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The Malaysian Accountant

December 2009

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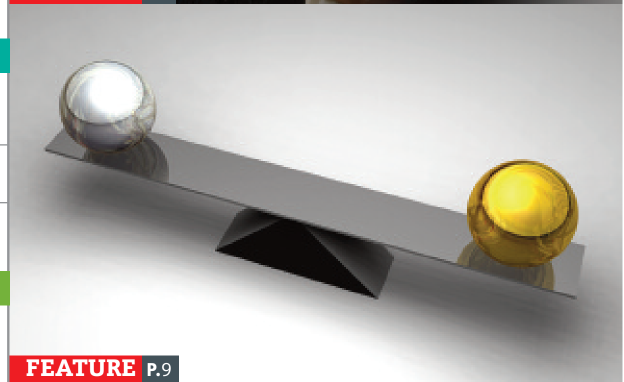

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As the New Year dawns, we look at corporate governance and the need to change its traditional outlook to one that focuses more on the human element. Many corporations tend to place emphasis on externally imposed rules and regulations not taking into account the importance of human governance. Human governance is the internal driver for good behaviour and that should be the main focus. Once human governance is realised corporate governance will naturally unfold. But to embrace human governance one must begin with a shift in the paradigm of thinking. Look inside to read why the path to good governance begins with human governance.

One of the topic's that is constantly discussed these days is the Goods and Services Tax (GST). The government announced that the Bill to introduce GST was be tabled for the first reading in parliament by end 2009. And if passed, the GST will be imposed at a rate of 4% and will take effect within an 18-month period from the passing of the Bill. For more information on the implementation of GST, see the article inside.

This issue also features the second part of fair value measurement. The article inside provides a brief insight into the potential issues and challenges that those preparing financial statements are likely to face when it comes to fair value measurement.

Another feature inside that would attract some attention is the draft bill to keep auditors in check. The planned Audit Oversight Board (AOB) may be given powers to impose fines against auditors who don't comply with set standards. See more inside.

The sixth edition of the MICPA-Bursa Malaysia Business Forum themed *Competing in the New Global Landscape* provided those who attended an opportunity to exchange valuable ideas and experiences on innovative strategies undertaken to compete in the current competitive global arena.

Dato' Johan Raslan, the Vice-President of the MICPA, in his address highlighted the need for a mindset change and to adopt new practices that will allow us to stake our claim in the global marketplace, transforming us into a high-income nation. For more information, read the article inside.

One of the year-end activities is the National Annual Corporate Report Awards (NACRA) 2009, an awards ceremony that fosters a spirit of competitiveness amongst Malaysian companies in striving for excellence in corporate reporting.

Themed *Towards Accountability and Excellence*, the event was graced by Yang Berhormat Dato' Sri Ismail Sabri Yaacob, Minister of Domestic Trade, Co-operatives and Consumerism. The Minister touched on good governance and emphasised to corporate Malaysia the need to subscribe to substance over form and to uphold the principles of integrity, honesty and transparency in their reports.

Career opportunities exist in a good economy as well as in a bad one. One must be able to be flexible enough to understand the job market and work with what is available. In any economy, it is important to diversify your field and strengthen your career options to ensure that you stay marketable. That is the topic in the lifestyle section inside.

Get Human Governance* Right, Corporate Governance Will Ensue

By Arfah Salleh, PhD, FCPA and Aziuddin Ahmad, PhD

ABSTRACT

The recurrence of many corporate scandals since Enron and World Com manifests a failure of corporate governance as a strategy to govern corporations through externally imposed rules and regulations. Because corporate behaviour is but a projection of human behaviour, which in turn, is the shadow of human essence, we posit that good governance should instead focus on governing the behaviour of human within the corporation, not the corporation. We termed this governance model, human governance. Human governance as an internal moral compass emphasises on ethical conduct through a values and principle-based framework. Once human governance is actualised, corporate governance will ensue.

INTRODUCTION

The phenomenal fuss accorded to corporate governance in reaction to Enron and World Com was understandable. But if governance bearing the same ethos of control and directed at the corporation continues to be the only model to govern corporations, corporate players should just brace themselves for more disappointments. With hindsight knowledge of the root cause of the recent global financial turmoil, the Maddoff phenomenon and various other corporate transgressions, the manner in which governance is viewed needs a paradigm shift.

This article offers an invitation to consider the need to change the traditional outlook attached to corporate governance. Instead of emphasising on externally imposed rules and regulations to be observed by corporations, we posit that it is human governance, an internal driver for good behaviour that should be the strategy of focus. We believe that once human governance is actualised, corporate governance will naturally unfold.

THE ISSUE OF GOVERNANCE – GETTING THE UNIT OF ANALYSIS RIGHT

The current corporate climate reflects a culture heavily reliant upon controlling the behaviour of the corporations. It has been the corporation rather than the human within the corporation that has been THE focus in the effort to promote good governance. We capture this non-embeddedness of the human dimension in the current corporate governance environment in Figure I.

Rooted in the worldview of classical science fragmented universe, the corporation is seen to exist separately and independently of the human. The corporation is treated as though it is alive and capable to behave in a manner desired. It is however, but just a legal person. Only through the rules of law that the corporation, which essentially consists of a group of natural persons, is allowed to act as if it is a single composite individual. Fundamentally, it is the human within the

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* The concept of human governance was introduced in

- Aziuddin Ahmad and Arfah Salleh (2008). Soulful Stewardship: Steering corporations through human governance (2008), a monograph of the Malaysian Institute of Accountants (MIA)
- Arfah Salleh and Aziuddin Ahmad (2008). Human Governance: A paradigm shift in governing corporations. Kuala Lumpur: MPH

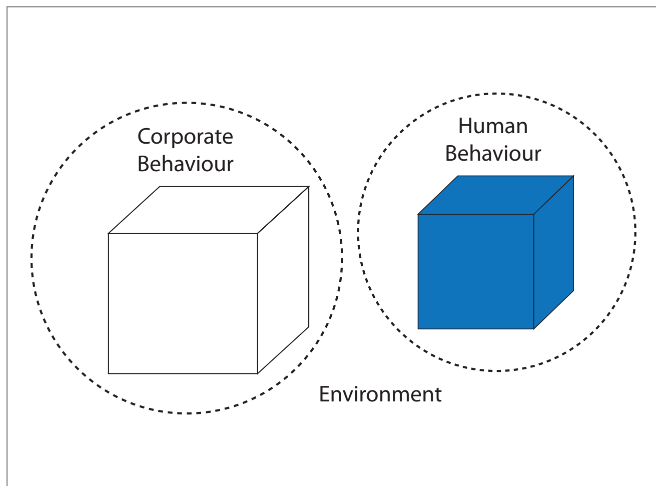

Figure 1: Current Governance (Corporate/ Enterprise) Code: Human Dimension NOT Embedded

corporation who are responsible for the corporation. Thus, the philosophy of separation between the corporation and the human from the legal perspective should not be extended into the domain of governance. That governance is about values and behaviour would make such separation an illusion for business and morality cannot be separated. The reality of the matter is that, corporation is primarily and fully dependent upon the human within it. This must be a basic premise that forms the building block in addressing the issue of good corporate behaviour. In short, it is the human who is the heart and spirit of the corporation. Any effort in ensuring ethical conduct must begin with the human not the corporation.

Borrowing from the terminology of research, making corporation as the *unit of analysis* in the analysis of governance practices is not appropriate. The need to get the right unit of analysis in any setting can never be overstated. This is because the success of the strategy drawn up would depend fully upon the conclusion arrived at from the analysis. For instance, in an analysis of performance of department within an organisation, the unit of analysis could either be the department or the individual, depending upon the objective of the research. If the intention is merely to know the performance achieved, then, department can become the unit of analysis. However, if the objective involves developing measures to improve performance, then common sense tells us that the more appropriate unit of analysis would be the individual. The change in behaviour can only be effected by the individual although overall, they aggregate to represent the department's performance.

THE CORPORATION AS A PROJECTION OF THE HUMAN

Literature on corporate behaviour usually makes reference to corporate culture. Corporate culture nevertheless, is all about the culture of the human within that corporation. Likewise, the values system that represents the corporation's is basically the values, that is projected by the humans based upon their guiding principles. And it is from such values that the humans within the corporation behave. Ergin (2009) asserts that human behaviour is the shadow of his essence. That human behaviour makes up the behaviour of the corporation means that similarly corporate behaviour is only a projection of the behaviour of human within it. Accordingly, any intended change or transformation of the organisational behaviour can only be brought about by the change in the essence of the human. Attempt to change the behaviour of the organisation is only illusionary. Being only proxy of natural persons, a corporation cannot be blamed for wrong doings because it is but a shadow, just like legislation or positive law which is but a reflection of the spirit of the law. Akin to the projection of the silhouette of a stick from light sourced from a torchlight, to change the shadow of the stick would either be by moving the stick or by moving the torchlight. But if the source of light is switched off, even repositioning of the stick would not entail movement in the shadow for in this instance, the shadow would not even exist.

Reflecting on the implication of the preceding discussion, the manner in which corporate governance has been looked upon, now truly needs a re-focus. A review of the code on corporate governance will demonstrate that currently, the human dimension is not embedded within the code in this country or elsewhere. It is this glaring absence of the human element that has become the basis of critique directed even to the newly formulated 2009 Belgian Code on Corporate Governance (Epegon, 2009).

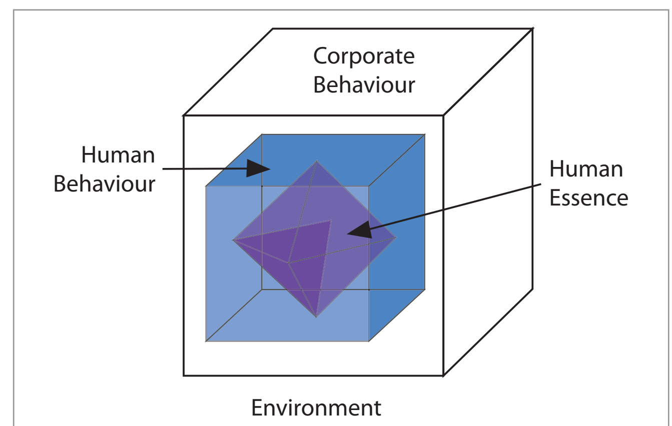

Figure 2: The Connectedness between human, corporation and the environment

THE NEED TO GOVERN THE HUMAN THROUGH HIS ESSENCE

We reiterate that any effort to impact the behaviour of the corporation or any organisation should begin by focusing on

the behaviour of the human within the corporation. And given that human is at core spirit but embodied in the physical or as what Tiller termed the biobodysuit (Tiller, 2008), the governance of the human must be through a strategy that reaches the essence of this spiritual human. It is when this essence is changed, that the manifestation would be reflected in the conduct that is displayed, which in turn makes up the culture and values system of the corporation. Thus the emphasis of governance should not be on the bio-body physical aspect of the human. Being a shadow of the essence, the physical human is devoid of the spiritual. Without the spiritual dimension, axiology to which values is attached is lost. Any change in behaviour would not be sustainable since it is not internally motivated. Likewise, governance that is targeted at the corporation would mean that two dimensions of information are lost given that the corporation is only a projection of the shadow of the human. It is futile to try to govern the corporation through imposing more external positive laws. What is needed is to provide a mechanism that governs human behaviour through influencing the essence. Such human governance-centric setting would be one where human essence which forms the core of human takes centre-stage and is embedded into the corporation, unlike the current scenario of separateness where there is a de-link between the corporation and human. As depicted in Figure 2 below, it is the essence of human which drives the corporation to achieve good governance.

BEYOND "BOX-TICKING" THROUGH HUMAN GOVERNANCE

Although regulators as a whole have expressed that their respective code on corporate governance is not an instrument of box-ticking, the opinion of those in practice appears to differ. The ACCA study (2009) on disclosures on corporate governance for instance, reveals that the top 50 largest public-listed companies on the Australian Stock Exchange (ASX) as of 13 February 2009 generally view corporate governance as merely a box-ticking exercise. Apparently, these companies disclosed their purpose for corporate governance reporting as being merely to comply with the mandatory ASX requirement rather than to strengthen their sustainability and performance. Such finding lends credence to the research exercise, but the reality of the implication on good governance is daunting. Cassidy (2003) in tracing the development of corporate governance in the UK concludes that the city and large accountancy partnerships have been the perpetrator making corporate governance take on a "box-ticking" culture. This phenomenon came by through the emphasis on achieving financial goals and compliance with codes of practice. But Davis, then, of one of the Big 4, believes that management was lured into a box-ticking mindset as a result of their amplified risk averseness albeit brought about by an increase in the rules and codes that have been introduced (Davis, 2004).

Similar concerns against a box-ticking regime of corporate governance had been expressed at the onset of the imposition of the Sarbanes-Oxley Act in the US. The fact that the Act has proven unable to curb subsequent egregious corporate scandals now vindicates this anxiety. Other writings critiquing corporate governance as leading to the "box-ticking" practice are aplenty. While fingers have been pointed to the auditors' fraternity, others blame members of the board or management team.

It is however not the theme of this article to delve in the debate on how the box-ticking standard-operating-procedure way of thinking came by. Rather, we wish to impress that the danger of a continued grip on a compliance-based mindset is real. Under a compliance-based work culture, attention is NOT on doing what is right but on NOT DOING what is wrong, NOT on doing one's best but on NOT DOING one's worst (Davies, 2005). Over the long term, an imitative rather than innovative tradition could take shape. But a governance framework that governs the human through reaching to their essence – human governance, could help bring back the real meaning of good governance. Driven by values, human governance motivates an individual, whether as Board member or a production line employee to give his or her best out of a sincere desire to contribute to the wellbeing of the organisation instead of for self-interest. Being values- and principle-based, human governance is about doing the ethical maximum rather than ethical minimum. With human governance, accountability beyond the self, transcending to the community and the universe is of primacy, underpinned by the principle of oneness or interconnectedness. Oneness underscores the need for ethical conduct through acceptance of the relationship with other beings and the transcendental link to a higher order. Oneness brings about a conviction to a higher meaning in life beyond just maximisation of one's wealth.

Such belief system may be dismissed in this material era as being outdated. Consider again the gravity of the damage brought about by the unprecedented callousness of financial and business leaders today to both the environment and human wellbeing. Do we need to wait for more ferocious climate change backlash from Mother Nature before we begin to toe the line? Do we wish to remain indifferent until we feature in the scores of queues for charity meals before believing in the oneness principle? While the latter may sound far-fetched, the former is already unfolding.

