

Members of MGI Asia

I would start by thanking the Asia members who attended the MGI AGM in London in October. The stellar line-up of speakers gave thought provoking speeches on how members can work together to succeed on the international stage.

This is likely to be a recurring theme as a study by the Economist Intelligence Unit found that a majority of SMEs expect to derive up to 50% of their revenue internationally within the next 5 years. This again underscores the importance of having quality members who can deliver the highest levels of service to businesses venturing overseas.

The MGI Worldwide network was also formally launched at the AGM, and more than 87% of members have opted to be part of the network. Those firms that opted to remain as members of Mint Alliance did so not for quality reasons, but for other reasons such as regulatory considerations. The areas that the International Committee ("IC") will focus on for the next few years are enhancing the value proposition for members and clients, improving member quality and building the MGI brand.

Due to synergies, an alliance is better than the sum of its individual members. Members in turn will only remain so long as they feel there is value to be extracted commensurate with the efforts contributed. There will be a survey in 2016 to find out from members their expectations. I would urge all of you to take part in the survey, so that the most important needs of members can be made known to the IC for their understanding and formulating of action plans.

It is important that we work together to build a common brand in Asia, regardless of whether we are alliance or network members. You could start by ensuring consistent use of the brand and logo in your stationery, website and other marketing materials, as per the new Corporate Identity Manual. Use every opportunity that you have to mention your affiliation so that your clients develop brand awareness. Ensure that your staff members know what MGI Worldwide and Mint

Alliance mean, so that they too can become brand ambassadors. As pointed out in a recent IC meeting, 95% of our staff members (based on attendees at AGMs divided by total staff of all member firms worldwide) do not know about MGI or Mint, and changing this will allow us to tap into the next growth frontier.

And finally, here's wishing all of you and your loved ones a Merry Christmas and a Happy and Prosperous New Year.

Imran Assan **Area Leader - Asia**



MGI EVENTS 2015

Australasian Area

13 - 16 April
Queenstown, New Zealand

MGI Asia Area Meeting

26 - 27 August
Hanoi, Vietnam

Global AGM

19 - 21 October
Santiago, Chile

UK Area (combined with AGM)

24 - 26 November
Near to Gatwick & Heathrow airports, UK

MGI ASIA MEMBER NEWS

MGI in the TOP TEN in India & Japan

The International Accounting Bulletin have ranked MGI number 6 in India and number 9 in Japan in their country survey for alliances & associations conducted in September and October respectively

This is a great success for our firms in those countries & shows MGI's standing in the global arena.

Gatmaitan & Associates signs new clients

Thanks to a referral from MGI Menon in Singapore, Gatmaitan are now handling Crestron Singapore's business in the Philippines.

Another client signed is PH CNEEC Power Inc, to handle their accounting system and tax compliance



Sponsorship for the 2nd CTA (Certified Tax Advisers) Conference

Kenneth Chau & Co., sponsored the 2nd CTA Conference organized by The Taxation Institute of Hong Kong

The theme of the conference was "Positions of HK and China under the global tax development". Professor K C Chan, GBS, JP, Secretary for Financial Services and the Treasury of the Government, was the Guest of Honour. Senior Partner Mr. Kenneth Chau and Partner Mr. Ken Yeung were invited to participate as one of the sponsors.

Kenneth Chau & Co. Provides scholarships to accounting students

The firm has long been involved in supporting accounting education in Hong Kong by donation of scholarships to accounting students annually.

On November 28, 2015, the "Kenneth Chau & Co Scholarship" was granted to one student from the Department of Business Administration, Hong Kong Institute of Vocational Education (Chai Wan). In addition the 2015-2016 scholarship for accounting subject at the Hong Kong Sheng Kung Hui Bishop

Hall Secondary School is also supported by Kenneth Chau & Co

KWSR appoints new partner

Mr. Faruk Ahmed, ACA has been made a Partner of Khan Wahab Shafique Rahman & Co. He graduated with honours and Masters of Commerce from Jagannath University. He is an associate member of the Institute of Chartered Accountant of Bangladesh.

Faruk Ahmed trained and qualified with KWSR. Prior to becoming a partner he was the general manager (audit). He has also worked as head of accounts in a commercial organization.

PROFESSIONAL NEWS FROM AROUND THE WORLD

China to explore further use of IFRS

The IFRS Foundation and the Chinese Ministry of Finance announced the formation of a joint working group to explore ways and steps to advance the use of IFRS Standards within China, especially for internationally oriented Chinese companies.

