Examinations Scheme & Reading Lists

MALAYSIA VARIANT

Foundation, Professional I and Professional II Syllabuses

2006
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1. Notes and requirements in respect of the Examinations

Entry to the Examinations

The examinations are held on the last consecutive Wednesday/Thursday of May and November each year.

Entry forms are sent to all registered students at least 3 months prior to the examination dates. Examination entries must be submitted by 1 April for the May examinations, and by 1 October for the November examinations.

Examination entries from students whose accounts are in arrears will not be accepted.

Progression

All subjects in a Module must be taken together at the first attempt. Candidates must actually attend all subjects at the first attempt. Being absent for one or more of the subjects will mean a candidate must take all of the subjects again.

Individual passes in the Foundation examinations will be credited but all three subjects in Module A must be passed before proceeding to Module B. Both modules of the Foundation Level examinations must be completed within three years of registration as a student.

Individual passes in the Professional Level I examinations will be credited but all three subjects in Module C must be passed before proceeding to Module D. The Professional Level I must be completed within six consecutive examination diets of completion of the Foundation Level. Both modules of Professional I must be passed before proceeding to Professional II.

When entering the Professional Level II examinations, students can opt to take either Module E or Module F in any order (two papers) in one sitting, or students also have the option of taking Modules E and F (four papers) in one sitting. There is no time period in which a student must complete the Professional Level II examinations.

Referred Papers

At the Professional II stage, referrals may be granted only when a candidate takes Module E and Module F together. If a candidate passes one paper in Module E and one paper in Module F the papers are retained as passes. The two failed papers must be taken together at consecutive examination diets until passed. Alternatively, should a candidate pass three papers and obtain between thirty per cent and thirty nine per cent in the failed paper, a referral for the failed paper would be granted. A candidate must attempt the referred paper at consecutive examination diets until it is passed.
2. Examination Structure

Educational Objectives of the AIA Programme

The Examinations comprise sixteen three hour papers arranged in two modules of each of the three stages: Foundation, Professional I and Professional II.

At the Foundation Level there are six papers covering eight core topics which provide essential underpinning for the study of accounting within an organisational context. The requirement of this level is to ensure that candidates have a practical understanding of the techniques, principles and knowledge which will form the basis for further study of accounting. Success at this level also demonstrates an ability of candidates to apply their knowledge in the workplace in controlled, supervised and routine situations.

The Professional Level I stage is characterised by developing the range and depth of professional accounting studies. Significant technical development of professional knowledge and skills are acquired at this stage; but this is now set within an increasingly analytical and critical framework, and a less certain environment. Professional Level I tests and examines the technical skills promoting a platform for further development at Professional II.

Professional ability is the key to Professional Level II. Current professional issues and an ability to deal with professionally complex and demanding situations are developed, set within a framework testing application and evaluative skills in an uncertain environment.

Foundation Level

Module A                                   Module B
1 Financial Accounting I                   4 Law
2 Economics                                5 Auditing and Taxation
3 Cost Accounting                          6 Information Processing

Professional Level I

Module C                                   Module D
7 Auditing                                10 Business Management
8 Company Law                              11 Financial Accounting II
9 Management Information                   12 Management Accounting

Professional Level II

Module E                                   Module F
13 Financial Accounting III                15 Professional Practice (Auditing)
14 Financial Management                    16 Taxation and Tax Planning
3. Inter-relationships of subjects

Subject Themes developed within the AIA Programme

There are several core areas of subject expertise systematically developed within the Association’s curriculum. The intended outcome of these various core areas is the development of a professional accountant with an appropriate range of technical, intellectual, personal and business skills, an ability to apply these skills and an awareness of the need to maintain and exemplify professional and ethical standards.

Professional accounting practice is the major theme. This is developed through the study of Financial Accounting and Auditing in all three levels, and the study of Taxation in the first and final level. The study of Law, essential for professional practice, is also included within this major theme and is examined at two stages.

A professional accountant’s contribution to business operations is developed through the study of Cost Accounting and Management Accounting and Financial Management. These three subjects are successively studied in the three levels of the Association’s examinations. This strand of the qualification curriculum is supported by the study of economics and business management and quantitative methods.

