

August 2007

The CPA e-Newsline is a monthly electronic newsletter designed to provide members, students and the public with quick updates on recent developments at the Institute and in the business environment.

Announcements/Activities

ACCA-MICPA MRA SIGNING CEREMONY

Monday, August 13, 2007 saw the formalisation of an important partnership between two well-established Professional Accountancy Bodies with the signing of the **ACCA-MICPA Mutual Recognition Agreement**. The signing adds another milestone in the Institute's continued efforts in seeking mutual recognition agreements with premier accountancy bodies. The event was witnessed by En Othman Sahar, Deputy Accountant-General (Corporate).

In recognition of the increasingly global nature of the accountancy profession and business, the Council is conscious of the need to enhance the standing and recognition status of the CPA Malaysia qualification not only at the national level but also at international levels. The MRA provides a route for qualified members of either body to become a member of the other body, and to enjoy the benefits which both bodies can offer. Strong and meaningful international alliances such as this one are a very positive development for the profession as a whole and for the CPA Malaysia designation in particular.

Both bodies share common and strong interests in the advancement of the profession of accountancy, especially in relation to the maintenance and strengthening of professional and educational standards, and the agreement provides a greater platform for collaboration and allows us to share best practices in education and training.

For further information, please click link [here](#) to refer to the FAQs or you may call Pn Adzlyn Aladzimy, Membership Services Officer: Tel: 03-2698 9622 for further information.

MICPA-Bursa Malaysia Business Forum 2007

Experience One Dynamic Experience with 24 Speakers, 6 Plenary Sessions with the MICPA-Bursa Malaysia Business Forum 2007 with the theme *Malaysia – The New Arena* which will be held on September 3 – 4, 2007 at Shangri-La Hotel Kuala Lumpur. To set the stage for the Business Forum, YB Dato' Dr Awang Adek bin Hussin, Deputy Minister of Finance II, will deliver the Opening Keynote Address. A panel of distinguished speakers and commentators including corporate leaders, senior Government officers, business professionals and capital market regulators will lead discussions and share their knowledge, experiences and best practices with participants over the two-days in the Plenary Sessions. For further information,

please contact Mr Joseph Leong, Education & Training Manager at 03-2698 9622 or E-mail: bizforum07@micpa.com.my or click [here](#) to download the brochure

Budget Day Activities

As members may be aware, the 2008 Budget proposals will be presented to Dewan Rakyat on Friday, September 7, 2007 by the Minister of Finance. The Institute is organising a number of activities relating to the Budget with the aim of providing target audiences with MICPA's reaction to the Budget, especially the implications of the major tax proposals on business as well as the community.

MICPA participates in Career Fairs and Exhibitions

The Institute participates actively in career fairs and exhibitions across the country to promote accountancy as a career, and in particular to create greater awareness of the Malaysia CPA qualification. The Institute will be participating in the following career fairs and exhibitions :

- *Accounting Fair at Universiti Sains Malaysia in collaboration with MIA on September 6, 2007;*
- *Career Talk to Universiti Teknologi MARA on September 7, 2007;*
- *Career Talk & Briefing on the Accountancy Profession to 40 Teachers from the Petaling District on September 10, 2007;*
- *Career Talk to Universiti Tunku Abdul Rahman on September 11, 2007;*
- *Career Talk to Taylors Business School in conjunction with their Accounting Day on October 4, 2007*

Members Update

Members' Handbook Supplement 105

Exposure Draft of the MICPA Code of Ethics

Members are informed that the Council of the Institute has approved the issuance of the proposed MICPA Code of Ethics [the proposed Code] as an Exposure Draft for comment. The proposed Code is based on the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. The proposed Code sets out the fundamental principles of professional ethics for members and a conceptual framework for applying these principles. Specific guidance and examples are also provided on the application of these principles.

