ASSOCIATION OF CERTIFIED ACCOUNTANTS, MALAYSIA

ACA NEWSLETTER

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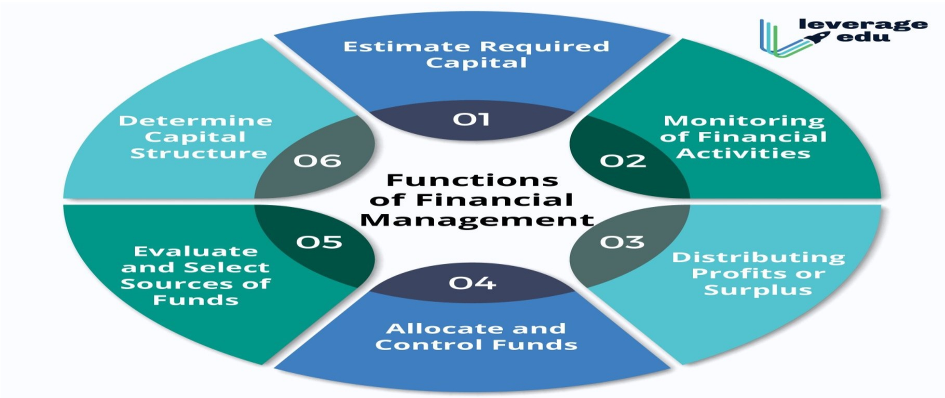

FUNCTIONS OF FINANCIAL MANAGEMENT

We reiterate that the CFM program is the path to success for members who wish to move up the corporate ladder and to be able to work effectively in top-level management positions.

The functions of financial management are the functions of financial manager who are normally also trained in accountancy. Financial managers who have studied our CFM program are head and shoulders above ordinary accountants, and have learned how to optimize funds and minimize expenses to enhance profit, using the various management tools and techniques to manage the funds, so as to achieve the bottom-line of the company. Management tools and techniques for organizational performance are Strategic Planning, Benchmarking, Core Competencies, SWOT Analysis, Price Analysis, Analysis of Views and Employee Attitudes, Cost-Benefit Analysis, which are some of the examples.

We have decided to change the post-nominal of members who have completed the CFM program from CCFM (certificate in certified financial management) to Cert.FM (certified financial manager), as the public is more likely to infer that Cert.FM rather than CCFM is the abbreviation for "certified financial manager".

No one is certain how the authority will assess applicants for recognition as Accountant, if the Amendment to the Accountants Act 1967 does not admit any more Professional accounting bodies to the Schedule. whether based on individual's qualification or based on membership of professional accounting body. In any case it is advisable and useful to have relevant additional qualification.

The MIA Competency Framework 2019 has information on the usefulness for accountants to have additional qualification of postgraduate standard. Our Certified Financial Management program is of postgraduate equivalent standard, as the program has many topics and subjects which are not covered in the undergraduate degree program.

However, the Association will leave no stone unturned to seek recognition for members.

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NEWS AND ANNOUNCEMENTS

43 rd Annual General Meeting on 27 June'23

Our AGM was held at our office at Glomac Business Centre at Kelana Jaya, Petaling Jaya, Selangor.

Our patron Tan Sri Dato' Dr Lau Ban Tin and the members at the AGM had a fruitful discussion on statutory recognition and on what we have to prepare before the Amendments to the Accountants Act 1967 are tabled in Parliament early next year.

Siting L-R: Dr Amjath Jamal (V.P), Tan Sri Dato' Dr Lau Ban Tin (Patron), Dr Tan Yen Wooi (President) and Ms Ng Mei Choo (Hon. Secretary)

2022 Annual Journal

Members can read our 2022 annual journal from our website at https:certified-accountants.org.my. Our new website will be fully developed soon.

Dinner time after the AGM

Renewal of Membership Certificate

At the bottom of membership certificate it is stated that certificate must be renewed every three years from date of issuance and shall not be valid on expiry date.

All members who joined the Association before 30 November, 2020 were issued with new membership certificates (after our name change to existing name) dated 30 November, 2020, which will expire on 30 November, 2023, and their membership certificates will be renewed on 30 November, 2023 if they do not have any outstanding annual subscriptions or fees.

