

ACCOUNTING PROBLEMS
IN
SMALL COMPANIES.

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PREFACE

The title of this report is 'Accounting Problems in Small Companies'. The main objective of the report, as its title explains is to look into the problems of accounting practice in the small companies in the context of Malaysian environment. Each problem is discussed with examples given and at the end of the report there are several recommendations forwarded as potential solutions to the problems.

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1.0 INTRODUCTION

Small company is a very important sector in Malaysian economy. In fact, in any economic situation, most businesses started on a smaller scale. As time goes on, the so called small scale enterprise may turn into a business corporation and the rest is history. The importance of small companies should not be overlooked since most business enterprises in Malaysia falls into this category.

Small companies could be in the following forms :-

i. Sole proprietorship

A sole proprietorship is the most basic form of business organisation.

ii. Partnership

A partnership can be nothing more than two or more persons join together and operate business jointly. In order for a partnership to exist legally, it must have a partnership agreement. Or if the partnership does not draw up an agreement, the partnership business would use the Partnership Act as their agreement.

iii. Corporation

This type of business organisation is