The announcement forms part of a comprehensive update to the 2005 Beijing Joint Statement (the "2005 Statement"). The 2005 Statement served as the basis for a decade of co-operation between the International Accounting Standards Board (IASB) and Chinese authorities, and led to Chinese Accounting Standards becoming substantially converged with IFRS Standards.

Building on the success of the 2005 Statement, the 2015 Joint Statement:

- establishes a joint working group to explore steps and ways to advance the use of IFRS within China, especially for internationally oriented Chinese companies;
- identifies the vision of Chinese Accounting Standards to become fully converged with IFRS Standards, consistent with the G20-endorsed objective of a single set of high quality, global accounting standards; and
- encourages continued co-operation between the IASB and Chinese stakeholders in the future development of IFRS Standards.

Source: IFRS website

Pakistan adopts the IFRS for SMEs

On 15 September 2015, the Securities & Exchange Commission of Pakistan (SCEP) issued Statutory Notifications 928(I)/2015 and 929(I)/2015 adopting the *IFRS for SMEs*.

As a result the financial reporting framework in Pakistan is as follows:

Entities	Situation
Listed companies (including foreign companies listed in Pakistan) Public interest companies (public sector company, public utility, financial institution, company in process of listing) Large-sized non-listed companies (paid-up capital exceeding 200 million rupees (approximately US\$2 million) or annual turnover exceeding 1 billion rupees (approximately US\$9.5 million))	Full IFRS as adopted in Pakistan
Medium-sized entities (all companies other than listed, public interest, large-sized, and small-sized)	<i>IFRS for SMEs</i> is required. These companies may choose instead to use full IFRS as adopted in Pakistan.
Small-sized entities (paid-up capital not exceeding 25 million rupees (approximately US\$250,000) and turnover not exceeding 100 million rupees (approximate US\$950,000))	Accounting and Financial Reporting Standards for Small-sized Entities (AFRS for SSEs) as issued by the Institute of Chartered Accountants of Pakistan is required. These companies may choose instead to use either the <i>IFRS for SMEs</i> or full IFRS as adopted in Pakistan.

Source: *IFRS website*

REMINDER: New and Revised Auditor Reporting Standards and Related Conforming Amendments

The new and revised Auditor Reporting standards are responsive to calls from investors and other users of audited financial statements for more informative and relevant auditor's reports based on the audit that was performed. This new and revised Auditor Reporting standards include new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, and a number of revised ISAs, including ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, and ISA 570 (Revised), *Going*

Concern. Example reports illustrating various circumstances are included in the new and revised Auditor Reporting standards. The new and revised Auditor Reporting standards will be effective for audits of financial statements for periods ending on or after December 15, 2016.

The complete suite of new and revised Auditor Reporting standards, the stand-alone ISAs, fact sheets & conclusions can be found at <https://www.ifac.org/publications-resources/reporting-audited-financial-statements-new-and-revised-auditor-reporting-stan#node-32595>

Global Accounting Organization Membership Grows to 2.8 Million

The number of accountants who belong to professional accounting organizations that are members of the International Federation of Accountants grew 16 percent from 2.4 million to 2.8 million between 2009 and 2013.

The growth in membership of professional accountancy organizations, or PAOs, far exceeded total employment growth across almost all global regions and economies for the period 2009-2013, IFAC said in a **report**. Approximately two-thirds of the growth was organic, while the other third was a result of additional PAOs joining IFAC.

The study, conducted for IFAC by the independent Center for Economics and Business Research, analyzes data from IFAC's more than 175 members and associates in 130 countries and jurisdictions. The findings show that, following the global financial crisis, the number of professional accountants IFAC represents through its members grew 20 percent in advanced economies, despite low total employment growth of 2.6 percent, and 15 percent in BRIC (Brazil, Russia, India, China) countries, despite low total employment growth of 2.9 percent.

"This study reinforces the importance of the global accountancy profession in good times and bad," said IFAC CEO Fayez Choudhury in a statement. "In challenging environments, expert and trusted professional accountants help make sense of rapidly changing regulation and provide strategic advice that strengthens organizations and advances economies."

The largest proportion of accountants in society—some 1.4 million—work outside of public practice, according to the report. The biggest proportion of IFAC PAO membership is in Europe, just under 1 million. Membership in IFAC’s European member organizations grew from 834,000 to 981,000 during the period of 2009 to 2013.

