

December 2011

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

Announcements

Greetings



The President, Council, Management and Staff of the MICPA would like to wish all our Members & Students

Happy New Year – 2012!

MICPA PUBLICATION

Audit Guide for Practitioners – Revised Edition

We are pleased to inform members that the updated *Audit Guide for Practitioners* is available for sale which incorporates the latest clarified International Standards on Auditing (ISA) as of June 2011.

The updated Audit Guide for Practitioners is designed to provide guidance on the performance of audits in accordance with approved auditing standards and maintaining quality control for audit work. It covers the development of an audit plan, audit programme and audit management. The guide also contains sample working papers, internal control questionnaires and checklists on disclosure requirements.

The Audit Guide includes separate audit programmes for medium large companies, small companies and dormant companies.

For further information, please contact the Institute's Membership Department on 03-2698 9622 or email: membership@micpa.com.my.

MICPA Education & Training

Students Sponsorship Programme

The Students Sponsorship Programme (SSP) is a programme launched jointly by the MICPA and approved accounting firms or approved training organisations recently. The objective of the programme is to assist students who are interested to pursue the revised MICPA programme while pursuing the final year of an accredited Bachelor of Accountancy degree programme, It also provides an avenue to approved accounting

firms or approved training organisations in identifying suitable candidates for internship and employment.

Under the SSP, approved accounting firms or approved training organisations will sponsor students who are interested to pursue the Taxation module and the Financial Reporting module of the revised MICPA programme while pursuing the final year of their Bachelor of Accountancy degree programme.

Candidates under the SSP will be required to work for the approved accounting firms or approved training organisations during their internship as well as upon completion of the Bachelor of Accountancy degree programme for a period of not less than 3 years.

The SSP is open to candidates who meet the following minimum criteria:

- Pursuing final year of a 4-year Bachelor of Accountancy degree programme accredited by MICPA or ICAA
- Minimum CGPA of 3.5 after completing 3-years of the Bachelor of Accountancy degree programme
- Active participation in extra-curricular activities
- Excellent communication skills, both oral and written. Fluency in written and spoken English is critical
- Must be a Malaysian citizen with good personality traits

The MICPA will work together with the various accredited public and private universities in Malaysia to identify suitable candidates who are interested to pursue the revised MICPA programme.

The profile of the identified candidates will be submitted to the approved accounting firms or approved training organisations for their consideration. The approved accounting firms or approved training organisations will conduct an interview with the identified candidates in order to consider the suitability of the candidates meeting the needs of the approved accounting firms or approved training organisations. An acceptance letter will be given to the successful candidates.

For further information on the Students Sponsorship Programme, please contact the Institute's Marketing Manager or Education & Training Manager on Tel: 03-2698 9622 or email: micpa@micpa.com.my.

Membership to ICAA

As you are aware, The Institute of Chartered Accountants in Australia (ICAA) and The Malaysian Institute of Certified Public Accountants (MICPA) signed a Memorandum of Understanding (MoU) in February 2009.

The MoU includes the mutual recognition of accounting qualifications. In this regard, we are pleased to announce and inform that members of MICPA are now eligible to apply for membership of The Institute of Chartered Accountants in Australia (ICAA). The membership arrangements will further increase the mobility and open the door to numerous professional opportunities.

To apply for membership to ICAA, MICPA members are required to:

- be a MICPA member in good standing;
- have successfully completed the MICPA's professional programme introduced prior to the revised MICPA programme; and
- pass an Online Ethics Module within 3 months of application.

For further information on the reciprocal membership, kindly click on the links provided below:

- [Frequently Asked Questions](#)
- [MICPA to ICAA Flowchart](#)
- [Application Form](#)

Pathways Route to ICAEW Membership

The MICPA qualification was recognised by The Institute of Chartered Accountants of England and Wales (ICAEW) in 2004. ICAEW undertook further assessment of the MICPA qualification in comparison with the ACA qualification introduced in 2007 and granted further exemptions to MICPA members in January 2009.

We are pleased to inform members that the Council of ICAEW has agreed to extend the ***Pathways to Membership Scheme to MICPA members with effect from January 1, 2010***. The Pathways to ICAEW membership further endorses the close co-operation between the two Institutes in the education and training of professional accountants. For further information, please click [here](#).

