



اَبُو سَيِّدِي تَيْكُو لُو كِي مَارَا  
UNIVERSITI  
TEKNOLOGI  
MARA

Fakulti  
Perakaunan

# **FIELD REPORT PRACTICAL TRAINING (PAC 671)**

## **BATCH: 05**

**Period Of Internship: March 2024 to August 2024**

**FACULTY OF ACCOUNTANCY  
UNIVERSITI TEKNOLOGI MARA  
UiTM CAWANGAN TERENGGANU**

**NAME : NOR ALISSA FARHANA BINTI ABDUL AZIZ  
STUDENT ID : 2021488634  
SUPERVISOR (UiTM) : SIR CHE KU HISAM BIN CHE KU KASSIM**

## Table of Contents

<b>ACKNOWLEDGEMENT</b> .....	2
<b>SECTION A</b> .....	3
<b>1.0 Introduction</b> .....	3
<b>2.0 Summary of Work Done</b> .....	5
2.1 Vouching .....	5
2.2 Statutory Audit .....	6
2.3 Audit Working.....	7
<b>3.0 Strengths and Weaknesses of Training</b> .....	8
3.1 Strengths.....	9
3.2 Weaknesses .....	10
<b>4.0 Self-Reflection</b> .....	11
<b>SECTION B</b> .....	12
<b>1.0 Introduction</b> .....	12
1.1 Introduction to E-invoicing in Malaysia .....	12
1.2 Key Issues.....	13
<b>2.0 Discussion 1</b> .....	15
2.1 Challenges .....	15
2.2 Recommendations.....	16
<b>3.0 Discussion 2</b> .....	18
3.1 Benefits .....	18
3.2 Literature Review.....	20
<b>4.0 Conclusion</b> .....	22
<b>5.0 References</b> .....	23
<b>6.0 Appendices</b> .....	24

## ACKNOWLEDGEMENT

First and foremost, I would like to express my deepest gratitude to Allah, the Almighty, for granting me the strength, patience, and wisdom to successfully complete this field report. Without His blessings and guidance, this endeavor would not have been possible. Alhamdulillah, all praises and thanks are due to Him for providing me with the opportunities and resources to undertake and finish this work.

Next, my deepest gratitude goes to my esteemed lecturer, Sir Che Ku Hisam bin Che Ku Kassim. His lectures were not simply informative, but truly insightful. His ability to stimulate discussions not only made our group discussion engaging but also equipped me with valuable skills like critical thinking, and research methodology. Throughout the internship, his constant stream of useful advice and constructive feedback kept me motivated and on track.

I would also like to express my heartfelt appreciation to my dedicated supervisor, Miss Farah Najwa binti Noor Azman. Her knowledge was beautiful and boundless, and she generously shared it with me throughout my practical training. She offered invaluable guidance, always patient and meticulous in her approach. Her ability to constantly give me quality feedback and pinpoint areas for improvement while offering clear and actionable suggestions helped me refine my research and analysis. I am especially grateful for her willingness to explain complex concepts like audit analysis techniques clearly and provide opportunities for real-world application of theoretical knowledge through specific tasks.

My deepest thanks also go to my mother, Siti Nor Hayati binti Abdullah. Her unwavering moral support was a constant source of strength throughout my internship. Her belief in my abilities, even when I doubted myself, pushed me to overcome challenges and strive for excellence. Moreover, her endless support by offering words of encouragement during difficult times and often helping manage my workload at home to allow me to focus on the internship helped me a lot to go through everything without feeling any hesitation.

Finally, I extend my gratitude to my fellow intern friends, Raihana binti Arias and Nur Afiqah Nabihah binti Zainudin. Their mutual support and collaborative spirit made the internship experience even more enriching. They were always willing to share knowledge and resources, particularly during brainstorming sessions for research topics, and tackling technical challenges. Their support in the field, from assisting each other during brainstorming sessions to offering different perspectives on research questions, fostered a sense of teamwork and made the entire process more enjoyable.

## SECTION A

### 1.0 Introduction



Established in early 2008, Azimy Consulting Group (ACG), also known as Azimy & Co., has carved a niche in the financial consulting landscape. Your reputation for exceptional service stems from a commitment to client satisfaction and a strategic approach to growth.

In 2015, Azimy & Co. took a bold step by forming alliances with other consulting firms. This move was not just about expansion; hence it was a deliberate strategy to diversify your service offerings. By associating with complementary firms, Azimy & Co. transformed into a well-rounded consulting group capable of addressing a broader range of client needs across various disciplines.

Azimy & Co.'s vision is clear, to be a leader in the field of financial consulting. They achieve this through a unique combination of factors. Your team boasts a formidable pool of intellectual resources – highly skilled professionals with deep knowledge in accounting, auditing, taxation, and financial advisory. Azimy & Co. does not just rely on past expertise; it prioritizes continuous learning. Through ongoing research, they ensure your team remains at the forefront of the industry, equipped with the latest information and trends.

Collaboration is at the heart of Azimy & Co.'s philosophy. They believe in fostering strong relationships with your clients and working as trusted partners to achieve the best possible outcomes. This collaborative approach extends beyond the immediate task at hand. Azimy & Co. understands the importance of long-term planning, and they work closely with clients to develop solid financial and management strategies that ensure future success.

Azimy & Co.'s commitment to excellence has paid off. They are currently experiencing a period of steady growth, evidenced by a continuously expanding client base and a growing team of talented professionals. This growth signifies a mutually beneficial partnership between Azimy & Co. and its clients. As they look to the future, Azimy & Co. embraces the challenges and opportunities that lie ahead, confident in your ability to continue providing exceptional service and navigating the ever-evolving world of finance.