“From emerging to advanced economies, the report indicates the importance of the strong, vibrant profession IFAC’s members support,” said Choudhury. “It tells motivated young people considering career choices that accountants are required in all economic conditions; that rapid growth in emerging economies means there is need for more and better trained accountants; and that strong PAOs and professional accountants are intrinsic to the success of advancing economies. In addition, the role of accountants is not one-dimensional: more than half of the professional accountants IFAC represents through our members work in business and industry, the public sector, and academia, and some 45 percent work in public practice.”

Source: *Accountant Today*

IFAC Envisions ‘Integrated Thinking’ for Accountants

The International Federation of Accountants has published a paper calling for more “integrated thinking” by accountants.

The thought paper, “**Creating Value with Integrated Thinking: The Role of Professional Accountants**,” discusses what accountants who work in the public and private sectors can do in practical terms to facilitate integrated reporting in their organizations. That’s regardless of whether their organization is planning to publish an integrated report.

The document identifies five key elements, which, if implemented, can lead to more effective organizations and enable them to transition from financially oriented reporting to integrated reporting.

“Integrated reporting continues to gain global momentum and help change the way businesses think about creating value over time,” said IFAC CEO Fayez Choudhury in a statement. “But it is integrated thinking that will ultimately change corporate behavior and lead to more resilient organizations and greater trust in business and government. Professional accountants—as business partners involved in organizational leadership and decision support—can

use integrated thinking as a means of engaging those beyond the finance and accounting departments to facilitate resilient organizations that create value over the short, medium, and long term.”

The publication discusses how integrated reporting both improves and is improved by integrated thinking.

The International Accounting Standards Board (IASB) invites comments on proposed amendment to IAS 40 and proposed annual improvements

The IASB published for public comment two Exposure Drafts. The first covers a proposed narrow-scope amendment to the investment property Standard. The second covers proposed amendments to three other International Financial Reporting Standards (IFRS) as part of the IASB’s annual improvements process.

The Exposure Draft *Transfers of Investment Property* (Proposed amendment to IAS 40), proposes a narrow-scope amendment to IAS 40 *Investment Property* to clarify the guidance on transfers to, or from, investment properties.

The proposals are open for public comment until 18 March 2016. The Exposure Draft can be accessed [here](#).

The IASB has a streamlined process for dealing efficiently with issues related to inconsistencies in the application of Standards and where there is a need to clarify the wording in a Standard. This entails combining a collection of proposed narrow-scope amendments into annual improvement cycles and exposing them for public comment collectively.

The Exposure Draft now published for comment is on the *Annual Improvements to IFRSs 2014-2016 Cycle*, covering proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 12 *Disclosure of Interest in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*.

The proposals are open for public comment until 17 February 2016. The Exposure Draft can be accessed [here](#).

Meet our new Chairman



Ed Fahey CPA, President,
RINA Accountancy
Corporation
San Francisco California
Chairman, MGI Worldwide

Who or What inspired you to become an accountant?

Like all accountants, I had an interest in business and numbers. The accounting alternative was affirmed when my math grades at UC Berkeley were an A, then a B then a C. I appreciate that CPAs get exposed to many aspects of businesses and that we get to work with many entrepreneurs who seek out our advice.

What would you be if you weren't an accountant?

Based on my financial background, I would probably be an investment advisor. I enjoy organizing travel and entertainment activities so a travel consultant or event coordinator would be a more interesting alternative.

Some advice to people who want to follow your path

I always tell our new staff to realize there are people behind the numbers. Get to know them and their stories. Most are interested in something other than financial success.

I also tell them the world rewards initiative and leadership. Don't be afraid to stick your neck out and do something. Those that get things done will always find new and interesting opportunities.

Tell us about RINA Accountancy Corporation? Share with us how you have made RINA successful.

RINA will celebrate seventy years in 2016 so I can't take credit for historical success. As president, I have helped us develop niches for entrepreneurial businesses, real estate and not for profit organizations. We also have excellent staff development programs which include core competency and leadership trainings. My involvement in MGI has strengthened our relationships and resulted in several clients served by MGI firms. That

has opened additional opportunities in our marketplace as an alternative to the Big 4.

What are three things you should never do in this business?

1. Forget that our profession is based on trust and integrity.
2. Put your interests ahead of the clients.
3. Not honour commitments. Most people will renegotiate the delivery date if you just reach out and explain the circumstances.

What have you accomplished that makes you most proud?

My daughters both just started their careers. To see them have the confidence and ability to make an impact is rewarding. I can be proud though my wife deserves most of the credit.

Rising to president at RINA is notable because it affirms the trust my partners have in me. There have only been a few in our 70 year history.

What are your aspirations for MGI as Chairman?

