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THE ROUTE TO STARDOM
Singapore’s dream to be a centre of sporting excellence in Asia comes to fruition with the opening of the sports hub in June. Touted to have the world’s largest free-spanning dome and costing a whopping S$1.33bn, the hub will be an iconic addition to the country’s skyline.

Policymakers are hoping that the facility will serve two main goals: be profitable and raise the profile of the city-state as a destination. To achieve that, the venue needs to host international events that draw big-brand sponsors and the world’s top athletes to fill the 55,000-seat stadium. The cover feature on page 16 explores the opportunities that the sports hub offers businesses to build their brand in Asia through sponsorships and marketing deals. Asian banking giant OCBC has emerged as the biggest sponsor, stump up more than S$50 million for the naming rights to the indoor arena, aquatic centre and a number of club lounges.

While the potential is attractive and the appetite is there, the government is also mindful to avoid the fate of other sports stadiums that end up being white elephants. This means Singapore needs to build up its destination awareness and branding. To that end, it has shrewdly courted the Women’s Tennis Association (WTA) to set up an office at the hub. The global body in charge of professional women’s tennis said this is part of its commitment to develop the sport and the WTA Championships, which Singapore will host from 2014 until 2018.

WTA’s CEO Stacey Allaster said the Singapore office will facilitate plans to get more countries in the region involved in the competition. The hub is believed to be the world’s first and largest public-private-partnership sports infrastructure project. With the construction of this facility, Singapore is entering a new era in sports and showing itself as a serious player in the field.

Also in this issue, we speak to Chris Naisby, the finance director of iconic film and TV studio Pinewood Shepperton, which counts Skyfall among its credits (page 12).

Sumathi Bala, Singapore editor, abeditor@accaglobal.com
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News round-up

This month’s stories include Hong Kong corporate governance in the spotlight, anti-money-laundering specialists in demand in Singapore, and the increase in cybercrime.
efforts to implement structural and sound macroeconomic policies.’

AUDIT ADVANCES
US audit regulators say they are moving closer to a deal which would allow them to inspect the work of accountancy firms in China. Gaining access to audits of Chinese-registered firms ‘has been particularly challenging’, noted James Doty, chairman of the Public Company Accounting Oversight Board (PCAOB) in pre-Budget remarks to the Securities and Exchange Commission. Some ground was gained in 2013, when ‘we were able to reach an enforcement cooperation agreement with Chinese authorities’. ‘Based on recent discussions, I am also optimistic that we will be able, during 2014, to sign a long-sought agreement to inspect the audit work of PCAOB-registered firms based in China,’ Doty added.

FOCUS ON COMPLIANCE
Anti-money laundering specialists will be in demand in Singapore this year as the Monetary Authority of Singapore steps up regulations to curb money laundering and terrorism financing risks. According to Neil Owen, practice director at Robert Half Financial Services, employers are on the lookout for qualified investigators and auditors who can enhance AML/KYC (Anti-Money Laundering/Know Your Customer) programmes, part of a general increase in compliance roles. ‘The influx of new regulations has bulge bracket investment banks, retail banks, private banks and asset management firms thirsty for qualified compliance staffers,’ Owen said. Reporting is another boom area. He added: ‘Basel III and other new regulations have created a need for operations staff who can help with disclosures and capital reporting, like assessing a bank’s risk-weighted assets.’

CLIMATE COLLABORATION
China and the US, the world’s top emitters of greenhouse gases, have pledged to work together to reduce the effects of global climate change. In a joint statement issued during US Secretary of State John Kerry’s recent visit to Beijing, the countries agreed to collaborate through enhanced policy dialogue, including the sharing of information regarding their respective post-2020 plans to limit greenhouse gas emissions. The two sides ‘commit to devote significant effort and resources to secure concrete results’ by the Sixth US-China Strategic and Economic Dialogue later this year, the statement added.

KRESTON EXPANDS
Kreston International has admitted Chinese firm Jiangsu Gongqin CPAs to its global membership. The Wuxi-based firm is ranked within the top 10 in Jiangsu province and 87th in China. Its client base is drawn almost entirely from subsidiaries of overseas parents in the technology sector. Headed by managing partner Helen Jiang, the firm has 123 professional and support staff providing audit, tax and consulting services. Kreston CEO Jon Lisby said the firm would be an excellent addition to both the »

IN WHICH COUNTRIES ARE SOCIAL MEDIA NETWORKS THRIVING?
The degree to which social media is consumed – be it on computers or mobile devices – across the Asia Pacific region varies considerably from country to country, according to a recent report by We Are Social. The 2014 Asia-Pacific Digital Overview reveals that Taiwan leads the region with 64% penetration of social media among its entire population, followed by Brunei (63%) and Hong Kong (61%). While the world average figure for social media penetration is 26%, the lowest levels of consumption of social media across the Asia Pacific region are in North Korea at 0%, Myanmar at 2% and Bangladesh at 4%. According to the report, the longest average time spent on social media per day in the region (on all social channels) was four hours a day by users in the Philippines – despite only 32% of the country’s population engaging with social media – while China’s social media users were found to spend a more modest 1.5 hours logged into networks, and Japan just 48 minutes.
The Organisation for Economic Cooperation and Development (OECD’s) new global standard on tax evasion was formally handed down in February during a G20 finance ministers meeting in Sydney. The new standard, which will be in place by the end of 2015, on automatic exchange of information will ramp up international tax cooperation, putting governments back on a more even footing as they seek to protect the integrity of their tax systems and fight tax evasion.

More than 40 countries have already committed to measures which the European Commission calls ‘a big step’ forward. The finance ministers have also been working on standardising the rules governing where profits of multinationals should be taxed. ‘The political message is we are closing down all loopholes,’ said OECD tax director Pascal Saint-Amans.

A decision on the technology required, as well as details of how governments will swap tax data, is likely to be made at a G20 meeting in September, he added.
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LEADING ROLE

As FD of iconic film and TV studio Pinewood Shepperton, Chris Naisby has seen the business extend its global reach as well as make ambitious plans for its UK expansion.

Chris Naisby FCCA has been finance director of Pinewood Shepperton for only two years, but has already overseen, among other things, the refinancing of core debts, a delisting and relisting of the group, completion of the latest state-of-the-art and second biggest stage to date (known as ‘Q’ in the 16 largely alphabetic stages on the site), the opening of studios in the Dominican Republic and US, a joint agreement with Chinese company Seven Stars, and a move to finance British independent films. And, with plans to double the size of Pinewood UK, Naisby faces his biggest challenge yet.

‘It’s been a really busy time with so many developments both here and abroad, but fortunately I’ve been at Pinewood for 13 years, so already have a good relationship with the banks, business and board, and have had an active involvement in the progression of the changes,’ says Naisby.

Indeed, he is used to handling pressure. When Naisby first joined the UK’s leading film and TV studio in August 2001 as finance manager, Pinewood had just acquired Shepperton Studios, and he was immediately tasked with implementing group reporting, functions, processes and procedures for the joint entity. A few years later, Teddington Studios was also incorporated into the Pinewood Group, leaving Naisby and his team to keep financial control of dozens of stages and hundreds of staff spread over nearly one million sq ft of studio space across three sites.

Blockbusters in the background

Fortunately, he has managed to keep a level-headed approach throughout while climbing the ranks of the finance department, and avoided being distracted by the glitz and glamour of major Hollywood blockbusters, from Skyfall to The Bourne Ultimatum, filming outside his window. ‘This is a business like any other,’ he says. ‘We’ve got £130m of fixed assets under our control. We prepare an annual budget, monthly board reports, management accounts and report to the stakeholders. I have to look at the big movie stars and productions as products,’ he insists.

Naisby’s ACCA training has also proved invaluable when balancing the books, compiling reports, handling cashier, accounts payable, payroll and purchase/sales ledgers and maintaining financial competence on the job. It’s not all about the figures, though, and Naisby admits to being excited by the job and proud of where he works. ‘Pinewood is an iconic British brand like the Mini, Rolls-Royce, Burberry or Fred Perry,’ he says. ‘It is vital that we attract great film productions and make the right investments that add core value and appeal to the business and our identity.’

This is why recent financial developments have proved so important. Naisby personally pushed through Pinewood’s refinancing of its core debts with Lloyds and RBS banks, allowing it to borrow £50m until 2016, which will go some way to helping fund the key changes the group wants to implement. Likewise, the decision to delist from the London Stock Exchange’s official list and relist on AIM has brought further funds, alongside an important £5.4m placing of new ordinary shares. Both moves have seen a change in the structure of the stakeholders.

Equity shares

The Peel Group now has a controlling stake in Pinewood with 58%. Three senior figures from that property investment company sit on Pinewood’s board as non-executives and are involved in the discussions about Pinewood’s strategies but haven’t pushed through any changes themselves, Naisby says. The remaining key shareholders are Warren James Holdings with 26.69% and the Isle of Man Government with 9.90%.

BASICS

£36.6M
Pinewood revenue for the six-month period ended 30 September 2013.

£130M
Amount of fixed assets under Pinewood Group’s control.

1,500
Number of productions Pinewood has supported in its 77-year history.

100,000 SQ M
Size of the planned extension to Pinewood, to include 15 new studios and stages at a cost of £200m.
If your sole motivation for getting into this line of business is to mix with stars then that is not going to work. Be clear that finance is the area you want to work in and that you will have to work hard to achieve your aspirations.

Be prepared to go in at the bottom rung and display attributes of hard work and enthusiasm, and people will tap into that and support you.

Balance crunching numbers with the desire to engage in the film world around you. There are so many different, interesting areas of the business to get involved in and understand, from set design to visual effects work. All of them require financial management.

The reason for the latter’s involvement is that Pinewood took control of the Isle of Man Media Development Fund, worth £25m, to help support British independent films and TV programmes through Pinewood Pictures. Recent films to have benefited from the fund and the use of Pinewood’s Studios include *Dom Hemingway* and *The Christmas Candle*.

The studio also set up Pinewood Productions to further support four low-budget films (between £2m and £10m) a year that shoot at Pinewood’s UK studios, investing equity up to 20% per film. ‘We recognise the importance of supporting those starting out in the business, and, candidly, if one of them turns out to be the next Paul Greengrass [director of two of the *Bourne* blockbusters and *Captain Phillips*], we can say we helped them on their way,’ says Naisby.

Pinewood has also been spreading its reach globally, setting up studios in Toronto, Malaysia, Germany and the Dominican Republic; Pinewood UK’s sales and marketing team places production clients at these sites and earns a fee in return. Naisby’s team handles the international relationships with those sites, ensuring the financial information flows back properly and in a timely fashion.

The new-build in Atlanta, US, is slightly different. Pinewood owns 40% of the site and the US studio has its own finance team. It’s an impressive and ambitious location consisting of five sound stages on 288 acres in Fayetteville, Georgia. That makes it bigger than Pinewood UK and Shepperton combined (170 acres). In addition, Pinewood announced in February that it will be setting up a 180,000 sq ft studio in Cardiff, Wales.

Aside from new studios, Pinewood has also entered into a joint venture with Seven Stars Media in China, which will include coproduction opportunities for film and TV producers, creating film and TV diplomas in China, and developing financing and services for Chinese productions.

‘We are always looking to develop relationships with new territories, including potentially places like Australasia and Africa, as long as they add core value to the business,’ says Naisby.

Huge demand

All this growth and diversification comes at a time when Pinewood and Shepperton are enjoying huge demand from the US studios for their UK stage spaces; recent ambitious shoots include *Les Misérables*, *Gravity* (which won the lion’s share of the spoils at this year’s Oscars) and *Guardians of the Galaxy*. One of the major reasons for this influx of productions is the enticing film and TV tax credits. Films budgeted at £20m or more can claim a cash rebate of up to 20% of UK spend.

Naisby and his finance team work hard to ensure that potential productions are financially viable for Pinewood, and that Pinewood’s team of 200 creative, financial and technical workers on site are managed properly.

‘The art for us is working out the earnings potential of each film,’ explains Naisby. ‘We’ll need to factor in what type of production it is and whether they’re likely to be using ancillary services, such as the art department, production offices and dressing rooms. We target that for every pound spent on stages at least a further pound will be spent at...
Pinewood. It is our responsibility to ensure these things are calculated as diligently as possible on a rolling basis.’

He also has to handle teams in administration, sales and marketing, management and scheduling of the sites, as well as associated tradespeople. Productions typically come for six months, of which a month is pre-production work, with around four months of construction and followed by a month or less of shooting.

‘Effectively, we’re managing 34 miniature building sites,’ says Naisby. ‘This comes with huge health and safety issues. Plus, if a production has paid a considerable day rate and there’s a power failure at Pinewood, that’s a big deal. We need to be able to respond quickly.’

Driving out redundancy
Ultimately, the business is aiming for all Pinewood’s stages to be permanently busy, and for the studios to be able to accommodate further productions that they are currently turning away, simply because of lack of space. This is why the planned £200m extension work to Pinewood is so vital. The intention is to have 100,000 sq m of new facilities, including 15 studios and stages, directly across the road from the current site in Buckinghamshire. The planning application has been subject to an inquiry, and a decision on Pinewood is currently awaited from communities secretary Eric Pickles.

‘We obviously think the extension is vitally important because there is a capacity issue in this country, and we want to continue to attract as many productions as possible. It will also create around 3,100 jobs,’ says Naisby.

Working out the cost and financing of this expansion is top of his agenda. The split is likely to be a mix of equity, bank debt and infrastructure. But Naisby is quick to point out that it’s not going to be £200m upfront. It will be spread over the course of 15 years and areas of the site will be developed in phases, becoming cash-generative. ‘We have detailed models that we’re refining in terms of how the spend profiles will work, and therefore what the funding requirements will be.’

Pinewood is also looking to increase its ancillary services and revenue, building on its existing offer of wardrobe, dressing rooms, production offices, a retail store selling consumables to productions, and a wood mill facility for set construction. ‘We’d like to also offer prop and costume construction, expand our post-production offerings into more visual and special effects, and increase our digital production services,’ concludes Naisby, as he’s quickly escorted away to put all the plans into action.

Chris Evans, journalist

‘IT IS VITAL THAT WE ATTRACT GREAT FILM PRODUCTIONS AND MAKE THE RIGHT INVESTMENTS THAT ADD CORE VALUE AND APPEAL’
MARKETING DREAM

Singapore’s sports hub, which will open its doors in June, is a unique opportunity for companies to build their profile in Asia – and it promises to put the city-state centre stage.

The $1.3bn sports hub is a marketing dream, providing sponsorship deals within the stadium itself along with myriad events and tournaments it will likely host when it finally opens its doors after years of delays. At this early stage, it looks like Singapore itself as a destination and event host will be the biggest financial benefactor of the sports hub, which is expected to attract millions of visitors each year, on top of the 15 million who visit the city each year.

The sports hub’s two short-term goals are likely to include being profitable and to raise the profile of Singapore as a destination. John A Davis is dean and professor of marketing at the SP Jain School of Global Management in Singapore. He has just co-written a book (with Jessica Zutz Hilbert) on sports marketing, which should be required reading for companies considering investing in the sports hub. He says: ‘To be profitable the sports hub is going to need to host events all the time and will need some big names to attract the audiences. But Singapore doesn’t do anything without a plan and it will have devised a well thought-out strategy for the sports hub.’

The Singapore Tourism Board is expected to play a key role in marketing the sports hub as another reason to visit Singapore as a destination. Along with the integrated resorts, Formula 1 Grand Prix, Gardens by the Bay, Sentosa and Orchard Road, Singapore continues to attract tourists from around the region, and further afield.

For companies based here there is huge potential to increase their marketing spend in Asia, using sport as their platform. While the region accounts for 65% of the world’s population it only represents 5% of the world’s sponsorship budget. In his book, Sports Marketing: Creating Long Term Value, Davis writes: ‘As an industry, sport creates many of the most innovative products and services around the world. The influence of sports extends well beyond products and services. The language of sports is universal.’ The global sports industry has grown significantly and now has an estimated value of between US$480bn and $620bn, according to consultancy firm AT Kearney.

MasterCard has a strong association with sports sponsorship, particularly football. The firm sponsors the Champions League in Europe and the Brazilian national football team. With the sports hub ready for opening, MasterCard is keen to be involved. In Singapore, it already has the MasterCard Theatres at Marina Bay Sands, and has a corporate suite at the National Indoor Stadium. Andres Gonzales, vice president AP & MEA

‘SPORT CREATES MANY OF THE WORLD’S MOST INNOVATIVE PRODUCTS AND SERVICES... THE LANGUAGE OF SPORTS IS UNIVERSAL’
sponsorships for MasterCard, says: ‘We are looking for more opportunities in Asia. The appetite to invest is here.’

