

November 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

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 (ISAs) 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 to 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 on the Pathways route and the 2011 submission dates and fees**, please click [here](#).

Revised MICPA Programme - Tuition Provider: Sunway-TES

We are pleased to inform that the Institute has appointed Sunway-TES as the sole tuition provider to provide tuition for the Revised MICPA Programme. For further information, please contact Sunway-TES on Tel: 03-7491 8622 / 7491 8623.

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 October, 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

- KPMG

- On November 2, 2011

- Deloitte Malaysia

- On November 29, 2011

Universities/ Colleges

- International Islamic University

- On November 1, 2011

- Universiti Kebangsaan Malaysia

- On November 16, 2011

- Universiti Teknologi Malaysia, Skudai

- On November 18, 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)

Practice Note 12/2011

– Compliance Programme to Encourage Timely Submission of Annual Returns and Audited Financial Statements

Further to Circular No. TEC/059/11/2011/W dated November 1, 2011, members are informed that the Companies Commission of Malaysia (SSM) has issued Practice Note 12/2011 (PN 12) to advise companies to adhere to the compliance programme to encourage timely submission of annual returns and audited financial statements.

SSM is intensifying its effort to ensure that all companies are up to date in their submission of annual returns as required by Practice Note 1/2008 (PN 1/2008) in view of the introduction of the new Companies Bill in the near future.

The PN 12 has outlined the compliance programme to be observed by companies which have duly prepared audited financial statements for financial years prior to 2010 but were unable to lodge their annual returns with SSM due to the unavailability of the latest audited financial statements.

Please note that strict adherence to PN1/2008 is expected in the submission of annual return for calendar year 2012. This means that in 2012, all annual returns must be accompanied with the audited accounts for financial year ending 2011. In gearing towards full compliance of PN1/2008, companies must observe the following steps:

- Prepare and audit the financial statements in accordance to Section 169(1) of the Companies Act, 1965; and
- Convene AGM in accordance to Section 143(1) of the Companies Act, 1965.

Should companies fail to observe the above, companies must apply for an extension of time under Sections 143(2) and/or 169(2) of the Companies Act, 1965 accordingly.

Invitation to the Companies Commission of Malaysia Annual Dialogue (Sarawak) 2011

Further to Circular No.TEC/060/11/2011/W dated November 1, 2011, members are informed that the Institute was invited by the Companies Commission of Malaysia (SSM) to attend the Annual Dialogue (Sarawak) 2011 which was held on November 23, 2011 at Hilton Kuching.

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 Businesses Act 1956.

Invitation to the Companies Commission of Malaysia Annual Dialogue (Sabah) 2011 and Launch of the Best Business Practice Circular 2/2011

Further to Circular No.TEC/061/11/2011/W dated November 1, 2011, members are informed that the Institute was invited by the Companies Commission of Malaysia (SSM) to attend the Annual Dialogue (Sabah) 2011 and launch of the Best Business Practice Circular 2/2011 (BBPC 2/2011) which will be held on November 24, 2011 at Le Meridien 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.

This Dialogue also witnessed the launch of the BBPC 2/2011 which is issued in collaboration with the United Nations Children's Fund (UNICEF) entitled "Establishing a Conducive Working Environment for Women in the Corporate Sector: Nursing Mother's Programme at the Work Place".

The BBPC 2/2011 features the initiative that companies and businesses can undertake to ensure productive and sustainable female workforce participation by adopting a nursing programme at the work place to support the national target to achieve at least 30% women to fill in the decision making positions in the corporate sector.

Notice on Incorporation of Companies and Registration of Businesses on Special Dates

Further to Circular No.TEC/062/11/2011/W dated November 2, 2011, members are informed that the Companies Commission of Malaysia (SSM) has issued a notice on the incorporation of companies and registration of businesses on three special dates i.e. November 1, 2011, November 11, 2011 and November 20, 2011.

