



THE QUALITY OF MALAYSIAN INTERIM FINANCIAL REPORTS AND THE
IMPACT OF CORPORATE GOVERNANCE ON THE QUALITY

by

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Cardiff Business School, Cardiff University*

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DECLARATIONS

This work has not previously been in substance for any degree and is not concurrently submitted in candidature for any degree.

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ABBREVIATIONS

Abbreviations	Description
AGM	Annual General Meeting
APB	Accounting Principles Board
BMLR	Bursa Malaysia Listing Requirements
BMSE	Bursa Malaysia Stock Exchange
BOD	Board of Directors
BSE	Board of Stock Exchange
CBTT	Central Bank of Trinidad and Tobago
CGC	Corporate Governance Characteristics
CGCA	Corporate Governance Characteristics of Audit Committee
CGCB	Corporate Governance Characteristics of the Board of Directors
CPA	Certified Public Accountants
EPS	Earnings per Share
FRS	Financial Reporting Standards
FYTD	Financial Year to Date
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
Interims	Interim Financial Reports
MASB	Malaysian Accounting Standards Board
NEP	New Economic Policy
NMRR	Neuer Market Rules and Regulations
NYSE	New York Stock Exchange
OLS	Ordinary Least Square
PLC	Public Listed Companies
SSE	Sydney Stock Exchange
UK ASB	United Kingdom Accounting Standards Board
US SEC	United States of America Securities and Exchange Commission
XBRL	Extensible Business Reporting Language

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ABSTRACT

This thesis examines the quality of Malaysian interim financial reports (interims) and the impact of corporate governance on the quality. The quality of interims is proxied by timeliness; compliance with the FRS 134, Interim Financial Reporting; compliance with the Bursa Malaysia Listing Requirements (BMLR); and comparability of profit and loss items when they were originally issued and placed in the next year's corresponding quarter and comparison against the annual reports. Two methods are used to assess the quality of interims namely dichotomous and continuous. The first method provides one score for each proxy if it is in compliance and zero score otherwise and the latter method use the actual values. This thesis has found that the quality of interims is remarkably high for each proxy if a dichotomous method is used and it is moderate for continuous method. The lower quality is due to timeliness and comparability, because Malaysian companies are inclined to publish interims towards the end of the allowable period and most of the interims' profit and loss items are not comparable. Consequently, compliance with the FRS 134 contributes the most to the quality of interims, while comparability contributes the least. Corporate governance is proxied by the frequency of directors' meetings, independence, financial literacy, corporate governance expertise, and the ethnicity of directors. This thesis has found that all corporate governance variables are associated with the quality of interims except independence and corporate governance expertise. Despite these associations, multivariate regression reveals that the impact of corporate governance on the quality of interims is very low. These findings have implications for several users such as Malaysian regulatory bodies to ensure that PLC complied with the interim reporting standards; policymakers to ensure there is no misapplication of provision of accounting standards; protect shareholders to appoint appropriate composition of directors; and academicians for future research.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The global economic outlook has continued to deteriorate recently. This deterioration has been especially acute in the United States (US) and in the euro zone. Many Western economies continue to struggle in a debt crisis and their currencies are steadily shrinking in value. Despite the uncertain economic climate in the US and euro zone, Malaysia's capital market is predicted to remain strong and perform reasonably better than its peers in the Asian region (The Star, 1 August 2011). Foreign investors are particularly attracted to the Malaysian market because of its strong economic performance and the increasing level of risks in developed Western markets. The Malaysian government's strong level of foreign currency reserves has further increased the favourable perceptions of foreign investors in the Malaysian economy.

One of the sources that Malaysian investors rely on before making a decision to invest is the financial reports of Malaysian public listed companies (PLC). A financial report is a formal record that is prepared by a company's financial controller that reveals the quantitative financial activities and financial health of a company. The conceptual framework of the Malaysian Accounting Standards Board (MASB) states that the objective of a financial report is to provide the users of financial reports with the company's financial information, performance, and any changes of financial position.

