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# Question 1.1

Name the entity understudy. How did you obtain the annual report?

The name of the entity to complete this individual project is ECM Libra Financial Group Berhad. I obtain the annual report 2014 for ECM Libra Financial Group Berhad by downloading from Malaysian Bourse (http://www.bursamalaysia.com/)

# Question 1.2

Based on the types of industries classified by the Malaysian Bourse, your chosen entity falls into which category? Why did it fall into such category?

Based on the types of industries classified by the Malaysian Bourse, ECM Libra Financial Group falls into the consumer sector.

Ecm Libra Financial Group Berhad falls into that category because the principal activities of the company are that of investment holding and provision of management services. Besides. the Company is committed to provide all stakeholders with timely and equitable access to material information that is comprehensive and accurate to ensure its compliance with the disclosure requirements as set out in the Listing Requirements of Bursa Securities and other applicable laws. In line with this commitment and for transparency and accountability, material corporate disclosures are deliberated by the Board before being released to the public and the Board Charter is reviewedand updated by the board.

# Question 2.1

From either the hardcopy or the website, what is the image your entity is likely or trying to project? Give your views on this.

From the hardcopy of front page of the annual report 2014, the image of the ECM Libra is likely or trying to project is something looks like simply city and elegant. This is because it only shows the company’s logo. Besides, it also gives luxury view and vibe to the viewer.

# Question 2.2

Based on the overall content of the report, how did your chosen entity segment (classify) all the information? What are the statutory and voluntary disclosures of items or information? Give examples of them.

Based on the overall content of the report, ECM libra classifies all the information into business information and financial information. Business information is all about the company’s information like Corporate Information, Corporate Structure and Corporate Governance Statement. For the financial information, it is about statement of financial performance of the company and it will refer to the Malaysian Financial Reporting Standards (MFRS).

Statutory disclosures of information refer to the mandatory submission of financial and non-financial information to a government agency. Each industry has its own set of laws and regulations, standards and others act that need to be compliance with. In many countries, International Financial Reporting Standards (IFRS) has replaced country-specific Generally Accepted Accounting Principles for statutory reporting. While for Malaysia, they will have based on Malaysian Financial Reporting Standards (MFRS) and the company report need to be compliance with Companies Act, 1965. The example of the statutory disclosure items in the annual report 2015 of ECM Libra is the reports and financial statement which includes director’s report, statement by directors, statutory declaration, independent auditor’s report, statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to financial statements.

While, the voluntary disclosures means disclosure in excess of requirement, which represent the free choice on the part of the company management to provide accounting and other information. The information provided must be relevant to the decision making of users of the company’s annual report. Besides, the voluntary disclosure is not explicitly required by the Generally Accepted Accounting Principles (GAAP) rules. Examples for voluntary disclosures items in ECM Libra annual report are supplementary information on the disclosures of realized and unrealized profits or losses, analysis of shareholdings, list of properties and proxy form.

# Question 2.3

Who is responsible for the preparation of the financial statements in the annual report? State the provision under the Companies Act which prescribes for the requirement to have the financial statements audited.

The directors are responsible for preparing the financial statements in the annual report in accordance with the applicable law and regulations. The provision under the Companies Act which prescribes for the requirement to have the financial statements audited is under Section 169(9). Section 169(9) states that every statements, report or other document relating to the affairs of a company or any of its subsidiaries attached to, or included with, a report of the directors laid before the company at its general meeting or sent to the members under section 170 (not being a statements, report or document required by this Act to be laid before the company in general meeting) shall, for the purposes of section 364 be deemed to be part of that last-mentioned report.

Section 170 is about members of company entitled to balance sheet. For Section 170(1) states that A copy of every profit and loss account and balance sheet (including every document required by law to be attached thereto) which is to be laid before company in general meeting accompanied by a copy of the auditor's report thereon shall, not less than fourteen days before the date of the meeting, be sent to all persons entitled to receive notice of general notice of general meeting of the company: Provided that if the copies of the documents aforesaid are sent less than fourteen days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.

For section 170(2) states that any member of a company (whether he is or is not entitled to have sent to him copies of the profit and loss accounts and balance sheets) to whom copies have not been sent and any holder of a debenture shall, on a request being made by him to the company, be furnished by the company without charge with a copy of the last profit and loss account and balance sheet of the company (including every document required by this Act to be attached thereto) together with a copy of the auditor's report thereon.

