

Hello Everyone,

It is my pleasure to yet again share my thoughts for the 2nd quarter newsletter of MGI Asia. The 1st quarter was indeed a very active month for MGI Asia, with a lot of countries closing their annual accounts and filing deadlines.

I congratulate each one of you, who participated in the International Tax Review's, Asia Tax Forum 2014 in Singapore on 8th & 9th May 2013. It was a big step in brand building for MGI Asia! While the conference itself was smaller than last year, MGI Asia was very well represented by 7 members firms from across 5 countries. Interestingly, MGI was offered the India panel session free of cost! We had Mr. Dinodia & Mr. Dickson Leung speaking on the Transfer Pricing panel on day 1 and Mr. Jeenendra Bhandari speaking on India on day 2. I must add that this would not have been possible without the help of MGI Global, for which we all are grateful. A special thanks to Maxine for her support in Branding us right!!

One of other Thought Leadership initiatives that went live this quarter was the publication of our first article in the series of articles to be published through the year, on the Corporate LiveWire website. The article was on a hotly debated issue worldwide of Related Party Transactions in the context of the new Indian Corporate Legislation. The second article was so exhaustive that LiveWire published it as an expert guide titled "Setting up and running a business in Korea". It is our endeavour that this series of articles will help establish MGI as a thought leader in Asia. We encourage all our members to circulate these publications and their links to their clients, which will showcase our technical strengths across different regions within Asia.

It has been an exciting quarter for MGI Asia and I am sure that we will continue to add to the progress of the region with our marketing, branding and thought leadership initiatives.

Looking ahead to the next quarter, our Area Meeting is planned in Jakarta on 29th & 30th August 2014, hosted by KAP Basyiruddin Wildan. At the last Area Meeting we had the largest number of members attending, including those who were one of our oldest members but hadn't been able to make to meetings more recently. I'm hoping for a similar attendance this year too!

In terms of the IC update, we have been debating the issue of alliance vs. network vs. the hybrid model of MGI on a global / regional basis. Different areas have

expressed mixed views and concerns, which have been discussed at length in the IC. The white paper has been subsequently shared with all the members. To discuss this very important issue in Asia, Clive will be coming to our Area Meeting as well and give a presentation followed by an open floor discussion. I hope that we will make maximum use of his presence to discuss any concerns we may have face to face.

Finally, in October will be a celebration of MGI in Chicago! I hope many of you will make to the AGM where this new model which will determine the future of MGI and all of us will be put to vote! This is going to be one of the most important AGMs in the history of MGI, the debate on the changes to the administration manual and the operating parameters of MGI, will stand changed forever.

In the words of Mark Twain, *"Twenty years from now you will be more disappointed by the things you didn't do than by the ones you did do. So throw off the bowlines, sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover."*

Warm regards.



Pallavi Dinodia
Area Leader



PROFESSIONAL NEWS FROM AROUND THE WORLD

Changes Proposed in Ethics for Non-assurance Services

The International Ethics Standards Board for Accountants has released for public comment an [exposure draft](#) on proposed changes to certain provisions of the ethics code related to non-assurance services for audit clients.

The proposed changes from IESBA, which operates under the auspices of the International Federation of Accountants, aim to enhance the independence provisions in the Code of Ethics for Professional Accountants by providing additional guidance and clarification regarding what constitutes management responsibility, including enhanced guidance regarding how the auditor can better satisfy itself that client management will make all judgments and decisions that are the responsibility of management, when the auditor provides non-assurance services to an audit client.

Other changes would provide better guidance and clarification on the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for non-public interest entity audit clients. Another change would remove the provision that permits an audit firm to provide certain bookkeeping and taxation services to public interest entity audit clients in emergency situations.

“Independence is the bedrock of all audits,” said interim IESBA chair Wui San Kwok in a statement. “It is not only about independence in mind. It is also about independence in appearance, ensuring continued public trust in the work of the audit profession. The proposed changes further support this. Better guidance and clarification promote global consistency of application of the code’s provisions. And we eliminated a rule-exception—intended to be used only in rare situations—that could have been perceived to provide opportunities for misuse, misinterpretation, or abuse.” The ethics board is also proposing enhancements to the corresponding non-assurance services provisions in Section 291—Other Assurance Engagements with respect to assurance clients.

“In developing the proposals, the board took into account the results of a benchmarking survey of G-20

countries and a number of other jurisdictions with respect to certain types of non-assurance services,” said IESBA technical director Ken Siong. “The proposals are also responsive to recommendations from a working group established by the board that looked into the unique and challenging issues professional accountants in small- and medium-sized entities and practices face when complying with the Code, and to feedback from the regulatory community.”

The IESBA is asking for all those with an interest in international ethics standards for the accountancy profession to respond to the exposure draft by Aug. 18, 2014. To access the exposure draft and submit a comment, visit www.ethicsboard.org. The Ethics Board is also asking national and regional professional accounting organizations to share the document with their members and employees and encourage their participation.

MICHAEL COHN, ACCOUNTINGTODAY.COM

IAASB Proposes Enhancements to Auditing Standards Focused on Financial Statement Disclosures

The International Auditing and Assurance Standards Board (IAASB) released for public comment proposed changes to the International Standards on Auditing (ISAs) to clarify expectations of auditors when auditing financial statement disclosures.

