

# Engineers & Society

## CHAPTER 5 (Part 2)

Engineering Contracts / Entrepreneurship  
by

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# CONTENTS

- \* Corporate and Entrepreneurships
- \* Type of Business
- \* Business Plan
- \* Management in Engineering Profession

# Type of Company

- \* Private
- \* Sdn. Bhd.
- \* Corporate
- \* Tender
- \* etc.

# INTRODUCTION

- \* Companies in Malaysia are governed by the law and act which protects the rights and interests of shareholders and investors, and provides regulations for the incorporation of companies, the formulation of company constitutions, management and closures.

# UNDANG-UNDANG SYARIKAT

- \* AKTA SYARIKAT 1965
  - \* PERATURAN SYARIKAT 1966
- \* AKTA PERINDUSTRIAN SEKURITI 1983
- \* AKTA SURUHANJAYA SEKURITI 1993
- \* AKTA PENDAFTARAN PERNIAGAAN 1956
- \* KOD MALAYSIA DALAM PENGAMBILALIHAN DAN PERCANTUMAN 1998
- \* DASAR DAN GARISPANDUAN SURUHANJAYA SEKURITI BERKENAAN PENAWARAN SAHAM
- \* AKTA DANA HARTA 1999

# BUSSINESS TYPES

- Sole trader or proprietor
- Partnership
- Unincorporated association
- Branch of a foreign company
- Locally incorporated company
- Representative office
- Operational headquarters
- International procurement centre
- Labuan offshore company

# SOLE TRADER OR PROPRIETOR

- A sole trader or proprietor is an individual (only Malaysian citizens or permanent residents) engaged in a business or profession on his own account.
- A sole proprietorship has to be registered under the Registration of Business Act using personal names or trade names except those associated with government agencies or royalty.
- It is an easy procedure to register a sole proprietorship.
  - There is no requirement for a sole trader to maintain accounts for auditing purposes.
  - For tax purposes, a balance sheet or statement of affairs as at the end of the year and a detailed profit and loss account must be submitted to the tax authorities.
- The sole proprietor is required, where applicable, to register as a contributor (for his employees) to the EPF and SOCSO, and as an employer with the tax authorities for the purpose of deducting tax from the employees' salaries and filing a tax return. Other includes sales tax and service tax.

# PARTNERSHIP

- Persons (only Malaysian citizens or permanent residents) carrying on a business in partnership are required to register the partnership with the Registrar of Business as does a sole trader or proprietor.
- A partnership is not a legal entity such that the partnership has to sue or be sued in the names of the partners. The liability of each partner is unlimited.
- A partnership agreement is usually drawn up by legal counsel, which outlines the responsibilities of each partner, conditions of termination and means of resolving intra-partner disputes.
- Effective from 1997, the Registrar of Businesses no longer registers any partnership established by any company incorporated under the Companies Act, 1965, notwithstanding that the partnership has at least one individual as a partner.
- The rights and liabilities of the partners are governed by the Partnership Act in the absence of a partnership deed or specific provisions in the deed.



# UNINCORPORATED ASSOCIATION

- Unincorporated associations are usually used for social, recreational or charitable purposes. Trade associations, foundations, cooperative societies, trade unions and political parties are usually unincorporated bodies. Generally, unincorporated bodies are registered under the Societies Act.
- A branch of a foreign company and a locally incorporated company are covered in the section entitled 'Company Law and Accounting'.

# REPRESENTATIVE OFFICE

- Foreign companies which desire to set up a coordination centre or regional base in Malaysia may apply to the Ministry of International Trade and Industry (MITI) to establish a representative office in Malaysia.
- A representative office of a foreign company is permitted to provide certain qualifying services:
  - collecting information regarding investment opportunities in Malaysia, gathering market statistics,
  - promoting trade between Malaysia and its home country
  - carrying out research and development as well as acting as a regional base and coordination centre for the corporation's affiliates, head office and related companies in the region.
- A representative office is not permitted to undertake any business transactions that generate income.
- The representative office is required to submit information on its activities to the MITI.
- The representative office should employ locals for supporting services.