An ability to recognise and apply the potential of communication and information technologies makes an essential contribution to the work of the professional accountant, whether in professional practice or in a business accounting function. This subject is introduced and developed at two levels within the curriculum.

The linking together of the various subjects is shown below in diagrammatic form.

Foundation Level

1. Financial Accounting I
2. Economics
3. Cost Accounting
4. Law
5. Auditing & Taxation

Professional I

6. Information Processing
7. Auditing
8. Company Law
9. Management Information
10. Business Management
11. Financial Accounting II

Professional II

12. Management Accounting
13. Financial Accounting III
14. Financial Management
15. Professional Practice (Auditing)
16. Taxation & Tax Planning
4. Syllabus & Reading Lists

Syllabuses

The syllabuses set out on the following pages are as detailed as is practical but may include matters reasonably construed as implied or incidental.

Candidates are reminded that questions in any paper in Professional I or Professional II may assume a knowledge of the subject matter of other papers in that or earlier parts of the syllabus.

The syllabus content of each subject is reviewed regularly and any changes made will be included in future editions of this handbook. Care should be taken to ensure that the current edition of the syllabus is used.

Reading Lists

The reading lists are indicative, those marked Basic being considered to represent the minimum reading necessary. In all cases the latest editions should be used. No undertaking is given that all topics are adequately covered by the textbooks listed. For this reason candidates should read widely and keep abreast of changes in law and practice, modern thinking, developments, etc by reading the publications of the Association and others relating to the accountancy profession, industry and commerce. Candidates must use the latest editions of the textbooks listed, ensuring that these deal with current law and practice.
Paper 5. Auditing and Taxation – Malaysia Variant

Aims

To examine the candidate’s knowledge and understanding of the basic principles of these two highly specialised areas of professional practice.

Learning Outcomes

Auditing

After successfully completing this section candidates should be able to:

- understand the nature and purpose of auditing
- describe the qualities, qualifications and actions to be carried out relating to the appointment and removal of an auditor
- describe the rights, duties and professional obligations of an auditor
- explain the process of planning an audit and the necessity for an appropriate audit programme taking into account audit evidence and audit risk
- explain the systems approach and the balance between tests of controls and substantive testing
- describe the audit evidence required in specified situations
- describe the audit work required at the final review and report stage of an audit

Taxation

After successfully completing this section candidates should be able to:

- explain the elementary aspects of Malaysian taxation
- demonstrate an understanding of tax principles and concepts
- compute tax liability of individuals and corporations
- describe the administrative aspects under the Income Tax Act
Structure of the Paper

- A three hour paper consisting of two sections, one covering Auditing and the other Taxation
- Each section contains four questions; candidates are required to answer three questions in each section
- All questions carry equal marks, the total for the papers will be 100.
- Where appropriate the allocation of marks to individual parts of a question is stated
- Fifty to seventy five per cent of the questions are essay based and twenty five to fifty per cent are computational
- Candidates are expected to be familiar with contemporary issues and major case decisions

Syllabus - Auditing

5.1 Nature and Purpose

Topic Weighting 10%

- Nature of auditing
- Objectives: true and fair view, materiality
- Private and statutory audits
- Scope of audit
- The systems approach
- Impact of computers
- Standards and guidelines
- Advantages and expectations

5.2 The Auditor

Topic Weighting 10%

- Qualities and qualifications
- Appointment: statutory provisions; professional matters: client screening, engagement letter, professional clearance
- Conduct
- Resignation
- Dismissal
- Rights and duties
- Professional obligations: ethical basis; integrity, objectivity and independence; confidentiality
5.3 Planning the Audit

**Topic Weighting 10%**

- The need to include the ascertainment and evaluation of internal control
- Flow charts
- Internal control questionnaires
- Audit programmes: development of a programme of work in the light of an overall audit plan, bearing in mind the nature and size of the business and taking into account audit risk and audit evidence; staff and training issues; quality control

5.4 Conducting the Audit

**Topic Weighting 10%**

- The systems approach: understanding the accounting and internal control systems, documenting the systems, evaluating the internal control system
- Statistical sampling: an appreciation
- Audit testing: tests of controls and substantive testing with particular reference to sales, purchases, wages and cash
- Audit evidence
- Verification and valuation of assets and liabilities
- Audit files and working papers

5.5 Reporting

**Topic Weighting 10%**

- Nature and purpose of report: final review stage: procedures, going concern evaluation, management representations; formulating an opinion; subsequent events
- Content: the standard external audit opinion
- Qualifications: the form of audit qualifications; determining and evaluating circumstances where a qualification is necessary

**Syllabus - Taxation**

The syllabus only covers provisions under the Income Tax Act 1967.

