

January 2008

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/Activities

Greetings

The President, Council, Management and Staff of the MICPA would like to wish all our Chinese members, friends and suppliers a “**Happy & Prosperous Chinese New Year – Gong Xi Fa Cai**”.

MICPA Office Closed

The Institute will be closed for the Chinese New Year Festivities from Wednesday, February 6, 2008 and will resume operations on Monday, January 11, 2008.

MICPA 49th Anniversary Commemorative Lecture

YBhg Dato’ Zarinah Anwar, Chairman, Securities Commission Malaysia delivered the Institute’s 49th Anniversary Commemorative Lecture titled **Enhancing Confidence in the Capital Market** on Thursday, January 24, 2008. For the full text of the Lecture, please click [here](#)

Outreach Programme to Rumah Anak-Anak Yatim Shifa’

As part of the Young CPA Group activities identified for 2008 and the Group’s commitment towards Corporate Social Responsibility (CSR), an outreach programme to Rumah Anak-Anak Yatim Shifa’ was organised on Saturday, January 19, 2008. The aim was to spend some quality time with the children. The Institute would like to express our sincere thanks to all Young CPA members and CPA members who had participated in the event and contributed in cash and kind towards the home.

Appointment of New Education & Research Manager

The Institute is pleased to announce the appointment of Ms Jenny Chua as the Education and Research Manager. She can be contacted on Tel: 03-2698 9622 Ext 105 and E-mail: jenny.edu@micpa.com.my

Members Update

Members’ Handbook

We are pleased to inform members that the following Supplement to the Members’ Handbook has been posted on the MICPA website:

- **Supplement No. 108 issued in December 2007 – Approved Standards on Quality Control, Auditing, Review, Other Assurance and Related Services**

The Supplement is now available for members to view/download at the MICPA website www.micpa.com.my under "Members' Handbook" in the Members' Area. A new CD-Rom would be sent to members containing the full set of the above standards, Auditing Technical Release (ATR) 2 and ATR 5 in due course.

MICPA Code of Ethics

The MICPA on October 26, 2007 issued the *MICPA Code of Ethics* (The Code). The Code applies to all members of the Institute and the firms through which the members act or perform their professional work where relevant. The Code supersedes the MICPA's Code of Professional Conduct and Ethics issued in November 1991. The Code is effective November 1, 2007. However, transitional provisions are allowed in respect of specific requirements in Section 290 of the Code.

The MICPA Code of Ethics has been posted on the MICPA website at www.micpa.com.my under Members' Handbook in the Members Area.

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.

Members are reminded that the CPD annual declaration for 2007 was due on December 31, 2007. For further information, please contact Mr Joseph Leong, Training Manager at 03-2698 9622 or E-mail: joseph.edu@micpa.com.my

Young CPA Group

As members are aware, the *Young CPA Group* was established in 2004 with the aim of encouraging our younger members to take part in the Institute's work and activities. Young members can play an important role in identifying the professional needs of its members and provide valuable feedback, suggestions and recommendations to the Institute. If you are a CPA below the age of 40, please register yourself online at www.micpa.com.my

Be Different by joining the Young CPA Group Today!

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 Cik Adzlyn Aladzimy at membership@micpa.com.my or Cik Ruhaizah at ri.stud@micpa.com.my or call 03-2698 9622.

ACCA-MICPA Mutual Recognition Agreement (MRA)

The recent MRA between ACCA and MICPA 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. For further information, please click link [here](#) to refer to the FAQs or you may call Pn Adzlyn Aladzimy, Membership Services Officer at Tel: 03-2698 9622 for further information or e-mail: membership@micpa.com.my

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 [here](#) to download the form and fax the completed form to the MICPA Secretariat at Fax No. 03-2698 9403. You may also send an e-mail to membership@micpa.com.my for the change of correspondence and e-mail address.

Upcoming Continuing Professional Development (CPD) Programmes

A Practical Guide to Auditing

A two-day Workshop on A Practical Guide to Auditing will be held at the Legend Hotel, Kuala Lumpur from February–December 2008. 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 on the workshop, please contact Mr. Joseph Leong, Training Manager @ Tel: 03-26989622 or Email: joseph.edu@micpa.com.my.

Updates from Regulatory Bodies

SECURITIES COMMISSION (SC)

New Stockbroking Commission Rate Structure

Pursuant to the announcement in Budget 2008, the following measures to ensure a more competitive commission rate structure will take effect from January 1, 2008:

- Commission rates for internet trading and cash upfront transactions will be fully negotiable.