Activities of the Institute

MICPA Participates in Professional Career Talks

The Institute continues to embark on an aggressive marketing strategy to position the Revised MICPA Programme and the CPA (M) and CA (Austr) designation respectively.

In this regard, 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.

The following presentations were made in December, 2011 to the following firms, universities and colleges. It was also an opportunity for the Institute to promote the Students Sponsorship Programme which has been launched by the Institute.

Member Firms:

- Deloitte Malaysia

- On December 5, 2011

- KPMG

- On December 6, 2011

Universities/ Colleges:

- Universiti Malaysia Terengganu

- On December 2, 2011

- Universiti Teknologi MARA, Kelantan

- On December 2, 2011

Approved Training Employers

The MICPA provides for two streams of training. The MICPA students may undertake their training with Approved Training Employers - in approved accounting firms or in Approved Training Organisations (ATOs) in commerce, industry or the public sector.

To date, over 480 members' firms and 77 ATOs are registered with the Institute where students can undertake their training. For further information, please visit the MICPA website www.micpa.com.my and go to **Explore and click on Approved Training Employers in the Homepage.**

Job Opportunities on MICPA Website

As part of the Institute's service to members, Members' Firms and Approved Training Organisations of the Institute who wish to advertise any job opportunities in their respective firms are welcome to send in the job vacancy to the Institute. The opening will be posted on the MICPA website for one (1) month from the date of posting.

For further information, please contact the Public Affairs & Communications Manager on Tel: 03-2698 9622 or email: vic.pr@micpa.com.my.

MICPA Technical Updates

COMPANIES COMMISSION OF MALAYSIA (SSM)

Appointment of New Chief Executive Officer

Further to Circular No. TEC/070/12/2011/W dated December 12, 2011, members are informed that Encik Mohd Naim Daruwish was appointed as the new Chief Executive Officer of the Companies Commission of Malaysia (SSM) effective December 1, 2011.

He replaces YBhg Dato' Azmi Ariffin who has been transferred to the Attorney General's office on November 1, 2011.

Should you have any enquiries on the above matter, please contact SSM at 03-2299 5525 or 019-2422668 (Shahren).

ROYAL MALAYSIAN CUSTOMS

Minutes of Meeting of Consultative Panel Between Customs and Private Sector 2/2011

Further to Circular No. TEC/070/12/2011/W dated December 15, 2011, members are informed that the Consultative Panel between Customs and Private Sector provides a forum for discussion of practical issues and suggestions relating to customs and excise matters.

At the meeting of the Consultative Panel (2/2011) held on October 21, 2011, some of the issues discussed include the following:

- Valuation of excise duties
- Service tax on services provided to companies located in Free Zones
- Temporary importation – Standardisation of procedures and forms
- Customs Client Charter on the Authorised Economic Operator (AEO) Programme
- Sales tax chargeable on preferential value of goods
- Discrepancies in Customs Classification Code (HS CODE)
- Extension of time period for re-importation of recognized Malaysian brand products
- Imposition of excise duties on locally assembled vehicles
- Customs classification
- Containers detained by Customs – delay in releasing empty containers

The minutes of the above-mentioned meeting of the Consultative Panel is available on the MICPA's website at www.micpa.com.my in the Members' Area.

INLAND REVENUE BOARD OF MALAYSIA (IRB)

Public Ruling No. 10/2011: Gratuity

Further to Circular No.TEC/072/12/2011/W dated December 20, 2011, members are informed that the Inland Revenue Board (IRB) has issued Public Ruling No. 10/2011: Gratuity on December 5, 2011.

Public Ruling No. 10/2011 which is effective from Year of Assessment 2011 and subsequent years of assessment, explains the method used to characterize lump sum payments received by employees upon the termination of their employment as gratuity and the tax treatment of gratuity.

The above Public Ruling can be downloaded from the IRB's website at:
http://www.hasil.gov.my/pdf/pdfam/PR10_2011.pdf.

Members Updates

Membership Data Update

Further to Circular No.MEM/01/12/2011/W dated December 7, 2011, members are informed that as a member-based organisation, one of the strategic objectives of the Institute is to provide support and services that benefit members. It is also the Institute's aim to continually improve the communication links between the Institute and members. In this regard, the Institute intends to update the membership database with regard to your personal particulars.

The Institute would like to seek your kind cooperation to complete the membership data update form and return it by post/ fax at +603-2698 9403 attention to the Secretary of the Institute. Members may also update your personal data by sending an email to membership@micpa.com.my preferably by **January 31, 2012**.

