sustainability**



### Route to sustainability

Over the last decade, it has become apparent that the ultimate measure of success is sustainability. Sustainability refers to the ability of a firm to maintain its competitive position in the market, whereby the firm gains prolonged benefits derived from the implementation of its value-creating strategy. To be sustainable, a firm has to constantly be responsive and innovative. This hinges on the firm's routine and management effectiveness in employing its resources into productive and efficient usage.

Undoubtedly, all firms are constantly struggling to create and manage value in an increasingly dynamic environment. Hence, innovation plays a vital role in shaping a firm's future. As part of this process, innovation requires resources in the form of firm-specific assets. However, resources alone are insufficient. A firm requires skills at co-

its long-term survival against rivals. **AT**

### Conclusion

All in all, innovation, value creation and sustainable competitive advantage are indeed connected. To sustain and enhance the competitive position, a firm must constantly create value through identifying feasible markets and competitive opportunities. Markets are undoubtedly dynamic. To stay in the game, a firm needs effective management of resources and capabilities that will ensure

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# Effective Personal Crisis Management

## Turning Financial Crisis into Opportunity

Dr. Hubert K. Rampersad

*The current financial crisis is driving the world into a global recession.*

*There is no job security now. Especially in times of financial crisis you need to be independent, become the CEO of your life and redefine yourself in order to create and attract new creative opportunities.*

This can be realised successfully according to an innovative four-stage authentic personal branding model that will be introduced in this article. You can get yourself out of this crisis rebranding and managing yourself effectively and by building, implementing and cultivating your authentic personal brand according to this model. If you are well branded according to this approach, you will master the financial crisis successfully, smartly save costs, generate new revenues, find it easier to convince others and attract the people and opportunities that are a perfect fit for you.

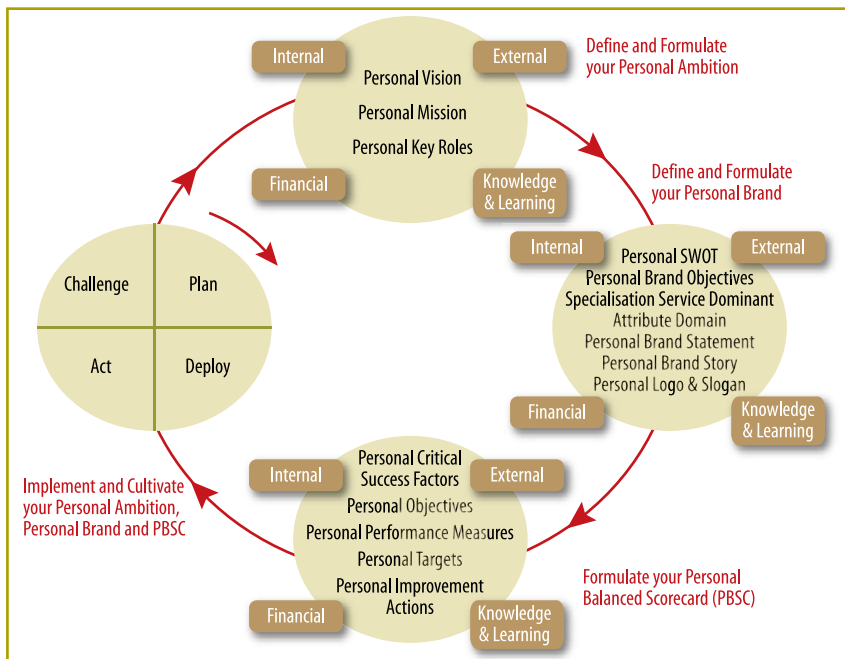
This new system will help you to actively grow and distinguish yourself as an exceptional professional. Remember what Albert Einstein said: "In the middle of difficulty lies opportunity." Now is the best time to engage in a meaningful dialogue with yourself and build your personal brand in order to better master the financial crisis with your unique value proposition. This innovative personal branding approach will provide you a roadmap to translate

your genius, dreams and aspirations into manageable improvement actions and will help you adjust your market offerings to the different crisis needs of various cus-

tomers, set themselves apart from others, create an identity around themselves which makes it easier for others to remember who they are, become known as thriving

and distinguished professionals and improve themselves continuously. They develop their own creative responses to this financial crisis instead of following the standard responses of individuals during a recession. They master the personal financial crisis because they have identified and leveraged their authentic dream, responded to it with passion, know what make them unique, special, different and outstanding, identified their genius, expanded their limits based on this, and have faith in themselves and the courage to pursue their dream and personal brand.

**Figure 1 Authentic Personal Branding Model (Rampersad, 2009)**



tomers segments. Now during the crisis it is a great time to reposition yourself strongly in relation to your competitors, build a strong reputation, develop an effective image of yourself that you want to project in everything you do, and become more creative and innovative. While some individuals fight for survival, this financial crisis is an excellent opportunity for visionary people who like to differentiate them-

sonal brand.

### Four Stage Model to Master a Personal Financial Crisis

Building an authentic Personal Brand to respond to the financial crisis is an evolutionary and organic process. This process consists of the following four phases, which are the building blocks of a strong authentic Personal Brand (see figure 1):

**1** Define and formulate your Authentic Personal Ambition;. This phase involves defining and formulating your Personal Ambition in an exciting and persuasive manner and making it visible. Your Personal Ambition is the soul, starting point, core intention and the guiding principles of your Personal Brand. It's the fuel for your brand and encompasses your personal vision, mission, and key roles. It is about developing your self-awareness and identifying yourself and figuring out what your dreams are, who you are, what you stand for, what makes you unique and special, why you are different from anyone, what your values are, and identifying your genius, incorporating an introduced breathing and silence exercise. You are almost twice as likely to accomplish your

on a single core talent. Define your main specific services, your key characteristics and your single leading and most powerful attribute. Finally, determine what your audience (domain) is and what the greatest needs of this audience are. Your Personal Brand Statement entails the total of your Personal Ambition, brand objectives, specialty, service dominant attribute, and domain. It also includes your Unique Value Proposition. The next step in this second stage is to define your Personal Brand Story (Elevator Pitch), which is the essence of what you want to say about your Personal Brand in order to produce a positive emotional reaction. Finally you should design your Personal Logo, which is a single graphical symbol that represents your Personal Brand.

PBSC is needed to improve and manage yourself continuously based on your Personal Ambition and Brand. It's an effective tool that you can use to manage and master yourself and monitor your behaviour and actions.

**4** Implement and cultivate your Personal Ambition, Personal Brand and Personal Balanced Scorecard. Personal Ambition, Personal Brand, and the PBSC have no value unless you implement them to make them real. Therefore the next step is to implement, maintain, and cultivate your ambition, brand and PBSC effectively. You have to articulate your Personal Brand with love and passion, be committed to change, and improve your perceived value in the marketplace and yourself continuously. In addition, try to build credibility and become an expert in your field. Get the word out through a variety of media channels, do work you love which is consistent with your Personal Brand and values, gain experience in areas of your brand in which you are weak, promote yourself, market your brand frequently and consistently, make conscious choices about the people you associate with, build a strong network, deliver on your brand promise, and in short live according to your brand promise. To guide you in this process a unique learning cycle called the Plan-Deploy-Act-Challenge cycle (PDAC cycle) has been introduced, which should be followed continuously. This is necessary to let your brand awareness grow gradually. This learning process will help you to become proactive, manage your time effectively, and anticipate crises. The introduced breathing and silence exercises will help you calm down and regain control of your mind and body during the crisis.

This four-stage model forms the key to mastering the financial crisis effectively. Through this approach you will also be able to make yourself and others happy on an ongoing basis. **AT**

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This article is based on Dr. Hubert K.Rampersad's new book *Authentic Personal Branding: A new blueprint for building and aligning a powerful leadership brand* (Pearson Malaysia, 2008). He is the President of TPS International Inc. (Miami Beach). He can be reached at: [h.rampersad@tps-international.com](mailto:h.rampersad@tps-international.com), [www.Total-Performance-Scorecard.com](http://www.Total-Performance-Scorecard.com). His Blog is: [www.rampersad.wordpress.com](http://www.rampersad.wordpress.com)

“While some individuals fight for survival, this financial crisis is an excellent opportunity for visionary people who like to differentiate themselves, set themselves apart from others, create an identity around themselves which makes it easier for others to remember who they are, become known as thriving and distinguished professionals and improve themselves continuously.”

brand if you write this down. Your Personal Ambition makes your Personal Brand Personal and links this to your values.

**2** Define and formulate your Authentic Personal Brand;. This phase involves defining and formulating an authentic, distinctive, relevant, concise, meaningful, compelling, enduring, and crystal clear Personal Brand promise, and using it as the focal point of your behaviour and actions. First of all, perform a personal SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and evaluate yourself after using the breathing and silence exercise. This will also make you aware of the signs of the financial crisis in your internal and external environment. The result of the SWOT analysis is the definition of your personal lifestyle. This relates to your personal ambition and brand objectives. Your brand objectives entail what you want your Personal Brand to accomplish. You also need to determine your specialisation, concentrating

**3** Formulate your Personal Balanced Scorecard (PBSC); Personal Ambition and Personal Brand have no value unless you take action to make them a reality. Therefore the emphasis in this stage is developing an integrated and well-balanced action plan based on your Personal Ambition and Personal Brand to reach your life and brand objectives and to eliminate any negative elements. It's about translating your Personal Ambition and Personal Brand into your PBSC (action). Your PBSC entails your personal critical success factors that are related to your Personal Ambition and Brand and the corresponding objectives, performance measures, targets and prioritised improvement actions to master the crisis and to manage yourself effectively. It is also divided into the four perspectives: internal, external, knowledge & learning, and financial perspectives. Your PBSC translates your Personal Ambition and Personal Brand into manageable and measurable personal objectives, milestones and improvement actions in a holistic and balanced way. Your

# Unity is Needed to Face Economic Adversity

Assoc Prof. Dr. Hassan Ali

*Malaysians are divided on the likely impact of the global financial meltdown on the economy. The pessimists appear to prophesy an apocalyptic turmoil while the optimists hold the view that Malaysia will avoid the crisis altogether. Many also seem to underestimate the importance of unity as one of the key ingredients of the effort to counter this economic uncertainty. What is at stake is the very core of what Malaysians have achieved over the last 50 years — economic success and political stability.*

# FINANCIAL CRISIS



**A**lmost everyone agrees that the road ahead may be stormy and there is an urgent need for economic reforms. But reforms require strong government leadership and the support of the masses. It will be extremely difficult for the government to muster enough political will to initiate changes, especially unpopular ones, to the economy without public support. Political bickering and street demonstrations will only lead to more negativism and reduce the government's political will to enforce bold economic measures, rendering it ineffective to avert any potential external blows.

While it is true that the world has become so much closely integrated that it is impossible to view economic events happening in other parts of the world with apathy, it is also true that the economic calamity besieging Europe and the United States may not necessarily affect the Malaysian economy to the extent of inflicting widespread recession. If anything, the global financial meltdown has brought out plenty of cynicism among Malaysians who obviously have no confidence in the resilience of the economy.

Although there are pundits who will quickly point their finger to Malaysia's substantial fiscal deficits as proof of the government's inability to manage its accounts, there is equally hard evidence to suggest that Malaysia's high savings and rapid growth have enabled it to avoid inflationary debt financing. One of Malaysia's core strengths is the government's ability to manage its financial system that helps sustain its export surpluses. Indeed, since the Asian financial crisis in 1998, Malaysia has benefited from consistent institutional strength, sound financial development and low inflationary pressures.

A country's economic growth is the sum of three factors — productivity level, a prudent financial system and sound economic policies. In the wake of the global turmoil, the challenge for the Malaysian government is to quickly identify the true potential growth of the economy and begin introducing structural reforms, both long and short term strategies, to bolster its growth prospects. This is easier said than done because structural reforms are no mean feat, as they require bold initiatives such as higher investments on education and

healthcare, liberalisation of the financial sector and trade openness. Most of these may not be popular with the masses.

Trade openness, albeit unpopular, will immediately expose local firms to global competition while liberalisation of the financial sector, particularly on the corporate bond market, could facilitate funds for infrastructural improvements. Equally important is the need to foster higher standards of education so as to support skill and innovative-based industries and move-up the value added chain, as well as of continuing corporate and financial sector governance.

Malaysia is now at the crossroads of becoming an oil producing country. While this may be a healthy trend, there is also a danger of the economy being overexposed to the global economy. As proof, the unexpected high demand for oil over the last one year generated enormous revenues for oil producing countries temporarily, but conditions are now reversed because of changes to the demand. Malaysia should draw important lessons from these events by being more cautious on raising expenditures that are hard to reverse such as food and oil subsidies but instead focus on expenditures that can help build its productive capacity for the future.

The economic emphasis now is towards achieving macroeconomic stability by providing a more favourable institutional environment that would help sustain the productivity growth rates while balancing the shift of resources and labour between the agriculture, manufacturing and services sectors. Its immediate policies should focus towards shifting such resources from low to high productivity sectors. This applies to the projection on the labour needs of commodity-based industry and services while simultaneously moving the manufacturing sector towards higher value added products. Although a major shift of labour away from the agricultural sector will provide an important channel to boost growth and reduce rural poverty, it risks eroding the efficiency of the agriculture sector. With tight labour market conditions, radical measures need to be adopted by, say, encouraging older workers to work longer and more women to return to the workforce.

Efforts are also needed to ensure that Malaysia's productivity growth remains

attractive because this is vital in attracting foreign investments. Malaysia is ranked 19th in overall performance out of 55 economies in 2008 by the Swiss-based World Competitiveness Centre and 20th among 181 countries by the Global Competitiveness Report. Nevertheless, there appears to be a persistent gap in productivity growth rates between agriculture, manufacturing and the services sectors, probably due to the sheltered nature of several businesses in the banking and automotive industries.

Failure on the part of the government to boost overall productivity growth across all sectors will produce an imbalance between productivity and accelerating unit labour cost. The danger of such imbalances is that they could cause dire consequences on the entire economy, tempting businesses to develop a crutch mentality in seeking for government assistance because of their inability to compete at the international stage. Thus, as Malaysia's economy becomes more affluent it will prove increasingly important to adopt strategies that could transform local enterprises to become world class players, including by removing subsidies, protectionist policies, and barriers to entry; streamlining regulations and strengthening human capital.

Productivity improvement should remain the primary focus to cushion against, if not avert any recession that is threatening the economy. Increasing the nation's productivity growth requires bold measures that affect the country's infrastructure, workforce quality and prudent monetary spending on the part of the government. Malaysia's economy, although susceptible to external influences, requires strong leadership to implement innovative and at times unpopular measures to justify the ends.

Bickering over who is right or wrong will not help develop Malaysia's economy. It is time for Malaysians to close ranks, as any civilised society would, and rally behind the government as one united nation. After all, didn't we just give the mandate to the present administration to manage the economy over the next five years? **AT**

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# Back to Basics

*Capital in the credit crunch is expensive and hard to find — which means cash management is moving up the finance function agenda. Audrey Besson and Richard Young recommend a return to basics in corporate funding strategy.*





A year after striking the financial services industry, the credit crunch is reaching the corporate world. When companies such as Marks & Spencer, John Lewis Partnership and Taylor Wimpey send out signals that they are feeling the squeeze, it's fair to say that every business should be mindful of its funding requirements in the current environment.

But it's not just lack of liquidity in the money markets. With an economic downturn looming, companies are starting to look at cash flow with a newly critical eye, hoping to avoid the nightmare of falling revenues unmatched by lower cuts.

### Visibility of cash

Cash monitoring and forecasting don't sound like the most strategic or interesting parts of the CFO's role — in fact, they're delegated. But given the lack of liquidity and looming economic difficulties right now, any CFO will be expected to be aware of their cash position, at any point in time.

Whereas, in the past, net income forecasting was sufficient, today many investors require companies to produce a rolling 12-month cash flow outlook. That means having the right tools in place to be able to track data throughout the 'financial supply chain' in your own organisation and having consistent management information.

According to the late George Moore, founder member of the Society of Turnaround Professionals, cash forecast can be life or death for a business during a downturn. "A realistic and well-researched cash flow forecast 13 weeks out will pick up sudden increases in sales and costs," he told *Real Finance* magazine in 2006. "It's pretty straightforward to work in the payments side — the salaries, taxes, leases and supplier invoices. All you have to do then is estimate the collections you're sure about and you'll see straight away what you've got to do in terms of sales and improved collections."

Outgoings are also vital: activity based costing, for example, can highlight overheads that could be eliminated and unprofitable lines that should be the first on the chopping block.

One aspect of working capital that's often obscured from management is disputed invoices. Struggling clients will be managing

their own working capital, and that can mean late payments or haggling; more complex disputes can put large sums into the dreaded '120+ days' column. But if disputes are quickly raised to management then director level — rather than festering in the bottom drawer of an account executive — fast decisions can be made about potential refunds, starting negotiations with client decision-makers or taking legal action.

Companies are increasingly adopting integrated systems to automate cash-related processes. Large companies can take this a stage further with centralised shared services and outsourcing. Again, the credit crunch and economic downturn are very persuasive arguments for a general tune-up in finance function efficiency — and creating visibility in cash flow should be a prime driver.

"A realistic and well-researched cash flow forecast 13 weeks out will pick up sudden increases in sales and costs ... It's pretty straightforward to work in the payments side — the salaries, taxes, leases and supplier invoices. All you have to do then is estimate the collections you're sure about and you'll see straight away what you've got to do in terms of sales and improved collections."

Late George Moore, founder member, Society of Turnaround Professionals

### Customer-to-cash

Cash management is more than just great systems and transparency in the finance function. From the moment a purchase order is taken to the payment of the final invoice, there are plenty of opportunities to influence the working capital cycle. Proactive cash management starts with the right credit decisions. As the sub-prime mortgage crisis illustrates, inappropriate underwriting rules can seriously damage business viability. So the credit policy should be clearly defined — to include your company's credit criteria, standard payment terms and detailed reporting requirements — and signed off by the board.

Ensuring invoices are accurate, timely and payment standards are clearly stated is key. Providing user-friendly payment facilities — such as online payments or direct debit options — will also help. Offering a discount for prompt or early payment is a great way of improving cash flow. And, if you need to

tighten the belt another notch, you always have the option of re-setting the credit terms offered to customers.

Your collection processes, routines and controls are critical to cash performance. Again, many companies have the best intentions — but metrics such as DSO (days sales outstanding), essential in monitoring working capital, can end up being overlooked. With an uncertain economic outlook, it makes sense to conduct a daily review of the receivables report — it's a great way to spot gradual tightening in specific sectors or problems emerging at key clients.

It's also important to make stars out of the credit control team. They usually toil away in obscurity, but they are the engineers in the boiler-room of working capital. If they're not already, turn them into 'account managers' with a remit to help you understand your

customers better and create relationships that could make the difference between getting paid on time or a few days late. Staff incentives can also have a significant impact — and not just in the risk or credit control teams. Sales people should understand that a sale is not complete until the payment has been received. So link remuneration to the appropriate collection metrics.