- The commission rate for non-internet and non-cash upfront transactions will remain unchanged but with a minimum brokerage charge of RM40 for these transactions.

This initiative is part of a phased approach towards a more deregulated, competitive and vibrant stock-market environment. In this regard, the new measures will allow brokers to provide customers the choice of the cost-efficiencies offered by internet trading and the personal and customized service offered by dealer representatives. This creates an environment which ensures that the pricing of services are appropriate to the level of services rendered.

Overall, the gradual deregulation of pricing structures is intended to provide industry the flexibility to offer greater choice to a broader range of customers as well as to create a more competitive environment for the provision of intermediation services. For further information, please visit www.sc.com.my

SC introduces “Green Shoe” Option and Price Stabilisation Mechanism for IPOs

On January 11, 2008, the SC introduced an over-allotment option and price stabilisation mechanism to enhance the efficiency and competitiveness of the fund raising process for IPOs in line with international best practices. The introduction of this mechanism is enabled by the coming into force of the Capital Markets and Services (Price Stabilisation Mechanism) Regulations 2008 on 11 January, 2008.

The “green shoe” mechanism allows the issuer to over-allot securities in excess of the number of shares constituting the original offer size to ensure that the demand for shares in an IPO can be met in an efficient manner and that price volatility during the period immediately after listing can be minimised. The mechanism can be used for any IPO where the total value of shares offered is not less than RM150 million. It can commence on the date of listing of the issuer and continue to be carried out during the first 30 days of trading from the IPO date.

Where the price stabilising mechanism is utilised, an announcement must be made to the exchange when the shares are listed and the stabilising manager must disclose its stabilising activities during and after the stabilising period. Where the return of shares pursuant to the over-allotment option and/or the price stabilisation mechanism causes the triggering of an obligation to undertake a mandatory offer under the Malaysian Code on Take-Overs and Mergers 1998 (Code), the SC will grant an exemption from the obligation, subject to certain criteria being met.

A set of FAQs on the price stabilisation mechanism and the relevant regulations (pdf) are available at www.sc.com.my. The SC website also provides a clarification note on the application of the Code under the price stabilisation mechanism.

BURSA MALAYSIA BERHAD

Bursa Malaysia Announces Revision to Organisational Structure

Bursa Malaysia announced its new high-level organisation structure which took effect on January 1, 2008. The restructuring process is aimed at achieving greater efficiency and efficacy of its business through streamlining core functions and business activities.

Dato' Yusli Mohamed Yusoff, Chief Executive Officer of Bursa Malaysia said, "The new organisation structure is to further strengthen the Exchange's capabilities to

sustain and grow business performance towards heightened success as well as meet and manage our stakeholders' and customers' needs." For further information, please visit www.bursamalaysia.com

Bursa Malaysia Introduces Automated Settlement System for Efficient Matching and Confirmation of Institutional Transactions

Bursa Malaysia Securities Clearing Sdn Bhd on January 7, 2008 enhanced its settlement service to its Clearing Participants with the introduction of Central Matching Facility (CMF), an automated settlement system which is centralised on Bursa Malaysia's settlement infrastructure. CMF provides a more effective and faster matching of settlement for institutional trades in line with the exchange's commitment to achieve greater operational efficiency.

Dato' Yusli Mohd Yusoff, CEO of Bursa Malaysia Berhad, said, "CMF is a significant development for Bursa Malaysia Berhad as part of the Exchange's continuous efforts in providing new value-added services to help improve the delivery channel. CMF will certainly provide an efficient clearing and settlement service that is in line with international best practices and standards."

In conjunction with the implementation of CMF on 7 January 2008, amendments have been made to the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. The amendments are effective from 7 January 2008. For further information, please visit www.bursamalaysia.com

INLAND REVENUE BOARD (IRB)

e-Filing: Module for Tax Agents

Members are informed that the Inland Revenue Board (IRB) is organising a half-day seminar for tax professionals, practitioners and agents who are gearing up for the 2007 filing season in major cities and towns. The seminar will provide the latest updates in the e-filing system, provide an insight of the usage and procedures on the e-filing system that should comply with Section 154A of the Income Tax Act 1967 and raise awareness of how simple and convenient it is to file clients returns electronically. For further information on the seminar details, please visit www.hasil.org.my

