

**A STUDY ON FINANCIAL REPORTING
PRACTICES OF PUBLIC LISTED
COMPANIES IN MALAYSIA**

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ABSTRACT

This study empirically examines the annual reports of Public Listed Companies in Malaysia and specifically analyzes listed companies' reporting practices against the requirements stipulated in Malaysian Accounting Standard Board (MASB). Therefore, in an era of globalization, it is pertinent for companies to practice adequate disclosure, transparency and the highest level of corporate governance when reporting their financial transactions. Potential investors need the information to make investment decisions; employees to know about their job security; owners to know about their financial returns and bankers to decide whether the companies can afford to pay their loans. Besides, in practicing transparency, it is also expected that companies would make available their corporate reports through the Internet.

This study analyzes the annual report of 100 companies from the main board. These companies covered 10 different industries on the main board, namely, consumer products, construction, finance, industrial, infrastructure, mining, trading/services, properties, plantations and technology. In addition, the analysis for this study was restricted to "descriptive statistics" namely frequency tabulation, means, T-test and correlation.

The current research found that the level of disclosure among public listed companies was still low. Although the new Malaysian Accounting Standards was designed to improve the reporting practices of Malaysian companies, the level of disclosure practices was only slightly improved. Companies were still very much influenced by the reporting practices under the previous International Accounting Standards (IAS) requirements. In fact, the use of the Internet as a medium of corporate financial reporting is still minimal.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

An important outcome of the goodwill episode in the history of standard setting was the move by the regulatory body for the establishment of an independent standard setting board. This is due to the event on how the standard was adopted rather than on the technical aspects of goodwill accounting. Susela (1996) illustrates that standards clearly impact practitioners (the profession), therefore it will create interest around standard setters.

In view of the need for more consultation among all parties concerned and a wider representation from the public in the accounting standard setting process, the suggestion for an independent standard setting body outside the control of the profession was desired. As pointed out by Dr Nordin Mohd Zain, MASB Executive Director (Mohd. Amin and Ramoo, 2001), investors were looking for a more transparent financial reporting regime, so there was a need for non-accountants to be involved in the due process of standard setting.

Furthermore, capital resources must be amassed and one of the ways is through the stock exchange (Susela, 1996). With capital market growth and the present system of corporate administration and legislation, financial reporting is important. However, the existing mechanism for accounting standard setting was inadequate to meet the needs of the securities and futures markets. This resulted in the need for stewardship reporting.

So, in 1993 the Securities Commission (SC) was given the task of developing the capital market due to the increasing need to set professional and accounting standards for the securities and futures market to ensure a high level of financial reporting and disclosure among Malaysian Companies. However, the existence of