MALAYSIAN INSTITUTE
OF ACCOUNTANTS

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accountants today

Accountants as Champions of Climate Change and Sustainability

at-mia.my/2021/08/13/accountants-as-champions-of-climate-change-and-sustainability

August 13, 2021

For many years, the word and term accountants often conjured up the image of a deskbound, suit-wearing employee, calculator on one hand, and sheaves of papers with numbers on the other.

But this has changed. As the expectations on accountants continue to evolve, they now have increasing roles and responsibilities in order to remain future relevant.

A key area where accountants are expected to play a bigger role is in Environmental, Social and Governance (ESG) and business. Companies have identified ESG factors as both risk and opportunity for the sustainability of their business. As financial managers, information providers and decision makers across all organisations, accountants must be prepared to advise and lead on ESG in the boardroom and C-suites.

The upcoming C2ESG: Climate Change and ESG Conference, an event organised by the Malaysian Institute of Accountants (MIA) aims to create awareness and build up the accountancy profession’s capability and competencies in navigating climate change. With this year’s theme of “Accountants as Champions of Climate Change & Sustainability”, the C2ESG aims to highlight the important role that the accountancy profession and professional accountants will play in guiding both the public and private sectors in adapting organisational strategy and implementing plans for responding to climate change risks, with agility and resilience.

The Conference will cover areas such as:

How to begin adapting the ESG agenda and future-proofing a long-term, sustainable approach – Accountants have the responsibility and influence to drive sustainable behaviours by identifying material risks with financial consequences, which in turn helps organisations make informed decisions. Participants will learn about the principles behind the sustainability agenda, value creation for ESG, how to kick-start their ESG reporting journey and identify sustainability trends that will materially impact business strategies and operations.

The role of accountants in addressing the ESG agenda and driving change – As financial advisors in an organisation, accountants can offer unique insights by crunching the relevant social, environmental and economic data, creating the required analysis and reports, and leveraging on these to guide business decisions. The Conference speakers will discuss the meaningful actions finance professionals can take to spur the need for change within their organisations with the required urgency and scale.

Digital strategies and measuring climate risk – Participants will learn how to use data, metrics and targets to measure climate risk and understand how digitalisation can enhance data and analytics for ESG-related solutions such as sentiment analysis for employee and safety culture.

Scaling corporate performance and a call to action – Our panel of expert speakers will discuss how to get value creation propositions right within the context of ESG to improve corporate performance and realign an organisation's business model with the sustainable business agenda. At the end of the Conference, MIA will call upon its members to sign an online call to action to help affirm the accountancy profession's commitment in helping organisations respond towards climate change.

The Conference will take place from 2 to 3 September 2021 (Thursday & Friday), 9.00am – 1.15pm. For more information, click HERE.

Closing the Digital Divide in Southeast Asia

July 16, 2021

By Hayley Teo

Insights from Roland Berger's latest study "*Bridging the digital divide: Improving digital inclusion in Southeast Asia*" show that digital technology has been increasingly embedded in every part of the economy and individuals' livelihoods. This is especially apparent in the recent COVID-19 pandemic, with digital tools replacing physical interactions and transactions.

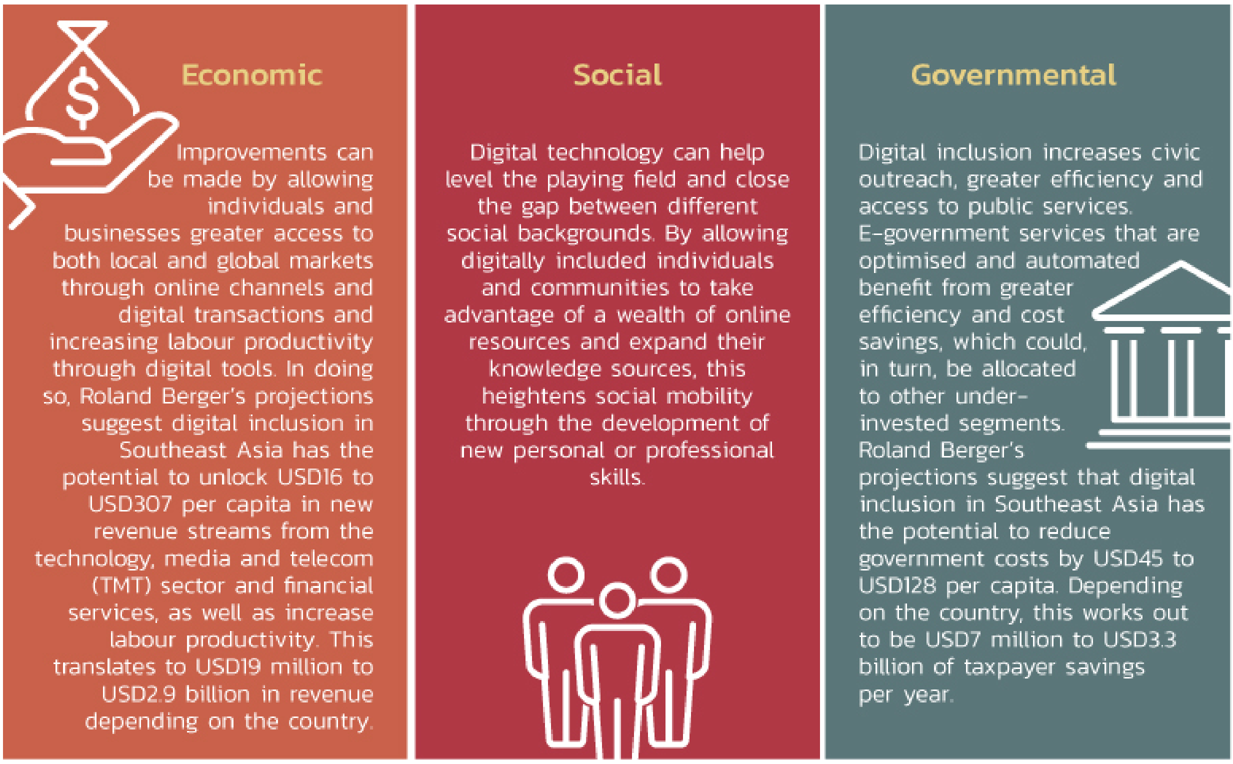
"In Southeast Asia, however, there are approximately 150 million adult individuals or 31 per cent of the adult population that are still currently digitally excluded because they lack access to communication technologies or have low levels of digital literacy," says Mr Damien Dujacquier, senior partner and co-author of the study.

Disabilities, illiteracy, age, wealth, concentration of economic activity in urban areas and enterprise access to capital are common factors that create this digital divide.

Digitalisation, including the automation of factories (Industry 4.0), has transformed the economy and dynamics of global industries, including in Southeast Asia. Digital skills and capabilities are now fundamental to successful participation in societal and economic activities. If the digital divide is left unaddressed, large parts of the population will miss out on the opportunities that digital technology presents.

Benefits of digital inclusion

"At least USD15 billion in revenue and savings per year can be unlocked in Southeast Asia by bridging this digital divide," states Mr John Low, senior partner and co-author of the study. Emerging nations cannot afford to ignore the digital sector if they aspire to increase their share of global trade. These impacts can be measured across three areas:



Key findings in Southeast Asia and Malaysia

In Roland Berger's Digital Inclusion Index (RB DII) which measured the level of digital inclusion in countries based on four key levers; accessibility, affordability, ability and attitude, Southeast Asia ranked fifth out of seven global regions. This is due to low scores in the affordability and ability levers. The cost of data and telephony and Information & Communication Technologies (ICT) tools such as smartphones and computers remain relatively expensive for the largely low-income populations of many of Southeast Asia's emerging nations. Similarly, levels of education and digital literacy in the emerging areas of Southeast Asia also lag behind the global average. But Southeast Asia is stronger when it comes to accessibility and attitude, where its scores are at or above the global average. Recent infrastructure developments have supported greater smartphone use in the region, for example, and a young demographic has driven enthusiasm for technology and hunger for greater digitalisation.

SEA Country Rankings

OVERALL POSITIONS AND SCORES FOR EACH OF SEA'S 10 COUNTRIES [max. score = 100]

	Ranking			Overall Score			Accessibility			Affordability			Ability			Attitude		
	2020	2017	Change	2020	2017	Change	2020	2017	Change	2020	2017	Change	2020	2017	Change	2020	2017	Change
Singapore	1	1	–	86	83	Λ	86	80	Λ	88	87	Λ	84	83	Λ	82	85	V
Malaysia	21	21	–	76	71	Λ	68	58	ΛΛ	81	78	Λ	80	80	–	87	90	V
Brunei	38	37	V	65	63	Λ	49	47	Λ	86	84	Λ	65	63	Λ	69	68	Λ
Thailand	38	40	V	64	61	Λ	64	55	Λ	62	59	Λ	60	68	V	79	83	V
Vietnam	44	49	Λ	64	54	ΛΛ	61	45	ΛΛ	64	56	Λ	61	63	V	76	64	ΛΛ
Philippines	45	42	V	63	59	Λ	60	54	Λ	59	56	Λ	72	71	Λ	67	68	V
Indonesia	49	48	V	61	55	Λ	53	46	Λ	60	57	Λ	67	61	Λ	81	71	ΛΛ
Myanmar	55	68	ΛΛ	53	42	ΛΛ	58	38	ΛΛ	53	48	Λ	37	32	Λ	66	63	Λ
Cambodia	57	62	Λ	52	45	Λ	48	36	ΛΛ	58	55	Λ	51	48	Λ	50	45	Λ
Laos	69	67	V	46	43	Λ	36	31	Λ	54	51	Λ	48	48	–	59	52	Λ

Top performer   Bottom performer   Λ Improved   – Unchanged   V Degraded

Source: RB index on GSMA, ITU, World Bank, UNESCO, UNDP, Euromonitor, Ookla

Malaysia is a forerunner in Southeast Asia, ranking 2nd behind Singapore and ranking 21st on the global scale.