The company incorporation and business registration dates will be displayed on an exclusive commemorative certificate as follows:

- 1 11 11 for company incorporated or business registered on November 1, 2011;
- 11 11 11 for company incorporated or business registered on November 11, 2011; and
- 20 11 2011 for company incorporated or business registered on November 20, 2011.

Should you have any enquiries on the above matter, please contact SSM at 03-2299 5525 / 2299 5535 or visit the SSM's website at www.ssm.com.my.

INLAND REVENUE BOARD OF MALAYSIA (IRB)

Proposals on Revamping Stamp Act 1949

Further to Circular No.TEC/063/11/2011/W dated November 4, 2011, members are informed that the Inland Revenue Board (IRB) is revamping the Stamp Act 1949. The objective of revamping the Act is to simplify the language used in the Act and the calculation of stamp duty so that the process of stamping documents could be expedited and the cost be reduced, compliance could be improved, the provisions in the Act would be easy to understand and in tandem with the current economic development.

The Institute is invited to submit proposals on revamping the Stamp Act 1949. In this regard, members are invited to submit their proposals (together with the relevant issues, proposed amendments to the Act and the rationale of the proposals) on revamping the Stamp Act 1949, in particular relating to the following aspects:

- Transfer of properties;
- Transfer of shares;
- Rental / lease of immovable properties;
- "Security" type of instruments;
- Other types of instruments (other than the above-mentioned); and
- Any other proposals related to stamp duty.

For further information, please refer to the Circular which can be downloaded from the MICPA's website at www.micpa.com.my in the Members' Area.

Issues for Discussion with Inland Revenue Board

Further to Circular No.TEC/064/11/2011/W dated November 18, 2011, members are informed that the Institute together with other professional bodies are in the process of preparing a memorandum on various technical and operational issues related to the implementation and interpretation of tax legislation for discussion with the Inland Revenue Board.

In this regard, members are invited to submit to the Institute any technical and operational issues that you may have encountered in your work or practice and where deemed appropriate, would be submitted to the Inland Revenue Board for discussion at the relevant dialogues.

Members may forward their submission to the Secretariat by e-mail to micpa@micpa.com.my latest by November 30, 2011.

Relocation of Headquarters

Further to Circular No.TEC/065/11/2011/W dated November 18, 2011, members are informed that the headquarters of the Inland Revenue Board (IRB) will be moving in stages from Block 9, Government Building Complex in Jalan Duta to Wisma Hasil in Cyberjaya starting November 16, 2011 and be fully operational on December 22, 2011. The address and contact details of the new premise are as follows:

Wisma Hasil, Persiaran Rimba Permai
Cyber 8, 63000 Cyberjaya
Selangor Darul Ehsan
Tel: 03-8313 8888 (General)

All future correspondence and dealings with the headquarters of the IRB should be directed to the above address starting from December 22, 2011. A copy of the detailed directory which can be downloaded from the IRB's website at www.hasil.gov.my is attached for members' reference.

Following the relocation of its headquarters, the IRB is in the process of upgrading its Data Centre commencing 5:30pm on November 15, 2011 and will end on November 20, 2011. During this period, there will be disruption of electronic services like e-Filing, e-Lejar, Complaints Management System, IRB's website and all others related to its Computer Applications System. Payment Counter services at all IRB's branches will also be affected and only limited services are available. Payment receipts will be issued manually to all taxpayers who make income tax payment transactions during this upgrading period. This will be temporary setback as the IRB is expected to be fully operational according to schedule.

Public Ruling No.8/2011 & Public Ruling No.9/2011
- Foreign Nationals Working in Malaysia – Tax Treatment
- Co-Operative Society

Further to Circular No.TEC/067/11/2011/W dated November 23, 2011, members are informed that the Inland Revenue Board (IRB) has issued the following Public Rulings on November 16, 2011:

Public Ruling	Objective	Effective Date
Public Ruling No. 8/2011: Foreign Nationals Working in Malaysia – Tax Treatment	This Ruling explains the tax treatment of employment income derived by foreign nationals exercising employment in Malaysia.	Year of assessment 2011
Public Ruling No. 9/2011: Co-operative Society	This Ruling explains the tax treatment of a co-operative society registered in Malaysia.	Year of assessment 2011

The above Public Rulings can be viewed or downloaded from the IRB's website at: www.hasil.gov.my.