I hope my efforts as chairman result in greater engagement of members. We need to reach all 5,000 firm members and help them realize what we can accomplish working together. As I said at the AGM, the delegates need to be ambassadors back to their firms.

I would like us to leverage technology to share information that members can use to serve their clients. Maxine's work on the knowledge hub is an example of the potential we have to bring ideas to each other.

At this time, getting the network component functioning effectively is important. The work of the TC is an example of how members are working together to build a better MGI.

Where do you hope to see MGI in 10 years?

My preferred measure of success is more business activity among member firms. I would rather we were a smaller, high quality group with lots of work being shared than one that has more dots on the map than our competitors.

MGI GLOBAL NEWS

MGI UK&Ireland hosted one of the best AGM's ever

As one of the most visited cities in the world, we knew London would be a big draw in attracting delegates from all corners of the globe with representatives from Africa, Asia, Australasia, Europe, Latin America, , North America and of course the UK & Ireland.



Thank you to all member firms from Asia that attended the AGM.



During the 3 days delegates had the opportunity to enjoy everything the program had to offer, from meeting world-renowned speakers to truly spectacular "money-can't-buy" London experiences.

MGI's Santos Postal expanding through merger

MGI North America member Santos, Postal & Company, P.C. is set to expand its operations by merging with Hildebrand, Limparis & Associates, P.C. (HLA).

HLA will be combined into the Santos, Postal effective November 1st, 2015, creating a firm with offices in Rockville and Frederick, Maryland, USA.

The new firm will continue to offer traditional tax, auditing, and accounting services, as well as business valuation services, outsourced CFO solutions, and other advisory services.

But its presence will stretch beyond its Maryland base, as the firm boasts clients in all 50 States of the U.S. as well as overseas, thanks to its membership of the MGI global accounting network.

The firm was recently crowned the best small accounting firm to work for in the whole United States. It topped Accounting Today's 2015 Best Firms to Work For, previously having made the list for each of the last five years.

Managing Partner Charles Postal explained what drives the firm's values and why it's such a great place to work.

"We're very dedicated to remaining independently owned and operated," he told Accounting Today.

A big emphasis is placed on good succession planning, enabling the baby-boomer generation of senior staff to move business across to younger employees before they retire.

Top 7 largest accounting associations in Latin America

According to latest figures compiled by the International Accounting Bulletin (IAB), the MGI firms generated a combined \$22.5 million in the year to the end of June 2014, placing MGI seventh by fee income in Latin America.

MGI Latin America is also seventh in terms of staff numbers, after a three per cent rise in employees over the year.

TIPS & HELP

Remarkable Client Service— Escape the Commodity Rut

BY NANCY DAMATO

As Peter Drucker once said, “Quality in a service or product is not what the supplier puts in, but what the customer gets out and is willing to pay for. Customers pay only what is of use to them and gives them value. Nothing else constitutes quality.” In other words, quality work alone may not necessarily be perceived by the client as quality service. It means even more than doing a great technical job and more than having a satisfied client, it means offering **remarkable client service**.

In this competitive marketplace, CPA firms must offer **remarkable client service** that creates customer loyalty and retention. Firms need to provide their clients with **remarkable client service**, not just quality traditional services, in order to grow and sustain a competitive edge, such as:

Be Anticipatory, not just Proactive

Anticipating a client’s needs is an important component of remarkable service. Establishing close contacts and continuous open lines of client communications, along with a deep understanding of a client’s business and industry, can bring a presence of mind to anticipate needs. Exceptional client service is driven by recognizing what needs are truly important to your clients, and delivering the services necessary to meet those needs. Servicing the unexpected wishes of clients and anticipating what they need before they know it, can elevate your Firm to a higher level of client loyalty. The Ritz-Carlton is one of the most famous brands that follows this technique. All employees are trained to fulfill not only the expressed, but also the unexpressed wishes and needs of their guests.

Anticipating client’s needs is like a game of chess played by professionals. The best chess players are always thinking a few moves ahead of their opponents. In the same way, Partners and Staff need to be a few moves ahead of their clients to anticipate their wants and needs.

Exceed Expectations

Exceeding client expectations requires that the Firm’s entire staff—from the Receptionists, to the Marketing, HR and IT professionals, to Staff, Managers and Partners—are aligned and working in harmony. Firms need to truly understand their client’s expectations and implement the appropriate guidelines and service standards to exceed them. When a Firm properly

brings its team and processes together by putting their clients at its core, exceeding expectations becomes possible with all touch points. It is no longer enough to be technically competent, clients desire firms who are completely connected to their businesses and can act as visionaries for their companies. Listening carefully to your clients as to their needs and desires, attending client industry meetings and obtaining periodic client feedback, will allow a Firm to exceed client expectations.

