

*November 2009*

*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.*

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## **MICPA Education & Training**

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### ***Revised MICPA Programme***

In February 2009, The Institute of Chartered Accountants in Australia (ICAA) and The Malaysian Institute of Certified Public Accountants (MICPA) entered into a partnership that will encourage high-level standards for education and continuous training across national borders.

In this regard, we are pleased to inform members that the Institute has implemented its new examination structure for the revised MICPA programme effective June 2009.

New students who register under the revised MICPA programme will follow an almost identical course of study to their counterparts completing the Chartered Accountants Program in Australia, by completing four common modules. A unique feature of the revised MICPA programme is the taxation module, reflecting Malaysian taxation regulations and providing greater relevance for accountants working in Malaysia.

Upon satisfactory completion of the examinations and other admission requirements, students will be eligible to be admitted as members of MICPA and ICAA. For further information on the Revised MICPA programme, please click [here](#)

### ***ICAEW Recognition***

We are pleased to announce that the CPA Malaysia qualification was recognised by The Institute of Chartered Accountants in England and Wales (ICAEW) in 2004 where exemptions were granted. Recently, ICAEW have undertaken further assessment of the CPA Malaysia qualification in comparison with the ACA qualification introduced in 2007.

Members of MICPA are now able to gain credit from ICAEWs Professional Stage comprising of 12 Papers and the Advanced Stage Technical Integration Business Reporting paper. In order to gain the ACA qualification, members of MICPA will need to pass the Advanced Stage Technical Integration Business Change paper and Case Study, as well as complete the Structured Training in Ethics programme. Members of MICPA will no longer be required to acquire three years' work experience in an ICAEW authorised training employer, which further simplifies the process for MICPA members to become ICAEW members.

The exemption awarded by ICAEW to the CPA qualification offered by the MICPA further endorses the close co-operation between the two bodies in the education and training of professional accountants.

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## Activities of the Institute

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### **NACRA 2009**

Featuring the theme *Towards Accountability and Excellence*, the objective of NACRA is to promote greater corporate accountability and more effective communication by organisations to their stakeholders through the publication of timely, informative, factual and reader-friendly annual reports.

NACRA is an annual event jointly organised by Bursa Malaysia Berhad, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants. The NACRA 2009 Awards Presentation Ceremony was held on **Tuesday, December 1, 2009 at the Sime Darby Convention Centre**. The ceremony was officiated by YB Dato' Seri Sabri Yaakob, Minister of Domestic Trade, Co-Operatives and Consumerism. To view the Winners of NACRA 2009, please click [here](#)

### **Visits to Members' Firms and Approved Training Organisations**

The Institute continues in its efforts to make courtesy visits to members' firms and ATOs as a means of further enhancing the synergistic partnership which already exists between both parties and to identify ways to collaborate and strengthen professional relationship.

### **Collaboration with Universities and Colleges of Advanced Education**

With the signing of the Memorandum of Understanding with The Institute of Chartered Accountants in Australia (ICAA), the Institute has embarked on an active marketing strategy to promote the MICPA programme to Universities and Institutions of higher learning by making scheduled visits and participating in road-shows.

During the career talks, our speakers communicate the value of our home-grown qualification as the preferred choice for prospective accountants, share the ingredients for success with the students and highlighted that the Institute has a strong pool of successful luminaries and business professionals in our fold of CPAs and the diverse roles they undertake in their careers. The aim is to also attract the younger generation to join the revised MICPA programme.

### **Career Talks at Secondary Schools**

Accountancy has become one of the more popular courses being pursued by young Malaysians. The Institute is always seeking opportunities to foster closer relationship with the secondary schools, to promote accountancy as a career and in particular to create awareness of the CPA Malaysia qualification.

In this respect, a series of scheduled career talks at secondary schools to Forms 4, 5 and 6 students undertaking the Principles of Accounting subject will be planned for 2010.

### **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](mailto:vic.pr@micpa.com.my).

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## Members Update

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### ***MICPA Technical Updates***

#### **Companies Commission of Malaysia**

##### ***Invitation to the Companies Commission of Malaysia Annual Dialogue 2009***

###### ***Sarawak***

- Further to Circular No. TEC/056/11/2009W dated November 20, 2009, members are informed that the Institute is invited by the Companies Commission of Malaysia (SSM) to attend the Annual Dialogue (Sarawak) 2009 which will be held on December 3, 2009 in Kuching.