Lastly, for section 170(3) states that if default is made in complying with subsection (1) or (2) the company and every officer of the company who is in default shall be guilty of an offence against this Act, unless it is proved that the member or holder of a debenture in question has already made a request for and been furnished for and been furnished with a copy of the document. Penalty: Two thousand five hundred ringgit. Default penalty.

# Question 3.1

What is the content of financial statements enclosed by your entity? Are they similar to what you would find in the text book? Explain.

The content of financial statements enclosed by ECM Libra is director’s report, statement by directors, statutory declaration, independent auditor’s report, statements of financial position, statements of profit or loss and other comprehensive income, statements changes in equity, statements of cash flows, notes to the financial statements and supplementary information on the disclosures of realized or unrealized profits or losses.

Yes, the financial statements that prepared by the directors are similar to the textbook (Kieso Weygandt Warfield). This is because the content written in the textbook and the financial statement prepared by ECM Libra are following the Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS) regulation.

# Question 3.2

Comment on the format of the financial statements? Is there any standard format that entity has to follow?

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statement are expressed in Ringgit Malaysia and all the values are rounded to the nearest thousands (“000”) except when otherwise stated. The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies.

The preparation of financial statements in conformity with MRFSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the Director’s best knowledge of current events and actions, actual results may differ.

No, the financial statement given are true and fair view of the financial position of the group and the company as at 31 January 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards , International Financial Reporting Standards and the requirements of the Companies Act , 1965 in Malaysia.

# Question 3.3

Comment on the financial information provided by the entity? Are they adequate? State your reason (s) or justification (s).

The financial information provided by the ECM Libra was prepared based on the Malaysian Financial Reporting Standards (MFRS) and also Companies Act, 1965. Thus, all the financial information is following the laws and regulation.

Yes, the financial information provided by ECM Libra is adequate. This is because the company had disclosures adequate notes to support the financial information. The notes were written in the Notes to the Financial Statements in the annual report. Besides, the viewers will be more understand about financial information of the company.

# Question 3.4

Does the entity have sound financial standing? How about the non-financial performance? Support your answers with some analysis.

Yes, ECM Libra has sound financial standing. This is because from the annual repot 2014 of the company, we can know that the overall financial performance of the company had growth if compare to the previous annual report 2014. Most of the financial element in the financial statement of the company has growth. For example:

|  |  |  |
| --- | --- | --- |
| RATIO | 2013 (RM’000) | 2014 (RM’000) |
| CURRENT RATIO  =  The current ratio measures a firm’s ability to pay off its short-term liabilities with its current assets. The current ratio is an important measure of liquidity because short-term liabilities are due within the next year. | =  = 0.99 | =  = 0.99 |
| QUICK RATIO  =  The quick ratio measures the ability of a company to pay its current liabilities when they come due with only quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the short-term. | =  = 0.99 | =  = 0.99 |
| RETURN ON ASSETS  =  The return on assets ratio measures how efficiently a company can manage its assets to produce profits during a period. | =  = 0.31% | =  = 2.33% |
| RETURN ON EQUITY  =  The return on equity ratio measures the ability of a firm to generate profits from its shareholders investments in the company. The ratio shows how much profit each dollar can generate by shareholder’s equity. | =  = 0.33% | =  = 2.90% |
| DEBT RATIO  =  Debt Ratio will show the percentage of a company's assets that are provided by debt (measures a firm's total liabilities as a percentage of its total assets). Debt ratio shows a company ability to cover liability with its asset. Means that, how many assets that the company should sell to pay its entire obligation. The higher this ratio, the more leveraged the company and the bigger its financial risk. | =  = 0.09 | =  = 0.20 |

Non-financial performance is any quantitative measure of either an individual’s or an entity’s performance that is not expressed in monetary units. This includes any ratio-based performance measure in that a non-financial performance measure that is ratio-based omits any monetary metric in either the numerator or denominator of that ratio. Besides, non-financial performance measures are sometimes considered to be leading indicators of future financial performance. Example for non-financial performance is market shares. Market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period.

# Question 4.1

Did the entity enclose the Auditor Report? Where is it placed in the annual report?

Yes, ECM Libra Financial Group Berhad encloses the Auditor Report at page 33 and 34 at Independent Auditor’s Report in the annual report 2014.

# Question 4.2

Who audited the financial statements? Whom do the auditor report addressed to and name the firm/auditor (if possible).

