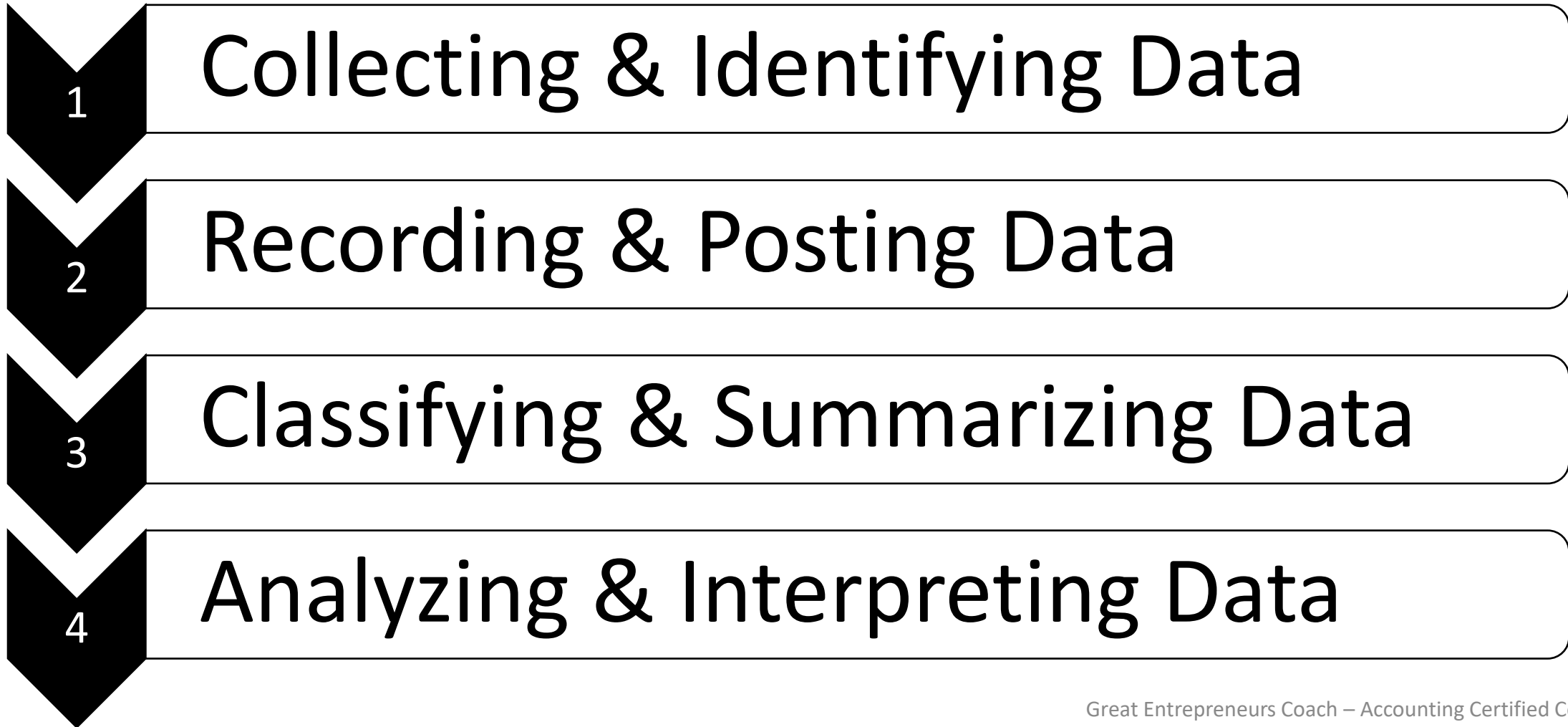


# Module 1 : Introduction to Accounting

1. What is Accounting
2. Why Accounting Important in Business
3. Types of Accounting
4. Accounting Career Path
5. Types of Business Entity

# What is Accounting

is a process of:





Accounting Keeps  
You Organized

# Why Accounting Important in Business



Without it, You're in  
Trouble



It Backs up Your  
Tax Returns



It Guides Decision-  
making

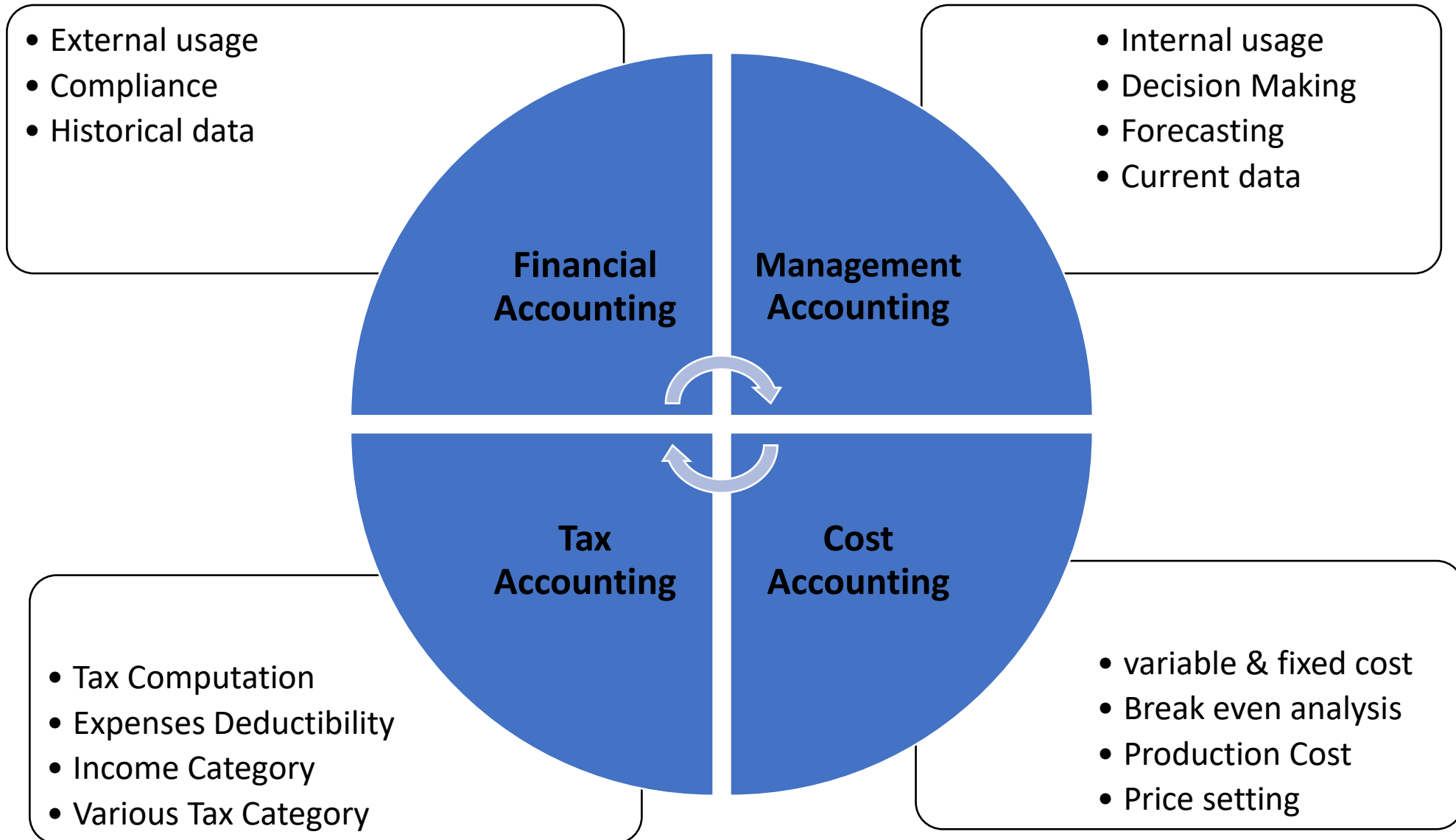


You Can Measure New  
Strategies



You Need it to Get  
Investments or Loans

# Type of Accounting





# Types of Business Entities

	Types	Characteristic
Simple	Sole proprietorship (self-employed) <b>Suruhanjaya Syarikat Malaysia</b>	<ul style="list-style-type: none"> <li>• A person trading on his /her own</li> <li>• The owner has full control over the business</li> <li>• Legally, the owner and the business are the same (no separately legal entities)</li> <li>• All risks taken by the owner</li> <li>• Limited assess to get bank facilities</li> <li>• Owner may be sued in case of liabilities default</li> <li>• Unlimited liabilities</li> <li>• Tax on personal</li> </ul>
Simple	Partnership (self-employed)	<ul style="list-style-type: none"> <li>• A business run by 2 or more people in view of making profit</li> <li>• Profit share according to agreement</li> <li>• All risks are shared</li> <li>• Partners may be sued in case of liabilities default</li> <li>• Shared liabilities</li> <li>• Moderate assess to get bank facilities</li> <li>• Tax on personal</li> </ul>

