

UNIVERSITI TEKNOLOGI MARA

CORPORATE GOVERNANCE ATTRIBUTES
AND INCOME SMOOTHING PRACTICES:
CASE OF MALAYSIAN PUBLIC LISTED
COMPANIES

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ABSTRACT

The general objective of this study is to examine empirically whether corporate governance attributes have significant association with the extent of income smoothing practices in 608 public listed companies listed in Bursa Malaysia. The samples selected for this study is comprises of 608 firms listed in the Bursa Malaysia during the year of 2014. Sepcifically, this study select five corporate governance attributes of audit committee size (*ACSIZE*),the audit committeee meeting (*ACMEET*), the proportion of non-executive directors (*NONEX*) in the audit committee, the audit committee independent (*ACIND*) and chairman duality (*CDUAL*). The independent and control variables will regressed with the dependent variable which is the extent of income smoothing. The extent of income smoothing is measured by correlation of change in discretionary accrual proxy (ΔDAP) and the change in pre-discretionary income (ΔPDI) where, discretionary accruals is measured based on model developed by Jones' (1991) modified by Kothari, Leone and Wasley (2005) and Tucker and Zarowin (2006). The empirical result of this study found that; *ACSIZE*, *ACIND* and *CDUAL* are significantly associated with the extent of income smoothing practices while, *ACMEET* and *NONEX* not significantly associated with the extent of income smoothing. The result is robust even after including various controlled variables such as firm size (*FSIZE*), leverage (*LEV*), growth (*GROWTH*), and auditor (*Big4*).

Keywords: Income Smoothing, extent of income smoothing, discretionary accrual, pre-discretionary income and Corporate governance

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