

AHMAD ABDULLAH & GOH
Chartered Accountants

Questionnaire to be completed by the Auditors of a Subsidiary

Name of Subsidiary's Auditors: _____

Audit of _____

(Name of Subsidiary)

Accounting Period: _____

Parent or Investor Company _____

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A. **INSTRUCTIONS**

1. The questionnaire should be completed, signed and sent to Ahmad Abdullah & Goh, prior to or concurrently with the release of your report on the component's financial statements.
2. All important items that you believe require our attention, whether arising from completion of the questionnaire or otherwise, should be reported to us as soon as possible but in any event no later than concurrently with your report on the financial statements. In particular, please inform us promptly if you believe that a reservation or qualification appears necessary in your audit report, so that we may, if appropriate, review the situation with the parent company / investor.

All questions have been designed on the basis a "yes" answer indicates a satisfactory condition, while a "no" answer indicates that supplementary information is required by way of explanation of the situation or indication of alternative auditing procedures that may have been adopted.

Note: Questions marked with an asterisk (*) relate solely to auditing procedures. All other questions relate, at least in part, to accounting matters or financial statements disclosures.

Record of Completion

Please sign the record of completion on page 12 after you have completed the questionnaire.

B.	<u>GENERAL</u>	<u>Comments</u>
*1.	<p>Has your firm maintained its independence with respect to this client, including, if applicable, parent, subsidiaries, other affiliates, etc.? Yes / No</p> <p>(Consideration should be given to the professional standards and legal requirements in your country and in the domicile of the parent).</p>	
*2.	<p>Have the appropriate representation letters (including, if applicable, representations from client's management e.g., as to inventories and liabilities, and letters from lawyers or other experts) been received? Yes / No</p>	
*3.	<p>(a) Has your firm conducted the whole examination of this client and all components thereof? Yes / No</p> <p>(b) If not, have you satisfied yourself as to the professional standing of any other auditor who has conducted part of the examination, reviewed his work where appropriate and received all necessary representations from him? Yes/No/NA</p>	
*4.	<p>(a) Has a review been made for significant events occurring between the balance sheet date and the date the financial statements were authorised for issue ("subsequent events")? Yes / No</p> <p>(b) Do the financial statements disclose pertinent information with respect to subsequent events, including e.g., the extent to which that information has been used to adjust the financial statements? Yes/No/NA</p>	
*5.	<p>(a) Have you read minutes of meetings of the Board of Directors (and important committees thereof) both for the year(s) being reported on and the period from the balance sheet date to the date the financial statements were authorised for issue? Yes / No</p> <p>(b) If so, have you considered the effect of the matters included in those minutes on the financial statements being reported on? Yes/No/NA</p>	
6.	<p>Have material transactions (e.g. transfers of inventories and fixed assets) with related parties (including transactions that should be eliminated on consolidation with the parent company) been reviewed and, if appropriate, disclosed either in the financial statements (if required) or directly to us? Yes/No/NA</p>	

Comments

- *7. (a) Are you satisfied that your review of the company's system of internal control and your auditing procedures did not reveal any significant internal control weaknesses that should be brought to our attention? Yes / No
- (If there are significant internal control weaknesses, please inform us promptly).
- (b) Has the client taken prompt corrective action with regard to such weaknesses? Yes/No/NA
- (If not, please inform us promptly)
8. Did your examination confirm that the company's accounting policies have in all material respects conformed to the requirements laid down by the parent company? Yes/ No
- (If not, please inform us promptly)
9. Has the component's management reviewed and approved the financial statements, including adjustments required to conform to the parent company's accounting policies? Yes / No
10. Are you satisfied that the financial statements comply with and, in particular, disclose the information required for:
- (a) Special reporting purposes (e.g. information required by the Companies Act applicable to the parent company, Stock Exchanges, Bank Control Commissions or other regulatory bodies)? Yes/No/NA
- (b) Conformity with parent company instructions (including, if applicable, instructions as to conversion to parent company's reporting currency)? Yes/ No
- *11. Have all intercompany balances been agreed? Yes / No
12. (a) If the component's financial statements have been converted to the parent company/investor's reporting currency,
- (i) Are you satisfied as to the appropriateness of the conversion? Yes/No/NA
- (ii) Do the financial statements disclose the basis of conversion? Yes/No/NA

