

UNIVERSITI TEKNOLOGI MARA

CORPORATE GOVERNANCE MECHANISMS AND EARNINGS
MANAGEMENT FOR FAMILY OWNED
COMPANIES IN MALAYSIA

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Corporate Governance Mechanisms and Earnings Management for

Family Owned Companies in Malaysia

Abstract

This study aims to examine the relationship between corporate governance mechanisms in the form of board of directors' and audit committee characteristics, i.e. board size, number of board meeting, CEO duality, and size of audit committee with earnings management. The study focuses among family owned companies listed on Bursa Malaysia. The sample includes 100 companies for the reporting year 2013, following the new revision of Malaysian Code of Corporate Governance in 2012. This study measures earnings management using Kothari *et al.* (2005) model by using discretionary accruals as proxy. The study finds that CEO duality has negative significant relationship with earnings management, implying that earnings management is less practiced by firms with CEO duality. This is consistent with the argument that in family owned companies, manager cum controlling shareholder is able to make a better decision making process while guiding the board in achieving the company's objective. This study contributes new evidence to the literature, but can be improved with wider scope of sample.

Keywords: Earnings management, corporate governance mechanisms, family owned companies

TABLE OF CONTENT

	PAGE
Authors' Declaration	i
Acknowledgement	ii
Abstract	iii
Table of Content	iv

CHAPTER ONE

1.1 Introduction	1
1.2 Background of the Study	2
1.3 Problem Statement	6
1.4 Research Objectives	7
1.5 Research Questions	8
1.6 Scope of the Study	9
1.7 Significance of this Study	9
1.8 Organization of the Study	10

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	11
2.2 Earnings Management	11

2.3 Corporate Governance	15
2.4 Board of Directors' and Audit Committee Characteristics	
2.4.1 Board Size	20
2.4.2 Board of Directors' Number of Meetings	21
2.4.3 CEO Duality	22
2.4.4 Size of Audit Committee	23
2.5 Family Owned Companies	24
2.6 Summary	25

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction	26
3.2 Research Design	26
3.3 Theoretical Framework	27
3.4 Hypothesis Development	
3.4.1 Board Size and Earnings Management	30
3.4.2 The Number of Meetings of Board of Directors and Earnings Management	31
3.4.3 CEO Duality and Earnings Management	33
3.4.4 Size of Audit Committee and Earnings Management	34
3.5 Data Collection and Sample Selection	
3.5.1 Population and Sample Selection	36
3.5.2 Measurement of Family Owned Companies	37
3.5.3 Measurement of Earnings Management	38
3.6 Variables	39
3.7 Regression Model	40