ACA
Akauntan Bertauliah Malaysia

ASSOCIATION OF CERTIFIED ACCOUNTANTS, MALAYSIA

ACA NEWSLETTER

Vol. 11 Issue 1 Quarterly **January - March, 2023**

CERTIFIED FINANCIAL MANAGEMENT PROGRAM (CFM)

In the previous issue of our newsletter we advised 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.

CFM program subjects are more relevant for accountants than MBA program and for training accountants to be versatile, knowledgeable, efficient and to have communication skills, and who can also act as advisors or consultants to their clients or to their employers. The program consists of management and accounting-related subjects.

The CFM program was launched in January, 2023 and the first batch of candidates will complete the three-stage (8 subjects) program in May, 2023 and receive the qualification of CCFM (Certificate in Certified Financial Management), a postgraduate equivalent qualification.

The next session of the program is from July 2023 to December 2023 and will also be Open-book examinations and the examination fees (please refer to the last page of this newsletter) will be higher than that of the present session, before we change to Closed-book examinations with case-study assignments from 2024 and we will be ready to use digital learning platform to conduct online tuition and examinations next year.

Online tuition using digital learning platform will incur higher cost but students will receive quality training, and the fee to be charged will be a few times higher than the present fee . From 2024 our Certified ACA program for Associate to upgrade to Certified member will also be using digital learning platform. Our aim is to provide better tuition for members and to upgrade the standard of our programs conducted by examiners with masters and doctorate qualifications.

We encourage members to avail themselves the opportunity to take the CFM program which is cost-effective, rather than taking postgraduate programs from educational institutions which charge high fees.

In This Issue

NEWS AND ANNOUNCEMENTS

Suspension of Members for Annual Subscriptions overdue for two years

We have given notice on numerous times that members who owe two years or more annual subscriptions will be suspended.

Suspended members will not receive members services such as newsletters and 2022 annual journal, which will be issued soon, and notice of general meeting.

Disappointing Collection of Annual Subscriptions

Our record shows that from August 2022 to December, 2022 (a period of 5 months), only 8 members paid their subscriptions amounting to RM1,960. For year 2022 the subscriptions received was RM12,100, out of the 2022 annual subscriptions receivable of RM17,660. A shortfall of RM5,560, assuming the collection of RM12,100 is from 2022 annual subscriptions receivable. It is likely that part of the RM12,100 collected is from prior years subscriptions (before 2022), then the shortfall between the subscription collected for 2022 subscription and the subscription receivable for 2022 will be higher than RM5,560.

Delay of the Issuance of our 2023 Invoices

Due to the sudden disappearance of our previous bookkeeper in Dec, 2022 before closing our 2022 account, we have to engage another bookkeeper to clean up the messy bookkeeping done by our previous bookkeeper. The present bookkeeper has difficulty in detecting the many mistakes and has to redo the account, causing the delay in closing our 2022 account which has to be completed before we can issue our 2023 subscription invoices. We sincerely apologize to members for the delay in the issuance of our 2023 invoices to members who require invoices to pay subscription payments. We regret the inconvenience caused by previous bookkeeper.

Aims of our Association

To strive to be the 2nd largest and respectable accountancy body in Malaysia.

To represent, promote, advance and protect the interest of all members through the pursuit of excellence and integrity in all spheres of activity undertaken by the Association and to create value for its members. To enhance the profile and skills of and recognition for its members.

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2022 Annual Journal

The printing of 2022 annual journal is delayed for a few months, due to insufficient fund because of the low collection of annual subscription, resulting partly from the late issuance of our 2023 subscription invoices, and partly we are reserving our fund for payments of developing new website, new software for database membership and new software for digital learning platform for tuition and examination.

Retirement of Editor

The present editor will be retiring after June, 2023, to make way for a younger member to take over. The editor has been on the job intermittently since 2013.

Congratulations to Dr Tan Yen Wooi and Ms Sonya Cheong Yee Ching

We congratulate Dr Tan Yen Wooi (President of ACA) for receiving the award of Honorary Fellow, and Ms Sonya Cheong Yee Ching (Internal auditor of ACA) for receiving the award of Distinguished Alumna from the President of Oklahoma City University, Kenneth R. Evans, on the occasion of the Oklahoma City University President's Dinner 2023 for Malaysian alumni held in the Marriot Setia Alam, Shah Alam, Selangor on 7th March, 2023.

L-R: Kenneth R. Evans, Ms Sonya Cheong Y.C and Dr Tan Y. W

BUSINESS AND MANAGEMENT

PORTFOLIO MANAGEMENT

The topics in this article are extracted from one of the subjects of our 8-subject Certified Financial Management program.