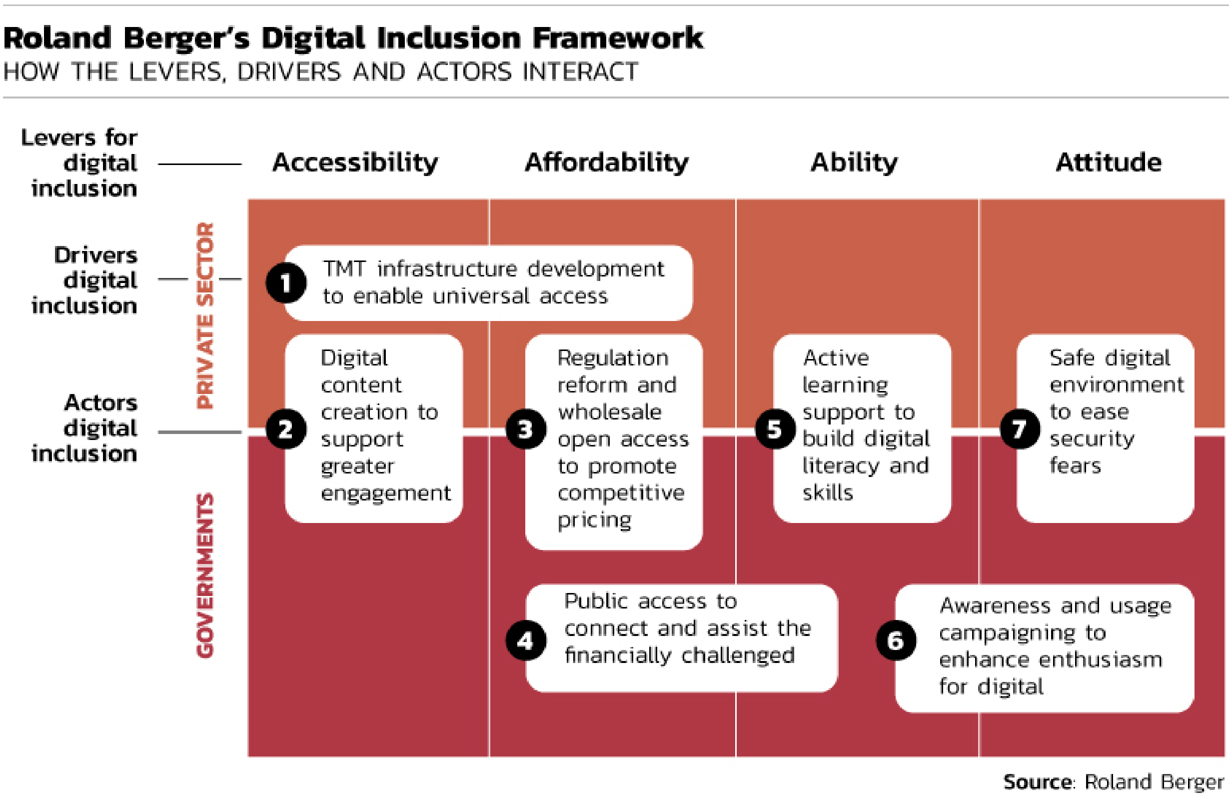
Malaysia's score in attitude surpasses Singapore and is highest in the region. In a Randstad survey, 70% of Malaysians are proactive in learning about technologies that will disrupt the workplace such as AI to maintain their employability, and 85% also believe that digital transformation will require different skills from what they currently possess, but they believe that these changes will invite new opportunities. Malaysia also performs well from a capability standpoint, evidenced by the government's efforts in proactively injecting digital skills into the curriculum. This emphasises that Malaysians are willing, ready and capable of embracing the digital economy.

Malaysia has sustained its digital growth by boosting accessibility. Its MYR22 billion (USD5.4 billion) National Fiberisation and Connectivity Plan (NFCP), and the rollout of enhanced 4G connectivity by TMT companies, are expected to further increase this. However, quality remains an issue. While the policy and infrastructure dimensions score well at 96 and 73, respectively, the broadband quality score is still very low at 45. This poor performance is a drag on its efforts for greater digital inclusion.

To successfully achieve nationwide participation in digital transformation would require greater availability of consistent and high-quality infrastructure and overcoming financial cost barriers and digital literacy, especially amongst certain demographics in the society including low-income households, rural and aging populations.

The government can help ready the nation's digital workforce for the global stage. With remote and virtual workforce becoming a norm, Malaysia can build a digitally capable workforce that has access to markets both locally and globally through online channels and digital transactions. Since the scope for digital work is no longer limited to the office cubicle or even within the nation, this offers Malaysians the opportunity to access remote work from abroad. The Malaysia Digital Economy Corporation's Global Online Workforce programme empowers Malaysians to pursue such an option, through a series of classes and mentorship.

Improving digital inclusion requires private sectors and governments to work hand in hand



Roland Berger devised a framework to improve digital inclusion based on seven drivers shown in the graphic above. However, achieving these drivers require strong involvement of and collaboration between the private sector and governments to support the four key levers.

Whether with network providers, e-commerce retailers, digital banking services or social media, most end-user engagement involves commercial players. Therefore, the private sector needs to play its part in offering services that are viable and secure for underserved markets if digital inclusion is to be enhanced. For example, service start-up apps demonstrate their ability to promote digital inclusion by integrating individual service providers and SMEs into their platform, thus expanding digital inclusion.

Expanding digital inclusion often requires governments to take the role of chief initiator. Some countries have set up a national agency to oversee the management of digital initiatives involving multiple facets, from land development, community development, education and manpower development to economic development. This could be in the form of a digital inclusion council. Over time, as digital inclusion grows, the council's purpose may evolve into achieving the next step in the ongoing process of digitisation such as digital readiness or Smart Nation.

Governments can also take the lead in driving digital inclusiveness. A popular strategy is to do this through e-government programmes, in which government services are digitalised. By exposing the population to digital interactions as a by-product of consuming government services, e-government can build greater accessibility, ability and attitude. Examples of countries with strong e-government programmes include Singapore, Sweden and Estonia.

Digital inclusion is the way forward to creating more enabling and competitive societies, propelling them to greater heights in the future.

You can download the full study here:
https://www.rolandberger.com/en/Insights/Publications/Bridging-the-digital-divide.html

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Hayley Teo is the Regional Marketing & Communications personnel from Roland Berger. Roland Berger is the only leading global consultancy of German heritage and European origin. The consultancy is an independent partnership owned exclusively by 250 Partners.

This article is part of a knowledge sharing series under the MIA Digital Technology Blueprint, which can be accessed here.

Data Intelligence & Analytics 2.0 Conference for Public Sector: DIGINOMICS – The Dawn of Data Innovation & Excellence

at-mia.my/2021/07/05/data-intelligence-analytics-2-0-conference-for-public-sector-diginomics-the-dawn-of-data-innovation-excellence

July 5, 2021

Malaysia has declared its vision to become a digitally driven and connected economy, guided by the Malaysian Digital Economy Blueprint or MyDIGITAL unveiled by the government on 19 February 2021.

For Malaysia to embrace Diginomics (Digital Economy), all sectors must be ready, especially the public sector which is responsible for public goods and services delivery.

This calls for rapid digital innovation in the public sector to help create an effective, holistic and integrated digital national ecosystem, geared to achieving Malaysia’s role as a “regional digital pulse” by 2030.

Backed by its competencies in financial management and assurance and upholding of accountability, integrity and transparency, the accountancy profession stands ready to support the digitalisation and automation of government finance functions towards enhanced public sector financial management and good governance.

But even as the public sector adopts the Cloud First strategy empowered by big data, artificial intelligence (AI), the Internet of Things (IoT), there needs to be a balanced approach towards data governance that works to the benefit of both data-collecting organisations and the public interest, while addressing concerns such as data privacy, security and confidentiality.

The “Data Intelligence & Analytics 2.0 Conference for Public Sector” to be held on 24 August 2021 will paint a bigger picture of the evolving Diginomics landscape and encapsulate the overall direction of the digital transformation processes outlined in the MyDIGITAL blueprint. The Conference will also address the opportunities and complex issues arising in the design and delivery of public goods and services in the Diginomics era.