# COMPANIES

- **Companies** are registered legal entities formed by several persons (at least 2) that can own property, draw contracts and employ people.
- The most common type of company in Malaysia is a company limited by shares (**public limited** and **private limited** companies).
- Private limited:
  - cannot sell shares to the public,
  - Use appellation "**Sendirian Berhad**", shortened to "Sdn Bhd" or "S/B".
  - Limited to 50 members
  - A minimum paid-up capital of only RM2
- Public limited:
  - Companies source their capital by selling shares to the public
  - Use appellation "**Berhad**", shortened to "Bhd".
  - No member limit
  - paid-up capital of not less than RM40mil (KLSE second board) or RM60mil (KLSE)

# BUSINESS PLANNING

1. Market and Sales Forecast,
  - 1.1 Products/Services
  - 1.2 Tariff Structure,
  - 1.3 Potential Revenue,
2. Capacity (to deliver)
  - 2.1 Capital Work Program
  - 2.2 Human Resource Requirement,
3. Capital Expenditure (CAPEX)
  - 3.1 Asset
4. Depreciation/Appreciation for fixed asset,
5. Cost
  - 5.1 Direct Cost
  - 5.2 Operating Cost
6. Profit & Loss,
7. Cash Flow and Funding
  - 7.1 Cash In Flow
  - 7.2 Cash Out Flow
  - 7.3 Surplus/Deficit
8. Funding
  - 8.1 Paid Up Capital
  - 8.2 Financing (Borrowing/Loan)
  - 8.3 Surplus/Deficit On Capital Injection & Loan)
  - 8.4 Current Account
9. Loan Schedules
  - 9.1 Drawdown,
  - 9.2 Repayment
  - 9.3 Interest Calculation

## 1. Market and Sales Forecast,

### 1.1 Products/Services

### 1.2 Tariff Structure,

### 1.3 Potential Revenue,

## 2. Capacity (to deliver)

### 2.1 Capital Work Program

### 2.2 Depreciation/Appreciation for Fixed Asset,

### 2.3 Human Resource Requirement,

# BUSINESS PLANNING

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1. Market and Sales Forecast,
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  - 1.2 Tariff Structure,
  - 1.3 Potential Revenue

## OBJECTIVES

### 1. To identify Customers for Product/Services

Market Research

What Product/Services

Which Market

Who are Potential Customers

### 2. To Forecast for Customer and Revenue

Tariff /Price per Product/Services

Customer Projection

### 3. To Forecast for Capacity to Deliver

Based on Customer Projection

Capacity Projection : Infra

Requirement

ManPower Requirement

# BUSINESS PLANNING

## 1. To identify Customers for Product/Services

Market Research

What Product/Services

Which Market

Who are Potential Customers

## 2. To Forecast for Customer and Revenue

Customer Projection

For a given Tariff /Price per Product/Services

Revenue Projection

1.REVENUE				FIRST SIX MONTH						
				M1	M2	M3	M4	M5	M6	
		Assumption								
Customer	TOTAL	growth rate	2.00	-	-	100	200	400	800	
	New			-	-	100	100	200	400	
Revenue	Monthly Charges	per customer	30.00	-	-	3,000	6,000	12,000	24,000	
	One Off Reg Fee		30.00	-	-	3,000	3,000	6,000	12,000	
TOTAL REVENUE				-	-	6,000	9,000	18,000	36,000	
Acquisition Cost		per new customer	1.00	-	-	100	100	200	400	
NET REVENUE (TOTAL REVENUE - ACQUISITION COST)				-	-	5,900	8,900	17,800	35,600	

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## 2. Capacity (to deliver)