Please click [here](#) to download the form.

Alternatively, you may also update your personal data on-line via the MICPA website www.micpa.com.my by clicking on the Members Profile Update in the Members' Area.

MICPA Practising Certificate

The Membership Affairs Committee of the Institute in considering applications for practising certificate 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 requirement, you may forward your inquiry to membership@micpa.com.my or call +603-2698 9622.

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.

An on-line CPD 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 Membership Update on the Left-hand Menu and go to Section F to update your CPD records.**

Continuing Professional Development (CPD) Programmes

It is an integral part of the Institute to conduct CPD Programmes to enhance the skills and knowledge of members. Our training covers a wide range of areas, including auditing, financial reporting, tax and more. **The following CPD programmes were held in December, 2011:**

Advanced Corporate Tax Planning

The MICPA organised a one-day Workshop on *Advanced Corporate Tax Planning* on December 5, 2011 at the Seri Pacific Hotel, Kuala Lumpur.

The objective of this Workshop is to highlight to participants the tax planning areas to be considered in a corporate reorganisation and restructuring exercise. In addition, the Workshop will also cover other important tax planning areas such as corporate group structure, cross border tax planning and transfer pricing. Through interactive discussions and practical examples, complex issues will be broken down into easy to comprehend principles to enable participants to immediately apply the concepts to their businesses.

The Workshop was led by Mr Chow Chee Yen, Executive Director, Advent Tax Consultants Sdn Bhd.

***Advanced Consolidation Principles
- Revised FRS 3 and Revised FRS 127***

The MICPA organised a one-day Seminar on *Advanced Consolidation Principles* on December 14, 2011 at the Concorde Hotel, Kuala Lumpur.

This Seminar aimed to update participants with the latest knowledge on the subject of business combinations and consolidation in the Revised FRS 3 and Revised FRS 127. The Seminar will provide participants with hands-on exercises and practical cases on the advanced consolidation principles of acquisitions, reverse acquisitions, disposals of interest in subsidiaries and changes in stakes (accretion, dilution and deemed disposals).

The seminar was led by Mr Tan Liong Tong, Technical Consultant to Mazars Malaysia and Mr Woon Chin Chan, Consultant cum Trainer.

***Accounting for Construction, Property Development and
Real Estate Activities***

The MICPA organised a one-day Workshop on *Accounting for Construction, Property Development and Real Estate Activities* on December 15, 2011 at the Seri Pacific Hotel, Kuala Lumpur.

The Workshop aimed to discuss the important accounting principles of the relevant accounting standards, and to highlight the major areas of difficulty in measuring and recognising revenue and costs associated with construction contracts and property development activities, and the proper accounting treatment of finance costs arising from borrowings used to finance these activities.

The Workshop was led by Ms Lim Geok Heng, Technical and Training Consultant, EVO Training & Consulting who also introduce to participants the issues and implications arising from adoption of IC Interpretation 15 which replaces FRS 201₂₀₀₄ with effect from January 1, 2012.

News from Regulatory Bodies

SECURITIES COMMISSION MALAYSIA (SC)

***Regional Ranking of ASEAN PLCs Underway to Raise CG Standards
and Practices***

Led by the Securities Commission Malaysia, ASEAN Corporate Governance (CG) experts have been collaborating to develop a CG scorecard to rank public listed companies (PLCs) in the region.

The ASEAN CG Scorecard and the Corporate Governance Ranking of ASEAN PLCs are among a number of major regional initiatives under the ASEAN Capital Markets Forum. Funded by the Asian Development Bank, these initiatives are aimed at raising Corporate Governance standards and practices in ASEAN, and enhancing the visibility and investment profile of quality ASEAN PLCs internationally.

With the technical assistance of the region's top CG experts, a CG ranking methodology has been established by leveraging off methodologies already implemented in ASEAN countries, as well as those applied by multilateral agencies such as the Organisation for Economic Co-operation and Development.

The CG experts, namely Professor Mak Yuen Teen from the National University of Singapore Business School; Rongruja Saicheua from the Thai Institute of Directors; Professor Sidharta Utama from the Indonesian Institute for Corporate Directorship; and Professor Salleh Hassan from Malaysia, will soon commence assessing ASEAN PLCs against the evaluation criteria, and develop a list of ranked companies which is expected to be released in the first quarter of 2012.

