

**ACCOUNTANTS' PERCEPTION ON THE EFFECTIVENESS
OF ACCOUNTING STANDARD
TOWARDS ENHANCING FINANCIAL REPORTING**



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ABSTRACT

This study empirically investigates the accountants' perception on the contribution of accounting standard, namely the MASB, in improving financial reporting. In addition, this study also attempts to describe the awareness and understanding among the prepares on the introduction of MASB 26 Interim Financial Reporting using the Malaysian Listed Companies Interim report. A total of 500 sets of questionnaire were distributed among the accountants but only 71 (14.2%) responded to the questionnaire and 71 Interim reports were analyzed.

The findings of this study are consistent with the MASB objective that is to continually improve the quality of external financial reporting. The study proves that approved accounting standard, namely the MASB, helps to improve the format of financial reporting from the accountants' points of view. The accountants' believe that the standard makes the financial statement more transparent and helps prepares in harmonizing the format of financial reporting. This helps to increase the credibility of the financial statement and to become more comparable and reliable. This is in line with the corporate governance requirement, where companies are required to provide useful and transparent financial reporting to meet users needs.

In fact the accountants' understand and are aware of the intended purpose of having the Interim Financial Reporting. This is shown in the analysis of the content of the Interim Financial Reporting.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

It is commonly agreed that the corporate annual reports play an important type of media for communicating company activities. The information presented in the annual reports can be used by a wide range of users in order to compare, predict and evaluate financial statements to make economic decisions. Therefore, the financial reports should present the real “true and fair” view of the economic entity’s financial position and performance on comparable basis.

A literature indicates that the financial reporting quality is the joint product of at least four factors-management incentives and attitudes, audit quality, audit committee expertise and accounting standard. Weakness in any of these four links can ruin the chain. As a result, we notice that the accounting standard is one of the important components in order to improve the financial reporting quality. Hence, it has become imperative for the national and international institutions to set an accounting standard to the financial statements to make the accounting report more comparable and to enhance transparency in order to achieve better disclosure and good corporate governance.

Besides that, high quality and effective financial reporting actually begins with the reporting company’s management who is responsible for implementing and properly applying the standards to reflect the requirements and the intents of the standards. This is consistent with the requirement of MASB 1, para 7 that state “The board of director or the governing body of an enterprise is responsible for the preparation and presentation of its financial statement”.