ROYAL MALAYSIAN CUSTOMS

Service Tax Treatment in Free Zones (Free Industrial Zones and Free Trade Zones), Duty Free Islands and Joint Development Area

Further to Circular No.TEC/066/11/2011/W dated November 18, 2011, members are informed that the exemption on service tax is approved by the Minister of Finance effective January 1, 2012 under Section 6 of the Service Tax Act, 1975 on the followings:

- i. all taxable services provided by any person in free zones and supplied to any person in free zones;
- ii. all taxable services provided by any person in free zones and supplied to any person in the principal customs area;
- iii. all taxable services provided by any person in the principal customs area and supplied to any person in free zones; and

- iv. all taxable services provided by any person in the principal customs area or free zones in connection with any matters in Langkawi, Labuan, Tioman and the Joint Development Area.

Any application for the refund of service tax which has been paid before January 1, 2012 for taxable services as stated above will not be approved. Service tax on all taxable services as mentioned above which have not been collected before January 1, 2012 will be remitted under Section 22 of the Service Tax Act, 1975.

All taxable services provided by any person in free zones and principal customs area and supplied to any person in Langkawi, Labuan, Tioman and the Joint Development Area will not be subject to service tax.

The treatments of service tax as mentioned above will be applied until the Goods and Services Tax (GST) comes into force.

For further information, please refer to the Circular which can be downloaded from the MICPA's website at www.micpa.com.my in the Members' Area.

MALAYSIAN ACCOUNTING STANDARDS BOARD (MASB)

New MASB Approved Accounting Framework and New/ Revised FRSs, IC Interpretation and Amendments to FRSs

Further to Circular No.TEC/068/11/2011/W dated November 23, 2011, members are informed The Malaysian Accounting Standards Board ("MASB") has recently issued a new MASB approved accounting framework, i.e. the Malaysian Financial Reporting Standards ("MFRS Framework").

MASB has also recently issued nine (9) new / revised FRSs, one (1) IC Interpretation and four (4) Amendments to FRSs under the Financial Reporting Standards ("FRS") Framework.

MFRS Framework

The issuance of the MFRS Framework finalises the MASB Exposure Draft 75, *IFRS-compliant Financial Reporting Standards*, which was exposed in June 2011 and detailed in our Technical Circular No. TEC/036/06/2011/W.

The MFRS Framework is made in conjunction with MASB's plan to converge with International Financial Reporting Standards ("IFRSs") in 2012.

Convergence with IFRS means full compliance with IFRSs issued by the International Accounting Standards Board ("IASB") as a basis for financial reporting in Malaysia. After the convergence announcement was made in 2008, various initiatives have been done to instil awareness amongst numerous stakeholders and other affected parties. The adoption of the MFRS Framework is a significant milestone for the capital market as entities will then be able to assert that their financial statements are in full compliance with IFRSs.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after January 1, 2012, with the exception of entities that are within the scope of MFRS 141, *Agriculture*, and IC Interpretation 15,

Agreements for Construction of Real Estate, including its parent, significant investor and venturer (therein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after January 1, 2013. This transitional period for the agriculture and real estate industries are in view of the potential changes on the horizon that may change current accounting treatments, particularly with regard to the IASB’s plans to issue a new standard on revenue recognition next year which will subsume the IC Interpretation 15 and the likely amendment to the IAS 41, *Agriculture* (the equivalent of MFRS 141) requirements for bearer biological assets.

MASB believes that the transitional period will not affect the convergence objective as the MFRS Framework is fully IFRS compliant and the transitional period is only for a limited period and based on the IASB’s own programme for standard changes.