Financial reporting is an important economic activity (Ball, 2008) because it assists a number of internal and external users (such as management, employees, suppliers and investors) to make intensive and extensive economic decisions. Management uses financial reports to appraise a company's performance and make prominent decisions that influence their

business operations. The employees use financial reports to assess the ability of a company to provide remuneration, retirement benefits and employment opportunities. Suppliers use financial reports to evaluate a company's financial strength before they approve credit purchases. Prospective investors use financial reports before making decisions to invest, and existing investors use them to monitor their investments continually.

To help the users of financial reports to make accurate decisions, the financial reports' information should be of good quality. Independent audit review is one of the means to improve financial reporting quality. The involvement of external auditors can yield relevant and reliable financial information and, therefore, they can enhance the quality of financial reports (Raedy and Helms, 2002; Wiedman, 2007). However, there is no independent audit review requirement for quarterly or interim financial reports (interims) in Malaysia. Additionally, there is no mechanism set by the regulatory body, Bursa Malaysia, to ensure that Malaysian PLC have prepared interims in accordance with interim reporting standards. D'Arcy and Grabensberger (2003) support the finding that the lack of an enforcement mechanism by the regulatory authority may influence the quality of financial reports, even though the accounting standards and regulations are clearly issued. Therefore, the reliability of Malaysian interims may be uncertain because of the absence of audit reviews and monitoring mechanisms. Since numerous stakeholders make decisions grounded on the interims' information (Beuselinck and Manigart, 2007) the quality of interims needs to be evaluated to confirm that the information is reliable.

Integrity of financial reporting relies on corporate governance (Norwani et al., 2011). In other words, Board of Directors (BOD) is responsible to monitor the companies' financial reporting process (Yatim et al., 2006). According to Part 1, Section D (I) of the Malaysian Code on Corporate Governance (MCCG), the BOD is accountable in ensuring that a financial report presents a

company's position and prospects. In other words, BOD who is a part of corporate governance actors can take up a monitoring role to ensure that the published financial report is of a good quality. Corporate abuse and fraud seems to be a daily event in the recent years (Myring and Shortridge, 2010) such as: Parmalat (2003) in Italy; Xerox (2000), Enron (2001), Kmart (2002) and WorldCom (2002) in the US; and Perwaja Steel Sdn. Bhd. (1994), Malaysian Airline System (1995) and Technology Resource Industries (1999) in Malaysia. One of the reasons behind many recent scandals has been the weaknesses of corporate governance.

In Malaysia, Perwaja Steel incurred losses and was unable to pay its debts. Therefore, a new director was appointed to turnaround the company. However, total losses massively increased due to poor corporate governance performance such as unauthorised contracts amounting to hundreds of millions and misappropriation of funds. Malaysian Airline System was unprofitable when the corporate governance expanded the flight destination and ordered new aircraft and paid more than the ordered cost. Technology Resource Industries was involved with fictitious invoices totalling RM 260 million in 1998 and 1999. Those charged with corporate governance in Malaysia were thought to have failed to discharge their duties conscientiously and were accused of causing the companies to face financial difficulties. Nevertheless, corporate failures and financial irregularities still occur in companies with good corporate governance. Corporate scandals and failures, as well as broader economic concerns, have driven the Organisation for Economic Cooperation and Development (OECD) countries to devote increased attention to corporate governance, which is now recognised to be a vital factor in economic growth and financial stability (Jesover and Kirkpatrick, 2005).

Consequently, two empirical studies will be examined in this thesis: the first empirical study will identify the quality of Malaysian interims with the absence of independent audit reviews; the second empirical study will

investigate the influence of corporate governance on the quality of Malaysian interims. The next section will give more detail on how this background informs the objectives of this thesis.

1.2 Research Objectives and the Motivations of this Study

The first research objective is to determine the quality of Malaysian interims. Preceding research has found that the quality of interims improves if interims are subject to independent audit reviews. The US Securities and Exchange Commission's (US SEC) proposed that the usefulness of interims may be enhanced by expanding the roles of the independent auditors in the financial reporting process. The involvement of external auditors can produce a relevant and reliable level of financial information and thereby improve the quality of interims (Raedy and Helms, 2002). A mandatory review may heighten the reliability of interims and diminish the frequency of restatements in interims (Wiedman, 2007).