Conceptualised specially to upskill senior public sector professionals, the Conference will focus on the following topics:

SETTING THE SCENE TOWARDS DIGINOMICS & MALAYSIA 5.0 MyDIGITAL

This panel session discusses the Malaysian Digital Economy Blueprint as a catalyst for achieving regional leadership in Diginomics and achieving inclusive, responsible, and sustainable socio-economic development outcomes of the blueprint. A key factor in driving digital transformation and Diginomics is to build up public sector capacity and capabilities for effective change management.

THE JOURNEY TOWARDS A DIGITAL AGENDA

This panel session will focus on how rapid adoption of digital technology from 4IR (the 4th Industrial Revolution) and data integration, including the use of predictive and advanced analytics, can expedite government agencies’ digital transformation and goals.

DATA ANALYTICS FOR POLICY DEVELOPMENT: IMPROVE DATA SHARING ENVIRONMENT TO ENSURE DATA QUALITY

Explains how data-driven analytics can be deployed to effectively allocate resources and design policies to produce the desired outcomes, especially in critical times such as the COVID-19 emergency when resources are constrained.

UTILISING DATA TO IMPROVE PUBLIC SERVICE DELIVERY

Delves into the various types of data collected that can be used to solve common problems in public sector service delivery, for improved outcomes and customer satisfaction. Explores how agencies can use data analytics and visualisation to improve government services and deliver a better stakeholder experience.

DATA STRATEGY & GOVERNANCE: FROM FRAMEWORK TO EXECUTION

This panel session focuses on inculcating data governance principles and frameworks throughout the private sector, as an essential building block for a fully data-driven public sector.

FUTURE PROOFING FINANCE TALENT

People and change management are at the heart of successful digital transformation. This panel will give an overview on the critical skillsets needed to bridge the digital gap, and how public sector finance officials can build the data competencies they need to succeed in the age of Diginomics.

To learn more or to register, click HERE.

Elevating the Public Sector and Enhancing Trust: Public Sector Internal Audit Conference 2021

July 5, 2021

Public Sector Internal Auditors are in the best place to play a special role as agents of change in the volatile and uncertain new normal of post-COVID-19. With their core competencies and ethical codes, Public Sector Internal Auditors are critically needed to support the transformation of state agencies to become more agile and innovative while maintaining the public trust. Their every action
and practice, when paired with ethical, innovative and agile behaviour, act as an example and model which their public service colleagues can emulate.

To ensure their credibility as change agents, Internal Audit must also transform to align with the strategies, objectives and risks of their stakeholders and organisations, as well as the government's digital agenda. The adoption of existing and emerging technology is key for Internal Audit to generate and deliver valuable data-driven insights, especially now as the business and economic landscape continues to quickly evolve.

This year's Public Sector Internal Audit Conference seeks to highlight the importance of this journey of innovation that all internal audit functions and practitioners must embark on to elevate organisational and governmental change towards enhancing public trust.

The Conference will provide insights on:

Cultural and Ethical Transformation

Participants can look forward to understanding the current state of public sector internal audit, and the changes needed to emulate best practices in the corporate world, where a properly functioning internal audit system is central to improving effectiveness and accountability.

Enhancing the Role of Auditors and Managing Risks

The Conference will also focus on the current cybersecurity landscape of the public sector, identify common threats and solutions to reduce risk and improve cyber protection. Another facet of the Conference topics will focus on key tools and skills available for auditors to mitigate risks and to be agile and adaptable in all situations. Internal Auditors will find ways to upskill themselves and find out more about the new competencies that need to be developed to manage and succeed in this accelerated, hyper-digitalised environment.

Enhancing the Role of Auditors in a Fast-Evolving Landscape

In addition to integrating design thinking into daily work processes, our panel of speakers will also explore examples of best audit practices that have successfully embraced technology and how local counterparts can adapt to a digitalised environment to transform and enhance the role of auditors as adept data-driven practitioners.

The virtual Conference jointly organised by the Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia will take place on 27 and 28 July 2021. For more information, click HERE.

Embracing a People-Centred Profession

at-mia.my/2021/08/02/embracing-a-people-centred-profession

August 2, 2021

By Zulaikha Nurain

A profession cannot thrive without its people.

Every profession, including accountancy, requires a strong "human factor" to create value for businesses. Even as digital technology and advancements continue to change the way businesses are run and automation transforms the workplace, it is the people that ensure whether these operations thrive or fail. In the same vein, as financial advisors to the organisation, accountants are key in ensuring that organisations are run ethically and formulate better business decisions by using their professional judgment, technical knowledge and experience.

In a recent webinar session on Embracing a People-Centred Profession, MIA CEO Dr Nurmazilah Dato' Mahzan, who is a proponent of prioritising engagement and upskilling within a conducive work environment to sustain productivity in the workplace, said that people are the nexus of an organisation. "Everyone is unique, and each person has different characteristics. The question is, how do we bring this uniqueness together when we design and develop operations and policies for our organisation?" she added. "At MIA, we talk about integrity, accountability and trust, as the profession itself focusses on sustainability and good governance. This is the ecosystem we are in, and the people we have within this ecosystem must reflect integrity, accountability and trust."

Firms, Professional Accountancy Organisations (PAOs), standard-setting committees, companies, regulators, and professional accountants must also recognise that the accountancy profession's continued relevance is reliant on people.

Accountants, like other human talents within an organisation, provide critical thinking and judgment that require perspectives and nuances that machines do not have the capacity to provide. An organisation that is people-centric and provides an environment for their human talents to thrive is more likely to remain adaptable, agile, and sustainable in this post-pandemic business environment.

In tandem with embracing the uniqueness of individuals in an organisation is inculcating the ability for them to adapt and develop competencies that are needed to meet evolving demands. “In this case, accountants can no longer limit their thinking to what they are expected to do,” said Scott Hanson, Director of Public Policy & Regulation at the International Federation of Accountants (IFAC), during his presentation. “Much of what will change is the integration of people, processes and technology and this will result in newly defined accounting careers. Staying agile is key to managing this continuous transition.”

The importance of embracing a people-centric organisation was further discussed during a panel session featuring a stellar line-up of speakers including Scott Hanson, VS Ravi, CEO and Founder of Invictus Leader Pte Ltd, and Ling Hsern Wei, Head of PwC’s Academy at PwC Malaysia, and moderated by Dr Nurmazilah.

The panellists agreed that organisations should empower their people so that they can excel in their work, and this tone needs to be set from the top. This can include the following:

Treat employees more like innovative makers and less like human resources.
This involves empowering people so that they can excel in the art of accountancy. Senior management and an organisation’s leadership need to embed this idea in their management approach.

Being open to input.
The best way to receive information is to ask, and this includes asking for information from team members.

Provide opportunities to employees.
The management team within an organisation must determine if they have given enough opportunities to employees so that they can stay agile, resilient and be empowered.

During the panel session, Dr Nurmazilah also asked, “Are we investing more in the technologies needed to operate an organisation, or accountancy body, and if so, are we investing the same amount in people?”

This question is particularly important especially during this pandemic, and the panellists concluded that if an organisation is more tech prone, it also needs to invest in its people. As tools, technologies still need to be manned and used by the people, and only with this combined effort can they spur innovation and change within an organisation.

Equally important is the accountants' ability to learn and adapt. Accountants need to upgrade themselves and understand new technologies, or risk being replaced. The panel concluded that the onus is on individual accountants to navigate this evolving landscape and rise up the value chain to become more of a judgment provider and decision maker in this people-centred profession. PAOs and organisations like MIA are their partners in that effort, advocating the importance of why employees should be reskilled to remain current and relevant, and how taking personal responsibility for lifelong learning and career development will ensure they remain adaptable and agile in the accountancy profession.

Zulaikha Nurain is Manager of the Strategic Communication & Branding, Malaysian Institute of Accountants

Financial Reporting Disclosures for Financial Guarantee Contracts

at-mia.my/2021/07/01/financial-reporting-disclosures-for-financial-guarantee-contracts

July 1, 2021

By MIA Financial Statements Review Team

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

SCOPE: FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts (FGC) can be in various forms, for example, a guarantee, some types of letter of credit, a credit default contract or insurance contract. The accounting treatment does not depend on their legal form.

It is common that a parent company issues corporate guarantees to financial institutions to secure credit facilities extended to its subsidiary companies. These corporate guarantees are financial guarantee contracts that meet the definition of financial liabilities and shall be recognised and measured in accordance with MFRS 9 *Financial Instruments*.

However, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting that is applicable to insurance contracts, the issuer may elect to apply either MFRS 9 or MFRS 4 *Insurance Contracts* to such financial guarantee contracts. The issuer may make that election contract by contract, but the election for each contract is irrevocable [MFRS 9.2(i)(e)].

In either case, there should be clear and consistent application of the accounting policy, accompanied with the respective disclosure requirements covered by MFRS 7 *Financial Instruments: Disclosures* or MFRS 4 accordingly.