###### • ***Sabah***

Further to Circular No. TEC/057/11/2009W dated November 20, 2009 members are informed that the Institute is invited by the Companies Commission of Malaysia (SSM) to attend the Annual Dialogue (Sabah) 2009 which will be held on December 4, 2009 in Kota Kinabalu.

The purpose of the dialogue is to obtain feedback, views and proposals from private sector, government agencies as well as statutory bodies concerning matters relating to the Companies Act 1965 and Registration of Business Act 1956.

For further information, please refer to the Circular which can be download from the MICPA website [www.micpa.com.my](http://www.micpa.com.my) in the members' area.

##### ***Membership Data Update***

Further to Circular No. MEM/01/11/2009 dated November 20, 2009 members 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: +603-2698 9403, preferably by December 31, 2009. You may also send an e-mail to [membership@micpa.com.my](mailto:membership@micpa.com.my) for the change of correspondence and e-mail address.

##### ***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](mailto: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](http://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.

### ***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](http://www.micpa.com.my).

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## **Continuing Professional Development (CPD) Programmes**

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### ***Financial Reporting For Insurance Business: Insurance Contracts (FRS 4)***

The MICPA organised a one-day Seminar on *Financial Reporting for Insurance Business: Insurance Contracts (FRS 4)* on December 2, 2009 at Best Western Premier Seri Pacific Kuala Lumpur.

The seminar will aim to explain the principles and application of FRS 4 as well as the disclosure requirements for insurance business as set out in Model Insurance Berhad. Model Insurance Berhad contains a set of specimen financial statements for insurance business which comply with the disclosure requirements prescribed in FRS 4 as well as Bank Negara Malaysia Guidelines. A team of experts led discussions during the Seminar.

The seminar was supported by MIA, Life Insurance Association of Malaysia (LIAM) and Persatuan Insurans Am Malaysia (PIAM).

### ***Advanced Corporate Tax Planning***

A one-day Workshop on *Advanced Corporate Tax Planning* will be held on December 8, 2009 at the Legend Hotel. Kuala Lumpur.

The objective of the workshop is to highlight to participants the tax planning areas to be considered in corporate re-organisation and restructuring exercises. In addition, the workshop will also cover other important tax planning areas such as corporate group structure, cross border tax planning and transfer pricing. The workshop will be led by Mr Chow Chee Yen, Executive Director of Advent Tax Consultants Sdn Bhd. For further information, please click [here](#)

### ***A Practical Guide to Auditing***

A two-day Workshop on *A Practical Guide to Auditing* will be held on December 9-10 2009 at the Legend Hotel, Kuala Lumpur.

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.

The workshop will be conducted by Mr Yung Chuen Seng, Associate Consultant and a freelance trainer. For further information, please click [here](#)

### ***Impact of the 2010 Budget on Business and Tax Updates***

A one-day Seminar on *Impact of the 2010 Budget on Business and Tax Updates* will be held on December 14, 2009 at Concorde Hotel, Kuala Lumpur.

The Seminar will highlight some of the key Budget proposals relating to corporate tax and incentives and its impact on Malaysian businesses. The seminar will also update participants on the latest development of transfer pricing regulations, the recent gazette orders and case law developments.

The seminar will be led by a team of 7 experts who will lead discussions on the 2010 Budget. For further information, please click [here](#)

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## **Updates from Regulatory Bodies**

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### **SECURITIES COMMISSION OF MALAYSIA (SC)**

#### ***Malaysia and Hong Kong in Landmark Pact to Develop Islamic Capital Market***

In a press release dated November 9, 2009, the SC announced that a major milestone had been achieved in their regulatory cooperation with a Mutual Recognition Agreement (MRA) with the Futures Commission of Hong Kong to further develop the Islamic Capital Market (ICM), in particular, Islamic Collective Investment Schemes (CIS).

The MRA will help pave the way for deeper and broader Islamic investment markets in both jurisdictions and foster close regulatory cooperation. Under the agreement, Malaysian capital market intermediaries will be allowed to distribute their Islamic products in Hong Kong's financial hub with minimal regulatory intervention. Similarly, Islamic funds that are authorised and primarily regulated by the SFC and managed by SFC-licensed managers can now be marketed in Malaysia.

