



MALAYSIAN INSTITUTE
OF ACCOUNTANTS



Think Ahead

PRACTITIONERS' ROUNDTABLE

ON

BUSINESS AND ECONOMIC OUTLOOK 2019 REPORT



PRACTITIONERS' ROUNDTABLE ON BEO REPORT 2019

The inaugural Business and Economic Outlook (BEO) Report 2019 produced by the Malaysian Institute of Accountants (MIA) and ACCA (the Association of Chartered Certified Accountants) Malaysia delivered insights into the opportunities and challenges accountants and finance professionals consider most pressing. The Report's salient findings were deliberated with a group of professional accountants in public practice (practitioners) in April 2019. This document highlights the perspectives and recommendations shared by practitioners representing firms (ranging from sole practitioners to Big Four accounting firms) at the roundtable.



Domestic and Global Opportunities and Challenges

At the time of writing, practitioners predicted that property development and construction could see significant challenges in 2019, whereas retail and manufacturing would face mixed outlooks. Practitioners were of the view that the e-commerce trend has yet to fully pose risks to brick-and-mortar retail establishments as Malaysians seem to prefer offline, tactile shopping. Meanwhile, in manufacturing, risks are contingent upon exposure to foreign exchange volatility, as well as on the products involved and firms' positions within broader global value chains. Businesses that manufacture multi-use products would face lower risks compared to those products directly disrupted by newer technologies and without alternative use.

Additionally, businesses must adjust to the current government's policies. Changes in regulations on the utilisation of business losses, for instance, resulted in some companies writing off deferred tax assets and shrinking their profit after taxes, whereas plans for affordable housing could influence demand for and valuations of premium housing. Meanwhile, practitioners should pay attention to going concern issues for companies affected by changes in concession agreements as seen in recent months, as well as the valuation of the businesses and their assets. A similar outcome may potentially befall government-linked companies that have been ordered to undergo restructuring.

CALL TO ACTION

Amid these challenging times, practitioners have opportunities to offer their expertise. Firstly, practitioners must place **renewed focus on areas of judgement**, especially those involving asset valuation and long-term cash flow projection.

Recommended action lines for practitioners include:

- **Maintain professional scepticism and vigilance throughout an audit.** Areas of judgement could be vague and subject to interpretation, thus obtaining sufficient appropriate evidence would need diligence and extra care.
- **Keep clients updated on changes in government policies.** Clients would appreciate early advice on possible changes in policies that may affect regulatory compliance, business continuity, asset valuation and/or recoverability.
- **Review internal processes and controls related to areas of judgment.** Clients may appreciate frequent discussion on their internal controls around areas of judgement and guidance for setting them up if these are absent.
- **Collaborate with relevant experts in the auditing process** such as those involving technology or valuation of assets.
- **Evolving the audit process to include digital technology** such as data analytics and cloud. Conventional vouching, for example, would not be effective when clients have shifted their operations to the cloud.



Emerging Opportunities Across ASEAN

- **Explore potential mergers and acquisitions.** Combining growing small and medium practices (SMPs) could engender information and competency sharing, consolidate audit practices, marshal digitalisation resources, as well as equip such ventures with the necessary talent to serve client needs.
- **Offer outsourcing services to SMEs in adapting to both digitalisation and complying with accounting standards.** These trends can pose difficulties for non-accountants and clients would welcome help from experts. Meanwhile, outsourcing of digital transformation, such as in revolutionising finance functions, could be a boon to SMPs adept at consulting. Clients would want to minimise disruption and leave organisational revamping to experts who are more familiar with the process, the technologies involved and the relevant regulatory compliance needs, for example.

In contrast to CFOs, practitioners expressed enthusiasm regarding opportunities to meet ASEAN's diverse demand for professional services. Specifically, they stressed that Malaysian firms could fill a supply gap in neighbouring countries. Malaysian firms could potentially capture more lucrative fees by expanding operations into neighbouring markets.

Nonetheless, similar to CFOs, participants highlighted the various barriers to entry within the ASEAN market. Among these impediments are protective laws and regulatory requirements hindering the movement of Malaysian practitioners; navigating different languages, cultures and corruption levels; and acquiring the right talent for successful expansion.

