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## **Accounting Graffiti: Connecting the Dots of the Pandora Fallout**



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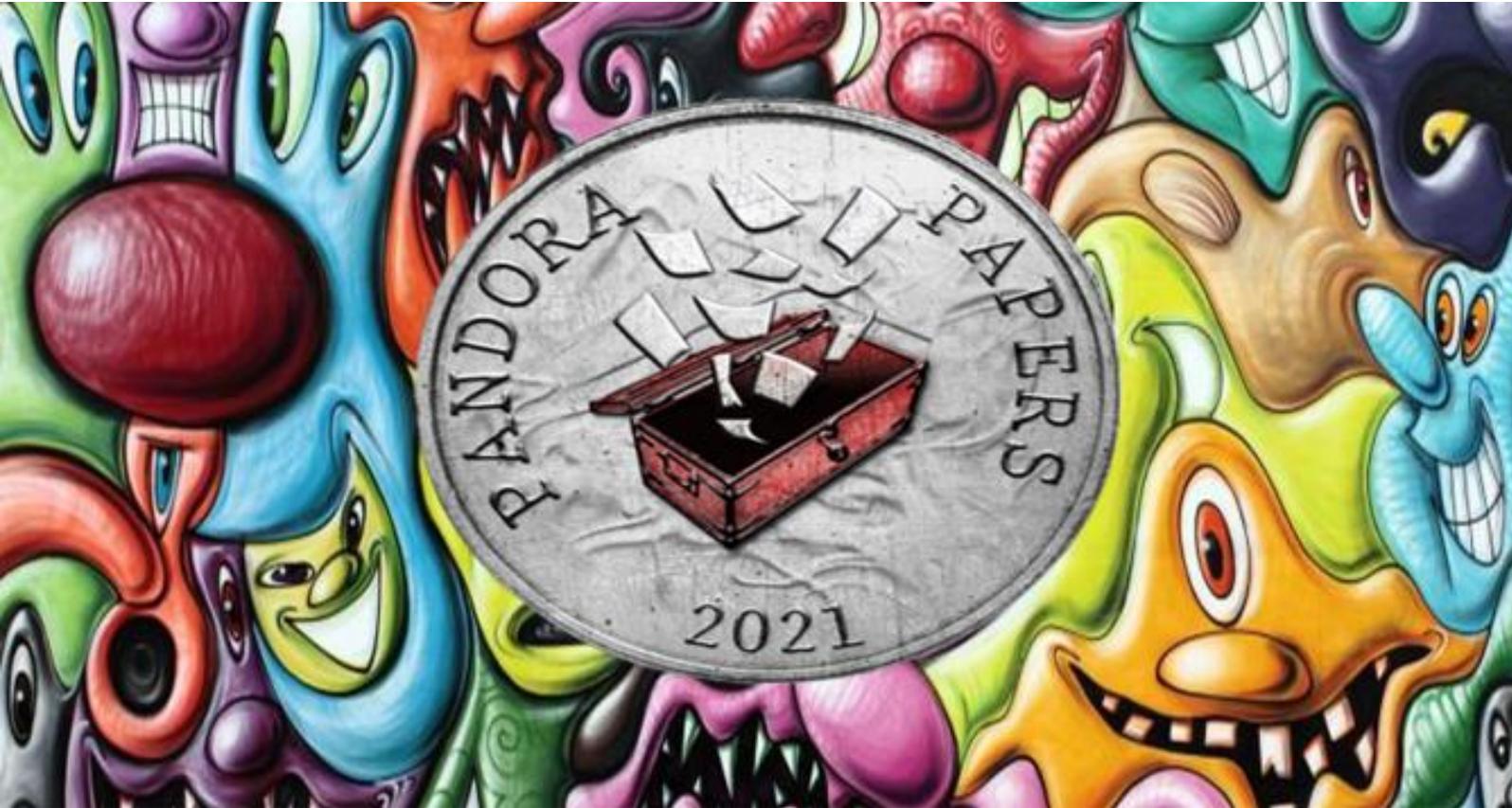
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# ACCOUNTING GRAFFITI: CONNECTING THE DOTS OF THE PANDORA FALLOUT

## Introduction

Newspapers and other media outlets have this week reported stories on corrupt activities involving casinos, money laundering, foreign influence, tax avoidance, offshore companies, tax havens, anti-corruption bodies, tax regulation, quantitative easing, and young families being shut out of overheated real-estate markets.

Are these disparate issues, or do they have a common theme?

*It is time to connect the dots.*

This article will argue that these issues all stem from compliant accountants and lawyers, and also politicians and government regulators who knowingly look the other way.

This week – hot on the heels of an exam cheating scandal at Big-4 Accounting firm KPMG[i] – comes news from the murky world of offshore finance involving global chartered accounting firms ably abetted by international law firms.

The latest investigation by the *International Consortium of Investigative Journalists (ICIJ)*, a Washington-based group that became independent in 2017, has exposed thousands of offshore companies used by some of the richest and most powerful people in the world to hide their wealth.[ii]

The exposé lifted the lid on the financial affairs of dozens of world leaders, other public officials, and billionaires in 91 countries. The focus of this leak, as with ICIJ's past ones, such as *the Panama Papers* in 2016[iii] and the *Paradise Papers*[iv] a year later, is the offshore dealings of the global elite.

Among those named were not only 330 politicians from 90 countries, but also celebrities, sports stars, judges, tax officials and the world's richest individuals.

The ICIJ investigation is a timely reminder that often there is one set of rules for the global elite, and another for everybody else.



Prof. Janek Ratnatunga  
CEO, ICMA Australia

## Tax Avoidance vs. Tax Evasion

Before we continue, a word of caution. Not everyone that has been named in the various leaked papers by the ICIJ is undertaking criminal activity. There may be very legitimate reasons why individuals and companies wish to keep their financial dealings private. More on this later.

In Australia, the Pandora Papers have raised two related issues which are often confused – transparency about the ownership of Australian assets by *non-residents*, and disclosure by *Australian residents* of assets held overseas.

These two issues have very different effects for the Australian tax base.

As Australia’s tax laws are currently legislated, *non-residents* holding passive investments generally only have to pay Australian income tax on interests in Australian real estate. By comparison, *Australian residents* who hold assets offshore have obligations under tax laws to disclose those holdings in their Australian income tax returns and declare income earned overseas.<sup>[v]</sup>

Accountants and lawyers assist individuals in various ways to *avoid* tax legally by using structured tax shelters or changing their place of residence.

However, the mischief from a lack of transparency relating to foreign ownership is not one of legal tax avoidance, but one of *tax evasion*, a criminal activity often linked to money laundering. This article will focus on why Australia is seen as a ‘light-touch’ in terms of *Anti-Money Laundering (AML)* rules, and why this has come about.

Tax evasion is treated as a criminal offence in many countries (though famously dealt with more leniently in Switzerland). The smartest *individual evaders* use a combination of bank accounts, shell companies, trusts and foundations—often fronted by nominees so as to hide the real beneficial owner or controller—in one or more offshore financial centres.<sup>[vi]</sup>

*Corporate tax avoidance* is an even greyer legal area. Companies naturally push the envelope, often betting that the authorities will have neither the wit nor the resources to confront them over their tax-minimisation strategies.

Schemes concocted by accountants and lawyers to both ‘avoid’ tax (often just marginally legal) and to ‘evade’ tax (criminal) grew in line with financial globalisation in the late 20th century. Evasion became easier with the explosion of tax havens, which was tacitly approved by rich countries (especially Britain and later Singapore and Dubai) that saw them as useful adjuncts to their own financial centres. Some small countries in places like the Caribbean, South America and the Pacific Island States also viewed the creation of tax haven environments with

zero/low corporate tax rates and strict secrecy laws, as a way to boost their local economy and attract new “business”.

Today the world has as many as 50 tax havens, some of them more accurately described as “secrecy jurisdictions”. Not all are offshore: American states such as South Dakota and Nevada peddle secrecy through the trusts they offer (which have featured in several of the Pandora Papers stories published this week).

In such a landscape, accountants and lawyers have found ingenious ways for their multinational corporate clients to exploit loopholes in cross-border tax rules, which were designed for an earlier age. International and bilateral tax agreements that were designed to avoid double taxation can be gamed to produce *double non-taxation*.<sup>[vii]</sup>

#### Offshore Companies

Anyone can set up a “shell company” in a low tax jurisdiction, like Puerto Rico, Panama or the Cayman Islands, with relative ease (for a fee). The use of an offshore company to move money or buy property is not necessarily suspicious. Even in Australia, although not a low tax jurisdiction country, it is easier to register a company than get a library card.

There are legitimate reasons why a person or company might set up a ‘shell company’; e.g. a billionaire may mask a purchase made with legitimate wealth for privacy reasons. Almost every listed Chinese company owned by international investors, including tech giants like Alibaba and Tencent, use offshore companies to bypass local laws that restrict offshore investment.<sup>[viii]</sup>

People with business dealings spanning multiple countries often set-up offshore companies in tax havens to pool profits to avoid being taxed twice. This only becomes illegal if the profits are not declared in the individual’s home country.

While there is a lot of grey in the world of multi-jurisdictional finance, shell companies are also used for outright illegal purposes – tax evasion, money laundering, fraud, corruption and organised crime. It is

estimated around 10 per cent of the world’s wealth is parked in offshore tax havens, costing governments hundreds of billions of dollars in lost tax revenue.<sup>[ix]</sup>

This is the murky waters in which some high-profile accounting and legal firms operate, often ably assisted by governments that are either slow to regulate, or governments that will accept less tax in return for investment by “mobile capital”.