For the pilot year, the ASEAN CG Scorecard will be used to rank the top 30 PLCs in each of the participating countries, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Moving forward it is envisaged that this initiative will produce an annual top PLCs regional list.

The ASEAN CG Scorecard is expected to strongly support efforts to establish ASEAN as an asset class and promote ASEAN PLCS as internationally competitive from a Corporate Governance perspective.

SC and Regional Regulators Discuss Risks and Challenges to Capital Markets

Asia-Pacific regulators met in Kuala Lumpur to discuss the impact of current international developments in the financial sector on the Asia-Pacific, including the effects of the Euro zone crisis on regional markets. Regulators were aligned on the need to continue to focus on the potential contagion effects and risks that these developments have for the region. Participants also discussed the challenges involved in cross-border enforcement, including the implications of technology-based trading.

These issues were central to discussions at the International Organisation of Securities Commission's (IOSCO) Asia-Pacific Regional Committee (APRC) meeting and a dialogue with industry players on December 1 – 2, 2011 respectively.

The APRC meeting, chaired by the Securities and Exchange Board of India, was attended by senior regulators from 17 jurisdictions within the Asia-Pacific region namely Australia, Brunei, China, Chinese Taipei, Hong Kong, India, Indonesia, Japan, Korea, Laos, Malaysia, Maldives, New Zealand, Pakistan, Singapore, Sri Lanka and Thailand.

The dialogue with industry also discussed the drivers and strategies to promote the growth and development of the investment management industry in the Asia-Pacific.

IOSCO is recognised as the leading international policy forum for securities regulators. The organisation's membership regulates more than 95% of the world's securities markets in over 100 jurisdictions. As the leading international policy forum for securities regulators, IOSCO plays a key role in setting the international standards for securities regulation, identifying issues affecting global markets, and making recommendations in meeting those challenges.

SC Releases Eligibility Requirements for Private Retirement Scheme Providers

The SC has finalised the eligibility requirements for private retirement scheme (PRS) providers and eligible firms can now make submissions to be approved as PRS providers.

The recent enactment of the Capital Markets and Services Amendment Act 2011 provides the regulatory framework for a PRS industry, including empowering the SC

to approve PRS providers. A select number of suitably qualified and experienced providers with the required expertise in pension fund management or retail fund management would be approved to offer PRS schemes with an appropriate range of dedicated retirement funds catering for different investment and risk profiles.

Interested applicants are to submit their applications to the SC by **February 15, 2012**. All applicants will be assessed on their financial standing and organisational capabilities, including meeting relevant capital requirements, internal control and risk management practices. Qualitative factors such as governance structure, reputation and professional standing as well as track record and commitment to grow the PRS industry will also be taken into consideration.

They will need to outline the business model for offering of PRS including the proposed range of funds, indicative fees and charges structure as well as their ability to meet the specific administrative requirements of the PRS, such as resourcing capabilities, systems and process capabilities and member servicing.

Once the PRS providers are approved by the SC, they would be required to make an application to the SC for approval of their proposed PRS scheme, which would provide the public options to supplement their retirement savings by making additional voluntary long term contributions within a well-structured and regulated environment. PRS guidelines would be released by the SC for this purpose.

The PRS industry is intended to complement and supplement the existing mandatory schemes of the EPF. The framework can be used by individuals who have disposable income to save as well as employers to make voluntary contributions above the EPF mandatory contributions on behalf of their employees.

Measures to incentivise participation in PRS had been announced by the Prime Minister in the 2012 Budget speech, whereby a personal tax relief of up to RM3,000 would be given to contributions by individuals to PRS approved by the SC as well as tax deductions to employers for contributions above the statutory rate up to 19% of employees' remuneration. Further, a tax exemption was also announced on income received by funds within the PRS schemes.

For further information on the above news, please visit www.sc.com.my.

BANK NEGARA MALAYSIA (BNM)

Money Services Business Act 2011 Comes into Force

Bank Negara Malaysia is pleased to announce the coming into force of the Money Services Business Act 2011 (the Act) today. With this, the Money-Changing Act 1998 is repealed. The new Act supports the development of a more dynamic, competitive and professional money services business industry, (comprising the money changing, remittance and wholesale currency businesses), while strengthening safeguards against money laundering, terrorist financing and illegal activities.