It’s a Culture and Attitude

Remarkable client service is an attitude and is ingrained in the Firm’s culture. It’s a constant service process, set by a remarkable client service line that drives the Firm strategy at every level. Consistently sharing client service “best practices” with the Partners and staff will help them adopt some of the practices. It will also assist them in creating new ones on their own, and pass the practices on to the Firm’s future generations.

Steve Jobs once said, “Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves.” Now that’s remarkable client service!

Nancy Damato, is the President and Senior Consultant Marketing and Business Development at Accountants Advisory Group LLC.

How to Change Your Clients' Behaviour

BY ADAM BLITZ

When I talk to CPAs about practice management, one theme that always seems to pop up is the fact that “a client” or “several clients” cause headaches for the firm.

After hearing this, I will ask several questions, leading to the suggestion that the CPA should consider firing these types of clients. This suggestion is followed quickly by a “no, we can’t afford to do that” type of reaction. So here we sit in a nice conference room going around in circles—you hate working for a client, your staff hates working for the client, the client has little upside for future growth or new opportunities, the client complains about your bills, yet you rely on the client to pay your fees to keep your doors open.

At this point your firm has two options: A. Since you feel like you can’t fire the client, stop complaining and accept the client for who they are since you are not motivated to do anything about it. Or B. Figure out a way to change the behavior that makes the client a pain to work with.

Since you are still reading this article, I am going to assume you are interested in finding out what steps you and your firm can take to modify your client's behavior (and just maybe figure out how to provide them with the service they deserve.) So here we go. Below are the six steps you and your firm should take before you go ahead and fire the client:

1. Identify the behavior that makes the client difficult. Is the client always late to deliver their information? Do they change their mind every other day, causing additional work on your end? Are they calling you incessantly about where their final product is? Do they yell at you? If there is something inherently wrong about the way the current service is being provided that fails to meet the needs of your firm, find out what the difficult behaviors are and write them down.

2. Talk to your client about their expectations and concerns. Hopefully somebody in your office at least has a working relationship with the difficult client. If so, during the next conversation they should ask the following question: "What do you expect out of the firm"? If there is no relationship, designate a person to build the relationship and during the initial meeting ask, "What do you expect out of the firm?" I guarantee the client will provide several expectations from their perspective. These perceptions may very well be different from what you offer. Write down those expectations.

3. Create an incentive to change the behavior. Jumping back to your internal team, at this point you and your team want to evaluate any expectations that are not being met, as discovered from your client during step 2. These expectations should be compared to the invoked behaviors that your firm just can't deal with. For example, let's say your client HATES being emailed by more than one person in your firm, suggesting they "don't talk to one another" and he "is asked the same question" on multiple occasions. When this occurs, the client stops communicating with the firm and sends "nasty" emails to the partner-in-charge. If your firm designates one point of contact for this client, will the nastiness go away?

4. Talk to your client about the incentive to change. Check back in with your client and advise him of the change in protocol. In the future, all firm communications, along with any questions he has, should be run through "Joe." Joe will be his personal advisor and have full knowledge of the client's issues.

5. Follow the plan. As the days and weeks go by, "Joe" and the client will develop a working

relationship, if one has not been established already. "Joe" should be supported in his endeavor to manage the difficult client. He should be provided with the resources, time and guidance to provide the difficult client with the answers necessary to resolve all outstanding issues. Furthermore, "Joe" should be applauded for going above and beyond to show the client that the firm is truly committed to working with the client.

6. Evaluate the change in behavior. Find out from "Joe" if he is having any problems or if the behavior from the client continues to be onerous. In most cases, when you have identified the problem, created a solution, communicated the solution, and followed the plan to solve the problem, the problem goes away. In those cases where it doesn't, I'll explain in an upcoming article how to help clients who don't want help.

Adam Blitz is a CPA and a relationship builder.

You can reach Adam at Adam@getblitzedsolutions.com or via Twitter [@getblitzed](https://twitter.com/getblitzed).

Start Engaging Employees Deeply

Disengagement is lowering the profitability and viability of accounting firms across the country – but there are some simple ways to start re-engaging your employees, according to staffing issues expert Sandra Wiley.