However, whatever the reason, such lax government regulation can have a serious and negative impact on a country’s economy in unforeseen ways. It is connecting the dots of such economic impacts that is the focus of this article. The Australian economy will be used as a case in point.

#### What is the Australian connection?

There are around 400 Australians, out of the total 40,000 global citizens, who have been caught up in the Pandora Papers.

*The Age* newspaper reported that one of the 14 entities involved is *Asiaciti*, a company established by Sydney accountant Graeme Briggs. While there is no suggestion by *The Age* that the accountant has done anything illegal, it stated that Briggs’ firm helped exploit legal loopholes to minimise tax and scrutiny for scores of Australian elites.<sup>[x]</sup> Australian lawyers have also been heavily involved in such schemes. *The Age* newspaper also ran a story about Patrick Flynn, an Australian lawyer, who has built a booming international legal practice by advising Australians how to exploit tax loopholes to minimise their tax.<sup>[xi]</sup>

Interestingly, these two professions often feed off of each other. For example, accounting giant PwC has been accused by the *Australian Tax Office* of improperly using lawyers to provide tax advice to multinational clients for the sole purpose of invoking legal privilege to deny authorities access to documents during tax audits.<sup>[xii]</sup>

Although the actions of recalcitrant accounting and legal firms and their elite clientele have been in the news of recent times, the origins of the Australian story on

trans-national crime goes back to the mid-1960's, if not earlier.

Whilst some claim that offshore banking originated in the Channel Islands of France, most accept that offshore banking was born when the neutrality of Switzerland was established during the Vienna Congress in 1815. The first Pacific Island offshore financial centre (OFC) was created in 1966 on Norfolk Island, a unique external territory of Australia with a peculiar form of self-government. However, promoters of Norfolk's tax haven have seen its potential to become a major global OFC blocked by the Australian Federal Government.

The rest of the Pacific Island Nations, all except Tuvalu, have dabbled with developing OFCs; although none have become fully functional, and the returns have often disappointed the island politicians who sponsored them. While there was some synergy with up-market tourism, construction, and telecommunications – OFC development has also increased island countries' contacts with criminals. It has also increased their conflicts with metropolitan states and international organisations. [xiii]

Samoa is the Pacific Island OFC now most associated with Graeme Briggs' *Asiaciti* and the Pandora papers.

### Anti-Money Laundering (AML)

The Pandora papers have also landed while the federal government is (supposedly) conducting an inquiry to probe the resilience of Australia's AML regime.

It has been more than ten years since the arrival of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* ("AML/CTF" Act) in Australia. The Act regulates how certain types of businesses manage the risks of money laundering and terrorism financing. These AML laws force certain institutions, like banks and remitters, to detect and report suspicious transactions to the *Australian Transaction Reports and Analysis Centre* (AUSTRAC), which collaborates with law enforcement to trace money trails and stop crime.

A bipartisan parliamentary committee in 2015 called for laws that would make lawyers and accountants become money laundering "reporting agents". The need for Australia to speedily enact these laws was also pushed by the *Financial Action Task Force*, a global intergovernmental financial crime agency.

In 2018, The Australian Government concluded a feasibility study into broadening the AML/CTF Act to include a number of additional designated services, known as 'tranche two'. But to date (October 2021), this broadening of the Act has not been passed into legislation.

'Tranche two' was expected to extend the legislation to include "designated non-financial businesses and professions" who, unwittingly or otherwise, can be used to enable the laundering of money or the financing of terrorism. These non-financial businesses and professions included:

- **Lawyers, Conveyancers, Accountants, Trust and Company Service Providers.** Known as 'gatekeepers', these service providers can be used to disguise money laundering and terrorism financing through the misuse of legitimate financial and corporate services. They have the potential to, intentionally or unintentionally, hide the true ownership or control of funds or assets and can also misrepresent the source of funds or the true purpose of *transactions*.
- **Real estate professionals.** Often when criminals launder money by purchasing and selling assets, they are unconcerned about whether the transactions themselves are profitable, the object of attaining 'clean' money is worth any losses on the transaction. However, due to the nature of Australian real estate, the criminals investing proceeds of crime into real estate will usually either break even or make a profit. This, coupled with the lack of AML/CTF regulation, provides a tempting mechanism for criminals to launder funds.

High value dealers who, in the course of carrying on a business, engage in a transaction that relates to the buying and selling of high-value goods such as jewellery, antiques and collectibles, fine art, jet skis, boats, yachts, luxury motor vehicles and buildings, bathroom and kitchen supplies were also intended to be covered by 'tranche two'. However, the Australian Government announced in the Budget 2018-2019 that it would simply outlaw large cash payments made to businesses for goods and services in the Australian economy from 1 July 2019. The Government intends to consult on the detail of the measure as part of its implementation. [xiv]

Lobby groups including the *Australian Banking Association* and *FinTech Australia* have strongly supported tranche two reforms, claiming the current regime is a 'light touch' and inequitable. *FinTech Australia* said in its submission said:

*"[The] onus is on the financial institutions involved to be the first and last lines of defence, whereas lawyers, accountants or real estate agents (the 'gatekeepers') involved have little or no education or incentive to deter or prevent the proceeds of crime entering the Australian economy. [xv]"*

Clearly there is a need. Then why the delay?

It is due to the lobbying by the *Chartered Accountants of Australia and New Zealand* (CAANZ) and *Real Estate Institute of Australia* (REIA). These bodies have warned that tranche two could create 'onerous red tape' that might not improve the overall system and could lead to 'unintended consequences' such as higher costs for consumers.

The *Chartered Accountants* (CAANZ) in their submission essentially made a 'motherhood statement' that it supports its members contributing to the detection and reporting of potential money laundering and terrorism financing. It then sought for the design of any new regulations to: (1) not duplicate existing compliance obligations' (read – 'add more red-tape'); (2) consider and reflect the cost impact (read – 'clients will have to bear the added costs') and (3) stimulate participation rather than see

services withdrawn to prevent breaching complex rules (read – ‘we won’t do this work anymore as we may get caught and be fined!’).[xvi]

The REIA’s submission states that:

*“Small businesses also lack the time, resources and expertise to carry out compliance activities. The introduction of a reporting scheme addressing money laundering in real estate would impose a cost much larger than the relatively small, anticipated benefit to the community through detection of money laundering.”[xvii]*

This article will show that, in reality, the ‘anticipated benefits’ of including accountants and lawyers as AML reporting agents can be positively significant for society – as financial crime ultimately affects everybody.

Let us now connect the dots.

### Connecting the Dots – The Australian Experience

**Dot No. 1 – Money Laundering:** Let us start with the recent case of the *Crown Casino*, in Melbourne, Australia. Casinos are favourite places for the *placement* of millions of dollars of dirty money for laundering. In 2019, it was reported in the Australian media that the high-roller room at Crown (run by the Suncity junket company) was operating “a cash desk” and accepting cash deposits from patrons. In return for bringing high rollers from overseas (mainly China), junkets were permitted to share in the takings of the casino and often operate their own high-roller facilities within the casino.[xviii] In fact, Crown sales staff were told to divide Chinese gamblers into four categories: *minnows, catfish, guppies and whales*, and offer them gifts, “lucky money” and private jets.[xix]

**Dot No. 2 – Foreign Influence:** There was evidence that showed that the laundered money was open to exploitation by hostile foreign powers. In fact, the *Australian Security Intelligence Organisation (ASIO)* suspected that Crown casino agents gamble cash in Australian casinos to disguise its origin, so that they could give it

to politicians and political parties as donations or favours, seeking to buy influence. Their aim is not just business favours and influencing regulation beneficial to them. Their aim was also to turn Australian policy in favour of a foreign government. In short, to subvert Australian sovereignty. The provision of political donations in itself is not illegal in most countries. However, the unusual source of the funds, involving potentially covert international money movement, raises concerns for potential foreign interference. In 2019 alone, before Covid-19 closed the Australian borders, Crown’s Melbourne casino reported just under 50,000 suspicious transactions to AUSTRAC.[xx]

### Dot No. 3 – Influencing AML

**Legislation:** The last stage of any money laundering scheme is the *placement* of funds, most often in Australian listed companies and in Australian real estate. This placement of funds is easier when the transaction does not have to be reported to AUSTRAC. Therefore, potentially, it is conceivable that some of the laundered money is used to lobby the government (either directly or via interested professional bodies such as CAANZ or REIA) to delay/water-down ‘tranche two’ legislation.

**Dot No. 4 – Investing in Real Estate:** As long as ‘tranche two’ is not passed into legislation, it is very possible that dirty money acquired in foreign countries is routed through money laundering schemes, tax avoidance, offshore companies, and tax heavens – using schemes concocted by Australian accountants, lawyers and real-estate agents – to purchase real estate either directly or via resident nominees in the same community.

**Dot No. 5 – Safe Haven:** Over the past decade, a significant amount of money has moved from China to Australia. This has been not only because Australia is seen as a safe haven politically, but also due to two recent events in that country. First, Chinese President Mr. Xi says has put China’s tycoons on notice saying that it is time for them to share more wealth with the rest of the country by pursuing a “common prosperity” goal.[xxi] The risk of

being forced to “share” some of this wealth has motivated them to move wealth offshore using a variety of approaches. The second is the imminent implosion of *Evergrande*, a multi-billion-dollar property developer in China. It is very likely that a property crash in China will cause major social unrest and severely affect its shadow banking system.[xxii] This will undoubtedly result in more money being parked in Australian real estate via accountants, lawyers and real-estate agents, easily by-passing AUSTRAC reporting requirements.