MFRS 9 APPROACH

In this article, we look at the measurement and disclosure requirements relating to FGCs that are accounted for in accordance with MFRS 9.

FGCs are recognised initially as a financial liability at fair value, net of transaction costs. After initial recognition, FGCs are subsequently measured at the 'higher of' [MFRS 9.4.2.1(c)]:

- the amount of the *loss allowance* according to the impairment requirements of Section 5.5 of MFRS 9; and
- the amount initially recognised [MFRS 9.5.1.1] less, when appropriate, the cumulative amount of income recognised under MFRS 15 *Revenue from Contracts with Customers*.

The above measurement requirements do not apply if the FGCs meet the requirements and are designated to be accounted for at fair value through profit or loss at inception or they arise from a transfer of a financial asset which does not qualify for derecognition or when the continuing involvement applies [MFRS 9.4.2.1(a) and (b)].

OBSERVATIONS

Below are the observations noted by the Financial Statements Review Committee (FSRC or the Committee) on common deficiencies relating to disclosure of FGCs arising from the review of financial statements of public-listed entities for the review period from July 2020 to June 2021. The financial statements under review are those with financial years ended ranging from December 2019 to December 2020.

OBSERVATION 1

CONTINGENT LIABILITIES - UNSECURED

No provisions are recognised as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement. The Company has granted guarantees to licensed banks amounting to approximately RM80 million (20X0: RM60 million) for banking facilities extended to subsidiaries of which RM55 million (20X0: RM56 million) was outstanding as at financial year ended 20X1.

In Observation 1, FGC were disclosed as contingent liabilities. No other disclosures relating to FGC as required by MFRS 7 were noted.

The Committee wishes to highlight that FGCs are within the scope of MFRS 9 and are not contingent liabilities. As such, in relation to corporate guarantees, reference to disclosure on contingent liabilities should not be made.

Paragraph 31 of MFRS 7 states that an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

OBSERVATION 2

CREDIT RISK

EXPOSURE TO CREDIT RISK

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

The carrying amount of each class of financial assets recognised in the statements of financial position	A nominal amount of RM10 million (20X0: RM15 million) relating to corporate guarantees to banks and financial institutions on behalf of subsidiaries	An additional nominal amount of RM2 million (20X0: RM2 million) relating to corporate guarantees to third party as disclosed in Note X.

As at the reporting date, no values are placed on the unsecured corporate guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the corporate guarantees to be minimal and the likelihood of default to be low.

LIQUIDITY RISK

ANALYSIS OF FINANCIAL INSTRUMENTS BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Trade and other payables, excluding financial guarantees*	6,000	-	-	6,000
Lease liabilities	200	250	-	450
Total undiscounted financial liabilities	6,200	250	-	6,450

** At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of MFRS 9 are not included in the above maturity profile analysis.*

In Observation 2, the maximum exposure of FGC under credit risk was disclosed. However, under liquidity risk, maturity analysis of FGC was not disclosed because no default has occurred as at the reporting date.

The Committee wishes to highlight that the entity is exposed to liquidity risk, notwithstanding the low or no risk of default.

Paragraph 39(a) of MFRS 7 *Financial Instruments: Disclosures* requires an entity to disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities. BC58C states that contractual maturities are essential for an understanding of the timing of cash flows associated with the liabilities. Therefore, this information is useful to users of financial statements.

OBSERVATION 3

CREDIT RISK

FINANCIAL GUARANTEES

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company also provides financial support to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM18 million (20X0 – RM20 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.
The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

The subsidiary is unlikely to repay its credit obligation to the bank in full; or

The subsidiary is continuously loss making and has a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the probability of default by the subsidiaries is low and no allowance of impairment is recognised.

The financial guarantees of the Company have not been recognised since the fair value on initial recognition was not material.

LIQUIDITY RISK

MATURITY ANALYSIS

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Term loans – secured	25,000	3.7 – 4.9	29,000	1,000	27,000	1,000
Financial guarantee	-	-	18,000	18,000	-	-
Trade and other payables	700	-	700	700	-	-
	25,700		47,700	19,700	27,000	1,000

CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Company	20X1 RM'000	20X0 RM'000
Corporate guarantees issued to licensed banks in respect of borrowings granted to subsidiaries.	18,000	20,000

In addition, the Company has issued letters of financial support to certain subsidiaries and has indicated its willingness to provide continuing financial support to these subsidiaries.

In Observation 3, FGC has been disclosed pursuant to MFRS 7 and as contingent liabilities pursuant to MFRS 137 at the same time.

The Committee wishes to highlight that paragraph 2 of MFRS 137 clarifies that MFRS 137 does not apply to financial instruments (including guarantees) that are within the scope of MFRS 9. Hence, the disclosure of FGC as contingencies is not appropriate.

COMMON FINDINGS

Generally, most of the reviewed financial statements have classified FGCs as financial liabilities, although there are still some that disclosed FGCs as contingent liabilities. Where it had been assessed that an outflow of cash is not probable, these FGCs were disclosed as contingent liabilities. The Committee wishes to highlight that MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* does not apply to financial instruments (including guarantees) that are within the scope of MFRS 9 *Financial Instruments* [Paragraph 2 of MFRS 137].

In cases where FGCs have been classified as financial liabilities, the following weaknesses were noted:

- No disclosures were noted in respect of FGCs that were not recognised in the Statement of Financial Position. As a good practice, in instances where FGCs have not been recognised due to the immateriality of their fair values, a disclosure reflecting this should be made in the financial statements. The disclosure on immateriality of FGC's fair value can be made as part of the credit risk disclosure [MFRS7.33-34] [MFRS7.BC47A].
- Weak or non-existent disclosures on the nature and extent of risks arising from FGCs. Typical risks arising from FGCs include liquidity risk and credit risk [MFRS 7.31-42]. Entities fail to provide the necessary disclosures citing that the risk of default is low. The Committee wishes to highlight that the entity is exposed to these risks, notwithstanding the low risk of default. Specifically, in addressing liquidity risk disclosures, the maximum amount of the guarantee is allocated to the earliest period in which it could be called [MFRS7.B11(c)].

ILLUSTRATIVE DISCLOSURE

Illustrated below is an example of how the relevant disclosures should be made.

ILLUSTRATIVE COMPANY

The Company provides financial guarantee to licensed banks in respect of banking facilities granted to its subsidiaries. As at financial year ended 20X1, the outstanding banking facilities amounted to RM7,000,000 (20X0: RM8,000,000).

The Company has assessed the expected credit loss arising from the financial guarantee contracts issued to licensed banks in respect of banking facilities issued to its subsidiaries to be not material.

DISCLOSURES

ACCOUNTING POLICY

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, they are measured at higher of:

the amount of the loss allowance; and	the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

CREDIT RISK

The maximum exposure to credit risk in relation to the financial corporate guarantees given amounts to RM7,000,000 (20X0: RM8,000,000) as at the end of the reporting period representing the outstanding* banking facilities of the subsidiaries as at the end of financial year.

LIQUIDITY RISK

MATURITY ANALYSIS

	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year*** RM'000	1-2 years*** RM'000	3-5 years*** RM'000	More than 5 years*** RM'000
Trade payables	5,000	5,000	5,000	-	-	-
Other payables	2,000	2,000	2,000	-	-	-
Term loans	16,900	18,000	3,000	5,000	5,000	5,000
Bank overdraft	2,000	2,000	2,000	-	-	-
	25,900	27,000	12,000	5,000	5,000	5,000
Financial guarantee contracts**	NIL	7,000	7,000	-	-	-

* *This is for illustrative purposes as the maximum exposure is dependent on the contractual terms entered into between the issuer and the bank. The maximum exposure to credit risk is the maximum amount the entity would have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability [MFRS 7.B10(c)].*

** *The disclosure represents the maximum amount that is required to be settled in the event of <triggering event>.*

*** *The time band is for illustrative purposes. It is to be based on the earliest period that the FGC can be called upon.*