Korten in his bestseller has shared his disdain of corporations being treated as a strategy to amass wealth by the owners (Korten, 2001). Such a view had been initially labelled regressive to modernity and growth, yet since the aftermath of the global financial crisis, writings that reverberate similar stance are common. In light of the reality of the oneness of the universe, corporations cannot be treated any longer by owners as

platforms to just maximise their wealth. If religion is superstition, supernatural and archaic as what was decided during the Enlightenment and Positivism regimes, then what the new sciences say perhaps may bring us back to our senses. The non-locality tenet of science has proven that the universe is like a single organism whose parts are in instantaneous communication. According to Stapp (1997), the recognition of this deep unity of nature makes rational the belief that to act against another is to act against oneself. The deep-level connectedness in quantum physics entails that human choices although personal in meaning, transcend the individual to have an 'instantaneous effect' with far away entities. Had this reality been accepted, perhaps the wipe-off of life-time savings of many people in the street from the actions of some individuals in far away posh office rooms could have been avoided.

THE WAY FORWARD

Moving forward, corporate failures risk being a permanent backdrop of the corporate landscape should the current mould of corporate governance continue. Embracing human governance must begin with a shift in the paradigm of thinking. The fact that science is now converging with religion should help facilitate this shift.

For the more immediate action, neither Board members nor management should abdicate their role in making decision and judgment merely to comply with rules and codes. Following on, it is imperative that the essence of good governance be allowed to emerge through the mainstreaming of human governance into current corporate governance practices. The human dimension void in existing codes of ethics and conduct must be filled. We should get human governance right since corporate governance will naturally ensue. To surmise, the path to good governance begins with human governance.

This article was written by Arfah Salleh, PhD, FCPA, Associate Professor, Department of Accounting & Finance, Universiti Putra Malaysia and Aziuddin Ahmad, PhD, Professor of Risk Management, Graduate School of Management, Universiti Putra Malaysia.

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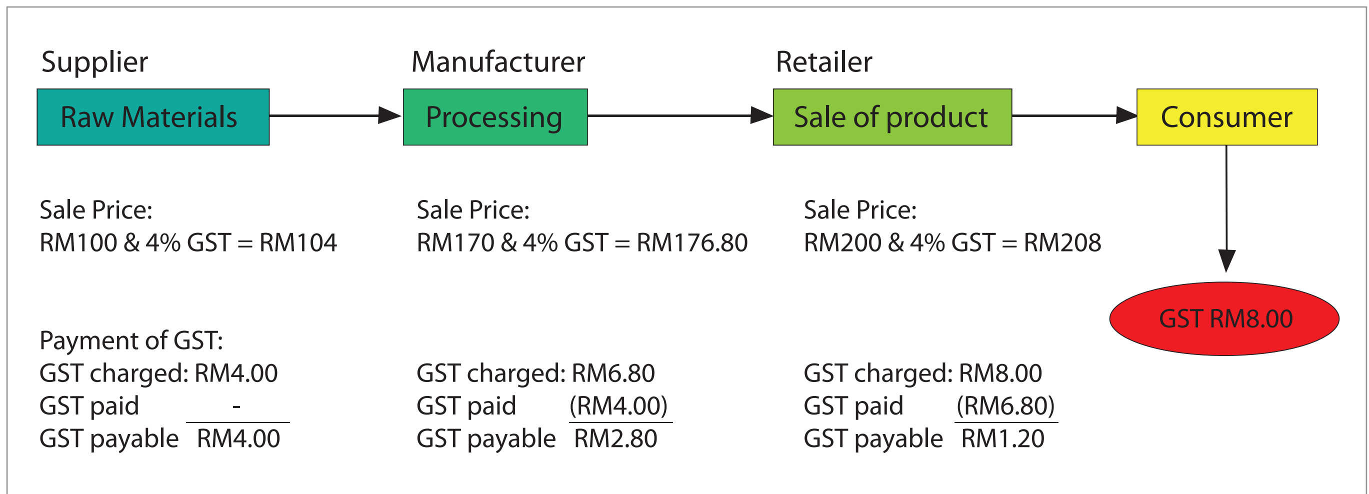
Goods & Services Tax (GST)

The Government has announced that the Bill to introduce GST will be tabled for the first reading in Parliament before the close of this year. Although the Bill will have to pass two readings in the Lower House of Parliament before it is voted upon by the Senate, the Government is clearly committed to the introduction of GST. On the basis that the Bill is passed, the key concern will be the effective date of introduction of this new tax, which will replace the current service tax and sales tax. It is expected that GST will be imposed at the rate of 4% and will take effect within an 18 month period from the passing of the Bill as indicated by the Second Minister of Finance.

The Prime Minister has been quoted in the local media as saying that the introduction of GST will be 'gentle' to ensure that the rakyat are not adversely affected. The question as to whether this will be a prelude to an eventual reduction in income tax rates is still open at present. Nonetheless, businesses will need to take steps to ensure that they are 'GST ready'. The following sets out some of the basic features of GST.

GST is a tax on domestic consumption and is a transaction-based tax, which is imposed on the spending rather than on the earning of income. As this is a transaction-based tax, it is imposed at each stage of a transaction, i.e. at each stage of the production and distribution chain leading to the ultimate sale of a product/service. GST operates under a self-assessment and collection mechanism, whereby the supplier of goods/services charges and collects GST and also claims a credit (input credit) for GST suffered in the course of making the supply of the goods and services in question. This is illustrated below assuming a GST rate of 4%:

Example: Sale of a manufactured product



Taxable supplies are likely to fall into the following categories

- Standard rated supplies
- Zero rated supplies
- Exempt supplies

Standard rated supplies and zero rated supplies will allow for a recovery of GST paid (via input tax credits) while exempt supplies will not allow the taxpayer to claim input tax credits. What is also crucial is the setting of the sales threshold for one to register as a taxable person. In some countries, the annual sales threshold is low (say RM250,000) whereas in some it is much higher (say RM1,000,000). A high threshold will take all small traders out of the tax net.

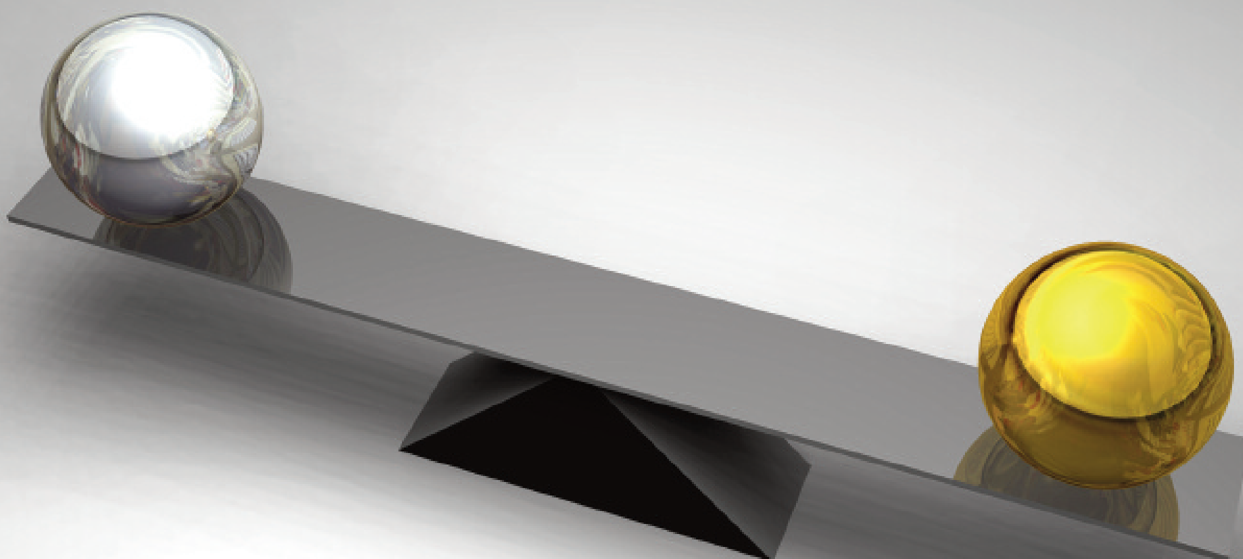
The GST Bill will have provisions governing the time of supply, the value of the supply, the requirements for registration, etc. Supplementary Regulations will undoubtedly be issued governing the types of taxable supplies, etc. As mentioned above, GST is likely to be implemented within an 18-month period after the second reading of the GST Bill, which could mean that GST may be implemented towards the end of 2011. It would be sensible to implement GST with effect from 1 January 2012. Businesses will certainly require this time to prepare themselves to transition towards a GST compliant system to ensure that they are able to self assess and pay GST in a timely manner.

Clearly, the Customs Department will also need to ensure that it is prepared to deal with the voluminous requirements to ensure that the GST system is properly implemented. One essential aspect is the provision of electronic filing of GST return forms. It is learnt that this option will be available and that it is likely that any refunds (i.e. of input tax over output tax, where applicable) will be made within 14 days of the filing of the GST return. However, if one files paper returns, then the refund would be made within 28 days of the submission. Further, it is also expected that the GST returns will be simplified and may even be a page long. A simple process is essential but what would most certainly be there will be an effective tax audit approach to verify the returns filed by taxable persons from time to time.

There will be numerous questions and issues surrounding the initial implementation of GST, but in the midst of these uncertainties, one thing is certain -- all businesses must be GST ready.

The above is extracted from TAX INSIGHTS, a newsletter issued by Taxand Malaysia Sdn Bhd. Taxand Malaysia is a tax consulting firm, which is a member firm of the Taxand network of independent tax advisory firms in nearly 50 countries. Taxand Malaysia recently won the award (issued by International Tax Review) for the Malaysian Transfer Pricing Firm of the Year.

Fair Value Measurement: Implementation Issues and Challenges (Part 2)



By Tuam Kwok Choon and Ng Kean Kok

On May 28, 2009, the International Accounting Standards Board (IASB) (henceforth known as the 'Board') issued an exposure draft (ED), numbered ED/2009/5, titled Fair Value Measurement. It has been commented that guidance on measuring fair value is widely dispersed across many International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and that the guidance have not always been consistent. The existing guidance has also been deemed to be incomplete, as it provides neither a clear measurement objective nor a robust measurement framework. The concern is that IFRSs in themselves are already aplenty and sufficiently complex and this lack of guidance has matters worse, contributing to the diversity in practice.

Accordingly, the Board initiated a Fair Value Measurement project. The stated objectives of the Board in the fair value measurement project are to:

a) Establish a single source of guidance for all fair value measurements;
b) Clarify the definition of fair value and related guidance;
c) Enhance disclosures about fair value measurements; and
d) Increase convergence between IFRS and US GAAP.

Work on the Fair Value Measurement project started in 2005, where the aim of the project then was to provide guidance to entities on how they ought to measure fair value of assets and liabilities when required by other Standards.

Following many discussions and deliberations, finally on November 30, 2006, IASB published its Discussion Paper (DP) on Fair Value Measurements. It set out IASB's initial views on how to measure fair values as prescribed in existing IFRSs. The DP was framed around FAS157 Fair Value Measurements that was issued on September 15, 2006 by the US Financial Accounting Standards Board (FASB).

Many points were raised following the DP, including:

a) General agreement to that the fair value measurement project is needed;
b) Concerns about how to provide guidance on determining fair value when it is not clear in which circumstances;

c) Interaction between the fair value measurement project and the conceptual framework project (Note1);
d) The view that in many situations an entry price notion is superior to an exit price notion;
e) Fair value is more akin to a heading for a 'family' of measurement bases and accordingly terms should be used which are more descriptive (that is, more clearly articulate what the Board's intended measurement basis in that situation is); and
f) With regard to measuring liabilities at fair value, the respondents raised concerns about the application of a transfer notion instead of a settlement notion and asked for guidance as to the meaning of non-performance risk.

Note 1

At about the same time, IASB and FASB initiated a joint project, known as 'Conceptual Framework', aimed at 'developing an improved common conceptual framework that provides a sound foundation for developing future accounting standards'. The overriding goal is to be able to develop standards that are principles-based, internally consistent, and internationally converged and that lead to financial reporting that provides the information that providers of finance require to enable them to make better decisions in their capacity as providers of finance.

Concern hence arose as to whether the comments as listed in IASB's DP took into account the work and common areas that could be found the conceptual framework project, in particular Phase C that covers measurement.

The Board at that time noted that fair value measurement would be one of a number of possible measurement bases in the revised Conceptual Framework and hence, had expected that the impact of the Framework would only be minor.

Since then, the Board discussed various issues, added new concerns and revised definitions, after taking into account inputs from various sources. Among the issues covered were:

a) Entry and exit prices
b) Principle of most advantageous market
c) Hierarchy of inputs for fair value measurement
d) Block premiums and discounts
e) Day 1 gains and losses
f) Differences between 'price' and 'value'
g) Highest and best use, including 'change of use option'
h) Definition of a market
i) Valuation of financial instruments in inactive markets
j) Transfer versus settlement of a liability
k) Valuation of liability – need to take into account non-performance risk
l) Credit standing of a liability
m) Unit of account for financial assets and liabilities
n) Valuation premise ('in-use' and 'in-exchange')
o) Fair value measurement disclosures

After many rounds of discussions, deliberations and improvements, on May 28, 2009, IASB published the Fair Value Measurement Exposure Draft.

There are many important points that readers should note from the ED. This article shall cover some points with others being covered in subsequent articles.

Definition of fair value

The first important point to note is the core principle:

> Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ED paragraph 1)

For readers not familiar with fair value, this definition of fair value differs from previous accounting standards in following ways:

a) In the case of asset, the definition in the ED refers to the price to be received to sell the asset concerned. Most of the previous accounting standards have rarely been this specific in relation to an exit price.
b) Whereas when it came to liabilities, the definition rests on the notion that the liability is transferred. Once again, there is this specific reference to exit price. The liability to the counterparty is nonetheless supposed to continue as it is not settled with the counterparty.
c) Specific reference to market participants

The ED explained that the definition for fair value 'retains the exchange price notion' that have been referred to in previous accounting standards, in the main being one of:

> The amount for which an asset could be exchanged, a liability settled or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

However, the previous definition is said to be deficient as it:

a) Did not specify whether an entity was buying or selling an asset
b) Unclear what was meant by 'settling' a liability because it did not refer to the creditor; instead, to knowledgeable, willing parties, and
c) Did not state explicitly whether the exchange or settlement took place at the measurement date or at some other date

The Board thereafter concluded that the proposed new definition of fair value corrected the deficiencies of the previous definition.

