Question 1

1. I study about the company name MISC Berhad. I get the company’s annual report for the year 2014 from the internet website which is known as Bursa Malaysia.
2. MISC, a subsidiary of PETRONAS, was incorporated in 1968 and is one of the world’s leading international energy shipping and maritime conglomerates. The principal businesses of MISC comprises energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works as well as maritime education and training.

Question 2

1. From the front page of their annual report, MISC is very confidence with their motto, ‘RESOLUTE, PURPOSEFUL, ENERGISED’. It is shows that they are really trying to give their best in providing services for their customer.
2. From the annual report, I classify all the information based on the business segment review. For management purposes, the Group is organized on a worldwide basis into three major business segments:
3. Energy related shipping - the provision of liquefied natural gas (“LNG”) services, petroleum tanker services, and chemical tanker services.
4. Other energy businesses - operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works and Non-shipping and others - integrated logistics (i.e. haulage, trucking and warehousing), marine education and training, and other diversified businesses.

Statutory disclosure requirements vary from state to state, but generally the seller is required to disclose any known defects in the physical condition of a property that may materially affect its value, including items such as malfunctioning appliances, pest control problems, mold problems or structural issues with the home. For example, receive income from warehouse service and haulage service.

Meanwhile, voluntary disclosure is a tax amnesty program whereby a delinquent taxpayer discloses information not previously reported to a tax agency, and by doing so voluntarily, avoids liability to penalty or prosecution normally associated with prior non-disclosure.

1. The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The Act expressly imposes the responsibility for the preparation and fair presentation of financial statements on directors. However, management is not defined in the Act and such impositions have not been made on them. The auditor’s report should state that management is responsible for the preparation and the fair presentation of the financial statements in accordance with the applicable financial reporting framework and that this responsibility includes:
2. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. Selecting and applying appropriate accounting policies.

Question 3

1. The company review quarterly and annual financial statements, focusing particularly on:

* Any changes in or implementation of accounting policies and practices.
* Significant and unusual events arising from the audit.
* Compliance with accounting standards and other legal requirements.
* Ensure adequacy and effectiveness of the Group’s accounting policies and procedures, risk management framework and internal control systems.
* Review and endorse any related party transaction and review any situation of conflict of interest that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity; and.
* Consider any other topics as defined by the Board.

So, it similar with the requirement I found in the text book which is need the directors to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

1. I think MISC has prepared the financial statements that require by the Malaysian Financial Reporting Standards. It is because, based on the Bursa Malaysia requirement:
2. A listed companies shall submit to the Securities Commission in hard copies:

* a copy of its audited annual accounts within two weeks from the date of its AGM and
* its interim and periodic financial reports immediately after figures are available.

1. Listed companies shall also electronically:

* announce interim reports to the Stock Exchange (Bursa Malaysia) within two months after the end of each quarter and

1. announce annual reports to the Stock Exchange (Bursa Malaysia) within four months and issue the annual report to the Stock Exchange and shareholders within six months.
2. In relation to the filing reporting requirements, according to Bursa media release dated 27/12/2013, Bursa Malaysia will be shortening the timeframe for issuance of annual reports under the Listing Requirements. The changes would be introduced in phases to provide public listed companies with time to prepare for and meet the new requirements.
3. To find whether the company is adequate or not, a financial report needs to include disclosures of important financial information about the business, as well as financial statements. The term *disclosures* usually refers to additional information provided in a financial report. You must make sure that your business financial statements have been prepared according to generally accepted accounting principles (GAAP). So, MISC is very adequate because they have audited the financial statements which comprise the statements of financial position as at 31 December 2014 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 150 to 311. An audit involves in performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
4. Yes. I think MISC has a very good financial standing based on their financial performance in the current year. For example, their net debt/equity ratio is lower than the past year which mean they manage to lower their liability in the current year. Besides that, in the annual report shows an increasing in many things such as revenue (+RM324.5m), operating profit (+RM289.1m), profit before taxation (+RM182.6m), EPS (+2.7sen), dividends (+RM401.7m) and shareholders’ equity (+RM3,043.4m).