In a session on employee engagement at Thomson Reuters' annual user conference, Synergy 2015, Wiley -- COO and shareholder of Boomer Consulting Inc. -- offered strategies for drawing your employees in, and explained why it mattered. "It doesn't matter if you have one employee or 100 -- we're all trying to make employee engagement happen," she explained. "A good turnover range used to be 7-10 percent. Now, if you below 17 percent, you're doing great."

Engaged employees work harder and better for you – and they'll also serve your clients better, help you develop more business, and recommend you more to friends as potential workplace, all because they feel good about where they work.

How can you generate that kind of enthusiasm? Wiley had a few of suggestions:

1. Get them to see the big picture. This means knowing your "why" – your firm's reason for being. "Nobody used to ask, 'Why are you doing what you're

doing?’ We were very into customer service, but we weren’t asking why,” Wiley explained. “Companies are good at saying what they do, but not why they do it.”

Create a one-sentence description of why your firm does what it does – many of the firms at the session use versions of “We help our clients succeed by offering sound advice and helping them understand complex financial information” – incorporate that into one-page strategic plan, and then share it with everyone.

Making sure that everyone in your staff, right down to your receptionist, understands the plan is critical, Wiley said, because it will give them the feeling of belonging to something larger, and of playing a role that goes beyond just their everyday tasks. Some firms take this so seriously, she said, that they make knowing it part of employees’ compensation assessments.

2. Say thanks. “Who is the most important person in your firm?” Wiley asked. “When was the last time you thanked them for all things they do for you, as well as for some specific things?” She recommends doing something “awesome” for your team – but it doesn’t have to be a big thing. A personal thank-you note or a small gift with a specific reason will work very well.

One attendee noted that at her firm, they leave special cards in the break room where anyone can make note of something special that a fellow employee has done; the cards are posted on the break room wall, and then read out at staff meetings.

“People are hungry for thanks, and they’re hungry for gratitude,” she explained. “We are in a business that’s so busy all the time that we forget that these are our family members. We spend more time with them than with our families.”

3. Teach them how to run your firm. “I am stunned everyday when I talk to emerging leaders -- many of them who are on the partner track have no idea how the firm they’re going to buy into is run,” Wiley said. “We don’t teach them how a CPA firm runs.”

Like sharing your strategic plan, teaching your employees who the firm runs – and particularly, how it generates revenue and profits – can help them feel like part of the bigger picture, and give them a sense of how they and their work contribute to the whole.

Wiley recommended sharing everything that goes into the profitability equation, from rent and utilities to the cost of technology and suitably anonymized salary and benefit information, but even just a basic understanding of the larger functioning of the firm will help.

Source: Accountant Today

Professional Scepticism and Other 2015 Audit Focus Areas

BY ZACH MEYER

The auditing process is mechanical in its function but requires a curious mind to prevent and detect misstatements that can hurt a business.

Each year, leaders in the industry gather together to discuss ways to make the craft of an audit more deliberate and structured. As a result of these discussions the Center for Audit Quality communicates important processes for firms to follow when performing an audit.

Recently, the Center for Audit Quality released an [article](#) detailing ways accountants can strengthen their audits through professional skepticism, internal control over financial reporting, risk assessment, audit planning and many other practices

Professional Skepticism

Going through the motions when performing an audit not only harms the business but also further entrenches audits as a low-value service that accountants can offer. Therefore, the more an accountant can investigate a business to understand its drivers, the more she or he will be able to provide valuable insight to the business owner or management team. An inquiring mind is certainly useful in these situations. The Public Company Accounting Oversight Board defines professional skepticism as an attitude that includes a questioning mind and a critical assessment of audit evidence.

This attitude helps to create the value that accountants bring to their clients. Assessing the appropriateness and sufficiency of the financial evidence provided in an audit can set your firm apart and help your client’s business grow. Whether your client’s misstatements are due to fraud or lack of internal controls, following these steps can help your audit quality improve.

1. Do not be satisfied with less than persuasive evidence that management is honest when looking at abnormal expenses and assets.

This includes situations where:

- Capital is spent in ways not typical of the business’s usual transactions; and
- An area of risk requires a significant amount of management judgment to decipher.

2. According to the CAQ, you should also have a willingness to modify planned audit procedures to obtain reliable evidence regarding the client’s

assertions. Instead of basing the audit on the “most readily available evidence,” an auditor should:

- Have the engagement partner set the tone for professional skepticism, arming the rest of the engagement team with the confidence to challenge the client’s managements financial reporting; and
- Obtain a third-party examination of the financials to confirm the documentation of the business.