Indeed, financial firms have a long history of sports sponsorship. Think of the Barclays Premier League in the UK and AIG’s headline-grabbing sponsorship of the New Zealand All Blacks rugby team. In Singapore, it is a similar pattern. Standard Chartered sponsors the biggest running race in the city each year while DBS hosts a regional dragon-boat racing competition. And Asian banking giant OCBC has emerged as the biggest sponsor of the sports hub, stumpung up more than S$50m for the naming rights to the indoor arena, aquatic centre and a number of club lounges.

Getting sponsorship right
Giles Morgan, group head of sponsorship and events at HSBC, says: ‘A lot of companies are heading east as there is money to be made. But sponsorship has not been done as well in this part of the world compared to other countries like the US. Improvements needs to be made.’ He added: ‘We don’t sponsor for sponsorship’s sake. We look at the needs of the business and engaging our customers as well as our staff. There is huge potential in Asia for sports, fashion and arts events.’

Most industry observers would also admit Asia has a long way to go before its sports marketing rivals the sophistication of the US or Europe. But steps are gradually being taken in the right direction. To drive growth of the sports-marketing sector in the region, the Asian Sponsorship Association has been launched to help corporates tap market opportunities, including the sports hub. Jasper Donat, CEO of Branded, an Asian-based media and entertainment marketing agency, has been instrumental in forming the association. He says: ‘It’s like the halo effect. We want the big brands to come on board, which should attract more local and Asian companies.’

The sports hub could genuinely be described as a once-in-a-lifetime marketing opportunity. It will be the only stadium in the world that is custom-built to host football, rugby, cricket and athletic events in one venue. It will feature a drop-in pitch with specially cultivated hybrid grass grown in an adjoining nursery, along with the most sophisticated lighting and air cooling. The retractable roof, about 150 metres at its highest, will close when necessary – ensuring play is never interrupted.

One major boost for the sports hub before it even opened was the news that the Women’s Tennis Association (WTA) Championships would be held in Singapore from 2014.
The 35-hectare development site in Singapore’s Kallang district is truly unique as it will be a world-class sporting facility but open to the public. Daily community facilities will include hard courts for volleyball and basketball, a skate park and a climbing wall, along with running and cycling circuits.

The main features include:
* a new 55,000-capacity National Stadium with a retractable roof
* a 6,000-capacity indoor Aquatic Centre
* a 3,000-capacity multi-purpose arena
* 41,000 sq m of retail, restaurant and entertainment space
* a water sports centre
* the existing 12,000-capacity Singapore Indoor Stadium
* supporting leisure and commercial developments
* the world’s largest dome roof

The WTA, the global body in charge of professional women’s tennis, will also set up an office at the sports hub. The championships are held each October. WTA CEO Stacey Allaster has hinted at plans to ride on the back of the buzz from the Formula 1 Grand Prix, which takes place the previous month.

The Singapore Tourism Board (STB) sees the move as a major branding advantage. STB chief executive Lionel Yeo told The Business Times that the championships gave Singapore a longer timescale to build brand recognition and to reap returns on marketing investments. The beauty of the deal is that it will last for a minimum of five years, helping the event become a regular fixture on Singapore’s sporting calendar. ‘There’s no point having a one-shot deal, or many one-shot deals. It doesn’t help us to build up the destination awareness and branding,’ he said.

World Sport Group was contracted by the Singapore Sports Council to design, build, finance and operate the sports hub, believed to be the world’s first and largest public-private-partnership sports-infrastructure project. World Sport Group CEO Andrew Georgiou says the venue is keen to host Asian sports and build up a following regionally. He says: ‘Asian sports will talk better to an Asian audience. Asia has a breadth of opportunities and companies here know what sport can deliver for them. They see sport as the best way to connect with customers.’

While the region is enjoying a period of unprecedented economic growth, this means more people can afford to travel, take part in leisure and watch sports. Corporations are also aided by the fact that many Asian governments are investing heavily in various sports to rival their Western counterparts. The sports hub has tapped into Singapore’s wealth – it has the world’s highest percentage of millionaires per capita – by building 62 executive suites and 6,000 premium club seats around the stadium.

For technology firm SAP, being involved in sports is an excellent way for the German-based company to showcase its expertise in data analysis, which is becoming increasingly important in sports such as Formula 1, football and basketball. Last year, the WTA and SAP announced a partnership to develop technology to further engage fans and offer players the tools with which to analyse performance. Jeanette Tan, head of product and solution communications for SAP Asia Pacific, says: ‘For us, our main goal is to connect SAP and its analytics capabilities to the fan fascination with the statistics of sports and bringing our brand closer to our customers. It’s about humanising our brand. This effort can connect us with potential customers at all levels of business, and through fan use, propel us toward our goal of having one billion users use SAP software.’

And sport is a perfect way to do this. ■

Justin Harper, journalist

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What we can learn from Bitcoin

Whether this virtual currency is an online flash in the pan or becomes globally mainstream, it illustrates how technology has the power to shake up how we do business, says Errol Oh

It started out as something that perhaps only computer nerds could dream up and appreciate, but Bitcoin is now on the edges of the mainstream. There is fast-growing acceptance of the virtual currency, with authorities around the world examining its impact and wondering what to do about it.

It may keep moving centre-stage, or it may prove to be a short-lived online craze. Either way, we are bound to learn something by understanding the forces that have transported Bitcoin from the domain of maverick programmers and virtual communities to the bricks-and-mortar world.

Given their role in business and finance, accounting professionals cannot afford to ignore the rise of Bitcoin. After all, it is a form of money.

_Digital Darwinism_, an October 2013 report by the ACCA Accountancy Futures Academy, identifies payment systems as one area in which technology trends may reshape the business and accountancy landscape. The report urges accounting and finance professionals to keep abreast of such developments if they are to remain relevant as advisers.

Those in favour of Bitcoin believe it will become so big that it will shake up the financial sector, and this includes revolutionising the accounting profession. That is hard to imagine right now, but it is worth watching this space.

For the IT-challenged, it is difficult even to start to grasp the basics of Bitcoin, which was invented in 2009 by a person or persons using the pseudonym Satoshi Nakamoto.

A report published last December by the US Congressional Research Service, titled _Bitcoin: Questions, Answers, and Analysis of Legal Issues_, is a handy introduction. It explains that Bitcoin is open-source (its controlling code is open to public view), peer-to-peer (transactions do not require a third-party intermediary such as PayPal) and digital (being electronic with no physical manifestation).

‘The Bitcoin system is private, but with no traditional financial institutions involved in transactions. Unlike earlier digital currencies that had some central controlling person or entity, the Bitcoin network is completely decentralised, with all parts of transactions performed by the users of the system,’ the report adds.

‘With a Bitcoin transaction there is no third-party intermediary. The buyer and seller interact directly but their identities are encrypted and no personal information is transferred from one to the other. However, unlike a fully anonymous transaction... a full transaction record of every Bitcoin and every Bitcoin user’s encrypted identity is maintained on the public ledger.’

That seems light years away from the fiat money that we are accustomed to, but with increasing frequency, we see indications of people and businesses embracing Bitcoin. Among the big names that accept it for payment or are considering doing so are eBay, online retailer Overstock, online gaming company Zynga, blogging platform WordPress and Virgin Galactic, Richard Branson’s commercial space flight venture.

The world’s first Bitcoin automated teller machine was installed last October in Vancouver, allowing conversion of the virtual currency to Canadian dollar and vice versa. The US and the UK are next, and it was reported in February that Singapore would also install an ATM.

So far, government responses to Bitcoin range from a blanket ban to hands off. The central banks of Singapore and Malaysia have declared that Bitcoin is not legal tender and warned of its risks. There are indeed pitfalls with Bitcoin, such as price volatility and murky legal status. At the time of writing, MtGox, the world’s largest online Bitcoin exchange, has gone offline without warning.

Yet even if Bitcoin ends up falling as rapidly as it has risen, its story is yet another valuable lesson on the ability of the internet community to innovate and to disrupt.

Errol Oh is executive editor of _The Star_.
So long, audit?

With the Big Four enjoying record-breaking advisory and tax revenues, finance professionals would do well to consider specialising in those areas, reports Cesar Bacani

Every year, I peruse the annual reports of the Big Four accountancy firms – in alphabetical order, Deloitte, EY, KPMG and PwC – to check the health of the profession. The verdict: accounting as a profession is as robust as ever, and so, by extension, is a career as an accounting professional in business – with some caveats.

As a group, the Big Four firms increased revenues to a record US$113.7bn in 2013, up 3.2% from 2012. This is the third year running that all four firms set a new high, erasing the 7.2% fall in revenues in 2009, the height of the global financial crisis.

Deloitte emerged as the world’s biggest accountancy firm, with revenues of US$32.4bn in the fiscal year to 31 May 2013. That’s US$300m more than number-two PwC’s US$32.1bn for the year to 30 June 2013. This is only the second time that Deloitte has surpassed PwC for the top spot, after edging the firm out by a very narrow margin in 2010.

Both EY (US$25.8bn for the year to 30 June 2013) and KPMG (US$23.4bn for the year to 30 September 2013) set new records as well. But there’s not going to be a Big Five any time soon. BDO had revenues of only US$6.4bn in the year to 30 September 2013, although that, too, is a high watermark.

At first glance, Asia does not look like it did particularly well last year. Big Four revenues in the region totalled US$18.3bn. But that’s in US dollars. Deloitte’s Asia revenues actually increased 3.1%, in local-currency terms, but were down 0.2% when converted to the greenback at the average fiscal 2013 exchange rate.

The big fall in the value of the yen is certainly a factor – EY’s Japanese revenues increased nearly 1% in yen but decreased 9.5% in US dollars. The currencies of Asian emerging markets, from India to Indonesia, also depreciated sharply starting in May last year, when the US Federal Reserve said it was considering tapering its quantitative easing programme.

PwC also cited the ‘slowdown in economic growth across the region, and in China and India in particular’ as a reason for slowing revenues in Asia. This should not necessarily raise a red flag for accounting professionals. As PwC chairman Dennis M Nally says, GDP growth in Asia and other emerging markets may have slowed but the expansion is still faster than among those in the developed economies.

That’s the caveat. While revenues were robust overall, audit billings in 2013 were basically unchanged, growing only 0.2% from 2012. The fastest growing service line last year was advisory at 6.8%. Revenues from the tax service line rose 3.6%. EY saw revenues from advisory services leap 11.5% to US$7.9bn, followed by Deloitte at 6.5%, to US$13.2bn, PwC at 5.2%, to US$9.2bn and KPMG at 4.8% to US$8.2bn.

For the Big Four as a whole, audit is still the largest service line at 43% of total revenues, followed by advisory at 34% and tax at 23%. What this implies is that a generalist career in audit is still feasible. But the growth is really in the specialist areas of advisory and tax. It may be a good career move for those starting out in audit or already some years into it to explore a move to advisory or tax.

Last year, Deloitte acquired a majority share in strategy consulting firm Monitor Group. In the first quarter of this year, PwC expects to close a deal to merge with another consulting firm, Booz & Company. As the advisory service line is beefed up, more opportunities should open for finance professionals to move on to new challenges – and, if they want, to eventually leverage on their audit and advisory experience and become an accounting professional in business.

Cesar Bacani is editor-in-chief of CFO Innovation
Seize the day
Integrated reporting could be as big for the profession as IFRS, and that means CFOs must show leadership and take the initiative, says ACCA president Martin Turner

ACCA recently released the findings of a new research report Understanding investors: the changing corporate perspective, which looked at the future of financial reporting.

The study showed that CFOs and business leaders saw the benefits of integrated reporting but were hesitant about adopting it, with the majority taking a wait-and-see approach. It looks like they want to see who makes the first move – despite the fact that earlier research by ACCA showed that 93% of the investor community supported the concept.

Given this overwhelming support from the investor community it is critical that the integrated reporting emphasis changes. Integrated reporting is here to stay. There isn’t an option for businesses to decide not to do it because it might go away.

And, given that it is the future, if the CFO or FD does not take the lead then someone else in the organisation will. Many more CFOs and FDs must demonstrate leadership here. While 40% are taking steps to introduce integrated reporting in the next few years, most show no firm intention or clarity about the approach they will take.

Integrated reporting may be in its infancy but it could be the most significant issue to hit our profession since International Financial Reporting Standards. As with IFRS, the bottom line is about making it easier for investors and stakeholders to access the information they need about organisations they have an interest in and so make informed decisions more readily.

ACCA has already recognised the significance of integrated reporting. Our students will be the first in the accountancy profession to be examined on the subject when it is introduced into the ACCA Qualification from December 2014.

When we launched this initiative, we said: ‘This is an area where ACCA members can show their leadership for the future, at the heart of long-term value creation for their organisations.’

So that is the challenge and the obligation. We need to demonstrate leadership in this area, create long-term value and ditch the wait-and-see attitude which may cost organisations financially and reputationally in the future.

Martin Turner FCCA is a management consultant in the UK health sector

The Understanding investors report is at www.accaglobal.com/reporting
As a European business operating throughout Africa, we’re in constant dialogue with national governments, overseas donors and business partners. The potential of opportunities across the continent is tremendous, with so many countries seeking foreign investment to develop their cities, harness their natural resources, maximise their production capacity and drive their economies forward at a sustainable pace. Every government, banking regime and regulatory environment has specific needs requiring highly tailored approaches. Yet geopolitics and macro-economic factors mean events can develop without warning; conversely, projects might suddenly be put on hold. From a resourcing and financial planning perspective, adaptability, agility, risk mitigation strategies and contingency plans are essential, and that’s where my team comes in. Cost structures, input prices, fuel use, maintenance and operational issues all must be anticipated, right through to implementation, extraction, demolition and beyond. Each project presents its own unique combination of challenges.

Shrewd bosses should stress the importance of patience to emerging talent. My generation is operating in a business environment that’s moving much faster than 10 or even five years ago. And social networking, smartphone apps and mobile technology mean that today’s young professionals are constantly exposed to success stories and possibilities that, while providing inspiration and encouragement, can adversely impact on their readiness to sustain a particular role for a reasonable period before moving on. I tell them that purposeful ambition doesn’t require a hasty sprint to the finish line – and that rushing might mean missing out on key milestones or valuable experience. As managers and mentors, we obviously want to encourage and reward creativity and innovation. It’s a fine balance to strike with tomorrow’s business leaders.

Playing golf and tutoring in chess are how I relax and recharge. My work means I travel frequently around West and Central Africa, but I rigorously plan my free time. Golf and chess might not seem like much of a break for my brain cells – but it’s a totally different way of thinking. And anyway, my three-year-old twins always come up with good playing ideas that are more boisterous!

SNAPSHOT: MINING

The mining industry still adds significant value to economies across the globe in terms of GDP contribution, employment, tax and export revenues, with China the world’s leading producer of coal, gold and most rare earth minerals.

Working in the mining industry as an accounting professional can be challenging, particularly in this region where fragmentation means that many companies operate in the same area.

‘The Chinese mining industry is dominated by domestic players and most sectors are not open to foreign companies,’ says Benson Wong, PwC Hong Kong’s mining leader and assurance partner. ‘In addition to direct equity acquisitions, Chinese companies are also investing in mine development and construction, and supporting infrastructure.’

Regulation also features heavily. ‘The recently closed Glencore Xstrata merger was held up by Chinese regulatory approvals,’ says Wong. ‘Whether this is the exception or the rule has yet to be seen.’

29%

Raw Materials Group estimates that China represents 29% of global mining by value. By volume, in 2011, China produced almost 50% of the world’s coal.
Don’t get locked into overspend

A continuous programme of strategic cost management can help avoid the stress of taking remedial action following budgetary overspend, explains Stuart Roseman

For many organisations, the financial year has closed and the coming year’s budget is done. For some, the run-up to the year-end may have involved some scrambling around and a gathering of the troops with the news that expenses were forecast to be above budget or sales were not going to meet target, requiring immediate remedial action.

Remedial (or reactive) action most commonly involves making short-term cost-reduction decisions. How organisations go about this can have a dramatic impact on the following year as well as how they are perceived in the market – particularly where staff are concerned. These decisions will essentially have put a stop to certain activities. They are likely to be emotive and normally have a direct impact on people and how the business will go about its daily operations.