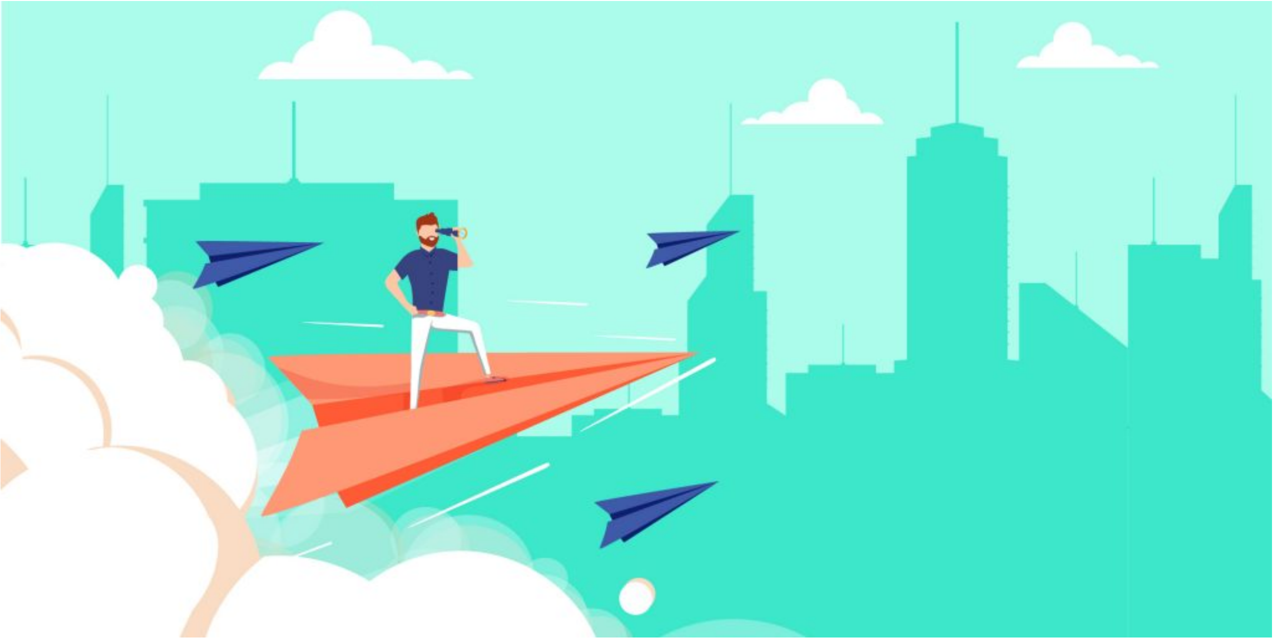
CONCLUSION

For risk management and financial reporting purposes, entities should ensure that they have processes in place to monitor their loans and borrowings for which financial guarantees have been provided. This is essential in ensuring a regular monitoring of the FGCs that may be accounted for under MFRS 9 *Financial Instruments* or MFRS 4 *Insurance Contracts*. For FGCs accounted for under MFRS 9, entities need to ensure that they comply with disclosure requirements of MFRS 7 *Financial Instruments: Disclosures*.

Fit for the Future

at-mia.my/2021/07/23/fit-for-the-future-2

July 23, 2021



In 2014, ACCA and the Malaysian Institute of Accountants (MIA) created the MIA special pathway into ACCA. This has enabled MIA members to achieve the ACCA Qualification (see box) at any stage in their career.

Here, Andrew Balasan Siang shares his story of how the special pathway is enabling him to achieve his dream of becoming an ACCA member three decades into his career.

***AB*: Why was it important for you to embark on the special pathway?**

Andrew Balasan Siang: My journey started in 1987 when I was in my final year of a diploma in accountancy at Universiti Teknologi Mara in Selangor. Later, I was accepted to study for an advanced diploma but I could not continue due to financial constraints.

I spent the next two decades working in Sarawak at one of the largest local banks. Whenever I attended training courses in Kuala Lumpur, I would go to the bookstores and browse through the ACCA texts, knowing that, with just a diploma, I could not possibly realise my dream.

After 22 years at the bank, I moved to an oil and gas service provider based in Selangor. I was sent on a training course run by one of the Big Four and decided to apply for the MIA Qualifying Examination (QE). I then decided that once I had obtained my MIA membership, I would immediately apply to be an ACCA student, no matter how challenging.

***AB*: How have you managed your workload and other commitments in pursuing your studies?**

ABS: I've studied for all my P papers at local learning partners during weekend classes, and my boss has given me time off whenever I needed to attend evening classes.

On weekdays I usually study for at least a minimum of two hours per day and work for six to eight hours during weekends when I have no classes. A colleague is also studying for the qualification and we do past papers together.

In December 2018, I sat the ACCA Essential paper – Strategic Business Reporting, which was the most challenging professional examination I'd ever taken. However, I was pleasantly surprised to pass.

Andrew Balasan Siang

I took Strategic Business Leader (SBL) in June 2019, which I failed. I did a resit in September 2019 and failed again. I had registered to sit an Advanced Performance Management (APM) P paper the following December, and I felt tremendous pressure, having to also resit SBL at the same time.

I was fortunate that ACCA Malaysia had organised a motivational seminar for both SBL and APM, and I managed to pass both papers in December 2019 – another unimaginable feat.

For my last P paper, I opted to sit the Advanced Taxation (Malaysian variant) (ATX-MYS) but this has been interrupted by the pandemic. I managed to attend several face-to-face classes until February 2020, before switching to virtual, pre-recorded ones.

Taxation had always been my weakest subject, but I decided to study for the ATX-MYS as opportunities abound in taxation services, especially in a country with a developing business community like Malaysia.

I sat the ATX-MYS exam in September 2020 and failed, but I never thought of giving up. I failed again in December 2020 and March 2021 – the last time because I struggled to complete the tax computation requirements. Now I am practising my tax computations while also revising the theoretical parts of ATX.

AB: You sit your exam in September. What will it mean to you to pass?

ABS: Passing my last P paper will finally realise my dream of becoming a professionally qualified accountant. It will also enable me to become a member of a prestigious professional accountancy body with global recognition. I accept potential failure; nonetheless, I will continue until I pass.

AB**: What do you hope to achieve with your ACCA Qualification?**

ABS: I can be a living testimony to aspiring candidates that nothing is impossible – that, with a clear objective, you can complete what has been started.

Additionally, I hope I will be able to motivate young students from my former schools, showing that perseverance, commitment and hard work are key to achieving a rewarding professional qualification like ACCA.

***AB*: What words of advice do you offer readers contemplating the special pathway?**

ABS: ACCA and MIA have provided an excellent special pathway to the ACCA Qualification, and this is an opportunity not to be missed.

Most important, be determined; the agony of failure may at times be overwhelming, but the joy and personal satisfaction of achieving the ACCA Qualification is immeasurable.

Failure is the first step to success; no pain, no gain!

MIA special pathway into ACCA

Established in 2014, the MIA special pathway into ACCA was developed to support the government's goal of training 60,000 accountants by 2030. It provides an incentivised pathway for eligible members of the Malaysian Institute of Accountants (MIA) to obtain the ACCA Qualification.

In April, the pathway was extended to 2024, demonstrating ACCA's commitment towards the ambitious programme. ACCA was also a Platinum sponsor of the MIA International Accountants Conference 2021.

To mark the pathway's extension, Helen Brand, ACCA's chief executive, along with members of ACCA's leadership team in Malaysia, met with MIA CEO Dr Nurmazilah Dato' Mahzan and the institute's senior management team to discuss the development of the profession, both in Malaysia and around the world.

This article was first published in the June 2021 issue of the AB Magazine – ACCA Global

Goods and Services Tax is Not the Reason for Price Increases in Malaysia

July 21, 2021

By Dr Appadu Santhariah

Goods and Services Tax (GST) or Value Added Tax (VAT), had been adopted in 170 countries at the beginning of 2020[1]. As one of the dominant revenue contributors, GST has raised about one third of the total tax revenue in the Organisation for Economic Co-operation and Development countries (OECD). GST is also fast becoming a major revenue raiser in most of the developed and developing countries. Notably, about 70% of the world's population live with GST/VAT. So far only a few countries have abolished GST and most of these countries continue to operate under the GST regime during the COVID- 19 pandemic.

GST was introduced in Malaysia on 1 April 2015 and replaced the Sales and Service Tax (SST). GST, a broad-based tax, was levied at six per cent on most supplies of goods and services consumed within Malaysia. SST, on the other hand, has a cascading effect. Tax cascading means the tax is added on when the goods move through each stage of the production and distribution channel. Prior to the repeal of the GST in 2018, the government had estimated that GST would generate a stable level of tax revenue of about RM44 billion, compared to the existing SST which has raised only RM28 billion (as SST is narrower and covers far fewer goods and services).

Under the GST system due to the invoice credit system, the cascading effect can be reduced substantially thus lowering the cost to the consumer. The GST registered businesses may recover the GST paid via the credit system (i.e. offsetting the input tax against the output tax) from the Royal Malaysian Customs Department (RMCD). In

Malaysia, the GST has a broad base and is imposed on about 40,000 goods and services; however, the SST has a narrow base and only captures about 40% of the locally manufactured and imported goods.

When GST was abolished by the Pakatan Harapan (PH) government, it was a political decision based on an election promise that was not based on sound economic principles. The PH manifesto stated that the main objective of the abolition was to put more purchasing power in the hands of the Rakyat, particularly the lower to middle income earners.

Research in other countries has shown that GST itself is not the cause of the increase in prices. In most cases, those price increases are caused by supply and demand for the goods and by expansionary monetary policies implemented by governments to stimulate growth. In addition, price increases also arise due to opportunistic wholesalers and retailers, which then fuels inflationary expectations.

Price increases in Malaysia

The recent announcement by the government to study the possibility of the reintroduction of GST has generated a debate on one major issue: Is GST the cause for increase in prices due to the inflationary impact of GST? It must be noted that a discussion of this concern is not new but very common whenever GST is introduced in any part of the world.