Despite the absence of independent audit reviews, Ku Ismail and Chandler (2004) and Rahman and Ismail (2008) have discovered that the quality of Malaysian interims that are respectively proxied by timeliness and disclosure of interims reporting standards are high. The prior research has used one proxy to determine the quality of Malaysian interims; however, McFie (2006) has suggested that the financial reporting quality that is represented by a single proxy is unlikely to be high, even though the single proxy measured is excellent. A single proxy focuses at one aspect and ignoring other aspects. Consequently, the present study used several proxies by integrating the proxies of the quality of interims used by Ku Ismail and Chandler (2004), and Rahman and Ismail (2008), in addition to using a new variable, comparability. This study will identify whether the quality of Malaysian interims remains high in every quarter and in every year. In addition, the present study will also investigate whether the quality of interims is consistent in every quarter and equivalent in the two types of Boards of

Stock Exchange (BSE) (that is, first tier and second tier markets) and in different industries.

The second research objective is aimed at determining the impact of corporate governance on the quality of interims. Previous research has discovered that corporate governance influenced the quality of interims (e.g. Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008; and, CheHaat et al., 2008). These previous studies have used timeliness and disclosure of interim reporting standards as proxies for the quality of interims and associate them with several corporate governance characteristics (CGC). As far as the present study is concerned, there seems to be less research on the impact of corporate governance on the quality of Malaysian interims. Therefore, it is essential to explore the influence of corporate governance on this issue. The present study also investigates whether the influence of corporate governance on the quality of Malaysian interims is consistent in every quarter and equivalent in different types of BSE and industries.

The motivation for this study derives from four factors. Firstly, there is a lack of research on quality of Malaysian interims, although the Bursa Malaysia has regularised the issuance of quarterly reports to PLC since July 1999. Nevertheless, in developed countries, especially in the US, there is a substantial research literature on interims.

Secondly, Bagshaw (2000) and Boritz and Liu (2006) points out that the quality of interims is unreliable especially if they are not being reviewed by the external auditors (Raedy and Helms, 2002). As Malaysian interims are not subject to audit review, this study is necessary to ensure that the information provided to the interims' users are beneficial and the shareholders are protected.

Thirdly, most prior research only used one proxy to determine the quality of interims. McFie (2006) argued on using a single proxy to determine the

quality of financial reports as the researcher only look at one aspect and ignoring other factors. The excellent result by using a single proxy may not present the actual quality of financial reports. Therefore, the present study is motivated to use several proxies to determine the quality of interims and the results are expected to be more comprehensive.

Fourthly, there is limited empirical evidence regarding the influence of corporate governance on quality of interims. Prior research were done in developed and middle east countries (e.g. Mangena and Pike, 2005; Abdelsalam and El-Masry (2008), and Ezat and El-Masry (2008) and the results are mixed. Inconsistent results may be due to difference in the economic environment across countries.

1.3 Research Contributions

By using the interims' financial information for the year 2007 and 2008, the present study presents a comprehensive study of the quality of Malaysian interims and the impact of corporate governance on the quality of interims. The present study differs from the previous research by having several proxies to evaluate the quality of financial reporting, namely: timeliness, compliance with the Financial Reporting Standards (FRS) 134, compliance with the Bursa Malaysia Listing Requirements (BMLR), and an addition of a new proxy namely, comparability. Additionally, the present study assessed the quality of interims according to the types of BSE and industries.

The literature review that was conducted as part of this research project indicated that there is less research on the influence of corporate governance on the quality of Malaysian interims. The corporate governance actors that are assessed in this study are the BOD and audit committee members. The CGC that are assessed include the frequency of the meetings, independence, financial literacy, corporate governance expertise, and the ethnicity of the directors. This thesis makes several contributions to

the growing literature on the quality of interims and corporate governance. In particular, this study expands the prior literature in the following areas:

1. This thesis contributes to the debates on the quality of interims, especially with the absence of audit reviews. The finding of the first objective reveals that the quality of an interim is remarkably high if a dichotomous method is used; however, the quality of interims is moderate if a continuous method is used. The lower quality of interims is due to the companies' inclination to publish interims towards the end of the allowable period given and the interims' profit and loss items are not comparable. The quality of interims is quite consistent for the first three quarters and very low for the fourth quarter due to the low comparability of interims. This trend also applies to PLC in both type of BSE and industry. Low comparability in quarter four may be due to adjustments made by PLC before financial reports are due to be audited.
2. By using either the dichotomous or the continuous method, the qualitative item that contributes the most to the quality of interims is compliance with the FRS 134. The qualitative item that contributes the least to the quality of interims differs if a different method is used, which is comparability for the dichotomous method and timeliness for the continuous. The qualitative item that contributes to the quality of interims slightly differs for different type of BSE. For the dichotomous method, regardless of the type of BSE, the qualitative item that contributes the most to the quality of interims is compliance with the FRS 134. The qualitative item that contributes the least to the quality of interims is comparability for PLC in the first BSE ('the big board') and a mixture of other qualitative items for PLC in the second BSE. For the continuous method, the item that contributes the most to the quality of interims is compliance with the FRS 134 for PLC in the first BSE and comparability for PLC in the second BSE. However, in

quarter four, compliance with the FRS 134 is the item that contributes the most to the quality of interims for PLC in the second BSE. Regardless of the type of BSE, timeliness is the item that contributes the least to the quality of interims.

3. This thesis disagrees with the previous finding that time is required for management to make adjustment in quarter four, which causes a delay in timeliness to publish interims. This disagreement is due to this thesis finding that timeliness is reasonably consistent in all quarters and comparability of interims is still low even though quarter four interims were published on a more timely basis than the other quarters.
4. Mean timeliness of Malaysian PLC is consistent every quarter and year. However, with the absence of audit reviews and no additional tasks required by the external auditors, PLC are inclined to publish interims towards the end of the allowable period given. PLC in the second BSE published interims less timely than PLC in the first BSE. Some PLC in the first BSE published interims within two weeks after the quarter ends and none PLC in the second BSE publish interims less than 30 days every quarter. The most plausible reason is that the higher capital issued by PLC in the first BSE enable them to acquire more sophisticated accounting system and hire more professional and qualified accountants to prepare interims. With regard to the types of industries, mean timeliness insignificantly differs except for the finance and technology industries. The possible reason for finance industry to publish interims early is due to their blue-chip stocks and they are always in the eyes of prospective investors.
5. The policy makers should be aware of the wording used in the rules and regulations imposed on PLC. For example, in FRS 134 and the BMLR, PLC has to publish interims within the allowable period of 60

days and two months, respectively. This thesis found that Malaysian PLC is inclined to follow the BMLR's requirement than the FRS 134's requirement. In 2007, 10% to 14% PLC did not publish interims timely by following the FRS 134, and 1% to 2% did not publish the interims timely by following the BMLR. Although PLC published interims within the two months period, the number of days to publish them exceeded the allowable time period of 60 days required by the FRS 134 as the number of days for the first three quarters is 61, 62, and 61 days consecutively. The second example is the word "immediate preceding quarter" stated in the BMLR. The PLC compared the profit before tax between a current quarter and "immediate preceding corresponding quarter" instead of "immediate preceding quarter".

6. The compliance with the FRS 134 is higher than compliance with the BMLR. The compliance score are around 92% and 94% for the FRS 134 and 77% and 78% for the BMLR. Regardless of the type of BSE and the types of industries, the compliance score with the FRS 134 and the BMLR is quite consistent in all quarters and years. However, the compliance score with the FRS 134 is slightly higher for PLC in the first BSE than the second BSE. Most PLC comply with the FRS 134 and the BMLR requirements except accounting policies and contingent assets or liabilities for the FRS 134 and performance review, taxation, off-balance sheet financial instruments and dividends for the BMLR. Another important point to highlight is that even though all PLC disclosed in the narrative disclosure that revenues are not associated with seasonality and cyclicity factors, this thesis found that mean revenues vary across quarters and possibly link to the seasonality, which is the festive season of Malaysian native who form around 65% of the Malaysian population.
7. The comparability ranking score is the lowest in quarter four. Although quarter four is not the least timely quarter to be published by some

PLC in certain industries, the comparability score remains low in the fourth quarter, which is around half of the first three quarters. This finding supports this thesis disagreement as mentioned in number three above. PLC in the second BSE have a higher comparability ranking score than PLC in the first BSE for the first three quarters and vice versa for the fourth quarter. Therefore, interims for PLC in the second BSE are more comparable in the first three quarters, but they are more inclined to make accounting adjustment in quarter four. Despite a high comparability ranking score, this thesis found that most profit and loss of interims are not equivalent to the annual reports that are audited by an independent party. Consequently, the overall quality value is low.