Besides facilitating the cross-border offerings of Islamic funds, SC and SFC will also collaborate in capacity building as well as information sharing in the development of legal and regulatory framework in relation to Islamic CIS and mutual exchange of regulatory experience relating to Shariah principles.

The MRA is another step towards establishing Malaysia as a centre of Islamic product intermediation, and enhance the attractiveness of both Malaysia and Hong

Kong as a market place for global Islamic CIS products, enabling the two jurisdictions to tap the potentially lucrative investments from the Middle East and Asia where there is a large Muslim population.

The cross-border offerings of Islamic CIS will be supported by cooperation in supervision and enforcement. Both regulators will work closely to assist enforcement of their respective laws and regulations and ensure adequate protection for investors. Capital market intermediaries intending to offer their Islamic funds beyond their respective home jurisdiction are also expected to comply with relevant guidelines on disclosure in the offering document, advertising and marketing to ensure adherence to certain minimum standards.

The MRA with the SFC is the second MRA signed by the SC with a foreign regulator. The first MRA, signed between the SC and Dubai Financial Services Authority in March 2007, allows the offering of Islamic funds constituted and domiciled in Dubai International Financial Centre to Malaysian investors and vice-versa.

The *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*, first issued in March 2008 has been amended to reflect the requirements that must be compiled by SFC-licensed managers intending to offer their funds in Malaysia. The revised guidelines are available on the SC website: [www.sc.com.my](http://www.sc.com.my).

## **BANK NEGARA MALAYSIA (BNM)**

### ***MoU Between Bank Negara Malaysia and China Banking Regulatory Commission***

Building on the Joint Action Plan on Malaysia - China Strategic Cooperation between the Government of Malaysia and the Government of the People's Republic of China that was signed on June 3, 2009, the China Banking Regulatory Commission and Bank Negara Malaysia on November 11, 2009 signed a Memorandum of Understanding (MoU) to forge deeper cooperation between the two regulatory authorities on banking supervision, including the sharing of information and in the promotion of regional financial integration.

The MoU signifies the strengthening of a collaborative partnership between the Government of the People's Republic of China and the Government of Malaysia and marks an important milestone in enhancing the regulatory cooperation and the economic and financial linkages between the People's Republic of China and Malaysia. For further information, please visit [www.bnm.gov.my](http://www.bnm.gov.my).

### ***Bank Negara Malaysia Appoints Puan Norzila Abdul Aziz as Assistant Governor***

In a press release dated November 19, 2009, Bank Negara Malaysia announced the appointment of Puan Norzila Abdul Aziz as Assistant Governor of Bank Negara Malaysia effective November 1, 2009. As Assistant Governor, Puan Norzila will be responsible for the Investment Operations and Financial Market Department and the Foreign Exchange Administration Department.

Prior to her appointment as Assistant Governor, Puan Norzila was the Director of the Investment Operations and Financial Market Department, a position she held since 2006. Puan Norzila joined Bank Negara Malaysia in 1986 and had served in the Investment Operations and Financial Market Department's London Representative Office. She holds a Business Degree from Curtin University, Western Australia and is

a member of the Australian Society of Accountants. For further information, please visit [www.bnm.gov.my](http://www.bnm.gov.my).

## **MALAYSIAN ACCOUNTING STANDARDS BOARD (MASB)**

### ***MASB Exposes Limited Amendment on Share-based Payment Standard***

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

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

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

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

Interested parties, including the business communities, are encouraged to study the Exposure Draft and provide feedback to MASB. The exposure period expires on **December 28, 2009**. The public is encouraged to provide their comments electronically through ED Online on our website. Alternatively, copies of the exposure draft is available free of charge from MASB office. The Exposure draft is available on MASB website at [www.masb.org.my](http://www.masb.org.my).

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## **News from IFAC and IASB**

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## **INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)**

### ***IFAC Global Seminar Focuses on Avoiding the Next Crisis and Commitment to Global Standards***

IFAC hosted several seminar sessions on the financial crisis and financial reporting in the public interest during weeklong activities related to the 32nd annual IFAC Council Meeting held in Washington, D.C., last week. The sessions were part of a global seminar, which was held on November 17, 2009. Leaders of the global accountancy profession and other experts discussed the causes of the crisis, the role of accountants in preventing another global financial crisis, and the public sector's role in financial stability, among other topics.