What is a portfolio?

A portfolio is a person's or institution's entire collection of financial assets or investment instruments like stocks, bonds mutual funds, real estate, cryptocurrency, art and other collectibles. A "portfolio" refers to all of your investments - which may not necessary be housed in one single account.

In other words, a portfolio is a group of assets. The portfolio gives an opportunity to diversify risk. Diversification of risk does not mean that there will be an elimination of risk. With every asset, there is an attachment of two types of risk; diversifiable/unique/unexplained/unsystematic risk and undiversifiable/market risk/ explained/systematic risk. Even an optimum portfolio cannot eliminate market risk but can only reduce or eliminate the diversifiable risk. As soon as risk reduces, the variability of return reduces.

Portfolio management practice runs on the principle of minimum risk and maximum return within a given time frame. A portfolio is built based on an investor's income, investment budget, and risk appetite keeping the expected rate of return in mind.

All organizations have a number of programs and software they use to complete and manage their projects, and these companies also have a number of ongoing projects at the same time. This means the larger an organization is, the more complex the project management system gets. Keeping track of all the projects and processes at the same time becomes difficult over time, which is why many companies create a portfolio.

A portfolio is a place where all the projects, programs that are used by an organization are collected. These can include the processes and programs used to manage other projects, operations, or functions.

A portfolio is created to help companies coordinate their processes and projects on a larger scale to make sure the projects get deployed successfully and on time. It helps improve the efficiency of all resources and optimization of the programs that the organization has invested in. It is a tool to help enterprises achieve maximum value for their investments.

There are many factors involved in making a portfolio. These include the skill and ability of the portfolio manager, the sponsor, the visibility of al the programs and projects, the ability of the organization to accept the strategic implementation of changes and the level of alignment towards governance.

Portfolio management is gaining importance across the globe as a sound way to manage projects and company assets. Organizations can use portfolio management services to improve their operations and project processes. It is critical for enterprises and individuals to invest in widely-recognized Project Management Certification courses for them to gain a better understanding of project management best practices and how program and portfolio management work in an organization.

What is Portfolio Management?

Now that there is a clear understanding of what a portfolio is, one can start discussing more about portfolio management. The portfolio management of an organization with respect to project management includes their biggest assets such as their projects and programs. These programs and projects are selected, prioritized, and managed in a way that they are always aligned with the main business goals of the company.

BUSINESS AND MANAGEMENT

Portfolio management is the art of selecting right investment tools in right proportion to generate optimum returns from the investment made.

Portfolio management is defined as a cohesive investing strategy based on your goals, timeline and risk tolerance. Portfolio management involves picking investments such as stocks, bonds and funds and monitoring those investments over time. Portfolio management can be done on your own, with a professional or through an automated service.

Project portfolio management (PPM) is the management of the organization's projects so as to maximize the contribution of projects to the overall welfare and success of the enterprise subject to internal and external constraints by maximizing the project value, balancing the portfolio and aligning it with overall company strategy. PPM rests on the following three pillars: 1) Projects selected must maximize the value for the company, 2) Projects selected must constitute a balanced portfolio, 3) The final portfolio of projects must be strategically aligned with the company's overall business strategy.

Portfolio management is the key skill that one requires for managing investment effectively. Irrespective of whether they are an individual or HNI (High Net Worth Individual) or big MNC (Multinational Company). Different attributes of investment alternatives are analyzed, and the objective of investment guides where and how much money to allocate to each of the alternatives. Investing in more and more assets with different attributes diversifies the risk of a portfolio, thereby increasing the reasonable assurance of the returns.

For understanding portfolio management, it is important to understand the term 'portfolio', the meaning of portfolio management, who is a portfolio manager, what does portfolio management service involves, the classification of portfolio management services, objectives, and the importance of portfolio management.

The main goal of portfolio management for a company is to make sure that the business operates and functions normally while there are new changes in programs being implemented across the organization. The main goal is to keep working at the same level (or improved) of productivity and optimize the ROI on the implemented changes at the same time.

The programs and projects are considered to be investments for the company. They need to be carefully managed so that they can continue to deliver optimal value to the enterprise. Portfolio managers are the ones in charge of managing the portfolio and they are responsible for understanding the strengths and weaknesses of the organization's investments.

Portfolio Management: Things to keep in mind

Portfolio management is not solely about building and managing an investment portfolio. Here are some concepts that can help you choose your investments and manage them wisely.

Asset Location answers one question: Where are your investments going to live? The type of account you pick will become your investments' home—and there are lots to choose from. The key is to pick the best type of investment account for your goals.