5.6 Basis of Taxation

**Topic Weighting 5%**

- Scope of taxation
- Determination of resident status of individuals and companies
- Chargeable persons
- Classes of income
- Basis period
5.7 Employment Income

**Topic Weighting** 10%
- Defining employment
- Derivation of employment income
- Types of employment income
- Basis periods
- Deductions
- Exemptions

5.8 Business Income

**Topic Weighting** 10%
- Business & Badges of Trade
- Commencement of business activity
- Gross income from business
- Basis periods
- Deductibility principles and tests
- Partnership computation
- Compute adjusted income

5.9 Non Business Income (other than employment)

**Topic Weighting** 5%
- Taxation of dividends, interests, rent, royalties, pensions, annuities and periodical payments and other gains of a revenue nature
- Occupation of non-business premises
- Exemptions applicable to the above mentioned types of income
- Compute adjusted income

5.10 Capital Allowances

**Topic Weighting** 5%
- Computation of capital allowance of plant, machinery and industrial buildings
- Qualify Expenditure
- Initial, annual and notional allowances
- Disposals

5.11 Tax Computation

**Topic Weighting** 10%

Determination of:
- Statutory income
- Aggregate income
- Total income
- Chargeable income
- Tax payable and refunds
- Separate and joint assessments
5.12 Tax Compliance & Administration

**Topic Weighting 5%**

- Returns
- Assessments
- Appeals
- Payment and recovery of tax
- Offences and penalties

**Relationship to Overall Syllabus**

This syllabus provides the foundations of auditing and taxation which will be developed in further studies in Paper 7 Auditing, Paper 15 Professional Practice (Auditing) and Paper 16 Taxation and Tax Planning (Malaysia variant).

**Basic Reading - Auditing**

**AIA Textbook – Auditing and Taxation**
The Association of International Accountants
South Bank Building
Kingsway
Team Valley
Gateshead
NE11 0JS
Tel: +44 (0)191 482 4409
e-mail: membership@aia.org.uk

**Auditing**
Author: Millichamp, A H
Publisher: Continuum International Publishing Group
Web Site: www.blackwell.co.uk
ISBN: 1858051630

**Supplementary Reading - Auditing**

**Auditing Today**
Author: Woolf, E
Publisher: Pearson Higher Education
Web Site: www.blackwell.co.uk
ISBN: 0135894662
Basic Reading - Taxation

**Malaysian Taxation**
Author: Allan Yeo Miow Cheng  
Publisher: PAAC  
Web Site: www.paac.edu.my

**Malaysian Taxation**
Author: Veerinderjeet Singh  
Publisher: Chapman & Hall  
Web Site: www.mph.com.my  
ISBN: 9837420146

**Malaysian Income Tax Manual**
Author: Arjunan Subramaniam  
Publisher: Sweet & Maxwell  
Web Site: www.mph.com.my  
ISBN: 9839088602

**Malaysian Taxation**
Author: Choong Kwai Fatt  
Publisher: Info World  
Web Site: www.mph.com.my  
ISBN: 9839526081

Supplementary Reading - Taxation

Inland Revenue Web Site: http://www.hasilnet.org.my
Paper 8. Company Law - Malaysia Variant

Aims

The main aim of Company Law (Malaysia) is to examine the candidate’s knowledge and understanding of the principles of Company Law and their application in Malaysia based on the available sources of Malaysian law such as the relevant local statutes and case law.