The [proposals](#) include new guidance on considerations relevant to disclosures—from when the auditor plans the audit and assesses the risks of material misstatement, to when the auditor evaluates misstatements and forms an opinion on the financial statements.

“Addressing financial reporting disclosures has always been an integral part of an audit of financial statements in accordance with the ISAs. Over the past decade, however, financial reporting disclosure requirements and practices have evolved, and disclosures now provide more decision-useful information that is often more narrative and subjective in nature,” notes IAASB Chairman Prof. Arnold Schilder. “This gives rise to challenges from an auditing point of view, and the proposals enhance certain areas in the ISAs to support the proper application of the standards’ requirements.”

The IAASB's work has been informed by the feedback to its January 2011 Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*. The board has also benefited from liaison and outreach with stakeholders, including accounting standard setters, which are also actively exploring initiatives relating to disclosures. The IAASB acknowledges that many of the issues around disclosures cannot be solved by the IAASB alone, and that collaboration and cooperation between many interested stakeholders is necessary to further enhance the public's confidence in financial statement disclosures.

"Public confidence in financial reporting can be damaged when there are poor quality disclosures, including excessive or immaterial disclosures that may obscure understanding of important matters. This can result, for example, when disclosures are prepared and audited relatively late in the financial reporting process," notes IAASB Technical Director James Gunn. "One of the key areas addressed in the board's proposals, therefore, is additional guidance to help establish an appropriate focus by the auditor on disclosures and encourage earlier auditor attention on them during the audit process, including disclosures where the information is not derived from the accounting system."

How to Comment

The IAASB invites all stakeholders to comment on the IAASB Exposure Draft of proposed changes to the ISAs to address disclosures in an audit. To access the Exposure Draft or submit a comment, visit the IAASB's website at www.iaasb.org. Comments are requested by **September 11, 2014**.

Source: IFAC website

IFIAR issues wake-up call on global audit quality

Firms must work harder on cross-border audit quality, the International Forum of Independent Audit Regulators (IFIAR) chair Lewis Ferguson warned yesterday at the launch of IFIAR's 2013 survey of inspections findings.

This is the second global survey conducted by IFIAR members, in which its 50 international regulators have found deficiencies in audit work of firms under their respective jurisdictions.

In particular, the survey revealed that firms did not obtain sufficient audit evidence to support their opinions. That happened in areas such as fair value measurement in the audits of public companies or valuation of investments in the audits of financial institutions.

Ferguson said the results were a "wake-up call" for firms and are consistent with the 2012 survey although IFIAR can't firmly conclude whether audit quality has improved or deteriorated as yet.

"Over a two year period it's very difficult to compare the data," Ferguson said. But according to him in future surveys, with a larger body of data representing a longer time period, IFIAR will be able to do that kind of analysis.

Root-cause analysis

At the survey launch, which followed IFIAR's annual plenary meeting in Washington, vice-chair Janine van Diggelen said the survey findings show that audit firms should take action to carry out root-cause analyses.

"A well performed root-cause analysis will provide the firms with a thorough understanding of the factors that underlie these findings, which also include governance, cultural and behavioural aspects," Van Diggelen said.

Examples of these cultural aspects, according to Ferguson, are the partners' workload or the policy reward within audit firm. In that sense Ferguson wondered if audit quality, although hard to measure, is being rewarded in firms. "These are questions regulators are starting to ask on a very granular level," he said.

On that note, Van Diggelen said that firms have started to understand that audit quality issues require something else than traditional responses. Van Diggelen called for the global leadership of international accountancy firms to give their support to the national leadership of their member firms.

"We think it deserves a global response from the global leadership of these firms. They have a role to play to stimulate root-analysis and improve audit quality," she said.

Nonetheless Ferguson said those in business have a sense that audit quality is improving, and putting the issue into context, he said auditors have been subjected to an "unprecedented level of detailed scrutiny" compared to other professions.

Transparency

Asked by *The Accountant* if a higher level of transparency regarding the results of audit inspections performed by national regulators would improve audit quality, Ferguson said:

"My personal view is that it would. I'm a great believer that sunshine is the best disinfectant, to quote US Supreme Court justice Louis Brandeis. The more transparency there is the more effective our work would be."

Van Diggelen agreed and noted that audit committees have also an important role to play, for instance rewarding audit quality and not just pricing. To that purpose, a deeper level of engagement between regulators and audit committees, properly sharing the results of audit inspections, would be a step in the right direction for Van Diggelen.

"Of course there are confidentiality arrangements and regulators operate within a legal framework but it would be a great way forward to have more transparency regarding the outcomes of our inspection work," Van Diggelen.

Non-audit services

IFIAR's survey launch was preceded by the forum's plenary meeting hosted this year by the Public Company Oversight Board, in which key topics were discussed.

Among these topics was the business model of audit firms in light of the increasing fee income they earn from non-audit services. According to Ferguson this is a source of concern for regulators around the world.

Ferguson said evidences are very clear that the audit practices of the big networks are growing much more slowly than the other practices, particularly advisory practices. According to him this is a very complex issue which derives from the fact that audit itself is changing.

As the use data analytics become more important in the audit process, Ferguson said, firms need to acquire new skills which are not in the natural skill set of the auditor. Therefore firms are growing a different part of their businesses.