Asset or liability – need to consider the characteristics of the asset or liability

A fair value measurement is supposed to be for a particular asset or liability. Hence, when attempting to arrive at a fair value of an asset or liability, the entity shall consider the characteristics of the asset or liability concerned. For instance, in the case of an asset, this shall include the condition and location of the asset, its length of life, manner of use, restrictive covenants that may be imposed by the financier and so on.

Exit price

In the main, the definition rests on an 'exit price' model. The superiority of this model is said to lie in the notion that an exit price embodies expectations about the future cash inflows and outflows associated with the said asset or liability from the market participants at the measurement date. The transaction to sell the asset or transfer the liability is supposed to be a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received for the asset or paid to transfer the liability at the measurement date, that is, an exit price.

An asset is supposed to generate cash inflows to an entity, whether through use or sale of the said asset. Even if the entity owning the asset does not plan to sell the asset, the exit price is said to embody expectations of cash inflows arising from the use of that asset by selling it to a market participant that plans to use the asset in a similar manner.

In the case of liabilities, these give rise to outflows of cash (or other economic resources) as entities satisfy the liabilities over time or when these are transferred to other parties. Even if an entity has the intention to fulfil the liability over time, the exit price is argued to embody expectations of related cash outflows owing to a market participant transferee having to ultimately be required to fulfil that liability.

Entry price

The Board had, in the ED, gone on to define 'entry price' as follows:

> The price that would be paid to buy an asset or received to incur a liability in an orderly transaction between market participants (including the amount imposed on an entity for incurring a liability) at the measurement date

The ED goes on to state that it is not necessary for the entry price to be the same as the actual price that an entity pays to acquire an asset or received to incur a liability, in particular when transactions are not conducted at arm's length.

Entry price and exit price are said to be equal when they relate to the same asset or liability on the same date in the same form in the same market. Any difference between the entry and exit price would essentially be attributable to the existence of transaction costs. Hence, the Board has deemed it unnecessary to make a distinction between entry price and exit price. Indeed, the Board decided to define fair value as current exit price.

Arising from this decision, certain IFRSs would require amendments to replace the term 'fair value' in the affected IFRSs.

Most advantageous market

The fair value definition contains the term 'orderly transaction'. The ED explains this to refer to 'a transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities'. Such transaction shall not be a forced transaction.

In fact, the transaction is assumed to take place in the most advantageous market to which the entity has access, which is defined as that market that maximises the amount that would be received to sell the asset or minimises the amount to be paid to transfer the liability, after taking into account transaction and transportation costs.

It is accepted that entities enter into transaction in different markets and the most advantageous markets for the same asset or liability might be different for different entities. The most advantageous market is hence supposed to be considered from the perspective of the reporting entity.

The entity also need not undertake a complete search for information from all possible markets to identify the most advantageous market. It can be that market in which that the entity normally enters into transaction.

In the absence of evidence to the contrary, the ED also allows an entity to assume that the principal market for the asset or liability to be the most advantageous market, provided the entity can access the principal market. A principal market is defined as the market with the greatest volume and level of activity for the asset or liability.

Market participants

Paragraph 13 of the ED defines market participants as buyers and sellers in the most advantageous market for the asset or liability that are:

a) Independent of each other – not related parties

b) Knowledgeable – they are sufficiently informed to make investment decision; are also as knowledgeable as the reporting entity about the asset o r liability
c) Able to enter into a transaction for the asset or liability, and
d) Willing to enter into a transaction for the asset or liability – motivated but not compelled to do so

Arising from this then, the fair value of the asset or liability shall be measured using the assumptions that market participants would use in arriving at the price of an asset or liability. This then supports the 'exit price' model that was referred to earlier.

Scope exclusion

It is proposed that the Fair Value Measurement standard shall apply to IFRSs and any other standards that require or permit fair value measurements or disclosures. The exception shall be the requirement in paragraph 49 of IAS 39 Financial Instruments: Recognition and Measurement which requires that the fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The ED also proposes to replace the term 'fair value' in IFRS 2 Share-based Payment and re-acquired rights in IFRS 3 Business Combinations.

Feedback on 'definition' of fair value

Many commentaries and responses were received by IASB on the ED. Many have acknowledged the benefits of having an appropriate standard on fair value measurement, being:

a) Establishing a single and consistent source of guidance for fair value measurement
b) Providing a single definition of fair value

It represents a positive step as accounting pushes for greater convergence. This means a more consistent measurement of fair value among preparers of financial statements and better comparability between entities.

However, comments and concerns raised include the following:

(1) Lack of uniformity of definition

Some respondents have expressed their disagreement towards the proposed scope exclusion as mentioned in the ED, in particular that there existed no explanation behind such exclusion. The view is that fair value should carry the same meaning across all Standards so as to avoid the confusion of the use of 'fair value' in paragraph 49 of IAS 39 Financial Instruments: Recognition and Measurement that carries different meaning.

(2) No active markets

A common comment has been that the ED does not appear to address the issue of what ought to be done when one is faced with illiquid or bear markets or no active markets. For instance, the fair value of shares of closely held private limited company or of 100% owned subsidiary cannot be determined based on 'exit price'. This is because there does not exist orderly transactions between market participants available at measurement date.

This matter becomes even more complicated if there shall be no 'buyers' of liability to whom the liability may be transferred to, hence making it difficult to determine the exit price of liabilities.

In fact, most developing countries are unlikely to active and developed secondary markets for such 'transfer' of liability to be considered or contemplated.

(3) Price fluctuations

Some parties have commented that fair value determination suffers from major disadvantage of price fluctuation and reliability of available data. Of utmost concern is that the price at reporting date and the price at the date around impairment date can be very different, causing a risk of unfair measurement of fair value.

(4) When to measure

Arising from point (3) above, some respondents have even

raised the question of 'when to' measure fair value, which they felt were not addressed. Instead, the ED concentrated more on 'how to' measure fair value.

A question was also raised as to whether it would be more appropriate to consider fair value measurement on the basis of some appropriate average over a set period.

(5) Question on 'exit price'

Many have opined that fair value should be defined exclusively as an exit price from the perspective of market participants. A fair value definition that is based solely on exit price implies that if fair value is the measurement attribute required by the respective IFRS at initial recognition, it then becomes necessary to determine an exit price based on an independent market participant in order to calculate possible day one gains or losses. This can then imply a different understanding of performance reporting, which may not be the objective of financial reporting.

Several respondents have proposed the use of term 'exchange' as opposed to 'exit'. This is because they feel that fair value should be based on not only on the market in which the asset in the asset was acquired, but also on the very exchange transaction through which it was acquired. In this case then, the actual exchange price (being the transaction price), should be used as the fair value. However, problems can arise when the 'exchange' takes place between related parties.

The ED had also stated that the 'entry' and 'exit' price will be the same when they relate to the same asset or liability on the same date in the same form in the same market, with any difference being attributable to transaction costs. This has led some to express their confusion as to why then did the ED express its preference for 'exit' price and not 'entry' price if the two were thought to be essentially similar. They even went on to argue (as per earlier paragraph) that, in substance, the ED appeared to be proposing 'exchange' value.

(6) Property, plant and equipment

There was concern as it was deemed that the ED lacked sufficient guidance for identifying the fair value of physical assets, especially property, plant and equipment. Indeed, the emphasis appeared to be more on financial instruments. Also, problems are envisaged to arise when dealing with specialised assets where there invariably would be a lack of market evidence. Further guidance is required on how to adjust an entity's own data to reflect the 'hypothetical' market participants.

(7) Restrictive covenants

Transfer of liability may be subjected to certain restrictions. A liability may be secured by a charge on assets of the reporting entity or the assets of third parties or may be guaranteed by

other related parties. This can make the determination of fair value of the liability concerned impossible.

Transfers of liabilities in cases of this sort are either prohibited outright or would require permission from counterparty.

(8) Default situations

In cases where an entity has defaulted on its liability, pricing of such liability may encounter the following difficulties:

a) Price payable for one time settlement of such liability by transferring it may have to be based on a comparative transaction and obtaining such a quotation would be difficult
b) How would one determine the price payable for liabilities that are to be settled on the basis of staggered repayments that may have been determined by lenders or independent corporate debt restructuring parties?

(9) Inflation of asset and deflation of liability

Pricing using that obtained from the most advantageous markets can result in inflated asset values and deflated liabilities.

(10) Reasonable value

The ED ought to provide guidance as to how to determine a fair market value that is reasonable and not necessarily the most advantageous.

(11) Preference for settlement of liabilities value

Given the points as mentioned above (7 to 10), some respondents have expressed their preference for 'settlement' value as the basis for valuing liabilities.

(12) Most advantageous market

Adding on to the possible 'inflated' asset as mentioned in point (9) above, certain parties questioned why an entity should be presumed to normally transact in the most advantageous market rather than the principal market. This can give rise to a situation whereby if there exists a market that was more advantageous than the principal market that the entity transacts in, this can result in the entity measuring its assets at higher value, and then, be forced to recognise losses when it transacts in its principal market.

(13) Assumption of 'knowledgeable' market participants

This can be simply stated as:

'Why should market participants be as knowledgeable as the management of the reporting entity about a specific asset or liability?'

This can only happen in a perfectly efficient financial market whereby everyone is assumed to have access to all information, including firm-specific information. Taken further, this can lead one to conclude that the fair value definition comes back one full circle, whereby the market participant now becomes the entity concern party. Is this logical?

Other issues not covered in this article

The ED also dealt with valuation issues surrounding:

a) Assets – highest and best use
b) Assets – valuation premise
c) Liabilities – general principles
d) Liabilities – non performance risk
e) Liabilities – restrictions
f) Equity instruments
g) Fair value at initial recognition
h) Valuation techniques
i) Fair value hierarchy
j) Disclosures

These would be dealt in future upcoming articles.

Conclusion

This article has merely provided a brief insight into the potential issues and challenges that preparers of financial statements are likely to face when it comes to Fair Value Measurement. The basic definition in itself is already subject to much debate and controversy, together with the arguments against the sole use of 'exit price' model for valuing assets and liabilities, assumption of knowledgeable market participants and the practical difficulties when attempting to place a fair value on assets and liabilities.

So, when the time comes for the implementation of the accounting standard for Fair Value Measurement, one must be well versed with the various concepts and develop a deep understanding of the issues and challenges that are expected to arise, so as to be well prepared for its implementation.

The first part of this article was featured in the August issue of The Malaysian Accountant.

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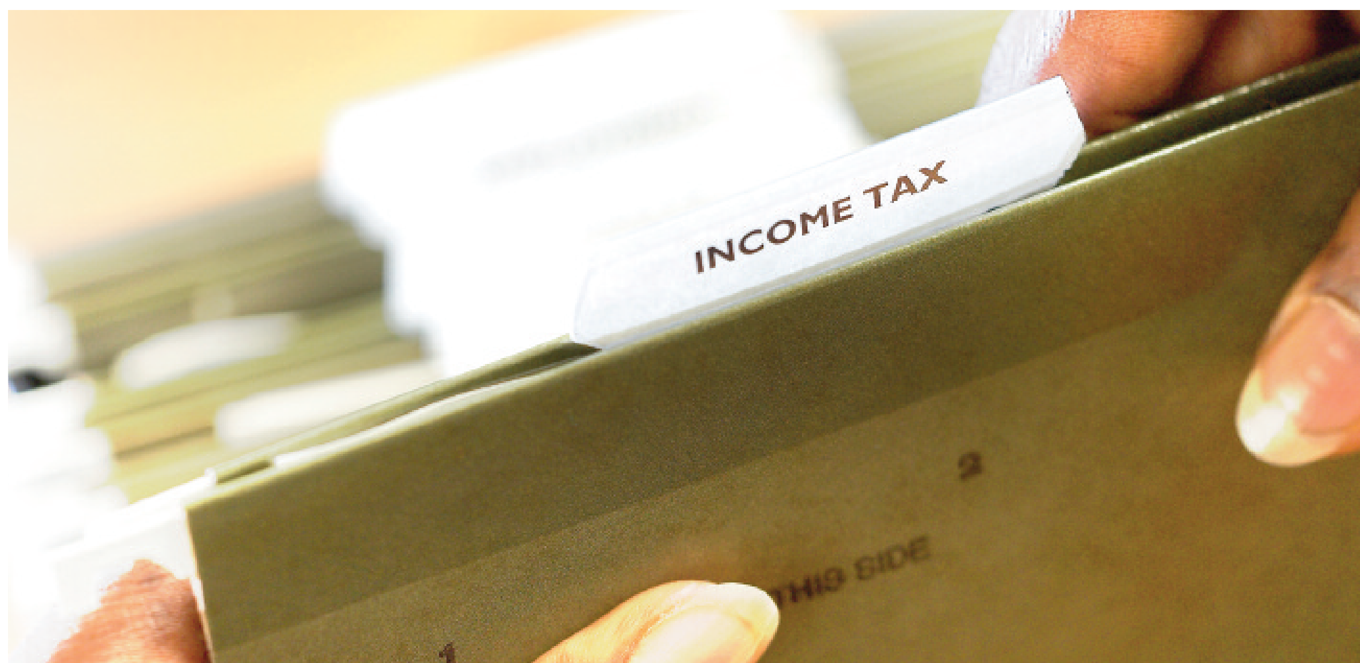
www.iasb.org

The authors Tuam Kwok Choon and Ng Kean Kok are attached to the Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman (UTAR).



Draft Bill to Keep Auditors in Check

The planned Audit Oversight Board (AOB) is likely to have powers to impose fines of up to RM500,000 against auditors who fail to comply with set standards. The AOB is a special independent body that will regulate auditors in the country.

The AOB may also have the power to inspect and conduct inquiries on auditors and bar accountants who are deemed to be in non-compliance with the best practices of the AOB from auditing the books of listed companies.

This is according to the draft bill – Securities Commission (Amendment) Act 2009 – that is in its second reading in Parliament and which will give rise to the creation of the AOB, which is expected to come on stream in the first quarter of next year.