Finally, if your company's standard terms and conditions include penalty interest on late payments, now could be the time to enforce them. That sort of policy tightening requires a degree of diplomacy. But as part of a broader approach to contract enforcement that includes, say, early settlement discounts, it can be done.

### Procure-to-pay

Supplier management can also play a critical role in the finance supply chain — but it's worth bearing in mind that cash management in the payables function need not mean late payments or chiselling hard-

up suppliers for more favourable terms.

Managing your payments against supplier terms is job one — and it's another area where companies don't often look at the details in each and every case. So make sure suppliers are paid on the exact due date — except where it makes sense to take advantage of pre-agreed discounts for early payments. Accurate cash forecasting will help you decide whether less cash out now is better than slightly more later on.

When selecting a new supplier, the procurement team should take into account any flexibility around payment terms. That means a management accountant will need to brief buyers and line managers on where they ought to be negotiating, rather than simply looking at lowest price.

It's also a good time to strengthen purchasing policies. At the macro level, are there opportunities to consolidate suppliers? Approval processes for expenditure should be strictly adhered to, of course. You should also consider lowering the value threshold for CFO sign off — or automating the approval process to ensure senior managers are held accountable.

Good inventory management can also improve working capital performance. As with other aspects of cash management, transparency is the key. The finance function should use the cash forecast to crunch the numbers in a way that plots a path between minimal stock, a satisfactory supply chain and maximum benefit from procurement terms. And does the offshore manufacturing deal still look as good when you factor in the six weeks your stock will be sitting on a boat?

### Alternative funding

Minimising working capital, having efficient processes and developing a clear, accurate forecast of cash are all must-haves, especially during a downturn. But whether you need to boost working capital to cover a sales slow-down or — more importantly — invest for growth ahead of an upturn, additional borrowing could still be on the agenda.

Assuming the bank is less keen to lend now than it might have been 18 months ago, or is imposing tougher covenants or higher rates, you'll need to look at alternative sources of cash.

While cash pooling — netting off your cash positions across different parts of the

business to minimise its overall debt position or maximise interest received — is already a mature product, not all corporations have adopted it. But it can be a powerful tool for efficient cash management and allows businesses to strengthen controls, maximise cash return, decrease borrowing needs and get easier access to funds.

Cash pooling is a no-brainer whatever the economic climate. But there are other options that only become attractive during these more uncertain credit and trading conditions.

Factoring and invoice discounting, for example, will help to accelerate cash cycle, although the receivables will have to be sold at a discount — and the fees can mount up. It's certainly a growing market: the invoice finance sector grew by 460 per cent between 1995 and 2005; by 2006, over £19 billion of receivables were in play with finance firms in the UK alone.

Terms will differ between factoring companies, and over recent years 'confidential invoice discounting' (which hides the arrangement from your customers) has risen in popularity. So it's worth shopping around. And check whether your bank would accept a loan using account receivables as collateral — their fees will typically be cheaper.

Selling non-core assets is another option for larger cash injection. Lloyds TSB raised funds through its sale of its Abbey Life business to Deutsche Bank in July, for example. And consider property sales. Last year, HSBC did a sale-and-leaseback deal on its global headquarters that raised £1.1 billion in cash.

Then we get to the really tricky areas. In today's market, delaying investments is probably already on your agenda. Capital expenditure aimed for growth might not be a priority right now, with senior management preferring to focus on cash management. But hasty cuts — in areas such as marketing, for example — could have a detrimental effect on medium-term cash flow. Again, the management team needs to be able to see how things will play out in the 12-month rolling cash forecast before making decisions that could kill the company just as an economic upturn rolls in.

Overall, cash management requires companies to have the right tools available, ensure the basics are in place and to think crea-

tively when it comes to alternative sources of funding. It's an opportunity to look again at systems and process right through the organisation — in different departments and at every level — to ensure that best practice in cash management is in place.

### Common-sense cash

We've unearthed some sage advice from the late George Moore, founder of the Society of Turnaround Professionals and something of a guru for those interested in helping companies out of a fix. Depending on the depth of the downturn and the extent to which your business is starved of cash, these tips might find a place in your bottom drawer:

- Negotiate with suppliers. Will they accept cash up front for new orders and an orderly, but gradual, pay-down of accumulated debt?

- Analyse your optimum return on capital. If the cost of borrowing is high, for example, see if you can settle debts early and instead of paying interest, use the cash flow to secure early payment discounts from suppliers.

- Beware invoice discounting. It's relatively expensive and you can run into problems if sales dip. So you need to understand your business cycle really well. Borrowing against physical assets is smarter.

- Consolidate debt into a long-term bank loan and arrange a suitable overdraft for day-to-day fluctuations. Shareholders will see more value when you gradually chip away at the bulk of the debt.

- Look for disaggregation opportunities. Often businesses own assets that would be more valuable under a different structure. For example, sell property to a company commonly owned by the shareholders, then lease it back — that ring fences the value for the owners.

- Sweat your assets. Let's say you have a manufacturing facility working eight shifts a week. Why not spin it out as a new business and find customers for the other shifts? **AT**

This article is contributed by CIMA (Chartered Institute of Management Accountants) and it is an extract from the article on "Back to basics" published by CIMA in its *Excellence in Leadership* series: *Financial Supply Chain*.

# Managing Climate Change Risk

Patrick Ow

*Climate change is one of the major environmental challenges of our time. It is a significant emerging global risk. Organisations, if they haven't done so already, should begin to account for it in their strategic and operational planning, and develop plans to mitigate and / or adapt to any potential climate change and the social impacts (e.g. effect of climate change on employee well-being) it may have on the continuity of business and services. The challenge for both private and public organisations is assessing as quickly as possible the impact of climate change upon their operations and adapting to climate change.*

The definition of climate change is 'a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods'<sup>1</sup>.

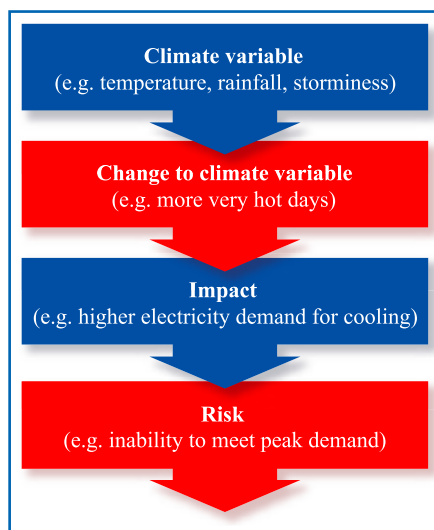
Examples of how climate change (or climate variables) could affect climate extremes are:

- More frequent very hot days.
- More frequent and longer droughts.
- More frequent and larger floods.
- More frequent and more intense heavy rains.
- More intense tropical cyclones.
- More intense storms.
- Higher peak wind speeds.
- Higher storm surges.

With these climate extremes come the risks associated with climate change:

- **Operational risk** — disruption of operations due to inability of suppliers to provide services or when staff are unable to work due to floods or transportation shut down.
- **Insurance risk** — increased premiums and/or uninsurable due to uncertainty of the impact of climate change on your operations.

**Figure 1 Chain of Consequence**



- **Regulatory risk** — regulation of greenhouse gas emissions, ensuing compliance costs and amended building laws to cater to possible climate change.
- **Litigation risk** — costs resulting from “climate litigation” and lack of case law.
- **Capital risk** — inability to raise capital due to uncertainty.
- **Competitive risk** — loss of economic opportunity.

The risk of climate change to your organisation, for instance, is to its reputation as a reliable provider of products or services or its ability to meet its statutory mandate or

continue operating. Because the risk of climate change does not arise directly from changes to climate and climate related variables, there is a chain of consequences that we all need to understand (as shown in the diagram) in order for us to manage the impact of climate change.

As such, the challenge for organisations is therefore to fully comprehend and understand the impact of these climate variables and potential change to these climate variables on their organisation and its operations, which may create risks to the organisation.

“... the challenge for organisations is to fully comprehend and understand the impact of these climate variables and potential change to these climate variables on their organisation and its operations, which may create risks to the organisation.”

<sup>1</sup> United Nations Framework Convention on Climate Change (UNFCCC).

As a starting point, we are able to map the possible impact of climate change based on existing knowledge.

Impacts	Heatwaves	Floods
Health Impacts	<ul style="list-style-type: none"> <li>• Increased pressure on healthcare system, admissions requiring additional staff and increased demand for medical supplies.</li> <li>• More fires in dry areas, leading to reduction in air quality and increasing respiratory problems for the young and old, and those with asthma.</li> <li>• Decreased water quality and availability.</li> </ul>	<ul style="list-style-type: none"> <li>• Result in degradation of health and loss of life.</li> <li>• Increased trauma and associated human misery.</li> <li>• Rising sea levels may increase the vulnerability of coastal infrastructure.</li> </ul>
Facility Impacts	<ul style="list-style-type: none"> <li>• Overcrowding of healthcare facilities by people not needing medical treatment, but looking for air-conditioned areas.</li> <li>• Increased peak demands on electrical power generation and distribution systems will challenge system reliability and availability.</li> <li>• Computers and electronics fail due to overheating.</li> <li>• Transport systems affected by heat-related expansion of railway lines and steel bridges, and other associated damage to roadways.</li> </ul>	<ul style="list-style-type: none"> <li>• Physical facilities are flooded.</li> <li>• Increased pressure on disaster relief systems.</li> <li>• Evacuation of healthcare facilities may be necessary for oxygen-dependent patients.</li> <li>• Electrical power outages may be unavoidable.</li> </ul>

We need to fully understand the potential means by which climate risk could directly or indirectly affect your operations, resources, reputations, and financial position. Any identification and assessment of climate risk must be conducted within your organisation's overarching risk management framework and processes. These set out the parameters and evaluation criteria by which we evaluate risk.

We also need to determine how climate change risk management will be integrated with other management processes, like business continuity management and supply chain management. An organisation that has a fully integrated risk management system will have skilled resources that can be applied to climate change risk management and many personnel will be familiar with the general workings of a typical risk management process.

The questions we need to ask are these:

- 1 What are the possible types of climate variables (e.g. heatwaves, flood, etc) that would create a change in climate variables (e.g. hot days)?
- 2 What are the potential impacts (e.g. higher electricity demand for cooling) that these climate changes have upon your operation, service or product offering and physical infrastructure?
- 3 How will new climate change regulations impact or affect our operations?
- 4 Will our continuity plans work in the event of a change in climate?
- 5 Assess what additional risks climate change presents to your supply chain, service delivery and operational management. For example, ask the following:
- 6 Will regulations affect the ability of any suppliers (e.g. energy suppliers) to provide materials or services to your operations? Could they raise their price?
- 7 Will their service delivery be affected?
- 8 Will our operations be substantially changed as a result of these changes?

Climate change will have an impact on your business and service continuity planning. For example, an organisation faced with repeated battering from storm after storm, or with water shortages, a rise in sea level, and/or other difficulties, may need to consider re-

locating, which in turn triggers new issues. Organisations located farther inland may, likewise, be forced to rethink their normal continuity plans when faced with more frequent or severe storms or drought.

What if a change in climate leads to changes in electricity production and use? If demand for cooling drives up electricity prices or causes supply shortages, what will the impact be on your ability to operate? Or if the electricity distribution infrastructure is affected by prolonged floods and storms? Or if uprooted trees destroy electrical power lines?

Risk management is generally recognised as a starting point for addressing climate related vulnerabilities. For organisations to fully understand the risks posed by climate change and their potential impacts, and whether those climate risks and impacts are near-term and sudden, versus long-term and gradual, a comprehensive risk assessment should be developed to rank climate change risks by likelihood and consequences as part of your risk management and business continuity management processes. Risk management standards like AS/NZS 4360 or draft ISO 31000 will assist in this process.

One of your strategies to mitigate climate change risk may be to have in place robust and well-tested business continuity plans that include measures to minimise operational disruption due to climate change. This requires your organisation to assess the potential for climate change to disrupt or otherwise affect your operations as an integral part of your risk assessment. It is not as a separate exercise but as an integrated risk management exercise.

Climate change may also affect the availability of your staff to manage your operations. As part of your business and service continuity management programme, appropriate continuity plans need to be put in place to ensure that there are sufficient staff back-up on key tasks to be performed, where practical.

It is recommended that six impact scenarios be considered when developing your climate risk mitigating strategies. Do not consider the cause. Rather, consider the impact if they should occur.

- 1 Failure of critical, time-sensitive services.

- 2 Surge in service demand.
- 3 Denial of access to premises.
- 4 Shortage of staff.
- 5 Failure of technology/system.
- 6 Failure of supply chain, key supplier/partner.

Your climate risk strategic options may include, but are not limited to:

- 1 Process transfer or relocation — involves transfer of critical and/or time sensitive activities either internally (to another part or location of your organisation) or externally (to a third party location), independently or through a reciprocal or mutual aid agreement.
- 2 Mutual aid agreement or arrangement for sharing resources, services and infrastructure.
- 3 Temporary or manual workaround — as an alternative to transferring or relocating a process, it might be feasible to adopt a different way of working which nonetheless provides the same, or similar, but acceptable, end result, especially in the short to medium term.
- 4 Change, suspend or terminate services, function or processes — provided there is no conflict with your organisation's key objectives, statutory compliance and stakeholder expectations.
- 5 Insurance for financial compensation for losses, used in combination with other strategies.

We are therefore able to develop strategies for each of the six impact scenarios, as shown on the right.

Organisations have no choice but to manage climate change risk within the context of their existing risk management and business continuity management frameworks and processes. Climate change is real and it is here to stay. If your organisation does not have these two management frameworks in place, then your ability to mitigate the impact of climate change risk will be substantially diminished. Managing climate change risk also calls for innovative approaches and management commitment. **AT**

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Impact Scenarios	Possible Strategies for Each Impact Scenario
Failure of Critical/Utility Services	<ul style="list-style-type: none"> <li>• Develop inventories of key services/resources and details of how to recover these.</li> <li>• Pre-determine immediate/alternative sources or input to facilities.</li> <li>• Pre-arrange power back-up generators on stand-by.</li> <li>• Determine which key staff is required to restore utility services.</li> <li>• Determine what primary and alternate communication systems are required.</li> <li>• Documented manual procedures.</li> </ul>
Surge in Service Demand	<ul style="list-style-type: none"> <li>• Develop inventories of key services/ resources and details of how to recover these.</li> <li>• Pre-establish memoranda of understanding, reciprocal/mutual aid agreements with strategic partners to assist in surge in demand, especially with respect to cost and supply chain.</li> <li>• Determine reciprocal arrangements with other organisations.</li> <li>• Cross training of staff.</li> <li>• Determine which key staff is required for surge in service demand.</li> <li>• Determine staffing levels for coping with surge in service demand.</li> <li>• Determine manual procedures/workaround, if technology/systems/infrastructure fails (long term and short term).</li> <li>• Documented manual procedures.</li> </ul>
Denial of Access to Premises	<ul style="list-style-type: none"> <li>• Develop inventories of key services /resources and details of how to recover these.</li> <li>• Pre-arrange alternative operating location, within and external to organisation.</li> <li>• Determine reciprocal arrangements with other organisations.</li> <li>• Determine primary and alternate locations you can operate from, in the short-term and for the longer term.</li> <li>• Determine documentation/records essential in carrying out your key functions, both in primary and alternate locations.</li> <li>• Determine manual procedures/workaround, if infrastructure fails.</li> <li>• Documented manual procedures.</li> </ul>
Shortage of Staff	<ul style="list-style-type: none"> <li>• Develop procedures to inform unions.</li> <li>• Determine reciprocal arrangements with other organisations.</li> <li>• Cross training of staff.</li> <li>• Draw up list of temporary staff available at short-notice.</li> <li>• Determine which key staff are required for key/critical functions/services.</li> <li>• Determine minimum staffing levels for key/critical functions/services.</li> <li>• Documented manual procedures/workarounds.</li> <li>• Develop succession plans and job sharing arrangements.</li> <li>• Documented manual procedures.</li> </ul>
Failure of Technology	<ul style="list-style-type: none"> <li>• Develop inventories of technology/systems/equipment/resources and details of how to recover these.</li> <li>• Determine single points of failures.</li> <li>• Determine dependencies associated with recovery of technology.</li> <li>• Determine reciprocal arrangements with other organisations.</li> <li>• Pre-arrange alternative data centre with external parties.</li> <li>• Keep back-up data off-worksites/location.</li> <li>• Pre-set up alternate locations within organisation.</li> <li>• Determine availability of alternate equipment, resources in the event of an incident/disruption/emergency.</li> <li>• Determine which key staff are required to restore failures of technology.</li> <li>• Determine which key technology is required to carry out the technology services.</li> <li>• Determine manual procedures/workaround, if technology/systems fail.</li> <li>• Documented manual procedures.</li> </ul>
Failure of Supply Chain, Key Supplier/ Partner	<ul style="list-style-type: none"> <li>• Perform process mapping and determine single points of failures and dependencies.</li> <li>• Inventories of key suppliers and details of how to recover these.</li> <li>• Understand your supply chain and pre-establish memoranda of understanding with suppliers/partners, including pre-agreed service levels, response times, and costs.</li> <li>• Understand your contractual obligations to purchase or provide services during a crisis/emergency.</li> <li>• Determine availability of alternate equipment, resources in the event of an incident/disruption/emergency.</li> <li>• Determine manual procedures/workaround, if supply chain fails.</li> <li>• Determine alternative contractors/suppliers.</li> <li>• Minimise reliance on single sourced contractor/supplier.</li> <li>• Ensure that contractors/suppliers have contingency plans in place.</li> <li>• Documented manual procedures.</li> </ul>

# Voluntary Disclosure in Malaysian Corporate Annual Reports

Dr. Nazli Anum Mohd Ghazali

*The legal and regulatory framework for financial reporting in Malaysia is governed by the Companies Act 1965, accounting standards approved by the Malaysian Accounting Standards Board and the Bursa Malaysia Listing Requirements. Voluntary disclosure in the context of Malaysian listed companies can be defined as items of information which are not specified by any of the aforementioned pronouncements.*

Prior research on Malaysian companies found that some companies do provide voluntary information in their annual reports. However, the extent of voluntary disclosure in annual reports documented were rather low with Hossain *et. al.* (1994) reporting a mean score of 15.8 per cent, Haniffa and Cooke (2002) and Mohd Ghazali and Weetman (2006) at 31.3 per cent and 31.4 per cent respectively<sup>1</sup>. The levels of disclosure documented ranged from 4.0 to 74.0 per cent. The difference in the levels of disclosure prompted the question of what are the factors influencing corporate (non) disclosure of voluntary information.

Although the question has been partly answered by researchers who investigated 'quantitative' factors through analysis of annual reports (e.g. Chau and Gray, 2002; and Eng and Mak, 2003), further research needs to be done through methods other than analysis of annual reports. An investigation through other methods may provide support to findings in prior research or shed light on other possible factors not evident in prior studies.

