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Are New Technologies Replacing Routine Jobs?

at-mia.my/2019/11/12/are-new-technologies-replacing-routine-jobs

November 12, 2019

By Kevin Fitzgerald

In recent years, the rise of new technologies such as artificial intelligence (AI), machine learning, and automation has been one of the biggest disruptors across multiple industries, changing business processes and how professionals work. According to the McKinsey Global Institute Study, between USD26 billion and USD39 billion was spent on AI technology in 2016 alone, and 60% of that went into machine learning.

AI is being applied in the financial services sector, in the way banks use chatbots to reduce generic customer queries and resolve repetitive messages to IT helpdesks, vendors, and legal teams 24/7.

These changes, unsurprisingly, have been felt in the world of accounting, which is expected to lead AI adoption until 2020.

Cloud accounting platforms have also incorporated AI and machine learning to automate the coding of a large portion of transactions that small businesses do on a daily basis. AI eradicates the time spent on manual and administrative activities such as punching and coding transactions, allowing business owners to focus on running their businesses, and their advisors on providing them strategic counsel to deliver more value.

Without a doubt, new technologies are indeed replacing routine processes. But this paradigm shift also provides an opportunity for accountants, bookkeepers, and business owners to shift their mindset from tactical tasks like transferring data from paper to the accounting system to strategic, analytical functions like forecasting and long-term planning to grow the business.

In fact, we're seeing signs of this happening across accounting and bookkeeping firms in Singapore and Hong Kong.

The modern age accountants – embracing apps for greater revenue and productivity

Xero’s 2019 Accounting & Bookkeeping Industry Reports for Singapore and Hong Kong offer several insights into how technology is creating new service opportunities across the three prominent accounting practice types: compliance, simple advisory, and complex advisory.

1. Firms are using payroll, HR, and employee-related apps to improve efficiency

Businesses in Singapore and Hong Kong are not foreign to payroll and employee-related apps. Apps like Expensify, HReasily, and Talenox are relatively established in the market. However, integrating these complementary add-ons to the cloud accounting platform allows small businesses and their advisors to have a broader overview of the business across functions.

As these apps are focused on HR, payroll, and employee processes, they contribute mostly to efficiency instead of having a direct impact on expanding services and growing revenue.

Nevertheless, it is noteworthy that pacesetting accounting firms – the top 15% accounting firms with high growth and revenue relative to firms of the same business age – are adopting these apps faster than their counterparts.

2. Data automation apps are being used to lower cost of compliance and advisory services

On the other hand, simple and complex advisory firms in Singapore and Hong Kong are now using data automation apps that automatically fetch, collect, and store documents and information, reducing the time spent by employees to perform these functions manually. While a little over one quarter of accounting firms in Singapore (25.8%) have adopted data automation apps to improve operational efficiency, three fifths of firms in Hong Kong (59.5 %) have already done so. Likewise, approximately one third of pacesetting firms in Singapore (34.5%) versus 81% in Hong Kong have embraced data automation. The move to data automation apps for accounting firms is increasingly critical. Singapore’s pacesetting firms are making on average 99.5% more revenue and growing nearly three times faster than the industry average and are saving around 215 hours serving each client every year.

The increasing cost of running a business, coupled with the talent shortage, in today’s competitive landscape could be the driving force behind this trend. Data automation streamlines routine work, allowing professionals to save time and focus on more strategic tasks to generate more revenue and deliver greater value to clients.

3. Strategic advisory work increasing client retention

Apps that facilitate the creation and delivery of advisory services are a more recent development in Singapore and Hong Kong, which is why the majority of accounting firms across the spectrum are actively planning to adopt these technologies in the new year.

The reason is simple — apps that offer solutions for budgeting, reporting, and above all, forecasting open up new advisory opportunities and new revenue streams. The use of these complementary apps is coupled with bank feeds which allow real-time financial data to flow directly from the small businesses' bank accounts into their cloud accounting platform, facilitating the interpretation of the data by their advisors. As such, less time is spent on manually collating the information and more time dedicated to advisory work around cash flow forecasting and business reporting.

This year, we are seeing more firms exploring the use of forecasting, budgeting and reporting apps, with 42.9% of complex advisory firms looking to implement them by April. By devoting more time to higher valued advisory services, it is no surprise that accounting firms are increasing their small business clients' 'stickiness', with higher retention rates for high-value clients (only 6.8% client departures in the last 12 months in Hong Kong and 3.1% in Singapore).

Leveraging new technologies to stay ahead of competition

If anything, Xero's Accounting & Bookkeeping Industry Reports for Singapore and Hong Kong tell us that apps that integrate artificial intelligence, automation, and machine learning are not so much replacing accountants as they are making them more effective at their jobs.

But while the rise of new technologies opens new opportunities for accountants to deliver more value, it also brings forth a potential problem if not addressed – a skills shortage in the accounting industry. According to a survey by Ernst & Young and CPA Australia, 79% said they don't have the necessary skills to keep up with the demands of the job in 10 years' time.

With that being said, here are a few ways accountants and bookkeepers can remain relevant and thrive in the face of new technologies.

1. Understand the importance of strategic thinking, business acumen and leadership skills

The pace at which accounting software is innovating means the modern accountant is spending less time on manual tasks and more time making decisions that grow the business for their small business clients. Traditional financial accounting is still important, of course, but accountants can benefit from brushing up on their financial analysis and managerial accounting skills, which will help them make sense of the numbers crunched by accounting software.

