

Mandatory Financial Disclosure Harmonisation of Local Governments in Peninsular Malaysia

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Abstract

Harmonisation in accounting refers to either disclosure or measurement harmonisation where two financial reports are comparable in terms of one specific event, if under the same circumstances, this event is accounted for the same way in both reports. This study focuses on the actual reporting practices, i.e. disclosure harmonisation, rather than measurement harmonisation. Since one of the characteristics of public sector accounting among the local governments in Malaysia is lack of harmonisation in financial disclosure, therefore the objective of this study are to examine the extent of mandatory financial disclosure harmonisation of local governments in Peninsular Malaysia. Annual reports from 76 local governments in Peninsular Malaysia for the financial year ended 2008 were scrutinised. Each local government was rated based on the Mandatory Financial Disclosure Harmonisation Index (MFDHI) and scoring procedure. Seventy one items (divided into seven sections) were included in the MFDHI, and this requirement is in accordance with the Local Government Act 1971, FTC No. 4/2007 and FRS. The study shows that the level of mandatory financial disclosure harmonisation (MFDH) by local governments in Peninsular Malaysia is high, i.e. 79.62 percent. The result of this study supports the stewardship theory as it is able to explain the objective of a mandatory financial statement to provide useful information to assess management's stewardship. This is reflective of the expected relationship between the public and the local governments in managing their resources efficiently and effectively so as to discharge their accountability through harmonised financial statements.

Keywords: Mandatory Financial Disclosure Harmonisation, Local Government, Harmonisation, Mandatory Financial Disclosure Harmonisation Index

Introduction

There are limited studies relating to harmonisation of mandatory financial disclosure in the local governments of Malaysia. Some insights into the concept of harmonisation can be deduced from literature on the private sector but they are pertinent to the public sector too. For example, Rahman, Perera & Ganesh (1996), who conducted a research on

disclosure harmonisation in the private sector, indicated that although regulatory harmony can improve practice harmony, they are also other factors affecting practice harmony. The need for harmonisation in the local government's financial disclosure is evidenced through the establishment of the International Public Sector Accounting Standards Board (IPSASB) since November 2004 by IFAC. The aim is to develop high quality accounting standards for public sector entities around the world. It provides a vehicle for the pursuit of harmony in financial reporting, and its objective is to formulate and publish accounting standards and procedures relating to the presentation of financial statements for the public sector.

Accounting standards exist to help the government to make clear decisions about future resource allocation. In addition, the adoption of the accounting standards will also improve confidence in the quality and the comparability of financial reporting. Therefore, it is important that initiatives towards the adoption of one single set of accounting standards be established. Since the Malaysian local governments do not adopt IPSASB, no initiative has been taken by the authorities to adopt one single set of accounting standards. This in turn hampers the goal towards harmonisation of the financial reports (Nafsiah & Ruhaya, 2006).

Currently (to the knowledge of the researchers), there is no empirical research available related to mandatory financial disclosure harmonisation (MFDH) of local governments in Malaysia. Therefore, questions dealing with the level of financial disclosure harmonisation of local governments in Peninsular Malaysia remain unanswered. Previous research works (Emilin & Asmah, 2002; Mahamad & Coombs, 1997; Mohamed Azhar, Engku Ismail, Syed Soffian & Zainol, 2004; and Syed Soffian *et al.*, 2001) are very descriptive in nature and do not widely discuss disclosure harmonisation of financial statements. Therefore, the objective of this study is to examine the level of mandatory financial disclosure harmonisation of local governments in Peninsular Malaysia.

Overview of Local Governments in Malaysia

Currently, there are three types of local governments in Malaysia (Ministry of Housing and Local Government, 2011) that is City Councils, Municipal Councils and District Councils. There are presently 96 local governments in Peninsular Malaysia and the breakdown is as follows (Ministry of Housing and Local Government, 2011): 7 City councils, 32 Municipal councils and 57 District councils as shown in Table 1 below.

