

ABSTRACT

Malaysia started to adopt Financial Reporting Standards in 2006 due to the loopholes of Generally Accepted Accounting Principles (GAAP) and International Accounting Standards (IASs). The Financial Reporting Standards (FRSs) claimed to be better than GAAP and IASs because it could improve the quality of financial reporting, more comprehensive, effective and transparent. This study replicates the study conducted by Rohaya, Nor'azam and Barjoyai (2009). The authors focused on the samples before the adoption of FRSs. Therefore, this study attempts to extent the study by examining the impact of book-tax difference (BTD) and whether the taxable income can be used as another measurement to indicate the earnings quality after the adoption of FRSs. The result finds the gap between the reported earnings and taxable income is getting smaller after the adoption of FRSs. The finding also discovers that after-tax taxable income (ATTI) is significant and positively related to market value of common equity (MV). Thus, this study provides the evidence that the taxable income can be used as another measurement to indicate the earnings quality and firm's performance even after the adoption of FRSs.

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