In other words, accountants need to see themselves more as a strategic business advisor or even a CFO, which means the need for them to analyse financial figures against other factors such as broader economic trends and potential risks. It's no surprise that the top skills accounting professionals think they need in the next 10 years include strategic thinking, business acumen, analysis, and leadership.

This pivot to complex advisory services also explains why on average, pacesetting firms generated S$242,6000 in total advisory revenue compared to the S$96,200 from regular firms. They also saw growth of 28.8% in the 12 months to October 2018 versus only 11.6% from other firms. These are real opportunities that accountants and bookkeepers can readily tap into if they leverage technology to reduce time spent on routine tasks and focus on higher value advisory work to grow their business.

2. Strengthen the relationship with your client

Because accountants can expect to spend less time crunching numbers, their new responsibilities will naturally bring them closer to the small business customers they serve.

This means accountants must be ready to interpret financial data and provide their analyses in a way that can be easily understood by business leaders. In fact, the same EY survey found accounting professionals expressing a need to develop their influencing, communication, and advisory skills.

3. Tap on complementary apps to expand further into advisory services

As the role of accountants become more diversified, they need to equip themselves with skills and knowledge beyond accounting in order to remain competitive. Today, we are witnessing an increasing demand for advisory services such as forecasting and reporting. To adapt quickly to this demand, accountants can tap on complementary apps such as Spotlight Reporting and Futrli to deliver comprehensive performance reports, conduct cash flow forecasting, scenario modelling and create customisable dashboards to facilitate business conversations with their small business clients to add value to the relationship.

The good news is that the industry is still going through a learning curve with these complementary apps as an extension of the traditional accounting platform, so now is the perfect time to jump on the bandwagon to stay ahead of competition and remain relevant as the role of accountants evolves further.

A more rewarding career ahead

While discussions about routine accounting functions being replaced by technology might be regarded as a source of tension in the industry, the truth is that new technologies are ultimately creating richer opportunities for complex and strategic jobs to carve out a more rewarding career for accountants and bookkeepers. I am optimistic that the new era of technology will see accountants and bookkeepers rise to play a more strategic and vital role to business leaders, and become essential partners in their growth journey.

Kevin Fitzgerald is the Managing Director of Xero Asia.

Budget 2020 Measures Highly Relevant to Malaysia's Future Growth Trajectory, says MIA

at-mia.my/2019/10/15/budget-2020-measures-highly-relevant-to-malaysias-future-growth-trajectory-says-mia

October 15, 2019

Budget 2020 is clearly designed to grow the Malaysian economy sustainably and to future-proof key stakeholders for the digital revolution and developments, said Dr. Nurmazilah Dato' Mahzan, CEO, MIA in her response to the tabling of Budget 2020.

According to Dr. Nurmazilah, many of MIA's core initiatives and activities – both current and future – are already aligned with the Budget and its Shared Prosperity Vision.

Advocating Digital Transformation

For example, Budget 2020's measures to accelerate the digital economy are timely and aligned with MIA's aspiration for its members to play a larger role in the digital transformation of their respective organisations, as strategic business advisors and partners, she explained.

The MIA welcomes the following incentives to drive digital transformation:

- 50% matching grant of up to RM5,000 for subscription to selected/approved digital systems
- Allocation of RM550 million for Smart Automation matching grants worth up to RM2 million per company
- One-stop Digital Enhancement Centres
- Digital Social Responsibility (DSR)
- Widening SME access to digital financing options such as Equity CrowdFunding (ECF) and Peer-to-Peer (P2P) platforms, which will improve access to finance for underserved SMEs.

Attracting Sustainable Value-Added FDI

MIA supports the government's commitment to channel resources in improving governance and service delivery in line with its principles of Competency, Accountability and Transparency (CAT).

These are integral to good governance and building trust in public institutions, which is a key driver in attracting FDIs and assuring investor confidence.

Dr Nurmazilah

"To strengthen trust and bridge the trust deficit, it is important that these public institutions provide accurate and complete financial and non-financial information, in order to demonstrate accountability and stewardship and to reinforce their credibility," said Dr. Nurmazilah.

The reliability and transparency of financial reporting is also important in attracting FDI.

Accountants play a pivotal role in these areas either as preparers, auditors, regulators or those charged with governance.

Building Capabilities for Local Accountancy Firms

MIA is constantly exploring ways to build capabilities among local accountancy firms to improve productivity. Building regional alliances is one means of building capabilities and will enable local firms to tap the growing potential of ASEAN and Asian markets.

The government's move to raise the ceiling on Market Development Grant (MDG) by Malaysia External Trade Development Corporation (MATRADE) to RM300,000, will be very useful in incentivising and supporting local accountancy firms to go regional.

The cap on entry to export exhibitions has also been raised to RM25,000, enabling better access to export marketing opportunities and formation of regional alliances and networks for local accountancy firms.

Strengthening Leadership in Islamic Finance

The establishment of the Special Committee in Islamic Finance (JKKI) will provide further impetus to further promote and develop the Islamic finance (IF) ecosystem and strengthen Malaysia's leadership as a centre of excellence in IF.

One of the objectives of JKKI that will be established is to organise outreach initiatives and professional courses to promote deeper understanding of Islamic finance nationwide. "This is in line with MIA's ongoing IF Pupillage Programme as well as the development of our upcoming Islamic finance textbook which have the aim to build competency and capacity in Islamic finance among accountants," said Dr. Nurmazilah.