Table 1 : Local Government by State

State	City Councils	Municipal Councils	District Councils	Total
Johor	1	5	8	14
Kedah	1	3	7	11
Kelantan	0	1	11	12
Melaka	1	2	0	3
Negeri Sembilan	0	3	5	8
Pahang	0	3	8	11
Perak	1	4	10	15
Perlis	0	1	0	1
Pulau Pinang	0	2	0	2
Selangor	2	6	4	12
Terengganu	1	2	4	7
Subtotal (Peninsular Malaysia)	7	32	57	96

Source: Ministry of Housing and Local Government (2011)

A local government is the grass-root unit in the governmental hierarchy of Malaysia. There are three branches of government in Malaysia, namely federal, state and local. The position of local government in Malaysia is stated in the Federal Constitution. By virtue of items 4 and 5 of the Ninth Schedule of the Federal Constitution, local governments outside the Federal Territories of Kuala Lumpur, Labuan and Putrajaya, are under the state list. All local governments outside the Federal Territories are directly under the exclusive jurisdiction of state government. This means state governments have wide powers to control the local governments and to ensure their effectiveness and efficiency.

In Malaysia, local governments have been bestowed with extensive powers under the Local Government Act of 1976. Mandatory functions are not the only functions available but discretionary functions as well. The mandatory functions embrace all crucial functions such as refuse collection, street lightings and activities concerning public health. Discretionary functions comprise all developmental functions, such as supplying amenities, recreational parks, accommodation as well as commercial actions. The stipulations of the Local Government Act permit the local governments the following responsibilities (Mohd Yahya, 1987): Local planning authority, Licensing authority, Power to impose certain kinds of taxes, Undertake buildings, Housing and commercial construction (markets, hawker stalls, etc.), Power to perform urban planning and management functions, Traffic management and control (manage urban public transport systems) and Power to plan and provide public utilities.

Concept of Financial Disclosure Harmonisation

To direct the financial reports to a higher level of comparability is the purpose of harmonisation (Wolk & Heaston, 1992). Harmonisation, according to Tay & Parker (1990), is a process that tries to remove the variety of accounting practices, whereas harmony is a condition whereby the entities are gathered together around one or more of the existing procedure. Harmonisation can also be defined generally as a process that does not essentially tantamount to an image of complete uniformity but for establishing the disclosed boundaries of international unification (Aisbitt, 2001).

Disclosure harmony and measurement are actually indispensable for the harmonisation of financial statements (Nobes & Parker, 2000). It has been discussed that the evaluation of the extent of measurement harmonisation is not adequate to verify the whole stage of harmonisation of accounting practices. Disclosure harmonisation involves the disclosure of specific information to a precise degree of detail, which is viewed as the minimum needed for all financial reports.

Muniain (2003) analysed the level of harmony between the annual accounts of the European Union (EU) and local governments, taking IPSAS of the IFAC as reference. The study identified differences within the countries in terms of layout, substances, and quality of the financial reporting. This fact reflects another obstacle for attaining harmonisation. Hence, the adoption of IPSAS is a crucial move to achieve harmonisation in the EU environment. The adoption of IPSAS has its complexities. These standards are not compulsory unless the EU determines that IPSAS must be implemented by the local governments. However, Healy and Palepu (2000) aver that the level of disclosure harmonisation differs depending on the targeted users' requirements and the means utilised for the disclosure.

Mandatory Financial Disclosure Harmonisation (MFDH)

In this study, MFDH is defined as mandatory financial statement required by the rules and regulations (Audit Act 1957, Local Government Act 1976, and Statutory Body Act 1980), guidelines (Federal Treasury Circular No. 4/2007) and accounting standards (Financial Reporting Standard) used by the local government. Mandatory financial statement disclosure refers to the financial statement disclosed by the LG according to the rules and regulations (Azhar, 1998; Gray, Campbell & Roberts, 1995; Mahamad & Coombs, 1997).

