CORPORATE GOVERNANCE MEASUREMENT AND ITS EFFECT ON COMPANIES' FINANCIAL PERFORMANCE IN MALAYSIA

EFFI ZULAICCA BINTI MD NAZID
2013835096

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.

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ABSTRACT

Corporate governance is defined as the system of processes by which the company is controlled where the participants such as board of directors, managers, shareholders and auditors need to manage the business and affairs of the company towards achieving the company's short and long term goals. In short, corporate governance plays an important role in ensuring the best performance of the company. The purpose of this study is to determine the effects of corporate governance on property industries' financial performance. Several companies such as MK Land Holdings Berhad, Damansara Realty Berhad, YTL Land and Development Berhad, Sapura Resources Berhad, Country Heights Holdings Berhad and Amcorp Properties Berhad are selected to investigate the financial performance. Board size, audit quality, leverage and firm size are examples of corporate governance. Board size is the number of directors on the board of the company. Audit quality is calculated by dividing statutory audit fees to the amount of sales. Leverage is the amount of total debt divided by the total assets of the firm. Meanwhile, firm size is the firm's total assets. Corporate governance has basic rules to guarantee managers do the right thing under the constant threat that they might face real competition and others. Shareholders have rights in corporate governance such as voting, inspecting, receive dividends also sue and considerations. Besides that, corporate governance also has its own functions, for example, goals and risk management, to ensure accountability which allows for flexibility in adjusting goals, shareholder's meetings and government regulations.

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