Strengthening the Talent Pipeline Through Education

MIA also welcomes the generous funding of RM192 million for professional certification programmes, including professional accountancy programmes, under Yayasan Peneraju Pendidikan Bumiputera.

This allocation will enable greater numbers of Bumiputera students to take up professional accounting qualifications. This will ultimately lead to the upskilling and diversification of talent, strengthening of the accountancy talent pipeline and uplifting of the Bumiputera community.

Future-Proofing the Finance Function

at-mia.my/2019/10/15/future-proofing-the-finance-function

October 15, 2019

To raise the competency of accountancy professionals in commerce and industry, who make up about 65% of MIA membership, the Institute has embarked on a comprehensive and integrated strategy to future-proof chief financial officers (CFOs) and the finance function.

Key to this is to bridge competency gaps in compliance with financial regulations and accountancy standards, as well as competency gaps in strategy, leadership and communications of the finance function and the CFO as the leader of the finance function.

Competency Frameworks

To help upskill professional accountants in business (PAIBs), MIA launched its Competency Framework for Finance Function in Public Interest Entities (PIEs) in June 2019 at the CFO Conference 2019, which complements the Competency Framework for Chief Financial Officers (CFOs) in PIEs launched a year earlier in June 2018.

These two frameworks are pivotal to MIA's initiatives to future proof CFOs and the finance function and improve their relevance and value as the business and regulatory landscape becomes more complex, said Simon Tay, MIA Executive Director, Professional Practices and Technical.

In his presentation entitled "In a Nutshell: Competency Framework for CFOs and Finance Functions in PIEs", Tay explained that the two Frameworks were issued following extensive research and engagement with stakeholders, namely through focus group discussions and roundtables. Tay said that the MIA PAIB Committee with its diverse representatives as well as the MIA working groups were essential to the creation of these competency frameworks and their ongoing dissemination and implementation.

Finance function transformation will enhance businesses by upskilling PAIBs with the core competencies required of finance professionals working in the era of Industrial Revolution 4.0 (IR4.0):

- One, competency in the preparation of financial statements and external reporting in compliance with accounting standards and relevant laws and regulations. Feedback from regulators indicates that there is room for improvement in the matter of compliance, said Tay.
- Two, competency in financial management, strategy development and execution, and communications with stakeholders. “The CFO is no longer a backroom person but a leader, business partner and trusted moral compass. The CFO should develop a business and strategic mindset, be an independent voice to challenge decisions and have the agility to adapt to changes. As others have said, the CFO should think like the CEO but act like the CFO,” said Tay.

“The Competency Framework for CFOs was launched first because we realised that the leader of the finance function is very important. Make sure that the leader is right then everything will follow thereafter,” said Tay.

“The continuation with the Competency Framework for Finance Functions is a natural progression and will assist the CFO in carrying out the roles as mentioned in the Competency Framework for CFOs.”

Competency Framework for CFOs in PIEs

In summary, this Framework guides organisations and finance professionals on the expectations and roles of CFOs today and includes recommendations for upskilling CFOs.

Tay enumerated the expectations of the person of the CFO today, according to the 5 key principles by the International Federation of Accountants (IFAC):

1. Be an effective organisational leader and a key member of senior management
2. Balance the responsibilities of stewardship with business partnership
3. Act as the integrator and navigator of the organisation
4. Be an effective leader of the finance and accounting function
5. Bring professional qualities to the role and the organisation.

Competent CFOs are expected to fulfil the following core roles according research by Ernst & Young (EY):

1. Ensuring business decisions are grounded in sound financial criteria
2. Providing insight and analysis to support CEO and other senior managers
3. Leading key initiatives in finance that support overall strategic goals
4. Leading key funding , enabling and executing strategy set by the CEO
5. Developing and defining the overall strategy for the organisation
6. Representing the organisation’s progress on strategic goals to external stakeholders.

Following the launch of the Competency Framework for CFOs, MIA is actively creating awareness and educating CFOs and Boards on the Framework, while supporting implementation of the Framework's recommendations, which are:

1. Advocating the Competency Framework as a reference guide for companies, Audit Committees and CFOs in defining the CFO's roles and deliverables.
2. Delivering innovative continuing education for CFOs. MIA has designed integrated and strategic development programmes and initiatives to future-proof CFOs, including the CFO Conference franchise and other targeted professional development and learning programmes, the high-level CFO Circle networking platform and the Competency Frameworks.
3. Recommending a minimum of 20 credit hours of structured and verifiable CPD learning for each calendar year.
4. That only a competent person be appointed as the CFO of a PIE.

Tay noted that some organisations had already begun applying the Competency Framework for CFOs in PIEs to enhance the quality of their CFO and finance function. Feedback so far indicates that companies find the Framework useful as a guide for finance and business transformation.

Competency Framework for Finance Functions in PIEs

A competent finance function is vital to support the CFO as the leader of the finance function.

In today's complex business landscape, finance functions are expected to do more than report the numbers. To support the CFO as he discharges the six roles defined above, the finance function too needs to go beyond financial management into the domains of strategy and business partnership.

Nevertheless, the finance function must continue to act as financial stewards, particularly on financial management and regulatory compliance. This must be supported by professionalism and a high standard of ethical behaviour that is "cascaded down from the CFO to the entire finance function," said Tay, as well as the implementation of controls to manage risk and pre-empt financial mismanagement.