"On the other hand it raises serious concerns about the different level of profitability, different rates of growth; and to what extent audit quality suffers," he said.

Van Diggelen agreed that the risk of this changing model is a concern for IFIAR members. A better understanding on the dynamics of firms' business models and the innovations in which firms are working on is needed, she added.

Ferguson concluded: "If the business model is threatening audit quality you would expect the regulatory community around the world taking action but before passing regulation the issue needs to be understood."

Source: The Accountant Carlos Martin Tornero

FASB and IASB Issue Revenue Recognition Standard

The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS), and the Financial Accounting Standards Board (FASB), responsible for U.S. Generally Accepted Accounting Principles (U.S. GAAP), on 28 May jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Revenue is a vital metric for users of financial statements and is used to assess a company's financial performance and prospects. However, the previous requirements of both IFRS and U.S. GAAP were different and often resulted in different accounting for transactions that were economically similar. Furthermore, while revenue recognition requirements of IFRS lacked sufficient detail, the accounting requirements of U.S. GAAP were considered to be overly prescriptive and conflicting in certain areas.

Responding to these challenges, the boards have developed new, fully converged requirements for the recognition of revenue in both IFRS and U.S. GAAP – providing substantial enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using IFRS and U.S. GAAP.

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is,

payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The boards together have consulted extensively with interested parties throughout the life cycle of the revenue project, seeking public comment at each stage of the development process and further refining their proposals in response to that feedback. In total, the boards received more than 1,500 comment letters in response to their work.

Furthermore, the boards have established a joint transition resource group in order to aid transition to the new standard. Further details about that group will be announced shortly.

Source: FASB website

Malaysian auditors warned over poor record-keeping

Malaysian audit practitioners have been exposed for their lack of proper audit document and working paper keeping, according to the Malaysian Institute of Accountants (MIA) 2009-2013 practice review report.

The MIA said its reviewers found that: "Inadequate attention is given to writing down audit procedures performed, the findings made by the auditor with respect to the sufficiency and appropriateness of the audit evidence gathered and the conclusions reached by the auditor." There were also cases of no audit planning documentation being prepared, despite ISA 300(9) stating that auditors should develop and document an overall audit plan. Additionally, the MIA found a lack of formal policies and procedures on professional independence requirements, noting that period written representation from professional staff would facilitate more effective monitoring of compliance with the independence requirements.

The report also found that partners' involvement in the audit at the planning stage was often not clearly evident, and firms were not maintaining any record on professional development for professional staff. There was also no documentation on staff performance evaluation.

The purpose of the MIA report was to identify all weaknesses found in the review and look at ways of addressing them.

It featured reviews of 639 firms. Of these just 8% were rated "satisfactory", 48% were rated "assurance to be provided" and 44% required a follow-up review. Of those that had follow-up reviews, 50% failed the second time, and were referred to the investigation committee.

Source: MIA website

ICAI committed to help the government towards implementation of GST in India

Excerpt from ICAI's President's, June 2014 Message

"You would agree with me that one of the biggest taxation reforms in India-the Goods and Service Tax (GST)-will integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger besides boosting tax collections. It is estimated that India will gain \$15 billion a year by implementing GST as it would promote exports, raise employment and boost growth. As such, implementation of GST is high on the new government's agenda. The Indian accountancy profession is convinced about the immense benefits of GST and is committed for its smooth roll-out and implementation.

In a recent meeting with the CBEC Chairperson Ms. J. M. Shanti Sundharam, we offered our support to the Government in clearing the path for implementation of GST in India. We proposed to organise training and awareness programmes for Excise and Service Tax officials across the country. She appreciated our concerns and asked us to conduct awareness programmes on GST in various states.

We also submitted a representation to introduce Service Tax Audit to ensure better compliance by the tax payers."

Singapore deepens commitment to boost audit quality

Singapore's audit regulator, the Accounting and Corporate Regulatory Authority (ACRA) has accepted an invitation to join the Investor and Other Stakeholders Working Group (IWG) of the International Forum of Independent Audit Regulators (IFIAR). The IWG consists of audit regulators from Canada, France, Japan, Korea, Netherlands, United Kingdom and United States, and engages investors and other stakeholders with a view to improve audit quality.

MGI ASIA NEWS

MGI Asia sponsors the Asia Tax Forum for the 2nd year

MGI Asia was a supporting organisation at the Asia Tax Forum 2014 organised by International Tax Review. The forum held on the 7 & 8 of May in Singapore attracted around 120 tax professionals from around the region.



With a theme “*Dealing with a New International Tax Environment*” many hot topics from transfer pricing to China’s VAT reforms, to indirect tax to dispute resolution and anti avoidance was discussed. There were also country specific sessions on China, Hong Kong, Korea and India



MGI Asia sponsored the 2nd session on Day 1 on *Transfer Pricing: How developments in related party transactions will affect companies*. Our member from S R Dinodia, Mr. Pradeep Dinodia was the moderator for the session and Mr. Dickson Leung from Lehman Brown was one of the speakers. The other speakers from industry were Aashish Poddar of Piramal Enterprises, Sam Sim of Standard Chartered, and Andrea Tolley from Schneider Electric. Our member from MGB & Co, Jeenendra Bhandari was a panellist on the session on “*India: What a new national government will mean for tax and taxpayers.*”

MGI Asia was also well represented by its member’s at the conference. We had members from our firms in Singapore, Malaysia, Philippines, China & India (New Delhi & Mumbai). All in all 9 MGI representatives including the Asia ED were present throughout the 2 days flying the MGI flag



MGI got a good coverage and promoted its thought leadership on tax. The main take away from this was that many delegates realised that small medium practises specifically MGI are just as able to provide technical advice and service as the big firms.

