

A RESEARCH ON EXEMPTION OF AUDIT: SHOULD EXEMPTION OF AUDIT BE IMPLEMENTED FOR SMALL COMPANIES IN MALAYSIA

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ABSTRACT

The research project is basically about the exemption of audit for small companies. In this regards, it is to investigate whether the audit exemption for small companies should be implemented in Malaysia or not. It also evaluate the effects will bring to the users of this study. Besides, criteria to determine the small companies that can qualify for exemption is determined as well.

The users of this research are small companies, auditors, financial institution (i.e. banks), Inland Revenue and other related parties like professional bodies, public. Yet, researcher only target on small companies, auditors and banks; and then forms 100 subjects as the sample. Data are collected through questionnaires, interviews, websites, reference books, journals, and newspapers. Additionally, statistical analysis such as Chi-Square Test and One Sample T-Test are being used to test the hypotheses. Then, conclusion and recommendation will be drawn based on the analysis of findings.

Implementing exemption of statutory audits is only dispensing with the auditor report. On the other words, small private companies still have file their annual accounts in full compliance with the Companies Act and generally accepted accounting practice (GAAP) and then submit to Registrar of Companies in the absence of auditors' report. As conclusion in the survey, removal of audited accounts will bring more harm than good. Therefore, exemption of audit for small companies should not be implemented in Malaysia for the time being. This is because many of the small companies still depends on the audited financial statements in dealing with outsiders like bank, creditors, tax practitioners and so on.

If government is going to advocate these issues in future, small companies must satisfy the criteria in order to take the advantage of exemption of audit. Indeed, turnover limit in audit exemption for small companies should not more than RM350, 000 whereas the limit for balance sheet (i.e. total assets) should not more than RM300, 000. Yet, small companies still can retain the statutory audit on a voluntary basis or it is required by the users of financial statements.