### 2.1 Capital Work Program

### 2.2 Human Resource Requirement

#### OBJECTIVE

3. To Forecast for Capacity to Deliver

Based on Customer Projection

Capacity Projection : Infra

Requirement

ManPower Requirement

# BUSINESS PLANNING

## 1. To identify Customers for Product/Services

Market Research

What Product/Services

Which Market

Who are Potential Customers

## 2. To Forecast for Revenue and Capacity to Deliver

Tariff /Price per Product/Services

Customer Projection

Capacity Projection

2.CAPACITY Network	Total Wifi Radio	customer per radio 20.00	-	5	10	20	40	80
	New Wifi Radio	buy	-	5	5	10	20	40
	Wifi Radio Site	buy/rental	-	5	10	20	40	80
	BandWidth	rental	-	5	10	20	40	80
Test Equipment	Total Test Equipment		-	1	1	1	2	2
	New Equipment		-	1	-	-	1	-
Network Control Centre	Total Computer			2	2	2	2	2
	New Computer			2				
Vehicle	Total Vehicle		1	1	1	1	2	2
	New Vehicle	buy/rental	1	-	-	-	1	-
Hq Building		buy/rental	1	-	-	-	-	-
Telco License	Total License		1	1	1	1	1	1
	New License		1					
Staff	Manager		1	1	1	1	1	1
	Technical Assistant		1	1	1	1	4	4
	Account Executive		1	1	1	1	2	3



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## 3. Capital Expenditure

### 3.1 Fixed & Mobile Asset

#### OBJECTIVE

3. To Forecast for Capacity to Deliver  
Based on Customer Projection  
Capacity Projection : Infra  
Requirement  
ManPower Requirement

Based on Capacity Projection  
Buy the Asset (FIXED and MOBILE)

# BUSINESS PLANNING

## OBJECTIVE

3. To Forecast for Capacity to Deliver  
Based on Customer Projection  
Capacity Projection : Infra Requirement  
ManPower Requirement

Based on Capacity Projection  
Buy the Asset (FIXED and MOBILE)

3. CAPITAL EXPENDITURE ( ASSET)				FIRST SIX MONTH					
				M1	M2	M3	M4	M5	M6
Network	Total Wifi Radio	per radio							
	New Wifi Radio	buy	500.00	-	2,000	4,000	12,000	36,000	108,000
Test Equipment	Total Test Equipment								
	New Equipment	buy	5,000.00	-	5,000	-	-	5,000	-
Network Control Centre	Computers	buy	4,000.00		8,000				
Vehicle	Total Vehicle								
	New Vehicle		60,000.00	60,000	-	-	-	60,000	-
HQ BUILDING	Hq Building	buy	120,000.00	120,000					
TELCO LICENSE	Telco License		50,000.00	50,000					
Total Capex				230,000	15,000	4,000	12,000	101,000	108,000

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## 4. Depreciation/Appreciation on 4.1 Fixed & Mobile Asset

Work Out

Depreciation/Appreciation  
For Capex

# BUSINESS PLANNING

## Work Out Depreciation/Appreciation For Capex

Total Capex			230,000	15,000	4,000	12,000	101,000	108,000	
4. DEPRECIATION/APPRECIATION (ASSET)			%per annum	M1	M2	M3	M4	M5	M6
Depreciation	Wifi Radio	Purchase 1	0.20		33	33	33	33	33
		Purchase 2				67	67	67	67
		Purchase 3					200	200	200
		Purchase 4						600	600
		Purchase 5	0.20						1,800
	Test Equipment	Purchase 1			83	83	83	83	83
		Purchase 2						83	83
	Computers	Purchase 1	0.20		133	133	133	133	133
	Vehicle	Purchase 1	0.20	1,000	1,000	1,000	1,000	1,000	1,000
Purchase 2							1,000	1,000	
Total Depreciation				1,000	1,250	1,317	1,517	3,200	5,000
Appreciation	Hq Building	0.10	1,000	1,000	1,000	1,000	1,000	1,000	
	Telco License	0.10	417	417	417	417	417	417	
Total Appreciation				1,417	1,417	1,417	1,417	1,417	1,417
Net Dep-App				(417)	(167)	(100)	100	1,783	3,583