The Act provides a single, uniform regulatory framework for licensees carrying on money changing, remittance and wholesale currency businesses which are currently governed under three separate laws, namely the Money Changing Act 1998, the Payments Systems Act 2003 and the Exchange Control Act 1953.

For further information on the Money Services Business Act, members of the public can contact BNMLINK at 1-300-88-5465.

Financial Sector Blueprint 2011-2020

Bank Negara Malaysia today released the new Financial Sector Blueprint. Themed "**Strengthening Our Future**", the Blueprint charts the future direction of the financial system over the next ten years.

As the country transitions towards a high value-added and high-income economy, the role of the financial sector is envisioned to grow beyond its role as an enabler of growth to be a key driver and catalyst of economic growth. Towards this end, the aim is for the financial sector to be more competitive, dynamic, inclusive, diversified and integrated, with the ability to offer world class financial services, in terms of breadth, depth and quality to serve the needs of Malaysia.

The Blueprint charts a vision and direction for the Malaysian financial sector for the next ten years that will support Malaysia's long-term ambitions. To ensure the achievement of the desired outcomes, a robust implementation and monitoring framework will be put in place, including update on the progress of the implementation of the Blueprint.

For further information, please visit www.bnm.gov.my.

BURSA MALAYSIA BERHAD

Bursa Malaysia Bags Four International Awards for Best Corporate Governance and Investor Relations Practices in IR Global Rankings

Bursa Malaysia Berhad bagged four awards in the 13th annual edition of the IR Global Rankings (IRGR) for **Outstanding Corporate Governance in Asia Pacific**, **Best Ranked Corporate Governance by Industry (Financials)** and **Best Online Annual Report in Asia Pacific** for 2011. Bursa Malaysia also won the Bronze Award for **Investor Relations Website in Asia Pacific**. The awards were given in recognition of Bursa Malaysia's exemplary best practice on corporate governance as well as online annual report structure.

The IRGR is the most comprehensive ranking system for investor relations website, online annual report, corporate governance practices and financial disclosure procedures. The ranking is based on extensive technical proprietary research of publicly traded companies through a clear and transparent methodology. The ranking is supported by key global institutions such as Arnold & Porter; KPMG; MZ and Sodali.

More than 600 companies from over 30 countries participated in the 2011 edition of the IRGR. Participants were benchmarked against companies in the global and Asia Pacific region in four main categories comprising **Best Ranked IR Website**, **Best Ranked Online Annual Report**, **Best Ranked Financial Disclosures Procedures** and **Best Ranked Corporate Governance Practices**.

For further information, please visit www.bursamalaysia.com.

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

IFAC Signs MoU with International Donor Community

The International Federation of Accountants (IFAC), the global organization for the accountancy profession with members and associates in 127 countries, participated in the signing ceremony of *MOSAIC: Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration*, a memorandum of understanding (MOU) with the international donor community.

MOSAIC sets out the basis for improving cooperation and collaboration between IFAC, international donors, and the international development community. The MOU will provide the foundations for increasing the capacity of professional accountancy organizations (PAOs) and improve the quality of financial management systems in emerging economies.

In addition to IFAC, signatories to the MOU include the Asian Development Bank, Inter-American Development Bank, African Development Bank, World Bank, and donor agencies from Sweden, Finland, the United States, the United Kingdom, New Zealand, and the GAVI Alliance.

The signing ceremony took place in Busan, South Korea, at the Fourth High Level Forum on Aid Effectiveness, hosted by the Organization for Economic Co-operation and Development and convened to review global progress in improving the impact and value for money of development aid and to make new commitments to further ensure that aid helps to reduce poverty and support progress in meeting the Millennium Development Goals.

IFAC Issues Proposed International Guidance to Help Accountants Improve Internal Control

The Professional Accountants in Business (PAIB) Committee of the IFAC has issued proposed International Good Practice Guidance, *Evaluating and Improving Internal Control in Organisations* for public comment. The aim of this guidance is to establish a benchmark for good practice in maintaining effective internal control in response to risk, and help professional accountants in business and their organizations create a cycle of continuous improvement for their internal control systems.

With this proposed publication, the PAIB Committee aims to provide principles-based guidance that focuses on the role of professional accountants in business and how they can support their organisations in evaluating and improving internal control as an integrated part of the organisation's governance, risk management, and internal control systems. This proposed guidance can be implemented regardless of the existing internal control frameworks or standards used, as it deals with those internal control issues that are often unsuccessful because of poor implementation and design.