The proposed Code is available at the MICPA website at www.micpa.com.my under Members' Handbook in the Members' Area. Comments on the proposed Code should be submitted in writing, preferably by e-mail (micpa@micpa.com.my), to be received by September 15, 2007 and addressed to The Executive Director, MICPA, No.15 Jalan Medan Tuanku, 50300 Kuala Lumpur.

CPD On-Line Record

Effective January 1, 2007, it is mandatory for all members to complete at least 120 hours of relevant Continuing Professional Development (CPD) activity in each rolling three-year period, of which 60 hours should be verifiable. Members are required to submit an annual declaration as to compliance with the CPD requirements prescribed in the CPD Statement.

A CPD On-Line Record functionality has been added to the MICPA website, which facilitates members to update their CPD records on-line in the format provided. Please visit the MICPA website at www.micpa.com.my, login as a Member, click on Members Update on the Left-hand Menu and go to Section F to update your CPD records. For further information, please contact Mr Joseph Leong, Education & Training Manager at 03-2698 9622 or E-mail: joseph.edu@micpa.com.my

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 the bye-laws of the Institute, 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 requirement, you may forward your inquiry to Cik Adzlyn at membership@micpa.com.my or Cik Ruhaizah at ri.stud@micpa.com.my or call 03-2698 9622.

Change of Correspondence and E-mail Address

Members and Students are reminded that they should inform the Institute of any change in their correspondence and e-mail addresses. This is to ensure that you receive all circulars, publications, correspondences and e-mail broadcasts promptly. Please click link [here](#) to download the form and fax the completed form to the MICPA Secretariat at Fax No. 03-2698 9403.

Upcoming Continuing Professional Development (CPD) Programmes

Audit Guide for Practitioners

The Institute is conducting a series of two-day Workshop on *Audit Guide for Practitioners* during July to December 2007 in the major cities. The objective of the Workshop is to equip participants with the technical knowledge and skills in conducting an audit of financial statements in accordance with International Standards on Auditing, which have been adopted for application in Malaysia. The Workshop will cover the fundamental auditing principles, the development of an audit plan, performance of audit procedures, documentation, audit conclusions and reporting. For further information, please click [here](#)

All participants at the Workshop will receive a complimentary copy of the MICPA Audit Guide for Practitioners. The Audit Guide is also available for sale at RM250 for MICPA members and at RM350 for others.

Accounting for Assets

A one-day Seminar on *Accounting for Assets* will be held on September 24, 2007 at The Legend Hotel Kuala Lumpur. The Seminar aims to explain the principles and application of four financial reporting standards [(FRS 116, FRS 136, FRS 123 and FRS 140)], approved by the Malaysian Accounting Standards Board (MASB) relating to accounting for assets and the related practical issues. The Seminar will enable participants to gain an in-depth understanding of the requirements of the MASB Standards relating to accounting for assets. For further information, please click [here](#)

Forum on Implementation and Application of Financial Reporting Standards – Key Issues Impacting Professional Accountants

The Public Practice Committee of the Institute is organising a Forum cum hi-tea on *Implementation and Application of Financial Reporting Standards – Key Issues Impacting Professional Accountants*. The event will be held on September 28, 2007 at The Legend Hotel Kuala Lumpur. The Forum is intended to highlight the implementation and application issues relating to the Financial Reporting Standards currently faced by professional accountants, in particular auditors. For further information, please click [here](#)

Updates from Regulatory Bodies

BURSA MALAYSIA BERHAD

Bursa Malaysia Introduces Trading Halt in Listing Requirements to Reduce Suspension Period and Enhance Market Efficiency

Bursa Malaysia Securities Berhad (“Bursa Securities”) on August 16, 2007 announced amendments to its Listing Requirements for the Main Board, Second Board and the MESDAQ Market in relation to the introduction of trading halt.

Currently, a suspension will be effected on the trading of the securities of a listed company where a material announcement is released before or during trading hours and the suspension imposed will last for the rest of the day for dissemination of the information. With the implementation of trading halt, the securities of the listed company will only be suspended for a maximum period of one trading session.