Once the AOB is established, all accounting firms that audit the books of listed companies would have to be registered with the AOB and subject to its list of auditing and ethical standards. The firms will also have to pay a registration fee and possibly an annual fee. The bill does not state the amount of fees to be paid but industry players had in the past said the payment of this fee would lead to higher accounting fees to be paid by listed companies.

The AOB will be run by an Executive Chairman, who while familiar with accounting concepts and international standards, should not have any links to accounting firms or be a director or controlling shareholder of a listed company. The rest of the board will comprise six non-executive members, who only need to have knowledge and experience in finance and business and must be individuals of integrity and reputation, who have demonstrated commitment to the interests of investors, according to the draft bill.

The idea of the AOB was first mooted about two years ago, following the creation of the US's Public Company Accounting Oversight Board, which was created by virtue of the Sarbanes-Oxley Act 2002. The Sarbanes-Oxley Act was created to restore investor confidence in the aftermath of the notorious cases of Enron and WorldCom, in which audit failure and auditor's collusion with management's fraud were implicit.

In Malaysia, accounting scandals at Transmile Group Bhd and Megan Media Holdings Bhd also rattled investors. Hence, the creation of the AOB is intended to promote confidence in the reliability of audited financial statements in the country. It is also aimed at having an effective over-sight and regulatory function over accountants in Malaysia.

At present, the accounting industry is self-regulated, with the Malaysian Institute of Accountants (MIA) playing a key role. However, with the creation of the AOB, the MIA's regulatory functions will be limited to the accountants of private companies. The MIA will also play a complementary role to the AOB, playing a key role in the drafting of the accounting and ethical standards for auditors that the AOB will enforce.

This article appeared in STARBIZ, Tuesday, December 1, 2009

MICPA-BURSA MALAYSIA BUSINESS FORUM 2009

Panel of speakers - Session I

YBhg Dato' Johan Raslan, Vice-President of the MICPA.

O The 6th MICPA-Bursa Malaysia Business Forum 2009 was held on November 9-10, 2009 at Shangri-La Hotel Kuala Lumpur. Featuring the theme, Competing in the New Global Landscape, the Business Forum provided an invaluable platform for exchange of ideas and experiences on the innovative strategies and measures undertaken to compete in the new global landscape.

The Vice-President of the Institute, YBhg Dato' Johan Raslan delivered the welcome address and declared open the Business Forum. Ms Selvarany Rasiah, who represented Bursa Malaysia Berhad in her capacity as the Chief Regulatory Officer delivered the opening address.

The organising committee had invited a panel of Moderators, Speakers and Commentators comprising prominent corporate leaders, senior government officers, business professionals and capital market regulators who led discussions in the following plenary sessions over the two-day Business Forum:

Ms Selvarany Rasiah, Chief Regulatory Officer, represented Bursa Malaysia.

Panel of speakers - Session V

- Imperatives for the New Economic Model
- The Corporate Governance Agenda: What are the Priorities of All the Key Players Going Forward?
- Liberalisation of the Services Sector
- Tax Reengineering to Face the New Global Landscape
- Restructuring for a New Beginning
- Research Paper Presentation on "Protecting the Public Interest – The Role of the Accountancy Profession"
- Case Study: Global Opportunities

A speaker conducting a session

As the new chapter of globalisation presents unprecedented shifts, corporations are finding it increasingly difficult to compete by conventional means. Remaining competitive in the new global landscape requires innovation and corporations must devise new ways to maintain their lead. It also demands an understanding of the new global playing field. Close linkages of economies as a result of globalisation causes increased competitiveness of industries and products in the new global landscape and this has to be consistently monitored and managed.

In his address, Dato' Johan Raslan highlighted that what Malaysia urgently needs is a change in mindset and culture; a move away from the practices of old that are no longer relevant today; a shift in the way we operate as a nation to stake our claim in a radically changed global marketplace. He said that we need a new economic model to transform us into a high-income nation, the talented people to support this and a business environment that will hold it together and make it work. He went on to elaborate that the Government's liberalisation and deregulation measures place Malaysia "on the starting blocks" of a journey of transformation into becoming a high-income economy but now we urgently need granularity and a road-map. He also said the corporate sector must take ownership of abolishing corruption and not just consider it the responsibility of the government alone. "For every taker, there is a giver," he said. "In the final analysis, it is equally important to provide a conducive environment that is clean, fair and predictable, to attract companies to set up here, stay here and do business."

In her opening address, Ms Selvarany Rasiah emphasised that to remain sustainable and to be able to move forward in the market place, industries and corporations must prepare themselves to face competition and

Panel of speakers - Session IV

Mr Ken Puspanathan, Chairman of Business Forum Organising Committee

challenges ahead of time. She added that "the global economic crisis has left a significant impact on almost everyone and has honed home the need to review, revise and even change our business directions, if need be, given the evolving nature of customers' appetites. The culmination of all our efforts to globalise, and be competitive may result in the promotion of Malaysia from a Secondary Emerging Market status to the FTSE Global Equity Index Series: Advanced Emerging Market Status. FTSE, the creator of FTSE Indices, which are used extensively by a range of investors such as consultants, asset owners, fund managers, investment banks, stock exchanges and brokers, will be keeping a close watch on Malaysia to monitor our efforts towards greater development. Advance Emerging status requires that 14 specified criteria be met, the broad areas of which are in Market and Regulator Environment, Custody and Settlement, Dealing Landscape and Derivatives. Thus would mean that we must work harder together as a country and more importantly, accept changes with an open and strategic mind in order to achieve our goals at the next level".

During Session I, Imperatives for the New Economic Model, Mr Steven C M Wong, Assistant Director-General, Institute of Strategic and International Studies (ISIS), distinguished speaker for Session I suggested that to become a high-value economy, the country should get off protective industries, get rid of energy subsidies and get off the dependence on foreign workers. YBhg Datuk R Karunakaran, former Director-General of the Malaysian Industrial Development Authority (MIDA), who was moderating the session, pointed out that one key issue to higher salary was higher productivity. "With productivity comes better pay and better income," he said. He also went on to add that in terms of composition of the economy for most developed countries, more that 60% of annual gross domestic product (GDP) came from the services sector, with Malaysia somewhere just over 50%. "That is a characteristic of a high-income economy and that is the transformation we will have to go through," he said.

On the whole, the 7-plenary sessions were very well received by the participants and generated much interest and discussion. The organising committee for the MICPA-Bursa Malaysia Business Forum would like to record their sincere appreciation to ASTRO, as Platinum sponsor and to the Gold sponsors, Petronas, HSBC Bank Bhd and Public Bank Bhd for their generous sponsorships in making the Forum a success. The Business Forum was also supported by the Securities Industry Development Corporation (SIDC), the training and development arm of the Securities Commission Malaysia (SC) and various professional bodies.

NATIONAL ANNUAL CORPORATE REPORT AWARDS 2009

Winners of NACRA 2009

Yang Berhormat Dato' Sri Ismail Sabri Yaakob, Minister of Domestic Trade, Co-operatives & Consumerism, presented the Challenge Trophies and Awards to the Winners of the National Annual Corporate Report Awards (NACRA) 2009 at an awards presentation ceremony held on Tuesday, December 1, 2009 at Sime Darby Convention Centre.

The ceremony was attended by a large number of senior management of participating companies, a cross section of business leaders from the private and public sectors and invited guests.

Winning the prestigious NACRA Award has increasingly become a target of many organisations, which clearly demonstrates the wide recognition of NACRA as the national benchmark for excellence in corporate reporting. It encourages the highest standards in the presentation and reporting of financial and other information needed by shareholders, investors and other interest groups. It also seeks to promote higher standards of corporate governance through the publication of timely, informative, factual and well-presented annual reports.

The NACRA competition is open to all companies incorporated or registered in Malaysia, both listed and unlisted, as well as public sector and other organisations established in Malaysia.

NACRA fosters a spirit of competitiveness amongst Malaysian companies in striving for excellence in corporate reporting, by encouraging high quality financial reporting, which is a cornerstone for building a healthy investment climate in Malaysia. This is emphasised in, NACRA's theme this year of "***Towards Accountability and Excellence***".

In his speech the Minister expressed the Government's

position in advocating the importance of good corporate governance and values amongst corporate organisations.

"Corporate Malaysia must subscribe to the substance over form principle and cannot simply meet the minimum standards if you are committed to good governance," he said. He also stressed that Malaysian companies must uphold the principles of integrity, honesty and transparency in their corporate reports.

We need corporate reports that are an accurate, and transparent articulation of corporate strategy and performance. This will complement the government's efforts in positioning Malaysia as a competitive investment destination," he said.

The whole NACRA adjudication process took about 5 months and consisted of two levels of assessment, i.e. the preliminary screening and the detailed adjudication process. All annual reports were required to fulfill and meet the 13 preliminary criteria before they qualify for detailed adjudication.

An independent panel of adjudicators, appointed by the Adjudication Committee carried out the Detailed Adjudication in two stages. The key adjudication criteria for NACRA include: timeliness of publication of the annual report, compliance with approved accounting standards and statutory requirements, adequate disclosure of relevant information on the objectives, operations, financial performance, corporate social responsibility, future prospects of the organisation, as well, as the visual impact of the presentation of information.

The adjudication panel, consisting of 80 members drawn from commerce and industry, public accounting firms, academic institutions, advertising and communication firms, carried out a thorough assessment of the annual reports based on established criteria. Since it was first launched in 1990, the criteria for NACRA have been reviewed and revised each year with a view to improving the quality of annual reports.

A total of 20 awards were presented under the following 5 categories namely:

- *Overall Excellence Awards*
- *Industry Excellence Awards for companies listed on the Main Board*
- *Presentation Awards, comprising Awards for Best Annual Reports in Bahasa Malaysia and Best Designed Annual Reports*
- *Corporate Social Responsibility Awards; and*
- *Special Award for Non-Listed Organisations, and*

A Certificate of Merit was also presented to 11 finalists in recognition of the commendable high standards of annual reporting achieved by these organisations.

Telekom Malaysia Berhad performed extremely well this year when they walked away with the Silver Awards for Best Corporate Social Responsibility Awards and Best Designed Annual Report in the Presentation Awards Category. Telekom also won the Gold Award for Best Annual Report in Bahasa Malaysia under the Presentation Awards Category, the Gold Award for Most Outstanding Annual Report of the Year. The organisation also won an Award under the Industry Excellence Awards for companies listed on the Main Board for Trading and Services.

Public Bank Berhad's steadfast commitment to distinctive corporate reporting paid off yet again when the bank received the Platinum award for the Most Outstanding Annual Report of the Year. They also won the Platinum award for Best Annual Report in Bahasa Malaysia and the Industry Excellence Awards (Main Board) for the Finance Category.

Telekom Malaysia Berhad and Kulim (Malaysia) Berhad, won the Gold and Silver awards respectively for the Most Outstanding Annual Report of the Year.

NACRA is an annual event, which is jointly organised by Bursa Malaysia Bhd, Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA).

NACRA 2009

List of Award Winners

OVERALL EXCELLENCE AWARDS
MOST OUTSTANDING ANNUAL REPORT OF THE YEAR

Platinum	Gold	Silver
Public Bank Berhad	Telekom Malaysia Berhad	Kulim (Malaysia) Berhad

OVERALL EXCELLENCE AWARDS
INDUSTRY EXCELLENCE AWARDS [MAIN BOARD]

Consumer Products
British American Tobacco (Malaysia) Berhad

Industrial Products & Technology
HeiTech Padu Berhad

Trading & Services
Telekom Malaysia Berhad

Finance
Public Bank Berhad

Construction & Infrastructure Project Companies
IJM Corporation Berhad

Properties, Hotels & Trusts
Sunway City Berhad

Plantations & Mining
Kulim (Malaysia) Berhad

PRESENTATION AWARDS
BEST ANNUAL REPORT IN BAHASA MALAYSIA

Platinum	Gold	Silver
Public Bank Berhad	Telekom Malaysia Berhad	Sunway City Berhad

BEST DESIGNED ANNUAL REPORT

Platinum	Gold	Silver
Nestle (Malaysia) Berhad	Axiata Group Berhad	United Malayan Land Berhad

CORPORATE SOCIAL RESPONSIBILITY AWARDS
BEST CORPORATE SOCIAL RESPONSIBILITY AWARDS

Platinum	Gold	Silver
British American Tobacco (Malaysia) Berhad	Telekom Malaysia Berhad	Malaysian Resources Corporation Berhad

SPECIAL AWARD FOR NON-LISTED ORGANISATIONS
BEST ANNUAL REPORT OF NON-LISTED ORGANISATIONS

Perbadanan Insurans Deposit Malaysia

RECIPIENTS OF CERTIFICATE OF MERIT

- Bumiputra Commerce Holdings Berhad
- DRB-Hicom Berhad
- LPI Capital Berhad
- IOI Corporation Berhad
- IOI Properties Berhad
- Plus Expressways Berhad
- Puncak Niaga Holdings Berhad
- Shell Refining Company (Federation of Malaya) Berhad
- Sunrise Berhad
- Sunway Holdings Berhad
- Tenaga Nasional Berhad