The financial statement was audited by the auditor. The auditor report is made solely to the members of the company. Name of the auditor for ECM Libra is Messrs Ernst & Young. The name of the firm for the auditors is Chartered Accountants.

# Question 4.3

What type of audit report was issued? Why is it so? State your reason (s).

The type of audit report is unqualified opinion. An unqualified opinion is an audit report that is issued when an auditor determines that each of the financial records provided by the small business is free of any misrepresentations. In addition, an unqualified opinion indicates that the financial records have been maintained in accordance with the standards known as Generally Accepted Accounting Principles (GAAP).

The reason is because the financial statement give a true and fair view of financial position of the group and company and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards (MRFS), International Financial Reporting Standard and the requirement of the Companies Act, 1965 in Malaysia.

# Question 4.4

List out the entity’s subsidiaries (if possible). Did they have the same auditor? Were their accounts qualified (or otherwise)?

The ECM Libra Financial Group Berhad’s subsidiaries are ECM Libra Securities Sdn Bhd, ECM libra Partners Sdn Bhd, ECM Libra Capital Markets Sdn Bhd, Ecm Libra Capital Sdn Bhd and ACRB Capital Sdn Bhd.

Yes, the auditors for ECM Libra Financial Group Berhad and all of the subsidiaries in this company are same and their accounts are also unqualified.

# Question 5.1

Has the entity established an Audit Committee? When was it formed? State two (2) differences between External Auditor and the Audit Committee.

Yes, the ECM Libra Financial Group Berhad had established their Audit Committee but when it was formed is not stated in the report.

Firstly, the difference between External Auditor and the Audit Committee is based on responsibility. The external auditor is to express an opinion on whether management has fairly presented the information in the financial statements. Other than that, the external auditor must be a person who well known in auditing, accounting, and financial reporting matters. While for the audit committees are responsible for overseeing the work of the auditors. Among other things, they need to understand the audit strategy, be satisfied that it addresses the major audit risks, and make sure the auditors exercise appropriate professional skepticism. They also need to ensure that the auditor has an appropriately independent mindset from management and is truly objective.

The second different is to whom the external auditor and audit committee made for. The external auditor reports their audit report primarily to the shareholders or the trustees for an unincorporated charity. While the audit committee report their audit report internally to the relevant manager.

# Question 5.2

Did the entity list out names of the members? Are they independent or non-independent members? What is your view on the composition of members?

Yes, the ECM Libra Financial Group Berhad had listed out the names of the members. The members of the audit committee for the company are Datuk Kamaruddin bin Md Ali as a chairman and the others two members are Dato’ Othman bin Abdullah and En Mahadzir bin Azizan.

They have independent non-executive director and non-independent non-executive director. The chairman, Datuk Kamaruddin Bin Md Ali, Dato Othman Bin Abdullah and En Mahadzir Bin Azizan are independent non-executive director. Therefore, they have both members in this company which are independent only.

The composition of the member of audit committee of the company is followed by the Listing Requirements of Bursa Malaysia Securities Berhad in chapter 15 Part C 15.10. This is because the ECM Libra Financial Group Berhad follows the requirement which are the audit committee must be composed of no fewer than 3 members, a majority of the audit committee must be independent directors and at least one member of the audit committee must be a member of the Malaysian Institute of Accountants (MIA).

# Question 5.3

Did your entity state the Audit Committee’s terms of reference (TOR) or charter? Describe the functions of audit committee.

Yes, ECM Libra Financial Group Berhad state the Audit Committee’s terms of reference (TOR) in the annual report 2015 on the page 14 until 17.

The functions of audit committee is to discuss with the external auditors before the audit commences, the nature and scope of the audit, audit plan and ensure co-ordination where more than one audit firm is involved. Next, to review the assistance, given by the company’s officer to the external auditors and to meet with the external auditors without executive boards members present at least twice a year. Audit committee also reviews the audit report with external auditors. Other than that, it helps to review any evaluation made on the systems of the internal controls with the external and internal auditors. Lastly, the audit committee is responsible to consider any resignation or removal of the external auditors, and to furnish such written explanation or representation from the external auditors to Bursa Malaysia Securities Berhad.

# Question 5.4

Under what legislation is the formation of an Audit Committee is a MUST? Justify the importance of the existence of an audit committee to the entity.

