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THE ROLE OF THE ACCOUNTANTS: NEW CHALLENGES AHEAD

ALLAN CHANG

Accounting

A general manager of a large trading company once commented on his accountant: "When I look at you, I see only Dollars and Cents in your eyes". Another unkind word once uttered by a manufacturer of fibre board furniture at a seminar runs like this: "The return on investments of these machines are reasonably good in the long run, but it is damned accountants who like to see only a smooth cash flow." However, the Chief Minister of Sarawak at a dinner organised by the Malaysian Institute of Accountants (MIA) in May 1988 has more kind words to say: "The accountants have a great role to play in nation building with its rapid industrialisation programme, but they should avoid producing too many figures which bore the business even though they would like to see other figures elsewhere."

TRADITIONAL ROLES OF THE ACCOUNTANTS

The accountants have been perceived to be very conservative because of their traditional role in accountability even to the minute cent in order to safeguard the assets of the organisation and to avoid unnecessary risks. This has been their most important role as professionals. Their performance has been measured by their accurate accounting, reporting and enormous savings they can make for their organisation. As the saying goes: "The accountants are damned good for cutting corners."

But all this is changing. The modern roles of the accountants are more demanding and challenging than the traditional ones. This article intends to examine the roles of accountants in nation building and how they could contribute to the nation's aspirations for a Newly Industrialised Country (NIC) status, their role as financial advisor to investors and small businesses (which were traditionally ignored), and the new challenges they will face with the advent of rapid computerisation and industrialisation.

THE ACCOUNTANTS 'IMAGE

The image of the accountancy profession has been tarnished, to a large extent, by the presence of bogus accountants who hold themselves out as so called "accountants" and charge low fees by giving poor services and possibly assisting their clients to make illegal deals or evade tax. Many cash tight or ignorant small businessmen who go for such bogus accountants pay dearly for the misdeeds of these "account-

ants'. The Inland Revenue Department is more careful when dealing with such bogus accountants and usually presses for more details. Such detailed examinations are a nuisance to the small businessmen who usually end up paying more tax. Sometimes the Inland Revenue Department is accused of being too harsh, but in actual fact the bogus accountants are largely to blame for shoddy work. Some businessmen actually blame the accountants as a whole for being unprofessional. If we examine carefully, these are usually the work of the bogus accountants.

The image of the accountants is also tarnished to a certain extent by some ignorant public who refer to people who keep books of accounts and who do accounting work as accountants. These are actually accounts clerks, accounts officers or accounts executives.

It is for this reason that the Malaysian Institute of Accountants is now claming hard on bogus accountants. Under the Accountants Act 1967, a person cannot be called on accountant in Malaysia unless he holds the necessary qualification and experience as required by the Malaysian Institute of Accountants. There are principally seven bodies/degrees recognised by the MIA:

1. The Malaysian Association of Certified Public Accountants
2. The Chartered Association of Certified Accountants, UK
3. The Institute of Chartered Accountants of Scotland, England and Wales, Australia and New Zealand.
4. The Chartered Institute of Management Accountants
5. The Advanced Diploma in Accountancy from the Mara Institute of Technology (ITM)
6. The Accountancy Degrees from University Malaya
7. The Accountancy Degree from University Utara Malaysia

To be a member of MIA, a graduate, whether from a professional body of 1 to 4 above or a university/institute as in 5 to 7, requires a minimum of three years of relevant practical working experience. A person who passes the exams of a professional body is called a graduate member and has to obtain a minimum working experience of three years to become a full (associate) member of his professional body, and could subsequently register as a member of MIA by paying the necessary entry and annual fees. The working experience is similarly required from graduates of Universities or ITM.

ROLE IN ACHIEVING NIC STATUS

Malaysia aspires to be the next Newly Industrialised Country after the four tigers of Asia - Hong Kong, Korea, Taiwan and Singapore. With the available resources

and its strategic position, Malaysia will undoubtedly be the next tiger. The prospect of becoming a NIC provides a challenge for all citizens of this country and it is no doubt that accountants have a significant role to play.