MICPA CPD TRAINING CALENDAR 2010

Month	Topics	Duration	Speakers	Event	Venue
February 2010					
Feb 4	Practical Application of FRS 139	1 day	Panel Speakers	Workshop	Seri Pacific Hotel, KL
March 2010					
Mar 3	Preparation for GST	1 day	Panel Speakers	Workshop	Concorde Hotel, KL
Mar 11	Real Property Gains Tax	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
Mar 30-31	A Practical Guide to Auditing	2 days	Yung Chuen Seng	Workshop	The Legend Hotel, KL
April 2010					
Apr 6**	Practical Application of FRS 139	1 day	Panel of Speakers	Workshop	The Legend Hotel, KL
Apr 8	FRS for Directors	1 day	Ng Mi Li & Azizan Zakaria	Workshop	Seri Pacific Hotel, KL
Apr 13**	Risk Based Capital & FRS 4	1 day	TBA	Workshop	The Legend Hotel, KL
Apr 22	Overview of the clarified ISA	1 day	Yung Chuen Seng	Workshop	The Legend Hotel, KL
Apr 27	Advanced Corporate Tax Planning	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
May 2010					
May 6	Financial Statements Presentation & Disclosures	1 day	TBA	Workshop	The Legend Hotel, KL
May 11	Accounting for Revenue, Inventories and Interest Expenses	1 day	TBA	Workshop	The Legend Hotel, KL
May 19	Analytical Procedures	1 day	Yung Chuen Seng	Workshop	The Legend Hotel, KL
May 21	Real Estate Outlook	2 hours	TBA	Evening Talk	The Legend Hotel, KL
June 2010					
Jun 10**	Business Combinations (FRS 3 & FRS 127)	1 day	Thaya & Nurul Ain	Workshop	The Legend Hotel, KL
Jun 16-17	A Practical Guide to Auditing	2 days	Yung Chuen Seng	Workshop	The Legend Hotel, KL
June 22	Tax Planning and Strategies for Cross Border Transactions**	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
June 25	Stress Test & Management	2 hours	TBA	Evening Talk	The Legend Hotel, KL
July 2010					
Jul 15	Presentation of Financial Statements of Islamic Financial Institutions	1 day	TBA	Workshop	Seri Pacific Hotel, KL
Jul 20	FRS 119 & FRS 2 – Employee Benefits & Share-based Payment	1 day	TBA	Workshop	The Legend Hotel, KL
Jul 27	Role of FRS on Corporate Governance	1 day	TBA	Workshop	The Legend Hotel, KL
August 2010					
Aug 11	FRS for Small & Medium Sized Entities	1 day	TBA	Seminar	The Legend Hotel, KL
Aug 19	Corporate Tax Planning and Update on Public Rulings**	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
Aug 25	Impact of FRS on Assets	1 day	TBA	Workshop	The Legend Hotel, KL
September 2010					
Sep 2**	Effective Working Capital Management and Credit Control	1 day	Kenneth Tam	Workshop	The Legend Hotel, KL
Sep 23	Construction and Property Development Activities	1 day	Lim Geok Heng	Workshop	The Legend Hotel, KL
Sep 28-29	A Practical Guide to Auditing	2 days	Yung Chuen Seng	Workshop	The Legend Hotel, KL
Sep 30**	Capital Allowances	1 day	Harvindar Singh	Workshop	The Legend Hotel, KL
October 2010					
Oct 14	Planning an Audit of Financial Statements	1 day	Yung Chuen Seng	Workshop	The Legend Hotel, KL
Oct 19	An Update of the New/Revised FRS	1 day	TBA	Seminar	Seri Pacific Hotel, KL
Oct 21	Tax Planning on Current Tax Issues	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
Oct 27	Financial Statements Presentation & Disclosure	1 day	TBA	Workshop	The Legend Hotel, KL
November 2010					
Nov 9**	Budgeting Essential and Variance Analysis	1 day	Kenneth Tam	Workshop	The Legend Hotel, KL
Nov 11	Accounting for Revenue, Inventories, Interest	1 day	TBA	Workshop	The Legend Hotel, KL
Nov 25	Funding & Tax Isssues**	1 day	Chow Chee Yen	Workshop	Seri Pacific Hotel, KL
Nov 30**	Impact of the 2011 Budget on Businesses and Tax Updates	1 day	Panel of Speakers	Seminar	Seri Pacific Hotel, KL
December 2010					
Dec 1-2	A Practical Guide to Auditing	2 days	Yung Chuen Seng	Workshop	The Legend Hotel, KL
Dec 7**	Strategic Cost Management for Profit Improvement	1 day	Kenneth Tam	Workshop	The Legend Hotel, KL
Dec 9**	Strategic Tax Planning for Corporate Restructuring	1 day	Harvindar Singh	Workshop	The Legend Hotel, KL
Dec 14	An Update of the New/Revised FRS	1 day	TBA	Seminar	Seri Pacific Hotel, KL

***** Denotes tentative dates or venue or speaker***

For further information, please contact: Mr Tan Choon Hai / Cik Salmiah Aliyas
Tel: 03-2698 9622 Fax: 03-2698 9403 E-mail: chtan.edu@micpa.com.my or salmiah.edu@micpa.com.my

MASB Update

MASB Exposes Limited Amendment on Share-based Payment Standard

The Malaysian Accounting Standards Board on November 24, 2009, issued an Exposure Draft on Amendments to FRS 2 *Share-based Payment* (ED 68) that clarifies the accounting for group cash-settled share-based payment transactions. The exposure draft is word-for-word to that issued by the International Accounting Standards Board (IASB).

In certain share-based payment transactions, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group pays those suppliers. ED 68 clarifies how an individual subsidiary in a group should account for these share-based payment arrangements in its own financial statements.

The exposure draft clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

In addition, it also proposed to clarify that in FRS 2 a 'group' has the same meaning as in FRS 127 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries.

Interested parties, including the business communities, are encouraged to study the Exposure Draft and provide feedback to MASB.

The exposure period expires on December 28, 2009 and is available on MASB website at http://www.masb.org.my. The public is encouraged to provide their comments electronically through ED Online on our website. Alternatively, copies of the exposure draft is available free of charge from MASB office.

(Source: www.masb.org.my)

MASB Publishes Exposure Draft on Financial Instruments

The Malaysian Accounting Standards Board (MASB) on December 7, 2009 announced the issuance of exposure draft on Financial Instruments (MASB ED 69) which provides guidance on the classification and measurement of financial assets.

MASB ED 69 is, word-for-word, IFRS 9 *Financial Instruments* issued by the International Accounting Standards Board (IASB) on 12 November 2009. IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new Standard. It deals with the classification and measurement of financial assets. Proposals addressing the second part, the impairment methodology for financial assets were published for public comment by the IASB on 5 November, while proposals on the third part, on hedge accounting, will be issued in 2010.

MASB ED 69 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 139. The approach in MASB ED 69 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The proposed standard also requires a single impairment method to be used, replacing the many different impairment methods in FRS 139. Thus MASB ED 69 improves comparability and makes financial statements easier to understand for investors and other users.

On this first part of IFRS 9, the MASB has received suggestions to put in place the Standard for application in Malaysia by January 2010 so as to allow entities to early apply IFRS 9 if they so choose. As IFRS 9 only covers the classification and measurement of financial assets, if early adopted, an entity need to apply the other provisions of FRS 139 *Financial Instruments: Recognition and Measurement* for other areas not covered in IFRS 9 (e.g. classification and measurement of financial liabilities, recognition and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting etc.).

In response to these suggestions, the MASB Board has approved the issuance of Exposure Draft ED 69 for a 2-week exposure period in order to fast track the issuance of IFRS 9 for application in Malaysia depending on the feedback the Board receives from its stakeholders. Interested parties, including the business communities, are encouraged to study the Exposure Draft and provide feedback to MASB.

The exposure period expires on December 23, 2009 and is available on MASB website at http://www.masb.org.my. The public is encouraged to provide their comments electronically through ED Online on our website. Alternatively, electronic copies of the exposure draft in CD format is available free of charge from MASB office.

(Source: www.masb.org.my)

MASB publishes exposure draft on guidance on transition to IFRSs

The MASB on December 15, 2009 published an exposure draft (ED) on the guidance on transition to IFRSs, ie ED 70 Technical Release 3 *Guidance on Transition to IFRSs*.

The proposed Technical Release (TR) is in response to suggestion made by the Convergence Task Force (CTF). The CTF was set up after consultations with constituents following the announcement in August 2008 by MASB about Malaysia's convergence with IFRS by 2012. Stakeholders believe that relevant parties in the financial reporting chain should initiate a comprehensive IFRS roll-out strategy to strengthen their state of readiness on transition to IFRS in 2012.

The CTF focuses on the general progression towards convergence. Its objective is to coordinate the convergence efforts carried out by the various key players in the financial reporting value chain, which includes reviewing company's progress and transition to IFRS by the relevant authorities as well as to communicate the convergence policy to all parties for them to take the necessary actions.

ED 70 is issued to assist entities in the transition period towards the application of International Financial Reporting Standards (IFRSs). In 2008, MASB has announced its plan to converge with IFRSs by January 1, 2012. This proposed TR contains several recommendations whereby entities that are required to apply IFRSs in 2012, are encouraged to provide users with appropriate and useful information during the transition phase from MASB Financial Reporting Standards (FRS) to IFRS. It prescribes the disclosure guidelines for the preparation of financial statements for the transition to IFRS, namely for the 2010 and 2011 financial statements.

Preparers are encouraged to provide narrative disclosures relating to the changeover to IFRS in their annual reports. This would help investors and other users of financial statements better understand the transition process.

Interested parties, including the business communities, are encouraged to study the Exposure Draft and provide feedback to MASB.

The exposure period expires on January 15, 2010 and is available on MASB website www.masb.org.my. The public are encouraged to provide their comments electronically through ED Online on the website. Alternatively, copies of the exposure draft is available free of charge from MASB office.

(Source: www.masb.org.my)

IASB Update

IASB simplifies requirements for disclosure of related party transactions

The International Accounting Standards Board (IASB) on November 4, 2009 issued a revised version of IAS 24 *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after January 1, 2011, with earlier application permitted.

IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The IASB has revised IAS 24 in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by:

- **Providing a partial exemption for government-related entities.**

  Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial

statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant.

- **Providing a revised definition of a related party.**

The IASB has simplified the definition and removed inconsistencies.

(Source: www.iasb.org)

IASB publishes proposals on the impairment of financial assets

The IASB on November 5, 2009 published for public comment an exposure draft on the amortised cost measurement and impairment of financial instruments. The proposals form the second part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard, to be known as IFRS 9 *Financial Instruments*. Proposals on the classification and measurement of financial instruments were published in July, with a final standard expected shortly, while proposals on hedge accounting continue to be developed.

Both International Financial Reporting Standards (IFRSs) and US Generally Accepted Accounting Principles (GAAP) currently use an incurred loss model for the impairment of financial assets. An incurred loss model assumes that all loans will be repaid until evidence to the contrary (known as a loss or trigger event) is identified. Only at that point is the impaired loan (or portfolio of loans) written down to a lower value.

The global financial crisis has led to criticism of the incurred loss model for presenting an initial, over-optimistic assessment of no credit losses, only to be followed by a large adjustment once a trigger event occurs.

Responding to requests by the G20 leaders and others, in June 2009 the IASB published a Request for Information on the practicalities of moving to an expected loss model. The responses have been taken into account by the IASB in developing the exposure draft.

Under the proposals expected losses are recognised throughout the life of the loan (or other financial asset measured at amortised cost), and not just after a loss event has been identified. This would avoid the front-loading of interest revenue that occurs today before a loss event is identified, and would better reflect the lending decision. Therefore, under the proposals, a provision against credit losses would be built up over the life of the financial asset. Extensive disclosure requirements would provide investors with an understanding of the loss estimates that an entity judges necessary.

The IASB is aware of the significant practical challenges of moving to an expected loss model. For this reason an Expert Advisory Panel (EAP) comprising experts in credit risk management is being established to advise the board. An eight-month comment period has been provided to allow adequate time for entities to consider the impact of such a change within their organisation.

The IASB will continue the unprecedented level of outreach activity currently being undertaken in reforming the accounting for financial instruments. The IASB will also co-operate closely with the US Financial Accounting Standards Board (FASB) with a view to agreeing a common approach to the impairment of financial assets.

Introducing the exposure draft, Sir David Tweedie, Chairman of the IASB said, "Consistent with requests from the G20 and others, the IASB has moved swiftly to reform the accounting for financial instruments. These proposals on the impairment of financial assets measured at amortised cost form the second part of this project."

Although moving to a single impairment model significantly reduces complexity, the challenges of applying an expected loss approach should not be underestimated. For this reason, the IASB will tread carefully and seek input from a broad range of interests before deciding how to proceed.

An IASB 'Snapshot', a high level summary of the proposals, is available to download free of charge from the project section of the IASB website.

The proposals in the exposure draft *Financial Instruments: Amortised Cost and Impairment* are open for comment until June 30, 2010. After considering comments received on the exposure draft, the IASB plans to issue an IFRS in 2010 that would become mandatory about three years later with early application permitted. The exposure draft is available on the 'Open for Comment' section on the IASB website. Subscribers may also view the document in eIFRS.

(Source: www.iasb.org)

IASB and FASB Reaffirm Commitment to Memorandum of Understanding

The IASB and the Financial Accounting Standards Board (FASB) reaffirmed their commitment to improve International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (U.S. GAAP) and to bring about their convergence. The Boards also agreed to intensify their

efforts to complete the major joint projects described in their 2006 Memorandum of Understanding (MoU), as updated in 2008.

Today, as a further affirmation of that commitment, the IASB and FASB issued a joint statement describing their plans and milestone targets for completing the major MoU projects in 2011. The statement also describes the values and principles underpinning the Boards' collaboration and significant successes achieved thus far.

In affirming their commitment to developing a common set of high quality standards, the Boards took note of the support of the leaders of the Group of 20 nations, the Financial Crisis Advisory Group of the FASB and IASB, and the Monitoring Board of the International Accounting Standards Committee (IASC) Foundation for the joint convergence efforts underway.

Commenting on the update, Sir David Tweedie, chairman of the IASB said, "The two boards are committed to improving financial reporting internationally by completing the convergence programme described in the Memorandum of Understanding. The statement published today describes a series of important and concrete steps that will help us to achieve our June 2011 targets."

Robert Herz, chairman of the FASB said, "Our successful joint meeting with the IASB in late October demonstrated that improvements in financial reporting and convergence are very much on track. Our joint efforts have and will continue to produce significant benefits to investors and the economy at large. We will continue our dual objectives of working toward global convergence while addressing reporting issues of critical importance to U.S. investors and financial markets."

In the interest of timely and continued progress, the two Boards also committed to monthly joint meetings and to provide transparency and accountability by providing quarterly updates on their progress on convergence projects.
(Source: www.iasb.org)

IASB completes first phase of financial instruments accounting reform

The IASB on November 12, 2009 issued a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard - IFRS 9 *Financial Instruments*. Proposals addressing the second part, the impairment methodology for financial assets were published for public comment at the beginning of November, while proposals on the third part, on hedge accounting, continue to be developed.

The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity – an objective endorsed by the Group of 20 leaders (G20) and other stakeholders internationally. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The IASB has received broad support for its approach. This became evident during the unprecedented global scale of consultation and outreach activity it undertook in order to refine proposals contained within the exposure draft published in July 2009. Round table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, have been held, often on a weekly basis. In addition, more than a hundred meetings have been held with interested parties around the world during the past four months.