## Research method

A questionnaire survey on corporate annual reports was carried out in late 2006 and early 2007. Seventy questionnaires were sent to chief financial officers (CFO's)<sup>2</sup> and another 68 sent to investment analysts<sup>3</sup>. Of these, a total of 34 usable questionnaires were received, resulting in a response rate of 24.6

per cent. The questionnaire comprised of closed response and open-ended questions. The closed response questions focused on the use and importance of corporate annual reports including disclosure of information. The open-ended question required respondents to give their opinions and views on reasons why some companies do not provide additional (voluntary) information in the annual reports. This article reports the findings on (open-ended question) on factors influencing voluntary information disclosure in corporate annual reports<sup>4</sup>.

## Findings

As can be seen from **Table 1**, the most cited reason for companies not to provide additional (voluntary) disclosure is their fear of releasing too much information to their competitors. This finding is consistent with prior research on factors influencing voluntary disclosure. Industry sensitivity has been found to be a significant factor influencing disclosure (Haniffa and Cooke, 2002; Meek *et. al.*, 1995). As argued by Verrecchia (1983), the nature of competition is important in determining the level of disclosure. Companies in less competitive industries are expected to disclose more information because the proprietary costs of disclosure for these companies are lower than for companies in more competitive industries.

Other reasons suggested for non-disclosure of voluntary information include companies wanting to provide only those items

which are mandatory requirements and the fact that companies may not want to disclose negative news, which could potentially put those companies in a bad light. Provision of mandatory information perhaps could be partly due to minimal pressure by minority shareholders for voluntary information. This phenomenon may be partly attributable to the type of companies in Malaysia. Most companies in Malaysia are built from family businesses or are government-owned. Unless minority shareholders exert pressure on companies to disclose additional information, owner-managed companies may not see the need to disclose information beyond regulatory requirements. Government-owned companies may not need to disclose additional information if the public believe that these companies are operating in accordance with the expectations of the nation. Negative news could

1 The items of voluntary disclosure can be categorised into general corporate information, specific corporate information, chairman's statement, review of operations, product/service information, segmental information, research and development, employee information, other corporate social responsibility information, financial ratios, and market related information.

2 These CFOs were selected from the list of companies listed on the first board of Bursa Malaysia using stratified random sampling.

3 At the time the questionnaires were to be administered, there were 34 securities firms registered with Bursa Malaysia. Two sets of questionnaires were sent to each securities firm.

4 Readers who are interested in the full research findings may contact the author at [nazlianum@iium.edu.my](mailto:nazlianum@iium.edu.my).

**Table 1** Reasons for not disclosing additional information

	P1	P3	P5	P11	P12	P14	P16	P17	U1	U2	U5	U8	U9	U10	U11	U13	U14	U15	Total*
Competitor may find out more		4		4			4					4			4	4			6
Minimum compliance			4				4							4				4	4
Negative news									4							4	4	4	4
To protect majority shareholder	4									4									2
Save costs and time			4					4											2
Afraid of Bursa query, questions from investors					4	4													2
Lack of understanding of importance of investor relations, transparency and good governance												4	4						2
Confidentiality			4																1
Additional disclosures are redundant								4											1
Too much disclosure may attract unwelcome interests											4								1

Key: P — preparers; U — users

\* The total number of respondents is 34 with CFOs and analysts of equal number (i.e. 17 in each category).

However, only 18 responded to the open-ended question.

refer to a company’s performance. If good news is referring to a company’s profitability, prior research on Malaysian companies documented a significant positive association between the extent of voluntary disclosure and profitability levels (Haniffa and Cooke, 2002; Mohd Ghazali and Weetman, 2006). Thus, it would appear that the views of respondents regarding negative news are consistent with prior empirical research on voluntary disclosure.

Costs factors have been suggested as an influence for corporate disclosure in prior studies. Information that is already available for internal purposes will not necessitate high disclosure costs, as would be the case for information that has to be compiled with wholly. Larger companies are expected to produce additional information for management purposes and to better afford the costs of additional disclosure in annual reports (Wallace *et al.*, 1994; Depoers, 2000; Camfferman and Cooke, 2002). In the Malaysian context, company size has been found to be a significant variable influencing disclosure (Hossain *et al.*, 1994; Haniffa and Cooke, 2002; Mohd Ghazali and Weetman, 2006).

Other reasons such as confidentiality may be related to ‘not wanting to disclose too much information to the competitors.’ Disclosure may attract unwelcome interests and could be said to be related to ‘inviting unnecessary questions from the regulatory authorities and other stakeholders.’ There

was a view that additional disclosure was redundant. This response may be interpreted as current disclosures are already adequate and thus additional information may not add value to users of annual reports.

### Conclusion

It would appear from the responses that protecting trade secrets, minimum compliance and negative news were among the most frequently mentioned reasons for non-disclosure of voluntary information. These findings are consistent with prior research on voluntary disclosure. Perhaps future research can examine the costs and benefits of additional disclosure. For voluntary disclosure to be beneficial to the company, the benefits of providing additional information voluntarily must outweigh the efforts or costs on the part of managers (Radebaugh and Gray, 1997; p.213). Examining corporate voluntary disclosure practice entails understanding managerial behaviour and motives. That is because disclosing information voluntarily is a managerial discretion and involves effort. **AT**

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# Risk Management and Takaful

*In the August 2008 Issue of Accountants Today, we discussed three Islamic worldviews of financial planning, namely: Financial planning is Worship (Ibadah); Wealth is a Trust (Amanah) from Allah that must be administered properly and Wealth is a major means to achieve al-Falah. And we said that the four major Islamic financial planning components are derived from these worldviews.*



In this article we will look at Risk Management and Takaful and try to see how this relates to financial planning.

To start, we shall bring Wealth Management into our discussion and will treat Wealth Management and Financial Planning as being the same for simplicity's sake. Wealth management has been described as an advanced type of financial planning but the concept — as opposed to the practices — is the same.

## **Risk Management and Takaful relate to issues in wealth protection**

Conventionally, wealth protection is carried out through the purchase of an insurance policy. In Islamic wealth management and financial planning, wealth protection is done through participating in a takaful scheme.

Without doubt the effect of an insurance policy and a takaful scheme to the client is the same; that is, the client or beneficiary will receive compensation for the sum assured. However, there are fundamental differences between insurance and takaful, both in concept and practice.

We shall discuss the differences but let us discuss risk management first for better understanding of *wealth protection*.

People relate to risk as a matter that is unfavourable. In finance, risk is often defined as uncertainty of returns. However, this is only true when we talk about investment risk and wealth accumulation. Since this narrow understanding is quite prevalent, let us define risk properly to understand risk management, especially in the broader context of financial planning.

Risk is the possibility of suffering harm or loss. Risk can be assessed qualitatively or



quantitatively depending on specific applications and situational contexts. Examples of commonly used terms to describe risk include Credit risk, Forex risk, Political risk, HIV risk, etc. However, since our subject is wealth protection, we will restrict our discussion to risks in relation to assets used in the production of an income and the earning capacity of a person.

### Risk can be divided into two categories: Pure and Speculative

Pure risk is a category of risk in which loss is the only possible outcome and there is no favourable result. In Speculative risk, there are three outcomes – the possibilities of loss, gain and break even. Investment risk belongs to this speculative category. Examples of pure risk are the peril of fire or flood. Loss of service of a key employee or the breadwinner of a family due to death – either through illness or accidental – is also pure risk. In pure risk, the extent of the possible loss is unknown.

### Risk Management and Takaful planning deals with Pure risk

The main idea is protection and this must be well understood before we bring the subject of investment returns into our discussion. In the current practices of the insurance and takaful industry, a lot of emphasis is given to hybrid products in the form of investment-linked insurance or takaful products. In hybrid products, the risk management and investment aspects have been bundled. Terms like *capital protected*, *capital guaranteed* or *guaranteed returns* are used freely but the exact meaning largely depends on the contract being signed. Without proper understanding of risk management, it is quite difficult for the consumer to make an informed decision about the hybrid financial product. It is very important for consumers — and also sales personnel — to understand what the products are for and are not for.

To manage risks properly, these basic steps are recommended in the risk management process:

- establish context and define parameters;
- assess the risks — by identification,
- 1** analysis and evaluation;
- 2** treat the risks — by either transfer, sharing, reduction or avoidance;
- 3** monitor and review (and go back to the first step).

**4** In the above process, it is in the third step that an insurance or takaful solution becomes relevant. In wealth management and financial planning, the risk management process is quite simple for the majority of income earners but it gets complicated for businessmen, top management of large companies and top government officials (commonly referred to as the High Net Worth group).

Let us now discuss the Islamic worldview of risk management.

### Islam encourages risk management

When loss is caused by a hazard, most people accept it as fate. Hazard by definition is unavoidable risk. Death by accident is a hazard that we face everyday, as we wake up and do our chores. The possibility increases when we are on the road going to the office. It increases even more when driving during festive seasons. So, is there an Islamic worldview on managing risk? The answer is yes, of course.

Consider the following *Hadith* related by Tirmidhi: One day Prophet Muhammad, peace and blessings be upon him, noticed a Bedouin (desert-dwelling Arab) leaving his camel without tying the animal. He asked the Bedouin, 'Why don't you tie down your camel?' The Bedouin answered, 'I put my trust in Allāh.' The Prophet then said, 'Tie your camel first, then put your trust in Allāh'.

To lose an untied camel is pure risk. The camel may or may not be there when the Bedouin comes back. Tying down the camel is risk reduction. A tied camel can still be missing if the animal is stolen but that is another peril altogether. The point is: Islam encourages risk management. The urging of the Prophet on the Bedouin to tie down the camel clearly demonstrates the Islamic position on risk management.

Now that we understand the basics of risk management, let us discuss the core concept in takaful.

### The core of Takaful is the *Tabarru'* concept

Allah enjoins the Muslims to co-operate in doing good things. In the Quran, He says: *Help you one another in righteousness (al-birr) and piety (at-taqwa), but help you not one another in sin and rancour. And fear Allah. Verily, Allah is strict in punishment (5:2).*

The takaful industry is an example of such co-operation; and truly, the *tabarru'* concept is its core.

Bank Negara Malaysia explains: "*Tabarru'* is the agreement by a participant to relinquish as donation, a certain proportion of the takaful contribution that he agrees or undertakes to pay, thus enabling him to fulfil his obligation of mutual help and joint guarantee should any of his fellow participants suffer a defined loss. The concept of *tabarru'* eliminates the element of uncertainty in the takaful contract. The sharing of profit or surplus that may emerge from the operations of takaful is made only after the obligation of assisting the fellow participants has been fulfilled. Thus, the operation of takaful may be envisaged as a profit sharing business venture between the takaful operator and the individual members of a group of participants."

The takaful operator acts as a management company of the takaful schemes, similar to the collective investment scheme structure. The difference between the two is that, apart from management fees, the takaful operator also earns through pre-agreed profit sharing arrangement.

In insurance, there is no concept or practice of *tabarru'*. This may explain why some analysts look upon insurance as risk transfer and takaful as risk sharing solutions in the risk management process.

Takaful originates from the Arabic word *Kafalah*, which means guarantee or surety. Thus, the takaful industry is all about co-operating to guarantee each other against a defined loss, and not about transferring risk to an insurer for the price of a premium.

We have now come to the end of our discussion. It is hoped the brief explanation provided has added to our readers' understanding of risk management and takaful, and its role in Islamic financial planning. We shall discuss Islamic Investment – another Islamic financial planning component — in the next article. **AT**



The Financial Planning Association of Malaysia manages the CFP and is introducing the Islamic Financial Planner (IFP) certification programme. FPAM promotes professionalism in financial planning. For enquiries, email to [zahidi@fpam.org.my](mailto:zahidi@fpam.org.my) or visit IFP microsite at [www.fpam.org.my](http://www.fpam.org.my).

# Tax Risk Management from a Legal Perspective

D.P. Naban and S. Saravana Kumar

**T**ax risk management (TRM) is a current theme in the Malaysian tax scene. Its presence and importance are influenced by a number of factors. To a large extent, the emphasis on greater corporate governance and increased focus on compliance by the tax authorities have been the catalyst for greater TRM. Alongside other types of risk management, TRM is essentially an integral part of good corporate governance especially in the light of corporate scandals that have seen regulators introducing more stringent corporate governance mechanisms such as the Sarbanes-Oxley Act 2002 in the US. In Malaysia, corporate governance gained momentum with the introduction of the Code on Corporate Governance in 2001.<sup>1</sup> The Code on Corporate Governance has revamped the listing requirement of companies on Bursa Malaysia (formerly known as the Kuala

Lumpur Stock Exchange). This move strengthened the provisions regulating the disclosure of information, continuing listing obligations, financial reporting, insider dealing and protection of minority shareholders.<sup>2</sup>

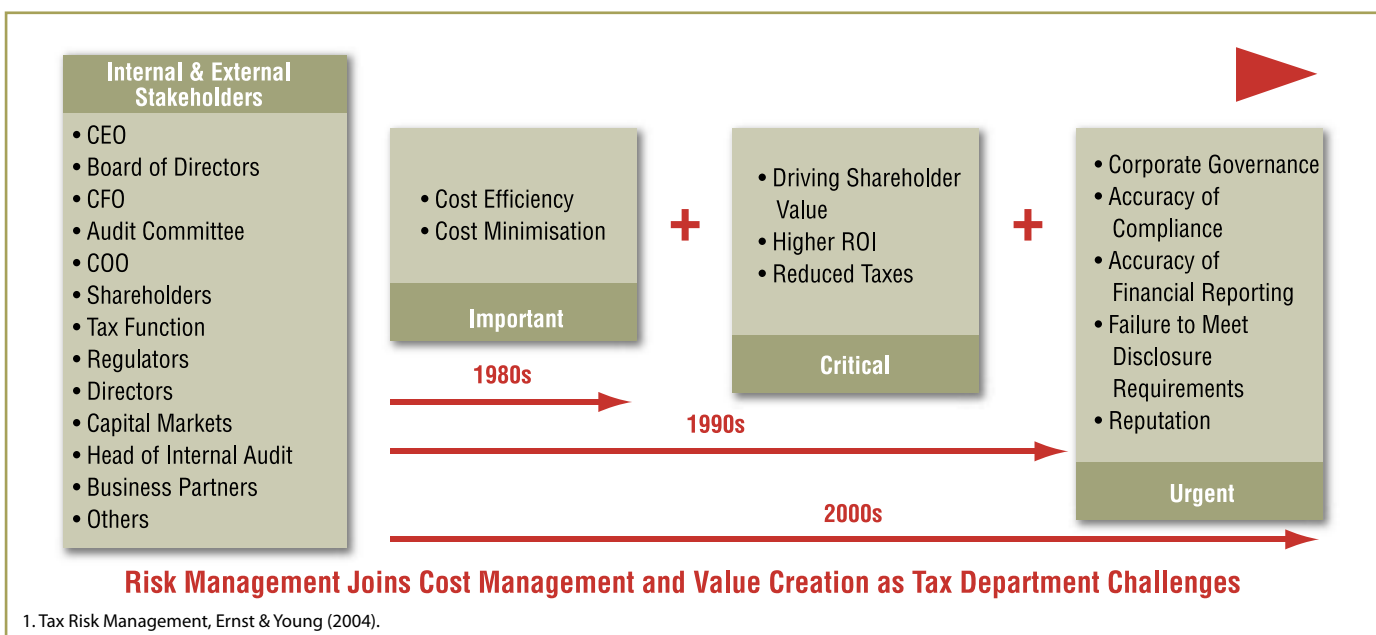
The corporate governance concept was aptly described by Sir Adrian Cadbury as a mechanism that holds the balance between economic and social goals.<sup>3</sup> This is achieved by balancing the interests of individuals, corporations and society. Accordingly, it encourages the efficient use of resources and requires accountability for the stewardship of those resources. In essence, good corporate governance results in good risk management, which means minimizing the risks faced by businesses. In this regard, TRM is a subset of corporate governance.

The self-assessment system, which was introduced in Malaysia in 2001, requires

taxpayers to determine their taxable income, compute their tax liability and submit their tax returns.<sup>4</sup> In principle, the self assessment system has shifted a substantial burden of responsibility from the Malaysian Inland Revenue Board (MIRB) to the taxpayers and as a result increased TRM awareness among Malaysian taxpayers. In Malaysia, TRM would entail taxpayers identifying tax risks and putting in place methodologies to eliminate or substantially minimize such risks. The TRM methodologies that are to be put in place to assist tax payers manage tax risks effectively gener-

1 Lee Hishammuddin, *Corporate Governance – A Director's Practical Legal Guide, Malaysia*, CCH Asia Pte Limited, Singapore (2004).  
 2 Anandarajah, Kala, *Corporate Governance: A Practical Approach*, Butterworths Asia, Singapor (2001).  
 3 Preface to the *Corporate Governance: A Framework for Implementation*, World Bank, Washington D.C. (1999).  
 4 Kasipillai, Jeyapalan, *A Comprehensive Guide To Malaysian Taxation Under Self-Assessment*, 2nd Edition, McGraw Hill Education, Kuala Lumpur (2006).

**Diagram 1** The Growth of TRM Awareness from 1980s<sup>1</sup>



ally encompass a two-pronged approach. The first is to eliminate all forms of tax risks like reassessments, fines, imprisonment and penalties. If the first approach is not practical, then the alternative is to substantially minimize the tax risks that arise. Fundamentally, the ultimate objective of TRM is to reduce the tax incidence without attracting any sanction from the state. Additionally, taxpayers must clearly not be involved in any form of tax evasion and the tax schemes designed by taxpayers must be seen as tax mitigation. In the unlikely event that such schemes are seen as tax avoidance, the objective must be to ensure that the taxpayers are exposed to the least punitive risk.

Taxpayers who are able to successfully identify tax risks (i.e. liabilities that may arise due to certain actions or inactions) and apply the appropriate methodology in place should be able to fulfil the above and accomplish their TRM successfully. In the absence of an official TRM framework in Malaysia, this article aims to highlight the four aspects that should be incorporated as methodologies in order for the TRM to be effective. These aspects are compliance (see 1.), documentation (see 2.), awareness (see 3.) and planning (see 4.). As these aspects complement each other, they are to be given equal importance and observed collectively. This is crucial because proper documentation leads to good compliance and sound awareness leads to effective tax planning.

### 1. Compliance

The most obvious risk to taxpayers is the failure to comply with the procedural requirements prescribed by the Malaysian Income Tax Act 1967<sup>5</sup> (ITA). Although compliance can be time consuming and tedious, it is the simplest of risks that can be avoided. Procedural compliance should not be seen as a complex creature and be entrusted to tax agents alone. With a sound understanding of the law and proper training, compliance can be observed internally by a business. For example, the

failure of an employer to prepare and deliver employees' returns to the IRB without reasonable excuse carries a fine of up to MYR2,000, six months imprisonment or both.<sup>6</sup> This is an unnecessary risk for employers to face, as it is trite practice in Malaysia that tax returns must be submitted on or before 30 March of each year.<sup>7</sup>

Employers do not have to solely rely on tax agents to perform this relatively straightforward responsibility. All corporations and nearly most mid-sized businesses have accounts and human resource departments, which could cooperate to tabulate remuneration details and prepare the necessary tax documentation. This not only ensures the complete listing of the

communication among the relevant departments. In managing the compliance aspect, taxpayers and tax professionals must have a working knowledge of the compliance requirements. Some of the common procedural requirements contained in the ITA are as follows:

- failure to furnish a return or provide a notice of chargeability would attract (i) a fine of between MYR200 and MYR2,000, six months imprisonment or both, or, (ii) a penalty of three times the tax amount;
- failure to provide access to buildings and documentation would attract a fine of between MYR1,000 and MYR10,000, one year imprisonment or both;

- filing of incorrect returns and/ or providing incorrect information would attract a fine of between MYR1,000 and MYR10,000 and a penalty of two times the amount of tax undercharged; and
- failure to comply with a notice issued under certain specified sections of the ITA would attract a fine of between MYR200 and MYR2,000, six months imprisonment or both.