On top of that, Azimy & Co. fosters a close-knit atmosphere under the ownership of Mr. Azimy Derahman (Partner). The team is comprised of a total of five dedicated individuals, ensuring we will receive personalized attention during our internship. Two highly experienced Senior Audit Executives spearhead the team, providing valuable mentorship and guidance. Rounding out the team are two Audit Executives, offering a supportive and collaborative environment for learning. Mrs. Norayzian Ayob, Mr. Azimy's wife, manages the company's HR & Admin functions, ensuring a smooth and efficient work experience for interns and staff alike.

Moreover, Azimy & Co.'s strategic location in Bandar Tropicana Aman offers a unique blend of convenience and community. Situated within a shop lot, the office is surrounded by a variety of amenities that make our workday more enjoyable. From essential stores like Eco Shop and Mr. DIY to a diverse selection of restaurants and trendy cafes, we will find everything we need within walking distance. Additionally, the presence of a nearby accounting firm and car workshop creates a synergy within the business area.

Azimy & Co.'s internship program promises a rich learning experience from the ground up. We will have the opportunity to observe the entire audit flow firsthand, gaining a comprehensive understanding of the process. Furthermore, interacting directly with clients from various business sectors will provide invaluable insights into the practical application of auditing principles. This personalized approach ensures our internship is not just theoretical but directly applicable to the real world of accounting.

Azimy & Co. prioritizes creating a positive and supportive work environment for its interns. They understand the importance of celebrating milestones and fostering team spirit. Birthdays (though perhaps not extravagant), farewells, and even group iftars at luxury hotels create lasting memories and strengthen bonds between colleagues. The availability of a well-maintained mini prayer hall with prayer mats caters to the spiritual needs of staff, while the mini pantry, stocked with refreshments, snacks, and biscuits, ensures we have the energy to stay focused throughout our workday. These seemingly small details demonstrate Azimy & Co.'s commitment to creating a well-rounded and positive experience for its interns.

## 2.0 Summary of Work Done

My internship at Azimy & Co. proved to be an invaluable learning experience. I actively sought out opportunities to gain a comprehensive understanding of the audit process. Azimy & Co. provided a rich environment for me to develop my skills and explore potential areas of specialization. Here are a few examples of the tasks I undertook during my internship:

### 2.1 Vouching

My internship at Azimy & Co. would likely begin with initial training on vouching procedures led by senior auditors or assigned mentors. This training would equip me with the knowledge and skills needed to contribute effectively. I would learn about the importance of vouching, the types of transactions typically vouched, and the red flags to watch out for. Additionally, I would be familiarized with the company's accounting system, allowing me to locate relevant transactions efficiently.

As I progress through the internship, I will be assigned a selection of transactions to vouch for. These tasks would likely start with simpler entries and gradually increase in complexity as I gain experience and demonstrate competence. The transactions I vouch for could be from various expense categories, such as purchases, travel, or utilities.

Under the guidance of a senior auditor, I would be responsible for retrieving the necessary supporting documents for each assigned transaction. This might involve requesting you from the client's accounts department or searching through designated filing systems.

The core of my work would involve carefully comparing the information in the supporting documents (invoices, receipts, etc.) with the corresponding entries in the accounting records. I would focus on key details like the amount, date, and description of the transaction, ensuring they match exactly between the document and the accounting system. If I identify any discrepancies, no matter how minor, it would be my responsibility to report you to the supervising auditor for further investigation.

I am also required to document my vouching process. This documentation could include the transactions vouched, the supporting documents reviewed, and any discrepancies identified. Furthermore, I might directly communicate minor

discrepancies to the accounts department from our client for clarification, while major discrepancies would be escalated to my supervising auditor.

## 2.2 Statutory Audit

As an intern at Azimy & Co., every time I am assigned a new assignment in Peninsular Malaysia, I must perform a statutory audit which might involve a critical task: collecting essential documents from the client's company secretary's office. These documents form the foundation of the Permanent Audit File, a comprehensive record-keeping system that tracks the entire audit process. To ensure a smooth and efficient document collection process, meticulous preparation is key.

Before heading to the client's office, I would receive a detailed checklist outlining the documents needed for the audit. This list might typically include the Memorandum and Articles of Association (M&AA), which defines the company's structure and purpose. Additionally, the Board of Directors Minutes capturing key decisions, accounting records that track financial transactions, tax returns submitted to the Inland Revenue Board of Malaysia (IRBM), and the previous year's audited financial statements would be crucial for comparison purposes. Familiarizing myself with this list beforehand ensures I can effectively collaborate with the company secretary to locate the necessary documents within your filing systems.

Upon arrival at the client's office, I would meet with the company secretary. As they are typically familiar with the required audit documents, I can expect your assistance in gathering you. Working together, I would systematically locate the documents, ensuring they cover the relevant timeframe up to the current date. Once all the documents have been collected, a careful review for completeness and accuracy would be crucial. This might involve checking if all the listed documents are present and verifying your clarity and legibility.

According to Azimy & Co.'s procedures, I am responsible for organizing the collected documents in a designated format. This could involve creating a filing system or potentially photocopying or scanning the documents for digital inclusion in the Permanent Audit File. To ensure proper record-keeping, I would obtain a signed confirmation receipt from the company secretary acknowledging the handover of the documents. This receipt serves as verification that the client has provided the necessary information for the audit. Furthermore, I am also required to document the entire

process, including the date of the visit, the list of collected documents, and any communication with the company secretary.

By completing this initial document collection task, I would be playing a vital role in setting the stage for a successful audit. The gathered documents would become the cornerstone of the Permanent Audit File, providing a clear and organized reference point throughout the entire audit engagement. This initial task not only contributes to the smooth running of the audit but also allows me to gain valuable insights into the organization of financial records and the importance of meticulous documentation practices within the field of auditing.