Selvarany Rasiah, Chief Legal Officer of Bursa Malaysia Berhad, said that trading halt will enhance market efficiency by ensuring trading interruption is kept to a minimum whilst ensuring that sufficient dissemination is made to the market. She added that the shortened suspension period arising from the introduction of trading halt will not only benefit listed companies but also facilitate greater opportunities for the investors to trade in securities.

A new Practice Note and Guidance Note are issued to incorporate the salient features of the trading halt on the type of material announcement that may warrant a trading halt and the duration of the trading halt that may be imposed are as follows :-

- One trading session where the material announcement is released before 9.00 a.m. , between 1.00 p.m. to 2.30 p.m. or after 6.30 p.m. and;
- The remaining period of the particular trading session where the material announcement is released during trading hours.

However, there will be a window period during the session break which is between 12.30 p.m. to 1.00 p.m. where material announcements released during the window period will not result in a trading halt. Notwithstanding the implementation of trading halt, Bursa Securities may suspend the trading of a listed company’s securities for the rest of the day or such other period if it deems necessary and appropriate to enable sufficient dissemination of material announcements.

Similar to the current practice for suspension, a listing circular will be issued by Bursa Securities to inform the market on the imposition of trading halt on a particular security. **The amendments will take effect from September 3, 2007.**

The complete text of the amendments is available for reference along with a set of Questions and Answers to illustrate how the trading halt operates on Bursa Malaysia's website at www.bursamalaysia.com

Malaysian Accounting Standards Board (MASB)

MASB Releases 2 New Proposed Standards for Greater Transparency

The Malaysian Accounting Standard Board (MASB) on July 2, 2007 released ED 56 *Financial Instruments: Disclosures* (ED 56) and ED 57 *Operating Segments* (ED 57) seeking greater transparency in ways companies manage their resources as well as their exposure to risks arising from their involvement in financial instruments.

ED 56 and ED 57 are virtually identical with IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) and IFRS 8 *Operating Segments* (IFRS 8) respectively.

IFRS 7 and IFRS 8 were issued by the International Accounting Standard Board (IASB) in August 2005 and November 2006 respectively. IFRS 7 replaced IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and some requirements in IAS 32 *Financial Instruments: Disclosure and Presentation*. IFRS 8 replaced IAS 14 *Segment Reporting* (IAS 14).

Financial instruments disclosures standard applies not only to financial institutions but also other entities that hold financial instruments. The degree of disclosures depends on how broadly the entity uses financial instruments. Amongst others, the Standard proposes disclosure of sensitivity analysis for each type of market risks to which the entity is exposed and disclosures of how an entity manages risks arising from financial instruments. With these disclosures, users are informed about the extent of financial risks involved in the entity's undertakings.

Simultaneously with the issuance of ED 56, there is a proposed limited amendment to FRS 101 *Presentation of Financial Statements* dealing with capital disclosures. The capital disclosure is important as it helps users to assess an entity's policies and processes for managing capital. Users will be able to assess the entity's risk profile as well as entity's ability to withstand unexpected adverse events and ability to pay dividends.

Another proposed Standard issued by MASB is on operating segments which requires management to report how it has used its resources to manage the entity. ED 57 *Operating Segments* enables users of financial statements to see an entity through the eyes of management by requiring disclosure of information in the format and structure used by management. The existing Standard, FRS 114₂₀₀₄ *Segment Reporting* requires companies to disclose information based on products and services, and on geographical areas. ED 57, when finalised, is expected to reduce cost of reporting segment information as it uses information that is readily available and generated for management's use.

Comments on the proposed Standards are to be submitted to the MASB before September 28, 2007. The proposed Standards are available on MASB website at <http://www.masb.org.my>

Inland Revenue Board of Malaysia (IRB)

Submission of Borang C and Borang R by Companies with Financial Years Ended December 31, 2006 and March 31, 2007

Members are informed that the Inland Revenue Board has agreed to extend the deadline for submission of Borang C and Borang R of companies with financial years ended December 31, 2006 and March 31, 2007 until August 14, 2007 and November 14, 2007 respectively. All Borang C and Borang R must be submitted to Pusat Pemprosesan at Pandan Indan on or before the dates mentioned above.