Professional accountants, their organisations, and other interested parties are encouraged to respond to the proposed guidance to help improve its applicability to professional accountants in organisations of all sizes.

IFAC Updates Practice Management Guide for SMPs

The Small and Medium Practices (SMP) Committee of the IFAC released the second edition of its *Guide to Practice Management for Small- and Medium-Sized Practices*

(PM Guide). First released in 2010 and developed with CPA Australia, the new edition of the guide features guidance on several new topics, including cloud computing and updated resources for further reading.

To help practitioners improve the management of their accounting practices, this guide includes an extended case study, a sample office procedures manual, and numerous checklists and other worksheets. The comprehensive guide is comprised of eight standalone modules that include developing a growth strategy, managing staff and client relationships, risk management, succession planning, and more. It is intended to help IFAC members support their SMP constituents, and can be used for education and training. An updated companion guide to help members make the best use of the PM guide will be released in early 2012.

IFAC is grateful to its member bodies Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and Certified General Accountants Association of Canada for providing some of the funding for the PM Guide's development.

The updated PM Guide can be downloaded free of charge from the SMP Publications and Resources area of the IFAC website. Filter by language to find translations of the first edition. Visit the Small and Medium Practices web pages for access to additional resources, aligned with the topics in each module of the PM Guide (see Relevant Links—Practice Management).

IAASB Addresses Auditing Considerations Relating to Financial Instruments

The International Auditing and Assurance Standards Board (IAASB) has released *International Auditing Practice Note (IAPN) 1000, Special Considerations in Auditing Financial Instruments*, to provide important practical assistance to auditors when addressing valuation and other considerations pertaining to financial instruments. Financial instruments is an area of financial reporting involving complex issues and which has come under particular focus due to the recent difficult financial market conditions.

IAPNs are non-authoritative documents that do not impose additional requirements on auditors beyond those included in the International Standards on Auditing (ISAs), nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. In finalizing IAPN 1000, and in response to stakeholder concerns, the IAASB evaluated the clarity and appropriateness of the authority of the existing International Auditing Practice Statements (IAPs).

The IAASB decided to withdraw the existing category of pronouncements known as IAPs and to establish IAPNs, as reflected in the amended *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*. Accordingly, the six existing IAPs were also withdrawn as the IAASB determined that they were largely outdated and inconsistent with the text of the clarified ISAs.

IAASB Focuses on Capital Markets: Issues New Assurance Standard on Pro Forma Financial Information

Recognising the need for reliable information in domestic and cross-border securities offerings and other fundraising activities, the IAASB have released new International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to

Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.

Companies seeking to access capital markets commonly include pro forma financial information in their prospectuses as a key element to enable investors and others to better assess the investment opportunities presented. Pro forma financial information included in an issuer's prospectus illustrates the impact of a proposed acquisition, equity or debt issuance, or other transactions on the issuer's historical financial information as if such event or transaction had occurred at an earlier selected date.

The new ISAE 3420 provides comprehensive guidance on the nature and extent of a practitioner's work when engaged to report on the compilation of pro forma financial information. Among other matters, it establishes minimum benchmarks for suitable criteria for the compilation of such information. It also covers related engagement acceptance and reporting considerations. ISAE 3420 is effective for assurance reports dated on or after March 31, 2013.

IESBA Proposes Changes to the Code of Ethics for Professional Accountants to Address Conflicts of Interest

The International Ethics Standards Board for Accountants (IESBA) is proposing changes to its *Code of Ethics for Professional Accountants* (the IESBA Code) to provide additional guidance to professional accountants in business and in public practice concerning conflicts of interest, and to make revisions to provide more comprehensive guidance in identifying, evaluating, and managing conflicts of interest.

The IESBA approved this project in October 2009. It examined two sections of the IESBA Code that address conflicts—Section 220, for professional accountants in public practice, and Section 310, for professional accountants in business. In the IESBA's view, the approach to be taken by a professional accountant in public practice and a professional accountant in business should be broadly similar. The proposal recognizes, however, that conflicts of interest will typically arise in different circumstances for accountants in public practice, particularly because a conflict of interest may arise from professional services provided by other members of the accountant's firm.

The proposed guidance also calls for professional accountants in business to be alert to interests and relationships that a reasonable and informed third party would be likely to conclude might compromise compliance with the fundamental principles. Further, the IESBA proposal would strengthen the guidance on threats created by compensation and incentive arrangements.