### 2.3 Audit Working

While the specific procedures for audit working papers and reports might differ depending on the complexity of the audit and Azimy & Co.'s internal practices, here's a general outline of how I, as an intern, might contribute to the process using Excel spreadsheets and assist in preparing reports for clients.

My journey would likely begin with a focus on building my skill set. Senior auditors or assigned mentors would provide initial training on audit software and procedures. This training would equip me with the knowledge and tools needed to navigate the specific Excel templates used by Azimy & Co. for audit working papers. Learning how to effectively record and analyze audit data within these templates would be a crucial first step.

Understanding the client's business operations is equally important for a successful audit. To gain a basic understanding of the client's industry, structure, and financial position, I might be provided with relevant company background information, financial statements, and internal control documents (through Permanent Audit File). With this foundation in place, I can begin contributing meaningfully to the audit process.

Under the supervision of senior auditors, I might be assigned tasks that involve working directly with Excel spreadsheets. These tasks could encompass:

- **Data Entry:** Transactions, balances, and other relevant financial information from various sources, such as the client's accounting records, bank statements,



and invoices, might need to be entered into designated spreadsheets. Accuracy and attention to detail would be crucial in this role.

- **Calculations:** As I gain confidence, I might be responsible for performing basic calculations within the spreadsheets. This could involve calculating ratios, totals, and variances to support the audit process. Senior auditors would likely review these calculations for accuracy, ensuring the data is analyzed correctly.

As I progress through the internship and demonstrate my abilities, I might be entrusted with assisting in more advanced tasks. This could involve helping with analytical procedures, such as comparing the current year's financial data to prior year data or industry benchmarks. Identifying any significant fluctuations that warrant further investigation would contribute to a more comprehensive audit.

Thorough documentation is essential for any audit. I might be required to document the specific audit procedures I perform within the Excel spreadsheets. This documentation could include details about the tests conducted, the data analyzed, and any findings identified. Maintaining clear and concise records ensures a smooth workflow and allows senior auditors to easily reference my work.

By assisting with these tasks, I would be contributing to the overall efficiency and accuracy of the audit process. This internship experience would provide me with invaluable insights into the practical application of audit methodologies and the importance of data analysis within the field of accounting. As I gain experience and demonstrate my skills, I might be entrusted with greater responsibilities, allowing me to participate more actively in the preparation of future audit reports.

Throughout this process, senior auditors would be available to guide me and answer any questions I might have. This interactive learning environment would allow me to learn from experienced professionals and develop the necessary skills to excel in the field of auditing.

### **3.0 Strengths and Weaknesses of Training**

As I consider the internship opportunity at Azimy & Co., it is important to weigh both the strengths and weaknesses of the firm to determine if it aligns with my goals and learning aspirations.

## 3.1 Strengths

### 3.1.1 Supportive Team Environment

One of the most appealing aspects of Azimy & Co. appears to be the supportive team environment. The firm's relatively small size, with only five team members, fosters a close-knit atmosphere. This could translate to personalized attention and mentorship from the Partner of the firm, Mr. Azimy Derahman, and the two experienced Senior Audit Executives Miss Farah Najwa Noor Azman, as my supervisor, and Mrs. Hafizah Jumain. Having the opportunity to learn from your expertise and experience would be invaluable for my professional development. Additionally, the presence of Mrs. Norayzian Ayob managing HR & Admin functions suggests a focus on employee well-being, which could create a more positive and collaborative work environment.

### 3.1.2 Exposure to Diverse Areas

Despite its smaller size, Azimy & Co. seems to offer a variety of learning opportunities. By working with clients from various business sectors, I could gain exposure to a wide range of accounting practices and industry regulations. This breadth of experience would be crucial for developing a well-rounded understanding of the auditing field.

### 3.1.3 Well-Equipped Workplace

Azimy & Co. equips interns with ergonomic workstations, including comfortable chairs and sturdy tables completed with a monitor for each person, promoting a pleasant and physically supportive work environment. Beyond comfort, they provide a reliable Wi-Fi connection, ensuring seamless online access. Additionally, air conditioners and fans keep the office cool and comfortable. Having access to a printer allows for easy hard copy creation when needed. The availability of a mini prayer hall and a mini pantry stocked with refreshments and snacks demonstrates Azimy & Co.'s commitment to employee comfort. Having access to these facilities can help create a more pleasant and balanced work environment, especially during long working hours.

### 3.1.4 Strategic Location

Azimy & Co.'s location in Bandar Tropicana Aman offers a unique blend of convenience and accessibility. Being surrounded by essential stores, restaurants, and even an accounting firm creates a sense of synergy within the business area. This

strategic location could not only simplify daily errands but also foster potential networking opportunities.

## 3.2 Weaknesses

### 3.2.1 Potential Workload

While the diverse exposure offered by Azimy & Co. is undeniably attractive, it is important to acknowledge the potential for a heavier workload at a smaller firm. With a limited team of only five dedicated individuals, the workload might be distributed amongst a smaller pool of interns and staff. This could translate into being assigned a wider range of tasks across different client engagements.

There are, of course, benefits to this scenario. A heavier workload can provide valuable practical experience, allowing me to gain exposure to various aspects of the audit process in a shorter timeframe. However, it is crucial to ensure the workload remains manageable. Excessive workload can lead to burnout, hindering my ability to learn effectively and absorb the knowledge being imparted. Open communication with the internship coordinator or assigned mentors would be essential. By having clear expectations and open communication channels, I can ensure the workload, while potentially heavier, remains balanced and allows for proper learning alongside task completion.

### 3.2.2 Limited Space

The small office space at Azimy & Co. presents another potential drawback. Working in a cramped environment can be distracting and hinder focus. Depending on the office layout and the number of interns present at any given time, there's a possibility of limited dedicated workspace. This might necessitate creative space management strategies to ensure everyone has a designated area conducive to focused work.