**Dot No. 6 – Red-Hot Housing Market:** Much of this money has been invested heavily in real estate, sending house prices soaring in recent years, even before Covid-19. Since the coronavirus pandemic began, the *Reserve Bank of Australia* has undertaken quantitative easing (money printing) by slashing its interest rate to a record low and flooding the financial system with cash; a potent stimulus for one of the world’s most expensive housing markets. The problem is that this cash is not reaching those most affected by the virus, but instead, going to financial institutions and shadow banks that are then giving loans to investors at extremely low interest rates. Thus, although wages have lagged far behind, all of this laundered money and quantitative easing has resulted in house prices nearly doubling nationwide since the global financial crisis of 2007-09; and more than double in the same decade in Sydney and Melbourne, the country’s two biggest cities.[xxiii]

**Dot No. 7 – Inter-Generational Societal Breakdown:** As in other major housing markets, the accelerating trend in house prices in the major cities in Australia has created a divide between those with substantial savings who are already sitting on piles of home equity and those who are struggling to get on the property ladder. A median house price of \$1.3 million in Sydney and more than \$950,000 in both Canberra and Melbourne means the chances of a debt-fuelled inter-generational breakdown across society is increasing. Hence, the *Australian Prudential Regulation Authority (APRA)* has taken a decision to increase the minimum interest rate

buffer banks use when considering how much a person can borrow. According to APRA, this will reduce the maximum borrowing capacity of a potential homeowner by about 5 per cent. This is extremely modest adjustment which is unlikely to take the heat out of the housing market. [xxiv] Clearly preventing money laundering, foreign influence, tax avoidance, offshore companies, tax heavens, lax regulation, would be of more significant benefit to the wider community, especially in preventing young families being shut out of overheated real-estate markets.

### Latest Developments

*There may be some light at the end of the tunnel.*

The fallout from the Pandora papers has put a spotlight on the need for the *Anti-Money Laundering and Counter-Terrorism Financing Act* to be extended to non-financial businesses, including accountants and lawyers.

On 23 June 2021, the Senate referred the adequacy and efficacy of Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime to the Legal and Constitutional Affairs References Committee for inquiry and report by 2 December 2021. On 18 October 2021 the committee's reporting date was extended to the last sitting day in March 2022. Federal Australian Labor Party (ALP) Senator Deb O'Neill is pushing for 'tranche two' to be implemented into law. Senator O'Neill said:

*"These Pandora Papers are a reminder that a nondescript accountant can be at the heart of a massive international abuse of power and siphoning off money and illegal activity that costs the community. When we look around at international standards, it's clear Australia is not meeting those international standards."* [xxv]

The very latest development (9 October 2021) was the announcement by the *Organisation for Economic Co-operation and Development (OECD)* that 136 (of its 140) member countries and jurisdictions

had agreed to join an accord to impose a two-pillar global tax reform plan which imposes global minimum *corporate tax* of 15%. The OECD said countries involved in the deal would aim to sign a multilateral convention next year, with effective implementation of the tax reforms in 2023. [xxvi]

The deal aims to stop large firms booking profits in low-tax countries such as Ireland regardless of where their clients are – an issue that has become ever more pressing with the growth of 'Big Tech' giants that can easily do business across borders.

However, the accord will be a tough sell in Washington, where a group of Republican U.S. senators have raised serious concerns. Under the US Constitution, the Senate must ratify any treaty with a two-thirds majority, or 67 votes. US President Joe Biden's fellow Democrats control only 50 seats in the 100-member chamber; and Republicans in recent years have been overwhelmingly hostile to treaties and have backed cuts in corporate taxes.

Clearly the 2023 implementation deadline of this accord is wishful thinking.

### Summary

The exemption of accountants, lawyers and real estate agents from reporting suspicious transactions to AUSTRAC opens a back-door for the illegal movement of money to Australia. These professions are resisting any tightening of reporting requirements with simplistically framed 'red tape' and 'cost increase' arguments.

However, this article has connected the dots to demonstrate that such criminal activity has a significant impact on the ecosystem protecting the wider community. Australia's lax AML legislation has flow-on effects of reduced tax revenues for society, the potential impact of foreign influence, lobbying, and ultimately property prices that shut-out the younger generation homebuyers.

It is incumbent upon Australia to meet the international standards and interrupt the illegal movement of money around the community.

The resistance from the financial accounting community is very concerning, but not surprising.

In fact, the real estate agents lobby group has stated that the allegations that home buyers were potentially competing with crime gangs is a surprise to them; with REIA president, Adrian Kelly, claiming that he had not seen any evidence that Australian real estate was particularly vulnerable to money laundering. [xxvii]

Senator O'Neill said that the recent developments of exam cheating at KPMG and the misuse of legal privilege by PwC showed a troubling culture within the accounting industry.

As such, it is important to differentiate *management accountants* from the rest of the accounting fraternity.

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# AGM

## ANNUAL GENERAL MEETING



Certified  
Management  
Accountants



## PRESIDENT'S MESSAGE: REPORTS PRESENTED AT AGM 2021

I mentioned last year that the Year 2020 was a year like no other in our lifetimes with the advent of the Covid-19 pandemic. The year 2021 has been almost similar in many ways. Like the rest of the world, the Institute in its 25th year, having been incorporated in 1996, continued to adapt its operations both in Australia and internationally.

Within Australia, our administrative office was intermittently closed for large parts of the year and our staff and Council continued to adapt to the new COVID-Normal mode of working.

ICMA adapted very well to the challenging Pandemic world and the constantly changing situation by channeling its resources towards:

- Getting the *New Zealand Government Qualification Authority (NZQA)* assessment for the CMA program as being equivalent to the highest postgraduate Level 9 (Masters).
- Rebranding CMA Australia as CMA ANZ
- Repositioning ICMA as an educational education institute (like a university) and authorised to use an '[edu.au](http://edu.au)' web address.
- Improving our website.
- Enhancement of our member portal.
- Holding three very successful Global CMA Zoom programs each attended by nearly 100 participants.
- Holding regular Webinars for our members.
- Submissions to the Government.
- Attended industry relevant seminars and meetings

- Sponsoring awards at universities
- Publishing opinions pieces and media releases on important matters.

Like in the previous year I am glad to report that in 2020-21 ICMA continued to review, reimagining and recreate its operations by delivering webinars and Zoom programs.

- As a direct result of the proactive adaptation by our executive, our revenue share recovered to within 5% over the previous year (2019-2020) in the 2020-21 year.
- The current financial 2021-22 has already broken all previous records and the revenue is already more than 30% higher compared to the entire previous year and is expected to keep growing.

### ***Webinars delivered internationally from Australia***

The following Webinars were delivered internationally from Australia:

- July 2, 2020 – “Finance Leadership during a Crisis: Respond, Recover and Reimagine.”
- July 22, 2020 – “Sustainable Marketing – No longer just a “Green” word, but a Strategic Mindset.”



**Professor Brendan O'Connell**  
President, ICMA Australia

- Aug 20, 2020 – “50 Shades of ‘New Normal’ (Part 1): Whipping Companies to Embrace an Alternate Societal Lifestyle.”
- Sep 3, 2020 – “50 Shades of ‘New Normal’ (Part 2): The Emergence Of ‘Crazyonomics’.”
- Sep 10, 2020 – “50 Shades of ‘New Normal’ (Part 3): The Clash of Global Interconnections.”
- Sep 16, 2020 – “What Organisations do in times of Crisis – What They Should Do.”
- Oct 22, 2020 – Information Session – How to become a Certified Management Accountant.
- Nov 19, 2020 – “Digital Marketing and Business Growth.”
- Dec 9, 2020 – “Valuation and Distress Analysis in the Post COVID Era.”
- March 25, 2021 – “Money Laundering: Traditional vs. Digital: Key Lessons for Bankers and Finance Professionals.”
- April 15, 2021 – “How Accounting and Finance Professionals Can Help in Climate Action.”
- May 5th, 2021 – “Bitcoin and Crypto: Why They Are Viable Investment Options”
- May 13th, 2021– “Project Management in a Post-Covid World.”

A number of Webinars were also held by the Regional Branches in Indonesia, Sri Lanka and Hing Kong.

#### Zoom CMA Programs delivered internationally from Australia

The following CMA programs were delivered internationally from Australia:

- July 11th to 14th, 2020 - 4 day Zoom training on Strategic Business Analysis conducted for SMU University Singapore.
- Aug 21st/22nd & Aug 28th/29th, 2020 - 4 day Zoom training for Strategic Business Analysis conducted by Hassan Associates in Dhaka Bangladesh.
- Sept 12th to 14th, 2020- 3 days Zoom training for Strategic Cost Management conducted for SMU University Singapore.
- Oct 2nd to 5th, 2020- 4 day Zoom training for Strategic Business Analysis conducted for SMU University Singapore.
- Oct 10th to 12th, 2020- First Global Zoom CMA training Program - Strategic Cost Management for 90 participants from 16 countries incl. Canada, Switzerland, Middle East, Asia and ANZ.
- Oct 17/18 & 24/25, 2020- First Global Zoom CMA training Program – Strategic Business Analysis for 90 participants from 16 countries incl. Canada, Switzerland, Middle East, Asia and ANZ.
- Certificate of Proficiency in Strategic Cost Management, SMU Academy, Singapore (5th Intake). 16-18 Jan 2021.
- Certificate of Proficiency in Strategic Business Analysis, SMU Academy, Singapore (5th Intake). 29-31 Jan & 1 Feb 2021.
- Second CMA Global Zoom Program in Strategic Business Analysis, Syme Business School, Australia. March 6-8 & 13-14 & 20-21, 2021 attended by 102 participants from 20 countries.