Showcasing Asia at Europe meetings

Dickson Leung & Assan Massod attended and made presentations at the Mediterranean Circle meeting in Milan in March & the European Area meeting in Berlin in June respectively. Ken Yeung from Hong Kong was also in Berlin. It is indeed great to see Asia members actively present in the global arena.



Dickson presented on “European company Doing Business in China”



Assan presenting on the “Singapore Business Advantage”

MGI ASIA MEMBER NEWS

Hanmi surprises the market

Hanmi Accounting Corporation and Dongbu Securities a joint consortium was appointed as M&A underwriter of Dongyang File Co., Ltd. Dongyang File has 47 manufacturing facilities nationwide and under Chapter 11 restructuring plan by bankruptcy court.

Deloitte and PwC competed with Hanmi consortium and the newspapers highlighted Hanmi's success in winning the deal as a surprise. Major newspaper MK said "The selling strategies of Hanmi proved to be more attractive to the bankruptcy court rather than a long track record".

This shows that MGI member firms can and are able to compete with the bigger alliances

The Korean FSS (Financial Supervisory Board, similar to the US SEC) in its official website, ranked Hanmi Accounting Corporation as 10th accounting firm in terms of revenue per CPA, and also 10th accounting firm in terms of average growth rate for the past 2 years.

Dickson Leung successfully elected Vice Chairman of the HK Chamber of Commerce for the coming year

Senior Partner of Lehman Brown, Dickson Leung has been successfully elected Vice Chairman of the HK Chamber of Commerce for the coming year. With 6 years as an Executive Committee member and 4 years as Treasurer, Dickson is looking forward to further supporting and representing the interests of HK businesses in mainland China.

Seiyu Audit Managing Partner appointed auditor for Kyoto prefecture

Managing partner, Yusuke Nakano was appointed as a comprehensive auditor of Kyoto prefecture in 2014 for 3 years. Only a natural person (not corporations) can be appointed to this role

MGI GLOBAL NEWS

McLean Bartok Edwards

Professional Accountants & Tax Advisors

New member in Canada

MGI North America is pleased to announce a new member firm in Vancouver, Canada. McLean Bartok Edwards is a full-service professional accounting firm providing Canadian accounting and tax services to clients throughout British Columbia, Alberta and Washington State.

The firm is committed to providing timely and cost-effective accounting and tax services, with experience in a wide range of business sectors.

rgd revision merger makes 8th largest firm in Denmark

MGI member firm rgd revision merges with Nielsen & Christensen as from 1 January 2014. The merged companies will together rebrand under the name of 'Redmark' and will become the 8th largest certified public accounting firm in Denmark.

The two companies combined will create a competitive accounting and consulting firm with close to 200 employees, of which 33 are chartered accountants and moving forward the company will have office locations in Aalborg, Aarhus, Aars and Copenhagen. The client base remains focused on SME's, however Redmark will also be an auditor for listed companies.

Morten Ryberg, Chairman of rgd revision and key contact for MGI members says *"rgd revision has in recent years achieved a high growth rate in East Jutland, and for us, the merger is a natural step in our ambition to become a national accounting and consulting firm. The merger would give us access to more knowledge and internal specialist departments, which gives us an even better opportunity to address customer challenges. We are looking forward to further developing our common business at the benefit of our customers and employees."*

MGI Latin America announces two new member firms in Mexico

MGI Latin America is pleased to announce two new member firms in Mexico: Valencia Acosta Consultores, S.C. based in Jalisco, who joins as a full member; and Santillán Jiménez y Compañía, S. C., based in Oaxaca, who joins us as an associate member.

Both firms offer a range of professional services in the areas of legal, tax, audit, accounting and

administration, with specialist expertise in the fields of tourism, trade and agriculture. Valencia Acosta Consultores, S.C. has a practice in tax consulting and corporate legal services.

Francisco Gamez Ponce, Circle representative for MGI Mexico, says 'This is an exciting time of growth for MGI in Mexico, extending our reach to a total of 8 firms across 15 cities within Mexico.'

MGI Europe announces a new Spanish member firm



Àmbit Assessor, S.L., which is based in Barcelona, joined the alliance in June 2014

By sharing knowledge, ideas, techniques and solutions with other MGI members the firm is hopeful that it can improve its service offering, which includes tax, accounting, consulting and legal services. Collaboration among members within the alliance is proving increasingly important and the Catalan firm is keen to drive forward even more inter-country cooperation.

Zoltán Paksy, MGI European Executive Director, welcomed the firm's arrival and believes it will improve coverage of the important Spanish market. "Àmbit Assessor brings over 30 years of experience in financial and legal services and we believe their involvement with MGI will prove beneficial to both them and the whole group. Their addition further improves MGI's presence in Spain and we hope they will play a key role in this market."

UK MGI member firm CBW launches new corporate finance team

Carter Backer Winter (CBW) has launched a new corporate finance team to be led by Odhran Dodd.