Meanwhile, they have a very outstanding achievement for their non-financial performance. MISC was named the Winner for Best First-Time Reporting at the ACCAMaSRA Awards on 26 November 2014. Apart from being commended for sustainability reporting, MISC was also included as an index constituent in the FTSE4Good Bursa Malaysia Index which acknowledges Malaysian companies who have met globally recognised standards of demonstrating good Environmental, Social and Governance (ESG) practices. MISC is now poised for growth and is more financially stable than ever. Their current aim is to grow and leverage on opportunities that come their way. The principles of sustainability will continue to guide their decision making processes in the aspects of Marketplace, Workplace, Environment and Community as we plan ahead for the future. The challenge that lies ahead is for them to do this cohesively and to ensure that all our efforts are complementary to achieve our ultimate goal of sustainability.

Question 4

1. Yes. They have the auditor’s report. It was in page 148.
2. MISC’s financial statements was audited by Ahmad Zahirudin bin Abdul Rahim (Chartered Accountant). The report is made solely to the members of the Corporation, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report. Ernst & Young is the firm that provide the audit service to MISC.
3. There are two type of audit report issued by MISC. Firstly, Internal Audit:
4. Reviewed and approved GIA long-term audit plan and Annual Audit Plan to ensure adequacy of resources, competencies and coverage on auditable entities as per risk-based assessment.
5. Reviewed internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
6. Reviewed inputs and management action plans provided by Management Audit Committee (“MAC”) on the deliberated audit reports.
7. Reviewed the adequacy and effectiveness of agreed corrective actions taken by management on all significant and secondary issues raised.
8. Reviewed the adequacy of resources and competencies of staff within GIA to execute the audit plan.
9. Conducted half-yearly and yearly assessment on the adequacy of GIA’s functions and resources, scope of work, service orientation, and its Annual Plan and Strategy.
10. Prior to BAC meetings, the Chairman held private meetings and discussions with Head and senior staff of GIA on audit reports and any Internal Audit related matters.

Second is External Audit:

1. Reviewed and approved the external auditors’ terms of engagement, audit plan, nature and scope for the financial year.
2. Reviewed the results and issues arising from their audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management’s response.
3. Reviewed the scope and engagement strategy of the external auditor and upon satisfactory assessment, recommended that the Board approves the fee payable to the external auditor in respect of the scope of work performed.
4. Petronas is the subsidiary of MISC. They have different auditor’s firm because Petronas was audited by KPMG. Their annual not qualified for auditing. Besides that, other subsidiaries are MISC Tankers Sdn Bhd, Puteri Intan Sdn Bhd, Puteri Delima Sdn Bhd, Puteri Nilam Sdn Bhd, Puteri Zamrud, Puteri Firus Sdn Bhd, MISC Ship Management Sdn Bhd. There is no information about the audit’s firm in auditing all of this company. But I assume that they also not qualified for auditing because there is no case issued in this current year.

Question 5

1. Yes. MISC has Audit Committee in their company. All of them was appointed effectively at 1 March 2015. The differences between External Auditor and the Audit Committee are in relation with external auditor, they review with the the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors’ management letter and Management’s response. Meanwhile, in relation with internal auditor, they approve GIA’s annual internal audit plan, processes and reports/findings generated by the GIA, and whether appropriate action is taken on the recommendations of GIA.
2. MISC has listed out their Audit Committee which is Harry K. Menon as the Chairman. Besides that, the other members are Dato’ Halipah binti Esa, Dato’ Kalsom binti Abd. Rahman, Lim Beng Choon, and Dato’ Sekhar Krishnan. All of them are independent because they have other position in the company. I think that they have appointed a very good members for the Audit Committee’s position. In the annual report also provide note saying that:
3. Family relationship with other directors and/or major shareholders of the Company.
4. Conflict of interest with the Company.
5. Conviction of offences within the past 10 years.
6. Conflict of interest with the Company.
7. Conviction of offences within the past 10 years.
8. MISC state that the Audit Committee’s used the term of reference (TOR). The function of Audit Committee are:
9. To assess and recommend the appointment Board members and Board Committee members to the Board.
10. To conduct annual review of the Board’s required mix of skills and experience and other qualities including core competencies which Non-Executive Directors and President/CEO should bring to the Board.
11. To implement a formal process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process.
12. To make recommendations to the Board on the appointment or extension of Management Committee members’ employment.
13. To recommend to the Board the remuneration and compensation of the Non-Executive Directors, the President/CEO, Management Committee members and the salary increment and bonus quantum for the Group.
14. Sarbanes-Oxley Act of 2002 said that among its many duties, the audit committee is required to:
15. Obtain and review a report by the independent auditor describing the auditor’s internal quality control procedures, as well as all relationships between the auditor and the company, including recently raised issues and steps taken to address those issues.
16. Meet and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the company’s specific disclosures under Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations.
17. Discuss the company’s earnings and press releases, as well as financial information and earnings guidance.
18. Assess the company’s risk assessment and risk management policies.
19. Meet separately with management, internal auditors and independent auditors on a periodic basis.
20. Review with the independent auditor any problems or difficulties encountered in the audit and management’s response.
21. Report regularly to the board of directors