#### CPD Programs

The following CPD and micro-credentialling certifications were delivered to ICMA members, in association with the Academy of Finance Australia (AFMA) and Mercu Buana University, Jakarta.

- Certified Analyst in Project Management (CAPM)
- Certified Analyst in Project Finance (CAPF)
- Certified International Business Analyst (CIBA)
- Certified Enterprise Risk Analyst (CERA)
- Certified Business Analyst (CBV)
- Certified Digital Marketing Specialist (CDMS)

#### Syme Business School

Syme Business School continued to organise Zoom programs for ICMA as listed above and this proved to be profitable and efficient for Syme Business School.

As a result of this, ICMA is happy to announce that Syme Business school made a profit for the second consecutive financial year in 2020-21 and is continuing to operate profitably in 2021-22. Consequently, they continue to reduce the accumulated past losses.

#### Publications, Research and Library

##### Publications:

The eNewsletter *On Target* continued to be published and the web-analytics indicates that it gets on average 5,000 visits and 6,000-page views per month. *Management Accounting Frontiers (MAF)* continued to be published in 2020. The *Journal of Applied Management Accounting Research (JAMAR)* which changed editorial direction in 2017 to publish peer-reviewed practice oriented applied papers for the management accounting profession, continued to publish two issues in 2020.

##### Research:

Research and professional development also continued in the two organizations set up by the ICMA:

- The Institute of Certified Carbon Analysts and Auditors (ICCAA) and
- The Institute for the Advancement of Corporate Reporting and Assurance (IACRA).

##### Library

The library now has over 12,200 texts and professional and academic publications, and has now one of the best libraries in Australia in the professional areas of management accounting and risk management. Unfortunately, the physical library could not be used for most of the year due to Covid-19 related lockdowns. Arrangements were made to secure the use of digital library services for members via *Topiau Library Services*

## Committees & Boards

The ICMA has a number of Committees and Boards for its Governance.

### Education Committee

- Education Advisory Board
- Professional Education Sub-Committee
- Continuing Education Sub-Committee
- Academic Education Sub-Committee

### Membership Committee

- Membership Advisory Board
- Membership Services Sub-Committee
- Industry and Government Engagement Sub-Committee
- Ethics Sub-Committee

### Finance Committee

- Finance, Audit & Risk Advisory Board

The Council thanks all who voluntarily served on these Committees and Boards for their time and dedication.

### Services Provided by the Secretariat.

- **CPD:** Providing Continuing Professional Development (CPD) opportunities to members via Calwest University in the USA and the Academy of Finance and Management Australia (AFMA). Special arrangements were made with these two organisations to provide education programs at discount prices to members due to COVID-19 restrictions.
- **Website:** Maintaining the corporate website that is in keeping with the enhanced international profile of ICMA (ANZ).
- **Member's Only Area:** Maintaining a Member's Only area on the website.
- **CMA Updates:** Emailing monthly the Members Update, and Publishing in pdf format 6 copies of the On-Target newsletter.
- **Library:** Due to Covid-19 lockdowns the holdings of the library could not be increased in terms of books. However, professional and academic publications obtained by subscriptions continued to be delivered during the year.
- **CRM:** Having a world-class Customer Relationship Management (CRM) system to handle the membership, invoicing, examinations and accounts.
- **Assessments:** Due to Covid-19 lockdowns assessments were mainly online and digital. The conducting of physical examinations in all Branch locations and in over 20 countries where students undertake the CMA program online will hopefully re-commence in 2022.
- **Social Media:** Continued with the CEO Blog, with links to Facebook and Twitter.

## Thanks!

My colleagues will agree that the input of our CEO and Education Committee Chairman, Prof Janek Ratnatunga, our Treasurer, Dr Chris D'Souza; and our Editor of On Target Direct, Dr. Chintan Bharwada.

The Editors and the international panel of referees for their work in publishing *Management Accounting Frontiers (MAF)* and *Journal of Applied Management Accounting Research (JAMAR)*.

Special thanks also go to:

- Prof Michael Tse, our Global Chairman
- Mr. David Cartney, our Vice-President
- Mr. Hans Ferdinands, our Secretary
- Ms. Roshani Perera, our Membership Committee Chair.
- Mr. Jehan Ratnatunga, our webmaster
- Mr. Chris Perera, our Executive Officer
- Finally, a vote of thanks to our auditor Ben Kaplan (still no relation of Robert) who has once given his time to discharge his duties very professionally.

### Membership Committee Chairman's Report

Ms Roshani Perera took over as Membership Committee Chairman during the year on the retirement of John Donald. Her report was as follows:

#### Membership Growth

Membership recovered dramatically after being significantly impacted by Covid19 last year. 2020-21 saw a rise of membership renewals as well as new memberships. The revenue from these numbers will reflect in the revenue for 2021-22.

We had a 14% increase in CMAs and AMA's and a lower 6% increase in the lower levels of membership (CAT/RCA/GMA) - overall financial membership increased by +24%. The new Membership Designation of Student Membership which should enable us to have a feeder group for future growth in Memberships grew by nearly 500% albeit from a low base.

Although membership growth is not a KPI of ICMA, which instead aims for quality by positioning itself as the only specialist professional body for senior executives with education programs at the master's degree level, members represent the lifeblood of the Institute.

The overall membership of the ICMA now stands at approximately 10,172 members in 104 countries.

### Education Committee Chairman's Report

Prof Janek Ratnatunga, the Education Committee chairman provided an overview of the Education Program of CMA Australia. The Program has Nine Levels and in this financial year, the *New Zealand Government Qualification Authority (NZQA)* provided

equivalency assessments for the different levels of the GMA & CMA programs.

- Certified Accounting Technician (CAT) (Level 4 – Certificate)
- Registered Cost Accountant (RCA) (Level 5 – Diploma)
- Registered Business Accountant (RBA) (Level 6 – Advanced Diploma)
- Graduate Program (For School Leavers) – GMA & AMA (Level 7 – Degree)
- Graduate Conversion Program (For Non-Accounting Graduates/ Professionals) – GMA& AMA.
- CMA Program (For Accounting Graduates/Professionals) – CMA (Level 9 – Masters Year 2)
- CGBA – For Non-accounting Graduates
- MBA, CMA program for Global Leaders
- DBA, CMA program for Applied Research

The Program can be undertaken via:

- University Degree (Undergraduate/Masters)
- Recognised Provider Institution
- Corporate In-House

Prof Ratnatunga also reported that to facilitate its educational objectives in addition to its own nine-level CMA education program, the Institute has accredited a number of universities which have master's degree subjects that are equivalent to the CMA program. Some of these universities also provide in-house training and examinations of the CMA program. Accounting graduates can do CMA accredited units at these universities to qualify for CMA status. The details of these universities and the subjects accredited are listed on the CMA Website.

CMA Australia also has *Recognised providers* in Australia and in many different countries the details of which are listed on our website.

### **Certificates of Proficiency**

The following *Certificates of Proficiency* Programs were designed and offered in 2020-2021.

- International Financial Reporting Standards
- Risk Management (online)
- Islamic Banking and Finance
- Family Business.
- Foreign Exchange Management
- Transport and Shipping
- Supply Chain Management
- Project Management (online)
- Project Finance (online)
- Takaful (Islamic) Insurance
- International Business Analysis (online)
- Logistics Management
- Wealth Management
- Telecommunications Pricing

- Company Secretarial Practice
- Crisis Management
- Forensic Accounting and Auditing
- Human Resource Management
- Sustainable Procurement
- Cross-Cultural Negotiations
- Performance Budgeting
- VAT Law & Practice (UAE)
- Performance and Valuation
- Accounting Practice (Vietnam)
- Performance & Valuation
- Business Valuation (online)
- Digital Marketing (online)

### **Membership Pathways**

The Institute of Certified Management Accountant (ICMA) offers a number of *membership pathways* as follows:

- University Graduates in Accounting
- University Graduates in Finance
- MBA Degree Holders
- University Graduates with Non-Accounting Degrees
- Diploma and Advanced Diploma Holders in Accounting
- Members of Other Professional Accounting Bodies
- Members of Other Professional Non-Accounting Bodies
- Part Qualified Students of Other Professional Accounting Bodies
- School Leavers
- Academics
- Distance Education Scholarship Program
- Emerging Professional Scholarship Program

### **Treasurer's Report**

Dr Chris D'Souza presented the Treasurer report which stated that as a direct result of the proactive adaptation of covid mitigation strategies by our executive, our revenue collections recovered to within 5% over the previous years in 2020-21. The drop in revenue was offset by various government assistance which made up for the Pandemic setback to our operations.

He also reported that during the current financial 2021-22 we have already broken all previous revenue collection records and our revenue is already more than 30% higher compared to the entire previous year and is expected to keep growing, potentially making 2021-22 our best year on record.

Prudent financial management has left our association well placed to confront the aftereffects of the Pandemic with overall members' funds recording an increase of 11% over the previous year.



Professor Brendan O'Connell, FCMA  
President, ICMA Australia

# MEDIA RELEASE: REVERSING THE PLASTIC PANDEMIC: CMA ANZ CALLS FOR A ‘PLASTIC CREDIT’ CAP-AND-TRADE-SOLUTION

A ‘black swan event’ is one that whilst being extremely rare and of severe impact, is nevertheless characterised by the widespread insistence it was obvious in hindsight. The Covid-19 pandemic was described as such an event.

“Environmental damage is a swan of a different colour, a green one” says Prof Janek Ratnatunga, the CEO of the *Institute of Certified Management Accountants (CMA ANZ)*.