How to comment

The IESBA invites all stakeholders to comment on its proposals. To access the exposure draft and submit a comment, visit the IESBA website at www.ethicsboard.org. Comments on the exposure draft *Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest* are requested by **March 31, 2012**.

For further information on the above news, please visit www.ifac.org.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

SME Implementation Group Publishes Two Final Q&As

The SME Implementation Group (SMEIG) has published two question and answer documents (Q&As) on the IFRS for SMEs:

- Q&A 2011/02 Entities that typically have public accountability
- Q&A 2011/03 Interpretation of 'traded in a public market' in applying the IFRS for SMEs

These two Q&As contain guidance to help entities assess whether they have public accountability and, therefore, whether they meet the scope requirements in Section 1 of the IFRS for SMEs.

The final Q&As reflect the input that the SMEIG received on the publication of **three draft Q&As** in April 2011 on these topics.

Q&As published by the SME Implementation Group are non-mandatory guidance that will help those who use the IFRS for SMEs to think about specific accounting questions. They are not intended to modify in any way the application of full IFRSs.

Review of the IFRS for SMEs

When the International Accounting Standards Board (IASB) issued the IFRS for SMEs in 2009, it made a commitment to undertake a post-implementation review of the standard. The IASB expects to initiate the comprehensive review in 2012. The review is expected to include a request for public comments on amendments that should be considered for the IFRS for SMEs. As part of the review, the IASB will also consider incorporating Q&As into the revised IFRS for SMEs. For that reason, the SMEIG does not expect that it will issue many, if any, additional draft Q&As before the start of the comprehensive review.

Following the review, the IASB plans to consider amendments to the IFRS for SMEs approximately once every three years.

New Insurance Contracts Webpage Reporting Current Status of Projects

The Insurance Contracts project team has prepared a webpage that reports on the boards' joint tentative decisions on this project.

The webpage is designed to help interested parties evaluate the impact of those decisions on the forthcoming standard. It also invites feedback on the following topics:

- cash flows (excluding cash flows from discretionary participation features and policy-holder tax);
- discount rate
- risk adjustment (excluding diversification benefits); and disclosures. and
- The new webpage will be updated as further topics become available.

2012 IFRS (Blue Book) Consolidated Without Early Application – Now Available

The IFRS Foundation is pleased to announce that the 2012 IFRS (Blue Book) Consolidated without early application is now available.

International Financial Reporting Standards (IFRSs). Official pronouncements applicable on January 1, 2012. Does not include IFRSs with an effective date after January 1, 2012. Further information can be found in [web shop](#).

Michel Prada Appointed as Chairman of the IFRS Foundation Trustees

The Trustees of the IFRS Foundation have announced the appointment of Michel Prada as Chairman of the Trustees. Mr Prada, a former Chairman of the Executive and Technical Committees of the International Organization of Securities Commissions (IOSCO), is a highly respected advocate of investor protection and independent standard-setting. He brings significant experience of leading investor-focused international organisations. Mr Prada will serve an initial three-year term, effective 1 January 2012

English Language Version of IFRS for SMEs Training Module 33 Related Party Disclosures Available

The IFRS have posted the English-language version of *IFRS for SMEs* training Module 33 *Related Party Disclosures*. Module 33 focuses on the presentation of related party disclosures in the financial statements in accordance with Section 33 *Related Party Disclosures* of the IFRS for SMEs.

It introduces the learner to the subject, guides the learner through the official text, develops the learner's understanding of the requirements through the use of examples and indicates significant judgements that are required in presenting related party disclosures in the financial statements.

Furthermore, the module includes questions designed to test the learner's knowledge of the requirements and case studies to develop the learner's ability to present related party disclosures in the financial statements in accordance with the *IFRS for SMEs*. This and other *IFRS for SMEs* training modules are free to download in PDF format in multiple languages.

Currently, 27 training modules have been posted in English. Ultimately, the *IFRS for SMEs* training material will include 35 stand-alone modules—one for each section of the *IFRS for SMEs*. You are free to print the training materials, distribute them in training programmes, and post them on your own website in accordance with IFRS Foundation copyright and terms of use. All of the modules are available at <http://go.ifrs.org/smetraining>.

IASB and FASB Issue Common Offsetting Disclosure Requirements

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have issued common disclosure requirements that are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position.