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## 5. Cost

### 5.1 Direct Cost

Cost Directly Related  
to Item in Capex

### 5.2 Operating Cost

Cost Related to the Operation

## 6. Profit & Loss, Revenue - Cost

Work Out  
COST For  
BUSINESS  
PERFORMANCE  
PROFIT/LOSS

# BUSINESS PLANNING

5.COST			FIRST SIX MONTH						
			M1	M2	M3	M4	M5	M6	
Assumption									
Direct Cost									
	Wifi Radio Site Rental	rental rate	10.00	-	40	120	360	1,080	3,240
	Bandwidth Rental		15.00	-	60	180	540	1,620	4,860
	Electricity Bill	rental rate	5.00	-	20	60	180	540	1,620
	Site Maintenance	service rate	30.00	-	120	360	1,080	3,240	9,720
Total Direct Cost				-	240	720	2,160	6,480	19,440
Operating Cost									
Staff Cost									
	Manager	montly salary	3,000.00	3,000	3,000	3,000	3,000	3,000	3,000
	Technical Assistant		2,000.00	2,000	2,000	2,000	2,000	4,000	4,000
	Account Executive		2,000.00	2,000	2,000	2,000	2,000	4,000	4,000
Total Salary				7,000	7,000	7,000	7,000	11,000	11,000
	Medical/EPF/Socso/Insurance		0.50	3,500	3,500	3,500	3,500	5,500	5,500
Total Staff Cost				10,500	10,500	10,500	10,500	16,500	16,500
Office Cost									
	Office Rental		-	-	-	-	-	-	-
	SSM License		300.00	300	-	-	-	-	-
	Local Authority License		300.00	300	-	-	-	-	-
	Office E/T/W Bills		300.00	300	300	300	300	300	300
	Consumables	revenue%	0.05	-	-	590	1,480	4,440	13,320
	Customer Relation	revenue%	0.05	-	-	590	1,480	4,440	13,320
Total Office Cost				900	300	1,480	3,260	9,180	26,940
Total Operating Cost				11,400	10,800	11,980	13,760	25,680	43,440

# BUSINESS PLANNING

## 5. Cost

### 5.1 Direct Cost

Cost Directly Related  
to Item in Capex

### 5.2 Operating Cost

Cost Related to the Operation

## 6. Profit & Loss, Revenue - Cost

6. PROFIT / LOSS BEFORE TAX	FIRST SIX MONTH					
	Assumption	M1	M2	M3	M4	M5
NET REVENUE	-	-	11,800	29,600	88,800	266,400
Total Direct Cost	-	240	720	2,160	6,480	19,440
Total Operating Cost	11,400	10,800	11,980	13,760	25,680	43,440
Net Dep-App	(417)	(167)	(100)	100	1,783	3,583
Loan Interest	750	900	950	950	1,200	1,200
TOTAL COST	11,733	11,773	13,550	16,970	35,143	67,663
PROFIT BEFORE TAX (NET REVENUE - TOTAL COST)	(11,733)	(11,773)	(1,750)	12,630	53,657	198,737

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## Cash Flow and Funding

7.1 Cash In Flow

7.2 Cash Out Flow

7.3 Surplus/Deficit

Funding

8.1 Paid Up Capital

8.2 Financing (Borrowing/Loan)

8.3 Surplus/Deficit

(On Capital Injection & Loan)

8.4 Current Account

Work Out  
For Cash Flow  
To see

1. How Much \$\$\$\$  
the Business  
Generate

Or

2. Need financial  
HELP



# BUSINESS PLANNING

## 7. CASH FLOW

		M1	M2	M3	M4	M5	M6	
<b>INFLOW</b>		-	-	11,800	29,600	88,800	266,400	
<b>OUTFLOW</b>								
	Total Capex	230,000	15,000	4,000	12,000	101,000	108,000	
	Total Direct Cost	-	240	720	2,160	6,480	19,440	
	Total Operating Cost	11,400	10,800	11,980	13,760	25,680	43,440	
	Loan Interest	750	900	950	950	1,200	1,200	
	Loan Repayment	2,500	3,000	3,167	3,167	4,000	4,000	
	<b>TOTAL OUTFLOW</b>	<b>244,650</b>	<b>29,940</b>	<b>20,817</b>	<b>32,037</b>	<b>138,360</b>	<b>176,080</b>	
	<b>INFLOW-TOTAL OUTFLOW</b>	<b>(244,650)</b>	<b>(29,940)</b>	<b>(9,017)</b>	<b>(2,437)</b>	<b>(49,560)</b>	<b>90,320</b>	
<b>8. FUNDING</b>								
	Paid Up Capital	Total	100,000	100,000				
	Loan	Total	240,000	150,000	30,000	10,000	50,000	-
	<b>Total Fund</b>	<b>340,000</b>	<b>250,000</b>	<b>30,000</b>	<b>10,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>
	<b>SURPLUS/DEFICIT</b>		5,350	60	983	(2,437)	440	90,320
	<b>CURRENT ACCOUNT</b>		<b>5,350</b>	<b>5,410</b>	<b>6,393</b>	<b>3,957</b>	<b>4,397</b>	<b>94,717</b>