Question 6

1. There are some economic factors that affect the company’s performance:
2. The sharp decline in oil price. It will cause the reduction in capital and operating expenditures by Oil & Gas players have significant bearing on the prospects of heavy engineering as well as Oil & Gas service providers.
3. The adverse economic impact on energy exporting countries. The effect is perhaps most visibly displayed through the drastic actions that all oil majors and players alike were forced to deal with, potentially a sustained period of depressed oil prices. The effects of cuts in operating costs and deferral of capital expenditures will haunt the Oil & Gas service sector for the greater part of 2015 and beyond.
4. Global economic conditions. Advanced economies such as US and improved sentiments in Japan on the back of economic reforms. However, the optimism was short lived. While the US continued to show strength in its economy, the rest of the developed economies faltered. Even China, once the powerhouse behind the global economic growth machinery, began to struggle with economic pains.
5. There are development on current acts that should be concerned by MISC:
6. Safety of Life at Sea (SOLAS). The SOLAS Convention in its successive forms is generally regarded as the most important of all international treaties concerning the safety of merchant ships. The first version was adopted in 1914, in response to the Titanic disaster, the second in 1929, the third in 1948, and the fourth in 1960. The 1974 version includes the tacit acceptance procedure.
7. Installation of Electronic Chart Display & Information System (ECDIS). It is a computer-based navigation system that complies with IMO regulations and can be used as an alternative to paper navigation charts. Integrating a variety of real-time information, it is an automated decision aid capable of continuously determining a vessel’s position in relation to land, charted objects, navigation aids and unseen hazards.
8. Social factors that MISC should be concerned in the future:
9. Demographics. Changes in size and make-up of population due to migration of people in search of work, emigration from an area as the result of safety or security issues or any other reasons.
10. Social infrastructure. Adequacy of health care and education facilities, transport and roads, power supply, fresh water supply to support project activities and personnel as well as the community.

Question 7

1. For me, in the future I would like the annual report to provide the information about how they face with the value of money foreign exchange. It is because, the foreign exchange has become the real hardness for the current lifestyle. So, I think of course the company will share their experience when providing services outside the country. How much the expenses they will incur, is it they have to spend more to get the resources from outside the country in the current economic.
2. My suggestions for the company to improve their annual report:
3. Improve the way how they provide information for the user. The presentation was very good with the interesting images they provided but there are too much information. The third parties, user usually will found it a bit irritating to read all of the information. They only need the gist of the information.
4. Try to provide any link that the user can go through about if they want to find about any further data for the information given. Sometimes user are prefer to search at the internet if they found some information that is quite hard to understand or maybe they need some further confirmation about the information.

Question 8

Based on the analysis that I have analyst, of course I want to buy more share from this company. It is because all of the information about the financial ration analysis has shown the best quality. They got rising in revenue and profit after tax, that will secure them to remain longer in the industry. So, I don’t have to worry about my share because I’m sure that the company will not easy to collapse. Besides that, rising in the dividend payment will secure another shareholder to invest more in their business. It is because maximum the shareholders profit was the actual objective of any company. So, paid huge amount without any delay will ensure the shareholders to stay longer with their company.

Meanwhile, based on auditor report. I’m sure that MISC’s annual report is qualified to be audited. That’s mean, financial statements was issued with true and fair view. So, I don’t have to think about changing mind to invest in other company. MISC also can manage the problem that happen around them like economic, social and legislative factors. They have already provide a counter measure solution if they happen to face with the problem suddenly. Moreover, they have prepare for the future planning.

Conclusion is MISC is one of the best oil and gas industry in Malaysia and maybe they can become one of the best in the world’s industry in the future.