Besides procedural compliance, taxpayers must ensure they have in place reliable accounting and financial reporting systems. The Financial Reporting Act 1997<sup>9</sup> established the

Malaysian Accounting Standards Board, which sets the accounting and financial reporting standards in Malaysia. It is imperative the systems used by businesses are approved by the Board as non-compliance will attract legal sanction.<sup>10</sup>

### 2. Documentation

The journey to achieve good compliance is incomplete without proper documentation. The documentation process is seen as something tedious and is mainly entrusted to tax agents. Although this is the practice in the industry, businesses must

**Diagram 2** The Perspective of TRM in Corporate Governance



employees' remunerations but also allows the accounts department or internal tax officers to identify the employees' taxable benefits in kind and perquisites. As the IRB has issued a number of Public Rulings<sup>8</sup> on the taxability of benefits in kind and perquisites, the identification of such items should not be a problem. The coordinated use of information and internal expertise would benefit employers as tax returns can be submitted on time.

The punitive measures that come with the non-compliance may simply be avoided with proper coordination and observance of the law. Employers, especially big corporations, must ensure their compliance personnel are aptly trained to perform these tasks with clearly identifiable responsibilities. There must be effective

5 Act 53.  
 6 See Secs. 83 and 120 of the ITA.  
 7 See Gazette Order PU(A) 2/2007.  
 8 See Public Rulings 2/2004, 1/2006 and 2/2006.  
 9 Act 558.  
 10 See Sec. 26D of the Financial Reporting Act 1997.

have some understanding of this aspect.

After all, the primary source for documentation is the businesses itself. Secs. 82 and 82A of the ITA prescribe the taxpayers' duty to maintain proper documentation, and records are defined under Sec. 82(9) of the ITA to be:

- books of account recording receipts, payments, income and expenditure;
- invoices, vouchers, receipts and documents required to verify entries in the books of accounts; and
- any other records specified by the Director-General of the MIRB.

The importance of maintaining proper documentation need not be stressed if taxpayers appreciate the powers of the MIRB to access taxpayers' documents. In this regard, the MIRB's powers are as follows:

- a taxpayer may be required to furnish documents and information on his and his family's bank accounts, savings, deposits, assets and sources of income within 30 days;
- the MIRB has full and free access at all times to search lands, buildings, and places and to inspect books and documents. The MIRB may take the books and documents for inspections and safe-keeping; and
- the MIRB may require any person to provide information or particulars which are in the person's possession.

The relationship between documentation and compliance can be succinctly illustrated with the following example.

For instance, Sec. 82(1) of the ITA requires a taxpayer carrying on a business at any one time to keep sufficient records of all transactions that transpired during a seven-year period. If the taxpayer's annual gross income is more than MYR150,000 from the sale of goods or MYR100,000 from the provision of services, then he is required to issue receipts and retain the duplicates. By maintaining proper documentation, the taxpayer would be able to comply with the requirement in Sec. 82(1) of the ITA, thus avoiding the risk of non-compliance.

Meanwhile, corporate taxpayers must appreciate that documentation is also nec-

essary to adhere to the transfer pricing requirements. The comparability analysis and pricing methodology performed to determine the arm's length price must be documented thoroughly.<sup>11</sup>

The penalty for not complying with of the documentation requirements is severe. The failure to maintain proper and furnish proper documentation carries a fine between MYR 300 and MYR 10,000, imprisonment up to a year or both.<sup>12</sup>

### 3. Awareness

Taxpayers and tax professionals must be aware of the laws in relation to tax treatment and planning. The failure to understand the law or keep abreast with recent legal and technical developments may result in catastrophic consequences. It must be emphasized that sound awareness leads to effective tax planning and in this regard, the awareness aspect enables one to understand the distinction between tax evasion, avoidance and mitigation. The following elements must be placed within the awareness aspect of TRM.

"Taxpayers and tax professionals must be aware of the laws in relation to tax treatment and planning. The failure to understand the law or keep abreast with recent legal and technical developments may result in catastrophic consequences."

#### 3.1. Tax evasion

The concept of evasion was succinctly elucidated by Lord Templeman in *CIR v. Challenge Corporation Ltd.*<sup>13</sup> Lord Templeman reasoned:

... *Evasion occurs when the Commissioner is not informed of all the facts relevant to an assessment of tax. Innocent evasion may lead to a reassessment. Fraudulent evasion may lead to a criminal prosecution as well as reassessment. In the present case Challenge fulfilled their duty to inform the Commissioner of all the relevant facts.*

This received judicial recognition in

Malaysia when Justice Gopal Sri Ram endorsed it in *Sabah Berjaya Sdn Bhd v. Ketua Pengarah Hasil Dalam Negeri*.<sup>14</sup> There are different forms of evasion, i.e. innocent, negligent, reckless and wilful. In Malaysia, all types of evasion will eventually lead to a reassessment of tax. With the exception of wilful evasion, the reassessment exercise is limited to six years. For wilful evasion, there is no such time limit imposed. Among the four types of evasion, wilful evasion faces the most severe sanction. Sec. 114(1) of the ITA makes it an offence to wilfully evade tax or assist another to evade tax. Under the ITA, the following amounts to wilful evasion:

- omitting income in a tax return;
- making a false statement or entry in a tax return;
- giving a false answer;
- preparing, maintaining or authorising false records;
- falsifying accounts or other records; or
- using fraud, art or contrivance.

Wilful evasion is defined in Public Ruling No.8/2000 as any action or deed deliberately performed or done with the purpose or intention of evading or assisting any other person to evade tax. Wilful evasion is a serious offence. It carries a fine of MYR1,000 to MYR20,000, imprisonment for up to three years or both.<sup>15</sup> A penalty, which is three times the amount of understated tax, is also slapped on the taxpayer. The other forms of evasion attract fine, imprisonment or both.

#### 3.2. Tax avoidance

While taxpayers may mitigate their tax incidence, they cannot be involved in tax avoidance schemes. However, the distinction between the two is rather difficult to draw. The general anti-avoidance rule in Malaysia is contained under Sec. 140 of the ITA. This provision confers the Director-General of the MIRB wide powers to disregard transactions that:

- alter the incidence of tax payable;

11 Naban, D.P. and Saravana Kumar, Introduction to the Transfer Pricing Policy Malaysia, Tax Nasional, Volume 16/2007/Q1, Malaysian Institute of Taxation (2007).

12 See Sec. 119A of the ITA.

13 [1986] STC 548 (Privy Council, United Kingdom).

14 [1993] 3 MLJ 145 (Court of Appeal, Malaysia).

15 See Sec. 114(1) of the ITA.

- relieve a person from tax liability;
- evade or avoid any duty or tax liability; and
- hinder or prevent the operation of the ITA.

The anti-avoidance law in Malaysia originates from the then Sec. 260 of the Australian Income Tax Assessment Act 1936.<sup>16</sup> Although the Australian anti-avoidance law has seen major changes in recent years, such has yet to happen in Malaysia. Neither has the MIRB issued a Public Ruling to clarify when or how the anti-avoidance

illustrates how a taxpayer is only engaged in tax avoidance when he does not reduce his income, suffer a loss or incur expenditure, but nevertheless obtains a reduction in his tax liability as if he had. Similarly, if a taxpayer invests in a business which enjoys tax incentives and reduces his chargeable income, such is not tax avoidance. Taxpayers and tax professionals must keep abreast with activities that enjoy tax incentives as investments in such activities will certainly minimise one's tax incidence. This correlates with the planning aspect

tax. It is important to identify the types of payments that attract withholding tax. Malaysian taxpayers who fail to withhold tax or remit the withheld tax face a penalty equal to 10 per cent of the amount of tax to be withheld.<sup>18</sup> The following payments made to non-residents are subject to Malaysian withholding tax:

- interest and royalty payments;
- rent for the use of moveable property;
- technical advice, assistance or services-payments;
- payments to a contractor in respect of services provided under a contract;
- payments to public entertainers;
- payment for services in connection with the use of a property belonging to a non-resident; and
- payment for services in connection with the installation or operation of any apparatus purchased from a non-resident.

Sometimes the nature of payment may not be straightforward. For example, a payment for copyright usage in educational materials can be labelled as a fee when it is probably a royalty. Sec. 2 of the ITA interprets royalty to include *know-how or information concerning technical, industrial, commercial or scientific knowledge, experience or skill*. If the MIRB discovers the arrangement in the example above, the Malaysian taxpayer faces a penalty for failing to withhold tax. Besides that, the Malaysian taxpayer will not be able to claim business expenses deduction under Sec. 33(1) of the ITA for taxes remitted from their own funds. In *EPM Inc v. Ketua Pengarah Hasil Dalam Negeri*,<sup>19</sup> the High Court held that payment or agreement that effectively passes the non-resident's tax burden to a Malaysian taxpayer is not recognised as a deductible business expense.

### 3.4. Dividends

Sec. 108 of the ITA requires companies to deduct tax before dividend distribution. An internal mechanism must be placed to ensure this requirement is fulfilled. If the

"There are different forms of evasion, i.e. innocent, negligent, reckless and wilful. In Malaysia, all types of evasion will eventually lead to a reassessment of tax. With the exception of wilful evasion, the reassessment exercise is limited to six years. For wilful evasion, there is no such time limit imposed. Among the four types of evasion, wilful evasion faces the most severe sanction."



provision is applied. As the application and operation of Sec. 140 of the ITA is shrouded in mystery, one has to resort to case law to obtain an insight into it. In the interesting case of *Sabah Berjaya Sdn Bhd v. KPHDN*,<sup>17</sup> Justice Gopal Sri Ram held the taxpayer was not engaged in tax avoidance. The taxpayer here was a company owned by the Sabah Foundation. The foundation was a public institution and gifts of money to the foundation were allowed as tax deduction. The taxpayer donated its profits to the foundation for eight years. Both the Special Commissioners of Income Tax and High Court held the taxpayer was engaged in a tax avoidance scheme.

The case took an interesting turn before the Court of Appeal when Justice Sri Ram held otherwise. His Lordship reasoned the taxpayer *did not do anything which did not reduce its income or suffer a loss, nevertheless resulting in it obtaining a reduction in its liability to tax as if it had*. This case il-

lustrates how a taxpayer is only engaged in tax avoidance when he does not reduce his income, suffer a loss or incur expenditure, but nevertheless obtains a reduction in his tax liability as if he had. Similarly, if a taxpayer invests in a business which enjoys tax incentives and reduces his chargeable income, such is not tax avoidance. Taxpayers and tax professionals must keep abreast with activities that enjoy tax incentives as investments in such activities will certainly minimise one's tax incidence. This correlates with the planning aspect

of TRM. The MIRB also imposes a penalty on assessments adjusted because of tax avoidance. However, Sec. 140 of the ITA per se does not prescribe any form of penalty for tax avoidance. If the taxpayer has given full disclosure and the tax return was correctly submitted, he is not caught by Secs. 112 and 113 offences. The penalty imposition for tax avoidance that does not fall within the ambit of Secs. 112 and 113 can be legally challenged.

### 3.3. Withholding taxes

When dealing with non-residents, certain payments made to them may be subject to withholding tax in Malaysia. As such when such payments are made, Malaysian taxpayers should have an internal control that would immediately alert the TRM mechanism. The mechanism must then study the payment and determine whether there is an obligation to withhold

16 Subramaniam, Arjunan, *Malaysian Taxation System 2004*, Sweet & Maxwell Asia, Kuala Lumpur (2004).

17 [1993] 3 MLJ 145.

18 See Secs. 107A(2), 109(2), 109(A) and 109B(2) of the ITA.

19 (2001) MSTC 3,306.

dividend distribution was without tax deduction, then the dividend paid is deemed to be net of tax. In such a situation, the company bears the responsibility to remit the deemed tax to the MIRB. Failure to do so will attract legal sanctions.<sup>20</sup>

### 3.5. Accounting and financial reporting system

Corporate taxpayers must be aware of the changes made to the accounting and financial reporting systems. As the Malaysian Accounting Standards Board aims to ensure the systems used in Malaysia meet the international standard, it frequently issues technical releases and interpretation announcements. Taxpayers must ensure their systems adapt to the changes introduced.

## 4. Planning

To strategise and implement a successful tax planning scheme, taxpayers must be aware of the legal and accounting developments around them. Taxpayers who fail to constantly update and educate themselves may find that their schemes contain technical imperfections, which result in greater taxation and legal sanction. The interrelation between awareness and planning is obvious. Sound awareness leads to effective planning, which essentially means mitigating tax incidence.

In planning tax schemes, reference must be made to the Public Rulings<sup>21</sup> and Guidelines issued by the MIRB. Although these instruments are not legally binding, they provide an insight to the MIRB's thinking and position. The tax schemes can be adjusted to fit within these instruments.

If taxpayers are not keen to observe these instruments, they must be able to justify the reason for taking such an approach. When there are transactions with associated entities, taxpayers must ensure the transactions are at arm's length. Taxpayers must be aware of the best pricing methodologies used to determine the transfer price. In addition to this, taxpayers must be able to perform a comparability analysis based on the factors set out in the *Malaysian Transfer Pricing Guidelines*. The *Malaysian Transfer Pricing Guidelines* also outline the factors to be considered when dealing with intangible products and intragroup services.<sup>22</sup>

An understanding of the permanent

establishment concept is necessary for multinationals planning to invest in Malaysia. They may want to avoid business structures that may create a permanent establishment in Malaysia. Under most tax treaties ratified by Malaysia, business profits earned by non-residents are not taxed here unless they have a permanent establishment. A good working knowledge of the tax treaties would allow taxpayers to plan their transactions accordingly to benefit from such treaties.

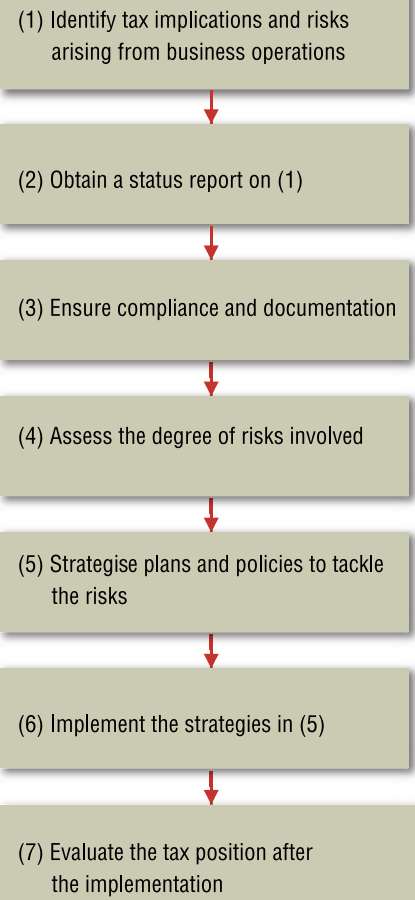
In undertaking tax planning, it is imperative that taxpayers are aware of the existing tax incentives. In driving the economy forward, various tax incentive schemes are introduced in Malaysia. These are available under the Promotion of Investments Act 1986<sup>23</sup> and the ITA. By taking advantage of these incentives, taxpayers may effectively reduce tax incidence, thus increasing their profit margin. To achieve this, taxpayers must be aware of the developments in this field.

“The compliance aspect in TRM also complements the existing corporate governance culture in Malaysia. Perhaps, the most valuable contribution of TRM would be the creation of a tax-efficient environment for taxpayers”

### Conclusion

An integrated approach to TRM would create an overall strategy which would serve as a guide for future investments and business decisions. Ultimately, TRM ensures identification of tax risks and enables taxpayers to implement mechanisms to overcome them. The compliance aspect in TRM also complements the existing corporate governance culture in Malaysia. Perhaps, the most valuable contribution of TRM would be the creation of a tax-efficient environment for taxpayers. In applying the TRM framework, taxpayers should consider the following checklist:

## THE TRM CHECKLIST



Taxpayers must appreciate their tax positions must be evaluated constantly. They must be pragmatic to perform TRM whenever there are major legal and accounting developments. In this regard, the proposed Malaysian TRM framework and checklist serve only as guides. Taxpayers may adjust their TRM approach according to their special needs. **AT**

© D.P. Naban, Barrister-at-Law, Advocate & Solicitor, is a Senior Partner of Messrs. Lee Hishammuddin Allen & Gledhill and heads the firm's tax practice. S. Saravana Kumar, Barrister-at-Law, Advocate & Solicitor, is also with Messrs. Lee Hishammuddin Allen & Gledhill. They can be contacted at [tax@lh-ag.com](mailto:tax@lh-ag.com).

<sup>20</sup> The imputation system which is in practice now will be replaced with the single-tier system beginning 1 January 2008.

<sup>21</sup> See Sec. 138A of the ITA.

<sup>22</sup> See note 12.

<sup>23</sup> Act 327.

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## Decision of Disciplinary Committee against Addnan bin Mohd

After due inquiry by the Disciplinary Committee of the Institute on 9 October 2008 pursuant to Rule 18(2) of the Malaysian Institute of Accountants (Disciplinary) Rules, 2002 [P.U.(A) 229/2002] and having carefully considered the evidence before the Disciplinary Committee, namely the Adjudication Order dated 12 June 2007 and His Majesty's Government Gazette Jil. 51 No. 16 Tambahan No. 2 dated 2 August 2007 No. 10533 and having heard the member's unequivocal admission that he is a bankrupt, the Disciplinary Committee is satisfied that the member, Addnan bin Mohd (Membership No: 17009) is still a bankrupt and he has not to date been discharged as a bankrupt.

The Disciplinary Committee in the exercise of its power under Rule 18(3) of the Malaysian Institute of Accountants (Disciplinary) Rules, 2002 [P.U.(A) 229/2002] had ordered that the member be suspended as a member of the Institute for a period of three years or for a period that he remains an undischarged bankrupt, whichever is earlier.

If the member does not discharge himself as a bankrupt within the period of three years, his name shall be removed from the register and he shall cease to be a member of the Institute.