In compliance with the rules and regulations, the MFDH of LGs can be divided into seven sections into: 1) Statutory declaration – declaration by chairman and financial officer and Auditor General's Certificate; 2) Disclosure of current financial position (Balance sheet) – this includes assets, liabilities and funds or disclosure items in the balance sheet; 3) Disclosure on the financial performance (Income statement) – this includes income, expenditure, 4) surplus or deficit of income or disclosure of items in the income statement; 5) Cash flow statement; Equity change statement; 6) Notes to the accounts; and 7) Other disclosures. These seven

sections consist of 71 items, of which eight items are related to the statutory declaration, 19 items to the disclosure of current financial position, 23 items to the disclosure on financial performance, four items to the cash flow statement, six items to the equity change statement, seven items to the notes of the accounts and four items to other disclosures. The score for every LG is measured based on the MDI adapted from Engku Ismail (2010). The scores are graded into percentage, i.e., the comparison between actual score and total score. Actual scores are based on the number of items complied with while total maximum scores are based on the total scores.

Mandatory Financial Disclosure Harmonisation Index (MFDHI)

This MFDHI is based on the legal requirements and adaptation from Engku Ismail (2010). In adapting MFDHI developed by Engku Ismail (2010), some modification were carried out by incorporating 10 new items from the existing items in order to differentiate between quality financial statement and financial disclosure harmonisation. The modification was done by adding new items in Section A (item no. 7), Section C (item no. 50), Section E (item no. 55, 56, 57, 58, 59, 60) and Section G (item no. 68 and 69) (Refer to Appendix 1). The new items are mandatory items required by FTC No. 4/2007, and therefore are not required for further testing. Below are the MFDHI according to categories:

Table 2 : MFDHI by Categories

Category	No. of Items	Percentage
A Statutory Declaration	8	11.27
B Disclosure of current financial position	19	26.76
C Disclosure on financial performance	23	32.40
D Cash flow statement	4	5.64
E Equity Change Statement	6	8.45
F Notes to the accounts	7	9.86
G Other disclosure	4	5.64
Total Items	71	100.00

The detailed list of items in the disclosure index can be seen in Appendix 1. Seventy one (71) items were selected, resulting in a maximum score of 71. The MFDHI was measured using the formula below:

Mandatory Financial Disclosure Harmonisation Index (MFDHI) = $\frac{ASx}{MS}$

MS

Where:

MFDHI = Mandatory Financial Disclosure Harmonisation Index

ASx = Actual score achieved by the local government x

MS = Maximum score (71)

Where $x = 1$ if the item x is disclosed and 0 if not

The constructed index allows us to reflect which of the LGs are disclosing the information of their financial statements according to the content of the FTC 4/2007 and FRSs and also to verify which LGs disclose more information. The formula was applied to all LGs, where all the items were listed on the score-sheet. For each item, the index ranged between “0” (no comparability) and “1” (all LGs using the same item). Since accounting practices encompass many disclosure items, which are grouped under several categories, there is a need for comparative techniques to measure comprehensively the level of harmony in respect of each category and for several such categories. The score-sheet introduced the methods used to compare comprehensively accounting practices of all LGs by categories of items of disclosure. The disclosure date for the 2008 financial statement for all LGs were primarily mandatory in nature as they were based mainly on statutes and mandatory requirements. Mandatory disclosure data was collected using the instrument of Engku Ismail (2010) that included requirements of the relevant accounting standards existing in 2008. The instrument included only those requirements for which information was normally available from the financial statement.

Sample of the Study

This study is based on all the LGs (organisation as unit of analysis) in Peninsular Malaysia. LGs in Sabah and Sarawak were not included in this study since they are administered differently from the Peninsular Malaysia LGs. Only the LGs in Peninsular Malaysia were chosen due to the different set-up of the state government structure which controls the LGs. This is because the executive power is exercised by the executive (exco) in all states in Malaysia except Sabah and Sarawak. These two states adopt the cabinet style of governance, just like the federal government exercises its executive power.