For avoidance of doubt, an entity that is subject to the application of MFRS 141 and / or IC Interpretation 15 shall comply with either the FRS Framework in its entirety or the MFRS Framework in its entirety. An entity electing to continue preparing its financial statements in accordance with the FRS Framework for annual periods beginning before January 1, 2013 discloses that fact, and when it will first present financial statements in accordance with the MFRS Framework.

FRS Framework

The new / revised FRSs and IC Interpretation shall apply to financial statements of annual periods beginning on or after January 1, 2013

Amendments to FRS 1, Amendments to FRS 7 and Amendments to FRS 112 shall apply to annual periods beginning on or after January 1, 2012, whereas Amendments to FRS 101 shall apply to annual periods beginning on or after July 1, 2012.

MASB has also withdrawn IC Interpretation 15 from the FRS Framework in light of its decision for the Transitioning Entities.

The key differences between the FRS Framework and the MFRS Framework are:

- (a) that FRS 201²⁰⁰⁴, *Property Development Activities*, will continue to be the extant standard for accounting for property development activities under the FRS Framework;
- (b) that there is no equivalent standard for IAS 41 under the FRS Framework.

These pronouncements are available at MASB website <http://www.masb.org.my> or from MASB office at: Malaysian Accounting Standards Board, Suite 5.02, Level 5, Wisma UOA Pantai, No.11, Jalan Pantai Jaya, 59200 Kuala Lumpur, e-mail: masb@masb.org.my.

For further information, please refer to the Circular which can be downloaded from the MICPA’s website at www.micpa.com.my in the Members’ Area.

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

Members in Practice

– Small or Medium Sized Practice Quick Poll (November/ December 2011)

Further to Circular No.TEC/069/11/2011/W dated November 23, 2011, members are informed that the International Federation of Accountants (“IFAC”) has invited members in practice of the Institute, in particular practitioners of small- or medium-sized (“SMP”) practices, to participate in the November / December SMP Quick Poll. The November / December SMP Quick Poll should take only three minutes to complete, and the results will be analysed in a composite 2011 report to be released in 2012.

The poll includes some forward-looking questions about 2012. A few questions from the January, April and August SMP Quick Polls will be repeated in order to gather trending data.

Those who are interested to participate in the survey may do so by completing the questionnaire at <http://www.research.net/s/SMPQuickPoll-Nov-Dec2011>. The deadline for participation in the August SMP Quick Poll is **December 19, 2011**.

For further information, please refer to the Circular which can be downloaded from the MICPA’s website at www.micpa.com.my in the Members’ Area.

Members Updates

Membership Data Update

Members are duly 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. You may also send an e-mail to 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 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 have been planned:

Advanced Corporate Tax Planning

The MICPA is organising 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 will be led by Mr Chow Chee Yen, Executive Director, Advent Tax Consultants Sdn Bhd who will share with participants' practical examples and case studies that he has encountered in his 19 years of involvement in corporate tax planning. For further information, please click [here](#).

Advanced Consolidation Principles - Revised FRS 3 and Revised FRS 127

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

This Seminar aims 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).

At the end of the Seminar, participants should be able to understand and apply the relevant new requirements on accounting for business combinations and consolidation as required by the revised standards.

The seminar will be led by Mr Tan Liong Tong, Technical Consultant to Mazars Malaysia and Mr Woon Chin Chan, Consultant cum Trainer. For further information, please click [here](#).

Accounting for Construction, Property Development and Real Estate Activities

The MICPA is organising 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 aims 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 will be led by Ms Lim Geok Heng, Technical and Training Consultant, EVO Training & Consulting and she will 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. For further information, please click [here](#).

News from Regulatory Bodies

SECURITIES COMMISSION MALAYSIA (SC)

SC Invites Comments on Independent Chairman and Poll Voting

The Securities Commission Malaysia (SC) has published a consultation paper seeking public feedback on independent chairman and poll voting.