Retirement of Editor and Council member

Mr Lee Tiong Kheng is retiring as the editor after June, 2023, to make way for a younger member to take over, after having been on the job intermittently since 2013. Mr Lee has been in the Council and held the portfolios of Hon Treasurer and Membership Chairman intermittently since 1991 and retired as a Council member in 2021.

Issuance of 2023 Invoice and 2022 Subscription Statement of Account

Due to the disappearance of our previous bookkeeper who did not keep our 2022 account correctly, our present bookkeeper had great difficulty in closing the 2022 account, and thus the issuance of 2023 invoice was delayed until the last week of June 2023, a delay of almost six months.

Congratulations to Certified Financial Management (CFM) graduates

We congratulate the following members who have successfully completed the CFM program:

Tony Lim Beng Keat	Distinction
Kang Guan Hoong	Credit
Aloysius a/l Victor Sandanasamy	Credit

Graduates of the CFM program will have the post nominals of Cert.FM

Congratulations to Dr Tan Yen Wooi, President of ACA

Congratulations to Dr Tan Yen Wooi for being appointed as the Vice President of Pemerhati Rasuah Malaysia (Malaysian Corruption Watch) in June, 2023. MCW is a NGO and its main objective is to help MACC fight corruption, create awareness and educate public on corruption prevention, act as key communicator to MACC on corruption incidences and assist the Election Commission during State and General elections.

ACA's Email Addresses Encountering Incoming Mail Problem

Since the end of April, 2023 our email addresses are not able to receive Incoming mails and can only send out emails. We regret the inconvenience caused to members. Meanwhile members are advised to contact the secretariat at telephone No. +(603) 7495 9056 if members wish to make enquiry.

IPA/ACA Joint membership Fee

The Joint membership fee was previously requested by Mr T K Lee, former IPA Liaison and Recruitment officer for Malaysia, to IPA in early 2000. IPA has the discretion to increase the annual subscription by withdrawing the IPA/ACA Joint membership fee. Member who has been billed with high subscription has to appeal to IPA. Mr Lee retired as the IPA Liaison and Recruitment Officer for Malaysia in 2009.

BUSINESS AND MANAGEMENT

FINANCIAL ANALYSIS

Below is an extract from the subject of Financial Analysis which is one of the 3 subjects of the stage 3 CFM program of 8 subjects which are grouped into 3 stages for the CFM examinations for the award of the Cert.FM (Certified Financial Management) qualification. The CFM program is of postgraduate equivalent standard and it complements and supplements what members have studied in the under-graduate level of the subject of Financial Management

Financial Analysis

Financial analysis refers to an analysis of finance-related projects/activities or a company's financial statements, which includes a balance sheet, income statement, and notes to accounts or financial ratios to evaluate the company's results, performance, and its trend, which will be useful for taking significant decisions like investment and planning projects and financing activities. After assessing the company's performance using financial data, a person presents findings to the top management of a company with recommendations about how it can improve in the future.

Most commonly used financial analysis techniques:

1. Vertical Analysis

Vertical Analysis is a technique to identify how the company has applied its resources and in what proportion its resources are distributed across the income statement and the balance sheet. In the case of the Income Statement, each element of income and expenditure is defined as a percentage of total sales. The assets, liabilities, and shareholder's equity are represented as a percentage of total assets.

For this exercise to be most effective, the results should be benchmarked against other companies in the same industry to see how well the company is performing.

2. Horizontal Analysis

In Horizontal Analysis, the company's financial statements are made to review for several years, and it is also called a long-term analysis. It is useful for long-term planning and compares figures of two or more years. Here we find out the current year's growth rate compared to the previous year to identify opportunities and problems. This will help an analyst determine if a company is growing or declining and identify important trends. When building financial models, there will typically be at least three years of historical financial information and five years of forecast information. This provides 8 years of data to perform a meaningful trend analysis, which can be benchmarked against other companies in the same industry.

3. Trend Analysis

Trend analysis involves collecting the information from multiple periods and plotting the collected information on the horizontal line to find actionable patterns from the given information.