This study utilised secondary data available in the LGs’ financial statements. The survey approach was not adopted because all the information with regards to the variables is available in the financial statement of the LGs. The secondary data collected consisted of the audited financial statements (reports) which were gazetted as public documents. The audited financial statement was deemed as reliable data after it was verified by the Auditor General. This is important because the documents are official and confidential government documents, and hence it is important to use the latest financial statement. For this study, the analysis of disclosure only covered 76 LGs because of the availability of their annual reports at that particular period.

Samples were collected from all eleven states in Peninsular Malaysia, which comprised 27 (35.53 percent) city and municipal councils and 49 (64.47 percent) district councils. The sample was categorised according to the status of the LG, i.e., whether the LG is city, municipal or district council. City and municipal councils were grouped together since

the number of city councils was not significant enough to be grouped separately. Table 3 below shows the distribution of samples according to states and number of financial reports collected from each state compared to the total number of financial reports.

Table 3: Local Governments – Population and Sample

State	Population (N=96)			Total	%	Sample (n=76)			%	
	CC	MC	DC			CC	MC	DC		Total
Johor	1	5	8	14	14.58	1	5	6	7.89	
Kedah	1	3	7	11	11.46	1	2	4	9.21	
Kelantan		1	11	12	12.50	1	10	11	14.47	
Melaka	1	2	0	3	3.13	1	0	1	1.32	
N. Sembilan		3	5	8	8.33	1	5	6	6.58	
Pahang		3	8	11	11.46	3	7	10	14.47	
Perak	1	4	10	15	15.63	1	4	10	19.74	
Perlis		1	0	1	1.04	1	0	1	1.32	
P. Pinang		2	0	2	2.08	2	0	2	2.63	
Selangor	3	5	4	12	12.50	2	4	4	13.16	
Terengganu		3	4	7	7.29	1	2	4	9.21	
Total	7	32	57	96	100.00	5	22	49	76	100.00

Note:

CC – City Council

MC – Municipal Council

DC – District Council

Results

Mandatory Financial Disclosure Harmonisation (MFDH) Level

The objective of this analysis is to look at the level of MFDH of the research sample. In order to determine the level of disclosure harmonisation for the LGs, each item from the financial statement was closely examined using the MDI (Cooke, 1989; Engku Ismail, 2010). The actual disclosure of items disclosed in the financial statement of each LG was revealed and expressed as a percentage of disclosure. Disclosure harmonisation was measured based on the percentage of disclosure achieved by each LG and compared between the LGs to determine the level of disclosure harmonisation. Detailed results of each LG are shown in Appendix 2. It shows the percentage of disclosure harmonisation level for each LG's financial statement for the year 2008. Table 4 below shows the overall level of MFDH of the LGs by percentage.

Table 4: Frequency Distribution for MFDH Level by Percentage

Level of MFDH	Number of Local Governments	Percentage
More than 80%	3	3.95
70% - 80%	52	68.42
60% - 69%	21	27.63
Less than 60%	0	0.00
Total	76	100.00

From Table 4 above, the majority of LGs' (55) level of disclosure harmonisation from the 2008 financial statements is 70 percent and above. Therefore, this research reveals that the satisfactory level of disclosure is mainly due to the mandatory disclosure requirement. Basically, the disclosure harmonisation was found from the items in the financial statements content, cash flow statement and equity change statement as depicted in Table 5 below.

Table 5: Descriptive Statistic of MFDH by Categories according to Disclosure Index

Categories	N	Categories in Disclosure Index	No. of Items from Disclosure Index	Mean (%)	Std. Deviation	Min	Max
Financial Statement Content	76	A	8	100.00	.00	100.00	100.00
Balance sheet	76	B	20	70.91	9.78	36.84	94.74
Income statement	76	C	23	69.34	16.30	30.43	95.65
Cash flow statement	76	D	4	100.00	.00	100.00	100.00
Equity change statement	76	E	6	100.00	.00	100.00	100.00
Notes to the accounts	76	F	7	83.46	15.13	42.86	100.00
Other disclosures	76	G	3	81.58	18.87	25.00	100.00
Total			71				

MFDH Level by Categories of Financial Statements

Based on Table 5 above, financial statement content, cash flow statement, and equity change statement categories had a mean of 100 percent with 8, 4 and 6 items, respectively, while income statement category had the lowest mean of 69.34 with 23 items. This shows that all 76 LGs were harmonised at a mean of 100 percent in the financial disclosure harmonisation level in the categories of financial statement content, cash flow statement and equity change statement.