Comments

- (b) If the component's financial statements have not been converted, are you satisfied as to the appropriateness of the information furnished to the parent for conversion purposes? Yes/No/NA
13. Are you satisfied that no limitations have been placed on the scope of your examination? Yes/ No

(If not, please inform us promptly)

C. FINANCIAL STATEMENTS

1. Has your examination confirmed that the client has not experienced significant and unusual events or transactions or made unusual provisions during the year under review that have an effect on the financial statements? Yes/No
2. Has your examination confirmed that no accounting changes have been made during the year under review? Yes/No

(If the answers to 1 or 2 are no, those matters should be reviewed carefully to see that the related accounting and reporting practices are appropriate. Any such matters that are not disclosed in the financial statements should be reported to us. Some examples of the foregoing are listed below:

- (a) An acquisition of or merger with another business;
 - (b) Changes in accounting policy with respect to consolidation of subsidiaries or application of the equity method of accounting;
 - (c) Sale of a portion of the business;
 - (d) Final resolution of contingencies (e.g. lawsuits, tax controversies);
 - (e) Significant financing arrangements concluded during the year (assets pledged, restrictive covenants);
 - (f) Change in method of operation that causes variations in the financial statements (data and ratios from prior years);
3. (a) Do the amounts for the prior year in comparative financial statements agree with the prior year's financial statements? Yes/No/NA

Comments

- (b) If not, are the appropriate details disclosed in the financial statements? Yes/No/NA

D. CASH AND BANK BALANCES

If there are amounts that are restricted as to use, has appropriate classification of the restricted balances and/or disclosure of them been made in the balance sheet? Yes/No/NA

E. RECEIVABLES

*1. (a) If customers have been asked to confirm amounts due from them, have responses to confirmation requests been satisfactory? Yes/No/NA

- (b) If confirmation was not attempted or if responses were unsatisfactory, have appropriate alternative procedures been followed to satisfy you as to the existence of the receivables? Yes/No/NA

*2. (a) Has the collectibility of receivables been reviewed? Yes/No

- (b) Is the allowance for uncollectible accounts reasonable (i.e. neither excessive nor inadequate)? Yes/No

F. INVENTORIES

*1. (a) If your audit procedures included physical inventory observations and shipping and receiving cutoff tests, were the results of those procedures including reconciliations with book amounts, satisfactory from an audit standpoint? Yes/No/NA

- (b) If the auditing procedures mentioned in (a) were not performed or if the results were unsatisfactory, have appropriate alternative procedures been followed to satisfy you as to the existence of the inventory recorded in the books? Yes/No/NA

2. (a) Are inventories (including slow moving and obsolete items) priced at the lower of cost or market (net realisable value or other basis as appropriate in the circumstances)? Yes / No

- (b) Do the financial statements disclose the method(s) of inventory valuation? Yes / No

Comments

3. (a) Is the determination of inventory cost, both as to method (e.g. first-in, first-out) and cost included (e.g. overhead items), consistent with the prior year?
Yes / No
- (b) If not, do the financial statements and/or your report disclose the appropriate details of the inconsistencies?
Yes/No/NA
4. Long-term contracts:
- (a) Is the method (i.e., percentage of completion or completed contract) of recording income on long-term contracts consistent with the prior year? Yes/No
- (b) Has provision been made for all known or expected losses on long-term contracts? Yes/No/NA
- (c) If the answers to (a) or (b) are “no”, do the financial statements and/or your audit report disclose the appropriate details of the inconsistency or failure to provide for a loss? Yes/No/NA

G. INVESTMENTS

- *1. Have you examined the certificates or other documents evidencing the client’s ownership of securities?
Yes/No
- (If not, please inform us of the alternative procedures applied to satisfy yourself in that respect.)
2. (a) Is the method of accounting (e.g., cost or equity) appropriate having regard to the requirements of the parent company? Yes/No
- (b) Has the method been consistently applied? Yes/No
- (c) Do the financial statements disclose the method of accounting followed by your client? Yes/No
3. (a) If the market value of investments is below book value, has consideration given to whether a write-down is necessary? Yes/No/NA
- (If book value has not been written down to a lower market value, please explain why a write-down was not considered necessary; e.g., in certain countries a write-down need not be made if the investments are held for the long-term and the loss in value is considered to be temporary).