One of the main arguments put forward by the government is that GST is not the cause of the price increases as confirmed by the then Domestic Trade, Cooperative and Consumerism Minister Datuk Seri Hamzah Zainuddin, in a March 2018 news report. He stated that the rise in prices was not due to the implementation of GST and there were other factors including foreign exchange rate fluctuations, transportation, and other marketing aspects. The three factors mentioned are valid reasons for price increases, but he had inadvertently missed 'the elephant in the room' which is the production of goods and services to meet consumption needs of the population during the GST regime. So, this also caused price increases but it is unclear why this factor was excluded.

It is commonly argued that if GST is revenue neutral, it is unlikely to affect prices much unless the tax base is substantially different from the old tax base. In the short-term, GST will generate a temporary price hike and there will be less consumer demand for goods and services due to higher prices. Also, GST has a broader base than SST and so normally in the short-term, some prices will increase; but in the long run the prices of goods and services should fall as the embedded cost of the previous tax on business inputs are removed. So, theoretically prices will fall in the long run.

Domestic Trade and Consumer Affairs Minister Datuk Saifuddin Nasution on 12 July 2018 stated, as reported in the media, that nearly 70% of essential items saw a decline in prices since GST was zero rated from June 1 to June 30.

However, tax adviser Dr.Veerinderjeet Singh on 3 August, 2018 argued that prices of goods continued to rise notwithstanding the zero rating of GST on certain goods because the Ministry of Domestic Trade and Consumer Affairs had failed to implement the Price Control and Anti-Profiteering Act effectively. He suggested that the Ministry may need more staff well versed in the accounting systems to be able to monitor unwarranted price increases. Currently it seems this expertise is lacking in this department and illogical price increases of essential goods were prevalent when GST was in force.

A survey in Malaysia of 751 respondents conducted in 2018[2] showed that around 82% of the urban population and 84% of the rural population, respectively, confirmed an increase in the cost of living. Nearly all the B40 income group (84%) stated that costs had risen and a majority of the T20 income group (78%) also expressed similar concerns despite their relatively high incomes. Around 61% of the respondents stated that the main cause for high costs was due to price hikes by opportunistic traders and only 29% of respondents felt GST was the cause for the price increase.

Historically, the normal pricing of goods and services in the market is based on the production and supply of goods which is based on economic principles of supply and demand. Under the supply and demand curve, if there is an oversupply of goods, prices will fall and when there is a shortage, prices will increase. For example, there were spiralling price increases from 2005 to 2014 in Malaysia mainly due to the scarcity of goods and services, which triggered inflation long before GST came into force.

For example, in the 1970s, a sack of bananas could be purchased for about RM10. However, in 2015, even before GST was implemented, the price of bananas was extremely high, at RM1 for one banana in a supermarket. Similar price increases were also witnessed for vegetables, fish, dairy, and meat products. So, this does confirm that GST may not be the cause for price increases since all these price increases took place before GST was introduced. Let us study the experiences in other countries that have introduced GST. Was there a price increase or decrease when GST was introduced?

Experiences of price increases around the world due to GST

A study on the price effects of the findings of this study by Tait (1990)[3] quoted by Narayanan (1991) suggest that, in the developing countries (14 countries or 66.7% of the sample) the tax impact was negligible on the consumer price index (CPI). Additionally, in another four cases (19%), the tax triggered a clear one-time permanent increase in the price level. In three cases (14.3%), expansionary wage credit policies were already in place which were suspected of accelerating inflation.

The Australian Treasury[4] found that when the GST was introduced, it led to a one-off change in the price of many items. The price of many goods and services changed because of the GST reforms contained in the tax package. However, it was concluded that some prices increased while other prices remained largely unchanged or even declined. Also, another study based on eight capital cities found that the implementation of the GST in Australia showed no significant difference in prices since production of goods and services were kept in pace with the demand for goods and services needed by the population[5].

Also, it would be reasonable to expect that the impact of GST on prices in Malaysia may mirror more closely that of Indonesia's experience since it is also a developing country. A study on the incidence of GST in Indonesia by Kusumanto[6] found that there were not many changes in relative prices when GST was implemented. It increased the consumption of food and beverages since it reduced the demand for food-agriculture products because production and supply were maintained to meet demand from consumers.

However, in Malaysia, prices increased during the GST regime due to traders hiking prices to protect themselves from the uncertain effects of the new tax. Also, unscrupulous traders took advantage of the unpredictable situation to increase prices. As such the supposition that GST was the cause for price increases is far from the truth. The recent report by the Market Competition Commission (MyCC) on market review of key food prices confirmed that one of the main reasons for high food prices is due to the distortion and manipulation in the food supply chain.

This article makes a 3-pronged recommendation to reduce inflationary concerns when the government considers reintroducing GST in Malaysia.

Strategies for reducing GST inflationary concerns in Malaysia.

1 | Cut imports and boost local production of goods and services.

Having established that GST is not the primary reason for increase in prices, we consider what can be done to reduce inflationary impact on prices. Malaysia is not self-sufficient in food production. The country remains a net food importer with a trade deficit of RM13.9 billion in 2011. For example, in 2010, RM30.19 billion of food imports were recorded or RM82 million a day. A 2019 study in Malaysia found, 30% of the food is thrown as waste in our dustbins which is then collected and disposed in landfills in all states in Malaysia. As a first step the government should study this matter and take steps to reduce the food waste so that less food may be imported in the long run.

The huge increase in food imports with a weak ringgit has resulted in import induced inflation which can increase prices without any tax impact. For example, let us assume that one litre of milk produced in Malaysia costs, say RM 1 per litre. If this milk is imported from Australia due to an exchange rate of RM3 to AUD1, the cost has increased to RM3 in Malaysia without other freight and transportation costs. This same principle applies to all other imported food and dairy products. Prices will increase due to the weak Malaysian ringgit. So due to our weak ringgit, we are paying more for the imported goods and services.

The simple way to reduce inflation is to reduce the quantity of food imports and increase local production of essential food such as local fruits, local animal husbandry, local fish items and so forth. A good example is the recent fall in the price of durians, the drop in prices was mainly due to oversupply not because of any taxes. Also, the recent sudden spike in computer hardware costs during COVID-19 was due to higher demand since employees and students were mainly working from home using digital technology. Again, this confirms that taxes are not necessarily the cause for price increases.

Also, national food security has been recognised as one of the key pillars of the Fourth Industrial Revolution (IR4.0). Malaysia is endowed with a large acreage of fertile idle agricultural land, relatively good weather, rainfall, and cheap labour. However, out of the eight million hectares of agricultural land available, six million are planted with oil palm and one million hectares with rubber. Only about one million hectares or just 12% of the agricultural land is used for food production.

Hence, the country needs to fully utilise idle land and diversify to commercial production of basic food products to ensure food security and save precious foreign reserves. The Malaysia Digital Economy Corporation (MDEC) has taken the lead to prove that technology can be used to increase food production to meet the food requirements in Malaysia. They found that apart from increasing food production it was observed that use of technology in farming increased productivity, quality, and income of small farmers by over 20%. So, it seems there is a potential to increase food production and reduce imports of essential food products.

Also, some of the large plantations should consider a paradigm shift in their oil palm planting strategy. They need to change the strategy by reducing acreage of planting oil palm and diversifying into food production to increase revenue since current palm oil prices are falling due to oversupply.

Thus, it can be concluded that GST was not the cause for price increases. If production of food is increased, the impact of GST would be insignificant. After all, GST simply replaced the SST and was not a new tax altogether.

2 | Free up the markets to reduce cascading prices.

Also, the government needs to investigate the status of cartels, monopolies, the distribution, and supply chains to free up the markets to reduce prices. The Federation of Malaysian Consumers Association (Fomca) has persistently advocated for a market review on the local food supply chain. Thus, all the Ministries and relevant government departments need to work together and investigate what is choking the free flow of goods from production to the final consumers. It seems the government reports have identified the reasons of overpricing in the supply chain, but corrective actions to rectify the problem effectively are not being put forth and implemented.

3 | Strong commitment by the political leadership to eradicate waste, abuse and corruption which adds to the cost of goods and services.

The government contracts' bidding process should be more open and transparent. Corruption via overpriced contracts can cause the value of the government's goods and services to rise, which will eventually be borne by consumers at higher prices. Also, high levels of perceived corruption could have an adverse impact on taxpayers' attitudes towards reporting actual income. Thus, taxpayers may feel reluctant to pay taxes when the government is not seen to be checking corruption and curbing waste in the public sector.

Based on the Malaysian Anti-Corruption Report, corruption and wastage in government departments have been identified as a major issue in Malaysia. The amount due to corruption and wastage could be higher than RM22 billion, which is around 50% of the GST that was collected annually. The haemorrhaging from government coffers must be stopped first before the government decides to reintroduce GST so that it will not burden the ordinary Malaysians. The government needs to be more proactive in imposing harsher penalties against corruption, wastage, and act to liberalise the government contract procurement process as well as act quickly to curb corrupt practices.