According to the Framework, the finance function should be able to:

- Strengthen strategy alignment, business planning, performance reporting and analytical capabilities
- Empower the organisation to make better and more informed decisions based on the right information delivered at the right time
- Transform data into intelligence that enables actionable insights and decisions that highlight key performance measures
- Leverage the latest information technologies development to take advantage of evolving market opportunities

- Function as an effective check and balance on operations (through proper controls) and as a gatekeeper to uphold good governance (through demonstration of professionalism and ethical behaviour).

The Framework recommends three tools to measure the effectiveness of the finance function and target improvements.

Tool 1: Finance Assessment Framework by PwC, which assesses the finance function's performance on the three key measures of business insights, compliance and control, and efficiency.

Tool 2: Finance Target Operating Model by KPMG which shows where the finance function is on a scale from low-performing to high-performing. "This shows the ideal finance function with six areas to consider – the organisation, services, location, people, technology and processes," said Tay.

Suboptimal finance functions behave in the following way: they are in silos, entirely internally focused, have decentralised processes which are inefficient, their people are scorekeepers, systems and data models are incompatible and their processes are business unit specific.

On the other hand, the ideal finance function is integrated, drives value, optimises shared services and strategic sourcing, is a business partner, uses centralised data models and systems that are effective and efficient, and is standardised and optimised.

Tool 3: Indicators and Red Flags Diagnostics Analysis enable comparison with a checklist of indicators or red flags that can be used to pinpoint weaknesses or potential problems affecting the finance function.

The Competency Framework lists potential red flags in:

Financial Reporting – significant deviation in unaudited and audit net profit, late closing of financial statements, significant adjustments/amendments between first draft and audit financial statements, incomplete disclosures in draft before audit, lack of insight shared with management arising from analysing operational results, evidence of window dressing and other forms of creative accounting. non-compliance with Bursa listing requirements and other regulations, scrutiny of policies and disclosures by regulators, etc.

Compliance and control – reconciliations are not conducted frequently, significant internal control weaknesses detected and unaddressed, late audit confirmation replies, occurrence of material fraud staff competencies not developed, technology for systemic efficiency not adopted etc.

Behavioural – high staff turnover and no succession planning.

Stakeholder Management – no profit warning before an incident happens, lack of use of analytics for effective assessment purposes, inability to support the Board and CEO to manage the numbers.

Moving forward, the onus will be on advocacy and implementation to drive the transformation of the finance function, in order to support better business performance and good governance.

Tay noted that there will be challenges. One, there is a need to convince the Boards to invest in CFO and finance function transformation. MIA will advocate for transformation by engaging and educating Boards, especially Board Audit Committees, to apprise them of the importance of having a fit-for-purpose finance function. Two, CFOs themselves must take the initiative to formulate a plan that details competency gaps within the finance function and how to address them and obtain Board buy-in for their plan.

Malaysia Insolvency Conference 2019

at-mia.my/2019/10/15/malaysia-insolvency-conference-2019

October 15, 2019

Calling all insolvency practitioners!

MIA in collaboration with the Insolvency Practitioners Association of Malaysia (IPAM) and The Malaysian Institute Of Certified Public Accountants (MICPA) will hold the Malaysia Insolvency Conference 2019, with the theme of Restructuring & Insolvency: Looking to the Future.

Specially curated and developed to upskill insolvency practitioners, the 2019 conference will cover topics involving technology, cross-border developments, litigation developments, and strategies to maximise the value of companies in distress.

This is a must-attend to track how evolving technology and global developments – e.g. growing investments in technology assets and artificial intelligence assets, among others – impact the current and future practices of insolvency, such as liquidation and asset optimisation.

The conference will focus on the following:

Slowdown: What Areas of Malaysia's Economy are Under Stress – Assesses the impact and risks of external headwinds such as the ongoing trade conflict and regional slowdown, as well as the consequences of the property slowdown and overhang of unsold properties on businesses, banks' loan portfolios and the broader economy. As all detriments have a silver lining, the expert panellists will also identify key areas of opportunities unfolding and how practitioners can best strategise in response.

The Impact of Technology on Restructuring and Insolvency Practice – Advises insolvency practitioners on how best to embrace technology and dissects the pains and gains of technology adoption. In particular, the panellists will focus on the growing role of Artificial Intelligence (AI) and other relevant technologies in disrupting global bankruptcy and restructuring practices and the lessons available for Malaysia.

Round-Up of Legal Developments: Impact on Insolvency Practitioners – Discusses the legal cases and also potential legal reforms in Malaysia. The speakers will also cover the practical implications to insolvency practitioners, based on real-life cases, along with the key takeaways from the latest High Court and appellate decisions. Bonus: the speakers will walk delegates through a successful judicial management case study.

Cross-Border Asset Recovery Strategies for Insolvency Practitioners – Featuring the perspectives from an insolvency practitioner, forensic investigator, lawyer and litigation funder, this session explores the latest techniques for asset recovery and insolvency litigation. In particular, the discussion will cover strategies from a cross-border perspective, with assets and funds flowing across countries. Of particular interest is the actions by other jurisdictions to recognise and facilitate third-party funding for dispute resolution and also insolvency funding.

The Insolvency Conference 2019 will be held on 20 November 2019 (Wednesday), Connexion Conference & Event Centre @ The Vertical, Bangsar South, Kuala Lumpur.

Malaysian Financial Reporting Standard 16 (MFRS 16) – Leases

October 15, 2019

By Nithea Nadarajah

The advent of MFRS 16 Leases, which took effect on 1 January 2019, saw a paradigm shift in the treatment and ultimate recognition of rights and obligations arising from lease contracts.