8. With regard to CGC, non-independent executive directors dominate the composition of the BOD in Malaysia. Technology has the lowest mean of independent directors, and the finance industry has the largest mean of independent directors. Most PLC may not comply with the MCGG requirement to have all audit committee members to be financially literate commencing January 2009. The finance industry has the highest proportion of financial literate directors, and the construction industry has the lowest proportion of financial literate directors. PLC in the second BSE (around 52%) have a lower percentage of corporate governance expertise than PLC in the first BSE (around 72%). Corporate governance expertise for PLC across industries significantly differs. PLC from the finance industry have the highest proportion of directors who have an expertise in corporate governance, and the industrial products industry has the lowest proportion of corporate governance expertise. Services and finance industries have the highest proportion of Bumiputra directors, while the lowest proportion of Bumiputra directors is to be found in the consumer industry.

9. A Pearson correlation coefficients was used to determine the relationship between dependent, independent and control variables. The corporate governance characteristics of the BOD (CGCB) that are associated with the quality of interims are the frequency of BOD meeting, financial literacy and ethnicity of directors. Independence and corporate governance expertise of BOD are not associated with the quality of interims. There is no relationship between all qualitative characteristics of interims except for: a) inverse relationship between timeliness and compliance with the BMLR; b) direct relationship between compliance with the FRS 134 and compliance with the BMLR; and c) direct relationship between compliance with the FRS 134 and comparability of interims. With regard to CGCB, all variables are interrelated except financial literacy and independence, as well as the corporate governance expertise of directors. The results indicate that a) PLC with high proportion of independent, financial literacy, corporate governance expertise and Bumiputra directors held a more frequent BOD meeting; b) high proportion of Bumiputra directors are independent, financially literate and have corporate governance expertise; and c) high proportion of independent directors are with corporate governance expertise. Finally, all control variables are correlated with each other. However, control variables are not associated significantly with all qualitative items of interims except timeliness and all CGC are either partly or fully associated with the control variables.

10. The impact of CGC on the quality of interims was examined by multivariate analyses. The results reveal that the impact of CGCB on the quality of interims is very low. Additionally, the influence of CGC on each qualitative characteristic of interims is mixed. This study also found that the group of variables that has more to less influence on; a) timeliness is control variables, followed by CGCA and CGCB; b) compliance with the FRS 134 is CGCB, followed by CGCA and

control variables; c) compliance with the BMLR is CGCB, followed by control variables and CGCA; and d) comparability is control variables, followed by CGCB and CGCA.

1.4 Chapter Organisation

This thesis is structured into six chapters, as follows:

Chapter 1 focuses on the outline of the thesis and it includes the justification of the study, research objectives, research motivations, research contributions, and a brief description of the organisation of this thesis.

Chapter 2 reviews the existing literature on two main topics, the quality of interims and corporate governance. This chapter firstly describes an overview of the importance of interims to the financial report's users, especially investors, pursued by the quality problem of interims. This chapter will then define the term quality and the possible measures of interims' quality. The quality of interims is then reviewed based on the qualitative characteristics of financial reports, which is a collective result of relevance, reliability and comparability. One of the obligations of corporate governance is to produce quality financial reports. Literature reviews proved that corporate governance accountabilities are partly expounded by agency and resource dependence theories. This thesis discusses the association between corporate governance and the quality of interims to ensure that those responsible for corporate governance have executed their responsibilities conscientiously.

Chapter 3 describes the research design and methodology. It includes a brief explanation of the research framework, research questions, hypotheses, design of the data collection and research instrument, the construction and list of the disclosure indices, the pilot test to check the reliability of the disclosure indices, how to measure and analyse the quality of interims, and the impact of corporate governance and control variables on the quality of interims.