Conclusion

The Ministry of Finance is currently undertaking a study to widen the tax revenue base including the probable reinstating of the GST. Before GST is reintroduced, the government should announce policies relating to the increase in production of goods and services to maintain food security, cut imports to reduce imported inflation, free the markets for more transparent pricing of the supply chain from producer to wholesaler, retailer and the final consumer and finally impose stiffer penalties on anyone involved in corruption and wastage of government resources. Taxpayers want to see that the taxes they pay from their hard work are well managed to provide the quality services needed by all Malaysians, especially under these uncertain times due to the COVID-19 pandemic and beyond.

Dr Appadu Santhariah is a GST researcher who was awarded a PhD by RMIT University, Melbourne in 2020.

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Malaysia Insolvency Conference 2021: Flattening the Insolvency Curve Through Restructuring and Rescue Reliefs

at at-mia.my/2021/07/02/malaysia-insolvency-conference-2021-flattening-the-insolvency-curve-through-restructuring-and-rescue-reliefs

July 2, 2021

As the many mutations of the COVID-19 virus relentlessly wreak havoc on lives and livelihoods, businesses too are grappling with tremendous continuity and solvency challenges.

In such dire circumstances, restructuring and rescue measures can be a lifeline for struggling businesses. As such, Malaysia is striving to enhance its existing provisions on restructuring through the scheme of arrangement and the corporate rescue mechanisms to protect businesses while balancing the rights and responsibilities of debtors and creditors.

The Companies Commission of Malaysia’s Consultative Document on the Proposed Companies (Amendment) Bill 2020 proposes the introduction of salient measures to improve the effectiveness, resilience and transparency of the insolvency framework, within the ever-changing COVID-19 landscape.

The virtual Malaysia Insolvency Conference 2021 from 13 to 14 July jointly organised by the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Certified Public Accountants (MICPA) and Insolvency Practitioners Association of Malaysia (iPAM) will discuss the proposed changes to insolvency laws and the impacts on businesses and the economy in the local scenario. There will also be in-depth discussions on court mechanisms, latest cases and out-of-court solutions. Finally, we will compare the reforms undertaken by Singapore to protect their companies to Malaysia's proposed amendments to our laws, in order to find the most feasible restructuring and rescue solutions.

The following are the highlights of the Conference, which is specially designed to upskill insolvency practitioners and other professionals working in the sector:

Updates on Proposed Regulatory Changes – Companies Act 2016

Regulators from the Companies Commission and industry experts will discuss the proposed changes to company law per the Companies Commission of Malaysia's Consultative Document on the Proposed Companies (Amendment) Bill 2020 and the ramifications on the current insolvency regime. The panel will also advise businesses on how they can adapt to face challenges in the interim and warn of the potential weaknesses or loopholes that could potentially be exploited or abused.

A Look at the Corporate Debt Restructuring Committee

Takes an in-depth look at the structure, workings and purpose of the non-legislative restructuring platform of the Corporate Debt Restructuring Committee (CDRC) and how it can support businesses.

Lessons from recent landmark cases

This session will look at recent grounds of judgement issued in landmark cases and what this means for future similar cases, which will give participants insights into managing emerging risks and compliance strategy.

Lessons from Singapore's reform experience

Examines Singapore's reform experience and the challenges Malaysia could conceivably expect upon emulating our neighbour. Expert panellists will also assess alternative reform strategies that could be more feasible for Malaysia's restructuring and rescue landscape.

For more information, please click HERE.

Stakeholder Capitalism starts with Purpose

at-mia.my/2021/07/30/stakeholder-capitalism-starts-with-purpose

July 30, 2021

By Uantchern Loh

Stakeholder capitalism in Malaysia has been given a boost with the introduction of the following paragraph in the revised Malaysian Code on Corporate Governance 2021 (MCCG 2021).

"Stakeholder confidence can only be strengthened if companies think seriously about the reasons for their existence, how they deliver on their purpose, and then explain, in their own words, how the company applies the principle and practices of the MCCG. Such transparency and honesty will support companies in building the trust of its stakeholders and potential investors."

"Stakeholder confidence can only be strengthened if companies think seriously about the reasons for their existence…"

Companies exist for what their stakeholders believe in. The Business Roundtable has declared that companies should serve not only their shareholders and maximise profits, but also deliver value to their customers, invest in employees, deal fairly with suppliers, and support the communities in which they operate. Purpose, as described by Larry Fink, Chairman and CEO of BlackRock, is not the sole pursuit of profits but the animating force for achieving them. "Purpose is not a mere tagline or marketing campaign. It is a company's fundamental reason for being – what it does every day to create value for its stakeholders."

Practical takeaway – *Stakeholder Capitalism starts with purpose. Understand what your stakeholders believe in and integrate their beliefs and values into your strategy.*

“…how they deliver on their purpose”

To succeed in this time of disruption, companies will find that purpose serves to focus on what is important. Companies should consider how their purpose can help the company to grow and open commercial opportunities for long-term success, allowing the company to move forward in a world where ‘business is unusual’. Purpose and profits are not at odds with each other. In fact, becoming a purposeful company will be crucial for creating sustainable profits over the long term. But this can be derailed by culture. Purpose determines the culture of the company and a misaligned culture can result in strategy being eaten for breakfast.

Practical takeaway – Culture is the result of shared beliefs, values, attitudes, actions, and behaviours in the company. Make culture a key part of your sustainability and resilience framework.

“…and then explain, in their own words, how the company applies the principle and practices of the MCCG. Such transparency and honesty will support companies in building the trust of its stakeholders and potential investors”

Truthful and authentic communication plays an integral part in combatting low corporate trust. A report needs to adhere to the fair, balanced, and understandable principle and it needs to communicate accountability. However, this does not necessarily generate trust on its own. Equally, combatting low corporate trust is not simply a matter of transparency and more communication. Companies need to communicate an authentic and company-centric corporate narrative and must be wary of simply regurgitating popular boilerplate words that hold little meaning and only generate more cynicism with stakeholders. The updated <IR> Integrated Reporting Framework, which is supported by the MCCG 2021, encourages the holistic communication of value creation, preservation, or erosion over the short, medium, and long-term as the next step in the evolution of corporate reporting

Practical takeaway – In Russian legends there is a person called the yurodivy or a truth-teller. He questions things that are taken for granted, just like the “An Inconvenient Truth” documentary film about former United States Vice President Al Gore’s campaign to educate people about global warming. Be willing to be a truth-teller in all your stakeholder communications.

Uantchern Loh is the CEO and Corporate Culture Reporting Practice Leader Black Sun Group (Asia Pacific).

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Why AI is Inseparable from Human Intelligence

at-mia.my/2021/07/14/why-ai-is-inseparable-from-human-intelligence

July 14, 2021

By Yonyou Malaysia Team

When it comes to Artificial Intelligence (AI), people may think of “AlphaGo”, a robot that defeated the European Go Champion Fan Hui.

However, if we have a deep understanding of AI and the technology behind it, we will understand that AI is under the control of humans and constantly learning. For machines to be able to replace humans and to do things for humans, stems from the artificial intelligence technology behind them!

“According to the technology behind artificial intelligence and its rules, artificial intelligence that embodies the intelligent part (of technology) is inseparable from humans,” said Qi Sa, Yonyou Financial Product Manager when demonstrating how to empower enterprise management through Yonyou Robotic Process Automation (RPA).

In Artificial Intelligence, “Artificial” and “Intelligence” are Inseparable

In some advanced cities, people can use facial recognition to enter the train station, to clock in at work, and to pay in supermarkets. They can also use speech-to-text functions, optical character recognition (OCR), and other tools to make life easier. These are all artificial intelligence technologies.

Despite the existence and acceleration of AI technologies, there are still things that machines cannot do on their own. Looking at AlphaGo, we will find that it is not just technology, but the team behind AlphaGo that defeated the European Go champion.

Other than the neural network algorithm, it is the team that created the chess game model and the prediction model. Without this team, no matter how good the algorithm and how powerful the computing power, it would be impossible to defeat human beings.

Based on this, we can see that in current artificial intelligence, the artificial is inseparable from intelligence. The artificial includes the design, development, and training of application models. In order to get a useful artificial intelligence result, one needs to invest a lot in research and development. Even so, the result that can be achieved is only a probability.

Application of Artificial Intelligence in Enterprise Business Scenarios

While AI was hailed as a gamechanger, it was also found to have flaws such as ambiguity because it simulates humans and humans are inaccurate. In addition, the most important element in AI is the mathematical models and algorithms.

Today, artificial intelligence technologies are commonly utilised in business scenarios.

However, the complexity of the business scenario of enterprise management is much higher than that of playing chess. It involves many steps, complex rules, and many users. In the application scenario of enterprise management intelligence, a solution would combine technology and scenarios and invest in feasible resources. For example, RPA robots are mainly processing automation to replace manual business, including automatic reconciliation, automatic payables and receivables settlement, automatic apportionment, etc., and they also use image recognition technology to process invoice recognition and verification.