Dodd is a former UHY Hacker Young partner with 15 years experience in investment banking. His real specialism is in selling established profitable companies with retiring owner managers.

Dodd says he relishes the challenge establishing the brand new corporate finance department at CBW.

TIPS & HELP

The Leading CPA

BY ADAM BLITZ

There's been a shift in our industry over the past 20 years to commoditize mainstream accounting services.

While it's important for our clients to understand our offerings and their value, the accounting profession needs a long-term, high-level strategy to continue reaching for new heights in terms of client service. This means no more focusing solely on accounting and tax expertise. These six recommendations for creating top-tier, industry-leading CPA firms are the result of a study done on current and former managing partners from top firms.

Be a problem solver: In his book "The Go Giver," Bob Burg states, "Your income is determined by how many people you serve and how well you serve them." Find out what problems your clients, staff or community have and help build a solution. The solution may not be geared directly around a tax or accounting issue, but if there is a financial solution, the CPA should be involved in ensuring a positive result. To identify potential problems, read the local newspaper business section, trade journals or online news and see how the major issues affect your clients or staff.

Be a role model: Clients seek financial expertise. CPAs need to be modeling behaviors associated with being a financial expert. It doesn't mean white-knuckling the pocketbook; it means having practical, realistic personal examples to share about how you use your time, opportunities and cash flow.

Be a team leader: CPAs typically have multiple teams focused on multiple tasks. Whether it's with your internal staff working to complete a job or with your client and their staff to provide better service, you add value by leading your team. Leadership can take the form of knowledge, experience, attitude or ideas. Whatever your best quality is, give it to your team to help lead them to successful results.

Be objective: In the book "A Whole New Mind," Daniel Pink stated, "Encourage people to look at their lives—in particular their work—and ask themselves whether they would still do what they're doing now if they had 20 million in the bank." This is an incredibly

powerful tool. Be objective with staff to ensure that they are meeting the goals in their personal and professional lives. And if they aren't, question them to help them find their passion. Be objective with your clients to ensure that they are 100 percent on board with their major investments. And if they aren't, challenge them to mold their projects into their passions.

Be a communicator: The next time you consider writing a long email to a client or a colleague, consider picking up the phone instead, or even better, invite them to lunch or coffee. Change, advancement, collaboration and development rarely occur through passive mediums (such as email). It happens via face-to-face interaction. Find the mode of communication that works best for you and have others join you in those mediums.

Be a teacher: This goes for both staff and clients. Staff training is obvious, but it needs to be ongoing through the many phases of an employee's career. Teaching clients when to counsel an accountant and how to recognize positive and negative business signals will create a more fluid, profitable relationship for both of you.

The leading CPA changes lives. It's about making others better than what they were before. As a CPA, you have the opportunity to build a better future. Being a leading CPA is about taking all those hours you spent in accounting, tax, audit, financial analysis and economics courses and applying this knowledge to make your community a better place for your children to live. Go out today, and start making a difference.

Adam Blitz, CPA, is a manager at [Wiebe Hinton Hambalek LLP](#) in Fresno, Calif.

How to Discourage Your Accounting Clients from Price-Shopping

BY MARY ELLEN BIERY

Do clients ever tell you they've priced-shopped your services? Do they ever leave with no explanation, maybe because they were price focused? Or are you worried you'll have to lower your prices or continue to forego increases in order to retain good customers?

An effective way to insulate your accounting practice from pricing pressures is to develop deeper

relationships with your clients. Clients want to do business with trustworthy, transparent accountants whom they like and who genuinely understand them. If nothing sets the relationship apart, clients will often opt for the lowest price—an issue that may contribute to the commoditization of certain services offered by accounting firms.

Tommy Spaulding, a *New York Times* best-selling author, executive coach and leadership consultant, recently said during a [webinar](#) hosted by Sageworks that to build lifelong, loyal customers, accountants must go beyond niceties and forge personal and professional relationships that invest unselfishly in others.

Spaulding, who is also president of Spaulding Companies Corporation, shared that accountants can not only transform their client relationships but also transform their entire practices by incorporating simple actions that display a desire to help people and to understand their needs.

"In your business ... in the old days, you just had a bunch of accountants who did all of the work in their cubes and their offices, and they never really interacted with their clients," he said. "They just did the work and submitted the work to the clients, and you had probably business development people or senior partners that were very connected in the community and that would bring in business."

"There's not an accounting firm in the world that operates that way now," he added. "Now every CPA, every accountant, every person in the office is in the community, serving on boards, networking, building relationships with your clients and customers, interacting with them, being out of the office and bringing in business."

Accountants must understand the "power of servant relationships and the power of building relationships that are deeper than just networking," Spaulding said. These relationships should be based on reliability, credibility and a selfless orientation.

One example of doing this provided a powerful anecdote during Spaulding's webinar. He recalled a contact at a large accounting firm who learned during a business dinner about Spaulding's young son's love of hockey. On the son's birthday, the boy received a package containing a thoughtful note from the contact, along with the gift of a cherished hockey puck signed by Hockey Hall of Famer Bobby Orr.

The contact, Spaulding said, "found a way to connect with me on an emotional level" via his son's love of

hockey, and because of that, Spaulding will always consider that relationship to be special. To start this transformation, accountants should look for ways to talk with clients about the things that matter most to them.