The views expressed to the IASB during its consultations resulted in the proposals being modified to address concerns raised and to improve the standard. For example, IFRS 9 requires the business model of an entity to be assessed first to avoid the need to consider the contractual cash flow characteristics of every individual asset. It requires reclassification of assets if the business model of an entity changes. The IASB changed the accounting that was proposed for structured credit-linked investments and for purchases of distressed debt. The IASB also addressed concerns expressed about the problems created by the mismatch in timings between the mandatory effective date of IFRS 9 and the likely effective date of a new standard on insurance contracts.

Furthermore, in response to suggestions made by some respondents, the IASB decided not to finalise requirements for financial liabilities in IFRS 9. The IASB has begun the process of giving further consideration to the classification and measurement of financial liabilities and it expects to issue final requirements during 2010.

The effective date for mandatory adoption of IFRS 9 *Financial Instruments* is January 1, 2013. Consistent with requests by the G20 leaders and others, early adoption is permitted for 2009 year-end financial statements.

Commenting on IFRS 9, Sir David Tweedie, Chairman of the IASB said, "We have delivered on our commitment to the G20 and stakeholders internationally to provide an improved financial instrument standard for the classification and measurement of financial assets for use in 2009. Benefiting from unprecedented levels of consultation with stakeholders around the world, the IASB has made significant changes in its initial proposals to improve the standard, provide enhanced transparency and respond to stakeholder concerns."

(Source: www.iasb.org)

IASB issues minor amendment to pensions accounting and proposes consequential change for first-time adoption of IFRSs

The International Accounting Standards Board (IASB) on November 26, 2009 issued a minor amendment to its requirements on accounting for pension plans, and separately published for public comment a proposal to amend IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Amendment to pensions accounting

The amendment is to IFRIC 14, which is in itself an interpretation of IAS 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The amendment, Prepayments of a Minimum Funding Requirement, has an effective date for mandatory adoption of 1 January 2011, with early adoption permitted for 2009 year-end financial statements.

Prepayments of a Minimum Funding Requirement is available for eIFRS subscribers from today. Printed copies of the exposure draft can also be ordered via the IASB website.

Proposed limited exemption amendment for first-time adopters of IFRSs.

The proposed amendment to IFRS 1 would provide first-time adopters with the same relief available to those already applying IFRSs when they first apply Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures) issued in March 2009.

The exposure draft is a short document on which the IASB believes that there is likely to be a broad consensus. The proposals are set out in an exposure draft Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (proposed amendment to IFRS 1). The exposure draft is available on the website **www.iasb.org** .

(Source: www.iasb.org)

IFRIC issues guidance on extinguishing financial liabilities with equity instruments

The International Financial Reporting Interpretations Committee (IFRIC) on November 26, 2009 issued an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps.

IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

IFRIC 19 clarifies that:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability.
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application permitted. For more information on IFRIC 19 visit the project website on www.iasb.org.

(Source: www.iasb.org)

IFAC Update

IFAC Releases New Tool that Gauges ISA Adoption

Adoption of international standards on auditing (ISAs) is well underway, according to the newly released online chart from the International Federation of Accountants (IFAC). Compiled from information gathered by the IFAC Member Body Compliance Program, the chart indicates that ISAs as issued by the International Auditing and Assurance Standards Board (IAASB) have been adopted or otherwise used as the basis of national standards in 126 jurisdictions around the world.

The tool gives an overview of ISA adoption by jurisdiction, as well as other valuable information about how the adoption process can vary. It also demonstrates the commitment of IFAC and its member bodies to transparency by providing a comprehensive summary of ISA adoption to our stakeholders and welcoming feedback that will allow further refinement of the information, especially as jurisdictions adopt the recently issued Clarified ISAs, which are a result of a comprehensive program to enhance the clarity of auditing standards.

Adoption of international standards is the first step of a continuous process, following which successful implementation is vital to ensure professionals understand and apply the standards appropriately. IFAC member organisations are required to use their best endeavours to lead or actively support that process within their countries. They communicate this commitment through their Compliance Action Plans that describe the current status of adoption and their planned activities to progress implementation.

In line with the ongoing nature of the adoption process, the chart and notes, gathered from the Compliance Program and a variety of other sources, will be periodically updated as new information is received.

(Source: www.ifac.org)

IAASB Staff Practice Alert Helps Auditors Plan More Effective Use of External Confirmations

External confirmation procedures can be a compelling tool in obtaining relevant and reliable evidence for audits of financial statements. Recent experience, however, highlights the need for auditors to pay particular attention to circumstances that may affect the planned use of confirmations, including the risk of fraud and the adequacy of evidence.

To raise awareness of potential issues and to help auditors use external confirmation procedures more effectively, the staff of the International Auditing and Assurance Standards Board (IAASB) released a new audit practice alert. Titled *Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements*, the alert highlights areas within the International Standards on Auditing (ISAs) that are particularly relevant when deciding to request external confirmations, designing and carrying out confirmation procedures, and evaluating responses received. The alert also raises awareness of potential issues that may surface from the increasing use of technology in the confirmation process and the use of restrictive language by respondents.

Requesting external confirmations is a commonly used audit procedure in an audit of financial statements. Today's environment, however, reinforces the need for professional scepticism and professional judgment in all aspects of an audit, including the use of confirmations. The alert reminds auditors of the need to maintain control over the confirmation process, and to remain alert to circumstances that may undermine its effectiveness.

(Source: www.ifac.org)

IFAC Presses for Action to Adopt and Implement Global Financial Standards

The International Federation of Accountants' (IFAC) 32nd annual Council meeting held in November in Washington, D.C. emphasised the urgency of achieving global adoption and implementation of financial standards, especially for accounting and auditing.

Robert L. Bunting, IFAC President, says, "There is no high-quality information without the work of accountants--and certainly no way forward from the global financial crisis without it. What we need is a level playing field in financial reporting. What we do not need is trans-Atlantic accounting arbitrage and political interference in the technical aspects of standard setting. Governments, standard setters, and the accounting profession need to collaborate closely if common high-quality standards in accounting and auditing are to be established, adopted, and well implemented. And that includes accounting standards for governments, many of which have become major investors in the private sector during the crisis."

IFAC's Chief Executive Officer, Ian Ball, adds that IFAC's work in delivering this message to its members and their governments is increasingly important. "We have expressed the

importance of global accounting and auditing standards to the G-20 twice this year--before the Leaders' Summits in London and Pittsburgh--and believe that now is the time for action at the country level if we are to achieve what was agreed by the G-20."

These messages were reiterated frequently in workshops and seminars during IFAC's two-day event, hosted by the American Institute of Certified Public Accountants.

The Council's formal deliberations included approval of IFAC's strategic actions for the coming year, which include:

- continuing development of auditing, ethical, accounting education, and public sector accounting standards that meet the public interest;
- promoting the adoption and implementation of these standards;
- exercising IFAC's voice for the global accountancy profession, including input to the G-20 and other key international organisations; and
- addressing the needs of small- and medium-sized entities (SMEs) and seeking to avoid excessive regulatory burdens being placed on this critical economic sector.

The Council approved three new member bodies: Iranian Association of Certified Public Accountants (IACPA); Latvian Association of Certified Auditors (LACA); and Society of Certified Accountant and Auditors of Kosovo (SCAAK).

In addition, two associates were approved: Brunei Darussalam Institute of Certified Public Accountants (BICPA); and Ordre des Experts-Comptables du Luxembourg (OEC). The Council also gave affiliate status to the National Association of State Boards of Accountancy (NASBA) from the United States.

(Source: www.ifac.org)

IPSASB Issues Consultation Paper on Reporting on the Long-Term Sustainability of Public Finances

There is a growing understanding that future generations of taxpayers will have to deal with the fiscal consequences of current government policies. Concerns about the ability of governments to meet future service delivery and financial commitments for health, pensions, debt-servicing, and other obligations have long existed, but have increased in the current economic environment. Uncertainty over the long-term financial consequences of government interventions, including the bailouts and stimulus packages that have characterised the global financial crisis, has added another dimension to concerns over the long-term sustainability of public finances in many countries.

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has just published a Consultation Paper, *Reporting on the Long-Term Fiscal Sustainability of Public Finances*. It seeks views on how information on the long-term sustainability of government programs, increasingly available in many jurisdictions, may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision making.

"The need for understandable information on the long-term sustainability of all governmental programs has become increasingly apparent from the work that the IPSASB has carried out in developing its own public sector conceptual framework and on accounting for social benefits," says Mike Hathorn, Chair of the IPSASB. "There is a growing awareness that such information can be crucial in allowing citizens to evaluate the scale of the fiscal challenges facing governments, so that the impact on future generations can be better understood. This Consultation Paper asks for views on how such information might be reported."

The IPSASB's project has benefited greatly from the work of a task force, including representatives from governments, audit offices, accounting standard-setters, statistical accountants, and international organisations. Projects recently undertaken by the Organisation for Economic Co-operation and Development and the United States Federal Accounting Standards Advisory Board have been particularly valuable.

The Consultation Paper is available to download free of charge from the IFAC website (www.ifac.org/Guidance/EXD-Outstanding.php). The IPSASB encourages IFAC members, associates, and regional accountancy bodies to promote the availability of this Consultation Paper to their members and employees.

(Source: www.ifac.org)

IPSASB Issues Standard on Agriculture as Part of its Global Convergence Program

The International Public Sector Accounting Standards Board (IPSASB) has taken a further step in its global convergence program with International Financial Reporting Standards (IFRSs), scheduled for completion by December 31, 2009, by issuing International Public Sector Accounting Standard (IPSAS) 27, *Agriculture*. IPSAS 27 provides requirements for accounting for agricultural activity.

IPSAS 27 is primarily drawn from the International Accounting Standards Board's International Accounting Standard 41, *Agriculture*, with limited changes dealing with public sector-specific issues. For example, IPSAS 27 addresses biological assets--such as livestock--held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organisations. IPSAS 27 also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual.

"Agricultural activity can be significant for the public sector in certain parts of the world, including many developing

countries," states Mike Hathorn, Chair of the IPSASB. "This IPSAS provides financial reporting requirements that enhance accountability for such activity and are a further step towards our convergence target."

IPSAS 27 is available to download free of charge from the IFAC website (www.ifac.org/Store). The IPSASB encourages IFAC members, associates, regional accountancy bodies, and firms to use these materials and to promote their availability to members and employees.

(Source: www.ifac.org)

IFAC's Accounting Education Standards Board Releases New Framework and Drafting Conventions to Enhance Clarity of its Standards

The International Accounting Education Standards Board (IAESB), an independent standard-setting board within the IFAC, has released its *Framework for International Education Standards for Professional Accountants* (the Framework), which enhances the relevancy, consistency, and applicability of its publications to IFAC members. The Framework sets out the educational concepts that underlie the IAESB's International Education Standards (IESs), describes the nature of IAESB publications, and affirms IFAC member bodies' obligations relating to accounting education. The Framework also includes an appendix, "IAESB Drafting Conventions" (the Drafting Conventions), which will be used to increase the clarity of its standards.

The Framework is addressed primarily to IFAC member bodies because of their interest in the education, development, and assessment of their members and students. It is also relevant to a wide range of stakeholders, including accounting faculties at universities, employers of professional accountants, professional accountants, prospective professional accountants, and others interested in the work of the IAESB.

"Our Framework improves upon the understanding and application of the principles and concepts that underlie the education and development of a professional accountant," states IAESB Chair Mark Allison. "The Framework and the Drafting Conventions enable the IAESB to deploy a more efficient and effective standard-setting process and to better demonstrate accountability for its decisions."

The Framework document has been released following the consideration and approval by the Public Interest Oversight Board of due process and extensive public interest consultation. The document is available to download free of charge from the Publications and Resources section of the IFAC website (http://web.ifac.org/publications).

(Source: www.ifac.org)

IASC Foundation publishes 2010 architecture for the IFRS and IFRS for SMEs Taxonomies

The International Accounting Standards Committee (IASC) Foundation has published The *IFRS Taxonomy 2010 Architecture Draft* for public comment. It also published a project summary and feedback statement on *Architectural improvements to the IFRS Taxonomy*. The feedback statement summarises the architectural improvements that will be implemented in the next release of the IFRS Taxonomy in 2010 as a result of consultations in July 2009.

The IFRS Taxonomy 2010 Architecture Draft documents in detail the XBRL (eXtensible Business Reporting Language) architecture of the IFRS Taxonomy 2010, including the IFRS for Small and Medium-Sized Entities (SMEs) Taxonomy. It explains the design rationale of the IFRS Taxonomy architecture, how the architecture satisfies the requirements of the Taxonomy, and the use of axes (dimensions), taxonomy modularisation, taxonomy framework, extensions framework and instantiation in the Taxonomy. It also addresses new XBRL technologies such as formulae, rendering and versioning, and the technical aspects of the IFRS Taxonomy relevant to software vendors.

The project summary and feedback statement summarise the consultations that followed the release of the IFRS Taxonomy 2009 and the outcome of two Requests for Information (RfIs) that were published in July 2009 by the IASC Foundation to receive additional input on *Concept Naming and Change Management in the IFRS Taxonomy and Extending the Use of Dimensions in the IFRS Taxonomy*. The RfIs were published in the light of feedback on the IFRS Taxonomy 2009 that suggested that the IFRS Taxonomy architecture could be improved by extending the use of axes (dimensions) in the Taxonomy, and by reconsidering the IASC Foundation’s approach for concept naming and its principle of deleting deprecated concepts.

The IASC Foundation has also decided to publish a single architecture for the IFRS and the IFRS for SMEs Taxonomies, which reflects the outcome of the wide consultations that followed the release of the exposure draft of the IFRS for SMEs Taxonomy in September 2009. Consequently, architectural improvements to the IFRS Taxonomy 2010 will be implemented in the IFRS for SMEs Taxonomy, and will therefore affect the release of the final IFRS for SMEs Taxonomy, previously scheduled for December 2009.

The exposure draft of the IFRS Taxonomy 2010 will be released in February 2010 and will include an improved version of the IFRS for SMEs Taxonomy. A final version of the IFRS and IFRS for SMEs Taxonomy will be released in April 2010. Any comments submitted on the exposure draft of the IFRS for SMEs Taxonomy released in September 2009 that are unrelated to the impending architectural improvements remain valid, and will be considered in the usual way and in accordance with due process.