The objective of the paper is to determine that students have:

- Comprehensive knowledge and understanding of the principles of Malaysian Company Law
- The ability to emulate the principles of Company Law in its practical sense; and
- The capability to apply relevant principles and procedure of Company Law to practical scenarios

The syllabus covers key areas of Company Law including:

- Introduction to Company Law in Malaysia
- Incorporation
- The Capital Structures
- Management and administration (control)
- Accounts and audit
- Reconstruction and arrangement
- Dissolution and winding up

Learning Outcomes

After successfully completing this paper candidates should be able to:

- Explain principles of law comprehensively and clearly, based on a sound knowledge and understanding of company law and practice
- Analyse practical scenarios and apply relevant legal principles and procedures
- Reach reasoned conclusions following the application of legal rules and procedures
Structure of the Paper

- A three-hour paper consisting of eight questions, any five of which are to be attempted
- All questions carry equal marks
- Where appropriate the allocation of marks to individual parts of a question is stated
- Generally, the paper includes at least two essay type questions, the remaining questions being case studies

Candidates are expected to support answers with references to statute and case law where appropriate.

Syllabus

Students are expected to be familiar with the existing Companies Act being enforced and to understand the importance of other legal authorities such as judicial precedents (based on case law, priority to cases decided in Malaysia) and the relevant statutes (Acts of Parliament of Malaysia).

8.1 Introduction to Company Law

Topic Weighting 5%

This part of the syllabus covers:

- The sources of Company Law in Malaysia. This includes both written and unwritten laws. An example of written law is the statutes and in Malaysia is known as Acts of Parliament. On the other hand, case law is an example of unwritten law. Companies Act 1965 (Act 125) is an example of an Act of Parliament and shall be the basic reference for this paper. Students are also expected to understand the Companies Regulation 1966 the provisions therein complement the general provisions in the Companies Act 1965. From time to time, there will be reference to the English common law due to the Malaysian legal history and must be fully understood by the students the extent of its applicability in Malaysian cases and scenario.
- The comparison between three business entities: company, sole-proprietorship and partnership
- The different types and classification of companies:
  - e.g. private and public companies
  - limited and unlimited companies
  - companies limited by shares compared to companies limited by guarantee
  - related companies that covers the relationship between holdings and subsidiary companies
  - foreign companies (if they are to run their business in Malaysia)

In this context, it is necessary to know the characteristics of each company. Since these companies are different, comparisons and distinctions between these business entities are generally focused on their advantages and disadvantages.
8.2 Incorporation

This part of the syllabus covers:

**Registration and Formation of Companies**

**Topic Weighting 10%**

Under this topic, students are expected to be able to understand the basic procedure to incorporate and register a company. Therefore, the students are expected to have sound knowledge of:

- The basic procedures and key documents relating to the formation and registration of a company
- The functions, roles and liability of corporate promoters
- The meaning of pre-incorporation contract based on Section 35 of the Companies Act 1965. In this particular issue, students must be aware that the position of pre-incorporation under the English common law is in total contrast compared to the position in Malaysia
- The effects of the ultra vires doctrine. Similarly, students must be able to grasp the difference with the English common law
- The legal effects of incorporation based on Section 16(5) of the Companies Act 1965, and its relationship with the doctrine of separate legal personality from the case Salomon v A Salomon Co Ltd. Students must also be able to understand the exceptions to the doctrine (also known as "lifting of the corporate veil"). Understanding the rules as illustrated in the cases as well as in the statutory provisions is crucial.

**Memorandum and Articles of Association**

**Topic Weighting 10%**

- The significance of a company's Articles and Memorandum of Association
- Registration of company’s Articles and Memorandum of Association
- Adoption of Table A of the Fourth Schedule
- The effects of Memorandum and Articles of Association based on Section 33(1) of the Companies Act 1965
- The rules relating to the alteration of Memorandum and Articles (the basic principles, limitation and effects)

8.3 Capital Structure

This part of the syllabus covers:

**General concept of company finance, share capital and loan capital**

**Topic Weighting 15%**

It is important for students to have knowledge of company finance that relates to:

- the nature and sources of funding provided by investors and creditors of the company
- In this regards, understanding of issued capital, authorized capital, unpaid capital, paid-up capital is necessary
In so far as share capital is concerned, it is important that the students know:

- the nature of share capital and its relationship to the definition and nature of shares, different classes of shares (in particular ordinary shares and preference shares), issuance and allotment of shares (and its relationship to membership in companies)
- Issues on ownership of shares, either by way of transfer or transmission of shares and the relevant documents related to effect of the transfer or transmission of shares
- The rules on maintenance of capital (as governed under Section 67(1) of the Companies Act 1965)
- The meaning of reduction of share capital
- The procedure in the payment of dividend to the shareholders, and the meaning of share certificate estoppel