Entry into Force of the Tax Agreement between Malaysia and the Kingdom of Spain

The agreement between Malaysia and the Kingdom of Spain for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income that was signed on May 24, 2006 entered into force on December 28, 2007. In accordance with Article 27, the Agreement is effective for year of assessment beginning on or after January 1, 2008 for income tax/withholding tax, and in respect of petroleum tax, is effective for year of assessment beginning on or after January 1, 2008. For further information, please visit www.hasil.org.my

COMPANIES COMMISSION OF MALAYSIA

Extension of Payment Counter Operating Hours

The Companies Commission of Malaysia (SSM) has recently announced the extension of operating hours for the lodgement of annual returns and financial statements in order to facilitate the high volume of lodgement of documents in

January and February. The extension of operating hours is only available at 13th Floor payment counters of SSM's headquarters in Kuala Lumpur.

The extension of the payment counter operating hours will be for the period January 16, 2008 to February 6, 2008 as follows:

- Monday to Friday – extended time until 6:30 p.m. and
- Saturday – from 8:30 a.m. to 5:00 p.m.

News from Other Professional Bodies

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

New IFAC Paper Examines Suitability of Proposed IFRSs for SMEs to Micro-Entities

IFAC's Small and Medium Practices (SMP) Committee has released a report on research into whether the proposed International Financial Reporting Standard for Small and Medium-Sized Entities (IFRSs for SMEs), developed by the International Accounting Standards Board (IASB), is suitable for micro-entity financial reporting. The paper, *Micro-Entity Financial Reporting: Some Empirical Evidence on the Perspectives of Preparers and Users*, presents the findings of focus group interviews of users and preparers of micro-entity financial reports in Italy, Kenya, Poland, Uruguay and the United Kingdom. For further information, please visit www.ifac.org

IFAC's Education Standards Board Seeks Responses to Survey on Enhancing Accounting Education

All those with an interest in accounting education, including users and preparers of financial reports, professional accountants, standard setters, academics, and regulators, are invited to complete a survey conducted by the International Accounting Education Standards Board (IAESB), an independent standard-setting board of the International Federation of Accountants (IFAC). The online survey seeks input on the audience, scope and nature of International Education Statements issued by the IAESB. The results will be used to strengthen the education programs of professional accountancy organisations around the world. Responses are requested by March 1, 2008. For further information, please visit www.ifac.org

International Auditing and Assurance Standards Board Completes First- phase of Clarity Project

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the IFAC, is releasing the last two exposure drafts written in accordance with the new clarity drafting conventions. It approved the exposure drafts of proposed International Standard on Auditing (ISA) 210 (Redrafted), *Agreeing the Terms of Audit Engagements*, and proposed ISA 710 (Redrafted), *Comparative Information - Corresponding Figures and Comparative Financial Statements*, at its recent meeting held in Washington, D.C. in December 2007.

Subject to any comments on exposure, the final standards will become effective for audits of financial statements for periods beginning on or after December 15, 2009. The release of these exposure drafts marks the completion of the first phase of the IAASB's ambitious 18-month program to redraft existing standards and to develop

new and revised standards following the new drafting conventions. For further information, please visit www.ifac.org

IFAC Focuses on Mentoring as Means to Strengthen Profession

An active and well-established professional accountancy organisation plays an essential role in promoting high quality practice in its country or jurisdiction. An important means to build strong accountancy organisations in developing countries is through collaboration and mentoring relationships with more established professional bodies. As part of its strategy to develop the accountancy profession worldwide, the IFAC Developing Nations Committee has released new guidance, entitled *Mentoring Guidelines for Professional Accountancy Organisations*, to support the development of collaborative and mentoring relationships between professional accountancy organisations.