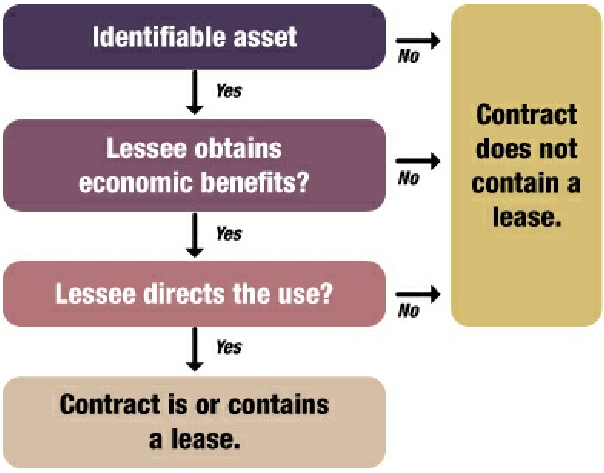
The previous standard, MFRS 117, differentiated the accounting treatment between finance and operating lease arrangements. While finance leases were duly accounted for on the balance sheet, operating leases under MFRS 117 did not necessitate capitalisation of leased assets as well as the recognition of the corresponding liabilities by the lessee. In hindsight, this seemingly simple treatment proved undesirable, as it not only lacked adequate transparency but also enabled off-balance sheet financing practices to proliferate.

MFRS 16 addresses this as there will no longer be a segregation between finance and operating leases. "MFRS 16, which features a single model for lessees, recognises the 'right-of-use' approach in its conceptual framework," explained Simon Tay Pit Eu, Executive Director, Professional Practices and Technical, MIA at the session on lease accounting during the MIA MFRS Conference 2019.

Under MFRS 16, all rights and obligations under leasing arrangements will thus be accounted for as assets and liabilities respectively.

Salient Features and Application

Identification



Under MFRS 16, a lease is defined as a contract or part of a contract that conveys the right to use an identifiable asset over a period of time in exchange for consideration. "After scoping out certain assets covered by other standards, for example, the lease of biological assets under MFRS 141, the pertinent question under MFRS 16 is whether there is an identifiable asset," advised Simon. The 'right to use' is basically interpreted as the lessee's 'right to the economic benefits derived from, and the ability to control the use of, an asset throughout its lease term. The lease term is the non-cancellable period of the lease, including the timeline involved to extend and/or terminate the lease term.

On the contrary, short-term leases (with a 12-month repayment period or lesser) and leases of low value assets are accorded optional exemptions, where such repayments are written off as expenses in the profit and loss account throughout the lease term.

Measurement

Leased assets are initially recognised at cost, akin to other non-financial assets, which also includes direct costs and restoration costs. Subsequent measurements would need to take into account the assets' depreciating values and other cost or impairment adjustments. Additionally, MFRS 16 also allows lessees to apply the fair value model and revaluation measurements for the subsequent measurements of investment properties and certain classes of property, plant and equipment, respectively. Leased liabilities, on the other hand, are initially measured by computing the present value of all unpaid lease payments, including non-cancellable lease payments, and payments to be made in optional periods. Subsequent measurements would need to account for lease payments made, interest due, and lease modifications, if any.

Transition

"Companies are provided with a choice to either fully adopt the MFRS 16 framework retrospectively or apply the modified retrospective method," said Simon. Unlike the retrospective approach which necessitates a restatement of financial and comparative information, the modified retrospective approach just requires a cumulative adjustment be made to equity at the initial application date (1 January 2019 for calendar year ends). To ease transitional woes by way of reducing the need to reassess all lease contracts, MFRS 16 allows for the application of various practical expedients, which enable the taking of pragmatic approaches that make good business sense. For example, as a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application for contracts previously identified as leases under MFRS 117 and IC Interpretation 4 Determining whether an Arrangement contains a Lease. Another practical expedient is that for leases with a remaining term of less than one year at the date of initial application, the lessee may choose to apply the short-term lease exemption in MFRS 16 and expense lease payments rather than recognise a right-of-use asset and a lease liability at the date of initial application. The application of a practical expedient is an accounting policy choice to be applied consistently to all contracts on transition.

Disclosure

Quantitative disclosures impacted during the MFRS 16 transition are the incremental changes to assets and liabilities, reduction in operating cash flows, profitability variation caused by the increase in financing costs and depreciation, and also the reduction in lease rental expenses. Qualitative disclosures are those relating to liquidity risks, the practical expedient methods adopted, and the leases falling within the ambit of optional exemptions, amongst others. Other occurrences such as residual value derivatives, future cash flows arising from variable lease payments, committed leases that have yet to commence or any unusual arrangements that may impact the company should also be disclosed accordingly.

Key Challenges

As this is a complex standard with potential tremendous impact on the financial statements, implementation poses diverse challenges. “One of the key challenges in the implementation of MFRS 16 would be to fully comprehend its key requirements,” said Lee Pei Yin, Partner, EY Malaysia.

To ensure a smooth transition, proper project governance is necessary. Pertinent factors such as lease arrangements and its impact on businesses in terms of changes to business practices, implementation costs, timeline involved, availability of resources, disclosure requirements, amongst others, must be deliberated very carefully. This is to ensure the objective of transparent, timely, meaningful and reliable information are met for all stakeholders.