While a smaller office fosters a close-knit atmosphere, it is important to consider if the potential lack of individual workspace might significantly impact my productivity. Perhaps there are designated quiet areas or flexible work arrangements that could mitigate this concern. Investigating the office layout and inquiring about workspace allocation during the internship interview could provide valuable insights into how Azimy & Co. manages space for interns. Ultimately, a comfortable and organized workspace plays a significant role in fostering a productive and positive internship experience.

#### **4.0 Self-Reflection**

As my internship at Azimy & Co. draws to a close, it is time to reflect on the valuable experiences and lessons learned. Looking back, I can confidently say that this internship has been a rewarding journey filled with both challenges and triumphs.

One of the most significant takeaways from this internship has been the practical exposure to the world of auditing. Initially, the prospect of assisting with statutory audits seemed daunting. However, with the guidance and support of the Azimy & Co. team, I gradually gained a deeper understanding of the audit process. From the initial document collection at client offices to assist with data entry and analytical procedures, I actively participated in various stages of the audit. This hands-on experience has been invaluable, allowing me to bridge the gap between theoretical knowledge and practical application.

The internship is not without its challenges. At times, the workload, particularly with multiple client engagements, could be demanding. However, this pressure proved to be a catalyst for growth. I learned to prioritize tasks effectively, manage my time efficiently, and communicate any roadblocks I encountered to senior auditors. This not only ensured the timely completion of tasks but also fostered valuable problem-solving skills.

Beyond technical audit procedures, the internship at Azimy & Co. has equipped me with essential soft skills. Working collaboratively with senior auditors and fellow interns honed my communication and teamwork abilities. The supportive environment at Azimy & Co. provided a safe space to ask questions, learn from mistakes, and build my confidence in my abilities. These interpersonal skills will undoubtedly be valuable assets in any future career path I choose.

This internship at Azimy & Co. has not only solidified my interest in the field of accounting but has also equipped me with the necessary skills and knowledge to take the next step in my academic and professional journey. I am grateful for the opportunity to learn from experienced professionals and for the supportive environment that fostered my personal and professional growth. As I move forward, I am confident in my ability to successfully navigate the challenges and opportunities that lie ahead.

## **SECTION B**

### **CHALLENGES AND ROADBLOCKS: IMPLEMENTING E-INVOICING AMONG MALAYSIAN SMES**

#### **1.0 Introduction**

##### **1.1 Introduction to E-invoicing in Malaysia**

The rise of digital technologies has transformed various aspects of modern business operations, and the domain of invoicing is no exception. In small and medium enterprises (SMEs), implementing e-invoicing has become a crucial strategy to enhance competitiveness and drive growth. Small and medium enterprises (SMEs) play a pivotal role in many economies, often serving as the backbone of economic development due to their flexibility and willingness to innovate. However, these companies often face challenges in adopting advanced technologies such as enterprise resource planning (ERP) systems, which can be prohibitively expensive and time-consuming. The absence of standardized and automated accounting systems in SMEs can lead to inefficiencies, wasted time, and misalignment of resources. (Panduwiya et al., 2021)

The rapid advancement of digital technologies has significantly transformed the way businesses operate in the modern era. One crucial aspect of this digital transformation is the implementation of e-invoicing, which has had a profound influence on how businesses function (Egodawele et al., 2022) (Horal et al., 2020) (Veldhoven & Vanthienen, 2021) (Rehm, 2017).

Malaysia has embarked on a journey to modernize its tax system through the implementation of e-invoicing. This initiative, rolled out in phases, aims to benefit both the government and businesses by enhancing efficiency and transparency.

The first stage of e-invoicing commenced on August 1st, 2024. However, it is important to note that not all businesses are required to participate at this initial stage. The mandatory rollout is being implemented strategically, focusing first on larger companies with a higher annual turnover. Specifically, businesses exceeding RM100 million in annual turnover are subject to mandatory e-invoicing in this initial phase.

The Malaysian government has identified several key objectives for implementing e-invoicing. One primary goal is to combat tax fraud and evasion. E-invoices, with their inherent digital nature, are considered more secure compared to traditional paper invoices. This added

layer of security makes it more difficult for businesses to manipulate invoices and avoid paying their fair share of taxes.

Furthermore, e-invoicing promises to streamline the tax collection process for both the government and businesses. Electronic invoicing systems can automate many aspects of tax collection, reducing manual paperwork and streamlining data processing. This translates to increased efficiency for both parties involved.

For businesses, particularly SMEs, e-invoicing offers the potential to reduce administrative burdens. Automating the invoicing process can save businesses time and money. Additionally, e-invoices are often easier to store and manage electronically compared to paper invoices, further simplifying record-keeping processes.

In essence, Malaysia's e-invoicing initiative is a strategic move towards a more modern and efficient tax system. By implementing this system in phases, the government ensures a smooth transition for businesses of all sizes. While the initial phase focuses on larger companies, subsequent phases will gradually extend the requirement to smaller businesses, culminating in a fully digital invoicing system for all businesses in Malaysia. It is also worth noting that the authorities are open to voluntary participation from businesses outside the mandatory phases, indicating a potential for faster nationwide adoption.

## 1.2 Key Issues

While Malaysia's e-invoicing initiative presents a promising path toward a modern tax system, there are several key issues that SMEs need to consider before making the switch. These challenges can be broadly categorized into three main areas: cost and implementation, digital literacy and user adoption, and government and industry support.