The extension of time also applies to the payment of the balance of tax payable under Section 103(1) of the Income Tax Act 1967.

IRB e-Filing System

IRB would like to inform that the existing e-Filing system for Form B and BE 2005 will be shut down **permanently** from August 20, 2007. However, taxpayers who have yet to file in their forms can do so manually. The forms can be obtained from:

- i. Any IRB branch offices
- ii. IRB homepage where forms can be downloaded and printed
- iii. Request for software by e-mail sent to e_filing@hasil.org.my

Kindly take note that the e-Filing system for Form e-B and e-BE 2006 will also be shut down **temporarily** from August 20, 2007 to September 10, 2007 for maintenance purposes.

For further inquiries and assistance, please contact IRB at 1-300-88-3010.

Update of Assessment and Settlement of Balance of Tax Payable for New Applicants and Applicants for Renewal of Approval as Tax Agents under Subsection 153(3) of the Income Tax Act 1967

Members are informed that it is the policy of Inland Revenue Board (IRB) that all new applicants and applicants for renewal of approval as tax agents must update all their assessments and settle the balance of their tax payable before approvals are given, despite an earlier arrangement with the IRB to allow for tax to be paid in installments.

This is to ensure that every tax agent sets a good example for their clients in complying with the laws and regulations required by IRB.

2007 Taxation Seminar Schedule

The IRB will be organising a series of 2007 taxation seminars in various states. To view the schedule, please click here www.hasil.org.my

Companies Commission of Malaysia (SSM)

Amendments to Companies Act Marks New Era in Corporate Governance in Malaysia

In fulfilling its mandate under the Companies Commission of Malaysia Act 2001, the Companies Commission of Malaysia has taken the lead in enhancing the corporate governance framework in Malaysia. This is reflected in the amendments to be implemented under the Companies (Amendment) Act 2007 [Act 1299]. The aim of

CCM in introducing the amendments is to ensure that corporate governance in Malaysia flourishes and investor confidence in Malaysian companies is enhanced. For further information, please click here www.ssm.com.my

Opening of Special Counter for the Application of Commemorative Certificate for Incorporation of Companies and Registration of Businesses in Conjunction with the 50th Merdeka Anniversary Celebration

Members are informed that the Companies Commission of Malaysia (SSM) is inviting the public, especially the corporate and business practitioners, to own a special edition of the company incorporation certificate and business registration certificate issued in conjunction with the 50th Merdeka Anniversary celebration.

In t his regard, a special counter is opened from August 15, 2007 to August 31, 2007 at all SSM offices throughout the country. For further information, please contact SSM at 03-4047 6000/6111/6222 or please click here www.ssm.com.my

News from Other Professional Bodies

Malaysian Institute of Accountants (MIA)

Consultative Document: A New Framework for the Accountancy Profession - Enhancing Effectiveness of the Malaysian Institute of Accountants in Meeting Stakeholders' Expectations

The Malaysian Institute of Accountants (MIA) has issued a Consultative Document titled "A New Framework for the Accountancy Profession – Enhancing Effectiveness of the Malaysian Institute of Accountants in Meeting Stakeholders' Expectations". The Document focuses on the challenges faced by the accountancy profession in Malaysia and how the current framework can be enhanced to enable the profession to move forward. The Task Force notes that in addressing these issues, certain amendments to the Act are necessary.