“Managing expectations is of utmost importance”, advised Sim Siew Shan, Group Financial Controller, Air Asia Group Berhad, the airline company that previously recognised its fleet of airplanes as operating leases under MFRS 117. The transition to MFRS 16 caused quite a stir amongst stakeholders as it led to the capitalisation of leasing rights and obligations which were previously disclosed only as off-balance sheet commitments. Profitability figures were negatively impacted which resulted in tough discussions taking place at management and board levels. Siew Shan said that the core profits of the business will not be affected by lease transitional adjustments and stressed that the finance function must engage on MFRS 16 with the management and board in order to manage their expectations.

“Engagement with your business team is critical,” concurred Ramamoorthy. R, Senior VP Finance, Axiata, a telecommunications company with thousands of lease arrangements, such as cell tower leases, internet leased lines, amongst others. The organisation as a `whole is as much as part of the MFRS 16 transition as the finance department. The key challenge is to understand the underlying intent, conditional terms and duration of each contract to facilitate not only the transition to MFRS 16, but its subsequent measurements as well. “Leverage on technological tools and acknowledge information gaps early on to ensure that all relevant data relating to lease arrangements are captured expeditiously and efficiently,” he advised.

Method of Implementation

To ensure a smooth implementation process, Pei Yin recommends a three-step approach.

- One, capture all lease contracts that will run through the reporting period beginning from 1 January 2019 onwards. During this stage, it is imperative to keep communication lines open with all big divisions such as procurement, Information Technology (IT), legal, etc., to gather all related information.
- Two, carefully review all these lease contracts. Do they fall under the scope of a lease as defined by the MFRS 16 principles? Eliminate all irrelevant contracts e.g. contracts with no identifiable assets as they could be either service contracts or other lease arrangements that fall outside the ambit of the MFRS 16 framework.
- Third, decide on the approaches to take, the optional exemptions, and the practical expedients to apply. These matters require deliberation across the business to arrive at recommendations for the Board of Directors’ approval.

MIA’s Business Valuation Forum 2019

at-mia.my/2019/11/29/mias-business-valuation-forum-2019

November 29, 2019

Worldwide, business valuation is one of the most challenging areas affecting fair value accounting and decision-making.

MIA’s inaugural Business Valuation Forum 2019 will cover the following matters deemed most relevant to practitioners and valuers.

TRENDS AND DIRECTION OF BUSINESS VALUATION GLOBALLY

Nick Talbot of the International Valuation Standards Council (IVSC) will share the key developments affecting the valuation sector in their efforts to support efficient capital allocation.

MIA’ S BEST PRACTICE GUIDE AND SKILLS SET FOR BUSINESS VALUATION IN MALAYSIA

Dato’ Wong Wing Seong, Chairman of the MIA Valuation Committee will explain the Best Practice Guide issued by MIA for the reference of professionals practising business valuation in Malaysia. The Skills Set meanwhile is an aspirational benchmark for MIA members in performing business valuation in Malaysia. Both guides were developed based on the requirement for consistent, uniform and transparent valuation procedures by competent professionals and to further harmonise diverse valuation practices in Malaysia.

VALUATION ISSUES FACING VALUATION PROFESSIONALS

Valuation professionals grapple with numerous issues, the most prominent of which are the different and questionable valuation techniques, the use of technology to support valuation and the lack of expertise to cover different areas of valuation. The forum concludes with a panel discussion on practical ways and best practices to address these issues, especially within the Malaysian context. Moderated by Simon Tay, Executive Director, Professional Practices & Technical, MIA, the panel will feature Nick Talbot of the IVSC; Jay Moorthy, Partner, PricewaterhouseCoopers Capital Sdn Bhd; Su Ngee Kerk, Senior Executive Director, Ernst & Young and Azizan Abd Aziz, Chief Financial Officer, Bank Islam Malaysia Berhad.

The Business Valuation Forum 2019 will be held on 10 December 2019 (Tuesday) at the Connexion Conference & Event Centre @Nexus, Bangsar South, Kuala Lumpur. For more information, visit www.mia.org.my or contact Marti/Lynn at mcu@mia.org.my or please ***click here****.*

Promoting Accountancy Research Through Priority Research Report 1.0

at-mia.my/2019/10/15/promoting-accountancy-research-through-priority-research-report-1-0

October 15, 2019

The Malaysian Accountancy Research and Education Foundation (MAREF) launched the Priority Research Report 1.0 project at the recent MFRS Conference 2019.

The Priority Research Project was first launched in 2017, open to interested academicians and researchers in applied accountancy. Altogether, 41 proposals were received across the 12 priority topics identified, out of which the best were selected.

The selected teams commenced their research throughout 2017 and early 2018, before presenting their research approach and methodology to a diverse audience, including the Board of Trustees, accounting firms, and research institutions in March 2018. In total, the teams successfully produced the following four research reports:

RESEARCH REPORT	SUMMARY
Application of MFRS 13 Fair Value Measurement by Public-Listed Non-Financial Companies in Malaysia in respect of Financial Instruments and Non-Financial Assets	This paper analysed the extent of application of MFRS 13 by public-listed non-financial companies in Malaysia and the valuation methods used for valuing financial instruments and non-financial assets. The main findings were: - Preparers still prefer the cost model - Descriptive information in disclosures lacks depth and there is inconsistency in both disclosure and application of MFRS 13 - Preparers, auditors and academics were lacking in knowledge and experience - The accounting and business valuation professions have different views - As the IFRS 13 had been developed urgently during the global financial crisis, views of countries from the tropics were not sought on fair valuing of biological assets (as required under IAS 41 Agriculture) during the standard's development and implementation stages, resulting in insufficient guidance on fair valuing biological assets and insufficient training and education on MFRS 13.
Best Reporting Practices for Waqf: Performance, Governance and Socio-Economic Impact	This paper aimed to: - examine the current practices of disclosure among waqf institutions, - identify the institutions' indicators in terms of performance, governance and socio-economic impact, and - sought to suggest the best reporting framework for waqf across these three dimensions
Compliance of Companies in Malaysia (other than Financial Institutions) in respect of Disclosure Requirements in MFRS 7 Financial Instruments: Disclosures, MFRS 8 Operating Segments, MFRS 12 Disclosure of Interest in Other Entities, and MFRS 13 Fair Value Measurement	This paper concluded that: - The compliance of non-financial companies with disclosure requirements in MFRS 7, 8, 12 and 13 is satisfactory - Malaysian companies continuously take pro-active initiatives to be well informed on compliance developments via internal and external engagement - Incentives and institutional support by bodies such as MIA, FRSIC (Financial Reporting Standards Implementation Committee), MAREF, Malaysian Accounting Standards Board (MASB), Securities Commission, Bursa Malaysia and other professional accounting bodies facilitate compliance efforts - Improvement in compliance is continuously emphasised with the ultimate objective of offering quality financial reporting to enhance users' decision-making.
The Impact of Convergence with IFRS on the Malaysian Capital Market: Investor Perspective	This paper investigates the impact of convergence with IFRS on the Malaysian capital market from the perspective of foreign institutional investors and concluded that: - IFRS implementation improved the disclosure and comparability of information, and this is a positive change for the capital market and inspires higher investors' confidence - Although IFRS is useful in building investors' confidence, they also relied on other factors in making their investment decisions, such as corporate governance, integrity, capability of management, sustainability of growth, competitive advantage, credit ratings and other macroeconomic factors - The impact of full convergence with IFRS is not highly significant given that the standard of financial reporting in Malaysia was already at a considerable global standard prior to full convergence.

Stimulus for Accountancy Knowledge and Expertise

These research papers are key to building the knowledge and expertise bases for accountancy in the local context, said MAREF Chairman YBhg Tan Sri Datuk Dr.Abdul Samad Haji Alias during the launch. MAREF is a trust body initiated by the MIA in 1993. One of the key objectives of MAREF is to help develop the accountancy profession in Malaysia, by funding and promoting research. This is aligned with MIA's vision to develop the profession to support nation-building.

Congratulating the researchers on their invaluable work, Tan Sri Samad noted that: "These research projects don't only augment and enrich our existing data and knowledge bases and understanding, but they can help scale Malaysia further up the value chain in areas where the country enjoys an advantage – global Islamic finance and as a model and repository of knowledge on IFRS implementation for emerging economies."

Donate to MAREF to Support Further Research; Donations are Tax Exempt

He emphasised that MAREF will continue to provide funding for significant commercial and market-oriented research that benefits the profession. Building on the success of Priority Research Project 1.0, MAREF together with MIA are proceeding with Priority Research Project 2.0. As of the cut-off date, they had received 46 proposals on the five key research topics identified. MAREF and MIA are now in the midst of assessing these proposals with those selected to be announced at a later date.

To support MAREF's mission, Tan Sri Samad exhorted organisations and individuals to contribute financially to MAREF. Currently, MAREF's funding is mainly obtained by means of contributions received from individuals and corporations. As an approved institution under Section 44/(6) Income Tax Act 1967, contributions to MAREF are tax exempted.

Priority Research Report 1.0 are sold at RM10 per report or a bundle price of RM35 for all four reports. Proceeds from the sale of the Priority Research Report 1.0 will be used and contribute to the funding of future research.

For more information on MAREF and the Priority Research Projects, please visit www.maref.org.my or email to admin@maref.org.my. The research reports can be purchased via postage by emailing ***haririhjzahari@maref.org.my****.*

Strong Ethics Benefits All Stakeholders

at-mia.my/2019/11/12/strong-ethics-benefits-all-stakeholders

November 12, 2019

By Jolene Lampton, CPA, CFE, CGMA, and Curtis C. Verschoor, CMA, CPA

Ethics affects every individual, from business owners, executives, and employees to suppliers, customers, and competitors. The study and practice of ethics helps us develop skills to articulate our own values and gives us tools to evaluate the values and behaviours of others—all of which impacts how we as individuals develop relationships and interact with others.

The same applies to a company. A stronger ethical environment leads to better interactions with those inside and outside the organisation. And better interactions lead to better results. As such, ethics has a close connection to stakeholder theory.

Managing Stakeholders

As articulated by R. Edward Freeman in his book Strategic Management: A Stakeholder Approach, stakeholder theory involves measuring a business's overall performance as it relates to a variety of stakeholder relationships. It requires that managers develop a stakeholder mind-set. This means reconfiguring value-creation efforts to consider and address everyone who is impacted by an organisation.

Organisations have direct relationships with a variety of individuals and groups (see Table 1). Each of these groups plays a vital role in the success of the enterprise. This business environment is too diverse and complex to manage in narrow silos—hence, the need to manage stakeholders. Navigating the relationships with these diverse constituencies is the essence of strategic management of stakeholders. The turbulence of the business world requires managers to be vigilant about current conditions and to continuously adjust to changes in the environment.

Who is a Stakeholder?