Stopping travel, initiating a hiring freeze, cancellation of temporary workforce contracts and cancelling staff training are usually high on the list. This is because there is an almost immediate impact and little lag time involved in getting the desired results – or at least there should be! Unfortunately, many organisations wait until their third-quarter results are released and by that time there is probably only one or two months left in the year that they can impact. Given that many organisations go through this process every year, it is surprising, however, that they still take a reactive approach.

With appropriate forward planning, companies can create a contingency plan that could be implemented (in full or part) at any point for any period. Essential to this is business buy-in and understanding the trigger points for implementation of specific elements. Better still, the organisation should embark on a continuous programme of strategic cost management, embedding the philosophy into everything it does on a daily basis.

While strategic cost management should ultimately lead to cost reduction, it is not necessarily going to be apparent in the short term. It also does not mean that the organisation has to ‘go without’, as in the short-term cost-reduction approach. Good cost management will highlight areas that will require further and deeper investigation and point towards other possible outcomes and options. It will also focus on all parts of the supply chain and take a more strategic view of the world. It involves partnering with internal and external stakeholders, and will lead to the development of multiple workstreams that cut across the supply chain – both from a process and systems perspective – with, more often than not, change at the helm.

Two common focus areas when starting to develop cost management programmes include (but are certainly not restricted to):

1 Expense policy and controls

For many people the mere mention of expense policies and controls will lead them to cringe, but the reality is that most organisations have these in place in some shape or form. The most frequently used is the travel and expense policy. This will determine who can take what class of flight with which airline, what hotels can be used, and what type of expenses can be claimed and how much. Some organisations tend to stop with this policy as it is where most employees will incur discretionary spend on behalf of the organisation. It is possible, however, to put a policy (or guideline) in place for most of the expense categories that appear in the general ledger. These are likely to centre around:

- who can engage a vendor (and possibly which vendor(s));
- what type of services can be engaged or products procured;
- financial limits for engagement (will likely vary depending on seniority);
- who can approve the transaction (will likely vary depending on seniority).

A few examples of where this can be applied effectively are:

**Market data** All requests would be centralised to ensure that people were only allocated what they actually need to perform their role, as well as utilising existing inventory before engaging in incremental agreements with the vendor.

**Technology** Similarly, staff would unlikely be allowed to go out and purchase a desktop computer from a local retailer. Processes would be put in place to ensure that the equipment came from a preferred supplier and would be set up with appropriate security for the agreed price, assuming that it did not come from inventory.

**Management consultants** Engagement of consulting firms would likely be restricted to very senior leaders, given the costs but also the risk of conflict of interest (eg, external auditor also engaging in other work).

Key to any set of policies or guidelines is clarity and availability. They should be written as simply as possible, thereby leaving little room for interpretation. They should also be easily accessible. Having them posted in an obscure and non-relevant area of the intranet, for example, is not going to promote compliance.

Training is also very important, particularly where there are groups of individuals who are monitoring or performing a stewardship role.

For smaller companies there may be
limited scope for putting such policies
and controls in place, given their scale,
but the discipline can still be put into
practice even if in a narrower context.

2 Vendors and the supply chain
When organisations start to take a look
at the vendors they engage with, more
often than not they are surprised by
not only the number but also the lack
of formal contracts.

Key points to consider that will not
only lead to improved cost position
but will also reduce risk include:
* creating a preferred vendor list
  (e.g., five recruiters for sourcing
  staff; one provider of desktops);
* making sure that contracts are in
  place covering (where applicable)
  * appropriate pricing/volume
    structure
  * payment terms (e.g., 30 days)
  * Early payment discounts (e.g., 5%
    < 15 days)
  * volume discounts (could be unit-
    cost reduction beyond certain
    volumes, or tiered pricing)
  * payment currency (look to
    minimise forex exposure);
* considering local, regional or global
  contracts depending on the scale of
  the company and vendor;
* ensuring that expense policies
  and guidelines are aligned with
  vendor strategy;
* having a forward process for
  contract renewals – before they
  expire!
* setting up processes and systems
to take advantage of early payment
and volume discounts. If it takes
45 days to approve an invoice then
they will never be realised;
* putting appropriate controls in place
to ensure that invoices are accurate
and are aligned with contracts.

While larger organisations are likely
to have more purchasing power than
small or medium ones, the discipline
around vendor management is still
critical and applicable. Smaller
organisations could, however, look to
pool their procurement spend with
other similar-sized organisations via a
consolidation vehicle or cooperative.

Much of the above may seem like
common sense, and it is, but it is
amazing how much gets missed as
organisations focus on other more
important activities.

There are other areas that will play a
key role in strategic cost management,
which are longer term and too wide for
this discussion:
* re-engineering
* centralisation or decentralisation
* off-shoring or near-shoring
* outsourcing or doing internally.

Any decision around these topics
is likely to be based on not only
the appetite of the organisation
but their maturity, scale and global
reach. There is likely to be an initial
investment in cost and time that will
drive future benefits in the future.

In summary, short-term cost-
reduction measures can work but
are not sustainable. They will end up
restricting growth and the ability to do
business effectively. Cost-management
programmes, if implemented correctly,
will deliver a deeper understanding of
the cost base and the processes that
surround it. They can also provide a
platform for change and the way that
an organisation embeds the philosophy
into its operations and culture.

Stuart Roseman is managing partner
of Roseman Partners, a boutique
firm in Hong Kong with a focus on
strategic cost management and vendor
process optimisation.
Businesses are being pulled in opposite directions over corporate tax. On the one hand, directors have a duty to act in the best interests of shareholders, which is traditionally interpreted as maximising returns to them and keeping down costs, including tax costs. On the other hand, society expects businesses to pay a ‘fair’ share of taxes, not least to help restore public finances in the wake of the global financial crisis. Governments around the world are looking harder at how much tax companies pay and whether that is in line with their profits.

Business leaders therefore have to balance the demands of commercial reality and corporate social responsibility. They need to build profitable, sustainable businesses while understanding that the social responsibility profile of large companies is increasingly identified with their attitude to tax. Overly aggressive approaches to the minimisation of tax liabilities are not well received.

Walking this tightrope is complicated by the complexities of accounting and tax concepts, and their interaction with modern business practices, particularly internet-based activity. Business transactions can often be interpreted in ways that result in very different tax outcomes. The difficulty businesses face in working out whether a particular position reflects the law is exacerbated by the way governments increasingly try to blur the boundaries of acceptable behaviour.

The tax environment is complicated yet further by the fact that businesses are increasingly global while tax authorities are national.

Corporate response
Boards need to view their tax obligations as part of the process of building a sustainable business. They should not pursue aggressive tax avoidance – artificial arrangements with no clear purpose other than to avoid tax by complicated schemes. Although companies have a commercial imperative to maximise profits, they also have a wider responsibility to be good corporate citizens. Some approaches to tax may be technically legal, but may not be widely viewed as ethical. Decisions on tax policies need to be taken in the broad strategic context of...
Companies, role, and the advice they provide therefore need to consider their behaviour. Tax advisers and quite possibly the prime movers in the minimisation of corporate tax, advisers must at least be complicit in the perception is often that professional misconduct.

Advisers’ role
As the public and press criticism of businesses’ tax-paying record has grown, so their tax advisers have also come under scrutiny. Public perception is often that professional misconduct.

advisers must at least be complicit in the minimisation of corporate tax, and quite possibly the prime movers behind such behaviour. Tax advisers therefore need to consider their role, and the advice they provide to companies, carefully.

Professional tax advisers have a duty to advise clients on the full range of options for maximising profits. This recognises the fact that businesses are under no obligation to pay tax beyond the requirements of the law. However, professionals also have a clear duty to advise their clients on the risks associated with any tax policy – including the risk of reputational damage due to perceptions of unethical behaviour. Not to do so could expose professional accountants and tax advisers to accusations of professional misconduct.

Tax advisers therefore need to apply their judgment and provide balanced advice. This should take account of the fact that tax is a cost to the business that needs to be managed alongside other factors affecting business success or failure. Tax liability will affect any business’s profitability and hence its ability to create sustainable value for shareholders. Professional input is essential to ensure that tax decisions form part of the overall strategic management of the organisation.

Moving policy forward
There is an urgent need for policymakers to update tax laws to reflect modern business activity. Today’s tax rules struggle to capture the substance of economic activity in the calculation of tax liabilities. Policymakers should consider whether corporation tax can be made to work at all in the new global and digital business environment – or whether other ways of taxing businesses need to be developed.

Policymakers in different countries need to coordinate their efforts to modernise the corporate tax system. The OECD’s Action Plan on Base Erosion and Profit Shifting, published in July 2013, looks at whether taxable profits can be allocated to locations other than those where the business activity takes place. The challenges raised by the digital economy are specifically being addressed. OECD members and G20 countries are participating in devising a workable tax system for global companies.

Whatever the outcome of this project, policymakers should aim to develop tax laws that are clear, simple and certain. Businesses need certainty to plan future business activity. Tax laws that require extensive judicial interpretation are unpopular with businesses and advisers alike. Taxpayers also have rights, which must be recognised and respected.

Above all, the tax laws need to reflect the ethical framework that society wishes to have in place. Without this starting point, generating fair corporate tax revenues and rebuilding public trust will remain unachievable goals.

Chas Roy-Chowdhury FCCA is head of tax at ACCA

Tom Duffy FCCA, partner, Affecton, and chair, ACCA Global Forum for Taxation

BUSINESS LEADERS NEED TO UNDERSTAND THAT THEIR SOCIAL RESPONSIBILITY PROFILE IS INCREASINGLY IDENTIFIED WITH THEIR ATTITUDE...

‘PART OF A WIDER DISCUSSION’

Tax is very often discussed in the abstract from wider company policies. It can also become a very complicated debate, based on technical discussions around interpretations of tax law.

And of course it can be emotive, based on perceptions of what is a fair contribution. But taxation of corporates should be seen as part of a wider discussion on the economic value companies bring. In this world, companies have a purpose and a mandate to provide goods and services for their customers, and by doing so create long-term value for society, their employees, themselves and their shareholders. But how they do this should reflect their remit to be good citizens and bring a wider value to society. Their approach to tax should be part of an overall strategy to enhance social and other capitals, taking into account the need to maximise financial capital.

This means we should see tax alongside other meaningful contributions to society – employment, intellectual capital, a good environmental record, fair prices, etc. Boards of directors should ensure their tax policies are consistent with the values and reputation the company wishes to embody. We also need to ensure professional standards and ethics in accountancy keep pace with developments in tax practices. Business also needs to partner with policymakers so tax laws help to sustain a business-friendly and competitive international economy while working for today’s global business models.

INCREASINGLY IDENTIFIED WITH THEIR ATTITUDE…

what is best for the business in terms of sustaining its long-term value – and this includes issues of public perception.

Greater transparency on how decisions on tax are made would also be useful. It could help defend corporate reputations from attack, while educating stakeholders, including the general public, in the complexities that surround corporate tax payments.

Companies could review the disclosures they make about their total tax contribution. Businesses face a range of levies and taxes, direct and indirect, as well as corporate taxes. They also act as unpaid tax collectors, withholding and paying over significant employment and consumption taxes on behalf of tax authorities. Such activities contribute to the public good but are not widely recognised.

As the public and press criticism of businesses’ tax-paying record has grown, so their tax advisers have also come under scrutiny. Public perception is often that professional misconduct.

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Chas Roy-Chowdhury FCCA is head of tax at ACCA
View from Singapore

Some five years since the global financial crisis the term ‘S-chip’ still sends a shiver down the spines of many Singapore investors. Could a direct listing framework restore confidence?

The term ‘S-chip’ refers to China companies listed in Singapore and has – fairly or unfairly – been associated in recent years with corporate governance and accounting scandals.

Thousands of investors have lost their savings in a handful of S-chips after the crisis brutally exposed their lack of internal controls. The cases have come as a shock for the city-state that prides itself on its rule of law and high levels of transparency.

As a result, sentiment has soured dramatically since the heyday of 2005 to 2007, when dozens of China companies listed amid proud claims that offer a proxy to the mainland’s amazing growth story.

An announcement last November of a ‘direct listing framework’ between Singapore and China regulators thus comes at a very curious juncture. The scheme is intended to smoothe the path for mainland companies that want to hold Singapore initial public offerings (IPOs), but the big question is whether companies and investors will bite.

It works like this: an interested China company will file its application to list with both the China Securities Regulatory Commission (CSRC) and the Singapore Exchange (SGX). Both sets of regulators must give the go-ahead for the listing to proceed.

The programme will make it more straightforward to get a Singapore IPO. Most China firms on the SGX had to take a very roundabout route of moving their assets into offshore holding vehicles – in places like Bermuda – before listing the holding company in Singapore.

‘The direct listings framework will enable companies from China to more efficiently tap the capital markets in Singapore and reach out to our global investor base, offering the latter more choices and access to the growing Chinese economy,’ said SGX chief executive Magnus Böcker in a statement.

Auditors, lawyers and bankers in Singapore are already hoping for more S-chip IPOs. At the very least, the hope is for a thaw in the China listings freeze – the last year where there were significant S-chip listings was 2010.

Unfortunately, there is good reason why market professionals should temper their enthusiasm and hopes.

The capital markets are a simple story of two main characters: investors who cough up their money (or their clients’ money), and companies, the issuers of stocks or bonds that need the money for growth. Regardless of the efforts of the market professionals – the stock exchange, regulators, lawyers, bankers, auditors – the show cannot go on without the enthusiastic participation of both investors and companies.

In this regard there has been a vicious cycle for the past few years.

Retail investors – and some institutional funds – have shunned around 140 S-chips on the SGX, pushing down share values. Fewer than 20 of the S-chips now trade above their book values, with the rest – more than 100 companies – below book value.

The FTSE ST China Index, a gauge of share prices of S-chips, has lost close to 80 per cent of its value since its peak in 2007.

With the low valuations, companies naturally prefer listings in mainland China, Hong Kong or the US, where they will be able to raise more money.

‘You can do whatever you want, but is there demand nowadays?’ said Peter Choo Chee Kong, a finance veteran who helped many companies list in the 2000s. ‘The market is very careful about Chinese companies because of the problems worldwide,’ he said in a November article in The Straits Times newspaper.

So what can be done? The first focus for companies and their bankers should be to court institutional investors, some of whom are reportedly enquiring more about China stocks. Retail investors are likely to follow the actions of large fund managers and could join in if they see institutional investors taking the lead.

The onus is also on the SGX to snag a blue-chip China listing to kickstart the moribund sector. The bourse operator’s listing team is doubtlessly working hard behind the scenes but many big-name listings are choosing other destinations.

Even a secondary listing of one of the large state-owned enterprises or online giants will go some way towards boosting investor interest. But until investor sentiment is restored, no manner of regulatory cooperation will thaw the freeze in S-chip listings.

The writer covers business and finance issues at a Singapore newspaper.
Identifying and managing risk is a crucial but perpetual concern for heads of treasury and CFOs in Australia. My team provides specialist expertise and solutions associated with financial instruments and derivatives. That encompasses everything from internal audit and risk management strategy to reporting and valuation. Our work is primarily compliance-focused, helping heads of treasury, CFOs and board executives to protect the bottom line by minimising their exposure to financial risk. They’re operating within fast-changing, complex regulatory frameworks and a demanding commercial environment; we help them keep pace.

Clients appreciate it when professional advisers say what no one else will say. After all, they’re paying for expertise. If there’s an elephant in the room, the adviser needs to be unafraid to bring it to their attention, especially as the consequences of not doing so might prove extremely costly for that client. So while firms need people who are technically and mathematically strong, the value of listening, analytical and communicating skills, and of an ability to command trust, can’t be overstated.

Globalisation calls for even greater levels of cross-border activity and knowledge-sharing within professional services firms. Deloitte’s national team in Australia already talks regularly with colleagues in international offices, especially those in our South-East Asia, China and US businesses, as well as the UK. Clients increasingly want solutions designed and delivered around their own international structures, often needing insights and experience of applying different combinations of regulatory and reporting regimes. It’s crucial for us to understand when to reach out to colleagues, so that we can pool expertise, talent and best practice to our clients’ advantage.

A flair for business development is increasingly important to succeed in professional services. Those in senior client-facing roles must consistently look at everything through the eyes of their clients, and stay vigilant for challenges those clients may not yet have anticipated themselves. Empathising, earning trust and delivering service excellence are just the start. If you acquire a deep understanding of their objectives, values and culture, as well as the various sector-specific, external and macro-economic factors that might impact on their business, then any ‘sale’ would typically represent the natural last stage of that process.