With regards to loan/debt capital, it covers:

- The power of a company to borrow
- Nature of debentures and rights of debenture holders
- Charges- fixed and floating charge, meaning and definition
- Registration of charges, effect of registration
- Crystallization of charges (and its relation to the appointment of receivers and the company's state under receivership) and
- Priority of charges

**Public Issuance of Shares and the Securities Industry**

**Topic Weighting 10%**

Under this topic, it is necessary to understand:

- The meaning of prospectus and the liabilities attached thereto
- It is equally important to understand what it means with regard to “floatation in the KLSE” (KLSE Listing requirements) and the rules under the Securities Commission Act 1993
- It is equally important to take note to the meaning and nature of scripless trading and the enforcement of the Securities Industry (Central Depositories) Act, 1991 that enabled scripless trading to be exercised in Malaysia
- The prohibited practice of insider trading must also be understood in relation to what is insider trading and the rules related to it under the Companies Act 1965 and Securities Industry Act 1983

**8.4 Management and Administration (Control)**

This part of the syllabus covers:

**Directors and other officers of a company**

**Topic Weighting 10%**

- The appointment, removal, qualification, powers, duties and responsibilities of Directors, Company Secretary and Auditor
- The position of company Directors including their duties of care and skill and the fiduciary duties of directors
Meetings and Enforcement of Corporate Rights

Topic Weighting 10%

Meeting
- The different types of Meeting (Annual and Extra ordinary General Meeting – AGM/EGM)
- Convening of and procedure at Meeting (Quorum, Chairman, Minutes of Meeting, Notice of Meeting)
- The different types of resolution (Special and Ordinary resolution) and the significance of each resolution
- Majority control rule and protection of minority shareholders

The Enforcement of Corporate Rights
- Understanding the rule in Foss v Harbottle (the proper plaintiff rule)
- The exceptions to the rule
- Other types of actions that can be enforced by the shareholders/members

8.5 Accounts and Audit

Topic Weighting 10%

This part of the syllabus covers:
- The company’s duties to keep accounting records and the nature of those records
- The duties of a company’s director and auditors to ensure the requirements for the production of directors and auditors reports are issued
- The nature and requirements on the duty to lay accounts before the members in general meeting
- Financial records which must be sent to members, debenture holders and the Registrar of Companies

8.6 Reconstruction and Arrangement of Companies

Topic Weighting 10%

This part of the syllabus covers:
- The different types of arrangement and reconstruction (takeover, merger, amalgamation)
- Status of company under receivership compared to dissolution of companies, role and position of company receiver
- The procedures that must be followed as provided in relevant statutory provisions, for example in take-over – reference to Securities Commission Act 1993, or any other scheme of arrangements that may include the compulsory acquisition of minority’s shares as in Section 176 of the Companies Act 1965
The governing bodies related to this topic of reconstruction of companies include Securities Commission, Registrar of Companies, Foreign Investment Committee, and Ministry of Finance etc. Thus, knowledge on relevant statutes such as the Securities Commission Act 1993 would be an advantage.

The effects of scheme of arrangement on the creditors, shareholders and members of the company

8.7 Dissolution and Winding Up of Companies

Topic Weighting 10%

This part of the syllabus covers:

- The different types of dissolution (striking off from the register, winding up)
- The different types of winding up (voluntary and compulsory winding up)
- The basic procedures related to winding up which include the grounds for winding up
- The effects of commencement of winding up on the company
- The duties and powers of the Liquidator and the order of payment of creditors

Relationship to Overall Syllabus

The Company Law paper builds on knowledge acquired by candidates having successfully completed the Law module.

Knowledge of the nature of the Malaysian legal system and of Contract and Tort is an essential basis for candidates studying Company Law. Where necessary, the position of certain issues under the English common law must be clarified as to the extent of its application in Malaysia and the difference between the laws in England in the context of Malaysian law must be identified.

The Legal Relationships section of the Law module introduces candidates to different types of business entity, allowing comparisons to be made between partnerships and companies and introducing the concept of limited liability. This section also covers the concept of agency, which is essential in understanding the nature of the role of company directors.

Insolvency law relating to Bankruptcy is also examined in the Law module. This knowledge is helpful for candidates who will be applying insolvency law relating to companies, as there are many similarities. It must be noted however, when a company is insolvent, it may result in that company being wound up and thus dissolved.

