

**EVALUATING INVESTMENT CENTRE PERFORMANCE:**  
**AN OVERVIEW ON SARAWAK BASED PRIVATE**  
**LIMITED COMPANIES PRACTICES**

**BY:**

**HESAN BIN ROSERI**  
**(91533737)**  
**ADVANCE DIPLOMA IN ACCOUNTANCY**  
**INSTITUTE TECHNOLOGY OF MARA**  
**SARAWAK**

**SEPTEMBER 1994**

## **PREFACE**

## **ACKNOWLEDGEMENT**

I would like to extend my sincere words of appreciation and gratitude to my advisor, Cik Saftuyah Daud for her guidance, advice, supervision and her kind understanding of the problems encountered in completing this research paper. Without her assistance, the preparation and compilation of the paper would not be a successful one. A word of thanks is also due to Encik Muhd. Kamil for his valuable advice and constructive comments at the early stage of the study, which are also useful to me in choosing the areas to be covered in conducting the study.

Lastly, but not least, I would also like to extend my appreciation to those who were involved directly or indirectly in assisting me to complete this project paper successfully, especially to the Financial Controllers and Finance Managers of the responding companies, the officers of Inland Revenue Department and the Registrar Of Company.

## **ABSTRACT**

This paper examines the extent of the use of divisionalisation concept in practice by Sarawak based private limited companies as a result of their expansion and diversification programmes. In addition, the study also investigates the methods of evaluation used by the companies to measure the performance of their investment centres and to ensure individual's goals of the centres are congruent with those of organisation.

The results of a number of past studies reveal that most large and diversified companies tend to resort to divisionalisation as a mean to improve decision-making process and efficiency. A majority of the companies prefer to use ROI as a method of evaluating the performance of the investment centres. The preference of ROI over other methods of evaluation can be related to its superiority and advantages associated with it.

The empirical evidence discussed in this paper is based on Sarawak based private limited companies in the selected majors sectors of the economy.

## LIST OF TABLES

TABLE 1	Overall results of 26 companies surveyed
TABLE 2	Use of profit and investment centres by sales volume
TABLE 3	Use of profit and investment centres by total assets
TABLE 4	Extent use of profit and investment centres by sector
TABLE 5	Experience with profit and/or investment centres
TABLE 6	Methods used to evaluate investment centres
TABLE 7	Calculation of net income of the investment centres
TABLE 8	Reasons for the variation in the calculation of net income
TABLE 9	Determination of investment base
TABLE 10	Treatment of liabilities
TABLE 11	Methods of valuing plants and equipment
TABLE 12	Depreciation methods used for plant and equipment
TABLE 13	Treatment of leases
TABLE 14	Methods of establishing a target ROI
TABLE 15	Capital charge rates for residual income
TABLE 16	Methods evaluating centres' ROI relative performance
TABLE 17	Methods evaluating centres' RI relative performance