4. Liquidity Analysis

Liquidity Analysis focuses on the balance sheet and determines the company's ability to meet its short-term financial obligations and how it plans to maintain its short-term debt repayment ability. Ratios used for Liquidity Financial analysis are as follows:

- Current Ratio
- Acid test or quick ratio = (current assets - inventory) / current liabilities
- Cash ratio = (cash + marketable securities) / current liabilities
- Net working capital

5. Turnover Ratio Analysis

The turnover Ratio primarily identifies how efficiently the company's resources are utilized.

The following Ratios are used to do Turnover Analysis:

- Accounts Receivable Turnover
- Inventory Turnover Ratio
- Working Capital Turnover Ratio
- Asset Turnover Ratio
- Equity Turnover Ratio
- Days Payable Outstanding

6. Profitability Analysis

Profitability financial analysis helps us understand how the company generates its profit from its business activities. Profitability is a type of income statement analysis where an analyst assesses how attractive the economics of a business are. Common examples of profitability measures include:

- Profit Margin
- Operating Profit Margin
- EBIT Margin (earnings before interest and taxes)
- EBIDTA Margin (earnings before interest, taxes, depreciation and amortization)
- Earnings Before Taxes

The net debt to EBITDA ratio measures a company's ability to pay off debt with EBITDA. The ratio is commonly used by credit rating agencies to assign a credit rating to a company.

A low ratio is preferred and indicates that the company is not excessively indebted.

A high ratio indicates that the company has high debt levels, and may, consequently, result in a lower credit rating (therefore mandating the company offer higher yields on bonds).

An ideal debt to EBITDA ratio depends heavily on the industry, as industries vary greatly in terms of average capital requirements. However a ratio of greater than 5 is usually a cause for concern.

To ensure that a company is able to repay debt obligations, loan agreements typically covenants that dictate the range which a company's net debt/EBITDA ration can fall under.

7. Business Risk Analysis

Business Risk Analysis measures how investment in fixed assets affects the sensitivity of the company's earnings and the debt on the balance sheet. The top ways to analyze Business Risk is as follows -

- Operating Leverage
- Degree of Operating Leverage
- Financial Leverage
- Degree of Financial Leverage

8. Financial Risk Analysis

Here we measure how leveraged the company is and its place concerning its debt repayment capacity. Tools used to do leverage financial analysis -

- Debt to Equity Ratio
- DSCR Ratio (Net Operating Income / Debt Service)
  = debt service coverage ratio is a key measure of a company's ability to repay its loans, take on new financing and make dividend payments.

9. Stability Ratios

The stability ratio is used with a vision of the long-term. It is used to check whether the company is stable in the long run or not.

10. Coverage Analysis

This type of financial coverage analysis is used to calculate dividend, which needs to be paid to investors or interest to be paid to the lender.

- Coverage Ratio Formula (interest coverage ratio is by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period)
- Interest Coverage Ratio = EBIT or EBITDA /total interest expense. It is a measure of a company's ability to honour its debt payments.

11. Control Analysis

Types of control ratios are as follows:

1. Capacity ratio - It shows the relationship between the actual number of working hours and the budgeted number of working hours.
2. Activity ratio - it is the number of standard hours equivalent to the work produced expressed as a percent age of the budgeted standard hours. The ratio measures the level of activity at which a business is operating.
3. Efficiency ratio - It is the number of standard hours equivalent to the work produced expressed as a per centage of the actual hours spent in production. It measures the efficiency of a firm's operations.

12. Valuation Analysis

Valuation Analysis helps us identify the fair value of the business, investment, or company. While valuing a business, choosing the correct valuation methodology is very important. One of the valuation financial analysis tools is DDM (dividend discount model) which is a quantitative method used for predicting the price of a company's stock based on the theory that its present-day price is worth the sum of all its future dividend payments when discounted back to their present value.

The DDM is used by investors to measure the value of a stock. It is similar to the discounted cash flow (DCF) valuation method; the difference is that DDM focuses on dividends while the DCF focuses on cash flow. For DCF, an investment is valued based on its future cash flows.

13. Variance Analysis

Variance analysis in budgeting is the study of the deviation of the actual outcome against the forecasted behavior in finance. It is essentially concerned with the difference between actual and planned behavior and how business performance is being impacted.

14. Scenario & Sensitivity Analysis

Another component of financial modelling and valuation is performing scenario and sensitivity analysis as a way of measuring risk. Since the task of building a model to value a company is an attempt to predict the future, it is inherently very uncertain.