# Types of Business Entities

Moderate

Complex

Types	Characteristic
Limited Liability Partnership (LLP) ( HungMing & Jass <b>PLT</b> ) effective 2012	<ul style="list-style-type: none"> <li>• Minimum 2 individual or body incorporation</li> <li>• Manage by partners or representative</li> <li>• A separate legal entities</li> <li>• Limited liability to the partners</li> <li>• No issuance of share</li> <li>• Easy to access for banking facilities</li> <li>• Minimum statutory compliance</li> <li>• Tax on LLP</li> </ul>
Incorporated (Company) Sdn Bhd / Bhd	<ul style="list-style-type: none"> <li>• A separate legal entities</li> <li>• Limited Liability</li> <li>• Owned by shareholders (members can be individual or company)</li> <li>• Manage by director who appointed by shareholders</li> <li>• Subject to statutory compliance</li> <li>• Easy to access for a banking facilities</li> <li>• Tax on company</li> </ul>

# Types of Business Entity

Characteristic	Sole Proprietorship	Partnership	LLP	Sdn Bhd	Berhad (Bhd)
Law	Registration of Business Act 1956	Partnership Act 1961 (1974)	LLP Act 2012	Company Act 2016	Company Act 2016
Member	Individual	Minimum 2 to 20 (Individual)	Minimum 2 and no maximum limit (individual or Corporate)	1 < Member < 50 (Individual or Corporation)	2 and no maximum limit
Management	Individual	Partner	Partner	Board of Director	Board of Director
Taxation	Individual	Partner	Company	Company	Company
Auditing	No	No	No	Yes	Yes
SSM Compliance	No	No	Yes (Minimal)	Yes	Yes



# Business Entities - Strength & Weaknesses

	<b>Strength</b>	<b>Weaknesses</b>
Sole Proprietorship	<ul style="list-style-type: none"> <li>• Easy to register</li> <li>• Cheap</li> <li>• Control by yourself</li> <li>• Limited capital</li> <li>• Easily to dissolve</li> <li>• No need audit</li> <li>• Tax on individual</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited liability</li> <li>• Unaudited Financial Statement</li> <li>• Limited access to bank loan</li> </ul>
Partnership	<ul style="list-style-type: none"> <li>• Easy to register</li> <li>• Cheap</li> <li>• Tax on individual</li> <li>• Control by partner</li> <li>• Share liabilities / risk</li> </ul>	<ul style="list-style-type: none"> <li>• At least one partner having Unlimited liability</li> <li>• Unaudited Financial Statement</li> </ul>
Company	<ul style="list-style-type: none"> <li>• Easily to acquire large capital</li> <li>• Limited Liability</li> <li>• Audited Financial Statement</li> </ul>	<ul style="list-style-type: none"> <li>• High tax</li> <li>• Statutory compliances</li> <li>• No fixed ownership</li> </ul>

# Quiz (10 mins)

1. State Three types of entities
2. Define limited liability and unlimited liability. How these related to different types of entities?

Limited Liability means that the personal assets of the members / shareholders are safeguarded. If the business going to bankrupt, with limited liability the members/ shareholders no need to sell all his / her personal assets to pay creditors of the business.

Unlimited liability means that the personal assets of the owner / partners are not protected. If the business going bankrupt, because of unlimited liability the owner / partners is required to sell all his/her personal assets in order to pay creditors of the business.

Sole proprietors and partnership is an unlimited liabilities form of business, if company going bankrupt high possibility the owner / partners need to use their personal money to pay creditors.

For a company limited by share (Sdn Bhd / Bhd) the shareholders are protected by the number of shares they paid for the investment. If company bankrupt, the shareholders need not to sell of his assets to pay creditors.

# Quiz (10 mins)

3. Which of the following are the features of any partnership?
  - A. Owner management, joint liability
  - B. Owner management, limited liability
  - C. Separate legal entity, limited liability
  - D. Separate legal entity, joint liability
  
4. Which of the following is more of a disadvantage of operating as a sole proprietor rather than a partnership?
  - A. Risk of personal bankruptcy
  - B. Limited access to get bank financing
  - C. Responsibility for all liability
  - D. Requirements to keep accounting records

# Assignment

Choose any type of business entities, share your knowledge in term of:

- its characteristic
- its advantage and disadvantages
- provide relevant example
- You may use Microsoft word / excel or power point to prepare your assignment.
- Present your assignment during the class. Allocated time is about 15 mins