

UNIVERSITI TEKNOLOGI MARA

**AN ANALYSIS OF NON AUDIT SERVICE
DETERMINANTS IN MALAYSIAN PUBLIC LISTED
COMPANIES**

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ABSTRACT

This study investigates whether size, complexity and restructuring affect Malaysian public listed companies' decision to purchase non-audit services from their auditors. In addition, this study also investigates whether the decision to purchase non-audit services impairs independence or instead it is economically efficient by examining the relative importance of proxies for economic efficiency and managerial opportunism as determinants of non-audit services. A total of 330 data were collected as sample from 110 companies listed on the main board of Bursa Malaysia for the three years period: 2003, 2004 and 2005. Basically, this study's finding indicates that a company's size and restructuring activities are significant in explaining the reason for purchasing non-audit services. Furthermore, the existence of the auditor from a Big 4 audit firms and the longer audit-client tenure also significantly explains why companies purchase non-audit services from their own auditors. However, the managerial opportunism variables results are mixed. Thus, the main finding of the study is that non-audit services are purchased by Malaysian PLC for reason of economic efficiency rather than managerial opportunism.

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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

This chapter provides an overview of the thesis. This thesis examines the scope and the determinants of non-audit services in Malaysian public listed companies. Non-audit services (NAS) are an important part of the overall audit scenario because they are linked with auditor independence. Analysis of the determinants of non-audit services would provide an understanding of the reasons for a company to utilize or purchase such services.

This chapter commences with a discussion of the broad areas of concern investigated by this thesis, namely the nature of non-audit services, in Section 1.1; followed by Section 1.2 which presents the statement of the research problem; Section 1.3 which discusses the objective of the study; Section 1.4 which provides significant of the study and proposal; and the final section which provides an outline of the structure of the thesis.