“Next time you’re taking a client to lunch or meeting at the office, tell them, ‘We’ve been working together for a while; tell me more about you,’” he said.

Asking where someone went to school, for example, where they go on vacation or what they like to do for hobbies is a way to begin a more meaningful conversation and to open a door to sharing a little more about yourself so that the relationship is deeper, Spaulding said.

“Focusing more on the quality vs. the quantity of relationships is where you will see your business grow, and you will be a lot more, happy personally,” he said. He recommends that accountants work toward developing five to 10 relationships in which they know the person so well that they can share not only emotions and feelings, but also values and a high degree of openness.

“It’s the little things that we do,” he said. “Really listen to people and how you can serve them. Move away from the traditional birthday, thank you cards, holiday cards. Everybody does that. How can you do special things like this guy did for me?”

Accountants don’t have to be extroverts to put this guidance into practice either, Spaulding said. “These types of relationships can be built by anybody,” he said. It simply takes a willingness to look for opportunities to take relationships that are now “transactional” in nature to a different level.

And it shouldn’t just be partners working on this. Each person needs to find a way to invest himself or herself in the community and to work toward building deep, meaningful relationships with a small group of people, Spaulding recommended.

“Every single person in the firm needs to be an ambassador of building authentic relationships,” he said. “Having just a few people doesn’t build a great culture.”

Why Should Accountants Specialize?

BY MARY ELLEN BIERY

Many accounting firms believe that in order to generate as much business as possible, they must be generalists.

They may prefer to focus on a handful of industries or offer a narrower range of services, but they worry that doing so will cost them revenue and financial security.

As a result, when it comes time to tell prospects what sets the firm apart, these accountants may say, “We offer excellent, personalized service,” or “We have decades of experience in a variety of industries.”

These pitches may work for some clients, but imagine being able to say, “We’re the only accounting firm in this city that specializes in restaurants,” or “We specialize in providing succession planning to physicians.” In many cases, having an expertise can actually make it easier for you to generate leads.

Jean Caragher, contributing author of *“Bull’s-Eye! The Ultimate How-To Marketing and Sales Guide for CPAs,”* and president of Capstone marketing has identified several advantages in generating leads that can be tied to specialization, including the following:

- You can focus your marketing dollars on specific niches rather than taking a “shotgun” approach that spreads thin both you and your resources
- You can use basic market-research techniques to identify prospects and potential niches (such as industry, sales or number of employees, geographic area), and figure out which is most attractive or attainable.
- You don’t have to let geography limit your practice, so you can leverage your skills and services to build your client base elsewhere. Even if your local community is having an economic downturn, certain industries may be bucking the trend, and you will be better able to follow that business.

Another advantage related to generating new business is that when you focus on a few industries, you can join trade groups for those industries and focus your networking efforts on meetings or conferences affiliated with those associations. If your specialty is providing accounting for chiropractors, you may be able to meet and reach hundreds of prospects at one meeting.

Compare that to attending a local chamber of commerce function!

Specializing in an industry could also make it easier for you to secure word-of-mouth referrals. Having a specialty label generates a certain level of credibility by itself, and clients who are happy with your services will think of you first when the topic of financial planning comes up at social gatherings or professional events with their peers. You can be seen more as a provider of value-added advisory services and less as a number-cruncher whose services can be obtained from multiple sources.

Once you've chosen a particular industry that you'd like to pursue, you can use sample industry score cards to show prospects you understand their industry and will be able to help them identify where they may be lagging or leading peers. These summary reports can be pulled quickly and make excellent marketing materials to showcase your firm when marketing to prospects—even on short notice.

With access to industry data, accountants can analyze financial performance of an industry and compare it to previous years to identify insights around the industry environment and the challenges prospects in this industry might be facing. This can help you decide which industries might benefit most from your services or which might be more likely to be willing to pay premium prices.

*Mary Ellen Biery is a research specialist for **Sageworks**, a financial information company that provides financial analysis and industry benchmarking solutions to accounting firms.*

MGI ASIA COUNTRY UPDATE



China's Revised Reporting Requirements for International Receipts and Payments (Circular 642)

In November 2013, the State Council announced new reporting measures for international receipts and payments, which will affect corporations registered in China, Chinese residents who have lived in China for over 1 year, and non-Chinese residents.

The aim of the legislation known as "Circular 642" is to strengthen the administration of cross border capital flow, and to ensure reporting obligations concerning foreign financial assets and liability are fulfilled. It has been in effect since January 1st 2014.

Key points from new legislation:

The updated reporting measures covers all economic transactions between Chinese residents and Non-Chinese residents as well as the status of foreign financial assets and liabilities of Chinese residents.

Those affected by the new measures include; natural persons who stay in China for not less than 1 year including (Chinese national and expatriates); Enterprises and institutions (including foreign-invested enterprises, and foreign-invested financial institutions); State agencies, as well as Non-Chinese residents

Chinese Residents

- Chinese resident should report the information regarding international receipts and payments;
- If Chinese residents conduct a transaction with non-Chinese residents through a domestic financial institution, the financial institution should report the transaction to local level State Administration of Foreign Exchange (SAFE) office;
- Chinese nationals with foreign financial assets and liabilities should report relevant information about their foreign financial

assets and liabilities to local level SAFE office.