The decision of the Disciplinary Committee took effect on 4 November 2008. [AT](#)

## Online Insurance Solutions for MIA members



Under Section 510 of the MIA By-Laws (On Professional Ethics, Conduct and Practice), every MIA member in public practice is required to have a Professional Indemnity Insurance (PII) policy. With a minimum coverage of RM100,000 required for each member/partner practice through which that member practices, this coverage is mandatory upon commencement of public practice. In 2005, MIA appointed Marsh Insurance Brokers (Malaysia) Sdn Bhd (Marsh Malaysia) to provide consultation and administrative services and ACE Synergy Insurance Berhad (ACE Malaysia) to develop a customised Professional Indemnity Insurance programme for its members in accordance with the by-laws. Underwritten by ACE Malaysia, the programme provides civil liability protection against any act, error or omission in the conduct of the business for MIA members and the company they work in.

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### 1. Members receive email message.



### 2. Members activate account by entering own password.



### 3. Members receive message on successful account activation.



### 4. Members may login now to perform transactions on PII





# UNDERSTANDING MIA QE PERFORMANCE

## Part 1, Performance by Individual Papers

Nor Aziah Abu Kasim, Hashanah Ismail and Badriyah Minai

*This is the first article in a three-part series on understanding the performance of candidates in the Malaysian Institute of Accountants Qualifying Examination. This first part will focus on examining the performance of the candidates according to the four papers over nine examination sittings between March 2003 and September 2007. For the second part next month, the results of the on-line survey on aspects of study mode, facilities, curriculum affecting performance are analysed. In the third part, the article concludes by explaining the possible factors affecting performance of MIA QE.*

The Malaysian Institute of Accountants (MIA) has implemented the MIA Qualifying Examination (MIA QE) as an additional route for admission into MIA as Chartered Accountants since 2003. The candidates for MIA QE are required to satisfy two conditions before they can be admitted into MIA as Chartered Accountants. First, they are expected to successfully complete all four papers — Advanced Financial Accounting and Reporting (AFAR), Auditing and Assurance Services (AUD), Business and Company Law (BCL) and Taxation (TAX)—within four years. Second, the candidates are required to possess three years of relevant work experience.

In spite of the opportunity made available through the MIA QE Way, the candidates' performance over the years have not been satisfactory, resulting in many candidates not being able to eventually become Chartered Accountants. Based on the number of graduates in **Table 1**, only 9.1 per cent have graduated for the 2003 cohort, 6.2 per cent for the 2004 cohort and 2.4 per cent for the 2005 cohort.

From 2003 to 2008, the enrolment has been decreasing every year; from the high-

est of 407 in 2003 to the lowest of 103 in 2008. The following interview excerpts suggest that the low passing rate is adversely affecting the enrollment:

*We know why there is a decrease (in enrollment), because the candidates who sat for the exams but could not pass did not want to bother you anymore. They sat for it twice but*

*they still could not pass. So they are discouraged. Definitely they are discouraged. They would take the alternative route. They go to ACCA (non-candidate interview).*

*Not many people want to register. I think the people look at the passing rate; it is not encouraging for them. For those who have registered already, they may have decided not to proceed (candidate interview).*

The candidates are given the flexibility to complete MIA QE over a range of period from a minimum of one year to a maximum of six years. This wide range of period can also explain the absence of candidates for the cohorts of 2006 and 2007 completing MIA QE successfully in 2008. Nonetheless, the low percentages of successful completion of MIA QE may hinder the realisation of the objective of increasing the number of accountants in Malaysia through the MIA QE way. This poor candidates' performance, in terms of unsuccessful completion by cohort, should be a concern not only to the candidates and MIA but also to the nation as well.

In view of the low successful rate of completion of MIA QE, this study is conducted to empirically investigate candidates' performance on MIA QE, and examine the possible reasons for the poor performance in the examination. The research data were collected through a combination of methods such as face-to-face interviews, review of the related documents and an on-line survey. This combination of data collection methods enhances the validity of data as it attempts to incorporate the multiple perspectives of MIA QE. This **Part 1** reports the results of the analysis of the candidates' performance in the MIA QE for all the four papers over the total of nine examination

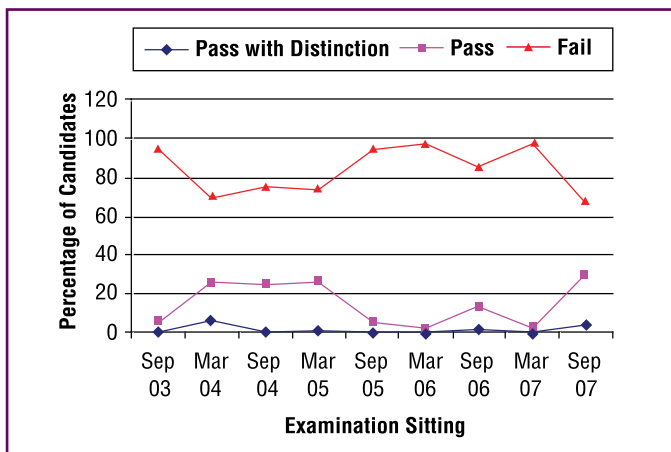
**Table 1** MIA QE Enrolment and Graduate

Cohort (Enrolment Year)	No. of Candidates By Cohort	No. of Graduates by Cohort
2003	407	37
2004	421	26
2005	253	6
2006	194	0
2007	106	0
2008	103	Not Applicable

Source: MIA QE Education Department

“The candidates for MIA QE are required to satisfy two conditions before they can be admitted into MIA as Chartered Accountants. First, they are expected to successfully complete all four papers — Advanced Financial Accounting and Reporting (AFAR), Auditing and Assurance Services (AUD), Business and Company Law (BCL) and Taxation (TAX)—within four years. Second, the candidates are required to possess three years of relevant work experience.”

**Figure 1 Performance in AFAR**

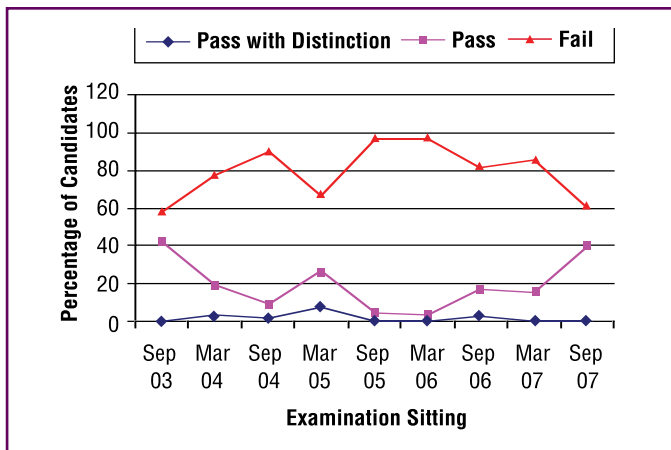


**Table 2 Descriptive Statistics of Performance in AFAR by Sitting**

Examination Sitting	Mar 04	Sep 04	Mar 05	Sep 05	Mar 06	Sep 06	Mar 07	Sep 07
N	51	64	98	148	121	114	87	77
Mean	42.5	31.7	40.5	23.9	29.1	33.4	26.8	38.2
SD	15.1	15.9	11.3	10.9	10	15.1	10.7	17.4
Min	9	1	9	3	6	3	1	1
Max	84	60	65	59	57	68	52	79

Note: The marks are pre-moderated marks.

**Figure 2 Performance in AUD**



**Table 3 Descriptive Statistics of Performance in AUD by Sitting**

Examination Sitting	Mar 04	Sep 04	Mar 05	Sep 05	Mar 06	Sep 06	Mar 07	Sep 07
N	56	68	83	130	106	95	81	73
Mean	40.6	36.3	46.2	22.1	27.5	37.1	29	39.3
SD	12.6	11.1	10.3	11	11	13.1	14.3	15.4
Min	1	3	19	1	2	5	1	1
Max	66	68	69	62	53	69	58	63

Note: The marks are pre-moderated marks.

sittings. Part 2 documents the results of the on-line survey. Part 3 concludes with explaining the possible reasons for the poor performance in MIA QE.

### AFAR

For performance in AFAR, **Figure 1** highlights that the percentage of failures was very high for almost all the sittings, in particular for March 2006 and March 2007 but improved in September 2007. The March 2007 was the first sitting which used the revised syllabus. Hence, this transitional period could have an adverse effect on the candidates' performance.

The candidates' marks showed great variability in performance in AFAR, especially in September 2007. This variability is evident by the standard deviation in the September 2007 sitting as well as the range of marks obtained as shown in **Table 2**.

Some of the possible reasons for the consistently high failure rate in AFAR over the nine sittings are as follows:

- Different levels of entry knowledge amongst the candidates;
- Inadequacy of the examination duration to answer the breadth of questions set; and
- Wide syllabus of AFAR as concurred by examiners and candidates; but the wide syllabus is necessary to ensure that the candidates have achieved a certain level of competence.

### AUD

For AUD, the lowest passing rate was in September 2005 and March 2006 with a failure rate of 96 per cent and no distinction obtained. However, the September 2007 sitting showed tremendous improvement as the failure rate has reduced to 61 per cent. More fluctuations in the failure rate was observed for AUD than AFAR over the nine sittings. The minimum failure rate was 58 per cent in the September 2003 sitting and the maximum was 96 per cent in both September 2005 and March 2006 sittings.

From **Table 3**, it can be seen that the maximum mark for each sitting has always been less than 70 per cent. The highest mark attained is 69 per cent. Similar to AFAR, AUD has also a wide variability in performance as indicated by the high standard deviation and wide range between the highest and the lowest marks attained.

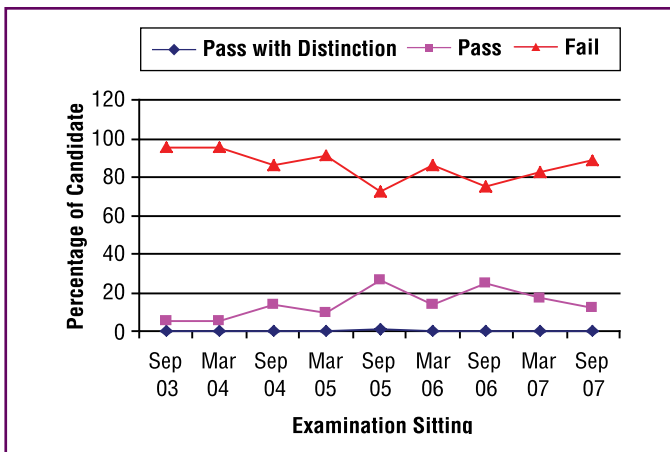
Some of the possible reasons to explain the poor performance in AUD are as below:

- Lack of audit work experience which is necessary to pass the examination;
- The practical-oriented nature of the examination questions may require candidates to have work experience in order to perform well;
- Proficiency in the English language may not be adequate to answer the questions; and
- Lack of prior knowledge in AUD due to the candidates' primary background qualification in the business-related programme.

### BCL

For BCL, there was no candidate who achieved a pass with distinction throughout the nine sittings except in September 2005.

**Figure 3 Performance in BCL**

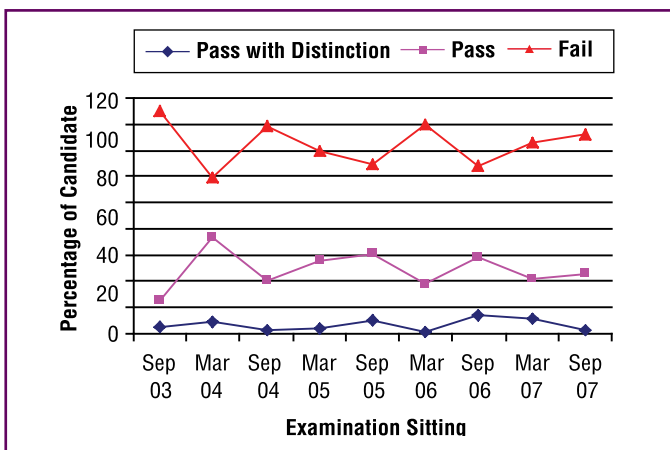


**Table 4 Descriptive Statistics of Performance in BCL by Sitting**

Examination Sitting	Mar 04	Sep 04	Mar 05	Sep 05	Mar 06	Sep 06	Mar 07	Sep 07
N	63	79	97	176	93	88	69	67
Mean	26.7	31.2	28.9	37.9	33.1	37.3	35.9	31
SD	11.7	12.8	13.3	13.6	13.1	13.8	12.6	14.5
Min	1	1	4	6	5	7	6	4
Max	55	62	61	72	62	63	60	60

Note: The marks are pre-moderated marks.

**Figure 4 Performance in TAX**



**Table 5 Descriptive Statistics of Performance in TAX by Sitting**

Examination Sitting	Mar 04	Sep 04	Mar 05	Sep 05	Mar 06	Sep 06	Mar 07	Sep 07
N	96	94	141	220	126	113	52	66
Mean	44.9	36.7	42.8	44.1	40.6	44	40.4	37.9
SD	12.6	11.9	11.5	12.1	10.4	13.8	12.4	13.3
Min	9	10	11	10	12	9	15	6
Max	66	70	77	77	67	76	67	73

Note: The marks are pre-moderated marks.

The percentage of failures ranges from 73 to 95 per cent.

Based on **Table 4**, BCL appears to be a difficult paper in which to get high marks. The maximum mark obtained was 72 per cent in September 2005. The overall mean over all the nine sittings is also lower compared to the other three papers.

The possible reasons to explain the difficulty in attaining high marks in BCL are stated below:

- Wide syllabus coverage;
- Lack of English language proficiency; and
- Nature of case study type of question set.

### TAX

Relative to AFAR and AUD, the TAX paper records the most number of distinctions as there is at least one per cent of candidates scoring distinctions in every examination sitting. TAX also has the lowest failure rate compared to the other three papers. The lowest failure rate was in March 2004. The results suggest that TAX is the least difficult paper to pass. There was a sharp fall in the failure rate in the March 2004 sitting.

As shown in **Table 5**, TAX appears to attract the most number of candidates. The highest number of examination candidates was 220 in September 2005. No other paper has candidates surpassing 200 in a particular sitting. The mean and minimum marks obtained were also relatively higher compared to the other three papers. The results in **Table 5** suggest that TAX is the least difficult paper to pass.

Tax appears to be the only paper where candidates agreed that the syllabus coverage is not as wide as AFAR and AUD. Owing to the reasonable coverage of syllabus, the examination questions appear to be predictable.

### Conclusion

Since 2003, MIA has implemented the MIA Qualifying Examination (MIA QE) as an additional route for admission into MIA as Chartered Accountants. The successful completion of MIA QE is less than 10 per cent of the total candidates who were enrolled in each particular cohort. This low percentage of successful completion of MIA QE may hinder the realisation of the objective of increasing the number of accountants in Malaysia through the MIA QE way. Thus, the poor performance, in terms of unsuccessful completion by cohort, is a concern not only to the candidates and MIA but also to the nation as well.

In view of the low completion rate of MIA QE, this study was conducted to examine the MIA QE candidates' performance in AFAR, AUD, BCL and TAX over nine sittings from March 2003 until September 2007.

Based on all the data obtained and the analysis thereon, it is clear that there is no pre-determined number of passes and failures for each paper in any sitting as claimed by some of the candidates interviewed. Overall, the most difficult and the least difficult papers to pass were AFAR and TAX respectively.

The next part, of this report will continue with the results of the on-line survey. The final part or Part 3 will conclude by explaining the possible factors affecting the performance of MIA QE. **AT**

# Hong Kong for a Song

*Can cosmopolitan Hong Kong be friendly for the budget conscious? Yes, if you know where to look!*

**O**f late, Hong Kong has expanded its appeal to travellers, what with Disneyland recently dropping anchor there and budget Air Asia airlines offering startlingly delicious airfares to the island territory. It would be a shame not to check out the place, famed for its shopping and, well ... shopping.

And there lies the predicament. Hong Kong has long been a city of high rollers. Is there a place in this crowded city, with both buildings and people jostling for space every time, for the intrepid shoe-string traveller? The answer is a resounding "Yes!"

Thanks to an active tourism board that among others, offers visitors cultural programmes that are sometimes free, guests to Hong Kong can experience the city like a local. And when you have a bit of local savvy, that means saving enough to splurge on something more precious as memento for your time there.

Perhaps the most recommended activity for any traveller is to take on any of Hong Kong Tourism Board's (HKTB) Cultural Kaleidoscope — Meet the People initiatives ([www.discoverhongkong.com](http://www.discoverhongkong.com)) that run year-round. Whether it's a tea appreciation class or an evening spent learning the art of antique collecting, the programmes let you see a side of Hong Kong that still retains its proud heritage and culture. And best of all, most of it is free!

The free Tea Appreciation Class, for instance, is offered at the Lock Cha Tea Shop, located at the north end of Hong Kong Park, a tranquil green lung in downtown Hong Kong island. Getting there is half the fun as the serene landscape gardens and their verdant foliage provide a much-needed reprieve from the endless cacophony of the city streets.

Here, you can either get lost in the spellbinding story of Chinese tea culture as spun by shop owner and tea connoisseur Ip Wing-Chi, or in the vast types of tea he lets you sample. And in between delicate sips of oolong or pu erh, you'll also discover the proper art of tea preparation as Ip demonstrates it at his tea sessions every Monday, Wednesday and Friday.

Elsewhere, if you've always wanted to learn about antiques, you

can partake in another free introductory class to Antiques Appreciation. Held every Friday in his shop in Sheung Wan on the main island, antique dealer and expert appraiser William Chak guides you through the intricacies of Chinese ceramics and its history, as well as tips on how to distinguish reproductions from the original. Fans of antique ware and art would definitely find his shop fascinating, where he keeps, among others, a 19th century opium pipe

head and a Han dynasty horse. After class, you're free to put your theory into practice — Hollywood Road, the area famed for antiques, lies just outside his shop.

History buffs would want to check out the free Architecture Walk through Hong Kong's Central district. You'll take in such sights as the Central Police Station, the Fringe Club and the former French Mission building, as your architect host discusses its unique structure and relevant history. The Cantonese Opera Appreciation Class lets you go backstage before a performance, where you can observe actors putting on their make-up and costume prior to catching them perform on stage.

And what is a visit to Hong Kong without taking in the view of the famed Victoria Harbour? Undeniably one of the most stunning and beautiful harbours of the world, there are various tour operators that offer a scenic cruise of Hong Kong waters but none can match the HK\$50 (RM23) boat ride offered on the Duk Ling.

The Duk Ling is a restored Chinese junk that is also a Hong Kong icon. Guests can make bookings for this one-hour journey around the harbour by prior registration with HKTB Visitor Centres either at Causeway Bay or Tsim Sha Tsui. Duk Ling rides are available every Thursday and Saturday, but we recommend you board the scheduled twilight ride to enjoy

the harbour lights of the Symphony of Lights performance.

