

# PRACTICE DIRECTIVE 3/2017 - AUDIT EXEMPTION

## I PREAMBLE

On 4 Aug 2017, the CCM issued **PD 3/2017** setting out the qualifying criteria for Audit Exemption ("AE") provided under S267(2) Companies Act 2016 for private companies.

## II QUALIFYING CRITERIA AND EFFECTIVE DATES

- Private companies which qualify for AE and the respective effective dates are detailed below:

Category of companies <sup>(i)</sup>	Criteria	Effective Date
<b>Dormant<sup>(iii)</sup></b>	Companies which are dormant: (a) from its incorporation; <u>OR</u> (b) throughout the current and the immediate previous financial year ("FY").	Incorporated on or <b><u>after 31 Jan 2017</u></b> <b>31 Jan 2017<sup>(iii)</sup></b>
		Incorporated on or <b><u>before 30 Jan 17</u></b> <b>1 Sep 2017<sup>(iii)</sup></b>
<b>Zero-Revenue</b>	Companies which do <b><u>NOT</u></b> have the following for the current and the immediate past two FYs: (a) any revenue; <u>AND</u> (b) total assets > RM300,000.	<b>1 Jan 2018<sup>(iii)</sup></b>
<b>Threshold-Qualified</b>	Companies which do <b><u>NOT</u></b> have the following for the current and the immediate past two FYs: (a) revenue > RM100,000 (b) total assets > RM300,000; <u>AND</u> (c) > 5 full-time employees	<b>1 Jul 2018<sup>(iii)</sup></b>
<b>Notes:</b> (i) AE is not applicable to a Exempt Private Company which had chosen to lodge a certificate in lieu of the full financial statements to the CCM under S260 CA2016 (ii) A company is considered dormant if it does not carry on business and have no accounting transactions (other than transactions incurred due to statutory obligations e.g. Secretarial, Tax, Accounting fees) (iii) Effective for <b><u>financial periods commencing on or after</u></b>		

## **II QUALIFYING CRITERIA AND EFFECTIVE DATES (CONT'D)**

2. A company which is eligible for AE under **PD 3/2017** will be required to audit its accounts if it receives a notice to do so from the following:
  - (a) Members holding  $\geq 5\%$  of the issued shares of the company;
  - (b)  $\geq 5\%$  of the total number of members eligible to vote in the company; or
  - (c) the Registrar of CCM.

## **III SUBMISSION OF UNAUDITED FINANCIAL STATEMENTS**

Companies electing to be exempted from audit under **PD 3/2017** are required to lodge the following to CCM within 30 days after circulation of the Unaudited Financial Statement (“UFS”) and reports to the members of the company.

<b>Statement/Report</b>		<b>Pursuant to the CA2016</b>
(a)	MPERS compliant UFS (including supporting disclosure notes)	S244(1)
(b)	Directors Report	S252
(c)	Statement by directors	S251(2)
(d)	Declaration by directors or person responsible for the UFS	S251(1)(b)
(e)	Audit Exemption Certificate stating that: <ol style="list-style-type: none"> <li>(i) Members have not required the company to perform an audit of its accounts for that year.</li> <li>(ii) The directors acknowledge their responsibilities for complying with the requirements of the CA 2016 with respect to accounting records and the preparation of financial statements.</li> <li>(iii) These financial statements have been prepared in accordance with applicable approved accounting standards issued by MASB, namely MPERS and complies with the requirements of the CA2016.</li> <li>(iv) The date the UFS and reports have been circulated to the members</li> </ol>	

### **Glossary**

<b>CCM</b>	<i>Companies Commission of Malaysia</i>
<b>CA2016</b>	<i>Companies Act, 2016</i>
<b>MASB</b>	<i>Malaysian Accounting Standards Board</i>
<b>MPERS</b>	<i>Malaysian Private Entity Reporting Standard</i>