

A dilemma enterprise

[Literature](#), [Russian Literature](#)



Delima Enterprise was founded in 1981 by En Zayed. The main business are trading and supplying related products including manpower supplies to the oil and gas industries. The enterprise was incorporated in 2004 as Delima Enterprise Sdn Bhd, with En. Zayed and his wife Puan Hashimah, as the controlling directors and two principal shareholders. The company activities had expanded into provision of engineering services as part of their business diversification and expansions plan.

In May 2006, the company had secured a contract worth RM750, 000 to be implemented over 6 months. Due to shortage of fund, company need to apply loan from Malayan Banking Berhad and CIMB Berhad totalling RM 1 million. In order to get the loan, they had to provide audited financial statements for the last two years. In July 2006, Encik Zayed engaged the external Auditor Aziz & Co. to perform the statutory audit for period 2003 to 2006. However, due to lack of knowledge about corporate administration, there are issues arose that need to be settle by them.

Furthering the discussion, there are some highlighted problems and issues that arise such as Encik Zayed and Puan Hashimah who are the Directors of the organization were not familiar with Accounting Standards and the provisions of the Companies Act 1965 and their roles and duties as company directors. Besides than that, all the employees did not have the necessary job experiences and good background of studies and most of them are among thefamilymembers of the directors.

In addition to that, all the records are not organized and filed accordingly. For example like the sales invoices and purchase order are manually

prepared and not pre-numbered. There were long outstanding collections from trade debtors as the Monthly Statements of Accounts was not sent to customers on monthly basis. In fact, the standard operating procedure was not in place. Several assets purchased by the company were not recorded and overpayments made to Trade Creditors and some personal withdrawals and expenses were charged to the company.

Whereas the unrecorded cash withdrawals and cash and Banks balances were not well reconciled. Based on those problems the role and responsibility of Encik Zayed and Puan Hashimah as the Directors of Delima Enterprise Sdn Bhd should play a significant role in determining the future of the organization, establish the vision, mission and policies of the organization, set the strategy and structure and well delegate the authority to management. They should have the duty to act bona fide in the interests of the company. This duty is the most basic of all duties.

What is meant by bona fide and in the best interests of the company is that both directors must at all times ensure that their actions are consistent with the well being of the company's and they should not place themselves in a position where there is a conflict between their duty to the company and their personal interest or duties of shares. In addition to that, directors should not make any profit out of the position as the director. Yes, in this case there are abuses of power by management and breach of fiduciary on part of the directors as there is a conflict between Encik Zayed's duty to the company and his personal interest.

For example, personal vehicle expenses for Encik Zayed and Puan Hashimah totaling RM50, 150 charged to the company during 2005. They should at

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least prepare documents for anything they used for their personal so that later they can pay back to the company. Besides, he tried to negotiate with the Auditor to not qualify the Financial Statement, failing which Encik Zayed planned to terminate the auditor's appointment and appoint new "friendly-party" auditor to negotiate.

They also hired their own family members Puan Balqis and Encik Salam as Operations Manager and Human Resources and Administration Manager respectively. Encik Zayed was not willing to commit and invest on necessary training to enhance the knowledge of the employees. Directors are responsible to provide corporate social responsibility and oversee management in order to implement an effective ethics corporate programs to safeguard interest of different stakeholders. Provide annual compliance and ethics training to all employees which are just one element of comprehensive compliance and ethics program.

Not only Encik Zayed and Puan Hashimah as the directors, but all the top management, employees, and the Company Secretary of the company should be responsible and accountable as well. Although Encik Zayed and Puan Hashimah are the directors of the company, the officers should also support and give opinion in every decisions taken by directors. Employees below the officer level will have job titles and descriptions designed to meet the corporate goals as set by the directors. Company Secretary at all times should to assist the company towards proper objectives.

In small businesses such as Delima Enterprise, other duties commonly undertaken by company secretaries may include entering into contractual agreements with suppliers and customers and managing office space and

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property and dealing with personnel administration. In regards of the improper documentation and transaction records includes the sales invoice and purchase order, the MYOB programmed was not integrated and several pages of the Account Receivables listing is missing may impact of time consuming and fraud may happened.

Therefore, they should use updated to latest accounting software which is MYOB to improve the accounting system, the monthly statement of accounts send on time to remind the outstanding balances, they should prepare a proper filing documentation based on book keeping process for easy references and ensure all the transactions are pre numbered accordingly. Besides than that, the employees prepare their own attendance without any supervision also may lead to fraud and work inefficiency. They should assign supervisors to manage the timesheets for time in and time out of the employees and get an approval from the directors.

The salary and wages are paid in monthly basis including EPF and SOCSO based on the approved timesheet. There is no Standard Operating Procedure as all the decisions are authorized by En Zayed and Puan Hashimah, there is no reconciliation performed for each accounts and withdrawals are made from the company without proper documentation. Each department should implement the SOP and ensure they are compliance to the SOP in every decision making and documentation that have been made or prepared.

There is problem from Human Resource manager where En Salam hire unqualified and inexperience employees to conduct the professional task and caused the employees not able to perform their work well due to lack of knowledge and give a bad reputation of the company indirectly. For a better

performance, HR manager should hire more qualified employees and implement SOP during the employees' recruitment. For those who are not well recognized the SOP, employer should provide the training either for a new or existing employees.

Below are the proposed organizational charts for the Delima Enterprise Sdn Bhd. So as a conclusion, there are some improvement that need to be done for a better leadership and management in future such as constructively and restructure the organizational and draft the applicable Standard Operating Procedure (SOP) for the company to operate effectively and efficiently. They should focus to the quantitative and qualitative characteristic that should be implement and practices by the employees in the whole organization.

Assessment and decision making organizational should be restructure enables employees to participate and contribute fresh ideas and support or argue some issues that they feels unease and may lead to a bad performance of the organization. Each level of management should understand their job description so that more quality job is performed and avoid the task redundancy among the employees. In addition to that, they should prevent any breach of fiduciary responsibilities sufficient control mechanisms in order for the organization are compliance to law or any rules and regulations.