Basic Reading

Author: Woon, W C M
Publisher: FT Law & Tax Asia Pacific
ISBN: 9813069325
Commercial Application of Company Law in Malaysia (2002)
Author: Aiman Nariman Mohd. Sulaiman and Aishah Bidin
Publisher: CCH Asia Pte. Ltd.

Supplementary

Lipton & Herzberg’s Understanding Company Law in Malaysia (1995)
Author: Arjunan, K; Low, C K
Publisher: LBC Information Services, Sydney
ISBN: 0455213518

Author: CCH Company Law Editors
Publisher: CCH Asia Limited
ISBN: 9810070217

Statutes

Companies Act, 1965 (Act 125)
Companies Regulation, 1966
Companies (Winding Up) Rules, 1972
Securities Industry Act, 1983
Securities Commission Act, 1993
The aim of this paper is to ensure that candidates have:

A thorough understanding of:

- Contracts that govern the transactions undertaken by Islamic financial institutions;
- Statements and standards for Islamic financial institutions promulgated by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); and
- Key financial management issues relating to Islamic banks.

An ability to appropriately apply the above contracts, concepts, and standards in practice.

The syllabus covers the following aspects relating to Islamic financial institutions, which are defined to include Islamic banks, Islamic insurance companies (Takaful), and Islamic investment funds:

- Contracts: Mudaraba, Musharaka, Murabaha, Ijara and Ijara Muntahia Bittamleek, Salam, Istisna’a, Bai bithaman ajil, and Wakala
- AAOIFI’s pronouncements:
  - Financial accounting statements and standards that have been developed for Islamic financial institutions
  - Auditing standards for Islamic financial institutions
  - Governance standards for Islamic financial institutions
  - Codes of ethics for accountants, auditors and employees of Islamic financial institutions

as well as key financial management issues relating to Islamic banks, namely capital adequacy ratio, liquidity management, risk management, and agency problem.

The above syllabus draws primarily from the pronouncements of AAOIFI which is gradually becoming the standard-setting body of the Islamic banking and finance industry. This should help candidates to acquire knowledge that is more relevant for cross-border applications.
Learning Outcomes

After successfully completing this paper candidates should have an understanding of:

- The definitions and basic characteristics of the contracts that govern the work of Islamic financial institutions
- The accounting, auditing, governance and ethical standards issued by AAOIFI
- The intricacies of some of the key aspects of financial management of Islamic financial institutions

Structure of the Paper

The paper is a three-hour examination which requires candidates to answer four questions out of five. The paper is structured into two sections: Section A which consists of two compulsory questions and Section B which consists of three questions of which two questions must be answered.

The examination questions are set based on the latest version of AAOIFI’s standards, which candidates are expected to have acquired.

Section A

This section scores 50% of the overall marks for the paper and includes two compulsory questions. The first and second question score 70% and 30% of the marks allocated to this Section, respectively, i.e., 35 marks and 15 marks. While both questions attempt to ensure that candidates have a thorough understanding of AAOIFI’s accounting, auditing and governance standards, the first question mainly focuses on examining the candidate’s ability to apply AAOIFI’s accounting standards to complex transactions undertaken by Islamic financial institutions.

Section B

This section scores 50% of the overall marks for the paper and comprises a choice of two questions out of three, each carrying equal marks, i.e., 25 marks. In addition to AAOIFI’s accounting, auditing, governance and ethical standards, the questions in this section cover the definition and basic characteristics of the contracts that govern the transactions of Islamic financial institutions as well financial management aspects of Islamic banks.

Syllabus

15.1 Financial Accounting Statements and Standards for Islamic Financial Institutions

Topic Weighting 55%

This is the key area of the syllabus and will be examined as the compulsory question in Section A that scores the highest mark and may also be an optional question in Section B. Candidates must therefore have an in-depth understanding of all the financial accounting statements and standards issued by AAOIFI and are prepared to apply their knowledge of these pronouncements to complex transactions that are undertaken by Islamic financial institutions.
15.2 Auditing Standards for Islamic Financial Institutions (ASIFI)

**Topic Weighting 15%**

ASIFI is a key area of the syllabus. This key area may be examined as the second compulsory question in Section A and may also be an optional question in Section B. Candidates must therefore have a thorough understanding of what is required in the ASIFI with regard to the audit of Islamic financial institutions, the auditor’s report, the relationship of the external auditor with the Shari’a supervisory board (SSB), among others.