Enterprises and Institutions

- Foreign-invested enterprises, enterprises with outbound direct investment and other non-financial institutions with foreign financial assets, and liabilities in China, must directly report the foreign financial assets and liabilities and the relevant receipt and payment of profits, dividends and interests to the local level SAFE office.

Non- Chinese Residents

- Non-Chinese Residents undertaking the business transactions in China should report the information on international receipt and payment.

Things to remember for reporting:

- SAFE and its local offices are entitled to investigate and verify the information reported by Chinese residents and non-Chinese residents;
- Failure to perform the reporting obligation, the penalty shall be imposed, i.e. the penalty for a financial institution is no more than RMB300,000, and no more than RMB50,000 for an individual.
- The reporting methods include a combination of indirect reporting with direct reporting and reporting on transaction-by- transaction basis with regular reporting basis.

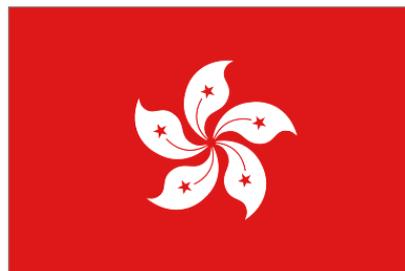
Observations:

Firstly, the status of foreign financial assets and liabilities of Chinese residents must now be reported. Under the old reporting regime, Chinese residents only needed to report cross border transactions with non-Chinese residents.

Second, in general the scope of reporting is being expanded e.g., Non-Chinese Residents undertaking transactions in China should report the information on international receipt and payment.

Thirdly, since the Circular 642 lays down the framework of the new reporting requirements on international receipts and payments, we expect the implementation rules to be released to provide the guidance on details of the reporting items, the timeline and reporting mechanism.

Sourced from Lehman Brown website



Hong Kong Government welcomes IMF assessment commending Hong Kong's well-regulated and resilient financial system

The Government welcomed a comprehensive assessment by the International Monetary Fund (IMF) which commends Hong Kong's financial system as very well regulated and resilient, according to the Financial System Stability Assessment report released by the IMF on May 23, 2014. The report acknowledges that Hong Kong's financial sector is one of the largest and most developed in the world, ranking first in the World Economic Forum Financial Development Index.

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

Economic Situation in the First Quarter of 2014

The Hong Kong Government released the First Quarter Economic Report 2014 on May 16, 2014. Hong Kong's economic growth remained moderate in the first quarter of 2014, at 2.5% year-on-year in real terms, somewhat slower than that of 2.9% in the preceding quarter. Nevertheless, services exports and the domestic sector kept expanding, thereby maintaining the labour market in a state of full employment. The GDP growth forecast of 3-4% for 2014. Underlying consumer price inflation eased slightly further, to 3.8% in the first quarter of 2014, from 4.0% in the preceding quarter.

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

Submitted by Kenneth Chau & Co



Indonesia's Ministry of Industry is considering palm oil export tax system

Indonesia's industry ministry is considering changes to the country's palm oil export tax system. Indonesia's government now sets its monthly crude palm oil (CPO) and palm oil products (olein) export taxes based on the performance of global pricing benchmarks for the previous month.

Southeast Asia's biggest economy - forecast to produce between 28 million and 30 million tonnes of crude palm oil and export around 21 million tonnes this year - introduced a monthly export tax in 1998 on palm oil and its products to guarantee domestic supplies and develop local processing industries. But with palm refining capacity set to jump almost 50 percent to 45 million tonnes in 2014. The industry ministry is looking at offering tax breaks to higher value-added palm products. The government is assessing and evaluating the existing palm oil export tax structure.

Indonesia as the top producer and exporter of the edible oil looks to further promote downstream industries, the world's top producer of palm oil, lowered its export tax for crude palm oil (CPO) to 12 percent for May from 13.5 percent in April. Expectation of the new export tax structure of palm oil and palm oil base products can be imposed by next year. Palm oil is used mainly as an ingredient in food such as biscuits and ice cream, or for biofuel. and removing the export tax on biodiesel, hydrogenated palm oil products and palm meal was one option under consideration.

New CIF terms for Indonesia export

New Regulation of Minister of Finance (MoF) No. 41/PMK.04/2014, that's effective from 1 March 2014, Export Notification documents known as PEB (Pemberitahuan Ekspor Barang), should be completed by an exporter by using CIF (Cost Insurance and Freight) values. Export value is the actual transaction value agreed by an exporter and its overseas buyer. If the agreed term is FOB (Free

on Board) or C&F (Cost and Freight), then the freight value and/or insurance value must be the value determined by the Ministry of Trade. If the agreed term is CIF (Cost, Insurance and Freight), the value of freight and insurance is the value agreed by an exporter and its overseas buyer.