“Green swans’ are the consequences of the risks we humans create for ourselves by pumping contaminants into our air and water, destroying our ecosystems, and destabilizing our climate. Some causes of an impending green swan event, like global warming are being well studied. However, other causes remain ‘hidden’ such as the looming plastic pollution pandemic. This can have equally devastating consequences of triggering a green swan event as green-house gas emissions, which in hindsight will be seen as being obvious,” he says.

In an in-depth study titled **‘Back to the Future! Reversing the Plastic Pollution Pandemic’**, Prof Ratnatunga details how in recent years the surge in production has been driven largely by the expanded use of disposable plastic packaging in the growing economies of Asia — where garbage collection systems are so underdeveloped or non-existent that most throw-away plastic litter is piling up in streets, laneways, riverbanks and beaches.

“Unfortunately, what each individual considers as a minor littering misdeed, when considered collectively has a deadly impact on the environment.”

“In our oceans, which provide the largest natural carbon sink for greenhouse gases, plastic leaves a deadly legacy, he says. “It directly chokes and smothers a host of marine animals and habitats and can take hundreds of years to break down.”

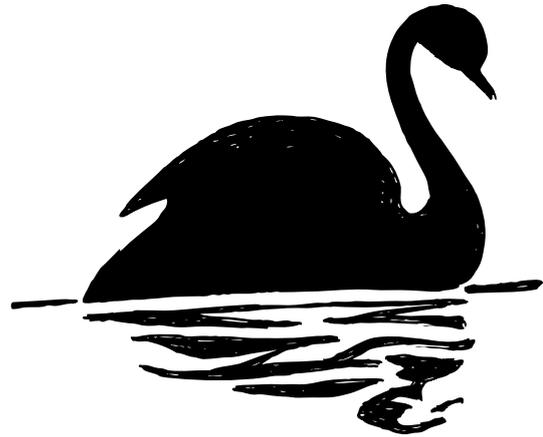
“The disaster that can be caused by excessive litter that does not degenerate is no longer a potential threat but a real one” warns Prof Ratnatunga.

Individuals have been asked to carry a reusable bottle; choose aluminium cans over plastic when possible and recycle all plastic bottles.

“Unfortunately, these ethics-based solutions are just not working”, says Prof Ratnatunga.

“Because plastic pollution just like greenhouse gas emissions reach all corners of the globe, this issue needs mandatory global solutions similar to what was introduced in the 1990s as the *Kyoto Protocol* for Climate Change.”

Ideally, the United Nations must *Ban* single-use plastics worldwide.



At present, 170 nations have pledged to “significantly reduce” use of plastics by 2030. Most of the pledges focus on banning six items that are often found in the environment, are often not recycled and that have readily available alternatives. These are plastic grocery bags, straws, stir sticks, six-pack rings, cutlery and food take-out containers that are hard to recycle.

“However, such unilateral bans, whilst helpful, are of little value if excessive plastic litter continues to enter our waterways and are then taken globally via the ocean currents”, says Prof Ratnatunga.

If a global ban is not politically feasible in some countries – the plastics industry lobby is very strong says Prof Ratnatunga – then at least institutionalise *controlled waste management* in all countries in where the plastic rubbish that has been collected is brought to a processing station for controlled incineration.

How can this be financed? Prof Ratnatunga suggests that taxing companies will be as ineffective as a carbon tax was – as the companies will pay the tax and keep on littering, as they can pass the tax to the consumer.

Prof Ratnatunga says therefore that the best way is to impose a *cap-and-trade system* with ‘plastic-credits’; i.e., one similar to a carbon credit system. A ‘Plastic-credit’ can be defined as (say) one kilo of plastic resin that is either recycled or saved from being manufactured (by using alternative materials). Companies can be given a cap, and if they reach it, they can trade with a company that has excess plastic credits.

“Ultimately, however, it is the ‘start-of pipe’ solutions such as *Smart Design* and *Smart Packaging* – essentially low-tech solutions that takes design ‘back to the future’ of pre-plastic days – that holds the best hope in preventing the hidden ‘Green Swan’ event from eventuating,” he concludes.

**Prof Janek Ratnatunga**  
CEO, ICMA Australia & NZ



## THE MAGICAL REALISM OF ‘SQUID GAME’ SHOWS THE CONTRADICTIONS OF FUNNY MONEY AND DODGY CONTRACT

In the hit Netflix series *Squid Game*, players participate in deadly children’s games in order to win prize money.

By some fishy calculation, the players’ lives are valued less than their debt. An enormous plexiglass piggy bank suspended high above their barracks rubs this indignity into every upturned survivor’s face as it fills at the rate of 100 million won — approximately \$105,470 — per eliminated contestant. This jackpot eventually builds to **45.6 billion won**.

The piggy bank in *Squid Game* fills above the heads of contestants.

The games are six contests based on children’s games, and contestants play to win and survive. The price assigned to each player is just one part of the shady accounting and quasi-legal manoeuvring that brings them to *Squid Game*’s theatres of cruelty and macabre comedy. What’s more, the players have signed contracts agreeing to pay and play.

### Contracts and payments

Before taking part in these games, the show’s protagonist Seong Gi-hun is given the choice by a loan shark to postpone payment of his gambling debts by signing a

“Waiver of Physical Rights,” which would allow for the removal of his organs.

Later in the episode, a well-dressed man approaches Gi-hun in a subway station with an offer Gi-hun can’t refuse: an invitation to play a game of chance for cash if he wins or slaps to the face if he loses.

After a string of defeats and stinging blows, Gi-hun’s luck turns. But as he gloats over his winnings, the man rattles off Gi-hun’s consolidated lifetime debts and interest accrued to date to banks, payday loaners, gangsters and other predatory lenders. The amounts are garnished with the coldest facts of Gi-hun’s life, including his divorce.

Cornered, Gi-hun agrees to sign a Player Consent Form, making him the 456th participant in games for higher gains.

Likewise, agreements made prior to the consent form, both ironclad and flimsy as squid floss (**a popular Korean snack**), figure in the backstories of other players. These include Ali, the altruistic and trusting Pakistani migrant worker cheated by his boss, and Kang Sae-byeok, who escaped North Korea with her brother with the help of an unscrupulous smuggler.

But no one needs to flee the grimmest totalitarian state on Earth to see how *Squid*

*Game* barely exaggerates how certain people are reduced to what they owe.

### Magical realism

In Colombian novelist Gabriel García Márquez’s *One Hundred Years of Solitude* the famous “banana massacre” honours the **strikers against the United Fruit Company in 1928**, who were shot and killed by the Colombian military. In García Márquez’s novel, grievances precipitating the strike include the banana company’s payment of workers in chits, redeemable only in the company’s commissaries (and then only for Virginia ham that never materializes). But as the workers had been hired on a “temporary” basis, a court rules in the company’s favour: “the workers did not exist.”

Similarly, *Squid Game*’s competitors do not exist beyond the profit- and pleasure-generating potential of their desperation, magnified for the entertainment of creepy, bedazzled mask-wearing VIPs and the games’ captain, who enjoys a scotch and a big-band rendition of “Fly Me to the Moon” as he watches players trample dead bodies to the finish line of the first game.

Like García Márquez’s *One Hundred Years of Solitude*, *Squid Game* can be understood as a work of magical realism, because its most

fanciful elements are presented as stark factual matters.

In 1997, it was revealed that the pilot responsible for the **Korean Air Flight 801 crash** slapped his co-pilot in the face while hearing his respectful, halting warnings as nothing but insubordination.

Phoney meritocracies and suspect contracts are not unique to South Korea. In 2010, retail giant Walmart was sued for taking out secret life **insurance policies on its employees**.

**Broken promises**

Paper promises like *Squid Game*'s player consent form are cynical nods to individual consent and free and equal agency. Clause 3 permits players to suspend the games by popular vote, and in the second episode, it is enacted when a nail-bitingly narrow majority vote is held to cancel the games, only for most players to return, unable to resist the possibility of debt emancipation.

This resembles many bogus contracts where human lives are exchanged for labour or money, like those signed by Korean "comfort women" during the Second World War as if in willing exchange for their bodies.

Jeannie Suk Gersen discusses her *New Yorker* article on the history of comfort women.

In *Squid Game*, labour agreements seem built to be broken, but only in one direction. Episode 5 features Gi-hun's flashback to a strike against his former employer, including police beatings of protesters. This scenario was based on the real-life auto manufacturer **Ssangyong and the 2009 layoff of 2,646 factory workers**, only some of whom received restitution after a lengthy battle in Korean courts.

*Squid Game* also highlights ongoing education inequities due to poverty. Fiery player No. 212, Han Mi-nyeo, laments that while she is smart, she didn't have the opportunity to study. This can be contrasted with Gi-hun's childhood frenemy, Cho Sang-woo (player No. 218), who climbed the social ladder to prestigious Seoul National, but is wanted for embezzlement.

**Magic money**

That money is itself contractual — certified in its printed status as "legal tender" — slaps *Squid Game* fans in the face each time payouts cascade into the piggy bank.

Capitalizing on the show's mammoth popularity, **cryptocurrency scammers stole**

**some US\$2.15 million** from buyers by jacking up the price of tokens to play an as yet nonexistent online game based on the series. The defrauders cashed out on Nov. 1, right after the funny money — called Squid — surged to US\$2,861 per unit.