The result from Table 5 also reveals that disclosure harmonisation level was comparatively harmonised. Basically, the disclosures were found from the financial statement, mainly from: A) Financial Statement Content, B) Balance Sheet, C) Income Statement, D) Cash Flow Statement, E) Equity Changes Statement, F) Notes to the Accounts, and G) Other Disclosure Requirements. There are 71 items listed in the disclosure index, which basically were formulated from FTC 4/2007 on mandatory financial disclosure. The items that were fully harmonised were items listed under financial statement content, cash flow statement and equity change statement, totalling 18 items. The less harmonised items disclosed were items from the balance sheet and income statement. Further, Table 5 also indicates that the items for category A (financial statement content) comprised eight items with a mean of 100 percent (minimum and maximum is 100 percent). The mean level for balance sheet items was 70.91 percent with a minimum of 36.84 percent and a maximum of 94.74 percent and a standard deviation of 9.78. Items of category B were also comparatively less harmonised. Category C consisted of 23 income statement items, such as revenues, expenditures and surplus or deficit of revenues and expenditures. The level of harmonisation for category C was the lowest mean among all other categories, i.e., 69.34 percent with a minimum of 30.43 percent and a maximum of 95.65 percent. This category had the most number of items and also the lowest level of harmonisation mean comparatively. Items for category D and E had a mean of 100 percent (minimum and maximum of 100 percent). Category D consisted of four items, while category E consisted of six items respectively. All these items were comparatively harmonised. Category F and G items had a mean of 83.45 percent and 81.57 percent, respectively. Category F had seven items, while category G had only three items. Both categories had higher means than category B and C because they consisted of fewer items and less variation in the interpretation of items.

MFDH Level by Items of Financial Statement

Table 6 below shows that from 71 items in the disclosure index, about 18 (25.35 percent) items showed 100 percent harmonisation while eight (11.26 percent) items of the mandatory financial disclosure index were harmonised between the range of 90 to 99.9 percent, followed by 15 (21.13 percent) items harmonised between the range of 80 to 89.9 percent, 16 (22.54 percent) items of the mandatory financial disclosure index between the range of 70 to 79.9 percent and 14 (19.72 percent) items harmonised between the range of 60 to 69.9 percent.

Table 6 : Frequency Distribution of MFDH by Items

Level of MDFH by Number of Items	Frequency	Percentage of Items
100%	18	25.35
90% - 99.9%	8	11.26
80% -89.9%	15	21.13
70% - 79.9%	16	22.54
60% - 69.9%	14	19.72
Total	71	100.00

Conclusion

The total sample used in this research is 76 LGs which represent 79.17 percent of the population. The samples were collected from all states in Peninsular Malaysia. About 27 (35.53 percent) LGs are city and municipal councils, while 49 (64.47 percent) are district councils. From the analysis, the level of financial disclosure harmonisation for LGs in Peninsular Malaysia has a mean of 79.62 percent. Disclosure harmonisation is measured based on the percentage of disclosure achieved by each LG, with a minimum level of 64.79 percent and a maximum level of 91.55 percent. By looking at the range, this proves that there are variations in the disclosure harmonisation among the LGs in Malaysia. Hence, this motivates the researcher to research this issue and find explanations for the differences in MFDH among the LGs. The research also shows that from the total number of LGs, 21 (27.63 percent) LGs have MFDH level between 60 to 69 percent while 52 (68.42 percent) have MFDH level between 70 to 80 percent. The other 3 (3.95 percent) LGs have more than 80 percent level of MFDH. This indicates that the result of the level of financial disclosure harmonisation achieved is high compared to the previous researches (Engku Ismail, 2010; Van der Tass, 1988). However, caution should be exercised since previous researches used different measurements, different environment, number of samples and entities. However, this research reveals higher level of disclosure harmonisation comparatively with the research done by Engku Ismail (2010), where in his research; it was only 75 percent level of disclosure (the research was regarding the quality of financial reporting).

