UNIVERSITI TEKNOLOGI MARA

# THE DOCTORAL RESEARCH ABSTRACT

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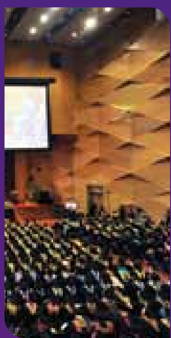

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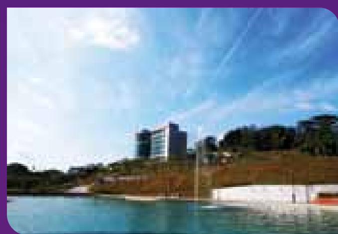

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**Name :** Radziah Mahmud, *PhD*
**Title :** Earnings Quality, Ownership Structure And Firm Performance: Malaysian Evidence
**Faculty:** Accountancy
**Supervisor :** Prof. Dr. Muhd Kamil Hj Ibrahim (MS)
Associate Prof. Dr. Alya Sarah @ Pok Wee Ching (CS)

Flexibility in accounting principles allows managers to opportunistically manipulate earnings figure. Accounting scandals around the world provide evidence that earnings manipulation affects the quality and usefulness of reported earnings that will be used by users of financial information to evaluate their investment decisions. Due to imperfect and incomplete market, managers have better information to enable them to engross in the accounting discretion in order to maximise their own interest at the expense of the shareholders. Ownership structure has been acknowledged in the literature as one of the corporate governance mechanisms which can be used to reduce agency and information asymmetry problems. However, the empirical evidence on the influence of ownership structure on firm performance is inconclusive. To address this issue, this study examines whether earnings quality and ownership structure of Malaysian public listed firms are associated with firm performance based on 285 listed firms on the main board of Bursa Malaysia for the period from 2000 to 2007. Earnings quality used in this study is based on the qualitative characteristics specified in the Framework for the Preparation and Presentation of Financial Statements (2007) namely relevance and reliability. The common types of ownership structure found in Malaysian listed firms which are managerial ownership, institutional ownership, government ownership and foreign ownership are taken into consideration. The firm performance measures used are returns on assets (ROA), cash flows from operations (CFO) and Tobin's Q. After controlling for firm-specific effects, this study suggests that earnings quality of Malaysian firms is significantly and positively associated with firm performance. Instead of linear association, the association between ownership structure of Malaysian firms and firm performance is generally found to be U-shaped. Managerial ownership, institutional ownership and foreign ownership have initially significant negative association with firm performance. Beyond a certain ownership level, the association becomes significant positive. Government ownership is significantly and negatively associated with firm performance at lower level. Government ownership has no influence on firm performance after it reaches a certain level. This study also finds that while managerial ownership and government ownership moderate the association between earnings quality and firm performance, institutional ownership and foreign ownership do not moderate such association. In general, this study makes a contribution to extant literature by providing empirical evidence that firm performance depends on earnings quality and compositions of ownership structure that needs to be investigated from different theoretical perspective.