The MIA invites comments by September 15, 2007 on the issues set out in the Consultative Document. Members of MIA can download the document from the website at www.mia.org.my

International Federation of Accountants (IFAC)

IAASB Clarifies its Quality Control & Auditor Reporting Standards; Makes Further Progress on Clarifying Other Auditing Standards

To enhance the quality and consistency of audits, the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), is continuing to advance its project to clarify its international standards. At its July 2007 meeting in Warsaw, Poland, the IAASB approved exposure drafts of nine proposed standards, including each of its international quality control and auditor reporting standards. These have all been redrafted in accordance with the IAASB's new drafting conventions designed to improve the clarity of its pronouncements and to make them easier to apply and to translate.

Several IAASB exposure drafts of proposed redrafted ISAs are open for public comment and can be viewed at <http://www.ifac.org/eds>. For further information, please click here www.ifac.org

Perspective and the Role of Accountants in Business

One of the best defenses against business failure and an important driver of business performance is strong internal control. This is true for organisations globally. Recognising this, the Professional Accountants in Business Committee of the International Federation of Accountants (IFAC) has released a new publication on *Internal Control from a Risk-Based Perspective*. This information paper features interviews conducted by Robert Bruce, a leading financial journalist, with 10 senior-level professional accountants in business on their experiences and views on establishing effective internal control systems. For further information, please click here www.ifac.org

International Ethics Standards Board for Accountants

The International Ethics Standards Board for Accountants (IESBA), an independent standard-setting board within the International Federation of Accountants (IFAC), has issued an exposure draft proposing to strengthen three components of the independence requirements contained in the IFAC Code of Ethics for Professional Accountants (the Code). In December 2006, as a result of a comprehensive review,

The IESBA issued an exposure draft proposing revisions to the existing independence requirements contained in the Code. In that exposure draft, the IESBA indicated that there were areas that the IESBA would revise in a future exposure draft:

- Provision of internal audit services to an audit client;
- Independence implications related to the relative size of fees received from one assurance client; and
- Contingent fees for services provided to assurance clients.

The IESBA is now seeking comment from interested parties on these three matters. Comments on the exposure draft are requested by October 15, 2007. The exposure draft may be viewed by going to www.ifac.org/EDs. For further information, please click here www.ifac.org

IFAC Focuses on Developing New Guidance for PAIBs

IFAC's Professional Accountants in Business (PAIB) Committee seeks comments on a proposed Preface to new principles-based good practice guidance and on a proposed International Management Accounting Statement on *Project Appraisal Using Discounted Cash Flow*. Comments are requested by September 12, 2007. For further information, please click here www.ifac.org

International Accounting Standards Board (IASB)

The ASBJ and the IASB Announce Tokyo Agreement on Achieving Convergence of Accounting Standards by 2011

Ikuo Nishikawa, Chairman of the Accounting Standards Board of Japan (ASBJ), and Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB), jointly announced on August 8, 2007, an agreement (known as the Tokyo Agreement) to accelerate convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs), a process that was started in March 2005.

As part of the agreement the two boards will seek to eliminate by 2008 major differences between Japanese GAAP and IFRSs (as defined by the July 2005 CESR assessment of equivalence), with the remaining differences being removed on or before 30 June 2011. Whilst the target date of 2011 does not apply to any major new IFRSs now being developed that will become effective after 2011, both boards will work closely to ensure the acceptance of the international approach in Japan when new standards become effective. For further information please click here www.iasb.co.uk

How IFRIC 14 (An Interpretation of IAS 19) Addresses the Defined Benefit Pension Assets and their Minimum Funding Requirements

On 5 July 2007 the International Financial Reporting Interpretations Committee (IFRIC) issued an Interpretation, IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*. Since the release of the Interpretation, the IFRIC has observed several press articles and statements by market commentators providing an inaccurate assessment of the effect of IFRIC 14. This document addresses the key issues that have been raised.

Whether and how IFRIC 14 applies to a particular entity will depend on the exact terms of the pension plan and the regulatory requirements in the relevant jurisdiction, and should be determined by reference to IFRIC 14 itself.

The Interpretation does not change the rules on funding

The Interpretation clarifies how entities should account for the effect of any statutory or contractual funding requirements. It cannot change those requirements as they are set by regulators and pension fund trustees, and it is for management to decide how it satisfies those requirements.

