

# Implications of the AEC to the accounting industry

Is the accounting industry aware of the AEC's impact to its sector and how well prepared are accountants for the impending integration?

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Being one of the founding countries of ASEAN in 1967 and taking the chair next year, along with the ASEAN Economic Community (AEC) that is expected to come into effect by year end, 2015 will certainly be an interesting period for Malaysia.

Aiming to create a single market and production base for all 10 member states, the idea is comparable to the preliminary days of the European Union's single market system. Set to remove barriers for trade in goods, investment, skilled labour services and free movement of capital besides standardising technical rules and regulations, including speedier customs clearance of goods, the AEC is an integral part of the ASEAN Community that includes two other pillars which is Political-Security and Socio-Cultural.

Nonetheless, with the globalisation phenomenon taking effect in our border-less world today, accountants should always prepare to equip themselves with knowledge to counter new challenges that are set to arise not only from next year's ASEAN integration but other issues that are resulting from the evolution of business.

"The shared vision of these countries is clearly important. Like all economic unions, this is vital. It also has a clear vision for future development with a target that the AEC is established in 2020. The leaders have affirmed a strong commitment to accelerate the establishment on an ASEAN community by 2015 and this looks to be on track," says ACCA Executive Director-Markets, Stephen Heathcote.

He adds: "ASEAN has to continue to focus on narrowing the development gap across the ASEAN member states and work towards sustained prosperity and achieve higher levels of economic dynamism and vibrancy."

Even with the different level of economic development of the 10 ASEAN countries, the ASEAN network was able to collectively be placed as the seventh largest economy in the world, with a joint GDP of USD2.5 tril (RM8.1 tril).

Statistics from the Ministry of International Trade and Industry Malaysia have shown a total of 600 million people with rising per capita income of USD3,800 in 2013 while Malaysia has a global trade of 27% (RM374.7 bil) which boost the possibilities and employment opportunities for specialised skilled labour such as engineers, tech-



Johan Idris



Sridharan Nair



Stephen Heathcote

nicians, financial analyst and accountants as ASEAN companies expand into Malaysia.

According to PwC Malaysia managing partner Sridharan Nair, accountants are expected to gain from ASEAN economic and corporate growth, brought about by the rise in regional trade, investment and prosperity. From 2010 to 2011, Malaysia enjoyed double digit growth (10.3%) in trade with ASEAN countries.

Amongst ASEAN nations, Malaysia is the second largest foreign investor in the region after Singapore, averaging USD2.7 bil per annum from 2010 to 2012. MNCs will also need help as they invest and establish regional centres to tap on the growing market region. This is also supported by the Economic Transformation Programme initiatives to turn Malaysia into a regional center. As companies grow in size and complexity due to regional expansion, they will need to address new governance, controls, compliance and risk issues. Companies will also look to accountants to save costs, increase efficiencies and harness group synergy across different countries.

"The free flow of goods and services under AEC could result in certain countries losing tax revenue, so governments may impose tighter measures to curb companies from moving profits across the region. If that happens, busi-

nesses will also need advice on transfer pricing issues," remarks Sridharan.

He adds: "While all these represent opportunities, it also means that accountants in the region will need to scale up, learn how things operate in different markets and use new tools and IT systems to manage operations from multiple locations. Communication skills and project management ability will also be required to help coordinate operations across the region. Accountants that will be most in demand and successful will be those who can successfully operate in a more diverse, multi-market and multicultural work environment."

As AEC steps closer to its formalisation date, it is essential to maintain its momentum and to generate a deeper awareness of its fundamental messages and vision towards fostering a greater appreciation for the potential benefits of its implementation. The core challenges facing ASEAN in following the road map to AEC is one of education, as many professional accountants are still only passingly familiar with the AEC blueprint as it applies to them.

Addressing the issue, Heathcote admitted that lack of awareness with any political and economic drive is of natural concern. However, he went on, that lack of awareness can sometimes be attributed to lack of interest.

"Very often, economic development is seen as something that happens in the background, and is often the exclusive reserve of specialists. It is something that can be taken for granted but ultimately, if people feel the benefit of economic growth, then the AEC will have served its purpose."

KPMG Malaysia managing partner Johan Idris believes that ASEAN nations will need to prepare for the changes that will happen and plan how best to embrace them.

"In general, businesses need to understand the implications the AEC have on their operations, and then take advantage as best they can of opportunities arising from the intensified movements of goods, services, capital, investment, and skilled labour."

Johan points out: "A report by the Asian Development Bank found that 55% of businesses in ASEAN are not aware of AEC. We are of the opinion that in Malaysia, more should be done to raise the level of awareness in general, and on the benefits to be reaped from collaborating rather than competing for market share in the same industry."

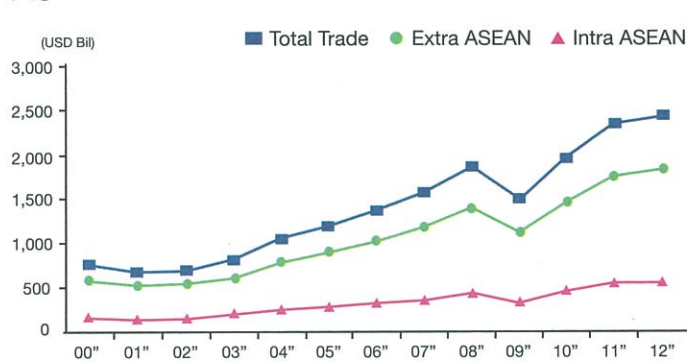
While sharing similar overall cautious outlook, Sridharan remains positive on the role of the AEC as a catalyst driving economic growth in ASEAN.

"A recent survey by the American Malaysia Chamber of Commerce found that 52% of respondents believe that ASEAN will not reach its AEC goals until 2020 or later. As a conclusion, only half of the companies have pulled together a regional ASEAN strategy which addresses AEC goals. However, the survey also found that 81% of the respondents feel that integration is crucial in boosting the footprint of their businesses in the region," Nair says.

ACCA is doing its part in pushing the AEC agenda forward by working closely with national accountancy bodies in ASEAN nations as well as other governmental bodies to ensure better collaboration and best-practices, sharing in the development of both the accounting profession as well as in the grooming of professional accountants.

The global body is confident that the ACCA's syllabus and Continuous Professional Development offerings are keeping pace with these changing demands, ensuring that its students and members remain at the cutting edge of the profession and are always in demand by employers across all industries and national borders. ■

## ASEAN: Trade in Goods



Source: Ministry of International Trade and Industry (MITI)