If you’re passionate about your work, the question of striving for a good work-life balance shouldn’t really come into question. You’ll be willing to put in the effort to achieve your career ambitions while still balancing it all out with whatever you enjoy doing away from the office to recharge. Our people work incredibly hard so, as an employer, we make a conscious effort to support and encourage them to find the work-life balance that’s right for them. For me, tennis, swimming and running are great ways to unwind. I don’t run competitively but I’ve completed a couple of marathons.

Identifying and managing risk is a crucial but perpetual concern for heads of treasury and CFOs in Australia.

SNAPSHOT: OUTSOURCING

Outsourcing and shared services has been a growth area for almost two decades. For finance professionals, it is a fast-moving environment characterised by regulatory pressures and increasing automation.

Industries with global footprints are more aggressive in their approaches because they need to support a growing international customer base. Examples are pharmaceuticals and life sciences, transportation and manufacturing.

‘[Outsourcing and shared services] is exciting in Asia Pacific because of the recent growth of that market,’ says Stan Lepeak, global research director at KPMG. ‘We have growth of regional organisations and Western and US companies getting in there and building up operations. You have regulatory issues but in general it’s more business friendly and less burdensome from a regulatory perspective. Firms can be a little more creative in what they’re doing.’

Shanghai, China reached number 11 on Tholons 2014 Top 100 Outsourcing Destinations, with Malaysian capital Kuala Lumpur at 18 and Singapore at 30. Bangalore in India took the top spot.
Building Kudos

ACCA members Michael Scott and Alun Morgan have created Kudos, an international network for accountancy firms that has one overriding focus: quality control.

Late last year a select but internationally minded gathering of small accountancy firms took place in Manchester, UK. It was the first conference for members of Kudos International, a network of firms set up as a private for-profit company by Michael Scott and Alun Morgan, two ACCA members with huge experience of advising practices on audit quality, compliance and practice management.

Kudos International officially went live on 1 October 2012. ‘This network is based on quality control,’ Scott says. ‘That’s the USP. You can only join if you are prepared to sign up to the quality control requirements. With a lot of associations you just pay a small annual fee and off you go.’ Firms wanting to join Kudos are assessed for their quality control standards before getting the green light for admission.

The idea for the network grew out of the work that Scott and Morgan do through PCP, a finalist in the ‘training provider’ category of the British Accountancy Awards 2013. ‘We set up PCP 13 years ago as a training company to provide compliance services to firms of accountants, particularly small and medium-sized firms,’ Scott says.

PCP’s clients include ACCA, with which Scott and Morgan have worked on numerous products and workshops. One of the more popular workshops, a practical guide for audit compliance for partners and managers, now runs in Cyprus, Malta, Botswana, Malawi, Trinidad, Barbados and the Bahamas, as well as in London and Manchester.

‘Some of the firms we met began asking us about setting up a network, particularly in Cyprus, where a lot of international work goes on,’ Scott says. ACCA’s international reach has played a key role in supporting the network, as has the spread of International Standards on Auditing, which make it possible for firms in different countries to work in the same way.

Since the network went live, Scott and Morgan have been working hard to attract members. They think they

▲ THEN THERE WERE TWO...

Kudos has emerged from Scott and Morgan’s training company PCP.
have now reached critical mass with 11 firms on board, and 25 to 30 members is a longer-term goal. The network now has three member firms in the UK, with the others in Cyprus, Indonesia, Ireland, Kazakhstan, Kuwait, Malaysia, Trinidad & Tobago and Turkey. All are run by between one and seven partners. Many are ACCA firms or have ACCA members. The Trinidad & Tobago firm, for example, the Aegis Group, is owned by Angela Lee Loy FCCA, the former Trinidad representative for ACCA’s International Assembly. ‘Because of our close links with ACCA and the work we have done with it, we have tended to focus on ACCA firms,’ Scott explains. ‘But you don’t have to be an ACCA firm to join Kudos.’

Both Scott and Morgan have strong ACCA ties, nevertheless. In the past Scott worked in ACCA’s practice monitoring department, conducting audit regulatory visits to practices in the UK and Ireland. Morgan is currently a member of ACCA’s Global Forum for Corporate Reporting.

Scott and Morgan’s backgrounds in audit compliance, monitoring and training position them well to help smaller firms. ‘The advantage we have over most other networks and training companies is that we know exactly what the regulators are after,’ Scott says. ‘All our training is practically driven. The workshops we run through PCP are all about providing practical assistance. We’ve taken that approach into Kudos. We provide support tools, audit programmes and quality control material. If firms meet the criteria set by Kudos, they shouldn’t have a problem meeting the requirements of their local regulators.’

Given Kudos International’s quality control USP, Scott and Morgan naturally wanted to gain membership of the International Federation of Accountants’ Forum of Firms. ‘The advantage we have over most other networks and training companies is that we know exactly what the regulators are after,’ Scott says. ‘All our training is practically driven. The workshops we run through PCP are all about providing practical assistance. We’ve taken that approach into Kudos. We provide support tools, audit programmes and quality control material. If firms meet the criteria set by Kudos, they shouldn’t have a problem meeting the requirements of their local regulators.’

Forum membership requires networks to agree to maintain quality standards in line with the International Standard on Quality Control (ISQC 1), aimed at firms performing audits and other assurance engagements. ‘The vast majority of associations can’t join the forum because they can’t demonstrate they fully apply the requirements of ISQC 1 across the entire network,’ Scott says. ‘Or they may have lawyers as members. So it’s quite an exclusive club.’ The majority of forum members are big-firm networks, so Kudos’s membership is a notable achievement. ‘Deliberate goal’

It was also a very deliberate goal. ‘We went to see IFAC before our network went live and managed to convince them we had the ability to provide all the quality-control services required,’ Scott says. The network also has to comply with such procedures as maintaining a central register of public interest audits performed by member firms. Kudos became a full member of the forum in October.

The emphasis on quality control and compliance with ISQC 1 is intended to give network members confidence if they need to refer work to another firm. ‘If everyone is using the same quality-control programme and procedures across the network, you can be sure that work will be performed to a certain standard,’ Scott says.

Kudos monitors members’ quality standards. ‘Every year firms have to submit individual audit files for review and every three years we visit them to do a full review and grade the practice on its compliance with ISQC 1,’ Scott says. ‘If they don’t meet our standards they will be told to leave,’ Morgan adds. ‘Not immediately – we will give them some assistance to help them meet our standards. But if they remain non-compliant, they will leave.’

While the ability to refer work with confidence is an obvious benefit of Kudos membership, there is a more subtle but no less powerful one. ‘For smaller firms, there is the possibility of a significant image enhancement,’ Morgan explains. ‘Before launching Kudos we talked to firms already in networks and associations. It became clear that while the primary driver for membership may have been to gain referrals, most have not received a significant number of referrals as a result. But they have seen a significant benefit in terms of their image and obtained new local work as a result.’

Launching the network has taken a lot of hard work, starting with that market research and the essential business plan, including a forecast P&L. Has all gone to plan? ‘Attracting firms has been a greater challenge than we anticipated,’ Morgan says. ‘It takes firms a long time to make decisions. With any new business – and we found this with PCP – you can plan over a period of months for the startup, but the reality can be vastly different from what you expect, no matter how much research, thinking and planning you do. The important thing is how you adapt.’

Sarah Perrin, journalist

FOR MORE INFORMATION:
kudosinternationalnetwork.com
OPENING UP TO ALL

The growth of massive open online courses looks set to revolutionise learning in Asia.
Asian institutions of higher learning are fast realising the vast potential of massive open online courses (MOOCs). Their widespread success in the US, especially with those offered by Ivy League institutions such as Stanford and Massachusetts Institute of Technology, has aroused the interest of leading regional universities. ‘MOOCs have created a buzz on campuses around the world, and triggered a rethinking of education missions, pedagogical models and the role of technology in education,’ says Professor Tan Eng Chye, deputy president (academic affairs) and provost, National University of Singapore (NUS).

In 2013 NUS became one of the first in Asia to partner with Coursera, one of the major US-based online education providers, and is offering three new courses this year. ‘The availability of rich academic content on the open online platform will accelerate knowledge sharing in higher education globally,’ says Tan. ‘Our partnership with Coursera will enable us to broaden access to specialised knowledge.’

MOOCs aim to provide large-scale interactive participation and open access via the internet. In addition to traditional course materials such as videos, readings and problem setting, MOOCs provide user forums that help build a community for students, professors and teaching assistants.

It’s not surprising that the model is gaining traction in the region, say observers, as more educators recognise that MOOCs have the potential to assist in their education mission locally, raise their global profile and enable membership of a seemingly elite group of institutions.

Top Chinese universities – not wanting to be left behind – are muscling in. In the past year, Hong Kong and mainland institutions have joined the expanding list of schools, with Tsinghua, Peking and Shanghai Jiao Tong universities among those to team up with the US education platforms. Last year a consortium of leading Chinese universities selected edX’s open-source platform to power China’s newest and largest online learning portal, XuetangX. ‘The intention of XuetangX is to increase Chinese students’ access to quality education using cutting-edge online technology, while transforming learning on Chinese campuses and enhancing inter-university collaboration,’ explains Anant Agarwal, edX president. ‘Our goal is to educate one billion students worldwide in the next 10 years. Not only does bringing edX’s open-source educational platform to China grow the number of edX students there, it allows us to collaborate with China’s educational institutions to bring world-class learning to our two million online learners worldwide.’

Meanwhile, Coursera has partnered with NetEase, a China-based internet company, to extend its courses in the region with the creation of Coursera Zone, a Chinese language web portal. The announcement signifies Coursera’s latest initiative to improve global access to education, particularly in non-English-speaking countries. The offerings include Chinese-language course synopses, student testimonials and discussion forums that cater to the specific needs and interests of Chinese students.

Both the Coursera and edX courses are free. Some courses have a fee for verified certificates as in the case of those provided by non-profit edX, but even those are free to audit. The courses are wide ranging, from topics on history and poetry to information technology and finance.

Local providers losing out?

Some educators, however, warn that MOOCs should not be introduced at the expense of existing local provision. Naubahar Sharif, who teaches science, technology and innovation at Hong Kong University of Science and Technology (HKUST) and has developed a MOOC on science, technology and society in China, believes that the local impact of a MOOC has to be demonstrated. ‘It is all very well helping students in far-flung corners of the earth acquire knowledge, but I am, after all, employed by HKUST,’ he says. ‘I should have a concomitant responsibility to directly help students enrolled in HKUST programmes of study. Once the MOOCs are modified for local use, then there is definitely greater possibility for the introduction of a blended model. In fact, based on my MOOC, I am developing a blended course for HKUST students.’

Last July a University of Pennsylvania survey of nearly 35,000 people enrolled on Coursera’s courses showed that students tended to be well educated, young, male and employed; indeed, in Brazil, Russia, India, China and South Africa, almost 80% of MOOC students came from the wealthiest 6% of the population. About half of respondents said that they had enrolled in a MOOC because of ‘curiosity’ or ‘for fun’, while 44% said that they had made the decision to sign up in order to ‘gain specific skills to do my job better’.

The benefits to studying this way are many: flexibility (students can learn at any time of the day); convenience (students can learn anywhere); and individualised learning pace (students can go fast or slow or even repeat material).

ACCA SIGNS MoU

ACCA has signed a memorandum of understanding with the UK’s first massive open online course (MOOC) provider, Future Learn. ACCA will sponsor the development of a MOOC, which will be delivered by the University of Exeter, one of FutureLearn’s partners. The course is intended to provide learners with an introduction to the world of business and finance, and will be launched later in the year. More details will follow in a future issue of Accounting and Business.
Sharif suggests that the issue of student retention is of less concern than is the quality of learning. ‘Because the learning is occurring predominantly in isolation, has the knowledge been acquired in the same way, qualitatively speaking, as it would have been by a student among a group, in a traditional classroom-setting?’ he asks.

While challenges do remain, these are unlikely to impede the pace of growth of MOOCs in Asia. ‘It is clear that technology-enhanced education is a trend that will continue to grow in terms of reach and impact,’ says Tan. ‘Online learning has a reach that goes beyond the physical constraints of classrooms and allows students to learn at their own pace. Nevertheless, it cannot replace face-to-face and experiential learning, particularly for complex concepts, but when coupled with classroom activities, we can expect more engaging face-to-face sessions that focus on higher order skills and deeper engagement.’

Perhaps more importantly, MOOCs could be a game changer in terms of how higher education is disseminated across the region. It may no longer be seen as the domain of the elite.

‘Up to now, quality education – and, in some cases, any higher education at all – has been the privilege of the few,’ says Agarwal. ‘We see MOOCs as the great democratiser. Our vision is towards a continuous education system – one that doesn’t stop after four years of college. Our vision for the future is to continue to work with universities, faculty and students to innovate and transform education, making it accessible on a global level to everyone, regardless of social status or income, and revolutionising on-campus learning, while improving quality.’

Sumathi Bala is Singapore editor, Accounting and Business
**ECONOMIC CRIME**

The threats from economic crime continue to evolve, says PwC in its 2014 Global Economic Crime Survey. Economic crime adapts to the trends that affect all organisations, particularly the increasing reliance on technology and technology-enabled processes, and the transfer of economic energy to emerging markets.

- **37%** More than one in three organisations report falling victim to economic crime.
- **53%** More than half of CEOs say they are concerned about bribery and corruption.
- **48%** Nearly half of respondents report that the risk of cybercrime has increased (the 2011 figure was 39%).

**THE CRIME HOTSPOTS**

Respondents reporting economic crime in their business have risen from 34% globally in 2011 to 37%. The figure in Africa has fallen from 2011’s 59% while western and eastern Europe has gone up by 5% and 9% respectively.

**THESE SECTORS HARDEST HIT**

Of the three standout industries for reported economic crime, financial services exhibits high levels of cybercrime and money laundering, while asset misappropriation is the crime of choice in retail/consumer and communication.

**THE SURVEY**

More than 5,000 respondents contributed from 95 countries around the world to PwC’s survey. The report, *Economic crime: A threat to business globally*, can be downloaded at [www.pwc.com/crimesurvey](http://www.pwc.com/crimesurvey).
Credit card skimming is now a global epidemic – and will remain so without the will and more secure technology to fight it, according to recent ACCA research from the US

Skimmer fraudsters recently claimed their most high-profile victim to date. In February, PayPal president David Marcus admitted that his credit card information had been skimmed – a process which involves installing a device inside card readers to capture credit and debit information. Having cloned his card, the thieves then went on a spending spree in London, the executive disclosed.

The scam has become a global epidemic, according to a report produced by New York’s Pace University and ACCA USA. ‘Criminals – often highly coordinated and operating globally – are using new methods to steal from customers at petrol gas pumps and ATMs,’ writes Dr Darren Hayes, computer information systems programme chair at Pace University and author of the ACCA-sponsored research.

The global cost of cybercrime more broadly has been climbing in recent years. According to the 2013 Norton Report, the total global cost hit US$113bn for the year, up from US$110bn in 2012. The average cost per victim rose even faster from US$197 in 2012 to US$298 last year. Fraud involving credit and debit cards account for a major component of this loss. In addition, a large-scale study of more than 5,000 shoppers across 17 countries by ACI Worldwide in 2012 found that 27% of payment card holders had experienced card fraud over the past five years.

Skimmer fraud has become an important part of such swindles. Devices within ATMs and other techniques have made cloned cards a big source of income for criminals. The average gain from such crimes was US$50,000 in 2011, a report by Aite Group estimated – up from US$30,000 the year before. A recent report in the Daily Mail estimated that British tourists were being cheated out of around £150m a year through card-cloning schemes in Europe. On the other side of the Atlantic, 13 men were charged in January with stealing more than US$2m from gasoline stations in the US by using Bluetooth-enabled skimmers.

While few nations are immune from such abuses, the prevalence of such crimes varies from country to country, the ACCA report illustrates. The US tops the list in terms of financial losses related to skimmer fraud in the first six months of 2011, the Aite Group concluded, followed by the Dominican Republic, Russia and Brazil.

There are several reasons that Americans are especially at risk. For a start they hold far more cards than any other region, around 1.2 billion debit, credit and prepaid cards in total. That is equivalent to almost five cards for each adult in the nation. The large number of ATMs in the country also increases the peril. There are 425,000 terminals in the US. What’s more, fewer than half of these are owned by financial institutions. About 290,000 are located away from bank premises in convenience stores and other commercial premises. This may make them more vulnerable.