Comments

- (b) If quoted market values are used in the financial statements, is the valuation reasonable in light of, and has consideration been given to disclosing restrictions on disposition, thin markets, large holdings, and the like that may affect the amounts to be realised on sale?
Yes/No/NA

H. PROPERTY, PLANT AND EQUIPMENT

1. (a) Do the gross book values of all fixed assets represent original costs? Yes/No

(b) If not, do the financial statements disclose the appropriate details of items not carried at cost?
Yes/No
2. (a) Have the client's accounting policies for capitalising or expensing expenditures for fixed assets been applied consistently from year to year? Yes/No

(b) Do the financial statements disclose the accounting policies referred to in (a) above? Yes/No
3. Has depreciation expense been determined on the same basis as used in the prior year, both as to method followed and rates applied? Yes/No
4. (a) Are the depreciation rates appropriate, having regard to the estimated useful lives of the property, plant and equipment? Yes/No

(b) Have useful lives been reviewed for reasonableness in light of current conditions? Yes/No

(c) Are there any fixed assets (other than freehold land) that are not being depreciated? Yes/No
5. Do the financial statements disclose the rates of depreciation and accumulated depreciation by class of assets? Yes/No
6. (a) As a result of your examination, are you satisfied that there is no material amount of plant not currently in use (or only partly in use)? Yes/No

(b) If not, do the financial statements disclose the appropriate information? Yes/No/NA

(c) Was consideration been given to writing down the carrying value of such plant? Yes/No/NA

Comments

7. Are you satisfied that the component had valid title to the land shown in its financial statements? Yes/No

I. OTHER ASSETS (INCLUDING GOODWILL)

1. Have the client's accounting policies for capitalisation and amortisation of intangible assets (including goodwill), development expenditure and similar items been applied consistently from year to year? Yes/No
2. Do the financial statements disclose the accounting policies referred to in 1 above? Yes/No
3. Have the items comprising the account balances been reviewed as to recoverability or future benefit to the company? Yes/No

J. LIABILITIES – GENERAL

- *1. Has a search been made for liabilities existing at the balance sheet date (including, for example, losses on uncompleted contracts and open purchase orders) that have not been so recorded? Yes/No
2. Is there adequate disclosure of the nature and amount of unusual accruals or provisions? Yes/No/NA

K. LIABILITIES EVIDENCED BY NOTES, CONTRACTS OR OTHER AGREEMENTS

- *1. If applicable, did you confirm with creditors or their representative(s) information with respect to amounts due (including interest), interest rate, maturity date(s), collateral pledged, etc.? Yes/No/NA
- *2. Have you reviewed all loan agreements to ascertain whether, so far as you can determine, the client has complied with restrictive provisions thereof? Yes/No
3. Have all appropriate disclosures with respect to restrictive covenants and assets pledged been made in the financial statements? Yes/No

L. TAXATION

1. Has appropriate provision been made for current and prior years' taxes that may reasonably be assessed by the tax authorities? Yes/No

Comments

2. If applicable, have adequate provisions for deferred taxes been made on:
 - (a) Items affecting income and expenses? Yes/No/NA
 - (b) Capital gains? Yes/No/NA
3. Do the financial statements disclose the bases used (e.g., deferred credit or liability) in making provisions for deferred taxes? Yes/No/NA
4. (a) If the balance sheet includes deferred taxes as an asset, have you considered the recoverability of those amounts? Yes/No/NA
 - (b) If the balance sheet includes as an asset the tax benefits of losses carried forward, is the justification for that treatment disclosed in the financial statements? Yes/No/NA
5. (a) As a result of your examination, are you satisfied that there are no material tax items that are presently in dispute between the company and the tax authorities or that are likely to be challenged by the tax authorities? Yes/No
 - (b) If there are any such items, do the financial statements disclose the appropriate information? Yes/No/NA
6. (a) Is the provision for taxes reasonably proportionate to the reported amount of income before taxes? Yes/No
 - (b) If not, do the financial statements disclose the reasons for significant variations? Yes/No/NA