Building scenarios and performing sensitivity analysis can help determine what the worse-case or best-case future for a company could look like. Managers of businesses working in financial planning and analysis will often prepare these scenarios to help a company prepare its budgets and forecasts.

Investment analyst will look at how sensitive the value of a company is as changes in assumptions flow through the model using Goal Seek and Data Tables.

15. Rate of Return

Investors, lenders, and finance professionals, in general, are focused on what type of risk-adjusted rate of return they can earn on their money. As such, assessing rates of return on investment (ROI) is critical in the industry.

Common examples of rates of return measures include:

- Return on Equity (ROE)
- Return on Assets (ROA)
- Return on invested capital (ROIC)
- Dividend yield
- Capital gain
- Accounting rate of return (ARR)
- Internal Rate of Return (IRR)

Conclusion

It is the systematic process of analyzing or examining the company's financial information to reach a business decision. People in the company examine how stable, solvent, and profitable business or any company project is. These assessments are carried out by examining the company's income statement, balance sheet, and cash flow statement of the company.

Analysis and examination of Financial statements are essential tools in assessing the company's health, and it provides information to company management. Then it is used by them for future planning and decision making. It helps the company to raise capital domestically as well as overseas. With the help of various Financial Analysis methods mentioned above, the company can predict a company's future or individual projects. It helps company management make decisions by examining the recommendations made in a report. It helps investor whether to invest funds in a company or not by assessing Its financial reports.

Four Steps to Success for New CEOs

Between a third and half of new CEOs are considered to be failing within 18 months of taking the role. More than 90 percent of those CEOs confess they wish they had managed their transition differently. Those who got it right recognize that they needed to lead differently than they did on the way to the top.

The best new CEOs make their first six to twelve months both a personal transition one a moment of institutional renewal. While each leader acts in ways that are relevant to their unique situation, we have found at least four common ingredients for success.

Not Making it about you

The day you become CEO, you undergo an enormous amount of change. For one, all the attention becomes laser-focused on you, often in ways that distort reality. All this attention and power can quickly create a phenomenon where the transition becomes all about you. Successful CEOs don't let this happen. They keep their minds focused on the institution. "Every time you say or do something," says Piyush Gupta, CEO of DBS Bank, "it's got a massive consequential effect. The whole company pivots."

The way to manage this experience is to ask different questions, which lead to different answers:

- Instead of asking "What legacy will I leave?" ask "What organizational purpose do I serve?"
- Instead of asking "What is broken that needs fixing?" ask "How will we respect our past while accelerating or disrupting our future?"
- Instead of asking "How will I get the organization on board with my vision," ask "How will I engage the organization in creating our shared vision?"

This shift of perspective will ensure that your tenure as CEO is about the company and not about you.

Listening Then Acting

As a new CEO, everyone wants to hear what you think, what will change, and what the change will mean for them. The urge to decide, declare, promise, and explain is strong. The best leader in transition know it is better to listen and find out what is really going on before making broad declarations or premature moves. The paradox is that you need to move slow to move fast.

"One needs to be a good student because there are a lot of things to learn," says Loh Chin Hua, CEO of Keppel Corporation, "It is always very easy to learn from someone who is well-known, famous, and successful but I subscribe to the school that there are things you can learn from everyone, even some one younger than yourself."

Practically speaking, this ethos translate to the following practices: start with a broad-based listening tour; create a fact-based, single version of the truth; lock in a short list of bold moves and communicate those moves in a simple, engaging manner.

Nailing Your Firsts

You never get a second chance to make a first impression. Getting your first impressions right will send strong messages about how you intend to lead. These include the differences from the previous CEO and from how you have led in previous roles. It also includes the renewed opportunity you see for the organization. Early in your tenure, everyone, even those you have worked with for years, is forming their first impression of you as the CEO. To ensure that your first impressions are positive, you need to understand people's motivations, keep to a single narrative err toward complete candor, and prepare intensely to moments of truth.

If you come in new it is easy for the cynics within the business to say, 'this person really doesn't understand why we do things in a certain way, so we will sit back and watch them fail." Alison Watkins, board member of CSL, the Reserve Bank of Australia, and Westfarmers " I remember getting that feeling in a few settings. You then have to work extra hard to build credibility. And that comes from being able to listen, learn, and respect, which build the confidence of the organization."