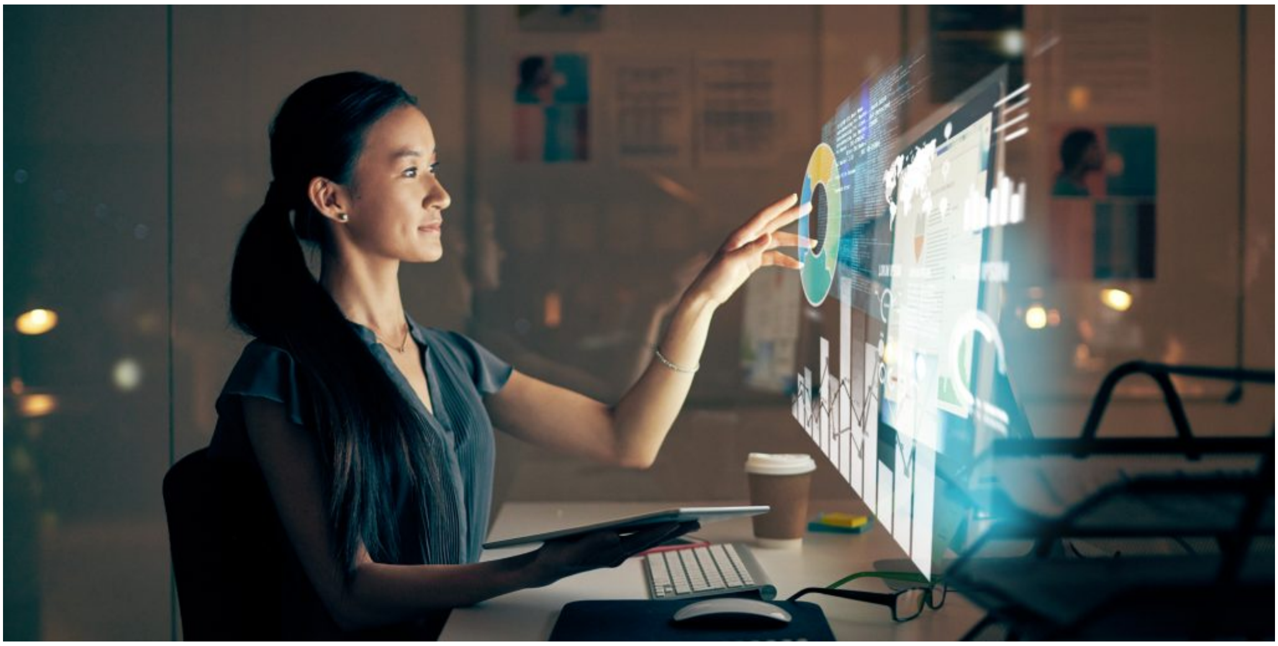
Yonyou blends the power of AI, robotics, machine learning and human talent to concoct intelligent solutions for business. In the future, through Yonyou's intelligent solutions, a variety of AI technologies will be applied in combination with a wide range of business scenarios of the enterprise to enhance user experience, improve business efficiency and business insights, and assist enterprise decision-making.

This article is part of a knowledge sharing series under the MIA Digital Technology Blueprint, which can be accessed here.

XBRL Adoption in Malaysia: A Way Forward for SMPs

at-mia.my/2021/08/23/xbrl-adoption-in-malaysia-a-way-forward-for-smps

August 23, 2021



By Azleen Ilias, Erlane K Ghani, & Zubir Azhar

Following the adoption of the eXtensible Business Reporting Language (XBRL) throughout the world, the Companies Commission of Malaysia (SSM) has taken the initiative to develop the Malaysian Business Reporting System (MBRS). The MBRS is a reporting and submission system that is aligned with the XBRL's requirements and format. It incorporates the XBRL concept to assist companies preparing annual returns (AR) and financial statements (FS). The aim of the MBRS is to eliminate all manual registration and handling, and transition to an automated online process.

How Does MBRS Work?

Together with the MBRS's submission platform, SSM designed the MBRS Preparation Tool (mTool), a template that can be completed and submitted by lodgers (typically the company secretary) to produce the XBRL instant documents. The mTool and Microsoft Excel embedded with the XBRL taxonomy can be used online and offline. The mTool can import high-quality data from the XBRL instant documents after validating the financial data. The makers are mainly the small and medium practices (SMPs), who provide accounting services to the companies and use the mTool to prepare AR, FS, and additional reports aligned with the MBRS's filing requirements and SSM's taxonomy.

How does MBRS Add value?

The MBRS adds value to the financial reporting landscape by improving accessibility, information exchange, and quality of the AR and FS. It also accelerates continuous auditing. The exchange of XBRL data through the centralised MBRS platform and system between regulators and practitioners, will develop big data and support the decision-making process at the organisational level. Furthermore, it could help SMPs present financial data meaningfully and result in standardisation of reporting.

SMPs' Experience

Most SMPs are aware of the MBRS, but have not yet made the transition. To drive further adoption, SMPs would need to understand how the MBRS works in detail and the advantages of the MBRS. Thus, it is important to highlight the experience of early adopters in order to derive best practices and lessons learned in order to enhance the acceptance of the MBRS by SMPs.

Key issues faced by early adopters among SMPs:

Limited Accounting Tools and Software

In Malaysia, as the adoption of the XBRL through MBRS has been only for two years, SMPs have limited tools and software. Many of them use the corporate secretarial software. It is still uncertain how the XBRL taxonomy can be embedded into the software to ensure the smooth preparation of the XBRL instant document.

Solution: SMPs need a software that can integrate with the MBRS and generate information to produce the XBRL instant documents.

Limited Resource Capability

There is a lack of local expertise in the XBRL. Despite their involvement in the mTool and MBRS development, SMPs have concerns regarding their limited know-how, knowledge, and expertise in the preparation of the AR and FS using the mTool. They are also concerned about whether corporate secretaries and owners have sufficient knowledge and know-how to prepare the FS submission. Another concern is the time needed to prepare the XBRL instant document using the mTool.

Solution: SMPs need to build up resource capability, e.g. staff who are able to use the mTool to enter data and generate the XBRL instant documents in order to adopt the MBRS.

Readiness of SMPs

SMPs need to be ready with the relevant skills, knowledge, and accounting tools and software in preparing the XBRL submission via the MBRS when they decide to adopt the MBRS. In ensuring the readiness, SMPs must encourage the corporate secretaries, as lodgers and makers of the AR and FS, to use the MBRS.

Solution: Incentives could be given to encourage adoption and full compliance with the MBRS.

XBRL Data Quality Assurance

SMPs are also concerned about how the XBRL taxonomy embedded in the mTool can guarantee data quality due to limited expertise in the XBRL data quality assurance. However, the XBRL taxonomy can reduce the risk of – incorrect data being keyed into the mTool.

Solution: Data quality is assured through an XBRL taxonomy's validation process, which could lower the workload of SMPs in the preparation of the AR, FS, and other reports.

Figure 1: Future recommendation

Based on the issues gathered from the SMPs' experiences, we have come up with four recommendations that we believe would improve the MBRS adoption.

Integrating Accounting Software with XBRL Taxonomy

At the early stage of adopting the MBRS, it was uncertain that SMPs would have the relevant tools and software. Therefore, there is a need to ensure that the XBRL taxonomy could be embedded within the accounting software. This software can facilitate the FS preparation and conversion of the report into XBRL Instant Document before submission to the SSM. However, SMPs need to ensure that the accounting software is aligned with the SSM's XBRL taxonomy, in order to assist the maker and lodger of the FS.

Incentive Provision

Providing incentives could motivate SMPs to perform the AR and FS submission via the MBRS. The incentives may include giving more time to prepare the FS in the XBRL format, making free data available for future use, and providing incentive for purchasing accounting software with the SSM taxonomy. With incentives, SMPs would be more willing to purchase accounting tools and software embedded with the SSM Taxonomy voluntarily.

Inclusive Training

The SSM and MIA have provided training to the lodgers (i.e. the corporate secretaries) on preparing the AR and FS using the mTool. But, training is still required for the makers (i.e. SMPs).

XBRL Data Quality Assurance

The SSM has foreseen that the adoption of the MBRS could further improve business reporting submission among companies as it promotes centralised submission on an integrated data platform. In future, there is a need to focus on the audit and assurance of the XBRL data to ensure that the FS and any other reports published in the XBRL are true and fair and increase confidence on the information submitted through the MBRS. Therefore, there is a need to enhance the knowledge and skills of the Malaysian auditors in validating the XBRL data with a focus on data quality assurance.

This article proposes a way forward for the XBRL adoption among SMPs in Malaysia. We put forward four recommendations which are (a) integrating accounting software with the XBRL taxonomy; (b) incentive provision; (c) inclusive training; and (d) XBRL data quality assurance. The issues and recommendations discussed in this article are purely to provide ideas to SMPs and regulators to enhance the implementation of the MBRS.

This article is written by Azleen Ilias from the College of Business and Administration, Universiti Tenaga Nasional, Pahang, Malaysia, Erlane K Ghani from the Faculty of Accountancy, Universiti Teknologi MARA Selangor, Malaysia and Zubir Azhar from the School of Management, Universiti Sains Malaysia, Penang, Malaysia