This 15 minute multimedia performance begins at 8p.m. every night and is a spectacular lights, laser beams and searchlights show that move to synchronised music as they bathe many of the city's landmarks. Now isn't that a fitting finale to your trip without breaking the bank? **AT**



# Improve your Lifestyle ... Chill Out, Sleep Fit!

Vithyaa LR

*Maybe it's time to reconsider how you "live" each day.  
Here are a few pointers to help you along the way ...*

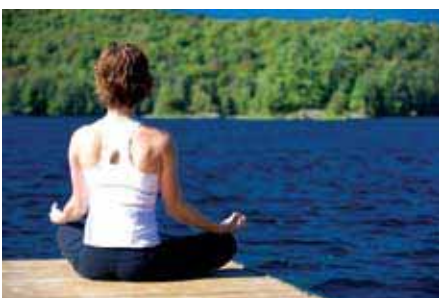
## Wake Up: Energise the start of your day with a massage in the shower



For those who start their day with the ritual of a morning massage under the shower, there is a more than likely chance of seeing it through with a spring in their step and a healthier future.

The massage should start at the feet and be worked upwards. A coarse shower glove should be used and the massage carried out in strong circular movements from the feet to the calves and then upwards to the thighs. Hips, buttocks, and the stomach area are to be massaged with large, sweeping, circular movements. To finish, go from the middle of the stomach towards the chest area. Less pressure should be applied when massaging the breasts and cleavage. The effect of the self inflicted massage can be reinforced by finally running cold water over the skin!

## Chill Out: The rest of the day can be used in search of Buddha



Relaxation strengthens the immune system and promotes self healing forces. Noise, a hectic lifestyle, and a constant, incessant flood of irritations are grounds enough to make some people ill. Indulging in Buddhist Meditation can ease stress related problems and reinforce the will in the fight to regain strength.

In nerve racking situations, stress hormones such as Adrenalin are released into the system. When high quantities of these hormones are found such as in the case of highly nervous people, there is a risk of weakening the immune system which can lead to illness.

With Buddhist meditation techniques, the balance between tension and relaxation can be once again achieved. In the meditative state, all outside distractions are shut out, and only the moment and the consciousness of the inner self have any meaning.

The practice of concentrating on one's own rhythm of breathing can be very calming. Try relaxing each and every individual part of your body, from the hair on your head to the tips of your toes. Mentally visit each region in turn, imagining a warm flow circulating through each body part and washing away all traces of stress and strain. The self healing forces are stimulated by concentrating on every part of the body. This also has a positive effect on the immune system because the flow of stress hormones is diminished.

The goal in meditation is to find a new level of awareness of your body. This can help even the most chronically ill to understand and master their suffering.

Meditation can be practiced almost anywhere, even on the bus! For beginners, however, it's better to find a place where

there's less chance of being disturbed. This could be at home or out in the open air. Small peaceful islands could be, for example, a soothing bath, or in the bedroom, or jump into the car and find some remote parking place. A secluded spot in the fresh country air is ideal to practice meditation. A few minutes stolen from the hustle-bustle can work wonders for the day!

## Sleep Fit



Why jog around like a melting ice-cream on legs in the tropics of the local park, only to have some old age pensioner put you to shame by keeping pace with you on her Sunday morning stroll? Or run the risk of fractured limbs and scuffed knees and elbows whilst skating your way over bunkered, sagging sidewalks, on an over-priced set of roller-blades!

There are easier ways to lose the same few pounds, not to mention the savings to be made in effort and finances. A different alternative to exercise is getting some high quality "SLEEP." Just one hour after falling asleep, the body increases the production of growth hormones. This supports the processes of muscle building, skin cell repair, and helps control the production of body fat tissue.

Now you know why I made this call! So, maybe now is the time for you "to wake up — chill out and sleep fit!" **AT**

# Having Trouble Staying Focused on that Unpleasant Task

Shiv Prasad

*Nearly everyone can focus. Just watch anyone absorbed in a good movie, a good book, or a video game as he or she tries to reach the next level. What we need to be concerned with is the ability to focus at will.*

Concentration is a learned skill and the ability to focus at will requires practice. It's interesting to note that out of an estimated 60,000 thoughts you might think in a day, 95 per cent of them will be random thoughts you have had many times before.

The power, then, lies not in the thoughts you have but in your ability to focus. Since attention is the seat of your power, the question that needs asking is which thoughts are you giving your power to?

Actively learning to focus your attention on those things, thoughts and feelings you want, while letting go of the ones you don't want, could be the best thing you ever do to enhance your health, well being, and happiness.

Being enthusiastic about a project naturally enables you to focus. But what can be done about jobs you are less excited about? Boredom, anxiety and day-dreaming are usually the main culprits interfering with the ability to concentrate. While it is preferable to practice your ability to focus on those tasks you are enthusiastic about, there are ways to increase your focus level for those chores that simply must be done whether you enjoy them or not.

The first thing to do when faced with an unpleasant task is change your point of view. Everything has a positive aspect to it,

so spend a few moments and look for that silver lining. To make an unpleasant job a little more palatable, build in a few treats along the way. When you find your thoughts starting to drift, remind yourself of the final reward at the end of a job well done.

Distractions are inevitable; the goal is to

or you are interrupted, order your mind to STOP; then gently bring your mind back to where it should be. The key word here is gently; trying to force yourself to concentrate only increases resistance.

Allow specific times for your mind to wander or worry. With time set aside to worry or day-dream, stray thoughts are less likely to force themselves into your focus time. Making a note of worrisome thoughts will sometimes help. It is easier to put aside thoughts you know will not be forgotten.

To maintain focus, do not overdo it. Work for a reasonable amount of time and give yourself a break. This goes a long way toward keeping yourself fresh and on task. If forced to quit before you are finished, decide where you are and when you are going to pick your project back up again.

Keep in mind that all times of day are not created equal. By keeping track of the high and low points of your average day you are better equipped to decide when to schedule your productive time and when to allow your mind to wander. Knowing this keeps your mind focused on being here now and coping with the current assignment.

When trying to focus on an unpleasant task, forget about the past, don't fret about the future. Your ability to focus at will is determined by your ability to master living in the present. **AT**



develop your ability to cope with a distraction and get back on track. This naturally involves a certain amount of self-discipline. When you notice your thoughts start to drift

“... the credibility of the profession can be achieved through an all-encompassing approach by future accountants. Although it’s a subjective matter, but in order to ensure public confidence, accountants must adopt responsible and righteous values and make it a part of their very being in order to carry out their duties in public service.”

**Nik Mohd. Hasyudeen Yusoff, President, MIA**

## ACCOUNTING STUDENTS CONFERENCE (ASC) 2008 “Credibility of the profession is paramount”

Themed Towards Realising Competent Accountants, the 3rd ASC was held from 1-2 December 2008 at the International Islamic University, Gombak. The objective of the conference was to address the profession’s ability to stay relevant in the gamut of perpetual progress and obstacles both locally and globally.

Organised jointly by the Bachelor of Accounting Association (BACC) and the Organising Committee of ASC 2008, MIA was one of the key supporters of the event.

The President of MIA, Nik Mohd. Hasyudeen Yusoff, addressed over 200 delegates during his opening speech as well as during his talk on the World Trend on Accountancy.

“This event is a proactive response towards promoting the profession by students for the students,” he said. In response to the theme of the conference, he regarded the event as a pool of resources for the future batch of nation builders.

Nik expressed his concerns on the recent adverse developments around the world and its implications to the future of Malaysia. He said that the credibility of the profession can be achieved through an all-encompassing approach by future accountants. “Although it’s a subjective matter, but in order to ensure public confidence, accountants must adopt responsible and righteous values and make it a part of their very being in order to carry out their duties in public service.”

Besides the acquisition of knowledge and the latest information, Nik emphasised that the current market trend looks for traits of dynamism, versatility and courage in individuals. “These are the extra value added pre-requisites which are important in preserving the competency of the profession while maintaining a high sense of integrity.”

Sponsored by Permodalan Nasional Berhad (PNB), Bursa Malaysia, the Institute of Chartered Accountants in England and Wales (ICAEW) and a host of other significant bodies of the profession, the ASC is an annually held event by student accounting bodies for students with the aim to promote and advance the accountancy profession. **AT**

## The Industry Academia Dialogue 2008 — Creating Research Relevance



The session in progress

On 11 November 2008, the Malaysian Accountancy Research and Education Foundation (MAREF) organised a half-day dialogue programme known as The Industry Academia Dialogue 2008 with the theme, *Creating Research Relevance*. The programme was hosted by Universiti Tun Abdul Razak, and was held at their newly built City Campus at Capital Square in Kuala Lumpur.

The programme was moderated by Dr. Veerinderjeet Singh, with three panel speakers, Datuk Dr. Abdul Samad Haji Alias, Chairman, Board of Trustees, MAREF; Prof. Dr. A. Seetharaman, the Dean



Some of the representatives

of the Faculty of Management, Multimedia University; and Dr. Arfah Salleh, President of the Malaysian Accounting Association (MyAA).

A total of 50 representatives from various higher learning institutions, representatives from MIA, Ministry Of Higher Education, MICPA, and CPA Australia attended the dialogue session, which was aimed at discussing, brainstorming, and identifying ways to strengthen the relevance of research to the accountancy industry as well as to address the expectation gap within the accountancy circle in this country. Another aim of this dialogue was to provide linkages between academics and practitioners, to bridge the gap between theory and practice, and to streamline our existing research guidelines and policy to match better the needs and expectations of the accountancy industry in this country.

In conclusion, the presenters and participants stressed on the need for a regular dialogue to narrow the gap between academics and practitioners so that they will be able to understand better each other’s perspectives and needs. They also stressed on the need to respect each other’s work, and to set up a framework to train academics to write for a wider audience, that is, for both academic journals and practitioners, and to have research focused on the issues that are current and relevant to the problems of the industry. **AT**



*Datuk Zainal Abidin Putih and Dr. Nordin Mohd Zain during the Q&A session*

**SARAWAK BRANCH NEWS**

**Special members' briefing —  
Convergence with IFRS by 2012**



In collaboration with the Malaysian Accounting Standards Board (MASB), the Malaysian Institute of Accountants (MIA) Sarawak Branch recently organised a Special Members' Briefing on the topic of Convergence with IFRS by 2012.

Datuk Zainal Abidin Putih, Chairman of MASB, shared with participants the rationale for the convergence decisions and what they mean to the board of directors, chief financial officers and auditors, as well as how companies should prepare themselves for the changeover.

The mapping out of plans of action on how companies could prepare themselves as they move towards year 2012 was presented by Dr. Nordin Mohd Zain, Executive Director of MASB.

The briefing proved to be enlightening, and served to provide a better understanding of the highlights of the convergence with IFRS to some 70 members who attended. **AT**

**PENANG BRANCH NEWS**

**Courtesy visit to Penang Chinese Chamber of Commerce**



*At the meeting*

Penang Branch Committee made a courtesy visit to the Penang Chinese Chamber of Commerce (PCCC) and was received by its President, Tan Sri Dato' Tan Kok Ping; Deputy President, Datuk Ooi Gan @ Loh Gan; Vice-President

Datuk Siah Kok Poay and other key office bearers. The visit on 2 December 2008 was aimed at pro-

filming the Institute as a respected business partner committed to nation building and to foster a closer working relationship with the business community. The MIA delegation comprising Adelen Chong, Ooi Kok Seng, Andrew Loh and Tan Tcheow Woei also took the opportunity to brief the Chamber on recent and upcoming initiatives of the Institute especially of the Penang Branch.

Among others, there was a sharing of views on the global economic turbulence and pertinent state economic and social development concerns. PCCC which is currently holding the presidency of the Penang Joint Chambers of Commerce (PJCC) was receptive to MIA's proposal of organising an Economic Forum in March 2009. Tan Sri Dato' Tan suggested doing a Business Forum under the auspices of PJCC. **AT**

**JOHOR BRANCH NEWS**

**Launch of new CIMA Johor Branch Office**



*Roland presenting a memento to Tay*

CIMA Johor Branch President, Tay Chin Thye ACMA and Committee invited MIA Johor Branch Chairman, Roland Choong and MIA staff to attend the launch of the new Johor Branch office located at Menara Pelangi, JB on 22 November 2008. Dr. Robert Jelly, Director of Education, CIMA UK and Chandra Mohan Balasubramaniam FCMA,

Divisional President, CIMA Malaysia addressed the guests and launched the new office. There was a 'CIMA Book Prize' Award presentation to Crescendo International College students by Dr. Robert Jelly. **AT**



*Speech by Dr. Robert Jelly, Director of Education, CIMA UK*



*Speech and Launch of the new office by Chandra Mohan, Divisional President, CIMA Malaysia*

**JOHOR BRANCH NEWS**

**Career Talk**



*Participants at the Career Talk*

MIA Johor Branch Manager, Ms. Chan represented the Institute when presenting a career talk to about 29 students and parents on 13 December 2008 during the Open Day at Sunway College Johor Bahru.

Students and parents were given information about MIA, the profession and the routes that can be taken to become a Chartered Accountant in Malaysia. MIA Johor Branch Practice Review Manager, Mr. Leong shared his experience as an accountant and gave valuable advice to students. The topic for the career talk was *Aim High : Go for Accountancy*. **AT**



“Successful organisations are increasingly dependent on intangible assets such as talent. Leading organisations always recognise the clear link between high performing people and organisational success.”

Joseph Yap, ACCA Malaysia Country Head



Joseph Yap  
ACCA Malaysia  
Country Head

Interested and attentive  
delegates from various  
companies at the conference



Association of Chartered Certified Accountants ▼

## Managing Human Capital

ACCA organised the fourth annual global series of Managing Human Capital 2008 in Kuala Lumpur with the theme *The high performance professional accountant — global challenges and opportunities*. The conference aimed to enable employers to meet the challenges of attracting, developing and retaining the top finance talent required to drive their businesses forward. 95 senior finance and human resource professionals from various companies participated in the conference, which was held on 25 November 2008 at Crowne Plaza Mutiara Kuala Lumpur.

ACCA Malaysia Country Head, Joseph Yap in his welcome speech remarked, “The development of human capital has to be a constant undertaking in an environment of constant change. For the past 10-15 years we have seen the economic and financial environment dramatically changed and transformed. Rapid globalisation of the financial system has generated an environment that is increasingly more complex and competitive.” He also highlighted the importance of organisations to have talents that are not only able to see new emerging opportunities, but also to navigate through turbulent times. “Successful organisations are increasingly dependent on intangible assets such as talent. Leading organisations always recognise the clear link between high performing people and organisational success,” he added further.

The line-up of speakers included Tony Osude, ACCA Head of Professional Development, Jamie Lyon, ACCA Senior Manager of Professional Development, Weng Lin, Leaderonomics Director, Jeannie Khoo, Kelly Services (Malaysia) Sdn Bhd National Marketing Manager, Madhvi Pande, Hewitt Associates Compensation Practice Lead, Patrick Ng PricewaterhouseCoopers Partner, Lawrence Wong, Dell Asia Pacific Sdn Finance Director of APJ Global Operations Finance. The conference received lots of favourable feedback from the participants. Oracle is the sponsor of the event. **AT**



Chartered Institute of Management Accountants ▼

## CIMA’s Certificate in Islamic Finance wins award



CIMA Malaysia Divisional President, Chandra Mohan Balasubramaniam (left), receiving the KLIFF award from the Minister of Finance II, Tan Sri Nor Mohamed Yakcop

CIMA, the first chartered accountancy body to offer a global qualification in Islamic Finance, was a winner at the KLIFF Islamic Finance Awards 2008 for the category ‘new provider for Islamic Finance professional qualification’. The award

recognises institutions and organisations that have significantly contributed to the development of the Islamic Finance industry.

The award was presented during the 5th Kuala Lumpur Islamic Finance Forum 2008 (KLIFF) Gala Dinner & Award Presentation Ceremony held at Hotel Istana Kuala Lumpur on 18 November 2008. Chandra Mohan Balasubramaniam FCMA, Divisional President of CIMA Malaysia, in receiving the award from the Minister of Finance II, Tan Sri

Nor Mohamed Yakcop, said, “CIMA is honoured to receive this prestigious award from KLIFF. As the leading professional accountancy body with a sole focus on business, we believe that there is a demand from the global business community for knowledge and skills in Islamic Finance. We have tailor-made the content of the CIMA Certificate in Islamic Finance to equip students not only with foundation knowledge of Islamic Finance but also with reference to international products, standards, regulations and best practices.”

The CIMA Certificate in Islamic Finance, launched in April 2008 in Kuala Lumpur, comprises four modules: *Islamic commercial law; Islamic banking and takaful (insurance); Islamic capital markets and instruments; and accounting for Islamic financial institutions*. The qualification is available as a series of study guides, revision kits and a microsite and provides students with a thorough knowledge of the theoretical and religious aspects that underpin Islamic Finance. On completing the Certificate, students will be comfortable with the array of Arabic terminology used throughout as well as the regulations which govern Islamic Finance in practice. **AT**

CPA Australia ▼

## Malaysia Division Council 2009

The Annual General Meeting (AGM) for CPA Australia Malaysia Division was held in Kuala Lumpur on 12 December 2008. The meeting included the announcement of the Divisional Council for 2009.

The office bearers were elected following the first meeting of the new Council immediately after the AGM.

The following is the line-up of the Malaysia Divisional Council effective 1 January 2009:

Lam Kee Soon FCPA	(President)
Alex Ooi Thiam Poh FCPA	(Deputy President)
Andrew Heng CPA	(Deputy President)
Chong Aik Lee CPA	
Dr. Edward Lim FCPA	(newly elected)
Gabriel Teo Chun CPA	
Josephine Phan Su Han FCPA	
Ramli Mohamed FCPA	
Ravi Navaratnam FCPA	
Rusman Amir Zaihan FCPA	
Shaun Lee Chong Leng CPA	(newly elected)
Suhaimi Badrul-Jamil FCPA	<b>AT</b>



*Incoming President Lam Kee Soon (left) presenting a token of appreciation to outgoing President Christina Foo*

## The Institute of Cost and Works Accountants of India (ICWAI) — Visit to MICPA

A nine member delegation visit to the Institute was made by The Institute of Cost and Works Accountants of India (ICWAI) on 12 December 2008.

The Institute certainly welcomes the exchange of information between fellow accountancy bodies to strengthen professional relationships and to have an understanding of the current developments in the accountancy profession and business environment in

various countries.

The delegates were briefed on the activities of the Institute by the President of the Institute, Datuk Nor-din Baharuddin. Also in attendance was Abdul Halim Lassim, Council Member and Foo Yoke Pin, Executive Director of the Institute.

We would like to commend ICWAI on the initiatives undertaken to create an accounting body that promotes the highest global standards. We have no doubt that ICWAI will achieve even higher levels of professional excellence in the years ahead, and to grow from strength to strength. **AT**



We would like to commend ICWAI on the initiatives undertaken to create an accounting body that promotes the highest global standards.

## MICPA's 50th Anniversary Commemorative Lecture cum Luncheon

The Institute will be holding its 50th Anniversary Commemorative Lecture cum Luncheon on 10 March 2009 at the Sapphire Ballroom, Mandarin Oriental Kuala Lumpur at 12.30 p.m.

The Commemorative Lecture cum Luncheon provides an opportunity for members of the accountancy profession, the Government, regulatory authori-

ties and the business community to get together to evaluate the most pertinent issues affecting the Malaysian and global economies, and the role of the accountancy profession.