The findings clearly show that there are differences between the level of harmonisation among the LGs in Peninsular Malaysia. The minimum score is 64.79 percent and the maximum score is 91.55 percent, which shows a difference of 26.76 percent. One simple reason that can possibly explain this difference is the failure of the Malaysian State Government (State Authority) to consider the needs of potential users. Another reason that can be associated with this expectation gap is the silence of the Local Government Act 1976, about the form and content of the financial accounts of the LGs, and the lack of specific accounting standards for the LGs' financial reporting in Malaysia. Proper requirements or standards of LGs' financial reporting, therefore, should be considered by the monitoring agency (Ministry of Housing and Local Government) or by the professional accounting bodies to safeguard the needs and interest of the users of public service financial accounts.

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APPENDIX 1**Source of reference for mandatory financial disclosure index and scoring procedure**

Mandatory financial disclosure requirement by the local government according to the Local Government Act (LGA) 1971, Federal Treasury Circular (FTC) No. 4/2007 and Financial reporting Standard (FRS).

No.	Item	Sources/ Compliance Requirement	Possible score	Maximum score
A	Local Government Yearly Financial Statement Content			
1.	Declaration by chairman and board member	Attachment C FTC No. 4/2007	1/0	1
2.	Declaration by financial officer	Attachment B FTC No. 4/2007	1/0	1
3.	Auditor General Certificate	Paragraph 27 (iii) FTC No. 4/2007	1/0	1
4.	Balance Sheet	FTC No. 4/2007	1/0	1
5.	Income Statement	FTC No. 4/2007	1/0	1
6.	Cash Flow Statement	FTC No. 4/2007	1/0	1
7.	Statement of Equity Changes	FTC No. 4/2007	1/0	1
8.	Notes to the Account	FTC No. 4/2007	1/0	1

B	Detail Disclosure in Balance Sheet			
9.	Land	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
10.	Building value before and after depreciation	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
11.	Plant and machinery	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
12.	Other fixed asset classify accordingly	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
13.	Work-in-progress	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
14.	Long term investment – at cost	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
15.	Cash in hand and at bank	FTC No. 4/2007 & FRS 101	1/0	1

16.	Fixed deposit	FTC No. 4/2007 & FRS 101	1/0	1
17.	Tax revenue receivable net after provision for bad debt	FTC No. 4/2007 & FRS 101	1/0	1
18.	Loan/advance for staff, director or Board of Director	FTC No. 4/2007 & FRS 101	1/0	1
19.	Other receivable or miscellaneous debtors	FTC No. 4/2007 & FRS 101	1/0	1
20.	Deposit/money gaming paid	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
21.	Trade creditor (account payable/ bill payable)	FTC No. 4/2007 & FRS 101	1/0	1
22.	Deposit/trust account receivable	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
23.	Deposit/money gaming receivable	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
24.	Bank loan	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
25.	Bank overdraft	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
26.	Advance/grant/loan from federal/state government	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1
27.	Council/revenue fund	FTC No. 4/2007 & FRS 101	1,0/Not Applicable	1

C	Detail Disclosure in Income Statement			
28.	Tax revenue	Sect. 39 LGA, FTC No. 4/2007 & FRS 101	1/0	1
29.	Breakdown detail on revenue tax until Detail Object	Sect. 39 LGA, FTC No. 4/2007 & FRS 101	1/0	1
30.	Non-tax revenue	Sect. 39 LGA, FTC No. 4/2007 & FRS 101	1/0	1