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## 9. Loan Schedules

9.1 Drawdown,

9.2 Repayment

9.3 Interest Calculation

Work Out

How to Serve the LOAN

..Interest

..REPAYMENT

# BUSINESS PLANNING

9. LOAN SCHEDULE			FIRST SIX MONTH					
Assumption			M1	M2	M3	M4	M5	M6
Annual Interest Rate		0.06						
Interest Calculation	Total Loan	240,000						
	Drawdown	150,000	750	750	750	750	750	750
		30,000		150	150	150	150	150
		10,000			50	50	50	50
		-					-	-
	50,000						250	250
	-							-
		<b>Total Interest</b>	<b>750</b>	<b>900</b>	<b>950</b>	<b>950</b>	<b>1,200</b>	<b>1,200</b>
Loan Repayment	Payback Period (Months)	60						
		150,000	2,500	2,500	2,500	2,500	2,500	2,500
		30,000		500	500	500	500	500
		10,000			167	167	167	167
		-					-	-
	50,000						833	833
	-							-
		<b>Total Repayment</b>	<b>2,500</b>	<b>3,000</b>	<b>3,167</b>	<b>3,167</b>	<b>4,000</b>	<b>4,000</b>
		<b>Current Balance</b>	<b>147,500</b>	<b>174,500</b>	<b>171,333</b>	<b>168,167</b>	<b>214,167</b>	<b>210,167</b>
		<b>Interest On Current Balance</b>	<b>738</b>	<b>873</b>	<b>857</b>	<b>841</b>	<b>1,071</b>	<b>1,051</b>
		<b>Annual Interest-Current Balance Interest</b>	<b>13</b>	<b>28</b>	<b>93</b>	<b>109</b>	<b>129</b>	<b>149</b>

# BUSINESS PLAN DOCUMENT

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7. Cash Flow and Funding
  - 7.1 Cash In Flow
  - 7.2 Cash Out Flow
  - 7.3 Surplus/Deficit
8. Funding
  - 8.1 Paid Up Capital
  - 8.2 Financing (Borrowing/Loan)
  - 8.3 Surplus/Deficit On Capital Injection & Loan)
  - 8.4 Current Account
9. Loan Schedules
  - 9.1 Drawdown,
  - 9.2 Repayment
  - 9.3 Interest Calculation

A Document that tells about the Business

meant for

All the Stake Holders

- . Owners.
- . Investors/Shareholders
- . Government Agencies/  
Bankers/Fund Managers

Convincing :

Thorough Research  
Factual  
Realistic  
Practical  
Feasible

And **LOTS** of KPIs

## 3 MAIN Documents

a... Spreadsheet (Forecast)

b... Rich Text Document

....Text

.... Diagram

.... Figures

.... Snap Shots of (a)

c... Presentation Materials

....Summary of (b)

# BUSINESS PLAN DOCUMENT

Convincing :  
Thorough Research  
Factual  
Realistic  
Practical  
Feasible

All the Stake Holders  
. Owners.  
. Investors/Shareholders  
. Government Agencies/  
Bankers/Fund Managers

Why A Business Needs A Plan

as  
Point of Reference to all stake holders

during  
Inception

or  
Operation

Whether all the target sets  
are MET  
Or **OFF TARGET**

With  
VALID REASONS

***BUSINESS PERFORMANCE  
MEASUREMENT DONE ON BUSINESS DATA***

# REFERENCES

- <http://www.readycompanies.com/DifferenceEnterpriseandSdnBhdCompany.htm>
- <http://allmalaysia.info/msiacommerce/resources/business.asp>



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