The Interpretation does not affect an entity's ability to get a refund

The Interpretation provides guidance on how to account for any restrictions that may be in place. It does not affect an entity's ability to get a refund. An employer's ability to get a refund is determined by the statutory requirements in the jurisdiction in question and the scheme rules.

An additional liability is recognised only if two conditions exist at the same time

An additional liability is recognised only if both of the following conditions exist:

- If the entity has a statutory or contractual obligation to pay additional amounts to the plan and
- If the entity's ability to recover those amounts in the future by refund or otherwise is restricted.

In that case, the recognition of an additional liability reflects the economic reality.

The Interpretation clarifies when a surplus in a pension plan can be recognised

IFRIC 14 provides a clearer interpretation of the availability of a surplus than the original standard, IAS 19 Employee Benefits. Under IAS 19 some have argued that a surplus is not available to a plan sponsor unless it is immediately realisable at the balance sheet date. IFRIC 14 states that the employer only needs to have an unconditional right to use the surplus at some point during the life of the plan or on its wind up in order for a surplus to be recognised.

The Interpretation ensures that the accounting for surpluses is consistent and transparent

The Interpretation will ensure that any economic consequences of making contributions required by legislation or the terms of the plan will be treated in a transparent and consistent manner by all entities.

Further information, please click here www.iasb.co.uk

IFRIC publishes proposed Guidance on Real Estate Sales

The International Financial Reporting Interpretations Committee on July 5, 2007 released for public comment a draft Interpretation, *IFRIC D21 Real Estate Sales*. The proposal is open for public comment until October 5, 2007. The proposed Interpretation aims to standardise accounting practice among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete.

At present, real estate developers interpret International Financial Reporting Standards (IFRSs) differently and record revenue for the sale of the units at different times. Some record revenue only when they have handed over the completed unit to the buyer, while others record revenue earlier, as construction progresses, by reference to the stage of completion of the development.

IFRIC D21 proposes that revenue should be recorded as construction progresses only if the developer is providing construction services, rather than selling goods (completed real estate units). It proposes features that indicate that the seller is providing construction services. In many countries, these features tend currently not to be present in typical off plan sale agreements. For further information, please click here www.iasb.co.uk

IFRIC publishes proposed Guidance on Hedges of a Net Investment in a Foreign Operation

The International Financial Reporting Interpretations Committee on July 19, 2007, released for public comment a draft Interpretation, *IFRIC D22 Hedges of a Net Investment in a Foreign Operation*. The proposal is open for public comment until October 19, 2007.

IFRIC D22 clarifies two issues that have arisen on two accounting standards - IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 39 *Financial Instruments: Recognition and Measurement* - about the accounting for hedging foreign currency risk within a company and its foreign operations. The IFRIC proposal clarifies what qualifies as a risk in the hedge of a net investment in a foreign operation and where within a group the instrument that offsets that risk may be held. For further information, please visit www.iasb.co.uk

**The IFRIC is the interpretative arm of the International Accounting Standards Board*

Other News

The Malaysian Accountant Journal

Contribution of Articles

If you have any article, which in your view, is suitable for inclusion in our columns, please send the article to the Editorial Board at vic.pr@micpa.com.my. We will be happy to review the article for possible publication in *The Malaysian Accountant*.

Advertisement Space

If you would like to place an advertisement in *The Malaysian Accountant*, please contact our Public Affairs & Communications Manager at vic.pr@micpa.com.my for details.

Prepared by MICPA's Public Affairs & Communications Department.
Contact: vic.pr@micpa.com.my for further information.

The Malaysian Institute of Certified Public Accountants

No 15, Jalan Medan Tuanku, 50300 Kuala Lumpur, Malaysia. Tel: 03-26989622 Fax: 03-26989403
Email: micpa@micpa.com.my Website: www.micpa.com.my