Approximately 200 participants, including presidents and chief executives of national, regional, and other accountancy organisations, as well as other experts and invited guests, attended the event. More information on the seminar and presentations is available here: [www.ifac.org/ifac-global-seminar-council/2009/seminar-agenda.php](http://www.ifac.org/ifac-global-seminar-council/2009/seminar-agenda.php).

### ***IFAC Welcomes New Member Bodies, Associates and Affiliate***

During its global meeting in Washington, D.C., the IFAC Council approved three existing IFAC associates as full members and two organisations as new associates, following the recommendation of the IFAC Board. In addition, they gave affiliate status to one organisation.

Existing IFAC associates that have become full members are as follows: Iranian Association of Certified Public Accountants (IACPA), Latvian Association of Certified Auditors (LACA), and Society of Certified Accountant and Auditors of Kosovo (SCAAK).

The following are organisations that joined IFAC as associates: Brunei Darussalam Institute of Certified Public Accountants (BICPA) and Ordre des Experts-Comptables du Luxembourg (OEC).

The following organisation was given affiliate status: National Association of State Boards of Accountancy (NASBA). For a full list of IFAC member bodies, associates, and affiliates, see [web.ifac.org/about/member-bodies](http://web.ifac.org/about/member-bodies).

### ***Advance Notice of the Call for Nominations for IFAC's Boards and Committees***

IFAC will seek nominations for IFAC's boards and committees for terms commencing in 2011. The official Call for Nominations will be issued in January 2010 - nominations should be submitted between January 15 and March 15, 2010. A *Notice of the Call for Nominations for IFAC Boards and Committees in 2011* and its companion guide, *Developing a Nominations Strategy*, have been released to alert IFAC members and the public about the forthcoming call for nominations. This notification is provided in advance to provide organisations and individuals with additional time to review the qualifications, expectations, and opportunities for membership of each of IFAC's boards and committees.

Please note that the period for submitting nominations is scheduled one month earlier than in previous years. Details on the method for submitting the nominations will be provided in the official January 2010 Call for Nominations. For more information, please see [www.ifac.org/NominatingCommittee](http://www.ifac.org/NominatingCommittee).

### ***IFAC Releases New Tool that Gauges ISA Adoption***

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

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

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

In line with the ongoing nature of the adoption process, the chart and notes, gathered from the Compliance Program and a variety of other sources, will be periodically updated as new information is received. For further information, please visit [www.ifac.org](http://www.ifac.org).

### ***IAASB Issues Consultation Papers on Auditing Complex Financial Instruments and Reporting on Greenhouse Gases***

The IAASB recently released Consultation Papers that seek views on two crucial emerging assurance issues: fair value auditing and the preparation of statements on greenhouse gases. *Auditing Complex Financial Instruments* seeks views on developing new fair value auditing guidance for complex financial instruments, one of the most critical fair value issues in today's financial environment. Comments on the Consultation Paper are requested by **January 15, 2010**.

The IAASB released a second Consultation Paper, *Assurance on a Greenhouse Gas Statement*, which seeks views on key issues in developing a new assurance standard on greenhouse gases (GHG). It includes questions that address the following issues: the form of assurance report that users would find most useful; the nature and extent of requirements; how a standard should best integrate with regulatory requirements; and technical aspects of applying the assurance process to GHG emissions. Comments on the Consultation Paper are requested by **February 19, 2010**.

To comment on these and other open Consultation Papers and Exposure Drafts issued by IFAC boards and committees, visit [www.ifac.org/Guidance/EXD-Outstanding.php](http://www.ifac.org/Guidance/EXD-Outstanding.php).

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

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

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

The alert also raises awareness of potential issues that may surface from the increasing use of technology in the confirmation process and the use of restrictive language by respondents. For further information, please visit [www.ifac.org](http://www.ifac.org).

### ***IFAC Presses for Action to Adopt and Implement Global Financial Standards***

At its 32<sup>nd</sup> annual Council meeting held in Washington D.C. recently, the IFAC emphasised the urgency of achieving global adoption and implementation of financial standards, especially for accounting and auditing.

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

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

The Council approved three new member bodies: Iranian Association of Certified Public Accountants (IACPA); Latvian Association of Certified Auditors (LACA); and Society of Certified Accountant and Auditors of Kosovo (SCAAK). In addition, two associates were approved: Brunei Darussalam Institute of Certified Public Accountants (BICPA); and Ordre des Experts-Comptables du Luxembourg (OEC). The Council also gave affiliate status to the National Association of State Boards of Accountancy (NASBA) from the United States. For further information, please visit [www.ifac.org](http://www.ifac.org).