31.	Breakdown detail on no-tax	Sect. 39 LGA, FTC	1/0	1
32.	revenue until Detail Object Non-revenue receipt	No. 4/2007 & FRS 101 Sect. 39 LGA, FTC	1/0	1
33.	Breakdown detail on non-revenue receipt until Detail Object	No. 4/2007 & FRS 101	1/0	1
34.	Emolument	FTC No. 4/2007	1/0	1
35.	Breakdown detail on emolument until Detail Object	FTC No. 4/2007	1/0	1
36.	Service and supply expenditure	FTC No. 4/2007	1/0	1
37.	Breakdown detail on supply and expenditure until Detail Object	FTC No. 4/2007	1/0	1
38.	Capital/asset expenditure	FTC No. 4/2007	1/0	1
39.	Breakdown detail on capital/asset expenditure until Detail Object	FTC No. 4/2007	1/0	1
40.	Fixed charges	FTC No. 4/2007	1/0	1
41.	Breakdown detail on fixed charges until Detail Object	FTC No. 4/2007	1/0	1
44.	Other expenditures	FTC No. 4/2007	1/0	1
43.	Breakdown detail on other expenditure until Detail Object	FTC No. 4/2007	1/0	1
44.	Loss on asset/property sale	Para 10, FTC No. 4/2007	1,0/Not Applicable	1
45.	Council member allowances	Para 10, FTC No. 4/2007	1/0	1
46.	Depreciation expenditure on fixed asset	Para 10, FTC No. 4/2007	1/0	1
47.	Return and written-off	Para 10, FTC No. 4/2007	1/0	1
48.	Provision for bad debt	Para 10, FTC No. 4/2007	1/0	1
49.	Auditor fees	Para 10, FTC No. 4/2007	1/0	1
50.	Surplus or deficit on income	Para 75, FRS 101	1/0	1

D	Detail Disclosure on Cash Flow Statement			
51.	Cash flow from operational activities	Para 10, FRS 107	1/0	1
52.	Cash flow from investment activities	Para 10, FRS 107		
53.	Cash flow from financial activities	Para 10, FRS 107		
54.	Opening and ending balance of cash	Para 10, FRS 107	1/0	1

E.	Detail Disclosure Equity Changes Statement			
55.	Beginning Balance previous year	FRS 101	1/0	1
56.	Add/minus last year	FRS 101	1/0	1
57.	Ending balance previous year	FRS 101	1/0	1
58.	Add/minus current year	FRS 101	1/0	1
59.	Ending balance current year	FRS 101	1/0	1
60.	Balance according to consolidated fund	FRS 101	1/0	1

F.	Detail Disclosure Notes to the Account			
61.	Corporation declaration include address of organization and main activities	Para 100(b) FRS 101	1/0	1
62.	Practice of Accounting Principle and Policy	Para 91 FRS 101	1/0	1
63.	Recognition method for income and expenditure	Para 99(a) FRS 101	1/0	1
64.	Recognition method for government grant and assistance for operating expenditure	Para 10, FTC No. 4/2007	1/0	1

65.	Depreciation method and fixed asset useful life	Para 99©, FRS 101	1/0	1
66.	Fixed asset recognition	FTC No. 4/2007	1/0	1
67.	Definition for cash and cash equivalent	Para 99(0) FRS 101	1/0	1

G.	Other Disclosure Requirement			
68.	Submission of financial statement for audit on or before 31 Mei of the following fiscal year	Sect 60(2) LGA	1/0	1
69.	Auditor report date on or before 30 th Oct. next fiscal year	FTC No. 4/2007 & FRS 101	1/0	1
70.	Disclosure of comparison figure from previous year for every item.	FTC No. 4/2007 & FRS 101	1/0	1
71.	Round figure for every amount to the nearest RM	FTC No. 4/2007 & FRS 101	1/0	1