15.3 Governance Standards for Islamic Financial Institutions (GSIFI)

**Topic Weighting 15%**

GSIFI is a key area of the syllabus. This key area may be examined as the second compulsory question in Section A and may also be an optional question in Section B. Candidates must therefore have a thorough understanding of what is required in the GSIFI with regard to the appointment, composition, dismissal, and report of the SSB, Shari’a review, internal Shari’a review, and audit and governance committee, among others.

15.4 Financial Management Aspects of Islamic Banks

**Topic Weighting 10%**

Financial management aspects of Islamic banks are a key area of the syllabus. This key area may be examined as the second compulsory question in Section B and may also be an optional question in Section A. Candidates must therefore have a thorough understanding of the purpose and calculation of the capital adequacy ratio for Islamic banks, and the key issues in the liquidity management, risk management, and agency problem of these banks.

15.5 Codes of Ethics

**Topic Weighting 5%**

This area will be examined as part of an optional question in section B. Candidates must have a thorough understanding of the codes of ethics issued by AAOIFI and be able to identify the additional requirements in these codes compared to the codes of ethics issued by the International Federation of Accountants.

15.6 Definition and Basic Characteristics of Contracts

**Topic Weighting 5%**

This area will be examined as part of an optional question in section B. Candidates must be conversant with the definition and basic characteristics of the contracts that govern the transactions of Islamic financial institutions.
Relationship to Overall Syllabus

Islamic financial institutions have their own unique characteristics. In order to be able to offer competent advice and to have the ability to support business decisions and transactions, a professionally qualified accountant who opts to be involved in work related to Islamic financial institutions must have a thorough knowledge of the contracts that govern the transactions of these institutions, the accounting, auditing and governance standards that have been specifically developed for these institutions as well as the key financial management issues relating to Islamic banks.

Paper 15 therefore aims to:
(a) Build on the knowledge acquired by the candidate in financial accounting and auditing; and
(b) Ensure that as an accountant, the candidate is well equipped with the knowledge that enables him/her to professionally perform his/her role both in practice and in business.

Basic Reading

Islamic Law and Finance: Religion, Risk and Return
Author: Vogel, F E; Hayes, S L
Publisher: Kluwer Law International
Web Site: www.blackwell.co.uk
ISBN: 9041106243

An Introduction to Islamic Finance
Author: Usmani, M T
Publisher: Kluwer Law International
Web Site: www.blackwell.co.uk
ISBN: 9041116192

Islamic Finance - Innovation and Growth
Author: Karim, R A A
Publisher: Kluwer Law International
Web Site: www.aaoifi.com
Published: October 2002

AAOIFI Publications

Accounting, Auditing and Governance Standards for Islamic Financial Institutions

Shari’a Standards for Islamic Financial Institutions

Statement on the Purpose and Calculation of Capital Adequacy Ratio for Islamic Banks

Articles

Research in Accounting Regulation
Journal of Management and Governance

The International Journal of Accounting

Occasional Papers

Risk Management: An Analysis of issues in Islamic Financial Industry

Website: www.aaoifi.com
Paper 16. Taxation and Tax Planning – Malaysia Variant

**Aims**

To examine the candidate’s knowledge of:

- the advanced aspects of Malaysian taxation
- the application of the principles and concepts involving tax planning and tax compliance and the ability to provide a wholesome response to practical problems.

**Learning Outcomes**

Upon completion, candidates are expected to be able to carry out compliance and advisory work in taxation. They should be able to appreciate the common tax planning issues and specific issues involving the chargeable entities and persons in Malaysia. Candidates are also expected to reasonably appreciate emerging economic and cross-border issues from the tax perspective.

**Structure of the Paper**

A three-hour paper consisting of two sections totalling one hundred marks.

**Section A**

- This section carries forty marks. There will be two questions in this section. Candidates are required to answer both questions. The allocation of marks may not be equal.

This section will focus on comprehensive tax computations and tax planning.

**Section B**

- This section carries sixty marks. Candidates are required to answer three out of four questions. Each question will carry equal number of marks.