America’s cards also possess skimpier safety features than their counterparts in most other parts of the world. The plastic in American wallets still employ magnetic strips rather than chip-and-PIN technology. This latter system is harder to crack since it combines a personal code with a micro-chip, from which it is tougher to extract information. Almost half of the world’s payment cards now employ this better-fortified technology and around three-quarters of terminals are able to accept such cards.

‘The US is pivotal for criminal gangs because
it has more ATMs than any other country and because it is not EMV [Europay, MasterCard and Visa]-compliant – so cards do not contain a global chip,’ the ACCA report explains. ‘Cards that are cloned by criminals are also used in other non-EMV countries, like Ghana, Costa Rica, Mexico and Malta.’

Deployment of EMV technology does appear to have reduced skimming in the UK and Canada. Canada, for example, managed to cut losses from card cloning from C$142m in 2009 to C$38.5m in 2012. ‘When the US adopts the use of chip-and-PIN payment cards then skimmer fraud will dramatically decline,’ the ACCA report concludes. ‘But criminal activity will manifest itself in different ways.’ One possibility is a rise in physical attacks on ATMs. This could include the use of trucks to physically rip out the ATM machine. In addition, criminals can also use devices that trap cards or the cash itself within the machine to be retrieved later. This can be even more financially costly than skimming. ‘A card-trapping device may yield €100 for the criminal but the damaged ATM may cost €2,000 to repair,’ the ACCA report says.

One other way of trying to thwart criminal activity is to place geographical restrictions on where cards can be used. ‘Some banks in Germany have instituted regional blocking, and losses from skimmer fraud have been further reduced by limiting the amount that a customer may withdraw at a foreign ATM,’ the ACCA report says. The Netherlands and Belgium have had some success with this kind of technique. The downside, however, is that such policies can be ‘very unpopular with bank customers’, the ACCA report admits.

More promising still, security experts have been exploring how new technologies can be used to make card fraud tougher, including the use of smartphones, near-field communication or biometric authentication. But the ACCA report concludes that beyond using chip-and-PIN, ‘there is no consensus on future technologies to prevent ATM skimmer fraud’. It is especially worrying that the card of PayPal’s boss was equipped with a chip-and-PIN – suggesting that no technology is entirely secure. As with other types of cybercrime, financial institutions and law enforcement officials are locked in an endless arms race with ever more sophisticated criminals.

Christopher Alkan, journalist based in New York

FOR MORE INFORMATION:

Skimming the Surface: How Skimmer Fraud Has Become a Global Epidemic is available at www.accaglobal/RI
WHERE ARE WE HEADING?

We all have a part to play in shaping the future, says futurist Magnus Lindkvist, and creativity is a surer bet than competitiveness in delivering progress.
We used to think the future would bring us flying cars. Instead, we got Gangnam Style. In other words, there’s a gap between expectations and reality and there are Gangnam Style-like events in every industry today. Things that could not be predicted a few years ago are suddenly topping management agendas.

At a recent conference for global tax lawyers in Madrid, the moderator stated that none of the topics discussed in 2013 was around a decade ago. The future often takes us by surprise and the issue is how to work and excel in an unpredictable environment. In a world without crystal orbs, the most important tool is mindset.

Infobesity makes us prisoners of the present. We are mired in dialogues about the here and now that blind our view of what lies ahead. It’s worth looking at how we could, perhaps should, think about the future to make better decisions and create a different tomorrow.

The long view
The British Archive of Criminology has data showing we are about to run out of murder in society. If that strikes you as preposterous, bear in mind that its statistics stretch as far back as the 1400s, when killing someone was a common way of settling disputes. Since then, the homicide rate has dropped by around 98%.

Why, then, are people gloomy when asked about the present? Because pessimism is a defence mechanism. Sensitivity to danger – real or perceived – has proven a more useful survival tool than optimism. But in this one-eyed view of the world, we can lose important, underlying stories about where the world is heading. So where exactly is the world heading?

Where the future comes from
The future sometimes comes from the side. The megacity of Shanghai, for example, is built using innovations tried in many other countries previously – skyscrapers, high-speed trains, capitalism. The current globalisation of accountancy standards is another example. This is horizontal change where the future comes at us from the side.

For the enterprising mind, horizontal change represents a great business opportunity as you simply have to R&D – rip off and duplicate – to implement a new idea in your local market. However, isolating the future to a horizontal remix between East and West can lead us into a zero-sum mindset where all we can do is divide up markets that already exist. Globalisation is often seen as a zero-sum game in which one side will get all the jobs, where cheaper accountants will outcompete their more expensive peers and all the resources will be gobbled up by the rich world.

Before the year 1850, this was what our world looked like: a cyclical, stagnant society where you could not make things, only take them by means of plunder, taxation or something similar. Progress – the idea that the future can become better – is a relatively new phenomenon. What began in 1850 was a transition to a society where change is the norm. Today we expect our children to live longer, possibly better, lives than us. We expect technology to bring us new things on a regular basis. We expect life as we know it to be different in the future. This is vertical change, where something previously impossible and unfathomable becomes a reality.

The fog of the future
Science fiction writer Arthur C Clarke once said that a sufficiently advanced technology should be indistinguishable from magic. Telepathy was considered magic 10 years ago; today, we call it Twitter. If we want to keep on living in a progressive world, vertical change is a lot more important to think about and create than mere horizontal reshufflings. In other words, technology and how it will change accountancy is a more important discussion to have than globalisation, rule harmonisation and compliance.

Yet technology disrupts and undermines, transforming the previously smooth, straight path to the future into a fog-ridden, treacherous and turbulent journey.

There’s a choice between two paths in life and business: to compete or to create. Competition is about beating rivals by being faster, cheaper or better; creation is about undermining the present solutions and challenging the status quo. A successful, competitive company tends to make money and win awards; a successful creative company tends to make enemies and critics. Yet if we want to keep on living in a progressive world – as opposed to a cyclical, Game of Thrones-like world – someone, perhaps you, will need to create.

How to create
Most management literature deals with competition; creation is a neglected area of study. To find some clues to what it takes to be a creative enterprise, I conducted a study while at Stockholm School of Entrepreneurship to look at how companies had survived great shifts historically. Not economic shifts – the boom-bust cycle is a part of everyday business – but more fundamental geopolitical shifts (the market opens up with the fall of the Berlin Wall), technological shifts (the rise of the internet) and
spreading infection, was angrily criticised by other doctors who argued that frequent breaks to wash hands would be wasteful in terms of time and money.

Similarly, we face numerous impractical insights in our world today that would generate friction and waste resources in the short run but create a better world in the long run: more female leaders, more immigration in ageing European and Asian economies, technology’s potential to simplify bureaucracy, the automation of accounting, etc.

We tend to deal with such ideas either by shrugging them off as impractical or hoping that someone else will solve the challenge at a later date. Faced with the choice of a comfortable life or one of conflict, most people choose the former.

It was once said that whereas historians give a voice to the dead, futurologists give a voice to the unborn. Think for a moment about what your grandchildren will ask one day. Where were you when we needed to change our profession? Where were you when there was a crisis of confidence and trust in the corporate world? What did you do about the lack of diversity in accountancy? How did you welcome new ways of working and use technology to change things for the better? Let us hope that many of us will be able to say we were there, on the barricades, when the future began in the 2010s – a time that will be known in the future as the Age of Change.

Magnus Lindkvist is a trendspotter, futurologist and author of *When the Future Begins: A Guide to Long-Term Thinking*

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**FUTURE IMPERFECT**

**Fallacy: the future will have meaning**
We tend to reduce the future to a moral fable where good or bad people will win. In reality, we often cannot judge what morals will be like in the future. The future isn’t binary.

**Fallacy: if only...**
We frame the future as a place where problem X is solved by solution Y or gadget Z and we will live happily ever after. In reality, it is just ‘one damned thing after another’, to paraphrase Arnold Toynbee.

**Fallacy: a one-dimensional future**
We view the future as about one thing – carbon dioxide, the EU – but in reality it will be as cluttered and contradictory as the present.

**Fallacy: everything changes**
Yet most of us still enjoy barbecuing meat and drinking beer when relaxing on the summer vacation. Just like they did in the 1500s...

existent shifts (the founder dies, leaving the company lost and confused).

What I found was those rare companies that survived and excelled in turbulent times – and fewer than 20% of them did – had three important features in their corporate culture.

Number one, they had a culture of experimentation and encouraged a trial-and-error approach. Such companies wasted sustainably; the failures (and there were plenty of them) were cheap.

Number two, they had a culture of failure recycling. The status quo does not like to lose its status, so new ideas often fail. Furniture in flat packs, for example, was invented in 1940 by Stockholm department store Nordiska Kompaniet. It was a flop – Swedes didn’t have cars – but it was recycled by IKEA a decade later and became a worldwide success. Recycling failures is about tweaking the execution of an idea that was good in theory but failed in practice.

Number three, and particularly challenging in turbulent times, was patience – challenging because markets tend to be impatient today. From quarterly capitalism to Silicon Valley mantras, speed is worshipped. Yet when it comes to shaping human behaviour and building new practices, patience is not only a virtue but a requirement.

**When will the future begin?**
We should not take progress for granted. New, disruptive ideas are frequently met with scepticism, even hostility. Dr Ignaz Semmelweis, the Vienna-based doctor who first proposed that doctors should wash their hands to avoid spreading infection, was angrily criticised by other doctors who argued that frequent breaks to wash hands would be wasteful in terms of time and money.

Similarly, we face numerous impractical insights in our world today that would generate friction and waste resources in the short run but create a better world in the long run: more female leaders, more immigration in ageing European and Asian economies, technology’s potential to simplify bureaucracy, the automation of accounting, etc. We tend to deal with such ideas either by shrugging them off as impractical or hoping that someone else will solve the challenge at a later date. Faced with the choice of a comfortable life or one of conflict, most people choose the former.

It was once said that whereas historians give a voice to the dead, futurologists give a voice to the unborn. Think for a moment about what your grandchildren will ask one day. Where were you when we needed to change our profession? Where were you when there was a crisis of confidence and trust in the corporate world? What did you do about the lack of diversity in accountancy? How did you welcome new ways of working and use technology to change things for the better? Let us hope that many of us will be able to say we were there, on the barricades, when the future began in the 2010s – a time that will be known in the future as the Age of Change.

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**FOR MORE INFORMATION:**

Magnus Lindkvist will be a guest speaker at the following ACCA Annual Conferences, at which he will share his insights into the megatrends of the future:

**Hong Kong:** Conrad Hong Kong, 10 May
www.accaglobal/ab70

**Singapore:** Raffles City Convention Centre, 12 May
www.accaglobal/ab71

**Malaysia:** Mandarin Oriental, Kuala Lumpur, 15 May
www.accaglobal/ab72
A good MBA fuels career success

‘The global MBA offers high quality tuition, great flexibility and global recognition. The real workplace case studies alongside the theory improved my knowledge and widened my exposure to business management. This MBA is perfect for motivated and self-disciplined finance professionals to further develop their understanding of business.’

Angie Dai
assistant PRC finance manager, ExxonMobil Investment
Career boost

Do you know what you want from life, asks Dr Rob Yeung, plus what really annoys the CFO, toxic performance appraisals, and a new leader in eye-wateringly expensive cities

TALENT DOCTOR: VISION

Go for a job interview and you may be asked the question ‘Where do you see yourself in five years’ time?’ Hopefully, you have an answer that will tell the interviewer how committed you are both to your work and the industry.

But let me now ask you ‘Where do you see yourself in 15 years’ time?’ When I put this question to a group of executives during a recent leadership development workshop that I was running, the finance director answered that he didn’t know. He simply couldn’t come up with an answer and argued that there really wasn’t much point in thinking that far ahead.

However, research based on something called ‘intentional change theory’ increasingly suggests that individuals with a long-term vision of how they would like their lives to turn out have a greater chance of achieving that vision. If life is like a journey, then it’s the equivalent of having a destination in mind when you set out.

Simpler than it sounds

The idea of a vision sounds terribly grand. But a vision is really only a picture or description of how we would like our lives to turn out.

In my work with senior executives, I use the term ‘balanced vision’ because studies indicate that leaders are most able to make sustainable change in their lives when they consider all aspects of their lives and not just their careers. That means thinking about their families and friends, their health and their broader interests too. For some, that may include a contribution to their communities – perhaps a sport or their spirituality or religion, for example.

How do you craft a vision? I have invited many executives to engage in what I say is a seemingly frivolous exercise – I ask them to dream about their perfect life. I say: ‘Imagine that it’s 20 years from now and your life has turned out perfectly. Everything has gone right and you’re feeling happy, satisfied and fulfilled. What are you doing? Who are you with? How do the people around you describe you?’

You need time to create a vision. It’s not something that you can work on when you’re feeling harassed and under pressure. It’s a time-out – an opportunity to reflect on how things are going and to be honest with yourself. What do you really want? Listen to that voice in your own head and not to the voices of colleagues, friends and loved ones. Don’t follow a prescribed career path simply because it’s expected of you or because it’s the most prestigious option.

Do you truly enjoy the path that you’re on? If not, why remain on it? You’ll never be able to compete with those who just love, love, love what they do. Better to find your own niche. Once you’re happy with where you are and what you’re doing, you can build up your skills, make plans to pursue the right kinds of opportunities and prioritise your efforts.

So what do you want from life? Once you know, you can take the steps to work towards it. And, who knows? You might just achieve it.

Dr Rob Yeung is a psychologist at leadership consulting firm Talentspace and author of more than 20 career and management books including How To Win: The Argument, the Pitch, the Job, the Race. He also appears frequently as a business commentator on BBC, CNBC and CNN news.

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@robyeung

ACCOUNTING AND BUSINESS
WOMEN AND DIVERSITY

In 1909, ACCA was the first accountancy body to allow women members. It was also the first with a woman president. Female membership currently stands at 45%, with 51% making up the student population.

International Women’s Day 2014 on 8 March, which ACCA supported, was a celebration of the progress made for women’s equality. But with UK business secretary Vince Cable backing a plan to force all-women shortlists for board-level posts in FTSE 100 companies, there is obviously still much to be done.

The last word goes to ACCA chief executive Helen Brand: ‘Our extensive work into diversity shows that real commitment to diversity widens the talent pool.’

RED RAGS TO THE CFO

A recent Robert Half survey of 2,100 US CFOs found 32% thought non-business-related web browsing and social media usage caused the greatest drain on man-hours; 27% said employees chatting by the water cooler or printer was worse, while 11% (19% at larger businesses) chose meetings.

Considering we’re working longer hours, it’s inevitable that personal issues will encroach more into work time. But – just a thought – why don’t we work less and socialise after work, in person, as opposed to being distracted by pseudo-social media during work hours?

ALL CHANGE AT THE TOP

Asia is stealing the lead in the world’s most expensive cities league. The top 10 cities in this year’s Economist Intelligence Unit Worldwide Cost of Living Survey – a relocation tool that uses New York as a benchmark for the cost of living in 400 cities – are dominated by Asia, Australasia and Europe, with Singapore first and Tokyo sixth. Sydney is fifth, behind traditional money sponges Paris, Oslo and Zurich.

Editor Jon Copestake puts it down to ‘the continued rise of Asian hubs and improving sentiment in structurally expensive European cities’.

So if you’re looking to migrate, Asia is still a good bet, but no longer the cheap option it used to be.

THE PERFECT: PERFORMANCE APPRAISAL

Is there such a thing? What good does it do an employee to hear good, bad or ‘constructive’ things from an employer? For that matter, what good does it do the employer? Recent research by psychologists at several US universities has found that negative feedback is taken badly by even the most motivated. Furthermore, in the context of an appraisal even positive feedback is often misconstrued or misread as criticism. Stanford University professor Bob Sutton says appraisals are ‘a bad practice that does more harm than good in all or nearly all cases’, leading to ‘destructive internal competition’. However, appraisals are commonplace in corporate culture and more often than not considered desirable by employees. They’re a way for people to feel connected to their company and respected by their boss, and that their careers are being taken seriously. But a good appraisal depends on so many aspects, not least an acceptance of their value and seriousness by both employee and employer.