Item released	Draft release date	End of comment period	Final release date
IFRS Taxon.010 ArchitectureDraft	9 December 2009	31 December 2009	April 2010
IFRS for SMEs Taxonomy	Original: 28 September 2009 Improved: February 2010	Original: 27 November 2009 Improved: April 2010	
IFRS Taxonomy 2010	February 2010	April 2010	

(Source: www.ifac.org)

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"Our Framework improves upon the understanding and application of the principles and concepts that underlie the education and development of a professional accountant," states IAESB Chair Mark Allison. "The Framework and the Drafting Conventions enable the IAESB to deploy a more efficient and effective standard-setting process and to better demonstrate accountability for its decisions."

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(Source: www.ifac.org)

IAASB Issues New Assurance Standard on Controls at Service Organisations

Recognising the widespread international use of outsourcing, the International Auditing and Assurance Standards Board (IAASB) released International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organisation. This new standard addresses reports on the description, design, and operating effectiveness of controls relating to the broad range of services that today's service organisations provide. Such services can range from assisting with processing transactions to performing one or more business functions.

"A single service provided by a service organization can have direct relevance to the quality of financial reports prepared by entities around the globe. Effective controls for delivering the service are therefore essential," says Arnold Schilder, IAASB Chair, adding, "This new standard sets a global benchmark for reporting on controls at a service organization, thereby helping to fulfil the needs of those who use such services and their auditors under International Standards on Auditing (ISAs)."

"ISAE 3402 is the first new assurance standard, other than the ISAs, developed under the IAASB's International Framework for Assurance Engagements," explains James Gunn, IAASB Technical Director. "Therefore, the IAASB will be interested in the experiences of service auditors and others with its implementation and has decided to actively seek feedback in 2013 on implementation of the standard," Mr. Gunn adds.

ISAE 3402 is effective for service auditors' reports covering periods ending on or after June 15, 2011. An overview of this new standard is available in the IAASB section of the new Publications and Resources site.

(Source: www.ifac.org)

Mengawarti Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri

COURT OF APPEAL (PUTRAJAYA) – CIVIL APPEAL NO W-01-83 OF 1997 MOHD GHAZALI, LOW HOP BING AND VINCENT NG JJCA APRIL 10, 2009

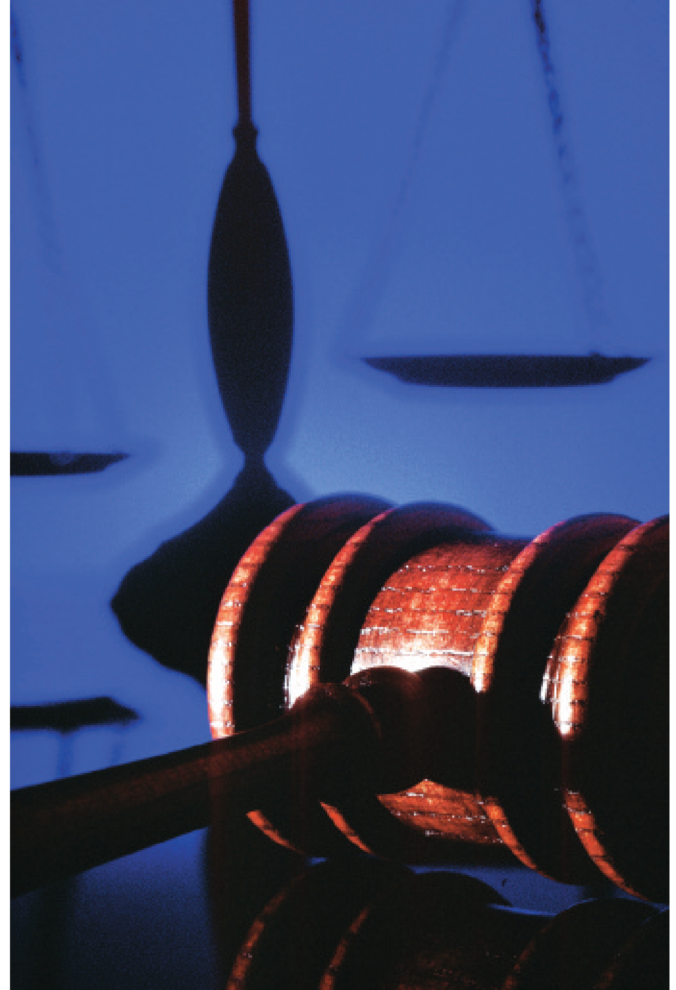
Revenue Law – Income tax – Capital versus income – Land-alienation costs – Whether incurred by housing developer company capital expenditure or revenue expenditure

Revenue Law – Income tax – Deduction – Whether Land-alienation costs deductible from housing developer company's income – Whether land-alienation costs wholly and exclusively incurred in production of housing developer's income – Whether allowable deduction – Income Tax Act 1967 s 33(1)

The main objective of the taxpayer company was as a housing developer. The taxpayer had applied for and obtained alienation of 250 acres of leasehold land from the state government for the purpose of housing development. The taxpayer had to pay the premium and other statutory charges, amounting to RM 858,050 ('the alienation costs'). In 1980, the taxpayer entered into an agreement with another housing developer, Masa Merdeka Sdn Bhd ('Masa Merdeka') to develop the land, at a price to be paid by Masa Merdeka to the taxpayer. The only issue before the High Court was whether the land-alienation costs were deductible from the taxpayer's income. The High Court held that the land-alienation costs were capital expenditures for the acquisition of the land; and that they were not wholly and exclusively incurred in the production of the income, nor incurred in the period when the taxpayer received the income. The taxpayer appealed against the decision of the High Court.

Held, dismissing the appeal with costs:

(1) The Special Commissioners had found no evidence at all of the existence of the payment of the land-alienation costs by the taxpayer to the state government. The Special Commissioner's finding that there was no evidence of the date and actual amount paid to the state government was unassailable; neither could it be overruled nor supplemented by the High Court. The Special Commissioners' finding, as triers or finders of facts, was to be preferred. Chua Lip Kong v Director General of Inland Revenue [1982] 1 MLJ 235 referred.



(2) Even by accepting the finding of the High Court that there was evidence that the taxpayer had in 1980 paid the land-alienation costs to the state government, the learned judge was correct on the law as the land-alienation costs were capital expenditures for acquiring the land, and not revenue expenditures. These expenditures were not wholly and exclusively incurred in the production of the taxpayer's gross income of RM 900,000, nor were they incurred in the period when the taxpayer received the income in 1981 and 1983. The requirement that all outgoings and expenses must have been wholly and exclusively incurred during the said period is expressly contained in s 33 (1) of the Income Tax Act 1967. The land-alienation costs were therefore not allowable as deductions from the income.

(Source: Malayan Law Journal, September 4, 2009, [2009] 5 MLJ 1-152) Produced with kind permission.

NEWS from Down Under

A.O Ferrers, Australian Correspondent

During the past months, Dr Henry, the head of the Treasury Department, has been carrying out a total review of the tax system in all its aspects. His final report is likely to be published soon. It is expected to contain some innovative suggestions. Dr Henry has had many submissions to consider during his review. While it is likely the government will enact some of his recommendations, not all will find their way on to the statute book.

One firm submission by CPA Australia has been that the company tax rate should be reduced. This stands at 30 per cent at the present time. CPA Australia is calling for a reduction to 25 per cent in the near future. The Australian dollar is enjoying a high figure and has been for some time. This militates against profits of Australian companies when trading overseas. The 30 per cent tax rate does not help either when considering the rates of overseas competitors.

In a press release CPA Australia has called for the company tax rate to be reduced in order to be essential for the country's economic wellbeing. Its view is that cuts in this rate were critical to ensuring the international competitiveness of Australian businesses and jobs growth and creation.

For CPA Australia Paul Drum said, "Australian companies global competitiveness will be crucial to maintaining and growing domestic jobs. A long-term view is needed in the current domestic and global economic context... the reduction in company tax should have a longer-term will not automatically address the tax revenue issue, particularly if businesses struggle through a lack of global competitiveness."

His view is that these issues should be considered in the context of a broad approach to addressing the economic challenges that Australia faces.

Executives' Pay

Executives' pay and directors' bonuses have been under the spotlight ever since the economic downturn when company profits have fallen, in particular those of banks and other financial institutions. The Institute of Chartered Accountants in Australia has said that business must focus on all elements of good corporate governance, including more transparent reporting and a long-term view of remuneration structures. This is in line with the recommendations of the draft report of the Productivity Commission on director and executive remuneration.

Lee White of the Institute in his press release said, "A more balanced and long-term approach to remuneration structures, coupled with promoting accountability and engagement through enhanced disclosure, will deliver improved shareholder and manage community expectation. Fundamentally, users need to be able to distil from the remuneration report a clear explanation of the true economic value of the benefits provided to executives of the company."

It is notable in some cases that, even where profits have fallen, pay of executives and bonuses have not markedly been reduced to match. This naturally is difficult for the man in the street to understand. However, in difficult times these persons may have had to work harder in discharging their duties so that losses have been less than what they might otherwise have been.

Sustainability Reporting

There is a call for such reporting in addition to ordinary financial reporting. Professor Richard Petty of CPA Australia has argued for government leadership that can be crucial to ensuring more organisations adopt sustainable practices and methods to accurately disclose their impact on the environment and local communities.

In the words of a CPA Australia release:
"In an increasingly volatile and interdependent global economy corporate performance, risk and worth can no longer be captured by financial reporting alone.

New approaches to disclosure are required to address the current a gap between the information that markets expect to receive from annual and financial reports and the information they receive under statutory reporting requirements.

Information provided by sustainability reports can help organisations make better and more informed decisions about how they operate, manage risk and identify opportunities for improvement.

Research commissioned by CPA Australia reveals that government action is the most important driver of the worldwide take up of sustainability reporting.

Professionals in the business and finance sectors in Australia, UK, Hong Kong and China identified regulatory initiatives ahead of competitive pressures and public expectations as the major factor in promoting the take up of sustainability reporting.

CPA Australia has recommended a three-step action plan that can be implemented within the next two-to-five years:

1. Positive initiative from governments to engage with the business sector and various regulatory agencies to collectively determine the best way forward to facilitate in a non-prescriptive manner the uptake of sustainability reporting.
2. Development by the accounting profession of a clear understanding and articulation of the complementary aspects of financial and non-financial reporting and how, collectively, they build corporate performance and market confidence.
3. A collective approach by the business community to develop understanding of the best and most efficient mediums through which business sustainability performance and risk are communicated to the market and users.

Another 12 charged under Project Wickenby

Evidence of this Project pops up every now and again like the surfacing of boiling mud when otherwise the surface is calm. Those officials chasing recalcitrant taxpayers use such devices as a warning to others who believe they can beat the Tax Office. This is usually when worried taxpayers decide to seek professional advice.

One such media advice bubbled up from the Australian Federal Police announcing that twelve people faced Downing Centre Local Court in Sydney in early February as a result of an investigation into a $10 million offshore tax evasion and money-laundering scheme. This investigation is one of 10 major Police investigations being conducted as part of Project Wickenby, Australia's largest ever operation attacking tax avoidance and evasion linked to tax havens.

In this case a total of 153 charges have been laid against a Sydney accountant (a 62-year-old Warriewood woman), her husband and 10 of her clients. An outline of the facts of this case follows.

The police investigation began in December 2006, after a referral from the Australian Taxation Office. From May to December 2007, a number of search warrants were executed on various business and residential premises in the Sydney area. On 28 April 2008, the Vanuatu Police Force (VPF) executed a number of search warrants on associated business premises in Port Vila. Various documents were seized at each of these warrant locations. Overseas documentation arrived in Australia in November 2008. However, a solicitor for PKF Vanuatu has disputed the basis for the police seizure and it may be some time before the matter is tested in court.

It will be alleged in court that the woman accountant devised, promoted, facilitated and implemented tax evasion schemes on behalf of Australian-based clients. The schemes allegedly implemented by the woman involved the incorporation of companies in Vanuatu, which were paid fees by Australian-based companies. The police will contend that no actual services were provided by the offshore companies. The Australian-based companies then claimed these false expenses as deductions in tax returns.

It will be further alleged that the funds held offshore were then laundered to individuals in Australia, but were not disclosed as income in tax returns. The total amount allegedly laundered by these 12 people is approximately $5.2 million.

The accountant has been charged with:

- six counts of conspiring to defraud the Commonwealth, contrary to section 29D of the *Crimes Act 1914 by virtue of section 86(2) of the Crimes Act 1914*
- 23 counts of conspiring to obtain a financial advantage by deception, contrary to section 134.2(1) of the *Criminal Code Act 1995 by virtue of section 11.5(1) of the Criminal Code Act 1995*
- five counts of conspiring to deal in money and intending that the money would become an instrument of crime, contrary to section 400 of the *Criminal Code Act 1995 by virtue of Section 11.5(1) Criminal Code Act 1995*.

These criminal offences carry maximum penalties of 10 years and 20 years imprisonment. The other 11 persons have been charged with a variety of money laundering, obtaining a financial advantage by deception and defrauding the Commonwealth. ●

WORLD News

BEIRUT

Islamic Standard Setter to Issue Updated Standards

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) approved drafts of new updated international accounting standards for the Islamic financial industry during its October Accounting and Auditing Standards Board meeting in Beirut.

The drafts, which include a conceptual framework for financial reporting and accounting for investments, will now be circulated for comment throughout the international Islamic financial industry as part of AAOIFI's ongoing consultation initiatives.

(Source: www.aaoifi.com)

CANADA

Private Enterprise Accounting Standards Approved in Canada

Private companies in Canada will soon have the choice of using International Financial Reporting Standards or the newly approved accounting standards for private companies, which will be issued by the end of the year and available for 2009 reporting. The standards were recently approved by the Accounting Standards Board (AcSB), following an extensive consultation process designed to ensure that the needs and concerns of companies of all sizes were heard and addressed.