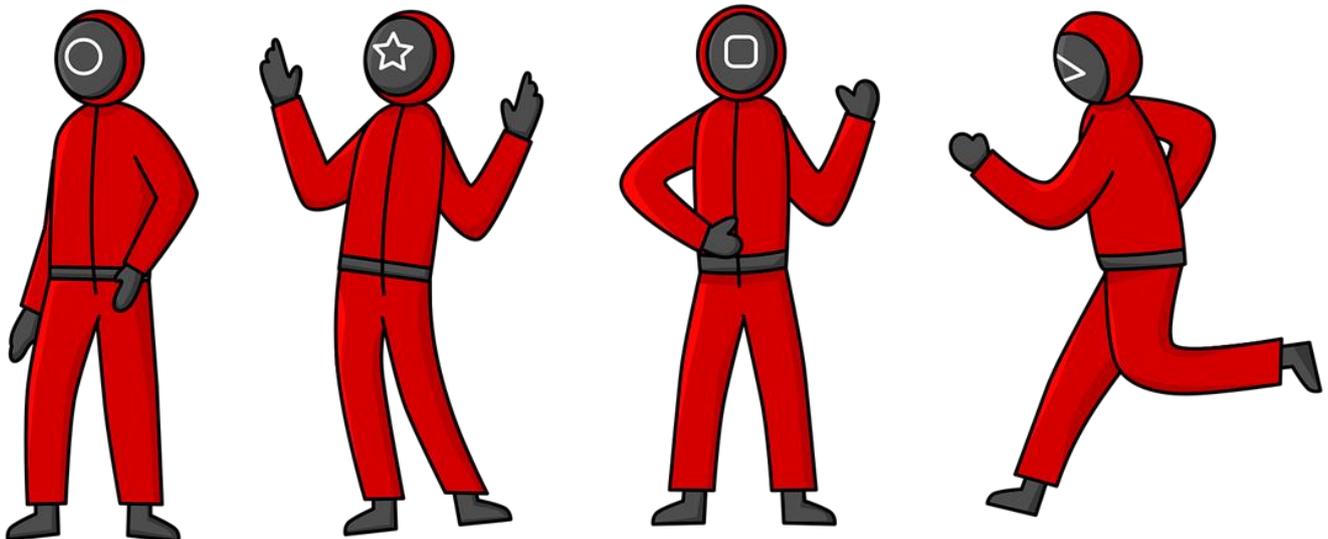
But what distinguishes real money from fake? Is debt as real as it gets, and the possibility of wealth a necessary fiction?

Unlike the guards engaged in their side hustle selling dead players' organs, the audience watches the desecration with equal parts outrage and empathy. We might also share a rueful laugh at the end of Episode 1's carnage, reminded that **the billionaire trio of Jeff Bezos, Richard Branson and Elon Musk are flying themselves to the moon**.

The magical realism of the show draws from contemporary South Korean culture's mix of advanced technologies and traditional hierarchies, but the represented inequities also reflect global truths about how we value human labour and life.

**About the Author**

**Elaine Chang**, Associate Professor, English and Theatre Studies, **University of Guelph**



# COLLATERALISED LOAN OBLIGATIONS: WHY THESE OBSCURE PRODUCTS COULD CAUSE THE NEXT GLOBAL FINANCIAL CRISIS

At the heart of the **global financial crisis** of 2007-09 was an obscure credit derivative called the collateralised debt obligation (CDO). CDOs were financial products based on debts – most notoriously, residential mortgages – which were sold by banks to other banks and institutional investors.

The profitability of these CDOs largely depended upon homeowners' ability to repay their mortgages. When people began to default, the CDO market collapsed. And because CDOs were interwoven with other financial and insurance markets, their collapse bankrupted many banks and left others requiring government and central bank support.

Many thought this would put an end to the market for complex structured credit derivatives, but it didn't. As of 2021, a **close cousin** of the CDO known as the collateralised loan obligation or CLO was approaching the equivalent value of the CDO market at its peak. A record number of CLOs were **issued in August**, and the market as a whole is **approaching US\$1 trillion** (£726 billion) in value. Many within the financial services industry **say that** there is nothing to worry about, but there are good reasons why they could be wrong.

## How CLOs differ from CDOs

Collateralised loan obligations are **underpinned** not by mortgages but by so-called leveraged loans. These are corporate loans from syndicates of banks that are taken out, for example, by private-equity firms to pay for takeovers.

Proponents of CLOs argue that leveraged loans have a **lower record** of defaults than subprime mortgages, and that CLOs have less complex structures than CDOs. They also argue that CLOs are **better regulated**, and carry weightier buffers against default through a more conservative product design.

None of this is untrue, but this does not mean risk has disappeared. Mortgages, for example, had **low rate of defaults** in the 1990s and early 2000s. But since CDOs enabled banks to sell on their mortgages to free up their balance sheets for more lending, they began lending to riskier customers in their search for more business.

This relaxation of lending standards into subprime mortgages – mortgages issued to borrowers with a poor credit rating – increased the eventual default rate of CDOs as people who could ill afford their mortgages stopped repaying them. The danger is that



the same appetite for CLOs **may similarly** reduce standards in leveraged lending.

In one respect, CLOs may even be worse than CDOs. When homeowners failed to repay their mortgages and banks repossessed and sold their houses, they could recover substantial amounts that could be passed through to CDO investors. However, companies are rather different to houses – their assets are not just bricks and mortar, but also intangible things like brands and reputation, which may be worthless in a default situation. This **may reduce** the amount that can be recovered and passed on to CLO investors.

#### Network effects

In a **recent paper**, we examined the similarities between CDOs and CLOs, but rather than comparing their design, we examined legal documents which reveal the networks of professionals involved in this industry. Actors working together over a number of years build trust and shared understandings, which can reduce costs. But the mundane sociology of repeat exchanges can have a dark side if companies grant concessions to each other or become too interdependent. This can drive standards down, pointing to a different kind of risk inherent in these products.

The US-appointed Financial Crisis Inquiry Commission (FCIC) found evidence of this dark side in **its 2011 report** into the CDO market collapse, underlining the corrosive effects of repeat relationships between credit-rating agencies, banks, mortgage suppliers, insurers and others. The FCIC concluded that complacency set in as the industry readily accepted mortgages and other assets of increasingly inferior quality to put into CDOs.

Unsurprisingly, creating CLOs requires many of the same skill sets as CDOs. Our paper found that the key actors in the CDO networks

in the early 2000s were often the same ones who went on to develop CLOs after 2007-09. This raises the possibility that the same industry complacency might have set in again.

Sure enough, the quality of leveraged loans has deteriorated. The proportion of US-dollar-denominated loans known as **covenant-light or cov-lite** – meaning there are fewer creditor protections – **rose from 17% in 2010 to 84% in 2020**. And in Europe, the percentage of cov-lite loans is believed to **be higher**.

The proportion of US dollar loans given to firms that are over six times levered – meaning they have been able to borrow more than six times their earnings before interest, tax, depreciation and amortisation (EBITDA) – also rose from 14% in 2011 **to 30% in 2018**.

Before the pandemic, there were alarming signs of borrowers exploiting looser lending standards in leveraged loans to move assets into subsidiaries where the restrictions imposed by loan covenants would not apply. In the event of a default, this limits creditors' ability to seize those assets. In some cases, those unrestricted subsidiaries were able to borrow more money, meaning the overall company owed more in total. This has strong echoes of the financial creativity that drove riskier borrowing in 2005-07.

So how worried should we be? The CLO market is certainly very large, and corporate defaults could soar if it turns out that the extra money pumped into the economy by central banks and governments in response to the COVID crisis provides only a temporary reprieve. The **major buyers** of these derivatives again seem to be large, systemically important banks. **On the other hand**, according to some accounts, these derivatives are less interwoven with other financial and insurance markets, which may reduce their systemic risks.

Nevertheless the market is at least large enough to cause some disruption, which could cause major ructions within the global financial system. If the networks behind these products are becoming blind to the risks and allowing CLO quality to slowly erode, don't rule out trouble ahead.

#### About the Authors

**Daniel Tischer**, Lecturer in Management, *University of Bristol*; **Adam Leaver**, Professor of Accounting & Society, *University of Sheffield*, and **Jonathan Beaverstock**, Professor of International Management, *University of Bristol*



# WHAT IS BITCOIN'S FUNDAMENTAL VALUE? THAT'S A GOOD QUESTION

As it hits new highs, there is no shortage of bold predictions about Bitcoin **reaching US\$100,000** or more.

Often these are based on not much more than extrapolations by people with vested interests: the price has gone up a lot so it will keep going up. If it gets above its previous high, it must keep going up.

There is also “charting” or “technical analysis” – looking at graphs and seeing patterns in them. There may be fancy terms such as “**resistance levels**” and “**Tenkan-Sen**”. There is talk about “**fundamentals**”.

Let's examine this last idea. Does Bitcoin have a fundamental value?

## Calculating fundamental values

A fundamental value in traditional financial-speak means a value based on what return (or cash flow) is generated by an asset. Think of an apple tree. To an investor its fundamental value is in the apples it produces.

In the case of company shares, the fundamental value is the dividend paid from profits. A standard measure used by investors is the price-to-earnings ratio. In property, the fundamental value reflects the rent the investor earns (or the owner-occupier saves). For a bond, the value depends on the interest it pays.

Gold has a fundamental value also, based on its use for jewellery or dental fillings or in electronics. But this value is not why most people buy gold.

## Fundamentals for cryptocurrencies

National currencies are different. Their value is in being a trusted and accepted unit of exchange.

In the past coins made with gold and silver had a fundamental value because they could be melted down for their precious metals. That's no longer the case with fiat currencies, whose value depends solely on people trusting that others accept them at face value.

Most cryptocurrencies, such as Bitcoin, Ethereum and Dogecoin are essentially private **fiat currencies**. They have no corresponding assets or returns. This makes it hard to determine a fundamental value.