M. SHARE PURCHASE OR STOCK OPTION ARRANGEMENTS

1. Does the company issue shares of its capital stock to officers and employees under stock compensation or other plans? Yes/No
2. If so, do the financial statements disclose the details of those arrangements? Yes/No/NA

N. EMPLOYEE RETIREMENT OBLIGATIONS AND PENSION PLANS

1. Does the company have a plan (formal or informal) for compensating employees after they retire? Yes/No

Comments

2. If so, do the financial statements disclose the amount of:
 - (a) Retirement plan expense and the basis for its determination and funding, including provisions, if any, for past service costs? Yes/No/NA
 - (b) Unfunded vested benefits? Yes/No/NA
 - (c) Pension payments made directly to retired employees? Yes/No/NA

3. As a result of your examination, are you satisfied that there are no liabilities or contingent liabilities for benefits payable to employees on retirement (e.g., statutory requirements for payments based on length of service) other than those for which provision has been made or which are disclosed in the financial statements? Yes/No

O. FOREIGN OPERATIONS

1. If the component conducts business or has a subsidiary in a foreign country, do the financial statements disclose details with respect to the conversion into your client's home currency of:
 - (a) The financial statements of foreign subsidiaries, branches, etc.? Yes/No/NA
 - (b) Significant foreign currency items (e.g., receivables and payables) appearing in its financial statements? Yes/No/NA

2. If applicable, do the financial statements disclose restrictions imposed by other countries on distribution of retained earnings, etc. Yes/No/NA

P. CONTINGENCIES AND COMMITMENTS

1. Do the financial statements disclose information with respect to all significant contingent liabilities and commitments? Yes/No/NA

(Examples include lease commitments, capital expenditure authorisations and commitments, guarantees, pending claims, lawsuits, etc.)

- *2. If appropriate, has the information (including its completeness) furnished by the client confirmed with independent persons? Yes/No/NA

Comments**Q. SHAREHOLDERS' EQUITY**

- *1. Have all transactions affecting capital stock (share capital) and other elements of shareholders' equity been approved by the shareholders, Board of Directors and/or regulatory authorities, as appropriate? Yes/No
2. If preferred dividends are in arrears, is that disclosed in the financial statements? Yes/No/NA
3. (a) Are you satisfied that there are no restrictions (e.g. exchange control) on the distribution of retained earnings? Yes/No
- (b) If restrictions do apply, do the financial statements disclose the appropriate details? Yes/No/NA
4. (a) Has information been furnished to the parent company concerning the amount of taxes to be withheld on dividends provided for in the component's financial statements? Yes/No/NA
- (b) If so, are you satisfied with the information provided? Yes/No

R. OTHER MATTERS

Are you satisfied that there are no further matters, in addition to information you have furnished in response to the previous questions, that you wish to bring to our attention? Yes/No

(In this connection, consideration should be given to the following items:

1. Acceptability of the accounting policies applied;
2. Consistency of application of accounting policies from period to period;
3. Comparability of the financial statements from period to period;
4. Disclosure of accounting policies not specified by the parent company;
5. Adequacy of the disclosures afforded by the financial statements and related notes;

Comments

- 6. Reliance on reports and work of other auditors (including auditors of companies constituting investments accounted for on the equity method);
- 7. Restriction, if any, imposed on transfer of funds to the parent or its affiliates (e.g., in repayment of loans or settlement of current accounts)

S. RECORD OF COMPLETION

We have completed the foregoing questionnaire in respect of our audit of
 for the year/period ended
 In our opinion the completed questionnaire (together with the matters contained in our letter dated.....)
 contains all the information of which the auditors of the parent company/investor need to be aware in connection with the inclusion of the financial statements of the company in the group accounts of.....

Name of firm.....

Signed.....

Date.....

Comments