

grant thornton focus

Keeping you updated on current issues

Shamsir Jasani Grant Thornton 

Contents

- 1 The Importance of Wellness
- 3 Understanding Deferred Tax: MASB 25
- 3 ICAEW Malaysia... adding to quality
- 4 Global New Markets Guide 2004 Launched

De-Stressing Life! Slowing Down to Run Faster

The Importance of Wellness

Gilly Chater
Guest Writer

We are almost halfway through another year and do you wonder how easy or difficult it will be to achieve and sustain work/life balance?

A visit to Hong Kong earlier this year re-enforced what so many people are faced with in their life today – work/life balance. Almost every business newspaper or magazine, even TV programmes are featuring articles of how we can manage the stresses in our lives. What if we discovered how we could live a **stress free** and balanced life and yet not have to opt out of the work we enjoy? Do we have to wait until we become physically ill before we get the message?

When I look at how I used to manage my life I thought I was doing pretty well. Totally committed to a business I co-founded, dedicated, loyal and proud of the long hours I worked. I validated this by producing new products for our business and believed the only way I could achieve this was to work late into the night at my home. Then someone said something to me one day. From their perspective I was a workaholic. I couldn't talk anything but business and appeared like a wound up machine ready to



Gilly Chater
Guest Writer

explode. This was a shock. I thought I was just passionate about my work and happy. Others who I worked with would tell you a different story.

My life started to change when I had an insight about how much I worried. I never thought of myself as a worrier. I was not one of those people who lay awake at night unable to sleep because of so many things on my mind, but I did realise my 'worry' thoughts were based on the past or future in a negative way – all my "baggage". When I had those thoughts I recognised my feelings were ones of resentment, anxiety, anger, fear or other similar unhealthy feelings.

We can't manage stress, but there is a cure for stress.



At this time I was researching new material for our leadership programmes and was visiting an organisation in La Conner just north of Seattle. I was introduced to something “new” to me – that it was my thinking that was creating my life experiences from moment-to-moment. Instead of me thinking that it was all the events and situations that made me feel stressed, it was just the way I thought about them. And the more I had the upsetting thoughts the worse I felt. My insight was, that if I stopped thinking about my thinking and distracted myself, life changed around me.

A colleague shared how this understanding helped him when he was made redundant. He said to me: “I know that I don’t have to get stressed no matter what happens around me. Even better than that, I understand that **‘There is no such thing as a stressful situation!’**”

Let’s look at an example of how two managers handle “stress”. John and David are colleagues. John always seems to be in overload, has difficult staff and worrying about things that may happen to the business. David doesn’t seem to have this problem at all. This puzzles John, since he knows that he and David have similar workloads, staff and responsibilities for the business. How does David handle everything with such ease? John is always stressed, but David is usually calm and seems to achieve far more. How

can David not worry? From John’s perspective, there are so many things to think about.

What is the source of stress? Is it the workload and the people? How could it be the workload and people that cause stress, since there are any numbers of possible reactions to the scenario described above? What is the difference between John and David? The simple difference between these two people is how seriously they take their thinking. David lives in the present and is able to focus on the task at hand without letting all the other ones get in the way – the result? He has found a different definition for multi-tasking. He accomplishes more and is able to truly listen to his staff and assist them to find the solutions rather than having to do it for them.

What we are saying here is that we really can’t manage stress, but there is a cure for stress. What we can do is manage our thoughts. Stress is an internal experience, which happens to people when their thinking turns to stressful thoughts regardless of the present circumstances. Understanding better the role and power of thought - the fact **that** we think, rather than focusing on the content – **what** we think, frees people from feeling victimised by their circumstances and empowers them to see beyond the “stress” in their life. John is easily distracted by interruptions of all sorts and never seems to get on top of things. He spends a lot of time thinking about

the overload and may experience headaches, irritability etc. He hasn’t discovered yet that when he is in a calm state of mind life flows and he has all the time in the world.

We can read a myriad of books on work/life balance. We can list the prescriptive advice we have been given to achieve wellness and true balance. What we haven’t learned are the underlying dynamics of human functioning that is common to all human beings regardless of culture, intelligence, age or background. The simple but profound understanding is insight-based, and shows how everyone has the ability to access his/her innate wisdom and common sense. By understanding it is the quality of our thinking that determines whether we live a healthy and productive life or not, this simple but profound approach is the key for any leader to achieve and sustain high performance, without burn out. It is essential for all leaders to be living from a state of wellness, to make healthy choices for themselves, so that they can truly be a role model and assist others.

©Sagacity Limited – Wisdom at Work™.
All rights reserved.

Gilly Chater is an experienced facilitator and executive coach in the field of leadership and change. Since 1989, she has provided numerous leadership and change programmes for leaders and their teams. She also coaches senior managers of different nationalities who are based in Europe, Asia and the Pacific countries.

Understanding Deferred Tax: MASB 25

Ooi Soon Kiam
Technical Adviser

Deferred taxation has been, and remains, a contentious and controversial accounting issue for more than half a century.



The introduction of MASB 25: Income Taxes (within the Financial Reporting Act 1997) which deals with deferred taxation, effective 1 July 2002, has received mixed reactions with respect to recognition, measurement and disclosure of deferred taxes.

Undoubtedly, there are some theoretical underpinnings to the standard but its operation and application reflects the real tax consequences faced by the companies affected. Crucial in this regard is to note that the current and future tax consequences arise from:

- the future recovery (settlement) of the carrying amounts of assets (liabilities) that are **recognised** in the company's balance sheet; and
- transactions and other events of the current period that are **recognised** in a company's financial statements.

Hence, elements foreign to the present framework will not be recognised but will be disclosed as reconciling items within the financial statements as and when they occur.