The formation of an Audit Committee is a must under Sarbanes-Oxley Act (SOX). Based on the Sarbanes-Oxley Act (SOX), the importance of the existence of an audit committee to the entity is intended to address systemic and structural weaknesses affecting United States capital markets that manifested failures of audit effectiveness and corporate financial responsibility and threatened the reputation of those markets for integrity. SOX effected “sweeping corporate disclosure and financial reporting reform” and has fundamentally changed the way public companies in the United States do business. In response to Congressional assessment of the “need for strong, competent audit committees with real authority,” a fundamental aspect of the legislation is strengthening audit committees to “help avoid future auditing breakdowns.” Although the operation and conduct of audit committees historically has primarily been the purview of the jurisdiction of organization of an entity, SOX calls for audit committees to exercise direct and independent oversight of financial reporting, internal controls and outside auditors. At the Securities and Exchange Commission’s request, and in the wake of SOX provisions and SEC regulations prescribing minimum listing standards, the New York Stock Exchange and Nasdaq have reviewed their corporate governance standards and have proposed rule changes providing more demanding standards for audit committees. SOX provisions thus have resulted in the implementation of a number of specific requirements applicable to the responsibilities, composition and conduct of audit committees. In some instances, these requirements may conflict with applicable law in the home jurisdiction of an entity, and exemptions may not be available. These new requirements thus establish a new US federal regulatory regime governing certain corporate governance practices of public companies; it remains to be seen whether they also establish a new and heightened standard of care.

# Question 6.1

What are the economic factors that might have some influence on the performance of your entity? Name three (3) and explain.

The economic factors that might influence on the performance of ECM Libra Financial Group Berhad are economic outlook, interest rate and exchange rate.

Firstly, economic outlook is if it looks like the economy is going to expand, stock prices may rise. Investors may buy more stocks thinking they will see future profits and higher stock prices. If the economic outlook is uncertain, investors may reduce their buying or start selling. This is because the principal activities of the ECM Libra are that of investment holding and provision of management services.

Next, the interest rates means the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding. The Bank of Canada can raise or lower interest rates to stabilize or stimulate the Canadian economy. This is known as monetary policy. If a company borrows money to expand and improve its business, higher interest rates will affect the cost of its debt. This can reduce company profits and the dividends it pays shareholders. As a result, its share price may drop. And, in times of higher interest rates, investments that pay interest tend to be more attractive to investors than stocks. So that, ECM Libra should reduce a loan if wants the higher profits.

Lastly, exchange rate means the price of a nation’s currency in terms of another currency. Malaysia ringgit was depreciated and achieve 1 US dollar = RM 4.0025 in August 2015, the lowest in 17 years. The depreciation of Ringgit Malaysia is due to the lower value of oil. The fluctuation rate of Ringgit Malaysia will affect the performance of ECM libra when the company translates its foreign currency transactions into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. This is because the foreign exchange gains and losses resulting from the rates of monetary assets and liabilities denominated in foreign currencies will be recognized in income statement. Besides, the foreign exchange gains and losses that relate to borrowings and cash and cash equivalents will be presented in the income statement within ‘finance income or cost’. For example, the ECM Libra might face loss with the company translate it expense during the depreciation of Ringgit Malaysia because the company need to pay more money to the foreign company than before.

# Question 6.2

Is there any development on current local rules, regulations, acts which your entity should be concerned about? Name two (2) and explain.

Yes, there has development on current local rules, regulations, acts that the ECM Libra Financial Group Berhad should be concerned about is implementation of Goods and Services Tax (GST) starting 1st April 2015. The GST is a value added tax in Malaysia. GST, which had replaced the Sales and Services Taxes, levied on most transactions in the production process, but is refunded with exception of Blocked Input Tax, to all parties in the chain of production other than the final consumer. The existing standard rate for GST effective is 6%. For ECM Libra Financial Group Berhad, the challenge would be integration of GST into it operations. The company must now assess the impact of GST on it operations and pricing strategies. Although the machines of GST are relatively straightforward, the challenge is in the details as the company must also consider the capability of it IT systems to cope with the demands of GST, the need to educate employees and customers as well as impact on employee benefits. The Board of Directors must also be extra careful to ensure that pricing strategies are accurately modeled as a wrong decision could impact the company’s performance.

Next, the act provides for the reintroduction of a mechanism for the registration of employment agreements between an employer or employers and trade unions governing remuneration and conditions of employment in individual enterprises. It also provides for a new statutory framework for establishing minimum rates of remuneration and pension and sick pay, to replace the former sectoral Registered Employment Agreements.