The five-year Corporate Governance Blueprint (Blueprint) launched in July this year recognises that good corporate governance culture needs to start from the top, with boards playing the role of stewards and guardians to raise corporate governance standards.

To be able to set the right 'tone from the top', boards must have the capacity and be independent of management to fulfill their fiduciary responsibilities and this is especially important in the case of the chairman who is generally responsible for leading the board. This led the Blueprint to recommend mandating the separation of the position of the chairman and CEO, and that the chairman should be a non-executive member of the board.

The SC envisages moving one step further to require an independent chairman, an issue which has been widely debated. The publication of the consultation paper provides the opportunity for all parties to contribute their views in respect of whether or not the chairman should be an independent director.

The consultation paper also seeks to gather the public's views on whether poll voting should be mandated for all resolutions requiring shareholders' approval.

The Blueprint recommends that poll voting should only be mandated for resolutions approving related-party transactions. This is to allow disinterested shareholders to convey to companies that such transactions are not acceptable unless they benefit the companies. The consultation paper aims to solicit views on extending poll voting for all resolutions.

Shareholders have equal responsibility to protect and advance their own interests, to ensure that the companies they have invested in are well governed. This can be

done through greater shareholder activism such as participating in the company's decision making process through voting. The due date for comments is December 15, 2011 to cgblueprint@seccom.com.my.

Updated List of Shariah-Compliant Securities by SC's Shariah Advisory Council

The SC has released an updated list of Shariah-compliant securities approved by its Shariah Advisory Council (SAC).

The updated list, which takes effect on **25 November 2011**, features a total of 839 Shariah-compliant securities. These counters constitute 89 percent of the total 946 listed securities on Bursa Malaysia.

The list includes 15 newly classified Shariah-compliant securities and excludes three from the previous list issued in May 2011. It also indicates that Shariah-compliant securities are well represented in all sectors of industry.

The full list, which is updated twice a year, is now available. It will also be published in a booklet which can be obtained from the SC from December 9, 2011. The next updated list will be available in May 2012.

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

BANK NEGARA MALAYSIA (BNM)

Measures to Promote Responsible Financing Practices

Bank Negara Malaysia (BNM) has issued guidelines to financial institutions aimed at promoting prudent, responsible and transparent retail financing practices. The guidelines will take effect from January 1, 2012 and will complement other measures that promote better protection for financial consumers and a sustainable credit market that contributes towards preserving financial and macro-economic stability.

The guidelines require financial institutions to make assessments of a borrower's ability to afford financing facilities based on a prudent debt service ratio as inputs to their credit decisions. Financial institutions must make appropriate enquiries into a prospective borrower's income after statutory deductions for tax and EPF, and consider all debt obligations, in assessing affordability. While this is consistent with the current practice of most financial institutions, the guidelines will facilitate a sharper focus and more consistent approaches across the industry to assessments of individual affordability. This guideline will thus ensure that the increasingly competitive conditions will not lead financial institutions to compromise prudent and responsible financing practices. The Guidelines also stipulate that the maximum tenure for vehicle financing applications that are received from November 18, 2011 should not exceed nine years.

Broadening Regional Financial Collaboration

BNM will be expanding the list of eligible collateral following greater regional financial integration. This is aimed at enhancing the liquidity management framework and is in line with the growing significance of regionally active financial institutions which have intensified the financial inter-linkages between economies, particularly in trade, investment and financial services.

The list of eligible collateral that financial institutions regulated by Bank Negara Malaysia can pledge to obtain ringgit liquidity from the Bank will be expanded to

include foreign currency denominated securities. Currently, the eligible collateral is restricted to Ringgit denominated securities only. With the expansion, foreign currency denominated securities issued by government and central bank of EMEAP member countries in local and foreign currency will be accepted. In addition, Multilateral Development Bank securities denominated in USD, Euro, Japanese Yen and Pound Sterling will also be accepted.