## **INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)**

### ***IASB Simplifies Requirements for Disclosure of Related Party Transactions***

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

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

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

The revised standard addresses these concerns by:

- Providing a partial exemption for government-related entities.

Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant.

- Providing a revised definition of a related party.

The IASB has simplified the definition and removed inconsistencies.

For further information, please visit [www.iasb.org](http://www.iasb.org).

### ***IASB Publishes Proposals on the Impairment of Financial Assets***

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

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

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

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

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

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

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

The proposals in the exposure draft *Financial Instruments: Amortised Cost and Impairment* are open for comment until June 30, 2010. After considering comments received on the exposure draft, the IASB plans to issue an IFRS in 2010 that would become mandatory about three years later with early application permitted. For further information, please visit [www.iasb.org](http://www.iasb.org).

### ***IASB and FASB Reaffirm Commitment to Memorandum of Understanding***

In a press release dated November 5, 2009, the IASB and the Financial Accounting Standards Board (FASB) reaffirmed their commitment to improve International Financial Reporting Standards (IFRS) and U.S. GAAP and to bring about their convergence.

The Boards also agreed to intensify their efforts to complete the major joint projects described in their 2006 Memorandum of Understanding (MoU), as updated in 2008. For further information, please visit [www.iasb.org](http://www.iasb.org).

### ***IASB Completes First Phase of Financial Instruments Accounting Reform***

The IASB on November 5, 2009, issued a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard - IFRS 9 *Financial Instruments*.

Proposals addressing the second part, the impairment methodology for financial assets were published for public comment at the beginning of November, while proposals on the third part, on hedge accounting, continue to be developed. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity – an objective endorsed by the Group of 20 leaders (G20) and other stakeholders internationally.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The IASB has received broad support for its approach. This became evident during the unprecedented global scale of consultation and outreach activity it undertook in order to refine proposals contained within the exposure draft published in July 2009. Round table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, have been held, often

on a weekly basis. In addition, more than a hundred meetings have been held with interested parties around the world during the past four months.

The views expressed to the IASB during its consultations resulted in the proposals being modified to address concerns raised and to improve the standard. For example, IFRS 9 requires the business model of an entity to be assessed first to avoid the need to consider the contractual cash flow characteristics of every individual asset. It requires reclassification of assets if the business model of an entity changes.

The IASB changed the accounting that was proposed for structured credit-linked investments and for purchases of distressed debt. The IASB also addressed concerns expressed about the problems created by the mismatch in timings between the mandatory effective date of IFRS 9 and the likely effective date of a new standard on insurance contracts.

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

The effective date for mandatory adoption of IFRS 9 *Financial Instruments* is January 1, 2013. Consistent with requests by the G20 leaders and others, early adoption is permitted for 2009 year-end financial statements. For further information, please visit [www.iasb.org](http://www.iasb.org).

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## News from Other Professional Bodies

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### MALAYSIAN INSTITUTE OF ACCOUNTANTS (MIA)

#### ***World Congress of Accountants 2010***

As members are aware, Malaysia will host the 18<sup>th</sup> *World Congress of Accountants 2010* which will be held in Kuala Lumpur on November 8-11, 2010 at the Kuala Lumpur Convention Centre. For further information, please visit [www.mia.org.my](http://www.mia.org.my)

### SMI ASSOCIATION OF MALAYSIA

#### ***SME Recognition Award Series 2009***

The SMI Association of Malaysia is organising the SME Recognition Award Series 2009. The main objective of the award is primarily to give due recognition to the SMEs who excel in respective fields and become role models for other SMEs. The launch of the SME Recognition Award Series 2009 was held on August 11, 2009 and the **presentation dinner will be held on December 16, 2009**. The MICPA is a supporting organisation of the Awards.

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## News from Universities

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### Universiti Putra Malaysia (UPM)

#### ***FEP Seminar 2009***

The Faculty of Economics and Management, UPM organised the *Seminar FEP 2009* with the theme *Culturising Research Excellence* on December 1–3, 2009 at Port Dickson, Negeri Sembilan.

The MICPA was a sponsor for the seminar.

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