# Question 6.3

Name and explain at least two (2) social factors that your chosen entity should pay attention to? Explain.

The social factors the ECM Libra Financial Group Berhad should pay attention is the customer preference and level of income of the consumers.

Customer preference is a marketing term meaning a consumer likes one thing over another. ECM Libra Financial Group Berhad should pay attention with the changes in customer preference because once the customers preference changes, it will greatly influence the sales of the company. For example, ECM Libra’s subsidiaries are involved in the business of toiletries and household products. So, they have to know the customer preference clearly and then they can provide a good quality of the product to the consumer. This is because it can impact sales of product and revenues will earn.

The level of income of the consumers will also have impact to the sales of the company. Income means the money received, especially on a regular basis, for work or through investments. The consumers with higher income will have more ability to buy the product of ECM Libra Financial Group Berhad while the consumer with lower income will have low ability to buy the product of the company. This is because their income is sufficient to cover their basic needs and they can use the remaining money to buy company’s products. For the consumers will lower level of income, they may not enough income after they deducted the income from their basic need or may be their income is just right for their basis need. Thus, they will be low on ability to buy the product of the company. The company should pay attention on the level income of the consumers and focus to the consumers with high level of income because the level income of the consumers will also impact the sales performance of the company.

# Question 7.1

What additional information would you like them to provide in the annual report? Support your answer.

In my opinion, the most important part of a annual report is the description of your accomplishments. Your readers want to know what you did, but more importantly, they want to know why you did it. What were the results? Why did you spend your time and money the way you did? What difference did it make? Connect the everyday activities of your organization to your mission statement. Don’t assume that readers will automatically understand how your activities help you achieve your mission. Connect the dots for them.

Another best way to practice are state clearly the organization’s mission and relate the activities back to the mission throughout the report. Give a clear statement of performance objectives and targets and describe how they link to the mission. Disclose your organization’s risks, issues and challenges in the context of the mission. Tell the reader how your organization governs itself and how that governance structure reflects the mission of the organization.

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# Question 7.2

Provide two (2) suggestions on how the chosen entity may improve the quality of its annual report?

The ECM Libra Financial Group Berhad can improve the quality of its annual report by make the annual report shorter. This is because repetition may be effective in advertising, but that’s not the case with corporate reporting. Once is enough. Don’t duplicate when you can cross reference. And find ways to eliminate boilerplate. At the same time, give investors more of the things that are important to them, such as strategy, cash flow, acquisitions, debt and market conditions.

Other than that, the ECM Libra can also make the annual report more real and relevant due to the look and feel of your report should reflect the culture of your organization, its purpose and the values that drive it. Set the tone from the top. The ECM Libra Financial Group Berhad should show the true personality of their company. And tell your viewer what you’re thinking, not what you think they want to hear. Besides, the company must provide relevant information, so that your audience can assess the performance of the business and its various segments.

# Question 8.1

Backed with the share prices analysis (eg: share prices monitored, graphs of price fluctuations, financial ratios calculated), and previous information gathered (Auditor Report; economic, social and legislative factors; financial and performance analysis; entity’s governance etc), if you were to own substantial shares of this entity, would you retain, buy more OR sell your shares? Justify your decision.

In my opinion, if I owned the share of the ECM Libra Financial Group Berhad, I will retain more shares in the company. This is because from the share price of the company in the Malaysia Bourse was remaining unchanged. Thus, I will wait the share price of the company increase then sell the share so that I can earn money when I sell the share of the company. Besides, I may also choose to buy more the share of the company because I believe that the company’s share prices will growth in the future by analyzing the graph of the share price of ECM Libra.

The audit report of ECM Libra Financial Group Berhad also state that the financial statement of the company is presented according to the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia. Besides, the financial statements of the company also give a true and fair view of the balance sheet of the Group and of the Company as of 31January 2014 . Other than that, from the financial information that I get from the annual report 2014 of ECM Libra Financial Group Berhad for the year ended 31 January 2014, we can know that the overall financial performance of the company is good. This is because many aspect of the company which includes the current ratio, quick ratio, return on asset, the return on equity and debt equity of the company has growth in the year of 2014.

From the economic and social factors of the company, although the sales performance of the company may be influenced by those factor such as economic outlook, interest rate, depreciation of Ringgit Malaysia, change in consumer preference and the level of income of the consumers, but, my opinion, these will not easily impact the performance of ECM Libra Financial Group Berhad because the product of the company are mostly essentials.