The guidelines focus on supporting mentoring relationships designed to help accountancy organisations achieve compliance with IFAC's Statements of Membership Obligations (SMOs). The SMOs provide benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants. They require IFAC members to promote convergence to international standards and to have in place quality assurance and disciplinary programs. For further information, please visit www.ifac.org

IFAC's International Public Sector Accounting Standards Board Issues New Disclosures on External Assistance

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the IFAC, has issued new requirements to help governments and other public sector entities consistently report on international aid, development grants and other forms of external assistance. The new disclosure requirements and recommendations are set out in the updated International Public Sector Accounting Standard, Financial Reporting under the *Cash Basis of Accounting (Cash-Basis IPSAS)*. Currently, there are a number of reporting practices between providers and recipients of external assistance that can be costly for recipients. The disclosures in the updated Cash-Basis IPSAS should reduce some of these multiple reporting practices, helping recipients to use resources more efficiently. For further information, please visit www.ifac.org

Forum of Firms Announces Names of Networks Gaining Full Membership; Establishes New Global Benchmark in International Audit Quality

Seventeen international networks of accounting firms have reached a new milestone in their commitment to audit quality by becoming the first full members of the Forum of Firms. These international networks, whose member firms perform transnational audits, have reported that they have implemented a globally coordinated quality assurance program, committed to the use of International Standards on Auditing (ISAs), and met other quality and ethics requirements, the Forum of Firms announced on January 22, 2008. For further information, please visit www.ifac.org

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

IASB Completes the Second Phase of the Business Combination Project

The IASB has completed the second phase of its business combinations project by issuing on January 10, 2008, a revised version of IFRS 3 *Business Combinations*

and an amended version of IAS 27 *Consolidated and Separate Financial Statements*. The new requirements take effect on July 1, 2009, although entities are permitted to adopt them earlier.

The project was undertaken jointly with the US Financial Accounting Standards Board (FASB). The objective was to develop a single high quality accounting standard that would ensure that the accounting for business combinations is the same whether an entity is applying International Financial Reporting Standards (IFRSs) or US generally accepted accounting principles (GAAP). For further information, please visit www.iasb.org

IASB Issues Amendment to IFRS 2 Share-based Payment

The IASB on January 17, 2008 issued an amendment to IFRS 2 *Share-based Payment*. The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The issues addressed in the amendment were first published in an exposure draft of proposed amendments to IFRS 2- *Vesting Conditions and Cancellations* in February 2006. In response to comments received during the consultation process the IASB decided to add to the Guidance on Implementing IFRS 2 guidance on the determination of whether a condition is a vesting condition and on the accounting treatment for conditions that are not vesting conditions.

The amendment will apply for annual periods beginning on or after **January 1, 2009**, with earlier application permitted. For further information, please visit www.iasb.org

IFRIC Publishes Proposed Guidance on Distribution of Non-cash Assets to Owners

The International Financial Reporting Interpretations Committee (IFRIC) on January 17, 2008, released for public comment a draft Interpretation, D23 *Distributions of Non-cash Assets to Owners*. The IFRIC was asked to provide guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners acting in their capacity as owners. At present, International Financial Reporting Standards do not address the measurement of distributions to owners.

The proposed Interpretation addresses the following two issues:

- How should an entity measure an obligation to distribute non-cash assets to its owners (a dividend payable)?
- When an entity settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable?

The proposal is open for public comment until April 25, 2008. For further information, please visit www.iasb.org

IFRIC Publishes Proposed Guidance on Accounting for Customer Contributions

The IFRIC on January 17, 2008 released for public comment a draft Interpretation, IFRIC D24 *Customer Contributions*. The proposal is open for public comment until April 25, 2008. Customer contributions are transactions in which an entity - the

access provider - receives an asset it uses to provide access to an ongoing supply of goods or services to a customer or customers. In some cases, the access provider receives cash which it must use to acquire or construct the asset that will provide access.

IFRIC D24 addresses a number of areas where practice is diverse. It clarifies in particular:

- whether a customer contribution should be recognised as an asset and, if so, whether it should be initially recognised at cost or fair value;
- whether an agreement to provide ongoing services using a contributed asset contains a lease;
- how to account for the credit that arises from the recognition of a customer contribution at fair value;
- how to account for a cash contribution.

If adopted, IFRIC D24 will standardise practice and clarify the accounting for the receipt of customer contributions. All access providers will be required to recognise contributed assets and revenue from providing access to a supply of goods or services over the period access is provided. Those access providers that have previously not recognised contributed assets will now recognise increased property, plant and equipment and revenue. Those access providers that have previously recognised revenue immediately on the receipt of a contributed asset may now be required to recognise it over a longer period. The IFRIC proposes that its guidance be applied prospectively. For further information, please visit www.iasb.org

CPA e-Newsline is prepared by MICPA's Public Affairs & Communications Department. Contact Ms Vicky Rajaretnam at Tel: 03-2698 9622 or e-mail vic.pr@micpa.com.my for further information.

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