Revisions to the standards include a simplification of recognition, measurement and presentation, particularly accounting for financial instruments and other areas that

were deemed overly complex. The standards support the AcSB's belief that for financial reporting standards, "one size does not fit all".
(Source: www.cica.ca)

SOUTH AFRICA

The Committee for Auditor Ethics of the South African IRBA Issues Explanatory Memorandum on Ethics and Code of Professional Conduct

The Independent Regulatory Board for Auditors (IRBA) would like to draw the attention to Board Notice 157 of 2009 in the Government Gazette No. 32742 published on November 27, 2009 containing the Explanatory Memorandum setting out the background to and explanation of the Exposure Draft of Rules Regarding Improper Conduct (the Rules) and the Code of Professional Conduct (the Code) issued pursuant to the provisions of sections 4(1)(c) and 44(6) of the Auditing Profession Act (the Act).

In line with the IRBA's legislative mandate, the IRBA's objectives are to create the framework and principles to contribute to the protection of members of the public who rely on the services of registered auditors, and to support registered auditors who carry out their duties competently, fearlessly and in good faith. The goal is to help create an ethical, value-driven financial sector that encourages investment and confidence and promotes sound practices by developing and maintaining ethical standards, which are internationally comparable.

The Rules and Code will replace the existing Old Disciplinary Rules - Rules 2.1.1 to 2.1.21 (the Old Disciplinary Rules) and the IRBA Code and discharges the responsibilities of the CFAE contained in section 21 of the Auditing Profession Act, No. 26 of 2005 (the Act), to determine what constitutes improper conduct by registered auditors and by developing requirements and guidelines for professional ethics, including a code of professional conduct.

After careful consideration and the completion of a mapping exercise between the existing IRBA Code of Professional Conduct to the Revised IFAC Code of Ethics for Professional Accountants (July 2009) (the IFAC Code) published by the International Federation of Accountants (IFAC), the Committee for Auditor Ethics has determined that it is appropriate for the IRBA to adopt Parts A and B, and the related definitions, contained in the Revised IFAC Code in their entirety, as these relate to professional services provided by registered auditors. Part C of the IFAC Code has not been adopted as it provides for ethical conduct of Professional Accountants in Business who are not registered auditors.

IFAC's copyright permissions policy permits modifications to the IFAC Code to accommodate jurisdictional requirements in different countries. Consequently, more stringent requirements in the existing IRBA Code are incorporated into the relevant sections in Parts A and B and the Definitions in the Code. References to professional accountants in the IFAC Code have been replaced throughout with a reference to registered auditors as the IRBA regulates only individual registered auditors and registered firms. This includes the retention of the Joint and Vicarious Liability requirements in the existing IRBA Code. All such modifications to the IFAC Code are reflected by underlining and italics.

The adoption of Parts A and B of the IFAC Code contributes toward the worldwide convergence of ethical standards. It is anticipated that this convergence will facilitate the implementation of the Code by registered auditors in South Africa.

Comment process

To ensure that all relevant stakeholders are consulted and to streamline the consultation process, interested and affected stakeholders are invited to submit written comments on the Exposure Draft to the IRBA. As significant changes to the existing IRBA Code have been effected, the profession is encouraged to consider the implications of the changes and submit comments thereon.

The Committee for Auditor Ethics (CFAE) will consider comments received on the proposed Code prior to adoption of the final Code. All comments received will be regarded as being on public record unless confidentiality is requested.
(Source: www.accountingeducation.com)

UNITED KINGDOM

UK Auditing Practice Board Adopts Clarified ISAs

The UK Auditing Practice Board (APB) has issued 33 new International Standards on Auditing (ISAs) for the UK and Ireland, a new International Standard for Quality Control (ISQC) 1 for UK and Ireland and a revised Statement of the Scope and Authority of APB Pronouncements.

The new ISAs (UK and Ireland) and ISQC (UK and Ireland) incorporate the clarified ISAs and ISQC as issued by the International Auditing and Assurance Standards Board (IAASB). The APB has augmented the international standards with

supplementary requirements to address specific UK and Irish legal and regulatory requirements and additional guidance that are appropriate in the UK and Irish national legislative, cultural and business context.

The new standards, the revised Statement of the Scope and Authority of APB Pronouncements and the APB staff paper explaining the main changes, can be downloaded, free of charge, from the publications section of the APB's website.
(Source: www.frc.org.uk/apb)

ASB Report finds Challenges of Narrative Reporting Continue

The UK Accounting Standards Board (ASB) has published Rising to the Challenge, the report of its review of the narrative reporting of 50 U.K. Listed Companies in 2008 and 2009.
The review focused on:

- how companies are complying with the enhanced business review content requirements from the Companies Act 2006 (CA); and
- effective communication and presentation of the required content.

The review found that the best financial reporters continue to evolve their narrative reporting and also did well across a number of content areas. Overall, most companies provided good content in relation to their:

- financial performance and position;
- financial key performance indicators (KPIs); and
- articulation of strategy.

However, some companies continue to struggle to meet some of the requirements, notably the communication of principal risks and non-financial KPIs. For example, the report found that only 38% of companies provided discussion of trends and factors that were relevant and forward-looking. It was also unclear whether 52% of the sample population specifically addressed the requirement to discuss contractual and other arrangements. The review found that risk reporting and corporate social responsibility sections contained the most clutter, which distracted from important information in these sections.
(Source: www.frc.org.uk/asb/)

UNITED STATES

FASB Launches Not-for-Profit Advisory Committee

The U.S. Financial Accounting Standards Board (FASB) has established a Not-for-Profit Advisory Committee (NAC), which will serve as a resource for the standard-setter to gather input from the not-for-profit sector on existing guidance, current and proposed technical projects, and longer-term issues.

The new Committee expands the FASBs ongoing outreach to non-public entities in its standard-setting process; the FASB already maintains advisory groups for small businesses (the Small Business Advisory Committee) and private businesses (the Private Company Financial Reporting Committee).

The FASB expects that the NAC will provide an important discussion forum on critical issues and also serve as a key vehicle for gaining perspectives from the non-for-profit sector. It will also serve as a vehicle by which the FASB can communicate to the sector about recent and other existing guidance, current and proposed projects, and other issues of importance.
(Source: www.fasb.org)

Senior Executives See U.S. Value-Added Tax Looming in Five Years: Tax Governance Institute Survey

More than half of senior business executives recently surveyed by the Tax Governance Institute (TGI) expect some type of value-added tax (VAT) to be introduced in the United States within five years. Acknowledging the need for additional revenue to help address the growing chasm between the country's existing revenue flows and its built-in expenditure obligations, 57 percent of the executives in the TGI survey said they believe VAT legislation will be introduced in the United States within five years, while 18 percent expect it within 10 years.

"The survey responses underscore a recognition that the short- and long-term outlook for the U.S. fiscal deficit is bleak unless some combination of spending cuts and additional revenue is implemented within the next decade or sooner," said Hank Gutman, KPMG tax principal and director of the Tax Governance Institute, and former chief of staff of the U.S. Congressional Joint Committee on Taxation.

"The United States is the only G20 country without a federal VAT or Goods and Services Tax. The executives we surveyed clearly believe that VAT legislation is likely to be proposed as a means to raise much-needed revenue to reduce the deficit," Gutman said.

Biggest VAT Challenge for Companies

When asked to identify the biggest challenge they foresee for their companies if a VAT is adopted in the United States, 24 percent of the executives cited compliance-related issues, according to the TGI survey. Other executives saw major

challenges in data collection and analysis (18 percent), management and monitoring (16 percent), and tax technology software system changes (16 percent).

"Executives are wise to focus on compliance. VAT touches many different parts of the supply chain, and tracking and collecting all the required information is critical," said Tom Boniface, partner-in-charge of KPMG LLP's VAT practice. "To help ensure VAT compliance, many companies will need to deploy new VAT software or update existing platforms to properly manage the requirements of a new U.S. VAT regime. If not implemented correctly, this could result in incorrectly calculated and remitted VAT amounts and potentially significant liabilities for the company."

According to the TGI survey, 34 percent of executives said their companies would need 12-18 months to prepare for compliance with a U.S. VAT. Twenty-one percent said they would need two years or more.

Coordination with State and Local Taxes

TGI survey respondents were split over how state and local taxes should be collected and administered alongside a federal VAT. Nearly one-third (32 percent) of the TGI survey respondents said that if a U.S. VAT is implemented, state and local sales taxes should be collected in tandem with the federal VAT and distributed back to states and localities. Twenty percent said that if a U.S. VAT is implemented, states and localities should tax the same goods and services as the federal VAT, but continue to have separate rates and be administered by the states as they are now. Only one-quarter of the TGI survey respondents said that if a U.S. VAT is implemented, state and local sales taxes should be collected and administered separately as they are today without regard to the federal VAT requirements.

"Around the world, there are many different examples of how a federal VAT works in concert with sales taxes in a country's provinces or states," said Harley Duncan, State and Local Tax managing director with KPMG LLP's Washington National Tax practice. "If a federal VAT is adopted, a harmonised approach -- where the states piggyback on the federal VAT -- could result in cost-savings for the federal, state and local governments and provide a better tax base, but it's certainly not the only solution. What is clear from the survey is that many of the business executives believe that state and local sales tax should be coordinated in some fashion with a federal VAT."

The TGI executive survey results discussed above reflect the responses of more than 600 members of the Tax Governance Institute, including board members, chief financial officers, and tax directors.

The Tax Governance Institute currently comprises more than 17,000 members. Launched in 2007, it provides a forum for board members, corporate management, stakeholders, and government representatives to share knowledge regarding the identification, oversight, management, and appropriate disclosure of tax risk. ●

(Source: www.accountingeducation.com)

MICPA
Practising Certificate

The Membership Affairs Committee of the Institute in considering applications for practising certificates, has frequently come across cases where a member has commenced public practice before he is issued with a practising certificate by the Institute.

The Committee would like to remind members that in accordance with **bye-law 56 of the Institute's bye-laws, a member shall be entitled to engage in public practice in Malaysia only if he holds a practising certificate issued by the Institute.**

If members need clarification on the above, kindly contact the Institute's **Membership Services Department.**

The Malaysian Institute of Certified Public Accountants
No.15 Jalan Medan Tuanku, 50300 Kuala Lumpur.
Tel: 03-2698 9622 Fax: 03-2698 9403 E-mail: membership@micpa.com.my

Making Yourself Marketable

By Kavalyn Kreer

Looking for a job is not an easy task, more difficult if you are hunting for one during the recession. It can make you feel powerless and helpless. The world is fast changing and so are the global economic conditions. It is best to prepare for these inevitable changes way ahead. Most of the time, we identify ourselves with our career so the loss of a job or the inability to get the job that you want can become very personal. There are steps that you can take to ensure that you make yourself more attractive or rather marketable to potential employers.

It is important that you take control and do some homework first like understanding employer's needs, researching job market trends as well as ensuring that you communicate your needs effectively.

There is no denying that the competition out there is great so in order to compete for the best jobs, it would be advisable to make yourself as marketable as possible. You should market your skills to demonstrate that you are a valuable asset and are worthy of hire.

Marketability simply means how worthy you are as a prospective employee. Employers want to employ someone who is academically prepared, highly motivated, ambitious, one who will give them a good long-term return on their investment. They don't want satisfactory only.

Making yourself marketable also means you give yourself more options in the job market and more flexibility to choose the job that suits you. It means that you can follow a number of different paths to career success.

To make yourself marketable, make sure that you prepare an impressive resume. A well-worded resume goes a long way to put yourself in good light. It is important to document all your academic excellence, demonstrated leadership, personal initiatives and well-developed social skills because this would gain you some attention from prospective employers.

The key is to present yourself with written credentials that will make you stand out and qualify as a prospective employee. Put yourself in the employer's shoes and think about what you would expect from a potential employee. You would expect one

who is educationally prepared and a well-rounded young professional. Think of your resume as your calling card. The more impressive it is the more marketable you will be when looking for a job.

Broaden your horizons. Make yourself knowledgeable of all that goes on around you. Have a global perspective on issues that are important; find out what is going on in the international front, as this will put you above your peers who lack such knowledge.

Be as technologically savvy as you can. This is because advancements in Information Technology affect almost every academic and occupational profession. Such knowledge will help you perform your duties more efficiently.

Try to be flexible in your job expectations. Most graduates have predetermined ideas of what the size of the company should be, their job designation, their starting salary, their career track, how much travel they are willing to do and so on. Throw these notions out the window. Many graduates turn down jobs because they don't fit their set requirements and waste time waiting for the ideal job. This is not a smart move. To be as marketable as possible, indicate to your prospective employer that you are quite flexible on most matters related to employment and career. Having an open-minded attitude will take you a long way in your job hunting.

How you look and project yourself is also important. Employers look for candidates who look like a winner. Attire, grooming, posture and presentation are some of the criteria prospective employers consider important. After all, they would want you to fit the corporate image and matching that with your impressive credentials you might get that hiring nod. Projecting a good image also boosts self-confidence.

Prepare yourself well for any interview that you go for because you would want to make a favourable impression when interviewed. You could practise with family and friends to improve your speaking ability, verbal content and body language. Employers normally observe body language to separate the desirables from the others.

Networking is another important point. You may find your ideal job not through newspaper advertisements but via a network of professionals in the area that you are interested in. Networking can help you meet the people who can steer you in helpful directions and alert you to what's available in the 'hidden' job market. You have to toss out the net in many different directions to seek opportunities. Don't be shy, speak up and get noticed. Introduce yourself constantly, and let people know what you do and how to get in touch with you.

If possible get a mentor who has achieved success in your field of interest. You will definitely benefit such mentoring whether formal or informal. An experienced person can show you the ropes and possibly put in recommendations for you in desired organisations. Such inroads will benefit you in your career advancement.

Having a positive outlook in life can also help you become more marketable. Employers prefer to hire employees who are highly motivated and driven to succeed. Anyone can do a job but employers are more impressed with those who want to make a difference on the job and within their profession. Don't settle for mediocrity.

With the ever-changing technology and market demands, it's always a good idea to stay ahead of the game. Don't bemoan the changes instead embrace them and take proactive steps to improving and maintaining valuable skills which would increase your potential.

Be adventurous. If you can't find something in your field don't be afraid to try something outside of your area. You may want to stretch yourself by trying a job you have never done before. Every time you apply for a job, make sure you tell the prospective employer about your career chart and show why you would be the best person for the job.

Career opportunities exist in a good economy as well as in a bad one. We must be able to be flexible enough to understand the job market and work with what is available. In any economy, it is important to diversify your field and strengthen your career options to ensure that you stay marketable.

This article was written by Kavalyn Kreer, who writes lifestyle articles for publication on the web and print.

The Malaysian Institute of Certified Public Accountants

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