

A SURVEY
ON THE AWARENESS AND THE IMPLEMENTATION
OF EXPANDED AUDIT REPORT IN MALAYSIA

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This dissertation is submitted in
partial requirement of
Universiti Teknologi MARA for the degree of
Master of Accountancy

November 2000

ABSTRACT

The critical litigious environment which characterized today's auditing environment due to recent economic crisis has called for a more responsible financial reporting. The existence of expectation gap has caused the role of auditors often being misunderstood by the users and audit report being perceived as useless. However, those who really understand the significance of the misconception would look forward for any efforts to reduce the gap. A study in United Kingdom in 1993 has investigated the effects of expanded audit report proposed by United States in 1988 and found that it was able to reduce the expectation gap and hence enhanced the understandability and usefulness of financial statements and audit report. Malaysian Institute of Accounting (MIA) has also taken a step to adopt the new standard of auditing in 1998. Therefore this study seeks to determine the awareness and the acceptance of expanded audit report by users and practitioners.

After two years of adoption period, the expanded audit report does proved to give clearer understanding to Malaysian users on the auditors role and audit function. Although this study was able to prove the success in the implementation of the new standard by the companies, it does however show the lack of public awareness on expanded audit report existence. Since the main objective of expanded audit report is to bring society's expectation towards auditors into closer accord, more education effort should be done by the profession to ensure the reduction in criticism and disbelief which auditors face today. The success in achieving this objective should also be a basis for future economic globalization as well as better Malaysian's corporate governance.

ACKNOWLEDGEMENT

In the name of Allah who is most grateful and merciful

With his bless and will I have completed this paper although it brings me a lot of hard time scarifying my time especially being separated from my family. My utmost grateful to my beloved husband, Zamiruddin who is always there to understand, encourage and keep me strong. Thanks to my kids, Raudhah 'Aqeela and Raihan Nabeela who always seem to understand and keep me brave by remembering me that I am doing this just for of them.

I would also be very grateful to the Dean of Accountancy School, Prof. Dr. Juhari Samidi for his encouragement and support, and also to my advisor, Prof. Madya Dr. Normah Omar for her help and advice to make us believe that nothing is impossible in achieving our dreams. My gratitude also goes to the faculty and Bahagian Latihan dan Biasiswa for providing the scholarship and all the facilities needed in completing this dissertation. My special thanks also goes to my former group studies (Wan Shafizah, Azlina Rahim, Agoos Munalis and Shahifol Arbi) for always giving me a good competition in achieving the best out of me.

A special dedication also goes to my parents, Tuan Haji Othman b. Hashim and Puan Hajjah Rohayah bte Abu Shah for their love and constant support from the day I learned about knowledge. Not forgetting my family for convincing me that I am able to do it.

Lastly to all my classmate and respondents who had directly or indirectly contributed ideas and responding to my questionnaires and interviews. Without all of you above, I would not be able to complete this dissertation.

May Allah bless you all always. Thank you!

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