The financial burden associated with e-invoicing solutions can be a significant hurdle for smaller businesses. Unlike large corporations with the resources to invest in high-end enterprise systems, SMEs often operate with tighter budgets. E-invoicing solutions typically involve upfront costs, whether through subscription fees for cloud-based platforms or one-time purchases of software licenses. This can be a hard pill to swallow for a small family-owned business that might be perfectly satisfied with its current paper-based system.

Integration with existing accounting and inventory management systems adds another layer of complexity. Older software might lack the technical compatibility needed to connect seamlessly with new e-invoicing platforms. This can necessitate additional customization or

data migration, both of which require technical expertise and can be time-consuming endeavors. Furthermore, not all SMEs boast robust IT infrastructure. Limited internet connectivity in rural areas can disrupt real-time e-invoice transmission and retrieval, hindering the efficiency of the system. Additionally, outdated hardware might be incompatible with newer e-invoicing software, leading to the need for upgrades, which further adds to the overall cost of implementation.

The success of e-invoicing hinges on user adoption within the SME. However, many SME staff, particularly older generations, might have limited experience with digital tools. Utilizing e-invoicing software effectively might require training on navigating the platform, generating electronic invoices, and managing digital records. This can be a challenge for businesses with limited resources to dedicate to staff training.

Shifting from a familiar paper-based system to a new digital platform necessitates adapting existing workflows. Employees accustomed to manual invoicing processes might resist the change due to apprehension about the unknown or concerns regarding the complexity of a new system. Overcoming this resistance requires effective communication and comprehensive training to ensure a smooth transition and user buy-in.

Moreover, some SMEs might not be fully convinced of the value proposition of e-invoicing. If your current paper-based system seems sufficient for your low transaction volume, they might question the need for additional investment. Highlighting the long-term benefits of e-invoicing, such as improved efficiency, reduced errors, and faster payments, can help address this skepticism.

The adequacy of government support programs plays a crucial role in assisting SMEs with the transition to e-invoicing. Subsidies or tax breaks specifically designed for e-invoicing adoption can significantly ease the financial burden on smaller businesses. Additionally, government-sponsored training programs or workshops can equip staff with the necessary digital skills to navigate e-invoicing software effectively.

Furthermore, the challenges faced by SMEs might vary depending on your industry. For instance, a construction company dealing with large projects and complex invoicing might require a more robust e-invoicing solution with functionalities to manage project milestones and progress payments. Industry-specific guidelines or tailored support programs can help address these unique challenges and ensure a smoother transition for SMEs across different sectors.

## **2.0 Discussion 1**

### **2.1 Challenges**

As electronic invoicing, or e-invoicing, becomes increasingly popular across various industries, small and medium-sized enterprises (SMEs) in Malaysia face several challenges and roadblocks in adopting this digital payment method. These challenges hinder the smooth transition towards a more efficient and eco-friendly invoicing system, despite the potential benefits e-invoicing offers.

One of the main challenges that SMEs face in implementing e-invoicing is the lack of awareness and understanding of the benefits it offers. Many SMEs are still hesitant to switch from traditional paper-based invoicing to e-invoicing due to a lack of knowledge about the cost savings, improved accuracy, and faster payment processing that e-invoicing can provide. This hesitance is often rooted in a fear of the unknown and a comfort with the status quo, which can be hard to overcome without targeted educational efforts and demonstrations of the tangible benefits.

Another significant challenge is the cost associated with implementing e-invoicing systems. SMEs in Malaysia may find the initial investment in software and training to be daunting, especially if they are already operating on tight budgets. This financial barrier can prevent SMEs from taking advantage of the long-term benefits of e-invoicing, such as reduced processing costs and improved cash flow management. For many SMEs, the upfront expenses seem prohibitive, making it difficult to justify the investment despite the potential for future savings.

In addition, the complexity of e-invoicing systems can pose a significant challenge for SMEs with limited technical expertise. Many SMEs in Malaysia may not have the IT resources or knowledge required to set up and maintain e-invoicing systems, leading to difficulties in implementing and adapting to new digital processes. This lack of technical know-how can result in errors, inefficiencies, and frustration, further discouraging SMEs from making the switch to e-invoicing.

Furthermore, the lack of standardization and interoperability among e-invoicing systems can create compatibility issues for SMEs working with different suppliers and clients. This lack of uniformity in e-invoicing practices can result in confusion and inefficiencies, making it difficult for SMEs to fully embrace e-invoicing as a viable payment method. Without



a common standard, SMEs may struggle to integrate e-invoicing with their existing systems and processes, leading to fragmented and inefficient workflows.

Lastly, regulatory compliance and security concerns also present challenges for SMEs in Malaysia looking to implement e-invoicing. Ensuring that e-invoicing systems comply with local regulations and data protection laws can be a complex and time-consuming process, adding another layer of difficulty for SMEs navigating the e-invoicing landscape. Concerns about data security and the potential for cyber threats can also deter SMEs from adopting e-invoicing, as they may worry about the risks associated with digital transactions.

Overall, while e-invoicing offers numerous benefits for SMEs in Malaysia, such as cost savings, efficiency, and reduced environmental impact, overcoming the challenges and roadblocks in its implementation is essential for realizing these advantages. By addressing issues related to awareness, cost, technical complexity, standardization, and compliance, SMEs can successfully embrace e-invoicing and streamline their invoicing processes for a more sustainable and prosperous future.

## 2.2 Recommendations

To address the challenge of lack of awareness and understanding of the benefits of e-invoicing, it is crucial to implement targeted educational initiatives. These initiatives could include workshops, webinars, and information sessions aimed at demonstrating the tangible benefits of e-invoicing, such as cost savings, improved accuracy, and faster payment processing. By providing clear, relatable examples and success stories, SMEs can see the value of transitioning to e-invoicing and feel more confident in making the switch. Additionally, partnerships with industry associations and government bodies can help amplify these educational efforts and reach a broader audience.