THE BIG BREAK

FAIZA YASIN FCCA

Management consultant Faiza Yasin’s CV reads like that of somebody with a career twice as long as hers. She has managed to cram a lot into a short space of time. The knowledge, experience and skills she’s gained along the way are testament to her hard work and positive attitude. Now living in Canada, via the Cayman Islands, where she was a senior auditor with Deloitte, and her native Pakistan, Yasin continues to push her career forward in new and exciting directions. She is also one half of an over-achieving brother-sister team – twins and both ACCA.

Yasin’s top career tips:

What’s the worst thing a candidate could say in an interview? Criticise their former employer. Ask questions about the salary, benefits, vacations, bonuses, etc.

How do you secure work experience in a competitive market? Have a positive attitude, a good work ethic and network. If you needed a certain soft skill for a specific role, how would you acquire it? Learn from others, or by taking courses.
O&P means USP

In the first of two articles on organisation and people (O&P) strategy, Dr Tony Grundy looks at what it really means in practice.
latter should own the competitive strategy. It should also be closely tied to and targeted at superior economic performance and contain a ‘stretch’ element, and not just be performance maintenance. That makes it very much the proactive FD’s concern and interest.

Coming back to Tesco, O&P strategy, alongside brand strategy, led to the success of its growth strategy in the UK between 1997 and 2007. From around 1994 to 1995, Tesco cleared out its senior management, leaving in place upwardly thrusting, intelligent managers hungry for success, led by Terry Leahy, who became CEO in 1997, aged just 40.

I remember that period well. On one occasion I was working with Paul Mancey, then new head of Tesco Services (such as utilities and mobiles). On beginning one particular project in a new market, he said to me: ‘We want to be finished in a week. The goal is to do something that others would spend a few months on – in a week.’

This hunger, focus and drive paid off and such bursts of concentrated thought led to the business models of Tesco Non Food, Tesco Dotcom, Express and Tesco Personal Finance in incredibly short periods of time, as well as its brand and customer service strategy. Where there is not much real differential between the assets that an organisation can buy, then the most important aspect of competitive advantage is speed. This is derived from the O&P strategy.

An example of this was a workshop held in the mid-1990s when a group of young Tesco managers got together to sort out incomplete attempts at building a home shopping model. During the workshop we came up with the sub-brand of Tesco Direct. I saw that brand in store at Bar Hill, Cambridge, just weeks later. That was so impressive: is your own organisation capable of working so fast? Or is it just set up like the others? If so, then it should not be a big surprise if it is the passwords and the numerical passcodes. Now, I am an accountant and have an MBA, so you would have thought that getting it right would have been a doddle for me. Wrong.

It turned out to be quite tricky, though with the help of staff member Samuel Adetula, I finally completed the process. Not once did Adetula show tiredness, frustration or impatience: he smiled no matter what.

I did make a payment the next week and thought I had it cracked. Then another week later I tried at home and it wouldn’t work. So back I went to Bromley and Adetula – an unlucky day for him – got me again. But I never saw his face drop or his eyes roll; he just kept on smiling. Please, please, Metrobank, hang on to that service culture!

In a nutshell

Using the example of Metrobank – based purely on what is available from the public domain, from interactions with staff and from what can be deduced, this successful and fresh organisational model can be attributed to:

* recruitment of young, fresh, eager and intelligent staff with some job experience in non-banking
* a desire to establish a level of personal relationship in every customer interaction.
* an investment in ‘meeting and greeting’ customers, making them feel looked after – it costs money but is ultimately cheaper than losing customers
* effective manpower planning so that staff seen ‘in store’ now may be groomed for managerial positions later
* mindfulness of the longer-term competitive benefits of this strategy. At my previous bank, cost seemed its main interest. As one of its senior managers admitted to me: ‘If you want real flexibility then we can’t do that: we are just too big. If you want flexibility, you would definitely be better off with Metrobank.’

Therefore, O&P strategy can be defined as:

* building distinctive capabilities for the present and future
* delivering these to exactly the right places at the right times to support growth
* ensuring that the organisation develops and changes to deliver the competitive strategy and accomplishes this at speed, outpacing competitors
* behaving in such a novel way that customers feel they are being treated as if they truly mattered, rather than being a bit of a pain.

Dr Tony Grundy is an independent consultant and trainer, and lectures at Henley Business School

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For previous Tony Grundy articles on strategy and management theories, visit www.accaglobal.com/abcpd
Customer centricity

Seeing the business in terms of its customers rather than its products, and locking in their loyalty, can be an extremely effective way to grow the bottom line.

Finance professionals have an important role to play in aligning their organisations more closely with their customers. The concept, known as customer centricity, has become increasingly important.

One reason for its popularity is the success of pioneers in the area, such as supermarket chain Tesco. Tesco’s achievements in promoting customer centricity hinged on the development of its loyalty card. This gave a small discount to shoppers but brought huge value to the company in terms of the data it gathered on them. Departments across Tesco and external data analysts participated in harnessing this data to promote an acute focus on the customer. For example, the card generated detailed information about individuals’ buying habits. These were then linked to feedback channels.
through which Tesco could communicate directly with customers and build loyalty.

Peter Fader, author of *Customer Centricity* and professor of marketing at Wharton School, University of Pennsylvania, says the concept involves identifying your most valuable customers and orienting the entire organisation around their needs.

But it’s not just the attempt to follow in the trailblazers’ footsteps that is driving customer centricity. ‘The traditional product-centric model, where companies developed blockbuster products and rode that wave forever, has become tougher,’ says Fader.

He has identified seven ‘cracks’ that have appeared in the traditional product-centric approach and forced companies to consider shifting the focus away from products and towards customers.

**The seven cracks**

The seven factors are the following trends:

1. commoditisation
2. smarter, better informed customers
3. more demanding customers
4. retail saturation, where every product is available everywhere
5. the global mindset, in which companies want to market much more broadly
6. deregulation – some companies’ monopoly protection has disappeared
7. big data, and the unprecedented ‘granularity’ and precision of data available.

As Tesco’s strategy evolved, it used its data to segment customers and direct its marketing at them in more refined ways.

Fader says: ‘Too many companies think customer centricity is about surrounding the customer and being their friend. It is, but the point is to figure out the right customers to surround. When we find the right customers, we invest to create more value for them, make it easier to extract that value for us and to find more customers like them.’

Matt Keylock, global head of data at Dunnhumby, says customer centricity requires thinking in different ways about customers and profitability: ‘It is sometimes hard to understand who your best customers are. Many companies will do a loyalty segmentation, but they also need to understand customers’ interactions without necessarily overlaying their profitability framework.

‘For example, in the digital world you can understand one individual’s engagement and how they influence others. For example, I may not spend much with a certain brand, but I may strongly influence many other people. That makes me disproportionately important compared to my traditional financial metrics.’

He cites another example of a retailer that defined its best customers as those spending more than $1,000 a year. They decided the easiest way to grow that customer base was to sell them one item that cost over $1,000. ‘But that wasn’t their core business,’ says Keylock. ‘So they were selling one item to customers who never came back. That eroded the base of truly loyal customers.

‘We helped them understand that visit behaviour and breadth of category engagement were more important drivers of loyalty – deeply engaged customers shopped across the breadth of the store.’

There are many barriers to enhancing customer centricity. Fader says: ‘It starts at the tactical level – can we use the data, analytics and technology to send the right message to the right customer at the right time?

‘But that is not easy if a company does not have the right science or organisation behind it. They need to change the organisational design and corporate culture, and use the right performance metrics and incentive structures. They have to hire the right kind of people who are more interested in and able to do customer-centric rather than product-centric things.’

**Missing data**

He says another barrier in some industries is the absence of data for doing a proper customer lifetime value (CLV) calculation. Also there might be regulatory issues – in some industries, for example, you are not allowed to treat certain customers differently.

The target is constantly moving. According to a recent report by Accenture, today’s consumers are highly mobile, tech-savvy and have constantly rising expectations. Their once linear and predictable buying process is now dynamic and continuous. This demands that companies provide a seamless experience across all touch points. A range of measures must be taken to meet these consumer expectations and take best advantage of this new reality, says the report.

One example is setting up strong command and control capabilities that extend across the entire service delivery model. This can help ensure that an organisation’s resources, processes and technologies are fully coordinated to minimise service failures, optimise operating expenditures and deliver the right customer experiences.

Ed Shepherdson, senior vice president, customer success, at Ottawa-based Coveo Insight Solutions, says that cultural and regulatory issues mean many companies are so siloed they cannot address these new paradigms.

However, with the right backing from senior management, there are technologies that can help overcome those issues, he says. ‘The ability for multiple business lines to have contextually relevant content available to make informed decisions is at the core of customer centricity,’ he explains.

‘That requires sharing of information across multiple silos and organisations – the technological matrix needs to be connected.’

Shepherdson refers to a process called the !!!
‘Customer journey’, which is a framework aimed at ensuring that all those different customer touchpoints are joined up.

But technology is just an enabler. ‘The only way for an organisation to do this is to create a cultural awareness, from senior management down,’ he adds.

So how can finance professionals help enhance customer centricity? Dawn Easeman FCCA, group head of finance at insurance company Rock Services, agrees that customer centricity is about making the most of your customers by satisfying as many of their needs as possible rather than by making the most of your products.

She says: ‘A lot of time and effort is spent gaining new customers. You need to consider what more you can do for your current customer base. One bad experience can switch a customer’s loyalty across all products. Finance professionals need to gain an understanding of the operational sides of a business; they go hand in hand with the financials. The customer centricity model takes this further towards understanding how the information we produce as finance professionals is used and developed.’

Rachel Barton, managing director at Accenture Strategy, says: ‘Customer centricity means that every function orients around the customer, so finance also needs that mindset. To be customer-centric, you need flexibility. Accept that new technology adoption is faster than ever, consumer expectations are changing constantly, and new segments and demographics are entering the marketplace. Also, organisations have to adopt a shorter-term, test-and-learn approach. That requires shorter investment cycles and risks because some tests don’t work.’

‘Finance has a major role in measuring and analysing data. In collaboration with other functions such as sales and marketing, a balanced set of metrics should be set up to monitor and measure customer value without compromising financial performance. Finance dismisses that idea. I want everyone to see customers as tangible assets on the balance sheets. I want investors to demand customer-oriented numbers to judge how good a firm is.’

Barton agrees with Easeman that it is just as important to think about retaining customers as acquiring new ones. She points to the vast research now available showing that customer disloyalty is at an all-time high. ‘Think seriously about your acquisition and retention strategy,’ she says. ‘What is the value case for retention versus acquisition and are you balancing funding across those two? In the US, we estimated there is $1.3 trillion of revenue up for grabs across the whole US economy because of customer disloyalty.’

The board must discuss metrics that describe customer loyalty, satisfaction and the ability to turn the customer into a fan with the same level of importance as other financial indicators.’

Misleading
Keylock stresses that financial metrics on their own can be misleading. ‘As well as understanding the value of a customer base, the role of finance is to get into more sophisticated metrics about how it is doing with customers,’ he says. ‘For example, a business may have sacrificed customer engagement for short-term sales and find that the loyal customer base starts to erode. Customer metrics may show you this before the financials do.

‘Measure things like loyalty segmentation. Attribute sales across segments to understand whether you are growing or retaining your loyal customers and moving people up the loyalty ladder, or losing loyal customers. Segmenting customers according to their needs is also important in this.’

Finally Shepherdson says finance can have a significant role in identifying the cost of inefficiencies in the customer journey – for example, in a bank, the cost of the mortgage department not sharing information with the credit card function.

‘We see cost of sales, but I have never seen a measurement of the cost of marketing overlap to a customer from six different business units,’ he says. ‘Finance can calculate customer-oriented metrics in terms of the relationships between different business lines. The costs are significant and an organisation that catches on to this will do well.’

Tim Cooper, journalist
The purpose of the statement of profit or loss and other comprehensive income (OCI) is to show an entity’s financial performance in a way that is useful to a wide range of users so they may attempt to assess the future net cash inflows of an entity. The statement should be classified and aggregated in a manner that makes it understandable and comparable.

International Financial Reporting Standards (IFRS) currently require that the statement be presented as either one statement, being a combined statement of profit or loss and other comprehensive income, or two statements, being the statement of profit or loss and the statement of other comprehensive income. An entity has to show separately in OCI, those items which would be reclassified (recycled) to profit or loss and those items which would never be reclassified (recycled) to profit or loss. The related tax effects have to be allocated to these sections.

The lack of a consistent basis for determining how items should be presented has led to an inconsistent use of OCI in IFRS. It may be difficult to deal with OCI on a conceptual level since the International Accounting Standards Board (IASB) is finding it difficult to find a sound conceptual basis. However, there is urgent need for some guidance around this issue. Opinions vary, but there is a feeling that OCI has become a ‘dumping ground’ for anything controversial because of a lack of clear
definition of what should be included in the statement. Many users are thought to ignore OCI as the changes reported are not caused by the operating flows used for predictive purposes.

Financial performance is not defined in the Conceptual Framework, but could be viewed as reflecting the value the entity has generated in the period and this can be assessed from other elements of the financial statements and not just the statement of comprehensive income. Examples would be the statement of cashflows and disclosures relating to operating segments. The presentation in profit or loss and OCI should allow a user to depict financial performance, including the amount, timing and uncertainty of the entity’s future net cash inflows and how efficiently and effectively the entity’s management have discharged their duties regarding the resources of the entity.

There are several arguments for and against reclassification. If reclassification ceased, there would be no need to define profit or loss, or any other total or subtotal in profit or loss, and any presentation decisions can be left to specific IFRSs. It is argued that reclassification protects the integrity of profit or loss and provides users with relevant information about a transaction that occurred in the period. Additionally, it can improve comparability where IFRS permits similar items to be recognised in either profit or loss or OCI.

Those against reclassification argue that the recycled amounts add to the complexity of financial reporting, may lead to earnings management, and the reclassification adjustments may not meet the definitions of income or expense in the period as the change in the asset or liability may have occurred in a previous period.

The original logic for OCI was that it kept income-relevant items that possessed low reliability from contaminating the earnings number. Markets rely on profit or loss and it is widely used. The OCI figure is crucial because it can distort common valuation techniques used by investors, such as the price/earnings ratio. Thus, profit or loss needs to contain all information relevant to investors. Misuse of OCI would undermine the credibility of net income. The use of OCI as a temporary holding for cashflow hedging instruments and foreign currency translation is non-controversial.

However, other treatments such as the policy of IFRS 9 to allow value changes in equity investments to go through OCI, are not accepted universally. US GAAP will require value changes in all equity investments to go through profit or loss. Accounting for actuarial gains and losses on defined benefit schemes are presented through OCI and certain large US corporations have been hit hard with the losses incurred on these schemes. The presentation of these items in OCI would have made no difference to the ultimate settled liability, but if they had been presented in profit or loss the problem may have been dealt with earlier. An assumption that an unrealised loss has little effect on the business is an incorrect one.

The discussion paper on the Conceptual Framework considers three approaches to profit or loss and reclassification. The first approach prohibits reclassification. The other approaches, the narrow and broad approaches, require or permit reclassification. The narrow approach allows recognition in OCI for bridging items or mismatched remeasurements, while the broad approach has an additional category of ‘transitory measurements’ (for example, remeasurement of a defined benefit obligation), which would allow the IASB greater flexibility. The narrow approach allows recognition in OCI for bridging items or mismatched remeasurements, while the broad approach has an additional category of ‘transitory measurements’ (for example, remeasurement of a defined benefit obligation), which would allow the IASB greater flexibility. The narrow approach significantly restricts the types of items that would be eligible to be presented in
OCI and gives the IASB little discretion when developing or amending IFRSs.

A bridging item arises where the IASB determines that the statement of comprehensive income would communicate more relevant information about financial performance if profit or loss reflected a different measurement basis from that reflected in the statement of financial position. For example, if a debt instrument is measured at fair value in the statement of financial position, but is recognised in profit or loss using amortised cost, then amounts previously reported in OCI should be reclassified into profit or loss on impairment or disposal of the debt instrument.

The IASB argues that this is consistent with the amounts that would be recognised in profit or loss if the debt instrument were to be measured at amortised cost.

A mismatched remeasurement arises where an item of income or expense represents an economic phenomenon so incompletely that presenting that item in profit or loss would provide information that has little relevance in assessing the entity’s financial performance. An example of this is when a derivative is used to hedge a forecast transaction; changes in the fair value of the derivative may arise before the income or expense resulting from the forecast transaction. The argument is that before the results of the derivative and the hedged item can be matched together, any gains or losses resulting from the remeasurement of the derivative, to the extent that the hedge is effective and qualifies for hedge accounting, should be reported in OCI. Subsequently those gains or losses are reclassified into profit or loss when the forecast transaction affects profit or loss. This allows users to see the results of the hedging relationship.