In September analysts with Britain's Standard Chartered Bank **argued** Bitcoin could peak at about US\$100,000 by the end of 2021. “As a medium of exchange, Bitcoin may become the dominant peer-to-peer payment method for the global unbanked in a future cashless world,” said the head of the bank's crypto research team, Geoffrey Kendrick (a former Australian Treasury official).

Theoretically this could be possible. Globally an estimated **1.7 billion people** lack access to banking services. But Bitcoin has been spruiked as the future of payments since its invention in 2008. It has made little progress.

There are at least two significant barriers. First is the computational grunt needed to process payments. Technology may overcome this. The second obstacle is harder: the volatility of its price.

Digital currencies that can maintain a stable value are more likely to become payment



instruments.

These include the existing stablecoins, **Meta's mooted Diem** and **central bank digital currencies**, already **operational** in some Caribbean economies.

So far the only significant company to have accepted payments in Bitcoin is Tesla, which announced this policy in March only to reverse **it in May**.

The only country to adopt Bitcoin as an approved currency is El Salvador (which also uses the US dollar). But it is far from clear what benefits there are. The laws forcing businesses to accept the cryptocurrency have also led to protests.

### Bitcoin as digital gold

If Bitcoin has no real value as a widespread means of payment, what about as a store of value, like digital gold? It does have this advantage over most of the “altcoins”. Its supply, like gold, is (arguably) limited.

One tool used by crypto enthusiasts to compare Bitcoin’s scarcity with gold is called the “**stock-to-flow**” model. This approach claims gold holds its value because the existing stock of gold is 60 times more than the amount of new gold mined each year. The stock of Bitcoin is more than 50 times than the new coins “mined” annually.

But this does not explain why Bitcoin’s price halved earlier this year. Nor does it have any theoretical basis in economics: prices don’t depend just on supply.

Some **Bitcoin promoters** predict higher prices on the assumption funds managers

will eventually invest an arbitrary proportion, say 5%, of their funds in Bitcoin.

But such predictions implicitly assume Bitcoin, as the largest and best-known cryptocurrency, will continue to maintain its dominant position in the crypto market. This is not guaranteed. And there is no limit to the number of cryptocurrency alternatives.

Remember Bankcard? This credit card company once had 90% of the Australian market in the early 1980s. It was defunct by 2006. What about MySpace? Before 2008 it was a bigger social networking site than Facebook.

### Here we go again

In September **The Economist** argued Bitcoin “is now a distraction” to the future of decentralised finance, with rival

blockchain cryptocurrency Ethereum “reaching critical mass”.

There are parallels between the Bitcoin bubble and the dotcom bubble of 2000, driven by overly optimistic assumptions about new technologies – and human greed.

Just as a few stars such as Amazon emerged from the wreckage of the dot.com bubble, so it is possible some applications of the block-chain technology underlying Bitcoin have enduring utility. But I doubt Bitcoin will be one of them.

### About the Author

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GREETINGS FROM  
CMA AUSTRALIA



**Management Accounting Frontiers**  
**The Research Journal of the Institute of Certified Management Accountants**

**Call for Papers: *Special Issue on Unethical Behaviours and Management Controls:  
 Issues and Challenges to Management Accounting***

**Guest Editors:**

*Vincent Chong (University of Western Australia, Australia)*  
*Zuraidah Mohd Sanusi (Universiti Teknologi MARA, Malaysia)*  
*Jan Alpenberg (Linnaeus University, Sweden)*

Organizations continue to face issues and challenges on unethical behaviours such as corruption, fraud, and/or misreporting among their managers. Understanding how unethical behaviours occur and how they can be prevented is an essential managerial issue. This Special Issue aims to provide a research forum for scholars to contribute and/or investigate how an organization's formal and informal management controls can be used to prevent or control unethical behaviours.

All research methods are welcome, and topic areas of interest include but are not limited to:

- Issues and challenges of management controls on unethical behaviours;
- The impacts of performance measures and reward systems design on unethical behaviours;
- Issues and challenges of unethical behaviour and management control research in public and/or not-for-profit sectors;
- Unethical behaviours and management controls: Implications of organizational culture;
- The effect of leadership style and management controls on unethical behaviours
- Individual differences, unethical behaviours, and management controls;
- A cross-cultural investigation of the relationship between management controls and unethical behaviours.

Any other topics related to the Special Issue theme can also be considered.

**Important Dates:**

31 May 2022	Deadline for Initial Submissions
15 August 2022	First Editorial Decisions
30 September 2022	Due date for Revised Submissions
15 November 2022	Final Editorial Decisions

**Submission of Manuscripts:**

Submission implies that the content of the manuscript has not been published elsewhere or currently under consideration by another journal or publisher for publication. All submissions are subjected to a double-blind review process. Potential contributors should submit manuscripts by email: [editor@cmaaustralia.edu.au](mailto:editor@cmaaustralia.edu.au).

# CAN A COMPANY SURVIVE THE SUDDEN DEATH OF AN ENTREPRENEUR?

The remaining employer respondents are either still planning or waiting to communicate any decisions about their new ways of working – which will in part reflect the very different stages of the COVID-19 pandemic around the world.

Liz Fealy, EY Global People Advisory Services Deputy Leader and Workforce Advisory Leader, says:

“Employers have heard loud and clear that employees are demanding flexibility, in the post pandemic working world. The biggest danger facing most employers is that they fail to provide clarity around their hybrid work and return to office plans. Many organizations seem to have commitment issues around flexible working – they know they need to adapt but are holding back on implementing any firm plans.

“We know that many employees are prepared to quit if they don’t get the flexibility they need and so employers who fail to move with the times do risk losing their people. Organizations that want to flourish need to ensure that their plans are well defined and communicated, and that they balance business and employee priorities in refining these plans to help create a win-win for the business and the workforce.”

Despite the overwhelming recognition of the importance of flexible working; the

survey reveals that 35% of employer respondents want all of their employees to return to the office full time post-pandemic. While some of these employers are in industries that require on-site presence, there are other organizations that can work virtually, but want it to happen in person.

Fifty-one percent of employer respondents say that they want to decrease business travel post-pandemic, but 66% of employee respondents say they want it to resume.

On key issues relating to culture and productivity there are also notable disconnects. Almost three quarters (72%) of employer respondents believe that workplace culture has improved since the onset of the COVID-19 pandemic, compared to 48% of employee respondents; and 82% of employer respondents believe productivity can now be measured from anywhere, compared to 67% of employee respondents.

## Risks on the horizon

Employers who took part in the survey were also asked about risks beyond physical health, that they believe may come with the shift toward hybrid working. Almost half (45%) say one of the biggest risks will be their ability to establish fairness and equity among employees when some jobs require a fixed schedule or

location, creating a ‘have and have not’ dynamic based on roles. Forty-three percent say a key concern is how to retain talent and offer flexibility; and 40% point to hybrid working as a risk to culture, creativity and collaboration.

Other risks identified include developing next generation talent (39%), establishing and measuring productivity (36%), upskilling/reskilling employees for new ways of working (30%), adopting new technologies to support hybrid working (28%), supporting employee well-being (28%)

In making these preparations, workplace safety is also a major consideration. The survey reveals that 43% will require staff to be fully vaccinated before returning to the office. A similar proportion (42%) plan to incentivize vaccination, for example, through paid time off for employees, subject to legislative requirements.

Liz Fealy added:

“These various and complex risks make it harder for employers to define their back to office plans for a diverse workforce and leave many exposed to the possibility that employees will move to companies where flexibility is clearly implemented.”



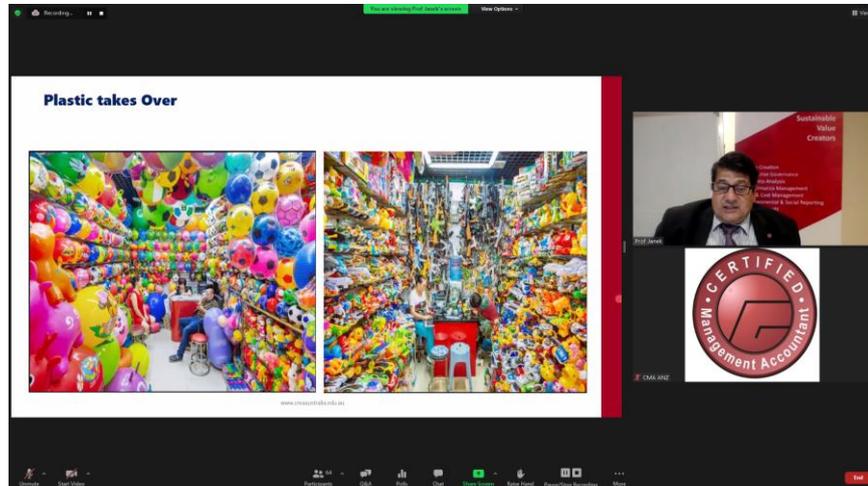
## REGIONAL OFFICE AND BRANCH NEWS

### WEBINAR: GREEN SWAN: THE EXISTENTIAL COST OF THE PLASTIC PANDEMIC

Throughout the Covid-19 pandemic, ICMA Australia has continued its commitment to bring world-class seminars to its members. On December 2 2021 Prof Janek Ratnatunga delivered a webinar titled “Green Swan: The Existential Cost of the Plastic Pandemic.”

Professor Ratnatunga said that ‘Green swans’ are the consequences of the risks we humans create for ourselves by pumping contaminants into our air and water, destroying our ecosystems, and destabilizing our climate. Some causes of an impending green swan event, like global warming are well studied, and were discussed at length at COP 26. However other causes remain ‘hidden’ – such as the looming plastic pollution pandemic that can have equally devastating consequences of triggering a green swan event as green-house gas emissions - which in hindsight will be seen as being obvious.