For SMEs concerned about the cost associated with implementing e-invoicing systems, financial assistance programs and incentives can be highly effective. Governments and financial institutions could offer grants, subsidies, or low-interest loans specifically for the adoption of e-invoicing technologies. Additionally, vendors could provide flexible payment plans or tiered pricing models that allow SMEs to start with basic functionalities and scale up as they grow. Highlighting the long-term cost savings and return on investment of e-invoicing through detailed case studies can also help SMEs understand that the initial investment will pay off over time.

To overcome the complexity of e-invoicing systems, SMEs should be provided with user-friendly solutions and comprehensive support. Software providers can develop intuitive platforms with simplified interfaces that do not require extensive technical expertise. Offering robust customer support, including training sessions, detailed user manuals, and responsive helplines, can ensure that SMEs feel supported throughout the transition process. Additionally, creating a community or forum where SMEs can share their experiences and solutions can foster a collaborative environment that makes the adoption of e-invoicing less daunting.

Addressing the issue of lack of standardization and interoperability requires industry-wide collaboration to establish common standards. Governments and industry bodies can play a pivotal role by developing and promoting standardized e-invoicing protocols that ensure compatibility across different systems and platforms. Encouraging the adoption of these standards through incentives or mandates can help create a more uniform e-invoicing landscape. SMEs can benefit from choosing e-invoicing solutions that adhere to these standards, reducing compatibility issues and streamlining their invoicing processes.

Finally, to mitigate regulatory compliance and security concerns, it is essential to provide clear guidelines and robust security measures. Regulatory bodies should offer straightforward, comprehensive guidelines that outline the requirements for e-invoicing compliance. Software providers must ensure their solutions are designed with built-in compliance features and robust security protocols to protect sensitive data. Regular audits and updates to these systems can help maintain high-security standards. Additionally, offering training on data protection best practices can help SMEs feel more confident about the security of their e-invoicing systems.

By addressing these challenges with targeted recommendations, SMEs in Malaysia can successfully navigate the transition to e-invoicing, unlocking numerous benefits such as cost savings, efficiency, and reduced environmental impact. Embracing these solutions will not only streamline their invoicing processes but also contribute to a more sustainable and technologically advanced business environment.

## **3.0 Discussion 2**

### **3.1 Benefits**

E-invoicing, a process that allows for the electronic exchange of invoice information between businesses, has become increasingly prevalent as organizations strive to streamline their financial processes and improve efficiency (Spilnyk et al., 2022) (Horal et al., 2020). The digitization of invoicing has presented businesses with a range of benefits, including cost savings, enhanced data accuracy, and improved cash flow management (Songyue & Xia, 2018).

Implementing e-invoicing among SMEs in Malaysia offers several significant benefits. Firstly, e-invoicing leads to substantial cost savings. By eliminating the need for paper, printing, and postage, SMEs can reduce operational expenses. Additionally, the automated nature of e-invoicing minimizes the chances of human error, thereby avoiding costly mistakes that can arise from manual data entry. These savings can be substantial over time, allowing SMEs to allocate resources more effectively towards growth and development initiatives. For instance, the funds saved can be invested in new technologies, marketing efforts, or employee training programs, further enhancing the business's competitive edge.

Secondly, e-invoicing enhances accuracy in financial transactions. With traditional invoicing methods, errors are common due to manual processing and human oversight. In contrast, e-invoicing systems automatically capture and record data, significantly reducing the likelihood of mistakes such as incorrect amounts, missed invoices, or duplicate entries. Consequently, this accuracy ensures that invoices are processed correctly and promptly, leading to smoother business operations and improved relationships with clients and suppliers. Accurate invoicing also minimizes disputes and enhances trust, as clients and suppliers can rely on the precision of the invoices they receive.

Additionally, e-invoicing facilitates faster payment processing. In traditional invoicing, delays often occur due to postal services and manual handling, which can lead to extended payment cycles and cash flow issues. E-invoicing, however, enables immediate delivery of invoices to clients, who can then process payments more quickly. This expedited payment cycle improves cash flow for SMEs, allowing them to maintain better liquidity and financial stability. Improved cash flow is crucial for SMEs as it enables them to meet their financial obligations on time, invest in new opportunities, and avoid the costs associated with late payments and overdrafts.

Moreover, e-invoicing contributes to environmental sustainability. By reducing paper usage, e-invoicing helps SMEs lower their carbon footprint. This shift towards digital processes aligns with global efforts to combat climate change and promotes an eco-friendlier business model. Furthermore, adopting green practices can enhance an SME's reputation among environmentally conscious consumers and partners, potentially leading to increased business opportunities. For example, companies that prioritize sustainability are often more attractive to customers who value environmental responsibility, and they may also qualify for various green certifications or incentives.

Lastly, e-invoicing streamlines administrative tasks and improves efficiency. Manual invoicing requires significant time and effort from staff to create, send, and track invoices. E-invoicing automates these processes, freeing up valuable time for employees to focus on more strategic activities. This increased efficiency not only boosts productivity but also enhances overall business performance, enabling SMEs to compete more effectively in the market. Automation also reduces the burden on administrative staff, allowing them to contribute to other areas of the business, such as customer service or process improvement, which can further drive business growth and success.

In summary, the implementation of e-invoicing among SMEs in Malaysia brings numerous benefits, including cost savings, improved accuracy, faster payment processing, environmental sustainability, and enhanced efficiency. By embracing e-invoicing, SMEs can optimize their operations, contribute to a greener planet, and position themselves for long-term success. These advantages highlight the importance of transitioning to digital invoicing systems and demonstrate how such a shift can provide a strong foundation for future growth and innovation.

