

EAST ASIA ACCOUNTING ROUNDTABLE
COUNTRY PRESENTATION: MALAYSIA
SUMMARY

1. Existence of an Academic Association

The accounting academics set up an association known as the Malaysian Accounting Academics Association in 1987. It was quite active in the initial stage but has ceased to be active since 1992. It is timely for this association to be reactivated to take up issues that are common to all accounting academics in Malaysia.

2. Formal Association of Professional Accountants

There are two major associations of professional accountants in Malaysia:

- (a) The Malaysian Association of Certified Public Accountants (MACPA), formed in 1958 under the Companies Ordinances 1940- 46. Its main objectives are to advance the theory and practice of accountancy, to provide education and training leading to the CPA qualification, and to maintain high standards of practice and conduct of all its members.
- (b) The Malaysian Institute of Accountants (MIA), formed in 1967 under the Accountants Act 1967, to regulate the practice of the accountancy profession in Malaysia.

A total of 11 professional accountancy qualifications are recognized under the Act, including the MACPA, which is the only local professional body.

Both MACPA and MIA are members of IASC, IFAC, and CAPA. Their main areas of activities are research and development of standards and/or guidelines on accounting, auditing, and other areas of professional accountants' work. Both bodies also conduct continuing professional education (CPE) programmes to assist their members to maintain and constantly update their technical knowledge and skills. In addition, MACPA conducts the Malaysian CPA examination and monitors the practical training of potential CPAs.

A total of 14,000 accountants are registered with MIA. Of this, close to 3,000 are members of MACPA.

3. Interaction between Academics and Professional Associations

Members of academia serve on the relevant committees of the professional bodies as representatives from the various institutions of higher learning (IHL). There are currently seven IHL providing accounting degree programmes that are recognized by the Accountants Act 1967. Graduates from these programmes are eligible for membership in MIA after completing three years of work in related fields.

Unfortunately, the academic association has not been active and, therefore, there has been not much interaction between the professional bodies. However, there is a close working relationship between the IHLs and MIA and MACPA through the participation of representatives from the IHLs in the committee work of the professional bodies.

4. Major Professional Issues

The major issues facing the profession in Malaysia are probably common to most countries. The following issues are particularly important:

- Globalisation of business
- Impact of information technology
- Enhancing the standards of corporate governance
- Re-evaluation of the educational requirements of accountants so as to meet the challenges posed by the above developments.

4.1 Globalisation and IT

Globalisation of business and advancement in technology are rapidly changing the face of business. These changes offer great opportunities as well as pose significant threats to the profession in the years ahead. The critical success factor is the ability of the profession to provide services that meet the needs of the new world of e-commerce, knowledge management, and increased global trade. Apart from the traditional services, accountants must be able to provide more innovative services to meet the new demands. This calls for a thorough review of the education and training curriculum for accountants.

4.2 Corporate Governance

The onslaught of the Asian financial crisis in 1997 brought into focus the need to enhance the standards of corporate governance. This was also precipitated by the shift of the Malaysian capital market from a merit-based system to disclosure-based regulations (DBR) by the year 2001. Towards this end, the Malaysian Government has implemented a number of measures to promote good corporate governance:

- In 1997, the Financial Reporting Act was introduced and the Malaysian Accounting Standards Board established as the sole authority to issue accounting standards for application in Malaysia. These standards are mandatory for compliance by all companies in the preparation of financial statements.
- In 1999, a Report on Corporate Governance was published by the Finance Committee on Corporate Governance, which was formed by the Ministry of Finance. The Report made a number of recommendations for enhancing corporate governance, including the implementation of a Code on Corporate Governance as a self-regulatory approach to raising the standards of corporate governance.
- Substantial legislative reforms have also been introduced, particularly the Securities Industries Act, the Securities Commission Act and the listing rules of the Kuala Lumpur Stock Exchange. These initiatives aim at achieving greater transparency and higher standards of corporate governance through more timely disclosure of financial information by public listed companies (quarterly reporting was introduced by the KLSE in 1999), strengthening the rules governing independent directors and expanding the scope of duties of audit committees.
- The Malaysian Institute of Corporate Governance was formed in 1998 by six professional bodies representing the accountancy profession, the legal profession, publicly listed companies, directors, and company secretaries. The primary objectives of the Institute are to promote awareness and continually strengthen the standards of corporate governance in Malaysia.

The professional accountants, in their role as internal auditors, directors or external auditors, are a vital element of the corporate governance regime.

4.3 Education Requirements of Accountants

One of the key challenges facing the profession is its ability to respond and meet the demands of the future.

The current curriculum of most accountancy programmes in Malaysia tends to over concentrate on core accounting subjects. There is an urgent need to review the education curriculum, to give more weight to the learning of management, communication, and analytical skills. These are essential attributes in a knowledge-based and highly competitive business world.

The MACPA, which introduced its first examination in 1961, is currently undertaking a major revamping of its examination and education system. The new curriculum will focus on training accountants as business advisers. Apart from the core accounting subjects, greater emphasis will be placed on subjects such as business finance and strategy and information management. The new CPA examination will test more on communication skills, cognitive skills and analytical skills. There will also be greater emphasis on the application of IT in the practical training programmes. Although the traditional services in the areas of auditing or assurance are still essential, accountants must be able to provide value-added services and ensure that the process for delivery of service is efficient and effective. Otherwise, the profession may lose its grounds to other service providers such as fund managers, financial analysts, and IT specialists.

5. Issues Facing Accounting Academics

Various problems are current faced by accounting academics. The most important issues are:

- Problems in attracting professional accountants to universities
- Opportunities for obtaining work experience/work attachments for academic staff
- Finding a proper blend of practitioners and academics in the faculty, part-time and full-time
- Remuneration package
- Need for an accounting academics association to discuss issues common to all IHLs in respect of accounting curriculum development, training, and other related issues

6. Major Accounting Research Issues

Research related to the following issues are encouraged:

- Application of International Accounting Standards in total to the Malaysian environment
- The need for exempting certain enterprises from compliance with accounting standards
- Corporate governance and accounting disclosure policies
- Accounting and auditing issues arising from e-commerce
- Ethical rules on advertising and solicitation of professional business

7. Interaction with Professional and Academic Associations from Other Countries

It would be useful to have regular discussions on issues of common interest between the East Asian countries. In Malaysia, significant advancement has been made in the area of standard setting. Majority of the International Accounting Standards issued by the IASC and International Standards on Auditing issued by IFAC have been adopted for application in Malaysia. In addition, the professional bodies have developed accounting standards on subjects peculiar to the Malaysian economy, such as accounting for aquaculture, insurance business, property development activities, etc. Since its establishment in 1997, the Malaysian Accounting Standards Board has issued 13 accounting standards. Other developing countries could benefit from discussions on Malaysia's experience in standard setting.

Another area is the review of the current curriculum for accountancy qualifications to meet the challenges of the new millennium. In this light, Malaysian academics are studying the methods and ways of incorporating skills such as communication, analysis, and research into the existing curriculum. Another major issue is the advancement in information technology, which has made traditional methods of teaching quite obsolete. New teaching and learning methods are being explored. Continuous discussions in these areas with other countries would be most beneficial.

8. The Way Forward

The endeavor to get together countries from the East Asian region to discuss issues of common interest is highly commendable. It is suggested that countries such as India, Vietnam, Sri Lanka should be included to make the discussions more fruitful and rewarding. The next step would be to identify the most critical issue for each country for discussion at the next meeting. Such meetings should be regular so as to provide the necessary impetus for networking among members of the profession and academia.