

**PRIVATISATION OF TELEKOM  
MALAYSIA BERHAD:  
ACCOUNTING AND REPORTING CHANGE  
FOR THE PERIOD OF 1991 TO 2000**

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## ABSTRACT

This dissertation examines issues related to accounting and reporting change in Telekom Malaysia from 1991 to 2000. During this period, Telekom Malaysia was operating as a privatised company after the listing of its shares on the Kuala Lumpur Stock Exchange in November 1990. Findings identified were critically explained in relation to major events and developments that took place in Telekom Malaysia and the telecommunications industry such as the 1996 tariff revision, 1997 economic crisis and the introduction of equal access with effect from 1 January 1999.

Among others, this study showed that after privatisation, Telekom Malaysia has totally departed from the conventional cash basis governmental accounting system to a fully commercialised one. Under the latter's system, due consideration was given on the need to ensure strict adherence to every guideline within the reporting framework, particularly the approved accounting standards. An instance of early adoption of MASB revised guideline was also noted. Other findings on accounting and reporting change highlighted in the study include numerous reclassification of reporting items, voluntary disclosure, discontinuation of disclosure and non-disclosure of reporting items, as well as issues pertaining to exceptional reporting trend. The study also highlighted that certain underlying factors have stimulated Telekom Malaysia to effect those changes. Among the stimuli identified were the status of being the first privatised company in Malaysia, unsatisfactory tariff structure, liberalisation of the industry and introduction of equal access, the economic crisis as well as rapid technological advancement in the industry. For instance, signs that income decreasing method being applied as a strategy to demand for tariff revision was encountered, similar to the finding discovered in an earlier study by Mohamed (1996).

Findings from the study supported Lüder's (1992) contingency model, which suggested the existence of stimulus prompting producer of financial information to reflect accounting and reporting change.

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# CHAPTER 1

## INTRODUCTION

### 1.1 INTRODUCTION

The primary purpose of financial accounting is to provide information that will be useful in making economic decisions (Benjamin & Stanga, 1977). As such, annual financial statements published by a company ideally revealed the company's financial performance and position that satisfy the informational needs of various user groups such as prospective investors, existing shareholders, loan creditors, employees, financial analysts, government and the public.

In the process of preparing and disclosing financial information, companies are bound to adhere to various rules and regulations issued by regulatory agencies as well as prescribed accounting standards issued by standard setting bodies. Notwithstanding these requirements, the style, policy and method adopted for presenting financial information could possibly vary among companies (to the extent allowed within the reporting framework) due to the existence of various factors that prompted variations of reporting strategy practiced by the producer of accounting information. In this relation, Mohamed (1996) examined the accounting policy and financial reporting changes made by Malaysian Telecommunications between 1957 and 1994, a period covering a move of the Malaysian telecommunications sector from being a government department to being a government-owned company in 1987 and a privatised company in November 1990.

Mohamed's (1996) study revealed various meaningful findings pertaining to the disclosure of information in the annual report such as the loss of voluntary information, the dramatic increase in the amount of accounting information disclosed, the variation in presentation style and the adoption of income-decreasing method. These changes were tracked back to the major events that occurred during the period of study and it was noted that such changes were inspired by the existence of various stimulating factors that