

## **Week 10 : Published Accounts of Limited Liability Company**

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Company accountant needs to prepare annually or sometimes quarterly for all users [internal and external].

### *Internal Users*

They are involved in day-to-day analysis, planning and control of the company's operation. They can have access to any financial documents and records of the company.

### *External Users*

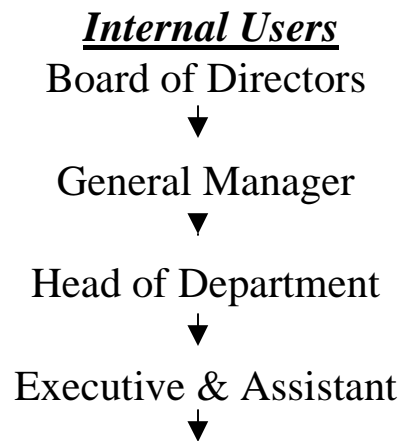
They are outsiders who require certain accounting and financial information. They make economic decisions based on quarterly and annual reports!

***Remember that Published Account is mainly for External Users***

# Week 10 : Published Accounts of Limited Companies

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Main External User  
*Shareholders*



Other External Users  
Suppliers, Tax Authority, Customers, Bankers, Professional Organization.

## **Week 10 : Published Accounts of Limited Companies**

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Do you simply join the company which is set up by your friend just because he or she is your buddy? You will ask whether the company has a third party to judge the reliability of the financial statements of existing performance that are prepared by the accountant or at least has no fraud.

### ***Audit Requirement***

Limited companies are usually required by law to have external audit. Some other entities, such as trade unions, government agencies, large charities and even schools, are also required to have audit. It is required for various purposes such as:

## Week 10 : Published Accounts of Limited Companies

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- 1] Inland Revenue Board (tax authority) will tax the amount based on net profit which is stated in the audited financial statements.
- 2] Performance reviews for shareholders in Annual General Meeting.
- 3] Company law may also require that accounting records and sources of documents are kept for a certain period of time, for example, in Malaysia:
  - a) Private Company (*Sdn. Bhd.*) = 7 years
  - b) Public Company (*Bhd.*) = 7 years

## Week 10 : Published Accounts of Limited Companies

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### *Roles and Responsibilities of External Auditor*

- 1] External auditors carry out an audit in order to be able to give the legal opinion whether financial statements give a true and fair view. After completing the audit, he will issue audit report together with audited financial statements to shareholders.
- 2] An audit is a *combination of tests, enquiries and judgments* made by the external auditors. The purpose of the test, enquiries and judgment is to give an opinion in an audit report.
- 3] In audit report, external auditor should state:

## Week 10 : Published Accounts of Limited Companies

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- a) Whether the financial statements show *true and fair view* of the state of affairs at the year end and the profit and loss for the year.
- b) Whether the report which the directors make as part of the annual statement is *consistent* with the audited financial statements.
- c) Whether the company has kept adequate accounting records and whether management has given *sufficient information* and explanation for the audit, and

## Week 10 : Published Accounts of Limited Companies

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- d) Accounting principles and provisions *matches* the financial statements the directors have prepared.
- e) Whether financial statements are properly prepared. It means prepared *in accordance with the law (such as Companies Act 1965 in Malaysia) and accounting standards (such as FRS in Malaysia)*.

### *Presentation*

It is the same topic as discussed in [Week 9](#).