The Bank will also be embarking on an initiative to establish reciprocal bilateral operational arrangements with other central banks to enable Malaysian financial institutions operating in foreign countries to obtain liquidity from the foreign central banks by pledging Ringgit denominated securities and vice versa.

These initiatives will serve to strengthen regional cooperation and support financial market and investment activities, hence reinforcing the regional financial integration.

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

News from IFAC and IASB

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

IASB and IFAC to Enhance Cooperation in Developing Private and Public Sector Accounting Standards

The International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) have signed an MoU to strengthen their cooperation in developing private and public sector accounting standards.

The boards have worked together in the past: many IPSASs are primarily drawn from IFRSs, and the agreement, in the form of a Memorandum of Understanding (MoU), reflects the IASB's and IFAC's shared conviction that the transparency provided by high-quality financial reporting standards contributes significantly to the effective functioning of capital markets and sound economic growth. The agreement represents a further commitment to strengthen the cooperation between the two boards, with a view to ensuring greater consistency in their respective standard-setting activities.

The MoU also acknowledges the ongoing working relationship between the IASB and the International Auditing and Assurance Standards Board (IAASB), which is also supported by IFAC. As part of this relationship, the IAASB seeks to advise the IASB on issues surrounding verifiability and auditability of proposed accounting standards.

The agreement is consistent with the conclusions of the IFRS Foundation Trustees' strategy review, which called for greater interaction between the IASB and other accounting standard-setting authorities. The MoU is available to download from <http://go.ifrs.org/IFACMoU>

IFAC Presents Prestigious International Gold Service Award

In a press release dated November 16, 2011, the IFAC announced that it had presented the IFAC International Gold Service Award to Sir David Tweedie and Stephen Zeff. The awards were presented at IFAC's annual Council Meeting in

Berlin, Germany, by Göran Tidström, president of IFAC. The IFAC International Gold Service Award was created by the IFAC Council in 2010 to recognise outstanding individual contributions to the accountancy profession.

IFAC Announces New Board Members

In a press release dated November 17, 2011, the IFAC announced, that five new members have been appointed to the IFAC Board: Ms. Rachel Grimes, Mr. Ahmadi Hadibroto, Mr. Ganapathy Ramaswamy, Mr. Makoto Shinohara, and Mr. Masum Turker. The IFAC Council also re-elected Mr. Steven Vieweg for a second-term of service. These appointments bring additional diversity and balance with respect to gender, geographical region, and professional experience.

Predictive Business Analytics – An Important Aspect of the Professional Accountants in Business Toolkit

The Professional Accountants in Business (PAIB) Committee of the IFAC has issued new International Good Practice Guidance, *Predictive Business Analytics: Improving Business Performance with Forward-Looking Measures*. The guidance is designed to help professional accountants in business working in commerce, industry, financial services, education, and the public and not-for-profit sectors, as well as their organizations, embrace predictive business analytics to help develop and execute strategy.

Professional accountants in business can use predictive business analytics to identify new opportunities for growth and improvement in their organizations, as well as to highlight areas for corrective actions and strategy adaptations. Predictive business analytics can help any organisation select the appropriate actions and best decisions to improve performance and achieve sustainable organizational success.

This International Good Practice Guidance assists professional accountants in business as they contend with rising expectations from their organisations. The quality of management information expected by internal business users is expanding, both in terms of the range of data to be considered and the level of required analysis. From strategic issues to routine tasks, executives, managers, and operational staff require higher-quality information from professional accountants to support strategic and operational decision making.

IFAC Updates Audit Implementation Guide for SMPs

The Small and Medium Practices (SMP) Committee of the IFAC has released the third edition of its *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities* (ISA Guide). Intended to help practitioners understand and efficiently apply the clarified ISAs to audits of small- and medium-sized entities (SMEs), the updated guide features a number of refinements to the technical content and presentation.