The IASB’s preliminary view is that any requirement to present a profit or loss total or subtotal could also result in some items being reclassified. The commonly suggested attributes for differentiation between profit or loss and OCI (realised/unrealised, frequency of occurrence, operating/non-operating, measurement certainty/uncertainty, realisation in the short/long-term or outside management control) are difficult to distil into a set of principles.

Therefore, the IASB is suggesting two broad principles, namely:

1. Profit or loss provides the primary source of information about the return an entity has made on its economic resources in a period.
2. To support profit or loss, OCI should only be used if it makes profit or loss more relevant.

The IASB feels that changes in cost-based measures and gains or losses resulting from initial recognition should not be presented in OCI and that the results of transactions, consumption and impairments of assets and fulfilment of liabilities should be recognised in profit or loss in the period in which they occur. As a performance measure, profit or loss is more used, although there are a number of other performance measures derived from the statement of profit or loss and OCI.

Graham Holt is director of professional studies at the accounting, finance and economics department at Manchester Metropolitan University Business School

FOR MORE INFORMATION:
Speech by Hans Hoogervorst: ‘Defining Profit or Loss and OCI... can it be done?’: http://tinyurl.com/orl28bf

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Technical update
A monthly round-up of the latest developments in financial reporting, audit, taxation and legislation from the International Accounting Standards Board and the OECD

REPORTING

IFRS 14
The International Accounting Standards Board (IASB) has issued IFRS 14, Regulatory Deferral Accounts, as an interim standard while it considers how the issues will be resolved over a longer term. IASB states that the ‘standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities’.

It highlights that ‘many countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities’. Utility companies are typical examples of where this occurs.

IFRS 14 allows first-time adopters to ‘continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS’. It is important to note that the standard can only be applied by first-time adopters of IFRS and that they must elect to do so in their first IFRS financial statements. If they do not, an ‘entity will not be eligible to apply the standard in subsequent periods’.

You can find more, including a project summary and feedback, at http://tinyurl.com/ifrs14-def

IFRS 3 CONSULTATION
The International Accounting Standards Board has issued a request for information on IFRS 3, Business Combinations. It is seeking feedback on ‘whether the standard provides information that is useful to users of financial statements, whether there are areas of the standard that represent implementation challenges and whether unexpected costs have arisen when preparing, auditing or enforcing the requirements of the standard’.

The request for information is open until 30 May 2014: visit www.ifrs.org

Glenn Collins, head of technical advisory, ACCA UK

OECD

SINGLE STANDARD
The Organisation for Economic Cooperation and Development (OECD) has released a new single global standard for the automatic exchange of information between tax authorities. It sets out the financial account information that should be exchanged; financial institutions that need to make reports; the different types of accounts and taxpayers covered; and common due diligence procedures to be followed by financial institutions.

See http://tinyurl.com/oecd-standard

Keith Nuthall, journalist

ERODED TRUST
The legacy of the financial crisis is low growth, high unemployment, growing inequality and a devastating problem with trust over financial reporting and business ethics, OECD secretary general Angel Gurría has said.

‘Speaking on a Brussels panel about the international cooperation to tackle tax evasion, he said: ‘Trust that we have been growing for many years has been broken between people and their ministers, presidents, companies, banking systems [and] international organisations.’

Méabh McMahon, journalist based in Brussels
THINGS WORK BETTER WHEN THEY ARE COMPLETE

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The global body for professional accountants
This year’s Budget once again puts the emphasis on transformation, but this time the impact is intended to be just as much social as economic. While the Government has introduced more measures designed to spur business productivity and innovation, this is also a Budget that uplifts ordinary Singaporeans, with a commendable focus on funding increased social spending.

With many Singaporean companies just starting a transformation to productivity-driven and innovation-led growth, it’s encouraging to see support measures such as the Productivity and Innovation Credit scheme (PIC) enhanced and extended for three years until 2018.

Of course, incentives such as the PIC are not a silver bullet to drive behaviour, but it is important that they are made available in the longer term to allow them to gain traction, and support the still nascent efforts of Singapore businesses to become more productive and innovative.

In a further bid to boost productivity, the Government has also introduced the PIC+ scheme. Aimed at helping small and medium-sized enterprises (SMEs) with substantial investments for revamping their businesses, this is another welcome indication that this Budget is looking to up the ante when it comes to incentives for quality growth, both in terms of innovation and deeper capabilities.

Meanwhile, the extension of the research and development (R&D) tax incentive for a further 10 years to 2025 shows that the Government has responded to calls by businesses for longer-term support of their innovation efforts. The extended timeframe will give businesses a significant boost in building up their capabilities and improve their existing products and services. It is also a sign that the Government appreciates it takes time to realise the benefits of investing in innovation.

Towards a fairer society

Increased social spending has been a feature of the past few Budgets as the Government attempts to address a growing income gap.

This year is no exception, with enhanced subsidies for school-going children, increased Central Provident Fund contributions for workers and a generous S$8 billion Pioneer Generation Package of healthcare benefits designed to honour the first generation of Singaporeans who built the city state.

There’s a close link here to the Government’s productivity-focused economic strategy, with the increases in social spending intended to drive home the message that even the elderly, the ill and low-income groups will not be left behind.

As always, any new spending initiatives bring questions about how they will be funded. While the Government has traditionally used mainly tax revenue to fund such spending, operating
Consider tapping other non-sustainable and perhaps keep social spending more innovative ways to should, as a principle, explore argue that the Government also has political costs that corporate tax rates to fund social spending.

Meanwhile, raising individual taxes and GST also has political costs that the Government has to weigh carefully. Some may argue that the Government should, as a principle, explore more innovative ways to tackle social issues so as to keep social spending more sustainable and perhaps consider tapping other non-tax revenue sources to fund its social programmes.

Geared to growth
A tough message is contained for some businesses in the raft of measures showing the Government’s intention to press on with policy changes to position Singapore-based companies for growth based on skills, productivity and innovation.

This evolution may have a significant impact on some SMEs – with companies ultimately being forced to downsize, change industries or even close, all in the name of revitalising the SME scene.

The message to businesses is simple: they have no choice but to restructure to adjust to the realities of the new economic environment.

Supporting innovation
At the same time, the extension and enhancement of the PIC scheme raises some interesting questions about just how beneficial it has proved to be as a measure to drive innovation.

Recent KPMG research showed that the Government’s push to improve productivity has been relatively effective among Singapore businesses. However, the results have been weaker in the area of innovation-led growth statistics as the take-up of the PIC has shown that fewer than 3% of PIC claims involved R&D activities.

It may be relevant to consider whether one reason for this low take-up is the uncertain interpretation of R&D under the PIC and R&D tax incentive scheme. The question of what type of innovation is intended to be incentivised under the scheme and how it ought to be defined is important.

First of all, there should be a clearer understanding of what constitutes innovation. It is important that both the tax authority and taxpayers are aligned.

Due to the non-alignment, there is confusion over what is perceived as the policy intent of encouraging pervasive innovation in Singapore, especially for SMEs and the services sector, and the way the tax incentive for innovation is administered. We are entering the next phase of quality business growth and it is appropriate that we have more clarity in what constitutes innovation for tax purposes.

Ultimately, if businesses cannot see that there is clear and industry-focused application of the scheme that is consistent with the policy intent, the incentive will fall short of its objectives.

This article is contributed by Tay Hong Beng, head of tax and Harvey Koenig, tax partner at KPMG in Singapore. The views expressed are their own.
RECRUITMENT MARKET

We recently started working more closely with Approved Employers (AEs) to help them recruit ACCA members by providing discounted recruitment services and AE branding. The programme recognises employers’ high standards of training and development. ACCA Careers is now a key benefit for those approved. But why would members want to work for AEs? It’s simple: CPD is pre-approved; staff training is of a high standard and you know the employer understands the qualities of the ACCA Qualification and its members. Take a look on ACCA Careers to see who’s recruiting ACCA members now.

Neil Johnson
Editor, ACCA Careers

WHAT ARE 360-DEGREE REVIEWS?

Financial services organisations are increasingly using new ways to appraise staff – one of the newest approaches is a 360-degree review (or appraisal). It involves seeking feedback on your performance from a host of individuals. Factors taken into consideration include not just skills and competencies but also self-motivation, attitude, and cooperation with others. The idea is to take a more holistic overview so that the opinions of all those whom your work touches are included. The 360-degree approach is also often used as part of succession planning.

Who’s Who

Think about who the ‘stakeholders’ in your performance are. Your manager and their superiors are obvious candidates – as well as your peers. What’s surprising to many is that the views of more junior staff, including those who report to you, will also be considered – as well as the views of colleagues in non-finance departments that you liaise with, or who work with the figures or reports that you produce. Some organisations even talk to external parties, such as clients or suppliers.

Everyone Wins

Don’t worry – the 360-degree review isn’t an open invitation for everyone you have ever upset in the office to exact their revenge. Those who are asked to participate (and if they are your colleagues, they will probably also be subject to the same type of review) should be briefed on how to provide objective and dispassionate feedback. Similarly, a good 360-degree system should incorporate procedures for appropriate and sensitive follow-up and subsequent training. Everyone should win.

ACCA CAREERS POSTGRADUATE

Visit ACCA Careers’ new Post-Graduate portal. Why? Because ‘the prestigious degree is your key for a career switch, a top management position and 100% salary increase on average,’ according to the FT in 2013.

MEMBERS IN BUSINESS

REGISTRATION SPLIT

WHAT RECRUITERS WANT

ACCA CAREERS 2014

PSYCHOMETRIC TESTING: HOW WOULD YOU FARE?

Psychometric tests are designed to measure aspects of your mental ability or your personality and are increasingly used as part of the recruitment or selection process. Visit accacareers.com to find out more.

TESTIMONIAL

“Aims I came across AIMS on the ACCA website and attended an introductory meeting which was very informative and that led me set up my own practice using their model. The initial training given to all accountants is an important tool and helped me to enhance the technical knowledge and an overall development. I can proudly say that I am an entrepreneur, who is in full control of my career and quality of life. Thanks to AIMS. It just works!”
ACCOUNTS OFFICER
Reporting to the Accounts Executive, this individual will be responsible for the processing of invoices and vouchers ensuring prompt payments of outstanding invoices and timely recording of receipts and documentations necessary is in place. Process invoices, including matching invoices to purchase orders, seek approval on invoices, and code and enter invoices into the accounting system.
SINGAPORE | REF: RQAM004

ASSISTANT PROJECT CONTROLLER
The position will be based in the Corporate Office of United Technologies, Singapore and will report to the Asia Pacific Tax team. The candidate will be required to work closely with our business units in Singapore and their counterparts in the U.S. or the region as well as other corporate functions such as Finance, Legal and Human Resources.
SINGAPORE | REF: UTC02

PROJECT CONTROLLER
The position is based in the Corporate Office of United Technologies, Singapore and will report to the Asia Pacific Tax team. It will support the office of the President – UTC Aerospace Singapore. The candidate will be required to work closely with our business units in Singapore and the US. Responsibilities include being the lead coordinator for execution of UTC’s 20-year Roadmap for growth in Singapore.
SINGAPORE | REF: UTC01

ASSISTANT ACCOUNTANT
Reporting to the Assistant Director of Finance, the main responsibilities are to: oversee Income Audit and Account Receivable sections. Ensure proper internal controls and that all policies are adhered to. Ensure all daily, weekly and monthly reports are accurate and reporting deadlines are met. Perform other related ad-hoc duties as assigned.
SINGAPORE | REF: HYATTO02

ACCOUNTANT
Responsibilities include timely preparation of monthly management accounts of RQAM, including preparing and filing of GST returns and income tax computations. Preparation of statutory accounts, cash flow forecasts, annual budget and regular forecasts. Compliance with operating procedures and strengthening internal controls within the organization.
SINGAPORE | REF: RQAM0003

SENIOR FINANCE SPECIALIST
Assist in the process of accounting, local/group financial reporting, statutory reporting, regulatory reporting, taxation. Ensure proper organisation of local chart of accounts, accounting and financial reporting policies and practices. Assist in the key financial processes which include establishing, reviewing and implementing systems that provide financial information in a timely and accurate manner.
SINGAPORE | REF: AXA SG_002

MANAGER FINANCIAL REPORTING
Responsible for the process of accounting, local and regional financial reporting, statutory reporting, regulatory reporting and taxation. Responsible for key financial, management and performance processes which include establishing, reviewing and implementing systems that provide financial information in a timely and accurate manner.
SINGAPORE | REF: AXA SG_001

FINANCE MANAGER/SENIOR ACCOUNTANT
SINGAPORE | REF: HRM3 - ES01
Thailand puts tax faith in clusters

In moving away from easy incentives for foreign investment, Thailand is instead targeting businesses that add value and can spring the country from the middle-income trap.

As the country looks to move away from low-cost, low-value, environmentally damaging manufacturing industries and towards those that might foster a sustainable, knowledge-based economy, Thailand’s Board of Investment (BOI) has drawn up a new investment promotion policy that will come into effect in January 2015.

Under the old system of promotions, implemented in 1993, Thailand was divided into three geographical zones. Those provinces furthest from Bangkok received the biggest tax and non-tax incentives: corporate income tax (CIT) exemption of up to eight years plus another five years at 50%.

The new plan looks to shift the focus of investment promotion to 10 target industries, including infrastructure and logistics, medical and scientific equipment, renewable energy and environmental services, hospitality and wellness, and the country’s growing automotive industry.

Within these industries, about 100 activities will be eligible for a CIT exemption of three to eight years. Roughly 32 activities deemed the most important, such as green energy and R&D, will receive maximum benefits, with the rest getting fewer tax breaks.

Another 30 activities will be given import duty exemption on machinery and raw materials as well as other non-tax incentives. Also, incentives will be given to new regional industry clusters in areas such as food processing, fashion, entertainment and aerospace. Depending on the industry and activity, companies will be eligible for a maximum CIT exemption of eight years, according to the BOI.

It is a dramatic overhaul of Thailand’s investment policy, but reaction from investors has been relatively muted, say tax and legal experts. Yupa Wichitkraisorn, tax market segment leader at EY Thailand, says most of her firm’s clients are certainly interested in the changes, but ‘not concerned’ for the time being.

Ulrich Eder, managing director of Bangkok-based law firm Pugnatorius, views the new policies with scepticism. ‘Any modification of a well-proofed and tested system has to be justified,’ he says. ‘To argue that the new rules are more beneficial than the old ones would be an uphill battle. The number of promoted activities is significantly reduced. The destiny of the so-called Exit Group is still unclear.’

He also warns investors ‘not to trust too much in grandfathering rules’ that protected earlier tax breaks.

While the outline of the policy and its timeframe are clear, there is no guarantee it will unfold on schedule, especially in the current political climate in Thailand, which remains charged, with a controversial bill granting former (and exiled) populist prime minister Thaksin Shinawatra amnesty over past corruption charges causing outrage. As long as the list of favoured industries remains a draft, there is a degree of uncertainty for investors.

Eder warns that the uncertainty combined with a geographic imbalance may cause serious difficulties: ‘The new guidelines will abolish all three investment zones and, as a result, remote areas will face more intensive competition with Bangkok itself. That an unbalanced situation will be compensated for by industry clusters might turn out to be just wishful thinking. The worst case would be that the zones are gone and the clusters are still on the drawing boards in the ministries: a possible nightmare for any investment decision.’

Uncertainty

Despite this lack of clarity, for potential investors or companies operating in Thailand, the BOI website is a useful resource with a comprehensive selection of policy papers, announcements and presentations. The BOI has offices throughout Thailand and in China, Japan, South Korea, Australia, Sweden, France, Germany and the US.

Experts warn that investors should allow for delays in the new incentive
scheme. ‘The process of obtaining benefits based on the new rules is likely to be more time-consuming until the BOI officers reviewing the applications become more familiar with the measurable factors that determine type and extent of benefit,’ says Rujivanarom.

**Change of focus**

While there will undoubtedly be glitches in rolling out a major new investment policy, it seems clear that Thailand must try to attract investors less by the cost of labour and easy incentives (possibly including the new tax regime) and more by its attractiveness as a place to live and work, its strategic location, and its particular industry clusters.

‘Companies that are quite vocal about the policy changes may be manufacturers for whom zero tax is the main reason for investing in Thailand and they will probably already be exploring other countries for lower/zero tax investments,’ says Wichitkraisorn.