Any group or individual that can affect or is affected by the achievement of an organisation's objectives is a stakeholder. Examples include:

Owners	Media	Environmentalists
Employees	Suppliers	Regulators
Volunteers	Customers	Donors
Special interest groups	Competitors	Governments
Consumer advocates	Investors	Financiers

Under stakeholder theory, executives manage actual behaviour and create mechanisms for policies that encourage people to make the world a better place. Managers striving to create value within an organisation must understand that business is fully situated in the realm of humanity. Freeman states that ethics is the natural conversation that we have about how we live and work together with stakeholders. He suggests that managers should be open to approaching ethics through the lens of a more complex psychology that acknowledges that work involves different kinds of people. The two bodies of knowledge—ethics and stakeholder theory—work in concert and complement each other.

Supporting External Relationships

The external environment necessitates changes in the way executives think about their organisations and their jobs. The essence of the stakeholder approach is that executives must gain a commitment to ethics throughout the organisation and from the board of directors. Yet while the internal environment is very important, CEOs spend as much as 90% of their time addressing a host of stakeholder concerns, including out-of-town meetings, talks with union leaders, exchanges with both partners and competitors, negotiations with prospective affiliates, and so on. Such leadership involves coordinating the interests that coincide with those of the organisation as well as resolving the conflicts among interests that don't. CEOs serve as spokespersons for their corporations, participants in social and political processes, and builders of coalitions. The name of the game today is how to deal effectively with external groups.

Executives in organisations with a stakeholder approach to strategic management find they have an expanded sense of leadership. The boundaries are broadened to deal with different objectives and to emphasize the human side. The CEO's job is to manage and protect the organisation's resources, the most valuable asset of any company. Additionally, CEOs will encounter pressure to become involved with the changing external environment. Understanding "what the organisation stands for" can cause a great deal of pain when the process tackles tough issues.

In leading the establishment of corporate values, the CEO survives and thrives with the help of a team of trustworthy players. Accountants and finance professionals should aspire to be a part of this team and adopt a stakeholder mind-set. The IMA Statement of Ethical Professional Practice states that members should contribute to a positive ethical culture and practice integrity. Begin by applying the IMA Statement's principles of responsibility, honesty, fairness, and objectivity in all your interactions with company stakeholders. This can put you ahead of your peers and lead to your own sense of expanded leadership.

SOURCE: *This story originally appeared in the February 2019 issue of Strategic Finance.*

About Strategic Finance

Strategic Finance® (SF) is the award-winning flagship publication of IMA® (Institute of Management Accountants). Every month, SF's thought-provoking articles offer advice that helps financial professionals perform their jobs more effectively, advance their careers, grow personally and professionally, and make their organisations more profitable. SF is consistently rated by the IMA members as one of the most accessed and valued benefits of membership.

Transforming Accountancy Education, Upskilling Accountancy Educators

at-mia.my/2019/10/01/transforming-accountancy-education-upskilling-accountancy-educators

October 1, 2019

The focus is still very much on technology and transformation as the key drivers for future-proofing accountancy educators and accountancy education in the digital economy.

As such, MIA's annual flagship platform for accountancy educators – the **NATIONAL ACCOUNTING EDUCATORS CONVENTION 2019** is themed around **Accounting Education Transformation in Riding the Waves of Digital Revolution.**

Held over one & a half days, the Convention has curated content that is highly relevant to the needs of accountancy educators in the Malaysian context. These include:

- Embedding and leveraging technology in accounting curriculum
- Solutions for challenging accounting issues in practice
- Tried and tested methods for combining academic discipline with industry practice to produce future-proof talent
- Exposure to the latest developments in accounting standards and related updates
- Convention Highlights

During the two days, you can expect to benefit the following:

- Insights into the future direction of higher education, specifically accountancy education from the Ministry of Education’s representatives. All stakeholders must be cognisant of higher education policy in order to map and deliver the financial and accounting learning skill sets and strategies required to future-proof academicians, students and employers in a competitive digital environment.
- Sharing of best practices of leading educational institutes and employers to develop a futuristic and fit-for-purpose model for accountancy education
- Information on new and enriching research opportunities geared towards accountancy academicians, researchers and scholars. Find out about prevalent research issues, impacts and opportunities and the role of the Malaysian Accountancy Research and Education Foundation (MAREF) in driving research in the local context, and how to secure a slice of this research funding for your future projects.
- Sharing on how to help students develop standards of professional scepticism and integrity in making professional judgements. Professional scepticism and integrity are the hallmarks of the accountancy profession and key to building ethics and protecting the public interest.
- A special session on digital literacy in the flipped classroom – learn how to integrate technology in your teaching to make your programmes more compelling and achieve desired outcomes effectively and efficiently.
- MIA’s highly popular masterclass on the second day of the convention. The half-day MASTERCLASS: THE MIND OF AN ACCOUNTING LEADER IN THE AGE OF DIGITAL DISRUPTION AND 4TH INDUSTRIAL REVOLUTION is all about resetting mindsets. The masterclass seeks to encourage accounting educators to think differently and adapt to change instantaneously in order to make a very influential impression on the students of the accountancy profession. After all, change rests in the hands of teachers and leaders.

The National Accounting Educators Convention 2019 will be held from 15-16 October 2019 (Tuesday-Wednesday) at the Connexion Conference & Event Centre @Nexus, Bangsar South, Kuala Lumpur. For more information, visit www.mia.org.my or contact Azie at sp@mia.org.my