Playing "Big Ball"

New CEOs suddenly find themselves accountable for everything and to everyone while it is tempting to try to do everything, this is wrong. You need to decide where your effort can have the most impact. To do this well, you need to set clear boundaries and stay extremely disciplined. You must also have the right talent in place to help you - while being willing to drop underperformers. Finally, you must set an operating rhythm that combines accountability with urgency.

"It is very easy to feel like you have to work really hard, impress people, and sacrifice the balance in your life. But if you have the right balance in your life, you can deal with pretty much anything that comes your way," says Watkins. "The second piece of advice is to work with great people. All my opportunities and development came from people , not so much the organization."

Your ascension as a new CEO is an unfreezing moment that can catalyze significant institutional renewal. By not making it about you, listening then acting, nailing your firsts, and playing big balls, you will hit your stride.

Reference:

This article is based on research done for the book, CEO Excellence, and McKinsey Quarterly article, Starting Strong, authored by Carolyn Dewar, scott Keller, Vik Malhotra and Murt Strovink.

Gautam Kumra is Chairman, McKinsey Asia, based in Singapore, Carolyn Dewan partner with McKinsey, ase din the Bay Area.

PROFESSIONAL PROGRAMS

ACA CERTIFIED PROGRAM

Advanced Stage for Certified Membership

(Pre-requisite: With a degree in accounting and be an Associate)

Part 1 Subjects:

Advanced Financial Accounting & Reporting

Management Accounting Strategy

Part 2 Subjects:

Advanced Corporate Finance

Internal Control, Risk Management & Corporate Governance

Note: Exemptions may be granted for similar subjects passed previously

Examination Schedule and Closing date for Registration

Date of Examination	SUBJECT (Registration form for Exam will be sent on request)	Closing date for Registration
16 Sep, 2023	Management Accounting Strategy	7 July, 2023
23 Sep, 2023	Adv. Financial Accounting & Reporting	7 July, 2023
16 Dec, 2023	Internal Control, Risk Mangt & Corp. Gov	7 Oct, 2023
23 Dec, 2023	Adv. Corporate Finance	7 Oct, 2023

CERTIFICATE IN CERTIFIED FINANCIAL MANAGEMENT PROGRAM (CCFM qualification)

Note: Pre-requisites to register for the examination are: A recognized degree in accounting and passing or exempted from the ACA Certified program.

Subjects for the 3 stages:

Date of examination	Subject (Registration form will be sent on request)	Closing date for submission of Registration from
9 Sep, 2023	Stage 1 (see subjects below)	7 July, 2023
28 Oct, 2023	Stage 2 (see subjects below)	16 Sept, 2023
30 Dec, 2023	Stage 3 (see subjects below)	7 Nov, 2023

Stage 1 (Project and Performance Management)

Stage 2 (Portfolio Management, Risk Management & Entrepreneurship)

Stage 3 (Principles of Management, Financial Management & Financial Analysis)

1) The open-book examination time allotted for each stage is 3 hours. Questions will be set on the subjects stated in each stage.
2) The passing mark for each stage is 50%
3) The examination fee for each stage is RM200.
4) Members have to register for stage 1, and on passing the stage 1 examinations registration form for stage 2 examination will be sent to members, and on passing stage 2 then members can proceed to stage 3
5) Registration form will be sent to members upon request to our email: icia.examination@gmail.com
6) Study notes will be provided.

Contact Us

Association of Certified Accountants, Malaysia

No. 306, Block C, Glomac Business Centre, 10 Jalan SS 6/1, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia.

Tel: +(603) 7495 9056

Secretarial email: secretariat@certified-accountants.org.my

Membership email: members@certified-accountants.org.my

Website: www.certified-accountants.org.my

IPA Professional Program

The Institute of Public Accountants Australia (IPA) is one of the three recognized Australian Professional Accounting Bodies.

Under our MRA with IPA, all IPA members are accepted for our Associate membership, and all our members are accepted for IPA Associate membership.

Our members who have a recognized Master degree in accounting will be accepted by IPA for full membership at MIPA level.

IPA members who have completed the IPA program, which is the Deaken University, Australia MBA in Professional Accounting, will be accepted for our Certified membership.