The freight and insurance values under this regulation may not be used as the basis to calculate the Harga Patokan Ekspor (Referenced Export Value) for exported goods that are subject to export duty. According to Regulations of Minister of Trade No. 01-M-DAG/PER/1/2014 and No. 07-M-DAG/PER/1/2014, as amended by No. 13-M-DAG/PER/3/2014, freight and insurance values are as follows:

Transportation mode	Zones				
	ASEAN	Asia / Australia	Africa / Middle East	Europe	United States

FREIGHT VALUE

Sea	1.53 %	2.03 %	4.05 %	5.03 %	55.70 %
Air	6.50 %	8.50 %	12.03 %	18.00 %	19.00 %
Land	2.99 %	2.00 %	-	-	-

INSURANCE VALUE

Sea	0.195 %	0.205 %	0.215 %	0.205 %	0.225 %
Air	0.160 %	0.170 %	0.175 %	0.170 %	0.185 %
Land	0.038 %	0.006 %	-	-	-

Submitted by KAP Basyiruddin Wildan



Malaysia to introduce GST @ 6%

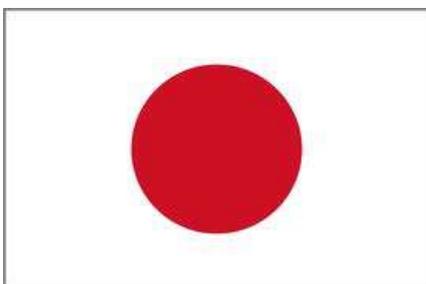
The Malaysian government will be introducing a 6% GST to replace the current Government Sales and Service Tax from 1st of April, 2015.

Malaysian government has long proposed the current Sales and Service Tax to GST as means to reform tax collection in Malaysia. The implementation of GST will eliminate the current tax system weakness in Malaysia.

To ensure a smooth implementation of GST, businesses are encouraged to submit their application for early registration. The Royal Malaysia Customs Department is ready to accept application for registration from 1 June 2014.

For more information: <http://gst.customs.gov.my/en/>

Source Royal Malaysian Customs Department



Consumption Tax

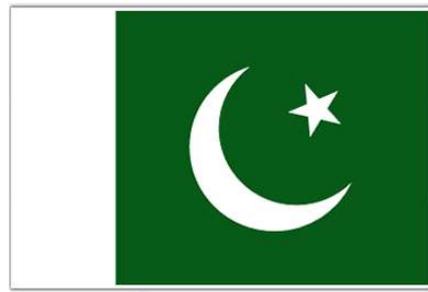
From April 2014 the Japanese consumption tax rate was raised from 5% to 8%. The rate is scheduled to be raised up to 10% in October 2015. The government is still determining the range of goods that will be subject to a reduced tax rate

Japan IFRS

Accounting Standard Board of Japan is going to establish Japanese standards - J-IFRS, which would be carved out from IFRS. This model is to ease the implementation of IFRS and not to avoid the adoption of IFRS

IASB seems to take J-IFRS as a kind of Japanese Accounting Standard.

Submitted by Seiyu Audit Corporation



Federal Budget 2014

The Federal Budget 2014 of Pakistan was announced in the National Assembly on June 3, 2014 with loads of hope from business community for relief, concessions and allowance of non availability of utility and law & order necessarily required to make the growth in economy.

One thing is appreciated in this budget that there is visible difference created with tax rate differential between filer and non-filer persons. One aspect which the Government has overlooked is the evil of whitening the black money through foreign remittance and cover is available in 'undisclosed income' for the same. This should have been done away with.

There are many highlights of the budget which can be found in detail in Ilyas Saeed Budget Memorandum 2014 available on <http://ilyassaeed.com/budget-brief/>

Submitted by Ilyas Saeed & Co



Tax Laws

The Bureau of Internal Revenue (BIR) issued RR NO. 4-2014 on March 20, 2014 prescribing the policies and guidelines in the monitoring of service fees of professionals. Self-employed professionals are required to submit an affidavit indicating the rates, manner of billings and the factors they consider in determining their service fees upon registration and every year thereafter on or before January 31.

The Supreme Court (SC) of the Philippines issued a temporary restraining order (TRO) stopping the BIR from implementing new policy requiring doctors from disclosing their fees to tax authorities on June 3, 2014. On April 22, the SC also issued TRO on the BIR order, but covering only lawyers' fees. Both the Philippine College of Physicians and the Integrated Bar of the Philippines (IBP) filed separate petitions saying that Revenue Regulation 4-2014 titled "Guidelines and Policies for the Monitoring of Services Fees of Professionals" is unconstitutional.

Economy

Philippine economic grew only at 5.7% from the accelerated to 7.2 percent in 2013 despite the impact of Typhoon Haiyan (Yolanda) and other natural disasters during the year. The country's strong macroeconomic fundamentals supported domestic demand and shielded the economy from weakness of the global economy. Target growth is still projected at 6.6 percent in 2014 and 6.9 percent in 2015 depending on the speed and scope of post-Haiyan (Yolanda) reconstruction program.

President Benigno Aquino III and the National Economic and Development Authority (NEDA) board approved nine major projects worth Php62.3 billion under the Public-Private Partnership (PPP) program. The approved projects are aimed at improving the level and standard of service in the water, health and transport sectors, which is part of the updated Philippine Development Plan 2011-2016 towards achieving inclusive growth.

Submitted by Gatmaitan & Associates



Singapore Listed Companies to embrace new financial reporting framework

Singapore-listed companies will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for annual periods beginning on or after 1 January 2018. Chairman of the Singapore Accounting Standards Council, Michael Lim, said that "Singapore has long been an advocate of a single global financial reporting language" and "taking the final leap towards full convergence with IFRS will cement Singapore's standing as a trusted international financial and business centre".