## 3.2 Literature Review

### **ABSTRACT**

In 2013, the Ecuadorian Tax Administration officially launched the electronic invoicing system as a strategy to reduce tax evasion in tax returns. These information systems allow for designing better monitoring and auditing tools; consequently, such systems increase the subjective risk perceived by taxpayers, thus increasing your compliance. The aim of this article is to determine the effect that this system had on value-added tax (VAT) returns in the period 2014-2016, using the difference-in-differences (DID) technique. The results show that the increased coverage of the electronic system over time had positive effects on the declaration of sales, purchases, and taxes.

**Key Words:** value-added tax (VAT); tax compliance; tax evasion; invoicing

*Retrieved from the article:*

*Tax compliance and electronic invoicing in Ecuador: an impact assessment*

This article examines the impact of the electronic invoicing system introduced by the Ecuadorian Tax Administration in 2013 to reduce tax evasion. The system was designed to improve monitoring and auditing tools, thereby increasing the perceived risk of tax evasion and enhancing compliance. The study focuses on the effect of this system on Value-Added Tax (VAT) returns between 2014 and 2016, using the difference-in-differences (DID) technique.

The electronic invoicing system required a group of 25,853 VAT taxpayers to issue electronic invoices through a three-stage process: development, testing, and production. The study aims to determine if taxpayers who formally issued electronic invoices (those in the production stage) reported higher sales, purchases, and taxes compared to those in the earlier stages (development and testing).

The results indicate that the system had a positive and gradual effect as its coverage increased over time. In 2014, the impact was negligible, but by 2015, there was a significant positive effect, with a 19.4% increase in declared tax. This effect strengthened in 2016, with a 28.1% increase in declared tax.

Theoretically, electronic invoicing systems are expected to close reporting gaps and enhance tax control by automatically capturing and integrating transactional information.

Experiences in Latin America, such as in Argentina, Brazil, Mexico, and Uruguay, have shown that similar systems have led to significant increases in tax declarations and collections.

The subjective risk of being caught for non-compliance is increased by electronic invoicing systems through two channels: directly, as taxpayers know your digital information is accessible to the tax administration; and indirectly, as they are part of a network of business transactions where information is shared.

Field experiments, such as one conducted by Alm et al. (2006), have demonstrated that when income is not verifiable by third-party information, tax compliance decreases. This underscores the importance of electronic invoicing systems in deterring tax evasion.

In conclusion, the study finds that the electronic invoicing system in Ecuador had a significant positive impact on VAT declarations, highlighting the potential of such systems to improve tax compliance and reduce evasion.

#### **4.0 Conclusion**

Implementing e-invoicing among Malaysian SMEs presents a complex array of challenges and roadblocks that need careful consideration and strategic planning. The transition from traditional invoicing methods to digital solutions is fraught with both technological and cultural hurdles. Technologically, many SMEs lack the necessary infrastructure and expertise to adopt e-invoicing seamlessly. The cost of implementation, including software acquisition, training, and system integration, can be prohibitive for smaller enterprises operating on tight budgets. Additionally, there is often resistance to change, as employees and business owners accustomed to conventional methods may be reluctant to shift to new, unfamiliar technologies.

Culturally, the adoption of e-invoicing requires a significant change in mindset. SMEs need to understand and appreciate the long-term benefits of e-invoicing, such as improved efficiency, reduced errors, and enhanced financial management. This requires not only awareness campaigns but also practical demonstrations of the advantages. Moreover, regulatory compliance poses another challenge. While the Malaysian government has been promoting digitalization, the varying degrees of regulatory requirements and the need for consistent updates can create confusion and additional burdens for SMEs.

Furthermore, the lack of standardization in e-invoicing systems can lead to compatibility issues between different platforms used by businesses and their partners. This interoperability challenge can hinder the smooth exchange of invoices and disrupt business operations. SMEs also face the risk of cyber threats, as the shift to digital invoicing makes them more vulnerable to data breaches and fraud. Ensuring robust cybersecurity measures is essential but adds to the complexity and cost of implementation.

In conclusion, while the implementation of e-invoicing among Malaysian SMEs holds significant potential for enhancing business efficiency and financial management, it is not without its challenges. Addressing the technological, cultural, regulatory, and security issues requires a coordinated effort from government bodies, industry associations, and the SMEs themselves. By providing adequate support, training, and incentives, stakeholders can help SMEs overcome these hurdles and fully realize the benefits of e-invoicing in the digital economy.

## 5.0 References

- Azimy & Co. - Chartered Accountants. (2024, March 7). <https://www.azimy.com.my/>
- E-invois | Lembaga Hasil Dalam Negeri*. Lembaga Hasil Dalam Negeri Malaysia. (2024). <https://www.hasil.gov.my/e-invois/>
- Bellon, M., Dabla-Norris, E., Lima, F., & Khalid, S. (2022, June). Digitalization to improve tax compliance: Evidence from VAT e-invoicing in Peru. [https://www.researchgate.net/publication/360060350\\_Digitalization\\_to\\_improve\\_tax\\_compliance\\_Evidence\\_from\\_VAT\\_e-Invoicing\\_in\\_Peru](https://www.researchgate.net/publication/360060350_Digitalization_to_improve_tax_compliance_Evidence_from_VAT_e-Invoicing_in_Peru)
- Hesami, S., Jenkins, H., & Jenkins, G. P. (2024, January). Digital Transformation of Tax Administration and Compliance: A Systematic Literature Review on E-Invoicing and Prefilled Returns. [https://www.researchgate.net/publication/349439098\\_The\\_Effects\\_of\\_Prefilled\\_Tax>Returns\\_on\\_Taxpayer\\_Compliance](https://www.researchgate.net/publication/349439098_The_Effects_of_Prefilled_Tax>Returns_on_Taxpayer_Compliance)
- Bojanc, R., Pucihar, A., & Lenart, G. (2024, March). E-invoicing: A Catalyst for Digitalization and Sustainability. [https://www.researchgate.net/publication/378719808\\_Einvoicing\\_A\\_Catalyst\\_for\\_Digitalization\\_and\\_Sustainability](https://www.researchgate.net/publication/378719808_Einvoicing_A_Catalyst_for_Digitalization_and_Sustainability)
- Cedillo, P., García, A., Cárdenas, J. D., & Bermeo, A. (n.d.). A systematic literature review of electronic invoicing, platforms and notification systems. <https://dspace.ucuenca.edu.ec:443/retrieve/92846/documento.pdf>
- Ramírez-Álvarez, J., Oliva, N., & Andino, M. (2022, June 6). *Tax compliance and electronic invoicing in Ecuador: An impact assessment*. Problemas del desarrollo. [https://www.scielo.org.mx/scielo.php?pid=S0301-70362022000100097&script=sci\\_arttext&tlng=en](https://www.scielo.org.mx/scielo.php?pid=S0301-70362022000100097&script=sci_arttext&tlng=en)