In this regard, we have pleasure in inviting you and your colleagues and business associates to the Commemorative Lecture and Luncheon. For further information, please contact the Public Affairs and Communications Manager on Tel: 03-2698 9622 or e-mail: [vic.pr@micpa.com.my](mailto:vic.pr@micpa.com.my) **AT**

...to get together to evaluate the most pertinent issues affecting the Malaysian and global economies, and the role of the accountancy profession.

# WORLD news

## US: Accounting firms post 3-year growth streak

The accounting industry remains strong, despite a faltering economy. In fact, the top 100 accounting firms have posted double-digit growth for three years running, according to the latest national Public Accounting Report (PAR) survey of highest revenue accounting firms. The results of this survey mark the first time the Top 100 firms posted a three-year streak of double-digit revenue growth rates since 1999, 2000 and 2001.

The survey was published by CCH, a Wolters Kluwer business and a provider of tax, accounting and audit information, software and services. Executive search firm A. E. Feldman reports that recruiting among accounting firms remains highly competitive. The firm says that accounting jobs and international tax jobs exist for candidates who have an understanding of international finance and cultures, according to a report at *AEFeldman.com*.

A number of top firms are also seeking State and Local Tax accountants as well as Tax Managers and Partners. Accountants with expertise in FAS 109 and FIN 48, in particular, are in high demand.

The 2008 PAR survey found an average revenue growth rate of 11.4 per cent — up from 10.8 per cent in 2007. Moreover, the survey shows that as in previous years, firms outside the Big Four posted stronger overall results than their larger counterparts, with non-Big Four firms growing their revenue at an average rate of 14.4 per cent compared to 10.6 per cent for the Big Four.

In addition to revenue growth rates for overall firms, composite net revenue per partner also rose to more than \$2.87 million, a 6.3 per cent increase over 2007. Meanwhile, net revenues per professional for firms in this year's top 100 increased four per cent to \$320,194 compared to those firms' previous performance, the survey found. The report noted that corporate tax and financial executives continue to be confronted by the increasing complexities of changing tax laws and regulations.

The pressures of complying with new tax regulations are forcing most companies to focus on their effective tax rate and their sustainable tax rate. Tax departments must devise plans and practices to keep the effective tax rate as low as possible and boost efforts to comply with rulings such as FAS 109 and Fin 48.

FAS 109 (Accounting for Income Taxes) is the governing standard for financial statement accounting for income taxes. It requires separate tax rates for deferred taxes for each jurisdiction where a company is subject to tax. The complexities and resource challenges surrounding FAS 109 have been exacerbated by additional rules governing the Accounting for Uncertainty in Tax Positions released by the FASB, known as FIN 48,

The report added that the looming convergence of accounting standards from US GAAP to International Financial Reporting Standards (IFRS) is also driving demand for candidates with international business experience. **AT**

## US: For a single language, audit regulators must go global too

Ask PwC about the global reorganisation plans it announced and many of its senior partners will shrug and tell you it is not really a subject of interest to anyone outside the firm. I beg to differ, writes Jennifer Hughes.

Hughes' article appeared in the *Financial Times* after the biggest of the Big Four announced plans to align its member firms more closely and introduce 'enhanced' standards across its network — many of whom will be its clients — and to the multiple regulators who oversee it.

"First, I should point out that PwC is not alone in bringing its firms more closely together. KPMG is taking advantage of a European rule change legally to merge some of its European practices, with more expected to join. Ernst & Young is in the process of bringing together 86 partnerships under one management stretching from northern Europe across the Middle East to India and Africa.

"The biggest point to take away from all of this is that the moves underline the fact that the firms are not a single company, simply a series of national partnerships, operating under national regulations and held together as a firm by a thin global umbrella organisation.

"The partnership structure stems from regulators' efforts to protect auditors from conflicts of interest with their clients by ensuring the firms are majority-owned by the auditors themselves. But regulators apply this

differently in practice, and operate slightly differing series of rules for their auditors to follow, meaning each, while following the standards of its global firm, is operating under different regulations with varying emphases, standards and quality," she writes.

The report added that PwC and others point out that this is no more than the issues faced by their big clients, who also work across legal and regulatory boundaries. But the difference is that its clients are not firms whose work, in terms of audit judgments, are considered an integral part of the capital markets framework.

"It is a little ironic that accounting is on course to become one of the most globally unified pieces of business infrastructure, using a single set of rules, but that the other end of the process, the audit, is still a regulatory jigsaw," she adds. **AT**

## US: Sage releases Simply Accounting 2009

Richmond, B.C.-based Sage Software Ltd. unveiled the latest edition of accounting software, Simply Accounting 2009 in October, which will be available through resellers and in retail stores mid-November.

Simply Accounting 2009, an entry level accounting solution for small businesses requiring quick setup, ease of use and payroll functionality, is intended for small business owners with 100 employees or less, according to a report at *ITbusiness.ca*.

The theme of '09 is simplicity, said Alistair Ellis, product manager of Simply Accounting. The improved features are the result of feedback from customers and partner account-

ants. An important detail of the new release is that the software's names have changed. The group now includes: First Step (formerly Entrepreneur), Pro (formerly Simply Accounting), Premium and Enterprise.

New entrepreneurs will benefit from the software's start-up ease, Ellis said. "The biggest changes are the learning centre improvements — bringing self help, more training and tutorials to small business owners," he said. The Pro edition and above have a learning centre with tutorials available for viewing in an enhanced learning centre, customizable RSS feeds, a frequently asked questions box, and links to the latest information from the online community on the help page.

Getting started is also improved, which helps new users enter a new listing and add information about vendors, employees or inventory in an Excel format instead of ledger by ledger, Ellis said. The company already has 400,000 users within Canada and five million worldwide, and expects resellers to have huge demand for the 2009 edition. **AT**

## CANADA: Accounting sea change

Canada's top financial institutions will get relief from the corrosive effects of the toxic assets sitting on their books today thanks to a controversial decision that turns back the clock on modern accounting methods, according to people familiar with the process, reports *FinancialPost.com*.

In a ruling to be circulated in October, the report said Canada's accounting watchdog will give banks and insurers new flexibility so they can postpone recording losses on assets that

have become hard to sell and hard to value amid a freeze-up in global credit markets. The ruling follows intense pressure from the financial-services industry and politicians led by Nicolas Sarkozy, the French President.

The timing of the announcement will be welcomed by the Conservatives and puts Ottawa onside with Paris on a divisive issue that has split Europe because of fears that loosening of so-called mark-to-market rules will mask losses and encourage riskier behaviour.

The move bolsters the Conservatives' campaign pledge to provide relief to financial institutions being squeezed by the credit crisis and comes amid a series of related government initiatives. The decision will be welcomed on Bay Street and will give insurers such as Manulife Financial Corp. extra breathing room when they report on their performance next month after seeing their share prices punished. The new ruling will also provide some relief to Canada's banks as they prepare end-of-year results expected to show a broad decline in profitability, the report added. **AT**

## INDIA: BPOs see big money in global accounting norms

NEW DELHI: Business process outsourcing (BPO) outfits in India are gearing up to rake in moolah as India Inc gets ready for convergence with the global accounting norms.

Many of the Indian KPOs and BPOs have started assessing their capabilities in providing support for managing the required changes. According to Nasscom officials, outfits that lack the necessary skills to provide the convergence-

related support are putting their employees on training, reports *The Economic Times*. According to Grant Thornton partner Khazat Kotwal, International Financial Reporting Standards (IFRS) cannot be looked as a mere technical exercise limited to change from one accounting principle to another.

It is expected to impact all aspects of the way in which India Inc operates, including accounting policies and procedures, financial reporting and disclosures, and information technology systems. With modifications happening in business processes and controls supporting those processes, those providing back office support will have to train their employees to retain the current business.

"The opportunity in IFRS convergence, in India as well as in global markets, is going to be huge. But it is also challenging due to the diversity of existing GAAPs and shortage of skilled IFRS-trained human resources. We are well poised to leverage this opportunity because of a large pool of accounting manpower, global reach, customer base and heavy investments in training to equip its finance, accounting & IT resources in this field," said Genpact senior vice-president Anil Nayar.

"IFRS convergence will open up a host of opportunities in the services sector. We are evaluating our strengths in providing value added services in the convergence process. Our personnel will be given adequate training, if needed, to boost growth prospects by leveraging this opportunity," said Evalueserve comptroller Karmeshu Aggarawal. **AT**

*The Economic Times*

## TAIWAN: New Accounting Criteria will Mark Down Gross Margin of Firms With Higher Inventories

With the No. 10 Basic Financial Statements scheduled to hit the road on 1 January 2009, business establishments will have to include changes in their inventory values into their financial statements, a change which will force some businesses with higher inventory levels to mark down their gross margins, including DRAM (dynamic random access memory), reports *CNES*.

In a seminar on the impact of the new accounting criteria on 18 November, sponsored by Deloitte Taiwan, Chiang Meiyien, a CPA (certified public accountant) at Deloitte Taiwan, noted that under the new criteria, idle capacities will be listed under sale cost, lowering gross margin, a change which will be reflected in the financial statements of listed firms in the first quarter of 2009, at the earliest. Chiang pointed out that the difference between the actual capacity utilisation and normal capacity utilisation will be regarded as idle capacity, adding normal capacity will be set according to the factors of production cycle, business status, equipment maintenance, rotary leave of employees, and industrial nature. Chiang also urged listed firms to step up revising their information system to meet the implementation of the new accounting practice, which is only one month away.

DRAM firms will be among the ones most vulnerable to the impact of the new criteria, due to the constant decline in their inventory value, caused by the plunge in their products' prices. Meanwhile, DRAM firms cannot slash their output to cut their inventory levels, as 80 per cent of their costs derive from the depreciation of their expensive facilities. **AT**



## Mark Allison Elected to Lead IFAC's International Accounting Education Standards Board

The International Federation of Accountants (IFAC) has appointed Prof. Mark Allison, MA, CA, as Chair of the International Accounting Education Standards Board (IAESB), an independent standard-setting board under the auspices of IFAC. Prof. Allison's appointment, which has been approved by the Public Interest Oversight Board (PIOB), is for a three-year term, beginning January 1, 2009. The PIOB oversees the IAESB's activities to ensure that they are properly responsive to the public interest.

As Chair of the IAESB, Prof. Allison will lead the IAESB's continuing efforts to develop high quality International Education Standards (IESs) and guidance and promote their convergence globally.

"Prof. Allison brings a significant depth of international accountancy education experience to his new role as IAESB Chair," says IFAC CEO Ian Ball. "He will be the driving force behind delivering IAESB's 2010-2012 Strategic and Operational Plan, which focuses on developing good practice guidance in accountancy education and identifying and communicating the public interest value of IAESB's work."

"It's a great honour to lead the IAESB for the next three years," Prof. Allison said of his appointment, "At a time when a great deal of public attention is focused on financial stability, the role of accountants in rebuilding confidence is crucial. The work of the IAESB is important in ensuring that professional accountants have the right training and development to deliver the transparency and quality of financial information that investors and the public expect."

Prof. Allison will combine his role as IAESB Chair with his current position as Executive Director, Education and International, at The Institute of Chartered Accountants of Scotland. He also serves as a visiting professor at Robert Gordon University, Scotland. He has more than 20-years of experience participating in accountancy education projects globally

with organisations such as the European Union, the World Bank, and the United Nations Conference on Trade and Development (UNCTAD). **AT**

## IFAC releases results of 2008 Global Leadership Survey; new financial crisis website is launched

To mark the beginning of *World Accountancy Week*, IFAC released the results of its *2008 Global Leadership Survey*. Chief executives and presidents of 110 accountancy organisations worldwide responded to this annual survey that focused on the current credit crisis and other key issues for the profession. Respondents reported an increased trend in the need for services that are related in some way to the crisis, demonstrating an increased awareness of the value of professional accountants. Respondents indicated that the following issues will be of greatest importance to them in the coming year:

- Addressing the needs of small and medium enterprises (SMEs) and small and medium practices (SMPs);
- Transitioning to International Standards on Auditing;
- Meeting expectations to identify and prevent fraud; and
- Dealing with the changing regulatory landscape.

The survey also showed that the majority of organisations have been working to identify and execute appropriate responses to the crisis and to support their members. Many of these initiatives are featured on IFAC's website on its new page on the global financial crisis ([www.ifac.org/financial-crisis](http://www.ifac.org/financial-crisis)). If your organisation has materials dedicated to the financial crisis that you would like to have appear on this webpage, please email them to [pr@ifac.org](mailto:pr@ifac.org).

To view the *2008 Global Leadership Survey Summary of Results*, visit [web.ifac.org/download/2008\\_IFAC\\_Global\\_Leadership\\_Survey.pdf](http://web.ifac.org/download/2008_IFAC_Global_Leadership_Survey.pdf). **AT**

## IFAC issues new paper on Standard-Setting Process

During *World Accountancy Week*, IFAC released a new policy position paper on *International Standard Setting in the Public Interest*. This paper outlines the rationale for the regulatory arrangements put in place for setting international standards for auditing and assurance, ethics and accounting education. Additionally, it explains how responsibility for international standard setting in these areas is shared by IFAC and the regulatory community to produce high quality standards that are in the public interest. The paper can be downloaded from the IFAC website by going to [www.ifac.org/store](http://www.ifac.org/store). **AT**

## Help select the 2008 Article of Merit winner

IFAC's Professional Accountants in Business (PAIB) Committee recognised *World Accountancy Week* with the launch of a new feature of its *2008 Article of Merit Award Programme*. This year, the committee is seeking your help in selecting the award winner. The program seeks to identify and promote outstanding articles on financial and management accounting topics by IFAC member bodies. This is the first time that individual accountants worldwide have been invited to be part of the selection process. Judges have selected 10 articles to be considered for the award. Please rate the usefulness of each of these articles by visiting the *Articles of Merit Rating Page*. The winning article will be announced in early 2009. **AT**

## IFAC Board approves new policy on translation

The IFAC Board has approved a new policy statement for the translation of standards — *Policy for Translating and Reproducing Standards* — issued by the International Federation of Accountants. This new policy statement only applies when a translating body translates and reproduces any of the final standards issued

by IFAC standard-setting boards. The objectives of this policy are:

- To encourage one quality translation of the standards per language;
- To achieve a faithful translation of the standards;
- To achieve a timely translation of the standards, and
- To ensure that translations of the standards are regularly updated.

The policy will become effective beginning 1 January 2009. The policy statement may be downloaded by visiting [www.ifac.org/Translations/](http://www.ifac.org/Translations/). **AT**

## IAASB clarity project nears completion; issues eight standards

The International Auditing and Assurance Standards Board (IAASB) has

released seven clarified International Standards on Auditing (ISAs) and one clarified International Standard on Quality Control (ISQC). These ISAs form part of the IAASB's program to redraft existing standards following the clarity drafting conventions. To date, the IAASB has released 29 final clarity redrafted ISAs and 1 final clarity redrafted ISQC.

The IAASB released:

- International Standard on Quality Control (ISQC) 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*;
- ISA 220 (Redrafted), *Quality Control for an Audit of Financial Statements*;
- ISA 500 (Redrafted), *Audit Evidence*;
- ISA 501 (Redrafted), *Audit Evidence*

— *Specific Considerations for Selected Items*;

- ISA 505 (Revised and Redrafted), *External Confirmations*;
- ISA 520 (Redrafted), *Analytical Procedures*;
- ISA 620 (Redrafted), *Using the Work of an Auditor's Expert*; and
- ISA 710 (Redrafted), *Comparative Information — Corresponding Figures and Comparative Financial Statements*.

The complete set of clarified ISAs will be effective for audits of financial statements for periods beginning on or after 15 December 2009. The ISAs can be downloaded free-of-charge from the IFAC online bookstore at [www.ifac.org/store](http://www.ifac.org/store). The IAASB also plans to publish the set of clarified ISAs in a handbook, expected to be released in April 2009. **AT**

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## Non-Audit Firms New Registration

### NON-AUDIT FIRM NF NO. JOHOR DARUL TAKZIM

**LKM Corporate Services** 0961  
No. 49 Jalan EJ 2/3  
Taman Ehsan Jaya  
81100 Johor Bahru  
Tel: 012-774 5001  
e-mail: desmond\_acca@hotmail.com

**Terry Law & Co** 0959  
54A & 55A, Jalan Gunung Lambak 1  
Taman Gunung Lambak  
86000 Kluang  
Tel: 07-773 3812 Fax: 07-773 3816  
e-mail: terrylaw@integro.com.my

**Tham Chee Yuen & Co.** 0957  
SH 53, Tingkat 1, Jalan Pasar Lama  
81500 Pekan Nenas  
Tel: 019-751 0398  
e-mail: thamcheeyuen\_co@yahoo.com

### SABAH

**KT Wong & Co** 0956  
Shoplot No 6, 2nd Floor  
Taman Layang-Layang, Jalan Kolam  
Luyang, 88300 Kota Kinabalu  
Tel: 088-235 399 Fax: 088-251 399  
e-mail: brian.kt.wong@gmail.com

### SARAWAK

**Khiew & Co.** 0962  
No. 285 (1st Floor), Serian Bazaar  
94700 Serian  
Tel: 082-875 523 Fax: 082-875 523  
e-mail: khiewsl@yahoo.com

### SELANGOR DARUL EHSAN

**CYC & Associates** 0963  
36, Jalan USJ 20/6J  
UEP Subang Jaya  
47630 Subang Jaya  
Tel: 012-330 0603 Fax: 03-7982 8601  
e-mail: cycm6@yahoo.com

**MARC Consulting** 0958  
55-B, 2nd Floor  
Jalan USJ 21/11  
UEP Subang Jaya  
47630 Subang Jaya  
Tel: 016-331 5280 Fax: 03-802 35280  
e-mail: marc\_consulting@yahoo.com  
www.marc-consulting.asia

### WILAYAH PERSEKUTUAN

**P.K.Goh & Associates** 0960  
3-3-1 Meadow Park  
Jalan 1/130  
58200 Kuala Lumpur  
Tel: 012-208 0826 Fax: 03-7982 3102  
e-mail: nhrhk@myjaring.net

## Ceased Operation

### SELANGOR DARUL EHSAN

**Chong Consultancy Service** 0836  
45, Jalan BS 5/19  
Taman Bukit Serdang  
43300 Seri Kembangan

## Audit Firms New Registration

### AUDIT FIRM AF NO. JOHOR DARUL TAKZIM

**OK Wong & Co.** 001958  
23, Jalan Ros Merah 2/13  
Taman Johor Jaya, 81100 Johor Bahru  
Tel: 07-355 6682 Fax: 07-355 6632  
e-mail: fh Wong@oktancco.com

### SELANGOR DARUL EHSAN

**MNZWAJ Associates** 001959  
No 28-A, Jalan Kota Raja E27/E  
Hicom Town Centre, Seksyen 27  
40400 Shah Alam  
Tel: 03-5191 7334 Fax: 03-5191 4200  
e-mail: wajahq@streamyx.com

### WILAYAH PERSEKUTUAN

**Mary Tan & Partners** 001960  
Suite 8-3, 3rd Floor  
Jalan 9/23A, Medan Makmur  
Off Jalan Usahawan, Setapak  
53200 Kuala Lumpur  
Tel: 012-268 1010 Fax: 03-4149 5789  
e-mail: mary@marytan.com.my

## Ceased Operation

### SARAWAK

**Harry Wong & Co** 0554  
9, (3rd Flr) Jalan Maju, P. O. Box 239  
96007 Sibu

## Name Change

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(Formerly known as Haaryp Panicker)  
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Tel: 03-2693 6719 Fax: 03-2693 7024  
e-mail: info@llyodsearle.com.my  
www.llyodsearle.com.my

**SKMN** 0878  
(Formerly known as SKMN Associates)  
Tingkat 15, Menara Safuan  
No. 80 Jalan Ampang, 50450 Kuala Lumpur  
Tel: 03-2026 7810 Fax: 03-2026 6810  
e-mail: skmn@tm.net.my  
www.skmn.com.my

## List of New Books

Available at the  
MIA Resource Centre

### ACCOUNTING

*Advanced Accounting*, 9th ed., by Joe B. Hoyle;  
Thomas F. Schaefer; Timothy S. Douppnik, New  
York: McGraw-Hill, 2009.