APPENDIX 2
MFDH by Local Government

No.	Local Government	Percentage
1.	Majlis Daerah Selama	91.55
2.	Majlis Perbandaran Kuala Kangsar	91.55
3.	Majlis Perbandaran Manjung	91.55
4.	Majlis Daerah Perak Tengah	91.55
5.	Majlis Daerah Kuala Krai	90.14
6.	Majlis Daerah Kinta Barat	90.14
7.	Majlis Perbandaran Pulau Pinang	90.14
8.	Majlis Perbandaran Kemaman	87.32
9.	Majlis Bandaraya Kuala Terengganu	87.32
10.	Majlis Daerah Pengkalan Hulu	87.32
11.	Majlis Daerah Kinta Selatan	87.32
12.	Majlis Perbandaran Taiping	85.92
13.	Majlis Daerah Tanjung Malim	85.92

14.	Majlis Perbandaran Teluk Intan	85.92
15.	Majlis Daerah Labis	85.92
16.	Majlis Daerah Bandar Baharu	85.92
17.	Majlis Perbandaran Seberang Perai	85.92
18.	Majlis Perbandaran Bentong	85.92
19.	Majlis Bandaraya Petaling Jaya	84.51
20.	Majlis Daerah Kerian	84.51
21.	Majlis Daerah Kuala Langat	84.51
22.	Majlis Perbandaran Batu Pahat	84.51
23.	Majlis Perbandaran Kuantan	84.51
24.	Majlis Daerah Ketereh	83.10
25.	Majlis Daerah Lenggong	83.10
26.	Majlis Perbandaran Dungun	83.10
27.	Majlis Daerah Tapah	83.10
28.	Majlis Daerah Rembau	83.10
29.	Majlis Perbandaran Kota Bharu	81.69
30.	Majlis Daerah Pasir Mas	81.69
31.	Majlis Daerah Besut	81.69
32.	Majlis Bandaraya Ipoh	81.69
33.	Majlis Perbandaran Port Dickson	81.69
34.	Majlis Perbandaran Kangar	80.28
35.	Majlis Perbandaran Temerloh	80.28
36.	Majlis Daerah Gua Musang	80.28
37.	Majlis Perbandaran Sungai Petani	80.28
38.	Majlis Daerah Bera	78.87
39.	Majlis Daerah Tanah Merah	78.87
40.	Majlis Perbandaran Subang Jaya	78.87
41.	Majlis Daerah Baling	78.87
42.	Majlis Daerah Lipis	78.87
43.	Majlis Daerah Tampin	78.87
44.	Majlis Bandaraya Shah Alam	78.87
45.	Majlis Daerah Rompin	77.46
46.	Majlis Daerah Gerik	77.46
47.	Majlis Daerah Cameron Highland	77.46
48.	Majlis Perbandaran Ampang Jaya	76.06
49.	Majlis Daerah Pekan	76.06

50.	Majlis Daerah Kota Tinggi	76.06
51.	Majlis Daerah Tumpat	74.65
52.	Majlis Daerah Jempol	74.65
53.	Majlis Bandaraya Alor Star	74.65
54.	Majlis Daerah Marang	74.65
55.	Majlis Daerah Kuala Pilah	74.65
56.	Majlis Daerah Raub	74.65
57.	Majlis Daerah Maran	74.65
58.	Majlis Perbandaran Klang	74.65
59.	Majlis Daerah Pasir Putih	74.65
60.	Majlis Daerah Tangkak	74.65
61.	Majlis Daerah Yong Peng	73.24
62.	Majlis Daerah Kuala Hulu Selangor	73.24
63.	Majlis Daerah Hulu Terengganu	73.24
64.	Majlis Daerah Setiu	73.24
65.	Majlis Daerah Jerantut	73.24
66.	Majlis Daerah Pontian	73.24
67.	Majlis Daerah Bachok	71.83
68.	Majlis Daerah Yan	71.83
69.	Majlis Daerah Kubang Pasu	71.83
70.	Majlis Perbandaran Jasin	71.83
72.	Majlis Daerah Dabong	70.42
73.	Majlis Daerah Kuala Selangor	70.42
74.	Majlis Daerah Sabak Bernam	67.61
75.	Majlis Daerah Jeli	66.20
76.	Majlis Perbandaran Sepang	64.79