Additionally, scheduling times for an engagement partner or senior member of the engagement team to review the engagement team’s findings can not only ensure the audit’s quality but also serve as an opportunity to train the rest of your team.

Internal Control over Financial Reporting

Incorporating tests of controls while performing substantive tests can save time while you accomplish the goals of each test. During these tests, an auditor should not assume that a control is effective when there is no evidence of misstatements.

An auditor should:

1. Identify the flow of transactions through the organization;
2. Select the controls that “are intended to address the identified risks of material misstatements”; and
3. Note the sources and type of material misstatements and identify their risk.

Helping the business’s management address a control’s objective, consistency and criteria for further investigation can enable the business to detect “the level of precision” of the control.

Risk Assessment and Audit Planning

The core to risk assessment in audit planning is the involvement of the senior team members and the engagement partner. Spending a significant amount of time in planning the audit and documenting why certain areas of the business will be identified as risky can help save time in the audit’s execution.

Though the auditing team will continue to assess the risks of misstatement and fraud throughout the audit, taking your time during the pre-audit stages will create direction for the rest of the engagement team.

*Zach Meyer is a consultant at the financial information company **Sageworks**.*

MGI ASIA COUNTRY UPDATE



Definition of income year has been changed by Finance Act 2015

All enterprises except banks, insurance companies and financial institution shall have to follow a **July-June** Income year. Until now there has been a choice of fixing the income year by the respective organisation. This will be discontinued applicable from assessment year 2016-2017

The companies/ enterprises who follow calendar year (Jan-Dec), have to maintain 02 (two) financial statements [one for usual Calendar year 2015 & another for six months ending 30 June 2016] in the income period of 2015-2016 which is corresponding to tax assessment year of 2016-2017. The closing date(s) of financial statements will be 31 December 2015 & 30 June 2016.

Existing: As per section 2 Sub-section (35) income year means-

- a) the financial year immediately preceding the assessment year; or
- b) where the accounts of the assessee have been made up to a date within the said financial year and the assessee so opts, the twelve months ending so such date; or
- c) in the case of a business or profession newly set up in the said financial year, the period beginning with the date of the setting up of the business or profession and-
 - (i) ending with the said financial year; or
 - (ii) where the accounts of the assessee have been made up to a date within the said financial year and the assessee so opts, ending on that date; or
- d) in the case of a business or profession newly set up in the twelve months immediately preceding the said financial year-

- (i) if the accounts of the assessee have been made up to a date within the said financial year and the period from the date of the setting up of the business or the profession to the first-mentioned date does not exceed twelve months, then, at the option of the assessee, such period, or
- (ii) if any period has been determined under sub-clause (e), then the period beginning with the date of the setting up of the business or profession and ending with the last day of that period, as the case may be; or
- e) in the case of any person or class of persons or any business or profession or class of business or profession such period as may be determined by the Board or by such authority as the Board may authorize in this behalf;
- f) in respect of the assessee's share in the income of a firm of which he assessee is a partner and the firm has been assessed as such, the period determined as the income year for the assessment of income of the firm;
- g) where in respect of a particular source of income an assessee has once been assessed or where in respect of a business or profession newly set up, an assessee has once exercised the option under sub-clause (d) (i) then, he shall not, in respect of the source, or, as the case may be, business or profession, be entitled to vary the meaning of the expression "income year" as then applicable to him, except with the consent of the Deputy Commissioner of Taxes may think fit to impose;

Amendment: Existing section 2 Sub-section (35) is amended as follows:

- a) the period **beginning** with the date of **setting up** of a business and ending with the thirtieth day of June following the date of setting up of such business;
- b) the period beginning with the date on which a source of income **newly** comes into existence and ending with the thirtieth day of June following the date on which such new source comes into existence;
- c) the period **beginning** with the first day of July and ending with the date of discontinuance of the business or dissolution of the unincorporated body or liquidation of the company, as the case may be;
- d) the period **beginning** with the first day of July and Ending with the date of retirement or death of a participant of the unincorporated body;

- e) the period immediately following the date of retirement, or death, of a participant of the unincorporated body and ending with the date of retirement, or death of another participant or the thirtieth day of June following the date of the retirement, or death as the case may be;
- f) in the case of **bank, insurance or financial institution** the period of twelve months commencing from the first day of January of the relevant year; or
- g) in any other case the period of twelve months commencing from the first day of July of the relevant year; "in place of" **previous** definition.

Contributed by KWSR



The government of Cambodia officially launched its National Trade Repository on 23 November 2015. The purpose of this is to have a central access of all regulatory information relevant to traders who wish to import goods into Cambodia or export to other countries.