‘Responsible and further-sighted companies aren’t too bothered about zero tax incentives. Of course they would like help setting up and want to pay as little tax as possible, but they have other priorities when choosing a base for their operations. These are the type of companies that Thailand will be targeting.’

Over the second half of the 20th century, Thailand transitioned from a rural economy to an export-oriented, industrialised one using a formula found in many other developing countries – a young, cheap labour force and incentives for foreign investors.

Like other developing countries from Brazil to South Africa, however, Thailand has found it difficult to take the next step into the high-income bracket (defined by the World Bank as having an annual gross national income of at least US$12,616 per capita; Thailand’s 2012 figure was US$5,210). The country has been in the middle-income trap for more than 20 years, battered by the 1997 economic collapse, recent global recession and political upheaval at home. With any edge it had in cheap labour lost long ago to neighbours such as Myanmar, Cambodia and Vietnam, Thailand must now plot a sustainable and buoyant economic course. Only time will tell if the country’s new investment policy tax incentive scheme will be any help.

Thomas Maresca, journalist based in Bangkok

**FOR MORE INFORMATION:**

 Thailand Board of Investment: www.boi.go.th
Forward thinker

Continuous learning, as well as furthering his accountancy knowledge, has enabled Ricoh Hong Kong’s Gary Ng to propel himself – and the business – forward.

For Gary Ng, general manager of Ricoh Hong Kong’s technical services division, an open approach to developing new skills has been the secret of his success. Indeed, he has recently undergone training in accounting, building on strengths he has gathered over a long career.

Among Hong Kong’s leading suppliers of office automation products and services, Ricoh Hong Kong is a subsidiary of multinational office supplies giant, Ricoh. It counts copy machines, printers and multifunctional document systems among its array of industry-leading office products.

Increasingly, its provision of managed document services, document solutions and IT services has been on the rise.

Ng – who manages more than 450 people or a half of the company’s workforce – has been quick to put his newly acquired accounting knowledge, gleaned through achieving the ACCA Qualification in 2012, to good managerial use.

‘Accounting knowledge allows one to look at the composition of costs more clearly, and the training helps to convert business activities into sets of meaningful numbers,’ he says, adding that it is important for a manager to make business decisions based on proper interpretation of the numbers if a business unit wants to sustain growth.

Ng obtained a BSc in computer science at The Chinese University of Hong Kong in 1994 and went on to work in the media industry for four years in mainland China before returning to Hong Kong to work at NRG Document Solutions, at the time a subsidiary of the UK-headquartered Inchcape Group.

‘Being responsible for the business development of the company, which was newly established, I helped to build a business model from scratch,’ says Ng, recalling having to spend time visiting service providers in the US and Europe as he worked to develop new IT services for the company’s customers.

‘I took the experience of developing new business as a foundation, which has in turn given me confidence to perform in subsequent managerial positions.’

Following the restructuring of Inchcape Group, NRG Document Solutions, along with another division, was absorbed by Ricoh in 2000. Ricoh Hong Kong was then established.

The emphasis of the Japanese company on talent development has offered Ng the opportunities to earn two more degrees: an MBA in financial services at The Hong Kong Polytechnic University in 2004 and a Master’s in accountancy at his alma mater, The Chinese University of Hong Kong, in 2011. He then found himself among ACCA Hong Kong’s Top Affiliates for 2012 – a recognition given to the top 20 candidates attaining the highest aggregate marks in the ACCA Professional Level examinations.

‘Revenue is not just about productivity,’ he says. ‘You also have to take into consideration, for example, the inventory levels, which can make or break a company.’ This is a point he has reinforced with students, encouraging them to think deeply about real-world business cases. He is happy to share his experience and knowledge with others, and is a part-time lecturer on the Service Operations Management programme at Hang Seng Management College, a self-financing higher-education institution.

Making the best of the financial information received from around the company, Ng is able to weigh up the financial impact of a policy before it is implemented. As illustrated by his own experience, the greatest threats that come at the most difficult times can represent some of the biggest opportunities for brave and visionary leaders.

Threat and opportunity

The financial crisis in 2008 was a challenge for management across most sectors in the commercial world. While many might have found the pressure to reduce cost amid lacklustre sales projections hard to bear, some were given added responsibilities and

‘ACCOUNTING KNOWLEDGE ALLOWS ONE TO LOOK AT COSTS MORE CLEARLY AND TO CONVERT BUSINESS ACTIVITIES INTO MEANINGFUL NUMBERS’
Ng. ‘The existing workforce at the time was projected to be subject to a certain level of redundancy.

‘One of my first responsibilities was to maintain the productivity of the technical support team while offering training to those “squeezed-out” individuals through re-engineering of the business units so that they could be assigned new roles.’

The process was never easy, the 41 year-old father-of-two admits, but he can look back with satisfaction at the fact that there were no large-scale job cuts.

The technical services division generates on average HK$400m annually for the company. In addition to the revenues derived from the typical and routine services, such as the regular ‘meter rate’ charged to a customer for the use of a copy machine, Ng started to identify additional income sources in 2010, at a time when the threat of the financial crisis had become less severe.

‘I looked at the business operation of the division, and realised that there was potential to bring in extra income to the company,’ Ng says. ‘I thought: why don’t we train the technical support colleagues in such a way that they can promote the company’s many network support contracts to their customers each time they offer regular technical support services?’

There are regularly about 250 technical support staff offering services to customers across the territory. On average, each individual visits six companies every day. This translates into 1,500 interaction opportunities on a daily basis to keep customers mindful of the company’s network support contracts. This move represents huge marketing potential, according to Ng.

‘In addition to more business generated from the network support contracts, customers are more aware of the range of products and services we offer,’ Ng says. And the strategy has paid off: ‘Over time, customers have started to try some extra products and services from us: a new server, a security system, and so on.’

Communication key

The new initiative was first met with scepticism. After all, technically minded individuals were not entirely convinced that they should perform an added sales-driven activity. ‘The key was communication and to earn the respect of the team members,’ Ng says.

This message was reinforced with Ng offering a frank appraisal of the future of the industry. ‘Hand to heart, I explained to them that the demand for technical support professionals is set to reduce in the future as many new office automation products involve modules that can easily be replaced, leaving many maintenance procedures obsolete,’ he says.

‘The team started to understand that it is to their advantage that they learn new skill sets so that they become more competitive.’

In addition to training his team, Ng recently initiated a new line of service – document scanning, storage and management – aimed at professional service bodies, including the accountancy and legal sectors.

‘The thought to start this new business unit first came to mind when I was doing the ACCA programmes,’ Ng says. ‘I talked to my classmates and realised there was potentially huge demand for such a service.’

The business, which has involved the recruitment of 40 new members of staff and the lease of 4,000sq ft premises, represents another real-world exercise for the forward-thinking manager to put his accounting knowledge to use.

And, for Ng, there are plenty more opportunities to come. Having held various management positions since his first job in 1994, he plans to apply his general management skills in different business functions whenever there is an opportunity.

After two decades of creating opportunities for himself, as well as for those he works with, and recognised as an important leader in his company, Ng continues to look ahead.

Gary Tsang, journalist
Promoting quality, meeting needs

The evolution of ACCA’s examination structure reflects changes in the professional, vocational and educational landscape, says Alistair Gilbert.

Since ACCA exams were first formalised in 1918, the TV, personal computer, mobile phone and internet have all appeared on the global landscape. As these have evolved, the same could be said of the ACCA Qualification, which has changed throughout the years in order to stay relevant, up to date and compliant with standards. ‘It is essential to ensure the ACCA Qualification reflects what the market needs in terms of creating newly qualified finance professionals,’ explains Catherine Edwards, ACCA’s director of qualifications. ‘ACCA has always assessed the Qualification, updating it where necessary to stay relevant, and will continue to do so.’

One of the more significant structural changes occurred in 1998 when ACCA launched computer-based exams (CBEs). Currently, seven papers within the Foundation-level exams and the Knowledge module (F1-F3) exams of the ACCA qualification are available as CBEs. In 2013 alone, 112,315 exams were taken by this format, and ACCA is working to transition more of its exams to CBE to better reflect how finance professionals work today.

Greater flexibility
On-demand CBE assessments allow for greater flexibility in exam delivery and the format in which questions are delivered is more in line with the candidates’ experience of tasks undertaken at work, using IT and other applications. The F4 (Corporate and Business Law) examination will undergo significant changes from December 2014, including the introduction of new question formats for all variants, while the Global and English variants will be added to those available through CBE assessment.

Additionally, the Fundamental Skills exams (F5-F9) will see format changes made this year. These exams now incorporate multiple-choice questions (MCQs), allowing ACCA to assess the full breadth of the syllabus in every exam. The more traditional longer, written, question types will continue to examine the key objectives of the subject.

A belief among some ACCA members is that the increase in membership numbers must mean that exams have become easier, and that the introduction of more CBE assessment will only enhance this belief.

However, the evidence dispels both these myths. The ACCA Qualification is placed on a number of education frameworks at Masters Level, assuring the standards. In reality, membership is increasing because more students are turning to ACCA as the qualification of choice. Furthermore, analysis shows that pass rates do not vary significantly between CBE and paper-based equivalents.

‘I think the concern most people have regarding CBEs is that they think they are only using MCQs; however, this is not the case for ACCA,’ says Edwards. ‘We are not planning to remove longer questions from the Skills exams, even though our analysis shows that MCQ format does not actually make the exams easier.’

As expected, ACCA has an established approach to exam development which will ensure maintained levels of rigour across the qualification. A key part of this is the pre-testing of the new exam format. This process involves subject matter experts, including ACCA members, refining and calibrating questions to ensure the new exam formats remain fit-for-purpose and equivalent to the exams that are known and respected globally today.

The message is clear. The ACCA exams may evolve over time, but the same quality-assured qualification remains constant.

Alistair Gilbert is marketing promotions executive at ACCA.

FOR MORE INFORMATION:
ACCA Qualification Student Journey: www.accaglobal/ab69

ACCOUNTING AND BUSINESS
Optimism overcomes lack of funding

The latest Global Economic Conditions Survey reveals that while business investment fell in Singapore at the end of 2013, signs of optimism are on the horizon.

Leong Soo Yee, head of ACCA Singapore, said: ‘In Q4, respondents in Singapore reported better access to growth capital, a broadly consistent trend over the last two years; they also saw a modest improvement in demand and cashflow conditions. Yet despite these positive developments, business opportunities did not increase enough to break the last 12 months’ negative trend. As a result, business investment fell in Q4.’

For the first time, more than half of the Singapore sample (51%, up from 34%) were optimistic about the state of the economy, while the pessimists made up 46%, down from 55%.

Manos Schizas (pictured), senior economic analyst at ACCA, said: ‘Faith in the economy is pointing in the right direction in Singapore, but the businesses our members are working in, while showing more confidence in their future prospects, are not seeing that translated into investment.’

At the global level, finance professionals in Q4 had more faith in the strength of the wider economic recovery than at any time over the past five years. Download the GECS at www.accaglobal/ab68.
A Budget for the future

While Budget 2014 reflects the government's ambitions for quality growth and a equitable society, Singapore must work to dispose of its deficit, says Shanker Iyer

Budget 2014 was set against a background of a surplus of almost S$4bn, a rise of over 60% from the surplus in the previous year. Singapore's economy, too, grew by 4.1% in 2013 compared with 1.9% in 2012. The labour market remains close to full employment, job vacancies significantly exceed unemployed workers, and the wages of the median Singaporean worker increased by about 5% in real terms in 2013.

Against this background, Minister for Finance Tharman Shanmugaratnam delivered his Budget speech, noting that Singapore would go for quality growth and would build a fair and equitable society. He made it clear that Singapore businesses must adapt to the permanent reality of a tight labour market and transform every sector of the economy to achieve higher productivity and skills.

I am heartened that the Productivity and Innovation Credit (PIC) Scheme has been extended until Year of Assessment (YA) 2018. To further assist larger SMEs, the minister introduced the new PIC+ scheme which will provide an increased PIC cap from S$400,000 to S$600,000 for each of the six categories from YA 2015 to 2018. The clear purpose is to reward businesses that are striving to spend to improve their productivity.

The minister also stated that the government will support every form of upgrading by firms and will strengthen support for early adopters of new technologies and for SMEs who are going beyond the norm in their upgrading efforts. Meanwhile, the new ICT for Productivity and Growth programme will carry subsidies of between 50% and 80% of the costs SMEs incur on qualifying ICT solutions from 2014 to 2016. To encourage high-speed connectivity for SMEs, business can obtain subsidies on the recurring cost of fibre subscription plans. It is imperative that businesses have their technology radars consistently switched on in this connected world to leverage the technology trends that have the potential to significantly reshape the business landscape. Measures were also announced to enhance funding schemes to help catalyse growth enterprises and support SMEs in their expansion abroad.

There were no changes to Singapore's tax rates and the other changes in the Budget revolved around extending a number of the current schemes, which were due to expire in 2014. Budget 2014 saw the introduction of the Pioneer Generation Package for an estimated 450,000 citizens, who were at least 16 years old in 1965 and became citizens before 1987, at a cost of S$8bn. This will be used to offset medical costs in a number of areas.

The minister also noted the need to enhance the retirement and healthcare adequacy for all Singaporeans. In order to fund this, CPF employer contributions will be increased by 1 percentage point from 1 January 2015, with the increase channelled to the employee's MediSave account. To offset increased costs, the government introduced a temporary employment credit.

With the significantly increased spending, however, the government is running at its first Budget deficit since 2009. Many observers were expecting increases in personal tax rates or corporate taxes, but this has not happened. While it is clear that we cannot continue to operate at a deficit in the long term, we believe that the government will always be mindful of retaining Singapore's competitiveness and hence any future tax increases will be tempered by this consideration.

As mentioned above, the minister's stated objective was for Singapore to go for quality growth based on innovation and deeper capabilities and to continue to build a fair and equitable society. I believe that the Budget has gone a long way towards achieving those objectives.

Shanker Iyer FCCA is a member, Local Executive Committee, ACCA Singapore branch, and chairman and CEO of Iyer Practice Advisers
Record exams success

In the last session of 2013, more students than ever passed their ACCA final exams, paving the way for full membership.

A record number of students successfully completed their final ACCA exams in December 2013.

Almost 195,000 candidates took over 357,000 papers around the world, with another 57,000 students sitting computer-based exams.

A total of 7,980 students (compared with 7,700 in June 2013) are now able to take the next step to ACCA membership once they have satisfied their practical experience and ethics requirements.

Pass rates at the Professional level remained constant overall.

Pass rates across the Skills module (F4 to F9) of the ACCA Qualification fell overall, although results in F4, Corporate and Business Law, improved over the previous session.

Despite the slight decline in Skills module pass rates, 8,455 students became eligible at the December session for ACCA’s Advanced Diploma in Accounting and Business on completion of their Professional Ethics module, which is another step to membership.

Additionally, 4,833 students achieved the ACCA Qualification on completion of their Diploma in Accounting and Business exams or their foundation specialist exams.

Alan Hatfield, ACCA director – learning, said: ‘Research has shown that employers are seeking complete finance professionals. Passing the ACCA exams and completing the practical experience requirements provides the marketplace with qualified professional accountants who demonstrate these skills and competencies.’

ACCA has recognised James Kallman, global head of human rights for Mazars, for his contributions to the industry at the ACCA Achievement Awards ceremony at the Four Seasons Hotel in the Indonesian capital, Jakarta.

The award recognises individuals who have made an outstanding contribution to developing the profession. The awards are based on merit and given to individuals whose contributions deserve global recognition and whose efforts reflect ACCA’s core values of accountability, diversity, innovation, integrity and opportunity.
活出无限创意
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The i-KEY has a 1 cm lock bar extended to the key blade, which prevents the car key from being inserted into the ignition switch for starting the engine.

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Worldwide Invention Patents and Product Certification

Invention patents for i-KEY are granted in China, EU, USA, Japan, Korea, South Africa, Canada, China, New Zealand, Hong Kong and Taiwan regions. (Patent registration in other areas are in progress.) i-KEY is also a product certified by Traffic Safety Product Quality Inspection Center of Public Security Bureau of China.

環球專利及產品檢測
i-KEY技術在全球美國、英格、日本、澳洲、德國、加拿大、中國、新西蘭、香港及台灣等的專利申請均已獲批。i-KEY更獲交警部門認證為交通安全產品。