The eligibility criteria for offsetting are different in International Financial Reporting Standards (IFRSs) and U.S. Generally Accepted Accounting Principles (US GAAP). Offsetting, otherwise known as netting, is the presentation of assets and liabilities as a single net amount in the statement of financial position (balance sheet). Unlike IFRSs, US GAAP allows companies the option to present net in their balance sheets derivatives that are subject to a legally enforceable netting arrangement with the same party where rights of set-off are only available in the event of default or bankruptcy.

To address these differences between IFRSs and US GAAP, in January 2011 the IASB and the FASB issued an exposure draft that proposed new criteria for netting that were narrower than the current conditions currently in US GAAP. However, in response to feedback from their respective stakeholders, the boards decided to retain their existing offsetting models and instead issue new disclosure requirements to allow investors to better compare financial statements prepared in accordance with IFRSs or US GAAP.

Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively. More information about the project including a project summary and feedback statement and an IASB podcast introducing the amendments can be accessed via the IASB's project website at: <http://go.ifrs.org/offsetting>.

IASB Defers IFRS 9 Mandatory Effective Date to 2015

The IASB has issued amendments to IFRS 9 *Financial Instruments* that defer the mandatory effective date from January 1, 2013 to January 1, 2015. The deferral will make it possible for all phases of the project to have the same mandatory effective date.

The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

Early application of IFRS 9 is still permitted.

IASB Clarifies its Requirements for Offsetting Financial Instruments

The IASB clarified its requirements for offsetting financial instruments by issuing *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 *Financial Instruments: Presentation*.

The amendments clarify:

- the meaning of 'currently has a legally enforceable right of set-off'; and
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

The amendments are part of the IASB's offsetting project. As part of that project, today the IASB also separately issued *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).

IASB Proposes to Clarify the Transition Guidance in IFRS 10

The IASB has published for public comment proposed amendments to IFRS 10 *Consolidated Financial Statements*.

The objective of the proposed amendments is to clarify the transition guidance in IFRS 10 by confirming when an entity needs to apply IFRS 10 retrospectively. The proposals should allay the concerns of some who thought that the transition provisions were more burdensome than originally intended.

It is proposed that the effective date of the proposed amendments would be aligned with the effective date of IFRS 10.

The exposure draft *Transition Guidance (Proposed amendments to IFRS 10)* is open for comment until **March 21, 2012** and can be accessed via the '**Comment on a Proposal**' section of the IFRS website.

For further information on the above news, please visit www.ifrs.org.

News from Professional and Other Bodies

THE MALAYSIAN INSTITUTE OF MANAGEMENT (MIM)

National Transformation Summit

The Performance Management and Transformation Leadership Centre (PMTLC), an arm of the Malaysian Institute of Management is organising the *National Transformation Summit* with the theme Capitalising on Opportunities from the Economic Transformation Programme. The event will be held on February 16 & 17, 2012 at the Crowne Plaza Mutiara Hotel, Kuala Lumpur.

As part of the programme, an exclusive 30-minute Q&A Session with YB Senator Dato' Sri Idris Jala on the Malaysian Transformation Journey Updates has been planned.

Benefits of the Summit:

- Be involved in the Malaysian Journey on radical economic transformation
- Learn first-hand from the corporate leaders on how the business community can help the ETP to transform the Malaysian economic landscape and take advantage of the business opportunities available
- Find out how the national key economic areas (NKEAs) are developed and their latest updates
- Determine the business opportunity available under the ETP

The MICPA is a supporting organisation of the Summit. For further information, please visit www.mim.org.my or call Puan Sharifah Mariam on Tel: 03-2172 5420 or email: sharifah@mim.org.my

THE MALAYSIAN INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATORS (MAICSA)

MAICSA Annual Conference 2012

The MAICSA will be organising its *Annual Conference 2012* with the theme *Moving Forward: Changing Perspectives* which will be held on July 9 & 10, 2012 at the Sime Darby Convention Centre.

The MICPA is a supporting body of the conference and members who register for the conference will be able to enjoy a preferential registration fee as follows:

- RM1,250 before March 16, 2012;
- RM1,480 for the two-day conference; and
- RM1,350 for 3 or more delegates from the same organisation.

For further information on the above news, please visit www.maicsa.org

***CPA e-Newsline is prepared by MICPA's Public Affairs & Communications Department.
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