

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the research objectives, research questions and findings and also discusses the appropriate recommendations.

5.2 Summary

The primary objective of this research is to find out from practitioners in the public practices through out Malaysia, their opinion on whether they favour Malaysia to take the route of differential reporting that have been practiced in countries like United Kingdom, New Zealand and Canada. This research was motivated by the recent developments of MASB Statement of Principles 1 'Exempt Enterprises' (SOP 1) as well as in the international front especially by the initiative taken by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) of United Nations Conference on Trade and Development.

ISAR recognised the obstacles that small and medium-sized enterprises face in maintaining proper accounting records and generating meaningful financial information. To meet the accounting needs of SMEs, the Group agreed on a three-tier approach accounting system. The objective of the initiative is to recommend to the accounting fraternity an approach they can use to create an all-embracing regulatory framework for the accounting of all commercial entities in their jurisdictions. This approach suggests a three-tiered system of differential reporting, with requirements that are cost-effective to the targeted user or preparer groups, and that allow growing businesses to evolve within a consistent accounting framework.

In May 2002, the International Accounting Standards Board (IASB) has also engaged an active research project on accounting by SMEs and will be issuing an exposure draft on this subject in due course. The purpose of this active research project was to evaluate the various alternatives available for addressing the needs of SMEs and make a formal proposal to the Board.

Therefore, the results of my research could prove to be timely for Malaysia since it is MASB's policy to adopt, wherever possible, a policy which harmonise with international best practices. This study was an attempt to find out the direction of MASB should take, after SOP 1. In other words, "where does Malaysia go from here?"

5.3 Conclusion

The findings from the survey found that generally many of the respondents are not aware of Differential Reporting applicable to small businesses. Practitioners working in the big audit firms in particular formed the highest group of people that is unaware on this subject matter. This is because most of their clients were from large companies and for these practitioners, the small and medium-sized companies account less than 5% of their clients' portfolio. Another interesting finding is that most SMEs preferred to employ the services of small and medium-sized audit firms. For these small and medium sized audit firms, SMEs accounted more than 50% of their clients' portfolio. As mentioned in Chapter 4, the reasons are due to the lower fees imposed by these firms.

The results from this survey also highlighted that most SMEs do not employ qualified staff to maintain its accounting records and basically have very rudimentary accounting system.

Even though the awareness of Differential Reporting is very low among the respondents who responded to the questionnaires, but majority of the practitioners favoured the implementation of the three-tier system of differential reporting to meet the financial reporting needs of SMEs.

5.4 Future Research

Whilst the above research focused on the need to implement Differential Reporting requirements for SMEs, perhaps a study should be carried out to determine the number of companies that fit the definition of 'exempt enterprises' as defined in SOP 1.

As small businesses are a vital economic force, the results obtained from such a study should provide further evidence to support the implementation of Differential Reporting. Combined with the results from this research, this should provide MASB adequate evidence to adopt Differential Reporting to meet the needs of exempt enterprises.

5.5 Recommendation

In consideration of all the above, MASB should adopt Differential Reporting without further delay in order to make it more practical for SMEs to prepare their financial statements. With the increasing number of new accounting standards being introduced each day, the compliance of these new requirements becomes more complex and difficult for the preparer. Therefore, it makes more sense for SMEs to adopt simplified accounting standards in view of its size and also the benefits attached thereto.