To achieve NIC status, substantial investments to generate new industries and necessary technical expertise must be available. The government in its efforts to create a conducive business atmosphere has provided extremely attractive incentives to local and foreign entrepreneurs. It is expected, therefore, that accountants with their professional skills would be able to identify new business ventures and provide financial advisory services to existing and potential investors.

There are various incentives available and the single most important factor as announced in the recent October 1988 National Budget is the lowering of Corporate Tax rate from 40% to 35% and the gradual abolition of 5% development tax. Other incentives include Pioneer Status, Investment Tax Allowance, Abatement of income for location in a promoted industrial area, abatement of income for small scale industries, abatement of income for compliance with government policy on capital participation or employment, abatement of income for export, export allowances, and additional deduction for promotion of export overseas. The accountants would be in a position to give valuable advice on the forms of incentives available and their financial implication. Being the first person that an investor will consult, an accountant plays a vital role in the current investment drive.

ROLE IN INCREASING PERFORMANCE OF SMALL BUSINESS

It must be noted that few small businesses ever consult accountants for advice. When a business fails, bad luck or lack of expertise or capital becomes the culprit. These failures may be avoided if small businesses have sought advice quickly before the problems become so serious that a closure becomes inevitable. The accountants can help analyse their financial problems with practical solutions. The idea is similar to that of a disease in a human body. If one sees a doctor early enough, one can be saved; but if the disease has reached an advanced stage, one may not be saved.

There are many reasons why small businessmen rarely consult the accountants. Small businessmen feel that they may lose independence which they hold dearly. Secondly, the high consultancy fees deter the small businessmen from seeking advice. In Malaysia, the ignorance of the small businessmen about the accountants' ability to help them may have been the cause of the lack of seeking services from the accountants.

The accountants used to charge a high fee for providing bookkeeping and tax

computation services for small businessmen. A number of small businessmen therefore are dissatisfied with the accountants. A survey conducted by Professor David Back of the Tasmanian State Institute of Technology indicated the following reasons for dissatisfaction with accountants:

Only concerned with tax and/or bookkeeping	58%
Poor service	16%
Does not understand business	22%
Too expensive	4%

From the survey, it can be seen that the majority of those small business interviewed are of the view that the accountants are incapable of giving good advice. However, this may not be the case. An accountant can actually provide much needed advice to businesses which are in trouble. For instance, if a firm is temporarily short of cash, the accountants would be the best person to help as they can analyse the firms current cash requirements and provide a realistic cash forecast. The forecast together with its past audited accounts can facilitate the small business to seek a bank loan or overdraft to tide over a temporary difficult period when it is facing a liquidity crisis.

On the other hand, the above survey has been an eye-opener for many accountants who have all the while been unaware of the special needs of these small businesses. If the accountants could realign their thinking towards meeting the expectations of these small businesses, they can do a great deal to assist to small businessmen. A particularly useful area where the accountants can be a great help is to reduce failures among recently founded firms. The failures are due to the owners inability to cope with the rapid growth of their businesses which consequently imposes a great strain on their liquidity. Profits may be high but with bad cash management, the firm can face a liquidity crisis.

The question now is: Do people, in particular the small businessmen seek help from the accountants? A separate research conducted in Australia by Professor David Back reveals an interesting fact on whether small businesses seek help.

Question: "To whom do you first turn for help?"

SOURCE OF ADVICE	QUEENSLAND	TASMANIA
Accountant	62%	24%
Bank Manager	20%	3%
Fellow Businessmen	6%	3%
Lawyer	5%	1%
No one	7%	50%

The above survey does indicate what most people believe: the practising accountants are by far the most important source of advice to small businesses. In reality, the small businesses first turn to the accountants for help, but later express dissatisfaction because the accountants do not give the advice they require. The practising accountants appear to be either too busy to concern themselves with small businesses or simply ignore them assuming that these small businesses cannot afford to pay for their services. The said survey has indicated otherwise: only 4% of those interviewed felt the accountants charged exorbitant fees. The small businesses may turn out to be a potentially lucrative market if the accountants can change their attitude towards them.