Part of picking an investment account is choosing between taxable accounts and tax-advantaged ones. This decision can have both short-term and long-term tax implications. You will want to be sure to use designated Retirement accounts such as IRAs and 401(k)s for your retirement savings, because these offer tax advantages— for example, money you contribute to a Roth IRA grows tax-free. (Learn more about Roth IRAs and their tax benefits.) You may also want to have a standard taxable investment account to invest for non-retirement goals (such as saving for a down payment).

Asset allocation looks similar to asset location, but it refers to how your portfolio is divided up between different types of investments. This is usually related to your level of risk tolerance. For instance, if you have many years to go before you retire, you have more time to take risk, and so you can have a larger portion of your portfolio in riskier investments. If you are closer to retirement, you may want to have an asset allocation with a larger proportion of less risky investments.

Diversification refers to spreading your investing dollars across different companies, geographies, sizes and industries. That way, if one particular industry sinks, your whole portfolio does not. For instance, investing in funds, which are essentially baskets of lots of different securities, provides more diversification than investing in a single stock.

Rebalancing is how portfolio managers maintain equilibrium within their accounts. Portfolio managers do this to stay true to the target allocation, or what percentage of the portfolio is in more risky investments versus less risky investments, originally set for the investment strategy. Over time, market fluctuations might cause a portfolio to get off course from its original goals. Read about ways to rebalance your portfolio.

Tax minimization is the process of figuring out how to pay less overall in taxes. These strategies work to offset or lower an investor's exposure to current and future taxes, which can make or break an investor's returns. It is important to consider tax-efficient investing to avoid pricey surprises from the IRS.

Putting it all together

Portfolio management in the real world combines all of these aspects into one personalized portfolio, say investor is planning on retiring in five years and does not want to take much risk. They have a 4019k from their employer (their asset location) where they put portion of their paycheck. Their asset allocation could be 50% stocks and 50% bonds. If this ratio changes over time, and the investor winds up with a portfolio closer to 55% in stocks, that gives them a riskier portfolio that they are comfortable with. The investor or portfolio manager would then rebalance the portfolio to bring it back to its original 50/50 ratio.

Tax minimization can go hand in hand with asset location. For example, if you choose to locate your assets in a Roth IRA, you are inherently minimizing your taxes since qualified Roth distributions are tax-free in retirement.

Types of Portfolio Management

Active portfolio management

Active portfolio managers take a hands-on-approach when making investment decisions. They charge investors a percentage of the asset they manage for you. Their goal is to outperform an investment benchmark (or stock market index). However, investment returns are hurt by high portfolio management tees - clients pay 1% of their balance or more per year to cover advisory fees, which is why more affordable passive portfolio management services have become popular.

Passive Portfolio Management

Passive portfolio management involves choosing a group of investments that track a broad stock market index. The goal is to mirror the returns of the market (or a specific portion of it), over time.

Like traditional portfolio managers, a Robo-advisor - a service that uses a computer algorithm to choose and manage your investments for you - allows you to set your parameters (your goals, time horizon and risk tolerance). Robo-advisors typically charge a percentage of assets managed, but because there is little need for active hands-on investment management that cost is a fraction of a percent in management fees (generally between 0.25% and 0.50%).

Discretionary & Non-Discretionary Portfolio Management

Discretionary portfolio management refers to the process where portfolio management has the authority to make financial decisions. It makes those decisions for the invested funds on the basis of the investor's investment needs. Apart from that, he also does the entire documentary work and filings.

Non-discretionary portfolio management refers to the process where a portfolio manager acts just as an advisor for which investments are good and unprofitable. And the investor takes the decisions.

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 Exami-	SUBJECT (Registration form for Exam will be	Closing date for Registration
19 Aug, 2023	Management Accounting Strategy	30 April, 2023
26 Aug, 2023	Adv. Financial Accounting & Reporting	30 April, 2023
16 Dec, 2023	Internal Control, Risk Mangt & Corp. Gov	10 Sep, 2023
23 Dec, 2023	Adv. Corporate Finance	10 Sep, 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
22 July, 2023	Stage 1 (see subjects below)	10 April, 2023
23 Sep, 2023	Stage 2 (see subjects below)	10 July, 2023
23 Dec, 2023	Stage 3 (see subjects below)	10 Oct, 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) Stage 1 examination must be passed before registering for stage 2 examination. Stage 2 examination must be passed before registering for Stage 3.
5) Registration form will be sent to members upon request to our email: secretariat@certified-accountants.org.my
6) Study notes will be provided.

Contact Us

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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.