CALL TO ACTION

Overall, practitioners should **harness emerging opportunities across ASEAN**. This can be done through the following actions at the firm level:

- **Replicate firms' suite of services—whether in audit, tax, or capital markets—as market offerings within the broader ASEAN neighbourhood.** This could enable Malaysian firms to service untapped markets and thus boost revenues, in addition to attracting Millennial talents.
- **Leverage Malaysian firms' competitive edge abroad.** Practitioners should leverage on Malaysian talent's proficiency in English and suite of competencies when venturing out. Firms employing talents from across ASEAN would have an edge over others in terms of cultural fit.

Meanwhile, at the government level, greater regional cooperation could **facilitate the cross-border movement of practitioners**, which could go some way in mitigating the talent gap and allow Malaysian practitioners to thrive in the region.



Talent Management

Attracting and retaining talent were identified by practitioners as a primary challenge in the BEO Report. Practitioners are only now warming up to the idea of a lattice career and struggling to acclimatise to the high turnover rate of younger talents. Though many different initiatives have been discussed by practitioners at the roundtable, their use should be fit for purpose.

CALL TO ACTION

Practitioners suggested several measures to **operationalise evolving talent management strategies** to attract and retain a vibrant and dynamic workforce:

- **Revamp the human resources (HR) practice.** Hiring talent recruitment specialists to manage a continuous pipeline of talent could be especially important for SMPs who are expanding operations or undergoing succession planning, since practitioners are not necessarily skilled in managing talent.
- **Practise greater EQ and better understanding of Millennials.** This includes being updated on Millennials' aspirations and work culture— whether in taking care of their wellbeing at the office or expressing appreciation by acknowledging their contributions— which could attract and retain talents in the firm.
- **Offer flexible work arrangements.** Both sides could agree on clear key performance indicators, deliverables and timelines for a win-win outcome. Practitioners would need to get used to staff working off-site and differing work schedules.
- **Pilot two-way mentorship programmes,** wherein both younger and older employees train each other in their competencies.
- **Offer longer training contracts,** wherein talents are supported over a longer period for upskilling such as attaining professional qualification in return for their services.
- **Empower younger employees to transform the firm.** This includes allowing space for them to innovate, and revolutionising existing work processes and incorporating technology into the practice. In this sense, firms could establish sandboxes, where employees exchange new ideas, identify and design creative solutions, as well as experiment with emerging technologies. This safe environment allows employees to make mistakes and improvise prior to operationalising their ideas.



Significant Developments Over the Next Five Years: Digitalisation

With digitalisation becoming the next frontier for improving productivity and performance, it is imperative for practitioners to jump onto the digital bandwagon before it becomes the new normal.

As technology such as automation and cloud computing makes bookkeeping easier, organisations would shift focus towards internal controls and strategic areas for growth. Likewise, practitioners armed with modern audit software should be moving towards more controls testing and data analytics. This will provide SMPs with opportunities to move up the value chain and provide more consultancy services, provided that talent has been upskilled to effectively harness new digital technologies.

CALL TO ACTION

Given the opportunities, practitioners echoed sentiments by CFOs in encouraging firms to **ride the digital wave**. Notably, firms could adopt the following actions:

- **Break out of the status quo.** Technology adoption should be business-driven rather than compliance-driven to unlock its full value within the broader economy. SMPs should harness the power of digital technology such as automation, cloud computing, data analytics and audit software to revolutionise their accounting, auditing and taxation practices and move up the value chain to advisory and outsourcing services. Practitioners need to get ahead of the technology curve before they can capitalise on opportunities afforded by digital transformation.
- **Acclimatising to the brave, new world.** Practitioners need to get comfortable with the new normal of digital transformation and the future of work. Emerging technology such as 5G networks, could transform ways of doing business for practitioners. In the future, 5G's ability to provide instant access to data could perhaps enable audit to be done from anywhere. Some mobile applications allow practitioners to monitor staff performance more easily, award instant recognition as well as conduct remote meetings online for greater convenience and efficiency.
- **Employ sufficient digitally savvy talent.** With greater demand for the outsourcing of finance functions and organisational digital transformation, SMPs capitalising on this trend will hire more digitally-savvy talent.
- **Explore making contributions to the Human Development Resource Fund** with an eye towards financing the upskilling of existing talents.

Meanwhile, the government could incentivise growth by:

- **Subsidising the adoption of new accounting and audit technologies,** in a bid to improve digitalisation rates within the industry.