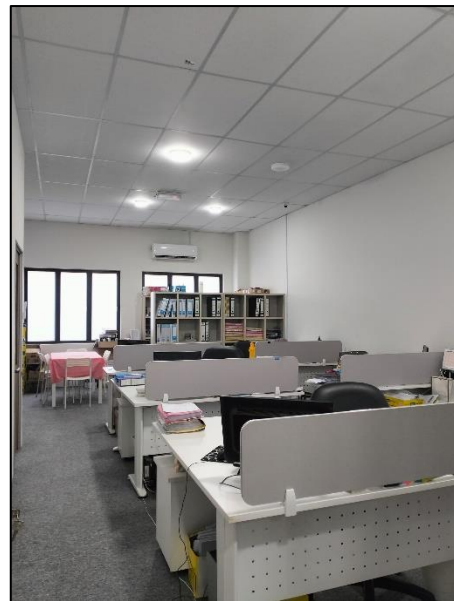
## 6.0 Appendices



**Figure 1.1** Outside of the office (Shoplot)



**Figure 1.2** Front partition



**Figure 1.3** Back partition



**Figure 1.4** Mini pantry



**Figure 1.5** Mini prayer hall/File storage



**Figure 1.6** Intern's farewell celebration



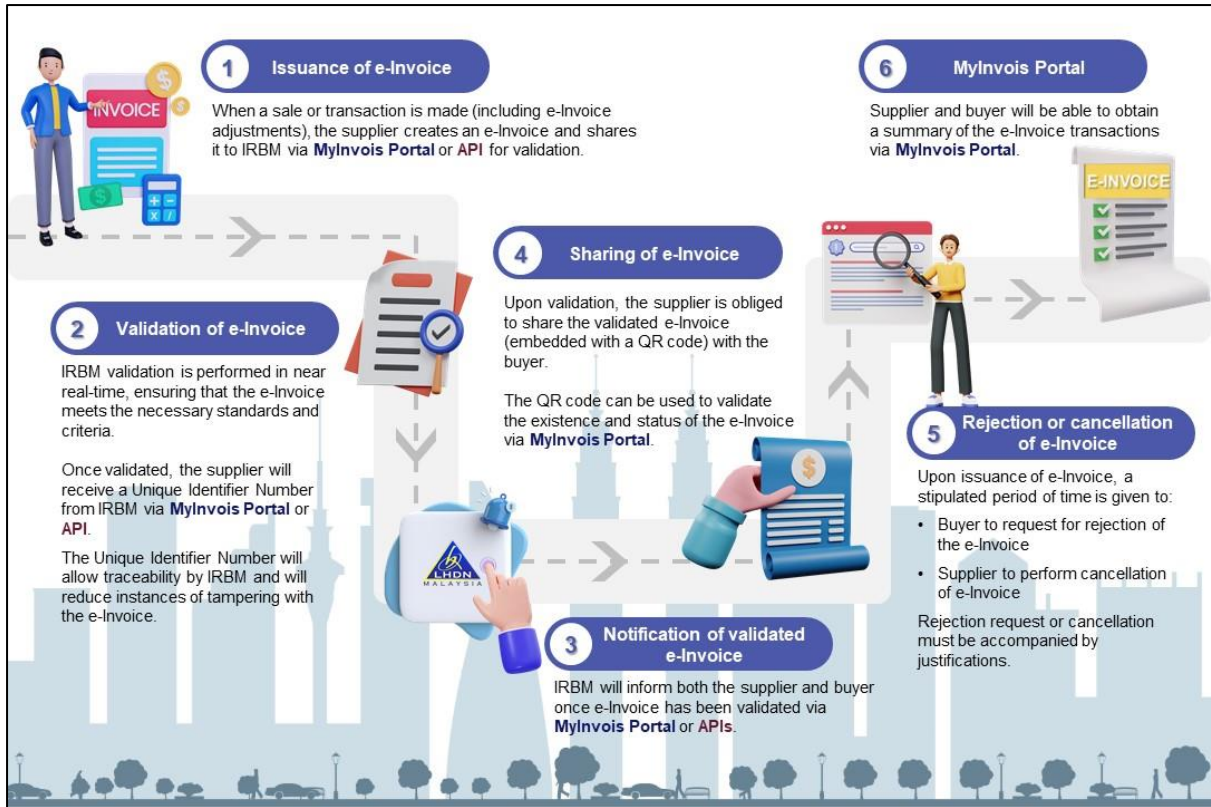
**Figure 1.7** Birthday celebration



**Figure 1.8** Iftar at Movenpick Hotel



**Figure 1.9** Staff's farewell celebration



**Figure 1.10** The overview of the e-invoice model (LHDN)