The comprehensive implementation guide offers a practical “how-to” approach for conducting risk-based audits of SMEs. First issued in 2007 and developed with the Canadian Institute of Chartered Accountants, it is designed for use by all practitioners, whether or not they are already familiar with the ISAs. Volume 1 covers the basic concepts of a risk-based audit in conformance with the ISAs. Volume 2 contains practical guidance on performing SME audits, including two illustrative case studies—one of an SME audit and one of a micro-entity audit.

The updated ISA 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 previous editions of the guide, which were conducted by member

bodies and other organisations. Visit the Small and Medium Practices pages for access to additional relevant resources from IFAC and others (see Relevant Links—[Implementation Resources](#)). For access to the clarified ISAs, see the IAASB Clarity Center.

Sovereign Debt Crisis Demands Financial Management Reform by Governments

The IFAC applauds Europe's focus on resolving the current financial crisis. However, IFAC warns that—in addition to addressing the symptoms—the underlying causes must also be addressed, by reforming governments' substandard financial management practices.

The situation in Greece is only the tip of the iceberg. Substandard accounting, auditing, and financial management led eventually to financial reporting fraud by the Greek Government, and ultimately triggered a market reaction that revealed much more widespread financial fragility in the European public sector, evidenced by the need for bail-outs and increased debt servicing costs. In Germany, the government recently disclosed an accounting error equivalent to 2.6% of GDP. To put the size of that error in context, the cost of Japan's earthquake and tsunami in early 2011 was equivalent to approximately 5% of GDP. That this error was not obvious to Germany's Ministry of Finance is indicative of the general state of government financial management. A similar, though smaller, error reported in the Irish Government's financial statements this week corroborates this negative assessment of the state of public sector financial management.

Fiscal mismanagement in the public sector is not isolated to Europe; it is a global problem. At the core, it stems from political shortsightedness and the inadequate systems that governments use to manage public finances, in particular the use of cash-based accounts in a highly complex financial world.

As early as 2007, IFAC stated that it "is concerned that the standards and regulations governing sovereign issuers are not of sufficient quality to protect investors and ensure the stability of capital markets." In 2011, the consequences of poor financial management in the public sector are all too apparent. Consistent with its recent submission to the G-20, IFAC calls for urgent research and action to address this critical, but neglected, component of the international financial system.

IFAC recommends that work should be conducted or commissioned by the Financial Stability Board (FSB), to consider the nature of institutional changes that are needed in public sector financial management to facilitate greater transparency and accountability and to protect the public and investors in government bonds. IFAC believes the FSB should examine reformed fiscal arrangements which include:

- Audited financial statements within six months of year end;
- Budgeting, appropriations, and reporting on the accrual basis;
- Full transparency in fiscal positions ahead of general elections, ensuring that voting is fully informed;
- Independent, audited projections of fiscal position to accompany budgets; and
- Limitations on deficit spending, or at least full transparency around the reasons for deficit spending and explanations of how, over an economic cycle, fiscal balance will be restored.

In calling for financial management reform in governments, IFAC stands willing to assist the FSB or other relevant authorities in bringing about such change.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

Representatives of IASB and ASBJ hold biannual Meeting

Representatives of the International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ) held their fourteenth biannual meeting in London recently.

The boards discussed the joint work of the IASB and the US national standard-setter, the Financial Accounting Standards Board (FASB), to improve International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) and to bring about their convergence.

The ASBJ supports the efforts of the IASB and the FASB towards developing high quality global accounting standards, and is making progress with its own work for convergence of Japanese GAAP and IFRSs by taking into consideration the progress of the IASB and FASB's joint projects.

The boards also exchanged views on projects undertaken by the IASB and the FASB respectively.

IASB and FASB Publish Revised Proposal for Revenue Recognition

The IASB and the Financial Accounting Standards Board (FASB) issued for public comment a revised draft standard to improve and converge the financial reporting requirements of International Financial Reporting Standards (IFRSs) and US General Accepted Accounting Principles (GAAP) for revenue (and some related costs) from contracts with customers.

