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# Enhancing Qualitative Characteristics of Useful Financial Information: Slant from Malaysian Companies Act 2016

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In Malaysia, registered companies, either public or private, need to follow the Companies Act 2016 (the Act), published by the government of Malaysia. In order to prepare the financial statement, the company is required to follow the Malaysian Financial Reporting Standard (MFRS), published by the Malaysian Accounting Standard Board (MASB). A different organisation is publishing these two standards, and it has been seen as a separate standard and does not link to one another. Thus, this article aims to explain four enhancing qualitative characteristics of useful financial information from the point of view of the Act.

The first qualitative characteristic is comparability. It means that the financial information should contain the relevant information which enables users to compare it from one entity to another and across time. Thus, the company needs to provide information with at least two items (Malaysian Accounting Standard Board, 2018). About this issue, Section 224 of the Act detailed that the company should follow the approved accounting standard in preparing a company's financial statements, which include the consolidated financial statement. Since then, the users can easily compare the information because they use the same standard, i.e., MFRS.

The second qualitative characteristic is verifiability. It means the users can utilise the information as it represents the economic phenomena. It needs to be quantified and go through a verification process (Malaysian Accounting Standard Board, 2018). The Act mentioned this characteristic in Section 47: copies of all financial statements, group financial statements, and accounting records need to be kept at the registered office. Besides, Section 245 further mentioned that accounting records must be enough to produce an accurate and fair view of financial statements, and they must be kept for seven years. In addition, the Act elaborates in detail about the auditing process which is mentioned in Section 262 until Section 289. All the sections in the Act come together with the penalty if there are issues of noncompliance.



The third qualitative characteristic is timeliness. It means that the financial information should provide enough information to the user to make an informed decision. The information must give some information on a timely basis and reflect the current value at the end of a reporting period (Malaysian Accounting Standard Board, 2018). Section 248 and 252 of the Act spelled out that the directors prepare a yearly financial statement's report. Section 245(2) mentioned that the accounting entries must be recorded within 60 days after completing the transaction. In group companies, Section 247 and 250 of the Act outlined how the holding companies should prepare their consolidated account. Each of the above sections spelled out the penalty if there is a case of obstinacy.

The last characteristic is understandability. It means the preparer of the financial information should make sure it is understandable where it had been correctly classified, characterised and presented. It must be prepared with a reasonable knowledge of business and economic activities (Malaysian Accounting Standard Board, 2018). This characteristic is in line with Section 224, which had been mentioned in the earlier discussion. Section 249 also provides the general requirements for the preparation of financial statements.

In a nutshell, all four qualitative characteristics of financial information are parallel with the Act's sections. The MFRS is merely on the suggested guidance, while the Act is more toward the obligated document. Thus, it cannot be seen as a different standard, and it should be seen as concurrent guidance and complementing each other.



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