Call No.: 657 HOY

*Financial Statement Analysis*, 10th ed., by K.R.  
Subramaniam; John J. Wild, New York: Mc-  
Graw-Hill, 2009.

Call No.: 657.3 SUB

*Introduction to Accounting: An Integrated Ap-  
proach*, by Penne Ainsworth; Dan Deines, New  
York: McGraw-Hill, 2009.

Call No.: 657 AIN

*Financial Accounting*, 6th ed., by Robert Libby;  
Patricia A. Libby; Daniel G. Short, New York:  
McGraw-Hill, 2009.

Call No.: 657.076 LIB

*iGAAP: Financial Reporting in Malaysia*, by  
Deloitte Kassim Chan, Singapore: CCH Asia  
Pte Ltd., 2008.

Call No.: 657.0218 IGA

### AUDITING

*Auditing and Assurance Service in Malaysia: An  
Integrated Approach*, 2nd ed., by Alvin A. Arens  
*et.al*, Petaling Jaya: Prentice Hall, 2008.

Call No.: 657.45 AUD

### FINANCE

*Principles of Corporate Finance*, by Richard A.  
Brealey; Stewart C. Myers; Franklin Allen, New  
York: McGraw-Hill, 2009.

Call No.: 657 BRE

*New Issues in Islamic Finance & Economics:  
Progress & Challenges*, by Hossein Askari; Zamir  
Iqbal; Abbas Mirakhor, Singapore: John Wiley  
& Sons, 2009.

Call No.: 297.19785 ASK

*Understanding Islamic Finance*, by Muhammad  
Ayub, West Sussex: John Wiley & Sons, 2007.

Call No.: 332.091767 AYU

*Secrets of Swiss Banking: An Owner's Manual  
to Quietly Building a Fortune*, by Hoyt Barber,  
Hoboken: John Wiley & Sons, 2008.

Call No.: 332.6731 BAR

*Financial Modelling in Practice: A Concise Guide  
for Intermediate and Advanced Level*, by Michael  
Rees, West Sussex: John Wiley & Sons, 2008.

Call No.: 657 332.0151 REE

*Everything Technical Analysis: How to Trade  
Like a Professional*, 2nd ed., by Jacinta Chan,  
Petaling Jaya: Prentice Hall, 2008.

Call No.: 332.6 CHA



**FRAUD**

*Fraud in Accounts Payable: How to Prevent It*, by Mary S. Schaeffer, Hoboken, NJ: John Wiley & Sons, 2008.

**Call No.: 657.74 SCH**

**GENERAL**

*100 Ways to Motivate Others: How Great Leaders Can Produce Insane Results Without Driving People Crazy*, by Steve Chandler; Scott Richardson, Franklin Lakes: Career Press, 2008.

**Call No.: 658.314 CHA**

**INFORMATION TECHNOLOGY**

*Brilliant Excel 2007: Formulas & Functions*, by Paul McFedries, Essex: Pearson Education

Ltd., 2008.

**Call No.: 650.02855369 MCF**

**INTERNAL AUDIT**

*Principles and Contemporary Issues in Internal Auditing*, by Puan Sri Datin Dr. Mary Lee et al., Kuala Lumpur: McGraw-Hill, 2008.

**Call No.: 657.45 PRI**

**INTERNAL CONTROLS**

*Internal Control Strategies: A Mid to Small Business Guide*, by Julie Harrer, Hoboken: John Wiley & Sons, 2008.

**Call No.: 657.458 HAR**

**PUBLIC SECTOR**

*Public Sector Accounting: Malaysian Context*,

*3rd ed.*, by Fatimah Abd Rauf et al., Petaling Jaya: Prentice Hall, 2008.

**Call No.: 657.835009595 PUB**

**RISK MANAGEMENT**

*Operational Risk Management: A Case Study Approach to Effective Planning and Response*, by Mark D. Abkowitz, Hoboken, NJ: John Wiley & Sons, 2008.

**Call No.: 658.155 ABK**

**TAXATION**

*A Comprehensive Guide to Malaysian Taxation: Under Self-Assessment System, 3rd ed.*, by Jeyapalan Kasipillai, Shah Alam: McGraw-Hill (M'sia) Sdn Bhd., 2007.

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# ... Counting on Humour



## Phone Bill

The phone bill was exceptionally high and the man of the house called a family meeting ... on a Saturday morning ... after breakfast ...

Dad: "People, this is unacceptable. You have to limit the use of the phone. I do not use this phone, I use the one at the office."

Mum: "Same here, I hardly use this home telephone as I use my work telephone."

Son: "Me too, I never use the home phone. I always use my company mobile."

Maid: "So — what is the problem? We all use our work telephones!"

## Police Officer

A man who was driving a car with his wife was stopped by a police officer. The man says, "What's the problem, officer?"

Officer: "You were going at least 75 speed in a 55 zone."

Man: "No sir, I was going 65 km." Wife: "Oh, Harry. You were doing 80." (The man gave his wife a dirty look.)

Officer: "I'm also going to give you a ticket for your broken taillight." Man: "Broken taillight? I didn't know about a broken taillight!" Wife: "Oh Harry, you've known about that taillight for weeks." (The man gave his wife another dirty look.)

Officer: "I'm also going to give you a citation for not wearing your seat belt." Man: "Oh, I just took it off when you were walking up to the car." Wife: "Oh Harry, you never wear your seat belt."

The man turned to his wife and yelled, "SHUT YOUR MOUTH!" The officer turned to the woman and asked,



"Ma'am, does your husband talk to you this way all the time?" The wife said, "No, only when he's drunk."

## Evolution

A little girl asked her mother, "How did the human race appear?" The mother answered, "God made Adam and Eve and they had children and then all mankind was made."

Two days later the girl asked her father the same question. The father answered, "Many years ago there were monkeys from which the human race evolved."

The confused girl returned to her mother, "Mom, how is it possible that you told me the human race was created by God, and Dad said they developed from monkeys?"

The mother answered, "Well, dear, it is very simple. I told you about my side of the family and your father told you about his."



## Health Insurance

A man suffered a serious heart attack and had open heart surgery. He awakened from the surgery to find himself in the care of nuns at a Catholic Hospital. As he was recovering, a nun asked him questions regarding how he was going to pay for his treatment.

She asked, "Do you have health insurance?" He replied in a raspy voice, "No health insurance." The nun asked, "Do you have money in the bank?" He replied, "No money in the bank." The nun asked, "Do you have a relative who could help you?" He said, "I only have a spinster sister, who is a nun." The nun became agitated and announced loudly, "Nuns are not spinsters! Nuns are married to God." Then, the patient replied, "Send the bill to my brother-in-law."

## Down Under

The story is told of a very rich Indian millionaire who went to Australia to watch his 'boys' play cricket. The Aussie at the passport control sat fingering through his passport for ages, looking as unfriendly as he could manage. At last he growled: "Have you got a criminal record?"

The Indian businessman smiled sweetly and said, "I am terribly sorry, Sir; unfortunately, I don't have one. Nobody told me that it was still a requirement to get into your country." **AT**



## Top credit crunch jokes to have you laughing all the way to the bank

- I went to the ATM this morning and it said "insufficient funds".. I'm wondering is it them or me?
- With the current market turmoil, what's the easiest way to make a small fortune?  
Start off with a large one.
- How do you define optimism?  
A banker who irons five shirts on a Sunday
- What's the difference between an investment banker and a large pizza?  
A large pizza can still feed a family of four.
- George Bush was asked "what did he think of the Credit Crunch?"  
He replied: "It was his favourite Candy Bar."
- What's the capital of Iceland?  
About £3.50

# 2009 Calendar of MIA Professional Development Centre (MPDC)

Location	Date	Event Title	Speaker	Venue	Fee (RM)	CPE Hrs	Claimable
<b>February 2009</b>							
<b>Klang</b>	5 & 6 Feb	Understanding Private Entities Reporting Standards	Danny Tan Boon Wooi	Hilton PJ	700	16	HRDF & SMIDEC
<b>Valley</b>	9 & 10 Feb	Capital Allowances Maximisation	Harvinder Singh	Hilton PJ	800	16	HRDF & SMIDEC
	12 & 13 Feb	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Concorde Hotel KL	800	16	HRDF & SMIDEC
	12 & 13 Feb	Preparation of Group Accounts	Woon Chin Chan & Tan Liong Tong	Concorde Hotel KL	950	16	HRDF
	14 - 16 Feb	MIA QE Programme — Auditing and Assurance Services	Tong Suek Ying	MIA Resource Centre	750	0	
	16 Feb	Understanding, Preparing and Presenting Cash Flow Statement (FRS 107)	Woon Chin Chan & Tan Liong Tong	Hilton PJ	500	8	HRDF
	16 & 17 Feb	Public Practice Programme	various	Hotel Istana KL	850	16	HRDF & SMIDEC
	16 & 17 Feb	Corporate Social Responsibility	Michael Chiam	Best Western Premier Sri Pacific Hotel KL	800	16	HRDF
	16 & 17 Feb	Optimising Corporate Tax Planning Strategies	Sivaram Nagappan	Hilton PJ	850	16	HRDF
	17 & 18 Feb	Practical Approach to Tax Incentives in Malaysia	Chow Chee Yen	Hilton PJ	800	16	HRDF & SMIDEC
	18 & 19 Feb	Company Secretarial Practice and Annual Return	Tan Teng Chai	Concorde Hotel KL	800	16	HRDF, SMIDEC & SIDC Accredited
	19 Feb	Impairment of Assets	Woon Chin Chan & Tan Liong Tong	Hilton PJ	500	8	HRDF
	19 & 20 Feb	The Essentials of Budgeting	Dr. Steven Liew	Hotel Istana KL	700	16	HRDF
	21 - 23 Feb	MIA QE Programme — Business and Company Law	Tengku Naiful Tengku Mohd Mansor	MIA Resource Centre	750	0	
	23 Feb	Advanced Consolidation Practices	Danny Tan Boon Wooi	TBA	500	8	HRDF
	23 & 24 Feb	Financing Your Business	Peter Fong	Hotel Istana KL	800	16	HRDF
	23 & 24 Feb	Maximising Performance with Technology During Financial Tsunami	Bryan Ng	Training Choice KL	1100	16	HRDF
	23 & 24 Feb	Financial Instruments: Recognition, Measurement, Disclosure and Presentation	Woon Chin Chan & Tan Liong Tong	Concorde Hotel KL	950	16	HRDF
	24 & 25 Feb	Essential of Corporate Management in Malaysia	Jessica Liew	Best Western Premier Sri Pacific Hotel KL	850	16	HRDF
	24 & 25 Feb	Transforming the Finance Function for Quality, Efficiency and Growth	Suchitra Mahendraraj	Melia Hotel KL	750	16	HRDF
	25 & 26 Feb	Two-Day Fair Value Accounting	Danny Tan Boon Wooi	Concorde Hotel KL	800	16	
	25 & 26 Feb	Effective Data Mining for Decision-Making	Bryan Ng	Training Choice KL	1100	16	HRDF
	27 Feb	Introduction to Accounting for Agricultural Activities	Danny Tan Boon Wooi	Concorde Hotel KL	400	8	HRDF
<b>Northern Region</b>	16 & 17 Feb	Cost Reduction and Profit Improvement Strategies	Dr. Steven Liew	Traders Hotel Penang	700	16	HRDF
	18 & 19 Feb	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Impiana Casuarina Hotel Ipoh	800	16	HRDF & SMIDEC
	24 & 25 Feb	Company Secretarial Practice and Annual Return	Tan Teng Chai	Traders Hotel Penang	800	16	HRDF, SMIDEC & SIDC Accredited
<b>Southern Region</b>	11 & 12 Feb	Company Secretarial Practice & Annual Return	Tan Teng Chai	Equatorial Melaka	800	16	HRDF, SMIDEC & SIDC Accredited
	16 & 17 Feb	Financing Your Business	Peter Fong	Puteri Pacific JB	800	16	HRDF
	23 & 24 Feb	Cost Reduction and Profit Improvement Strategies	Dr. Steven Liew	Puteri Pacific JB	700	16	HRDF
	25 & 26 Feb	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Puteri Pacific JB	800	16	HRDF & SMIDEC
<b>East Coast</b>	23 & 24 Feb	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Terengganu Equestrian Resort Hotel	800	16	HRDF & SMIDEC
<b>East Malaysia</b>	5 & 6 Feb	Practical Approach to Tax Incentives in Malaysia	Chow Chee Yen	Shangri-La Tg Aru Resort Kota Kinabalu	800	16	HRDF & SMIDEC
	10 & 11 Feb	Practical Approach to Tax Incentives in Malaysia	Chow Chee Yen	Hotel Emas Tawau	800	16	HRDF & SMIDEC
<b>March 2009</b>							
<b>Klang</b>	2 & 3 Mar	High Impact PowerPoint for the Professional —					
<b>Valley</b>		From Good to Awesome	Bryan Ng	Training Choice KL	1100	16	HRDF



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

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# 2009 Calendar of MIA Professional Development Centre (MPDC)

Location	Date	Event Title	Speaker	Venue	Fee (RM)	CPE Hrs	Claimable
<b>March 2009</b>							
	4 & 5 Mar	An Entrepreneurial Approach to Credit Management and Debt Recovery	Dr. Steven Liew	Concorde Hotel KL	700	16	HRDF
	11 Mar	Licensing, Facilitation and Control Plus An Update on the Latest Tax Free Facilities	Goh Kin Siang	Hotel Istana KL	400	8	HRDF
	12 Mar	Advanced Consolidation Principles	Woon Chin Chan & Tan Liong Tong	Hotel Istana KL	500	8	HRDF
	17,18&19 Mar	Practical Accounting	Mok Kam Seng	Melia KL	950	0	
	18 & 19 Mar	Corporate Tax Planning for SMEs	Ong Yoke Yew	Hotel Istana KL	800	16	HRDF
	18 & 19 Mar	Building Financial Models for Decision-Making	Bryan Ng	Training Choice KL	1100	16	HRDF
	25 & 26 Mar	Corporate Tax Planning for SMEs	Ong Yoke Yew	Concorde Hotel KL	950	16	HRDF
	26 Mar	Accounting for Agriculture: Biological Assets Covering Plantation Crops and Animals	Woon Chin Chan & Tan Liong Tong	Hotel Istana KL	500	8	HRDF
<b>Northern Region</b>	5 Mar	Financial Due Diligence Audit	Ramesh Ruben Louis	Traders Hotel Penang	400	8	HRDF
	24 & 25 Mar	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Traders Hotel Penang	800	16	HRDF & SMIDEC
<b>Southern Region</b>	16 Mar	Audit Documentation	Tong Seuk Ying	Grand Paragon JB	350	8	
	19 Mar	Financial Due Diligence Audit	Ramesh Ruben Louis	Grand Paragon JB	400	8	HRDF
	30 & 31 Mar	Two-Day Fair Value Accounting	Danny Tan Boon Woon	JB	800	16	HRDF
<b>East Malaysia</b>	3 & 4 Mar	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Pacific Sutera KK	800	16	HRDF & SMIDEC
	5 & 6 Mar	Financial Essentials for Non-Financial Professionals	Yoga Thevan	Grand Margherita Kuching	800	16	HRDF & SMIDEC
	11 Mar	Financial Due Diligence Audit	Ramesh Ruben Louis	Kota Kinabalu	400	8	HRDF
	12 Mar	Financial Due Diligence Audit	Ramesh Ruben Louis	Riverside Majestic Hotel Kuching	400	8	HRDF
	16 & 17 Mar	Cost Reduction and Profit Improvement Strategies	Dr. Steven Liew	Hyatt Regency Kota Kinabalu	700	16	HRDF
	19 & 20 Mar	Cost Reduction and Profit Improvement Strategies	Dr. Steven Liew	Holiday Inn Kuching	700	16	HRDF
<b>Information Technology</b>							
<b>Klang Valley</b>	26 & 27 Feb	Microsoft Word 2003 (Advanced)	tba	PentaWise Sdn Bhd	270	16	
	3 Feb	Microsoft PowerPoint 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	16 Feb	Microsoft PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	17 & 18 Feb	Microsoft Access 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	24 & 25 Feb	Microsoft Access 2003 (Advanced)	tba	PentaWise Sdn Bhd	410	16	
	17 & 18 Feb	Microsoft Outlook 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	320	16	
	26 & 27 Feb	Microsoft Frontpage 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	450	16	
	5 & 6 Feb	Microsoft Excel 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	12 & 13 Feb	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	4 Feb	Analysing Financial Data with MS Excel	Chan Phooi Lai	PentaWise Sdn Bhd	500	8	
	19 & 20 Feb	Tasks Automation using MS Excel Macro/VBA	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	10 & 11 Feb	Microsoft Excel Functions and Formulas	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	16 Feb	Financial Data Management with PivotTables	Chan Phooi Lai	PentaWise Sdn Bhd	400	8	
	2 Mar	Microsoft PowerPoint 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	150	8	
	16 Mar	Microsoft PowerPoint 2003 (Advanced)	tba	PentaWise Sdn Bhd	170	8	
	3 & 4 Mar	Microsoft Excel 2003 (Fundamental & Intermediate)	tba	PentaWise Sdn Bhd	250	16	
	17 & 18 Mar	Microsoft Excel 2003 (Advanced)	tba	PentaWise Sdn Bhd	300	16	
	10 Mar	Get Started with Internet	tba	PentaWise Sdn Bhd	150	8	
	10 Mar	Analysing Financial Data with MS Excel	Chan Phooi Lai	PentaWise Sdn Bhd	500	8	
	12 & 13 Mar	Tasks Automation using MS Excel Macro/VBA	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	11 Mar	Expanding Microsoft Excel Charts	Chan Phooi Lai	PentaWise Sdn Bhd	350	8	
	19 & 20 Mar	Microsoft Excel Functions and Formulas	Chan Phooi Lai	PentaWise Sdn Bhd	800	16	
	23 March	Financial Data Management with PivotTables	Chan Phooi Lai	PentaWise Sdn Bhd	400	8	



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