There are 9 important elements in National Trade Repository

1. Tariff Nomenclature
2. MFN Tariffs, Preferential Rate
3. Rules of Origin
4. Non-Tariff Measures
5. National Trade and Customs Laws and Rules
6. Procedures and Documentary requirements
7. Administrative Rulings
8. Best practices in trade facilitation
9. List of authorised traders

Contributed by APV Cambodia



Zero-Rated VAT for Specified Export Services

On 30th October 2015, the State Administration of Taxation (SAT) released the 'Notice on Zero-Rated VAT' on certain export services, Caishui [2015] No.118 (hereinafter as "Notice 118") to further support the services exportation.

Domestic entities and individuals that are providing the following overseas services are subject to Zero-Rated Value-Added Tax (hereinafter referred to as the "VAT") policy.

1. Production and distribution services for radio, film and television programs (works);
2. Technology transfer services, software services, circuit design and testing services, information system services, business process services, and contractual energy management services with the subject of contracts located overseas;
3. Offshore outsourcing business services which include information technology outsourcing, business process outsourcing, and technical knowledge process outsourcing. Specific business activities involved shall be referred to corresponding business activities in the Notes on the Scope of Taxable Services (Cai Shui [2013] No.106).

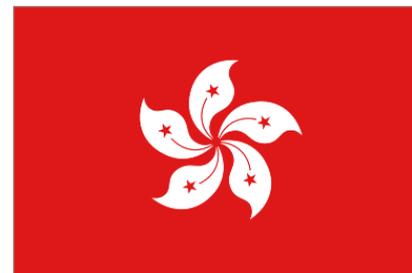
One of the following calculated methods is applicable to taxpayers who provide Zero-Rated VAT services depending on the type of taxpayer and the calculating method of VAT.

1. The VAT exempt method is applicable to taxpayers who calculate their VAT with simplified methods.
2. The VAT exempt/credit method is applicable to foreign trading enterprises who calculate their VAT using the general method.
3. The VAT exempt/credit/refund method is applicable to service provider enterprises that calculate their VAT using the general method.

LB Observation:

Under the Zero VAT policy, export services are exempt from output VAT but the input VAT that is attributable to export services can be credited or refunded. This reduces the tax burden of taxpayers who provide the abovementioned services which are eligible for zero-rated VAT. Thus, it would definitely increase the ability of Chinese service providers to compete with foreign enterprises in the global market.

Contributed by Lehman Brown



Hong Kong the First Port of Call for Professional Services to Outbound Investment of Chinese Enterprises

A recent research about China's outward foreign direct investment (FDI) was announced by Hong Kong Trade Development Council (TDC). China's outward FDI grew 14% to US\$123.1 billion in 2014, making the country the world's third-largest source of outward FDI for three consecutive years. In fact, in recent years, the Chinese government has substantially relaxed administrative measures dealing with overseas investments and has built platforms to facilitate the "going out" of enterprises to invest overseas. In addition, with the active promotion of its "Belt and Road" development strategy, it is expected that China's outward investment activities will expand further. Hong Kong, in particular, is a key destination for the mainland's outward FDI. Mainland funds are mostly using Hong Kong's trading platform as a springboard to invest in other regions overseas.

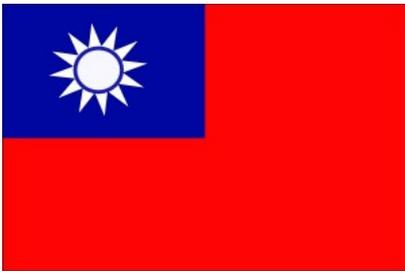
(Source from: <http://www.hktcdc.com>)

Hong Kong, South Africa tax treaty in force

On November 3, 2015, The agreement between Hong Kong and South Africa for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income has entered into force.

(Source from: <http://www.ird.gov.hk>)

Contributed by Kenneth Chau & Co



Changes to the Taiwan Companies ACT

The Taiwan government approved the amendment to Article 356 (1) – (14) of the Company's Act on July 1st 2015. The articles cover the formation of "closed companies" which are not publicly listed and must have fewer than 50 shareholders.

This is to encourage knowledge creation business, helping entrepreneurs and start-ups to promote innovation in the economy. The advantages of a close company includes capital could be partially contributed by technical know-how, service or goodwill, set up restrictions on transfer of shares, shareholder meetings could be through video conferences or other nonphysical means.

This hopefully will attract more foreign entrepreneurs to set up in Taiwan. The act can be found at <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0080001>

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