Prof Ratnatunga recommended that we go ‘Back to the Future’ of the 1950s and ban all plastic single-use consumption products. If such a drastic move is not politically feasible, then he argued that the only workable solution to curb excessive plastic pollution is for governments to impose a cap-and-trade system with ‘plastic-credits’; i.e., one similar to a carbon credit system.



### SRI LANKA DELIVERS CMA PROGRAM IN MIXED-MODE

On November 13-21, 2021 the Sri Lanka Regional provider, *Academy of Finance* and ICMA successfully moved the delivery of the 7-Day CMA Program in mixed-mode (online plus face-to-face teaching) with Professor Janek Ratnatunga and Dr. Chris D’Souza successfully delivering the course from their homes in Melbourne using the Zoom platform, and Mr. Kapila Dodamgoda and his team taking some lectures and case studies from the Galadari Hotel.

The pictures below show students practicing social distancing in their case study groups and also whilst playing the simulation game.



# INDONESIA BRANCH AGM

On October 1-2 and 8-9, 2021, the Bangladesh Regional provider, Hassan Associates and ICMA successfully moved the delivery of the On September 11, 2021, ICMA Australia Indonesia Branch held its first virtual Annual General Meeting via Zoom, as an implementation of good governance and a session for direct discussion with CMA members.

This agenda was attended by both CMA members and also several affiliates, i.e., IPMI International Business School and Business Number Consulting. Participants joined from Aceh, Jabodetabek, Bandung, Yogyakarta, Semarang, Surabaya, Malang, Bali and special regions throughout Indonesia.

ICMA facilitated the event, moderated by ICMA Australia Indonesia President, Daniel Godwin Sihotang; Vice President, Iman Subekti; Honorable Secretary, Inu Pinandito; and Honorable Treasurer, Nursakti Niko Rosandy.

Throughout the Covid-19 pandemic, ICMA Australia Indonesia Branch continued its commitment to facilitate the capability development for CMA Members, professionals and academics in the fields of accounting and finance. In the Sept-Dec period 3 more webinars were held. ICMA facilitated the events, which were moderated by ICMA Australia's Indonesia President, Mr. Daniel Godwin Sihotang, Dr Ana Sophana, Mr. Nursakti Niko Rosandy, the Branch Treasurer.



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speaker **Kristian Boskov Hansen**  
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### CMA Professional Forum

Series 26

#### The Role of Management Accountants in Reducing Recruitment Costs

Saturday, 30 October 2021 | 13:00 WIB

**Iman Subekti, Ak, CA, CMA, CBV**  
Vice President of ICMA Australia Indonesia

**Sony Tan, SE Ak, CMA, CHRP, MPsi**  
HR Director, Soft Skill Trainer, Book writer 'Milenial & Turnover' and Owner of @\_Konsuka Café

Register to: [bit.ly/recruitmentcosts](https://bit.ly/recruitmentcosts) or [ICMAAustraliaIndonesia@gmail.com](mailto:ICMAAustraliaIndonesia@gmail.com)

Online Meeting with **CLOUDX**, **NPH**, **CMA**

### CMA Professional Forum

Series 27

#### Turn Around Strategy of Indonesia's Largest State-Owned Enterprise (SOE)

Saturday, 4 December 2021 | 13:00 WIB

**Nursakti Niko Rosandy, CA, CPMA, CMA, CIB, ACPA**  
Honorable Treasurer of ICMA Australia Indonesia

**Daniel Godwin Sihotang, CA, CMA, CIBA, CBV**  
President of ICMA Australia Indonesia

**Drs. Iman Bachman, MBA**  
Director of Strategy, Portfolio & New Ventures at Pertamina

Register to: [bit.ly/turnaroundpertamina](https://bit.ly/turnaroundpertamina) or [ICMAAustraliaIndonesia@gmail.com](mailto:ICMAAustraliaIndonesia@gmail.com)

Online Meeting with **CLOUDX**, **PERTAMINA**, **CMA**

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# A WARM WELCOME TO NEW MEMBERS (Oct & Nov 2021)

Abdelgadir, Zahiedin	Ikrimah	Ridwan, Mochammad
Abidoye, Adenike	Iman, Jovanny	Salahuddin, Muhammad
Abuelgasim, Eltayeb	Jayaneththi, Chandrika	Sane, Sacha
Aguarino, John	Jeremiah Kafie, Ndaka	Sariwulan, Taty
Ahern, Ian	Johannesson, Thorsteinn	Septiawan, Budi
Ahmad, Furqan	Katukurunda, Sisila	Shah, Rinku
Aisyah, Isye	Kotamraju, Venkata	Siddiqui, Fahad
Al Jaber, Khaled	La Hood, Justin	Siriwardane, Theja
Alifar, Badurudeen	Landarica, Bingky	So, Wai Yin
Al-kuwari, Rowaida	Liemijanto, Nini	Soekardan, Dadan
Angadala, Rajesh	Lim, Chee Heng	Sok Shen Joey, Teng
Ayu, Maryeta	Lim, Valentina	Spurrier, Martin
Bamber, Mark	Linda	Suratman, Sasa
Beqiri, Xhevdet	Lo, Suk Yin Daisy	Swan, Noi
Boampong: Panti, Seth	MacDougall, Raibeart	Talwatte, Asite
Brankovic, Nenad	Mahfouz, Mohamed	Thomas, Roy
Brice, James	Mai, Phuc Hung	Tonthawi, Anne
C h, Mansoor Ali	Maribao, Aljune Carl	Vagias, Anastasios
Chalil Manappadan, Nithin	Matakidi, Fredrick	Vispo, Lovely
Chavda, Sunilkumar	Meintjes, Hermanus	Wan, Yew Mun Jeremy
Che Mid, Mohammad	Migel, Hambanage Dinusha	Wang, Lin
Chong, Li Tshin	Mohammed Ali, Khalid	Wanjiru, Pauline
Chow, Keng Wah	Mohammed, Moiz	Watson, Keisha
Collins, David	Mon, Ei Le	Wickramasinghe, Asela
Dai, Yuhong	Narayanan, Sriram	Williams, Olakunle
Elkadi, Amgad	Noch, Raden	Wong Hui Ming, Edmond
Fatoki, Gbenga	Nsanzimihigo, Thierry	Wong, Bernard
Gajaweera, Hiran	Oktavianus, Steven	Wong, Sin Tung
Goh, Audrey	Or, Mei Qi	
Goldstraw-White, Janice	Othayoth, Sajeesh	
Grier, John	Pal, Ajay	
Ha, Hiu Fai	Peh, Lian Yuan Ricky	
Hau, Wing Jyun	Perera, Pradeep	
Hermawan, Atang	Pudjiastuti, Widanarni	
Hidayatullah, Idi	Qurba, Glen	
Ihzan, Faizul	Razick, Shiyam	

# CMA EVENTS CALENDAR

November 11, 2021. *Asia-Pacific Management Accounting Association 2021 Annual Conference (APMAA 2021) "Green Swans-based Management Accounting System towards Future-Fit Society"* (Online).

November 13-15 & 18-21, 2021 First Sri Lanka Zoom CMA Program organised by Academy of Finance, Sri Lanka. **(Online)**.

November 28, 2021. ICMA Council Meeting. Melbourne, Australia.

December 2, 2021. Prof Janek Ratnatunga, *"Green Swan: The Existential Cost of the Plastic Pandemic"* (Webinar)

December 8<sup>th</sup>, 2021. ICMA AGM. Melbourne, Australia.

December 24, 2021 to January 3, 2021. ICMA Secretariat Christmas Break

January 8-10, 2022: *Certificate of Proficiency in Strategic Cost Management*, SMU Academy, Singapore (7<sup>th</sup> Intake). **(Online)**.

January 8-10, 2022: Webinar in *Strategic Cost Management*, Hassan Associates, Bangladesh. **(Online)**.

January 21-24, 2022: *Certificate of Proficiency in Strategic Business Analysis*, SMU Academy, Singapore (7<sup>th</sup> Intake). **(Online)**.

February 18-19, 2022: Webinar in *Strategic Business Analysis (Part 1)*, Hassan Associates, Bangladesh. **(Online)**.

February 25-26, 2022: Webinar in *Strategic Business Analysis (Part 2)*, Hassan Associates, Bangladesh. **(Online)**.

March 5-7 & 12-13 & 26-27, 2022: Forth CMA Global Zoom Program in *Strategic Business Analysis*, Syme Business School, Australia. **(Online)**.

February 19-21 & 24-27, 2022: Second Sri Lanka Zoom CMA Program organised by Academy of Finance, Sri Lanka. **(Online)**.

March 19-21 & 24-27, 2022: Third Sri Lanka Zoom CMA Program organised by Academy of Finance, Sri Lanka. **(Online)**.

July 16-18, 2022: *Certificate of Proficiency in Strategic Cost Management*, SMU Academy, Singapore (8<sup>th</sup> Intake).

July 29-31 & Aug 1, 2022: *Certificate of Proficiency in Strategic Business Analysis*, SMU Academy, Singapore (8<sup>th</sup> Intake).

## Private Providers

Wharton Institute of Technology and Science (WITS), Australia

Syme Business School, Australia

Academy of Finance, Sri Lanka

IPMI (Indonesian Institute for Management Development), Indonesia

Singapore Management University Academy (SMU Academy)

Business Sense, Inc. , Philippines

HBS for Certification and Training, Lebanon

SMART Education Group, UAE

Institute of Professional and Executive Management, Hong Kong

AFA Research and Education, Vietnam

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Business Number Consulting, Indonesia

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