How could the accountants help? Back believes that if the accountants can improve their quantity and quality of advice, an increased performance from the small business sector can be achieved. The small business sector, an important part of the national economy, contributes tremendously towards the gross national income. Back believes that if the government can provide financial assistance to this sector, its performance can be greatly improved with the added help from the accountants.

Research done in Australia reveals another interesting fact: Firms more than five years old tend to consult their adviser and those less than five years do not. As a member of the accounting profession, I do believe that those who seek advice survive. It seems that when clients get to know their advisers better, they feel less threatened. Nevertheless, it can be concluded that there is indeed a great potential for improvement in the performance of the small business sector through the accounting profession: there is increasing evidence to suggest that many small businessmen see their accountants as a major adviser on all aspects of business.

COMPUTERISATION: CHALLENGES FOR THE ACCOUNTANTS

Rapid advances in technology has a great impact on everyday life. The advent of computerisation means new challenges for everybody: accountants, managers and entrepreneurs. Computers are gaining popularity fast, and it is the in-thing in modern businesses, large and small alike. The computers save time, money and energy for the managers and accountants. Consequently information can be obtained more speedily, accurately and cheaply.

The accountants have to adjust and adapt themselves to this modern trend and to use this important tool in order for businesses to survive and prosper in this competitive world.

For the accountant the modern threat is that the predominantly bookkeeping function is gradually taken over by the data processing department. But this is

good. The accountants have to adjust themselves to become designers and operators of accounting systems rather than processors of data.

This is the new era evolving steadily, and the accountants no doubt face a rather challenging task ahead.

However, the modern accountants are well prepared to take up this challenge. Almost every professional examination is now structured to cater for this modern necessity. Subjects such as data processing and system analysis and design have already been incorporated in the examinations of the Chartered Association of Certified Accountants, U.K., the Chartered Institute of Management Accountants, UK, and the Malaysian Association of Certified Public Accountants. The increasingly difficult exam questions reflect the demand these professional bodies placed on the modern accountants.

The rapid advances in information technology have affected the qualities and skills of present accountants and managers. It is increasingly difficult for them to keep up with those rapid changes. Computers, for instance, are presently in the fourth generation and scientists are experimenting with the fifth generation computer with artificial intelligence. Accountants, therefore, have to learn new skills and adapt to the new area.

Computer are used not only as data processors but as corporate strategies. Many large firms are increasingly using computers to plan ahead and to map out strategies for corporate growth through takeovers and business combinations.

MICRO COMPUTERS AND THE SMALL BUSINESS

An interesting recent development has been the emergence of small but powerful micro-computers. These small "brains" have, in fact, revolutionised business and administrative life and have had a major impact on social structures. They have also had profound effects on many professions: teaching, engineering, medicine, etc. From the business point of view, perhaps the greatest impact is that it has put Management Information System within the reach of the smallest business. This change has forced the accountants to think seriously about the information need of the small businesses.

MALAYSIAN ENVIROMENT

Looking at the local industries today, accountants are concerned with four levels of computer applications:

- (i) *Data Processing*
- (ii) *Accounting Information System*
- (iii) *Auditing*
- (iv) *Management Information System embracing Decision Support System*

In Malaysia, throughout the 1970's the main thrust in system development was "computerisation". It helped to improve a company's image since it was seen as progressive.

The accountants will no doubt have to keep pace with these rapid advances in technology if they are to stay on top and bring honour to their profession. This represents a tremendous challenge to them, as they must constantly update this knowledge and improve their professional skills. For instance, the Malaysian Institute of Accountants has initiated a series of evening talks and seminars for its members as part of its contribution to the accountant's need for continuing professional education.

ROLE IN NATION BUILDING

The accountants occupying a central role in all economic and business activities must be able to adapt themselves quickly to the changing circumstances to meet the modern needs. A reevaluation of their role is necessary in order that they can contribute effectively towards the nation's aspiration of becoming a Newly Industrialised Country.

The accountants, in my opinion, play an important role in meeting the multifarious needs of society and in revitalising the economy of the nation. Tremendous challenges await the accountants and the future holds great potential for them to contribute towards achieving the nation's economic goals.