A REVIEW ON FINANCIAL REPORTING LAWS IN MALAYSIA: A COMPARISON WITH THE UNITED STATES' SARBANES-OXLEY ACT 2002

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Submitted in Partial Fulfillment of the Requirements

for Bachelor of Legal Studies (Hons)

Universiti Teknologi MARA

Faculty of Law

June 2013

The students/authors confirm that the work submitted is their own and that appropriate credit has been given where reference has been made to the work of others.

ACKNOWLEDGEMENT

In the name of Allah SWT, we would like to thank Him for giving us the strength to complete this research paper.

This research paper has been carried out by us as a team namely Siti Amirah binti Muhammad Ali, Nurul Afiqah binti Abdul Ghaffar, Nurulsakinah binti Amir Hamzah Maju and Muhamad Firdaus bin Haron from the first step of the collection of data until its final completion.

A special thanks to our supervisor, Puan Nurazlina binti Abdul Raof for her encouragement, guidance and dedication for the months we had spent together to complete this research paper. With her assistance and time, we have discovered a wonderful insight into the laws relating to corporate governance, particularly in financial reporting. We are truly grateful for having her as our supervisor.

This acknowledgement would not be complete, without mentioning Cik Yang Chik binti Adam for her assistance in helping us discovering and understanding the theoretical aspect of corporate laws in Malaysia.

Lastly, our heartfelt thanks to our families and friends for their never ending support throughout the course of completing this research paper.

ABSTRACT

Financial reporting is said to be the pillar of good corporate governance. It is an important means of communication of the company to its shareholders and the public. However, several issues have arisen in sustaining good governance. The main issues discussed in this research paper are the transparency and disclosure in financial reporting by companies, and the roles of auditor in maintaining transparent disclosure in the preparation of financial reporting. A comparison had been made with the United States' Sarbanes-Oxley Act 2002 relating to the issues discussed. The aim of this research paper is to review Malaysian corporate laws governing disclosure and corporate fraud in the production of financial report.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter will be the introductory part of this research paper, where it seeks to provide basic knowledge about corporate governance, including some important elements in corporate governance namely the environment of corporate disclosure and financial reporting, and the principles involved in the relevant terms. The Asian Financial Crisis in 1997 had given major impact towards Malaysian corporate governance practice. The crisis had highlighted the defects towards corporate governance in Malaysia. Thus, it is important to conduct this research paper as to analyze the enforcement on the rules of corporate governance in financial reporting.

1.1 Research Background

Corporate governance has now become a global interest. During the Asian financial crisis in 1997, corporate governance had a robust impact on corporations' performance. The crisis serves as a reminder that good corporate governance is essential for sustainable development. One of the crucial foundations of effective and sound corporate governance is "transparency in disclosure". Effective corporate governance ought to guarantee that sensible and precise disclosure is made regarding all substantial matters concerning the corporation, as well as its financial condition and results.[1] This is seen through the financial statements, annual reports and performance evaluations of the company.

The headache occurred when corporate managers and directors were eager to present a rosy image to the shareholders and impress the stoke market and led to fraudulent

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[1] Rashidah Abdul Rahman, and Mohammad Rizal Salim, *Corporate Governance in Malaysia: Theory, Law and Context* (Sweet & Maxwell Asia Petaling Jaya 2010) p. 15.