- Where appropriate the allocation of marks to parts of a question will be stated.

- Fifty to seventy per cent of the questions are computational and thirty to fifty per cent of the questions are essay based.

- Candidates are expected to be familiar with contemporary issues and major case decisions.
Syllabus

The syllabus covers the following legislations:

- Income Tax Act 1967
- Promotion of Investment Act 1986
- Real Property Gains Tax 1976
- Stamp Act 1949
- Service Tax Act 1975
- Sales Tax Act 1972

16.1 Principles of Taxation

**Topic Weighting 10%**

- Taxation of income
- Deductibility of expenses
- Basis periods and change of accounting dates

16.2 Taxation of Companies

**Topic Weighting 15%**

- Self-assessment system
- Company tax computations
- Imputation system and section 108
- Group re-structuring, liquidation and inter-company dealings
- Schedule 4B (Qualifying pre-operational business expenditure)

16.3 Capital Allowances

**Topic Weighting 20%**

- Plant, machinery and industrial buildings
- Control transfers
- Agricultural allowances

16.4 Cross-Border Transactions

**Topic Weighting 20%**

- Withholding taxes
- Double taxation treaties
- Transfer pricing
- E-commerce
- Cross-border financing, foreign branch, foreign source of income and subsidiaries of foreign companies and other permanent establishments
16.5 Real Property Gains Tax Act

**Topic Weighting** 10%
- Interaction with Income Tax Act
- Computation of chargeable gains and allowable losses
- Exemptions and no gain no loss situations
- Administrative aspects

16.6 Special Cases and Specialised Industries

**Topic Weighting** 10%
- Insurance, banking, sea and air transport undertakings
- Societies, associations, trade associations and clubs
- Property developers and contractors
- Charitable institutions
- Leasing transactions

16.7 Investment Incentives

**Topic Weighting** 5%

All incentives under Income Tax Act 1967 excluding:
- Schedules 4, 4A and 4C

Promotion of Investment Act 1986
- Pioneer Status
- Investment tax allowance
- Promotion of exports

16.8 Tax Planning

**Topic Weighting** 10%

Candidates should be able to identify opportunities to alleviate, mitigate or defer the impact of direct or indirect taxation including utilization of losses, capital allowances, restructuring business and non-business operations, structuring tax efficient transactions, choosing appropriate incentives and other measures appropriate to the situation.

16.9 Tax Audits and Investigation

**Topic Weighting** 5%
- Tax audits
- Distinction between tax avoidance and tax evasion
- Investigation powers of IRB
- Events that trigger audits & investigation

16.10 Indirect Taxation & Stamp Duty

**Topic Weighting** 10%
- Sales tax
- Service Tax
- Stamp Duty
Relationship to Overall Syllabus

A professionally qualified accountant in practice and industry is expected to be proficient not only in the rudiments of taxation but also the advanced aspects of taxation. An appreciation of the tax implications in all financial transactions is a prerequisite for a competent accountant. A qualified accountant should be able to provide sound advice related to all aspects of tax compliance and tax planning so as to minimise the cost of doing business and comply with the country’s tax laws. This paper therefore seeks to equip prospective accountants with the required knowledge to be conversant in Malaysian tax law and practice.

Basic Reading

**Advanced Malaysian Taxation**
Author: Allan Yeo Miow Cheng
Publisher: PAAC
Web Site: www.paac.edu.my
ISBN:

**Malaysian Taxation**
Author: Allan Yeo Miow Cheng
Publisher: PAAC
Web Site: www.paac.edu.my
ISBN:

**Malaysian Taxation**
Author: Veerinderjeet Singh
Publisher: Chapman & Hall
Web Site: 
ISBN: 0218828700

**Malaysian Income Tax Manual**
Author: Arjunan Subramaniam
Publisher: Sweet & Maxwell
Web Site: www.mph.com.my
ISBN: 9839088602

**Malaysian Taxation**
Author: Choong Kwai Fatt
Publisher: Info World
Web Site: www.mph.com.my
ISBN: 9839526081

**Advanced Malaysian Taxation**
Author: Choong Kwai Fatt
Publisher: Info World
Web Site: www.mph.com.my
ISBN: 983952609X

**Inland Revenue Web Site**
http://www.hasilnet.org.my