The boards decided to re-expose the proposals because of the importance of the financial reporting of revenue to all entities and the boards' desire to avoid unintended consequences arising from the final standard.

The proposed standard would improve IFRSs and US GAAP by:

- providing a more robust framework for addressing revenue recognition issues;
- removing inconsistencies from existing requirements;
- improving comparability across companies, industries and capital markets;
- providing more useful information to users of financial statements through improved disclosure requirements; and
- simplifying the preparation of financial statements by streamlining the volume of accounting guidance.

The core principle of this revised proposed standard is the same as that of the 2010 exposure draft: that an entity would recognise revenue from contracts with customers when it transfers promised goods or services to the customer. The amount of revenue recognised would be the amount of consideration promised by the customer in exchange for the transferred goods or services. However, in response to feedback received from nearly 1000 comment letters on the 2010 exposure draft and extensive outreach activities, the boards further refined their original proposals.

In particular they:

- added guidance on how to determine when a good or service is transferred over time;
- simplified the proposals on warranties;
- simplified how an entity would determine a transaction price (including collectibility, time value of money, and variable consideration);
- modified the scope of the onerous test to apply to long-term services only;
- added a practical expedient that permits an entity to recognise as an expense costs of obtaining a contract (if one year or less); and
- provided exemption from some disclosures for non-public entities that apply US GAAP.

If adopted, the proposed standard would replace IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. In US GAAP, it would replace the guidance on revenue recognition in Topic 605 of the FASB Accounting Standards Codification®.

The exposure draft is open for comment until March 13, 2012 and can be accessed via the '**Comment on a Proposal**' section of www.ifrs.org or on www.fasb.org. Further information including a podcast, an IASB 'Snapshot' and a 'FASB In Focus', which are high level summaries of the proposals, are available on the IASB and FASB websites.

Comments Invited on Two Draft Q&As for the IFRS for SMEs

The SME Implementation Group (SMEIG) has published two draft Questions & Answers (Q&As) on the IFRS for Small and Medium sized Entities (SMEs). The draft Q&As are open for comment until January 31, 2012 and cover the following topics:

- whether an entity may choose to apply the recognition and measurement provisions of IFRS 9; and
- whether the recycling of cumulative exchange differences on disposal of a subsidiary is prohibited

To access or comment on the IFRS for SMEs draft Q&As, visit <http://www.ifrs.org/IFRS+for+SMEs/Draft.htm>

Reviewing the IFRS for SMEs

When the IASB issued the IFRS for SMEs in 2009, it announced its intention to undertake a post-implementation review of the standard after a broad range of entities have been applying the IFRS for SMEs for two years.

The first two years in which companies applied the IFRS for SMEs were 2010 and 2011 and so the Board expects to initiate the comprehensive review in 2012. The review is expected to include a request for public comments on issues for which amendment to the IFRS for SMEs should be considered. As part of the comprehensive review, the Board will also consider all Q&As for possible incorporation into the revised IFRS for SMEs. For that reason, the SMEIG does not expect that it will issue many, if any, additional Q&As before the start of the comprehensive review.

Following the comprehensive review, the IASB plans to consider amendments to the IFRS for SMEs approximately once every three years. For more information about the IFRS for SMEs, including all draft and final Q&As, visit: <http://go.ifrs.org/SME>

Insurance Contracts Podcast Available

A podcast has been recorded by Patrick Finnegan, IASB member and Joanna Yeoh, Technical Manager, reporting on developments in the Insurance project following the IASB meeting on November 15, 2011 and joint IASB/FASB meeting on November 16, 2011.

To listen to the podcast, please visit www.ifrs.org.

News from Professional and Other Bodies

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. Please contact Ms Vicky Rajaretnam at Tel: 03-2698 9622 or e-mail vic.pr@micpa.com.my for further information.

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