Consequently, it is observed that the standard does not allow the recognition of deferred tax assets that arise from the various forms of tax incentives provided under the tax laws as these incentives are in the first place outside the framework of financial accounting and reporting. It may not be meaningful to recognise a tax asset when an expenditure incurred qualifies for additional deduction from a tax perspective as doing so would require the expenditure incurred to be recorded at more than its true costs in the financial statements.

Further, no deferred tax asset should be recognised from amortisation of negative or positive goodwill, and on

initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of transaction affects neither the accounting profit nor taxable profit (tax loss).

Another significant change brought about by MASB 25 is the comprehensive recognition of all deferred tax assets (with limited exception as mentioned earlier) and all deferred tax liabilities. The recognition of deferred tax assets is no longer subject to the test of "reasonable certainty" but merely a "probable test". This is in line with the test applied for recognition of all other assets and liabilities in general. Consequently, upon this change, it is observed that some companies are materially affected. Does this amount to fuzzy accounting? The answer is no!

continue...page 4

ICAEW Malaysia...adding to quality



Dato' N K Jasani
Managing Partner

For a baby who took its very first steps back in early 2002, the Malaysian chapter of the Institute of Chartered Accountants in England & Wales (ICAEW) has certainly grown in leaps and bounds.

Launched on 18 July 2002, ICAEW Malaysia boasts 750-plus members in the country, many of whom are the cream of the crop in the corporate world. On the international front, ICAEW is the largest accountancy body in Europe with over 125,000 members.

Led by its Founding Chairman, YBhg Dato' N K Jasani, who is also the Managing Partner of Shamsir Jasani Grant Thornton, the Malaysian chapter forms a united voice to represent all ICAEW members in Malaysia at key professional and economic forums.

A month from now, ICAEW Malaysia will be launching its ACA Programme in the country, with the course being exclusively offered at Sunway College. With this launch, the chapter hopes to continue training top-notch individuals for the profession.

Global New Markets Guide 2004 Launched



Launched around the world on 24 May 2004, the Global New Markets Guide 2004 highlights how more than half of all global new markets are merely existing without much of a purpose, some failing to attract companies and funds altogether. There are presently 38 new markets in existence around the world.

The launch has been very well received in Malaysia with the story being picked up by various major newspapers and financial journals in the country.

In conjunction with the launch, our Malaysian firm organised a joint seminar entitled "Towards A Successful IPO" with renowned stockbroking house, OSK Holdings Berhad where key clients considering public listing were invited. Fundamental findings from the Guide were also presented at the seminar.

A copy of the Guide can be viewed or downloaded from our website at www.gt.com.my.

Understanding Deferred Tax: MASB 25

continue from page 3...

To the extent that the carrying amounts of assets and liabilities in the books of a company differ from the tax bases of these assets and liabilities, future recovery (settlement) of these assets (liabilities) will attract or reduce tax in the form of current taxes then (i.e. future tax consequences). Hence, the tax burden (relief) arising from past transactions or other events which existed at the balance sheet date must be recognised. Failure to do so would be tantamount to penalising future shareholders for the benefit of current shareholders.

Another contentious area introduced by MASB 25 is the recognition of deferred tax asset on account of the unused tax losses. The standard only requires a 'probable' test with some degree of prudence for its recognition. Nevertheless, the standard has also provided sufficient checks and balances to ensure that the tax assets recognised thereupon are reviewed annually for impairment. Recognition, however, would require evidential support in the form of management plans and projections on future profitability (not three to five years), based upon the average lives of the operating assets in use.

Deferred tax assets and deferred tax liabilities, as the name implies, are about taxes recoverable and taxes payable in the future which arose from past transactions and events. An unresolved issue remains: Should these deferred tax assets and deferred tax liabilities then be discounted to its present value at the date of reporting? The arguments for and against discounting are equally cogent, and the MASB has taken the stand that for now they should not be discounted.

In conclusion, the standard has addressed a number of issues not previously addressed in the old standard with respect to future tax consequences arising from past transactions and events which are within the reporting framework. Further, the standard has also addressed the implications arising from good corporate governance through the requirements for more detailed disclosures with respect to current and future tax consequences.

Mr Ooi Soon Kiam is a member of ICA Canada and MIA and was the first Technical Director of MASB. He has many years of working experience as an educator in both public universities and private education institutions. He has also acted as an economic and financial consultant to local governments, public listed enterprises and international agencies.

Shamsir Jasani Grant Thornton

For any enquiries, please contact your local Grant Thornton office.

KUALA LUMPUR

Ms Janise Lee
Mr Hooi Kok Mun
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
T (603) 2692 4022
F (603) 2691 5229
E sjgt@gt.com.my

KUANTAN

Ms Han Siew Bueh
A-105A, 1st Floor
Sri Dagangan
Jalan Tun Ismail
25000 Kuantan, Pahang
T (609) 515 6124
F (609) 515 6126
E info@sjgt-ktn.com.my

PENANG

Mr Adrian Lee
58-A, Jalan Cantonment
10250 Penang
T (604) 226 1852
F (604) 226 1873
E info@sjgt-pg.com.my

JOHOR BAHRU

Mr Tommy Leong
Unit 29-04B, Level 29
Mailbox 227, Menara Landmark
12 Jalan Ngee Heng
80000 Johor Bahru, Johor
T (607) 223 1848
F (607) 224 9848
E info@sjgt-jb.com.my

Grant Thornton Focus is published as a service to our clients, associates and other interested parties. Please be advised that the information contained herein is for general guidance only. Any reader intending to base a decision on information contained in this publication is advised to consult us before proceeding.

Editorial & Design: Venica Soo

© 2004 Shamsir Jasani Grant Thornton
Malaysian member of Grant Thornton International
www.gt.com.my