Chapter 4 reports the results and discussion of the empirical findings on the quality of interims, and the impact of corporate governance and control variables on the quality of interims. The quality of interims is measured by using dichotomous and continuous methods, and is evaluated across the type of BSE and industry to identify any differences. This chapter describes the impact of corporate governance and control variables on the quality of interims by using the Pearson correlation coefficients and multiple regression analyses. The results of additional analyses are also presented to check the robustness of the initial regression analyses.

Chapter 5 summarises an overview of the study, the main research findings and it details a conclusion of this thesis. It also states the implications, limitations and recommendations for future research.

The next chapter is literature review that contains relevant information to the topic of this thesis and enables the present study to identify the research gap that has been less explored and thus create a research space for the present study to continue.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on two main topics; the quality of interim financial reports (interims) and corporate governance. This chapter begins by giving an overview of interims and their importance. This is followed by a discussion of the quality of interims, which is important because the users of financial reports are inclined to utilise updated information published in interims to make decisions. This chapter will then review factors that may impair or enrich the quality of interims and the various methods that have been used by previous research to evaluate the quality of interims. These reviews provide a general understanding of the areas to be investigated in this thesis and they detail the research gaps that demand further investigation.

This chapter will then review the literature of corporate governance and the importance of corporate governance accountability to the quality of interims. The previous research has shown that corporate governance accountability is expounded by agency theory and resource dependence theory. Corporate governance alone will not ensure that companies have executed their duties attentively and transparently since accounting scandals persist despite the good disclosure of corporate governance information in the financial reports. The last section of this chapter focuses on the association between corporate governance and the quality of interims. This chapter ends with a brief summary of this literature review.

2.2 An Overview of Interims and their Importance

Malaysia's Financial Reporting Standards (FRS) 134 defined interims as a financial report that contains either a complete or condensed set of financial statements for a period shorter than an entity's full financial year. Previous research provides evidence that the users of financial reports consider financial reports to be one of the most useful resources to use when making

economic decisions (Newell, 1969). For example, financial information is a prerequisite to bankers and creditors before they can make a decision about allowing loans and credit purchases by a company. Additionally, both the company's management and employees need to know the financial activities and financial health of a company in order to strategise an effective business plan and ensure that the company can provide wages and employee benefits. Consequently, the financial reports must be produced regularly due to the importance of the use of financial information.

Financial reports are either published frequently (e.g. monthly, quarterly or half-yearly) or less frequently (e.g. annually). The frequent issue of financial reports will disclose more information to the users and this will make the company more transparent (Newell, 1969). The less frequently published financial reports are defined as annual financial reports, while those that are published more frequently (i.e. in less than a year) are defined as interims. Globally, all PLC are expected to publish annual financial reports. Meanwhile, some countries mandate PLC to publish interims half-yearly (such as the United Kingdom (UK) and Australia) while others require interims to be published every quarterly (such as the US, Malaysia, Hong Kong, Singapore and China). The US is amongst those countries with the earliest issue of interims. The publishing frequency of financial reports is subject to the PLC readiness to publish and their willingness to comply with mandated requirements by the securities commission.

Publishing frequent financial reports has been a divisive issue in many countries. Those who are supportive of interims argued that they are essential because frequent financial disclosure can meet the needs of increasingly conversant investors (Gajewski and Quere, 2001; Aubert, 2006), provide timely information for users to make decisions (Joshi and Bremser, 2003), and give a greater transparency of information to the users of financial reports (Business Times, 12 November 2005; Teen and Vasanthi, 2006; Chan, 2007). In other words, interims improve information

flow to investors, promote governance and transparency of financial information, and they aid investors who wish to make more timely decisions (Teen and Vasanthi, 2006). Interims present a company's progress within a yearly reporting cycle and they assist investors to predict the company's outcome, improve the investor's confidence in the capital market, and strengthen the corporate governance and the comparability of financial results (Rahman and Ismail, 2008).

Some countries have proved to be resistant to the publication of interims because of the increase in business costs, they divert the management's focus from running the business, and they encourage short-termism in the market (Teen and Vasanthi, 2006). Short-termism means that a company's management focuses on short-term performance, which encourages the investors to invest and which distracts a company from looking at a long-term perspective (Chan, 2007). Interims may also contain inaccurate and misleading information (Brown and Niederhoffer, 1968) and many professionals remain uncertain about the benefits that they give to PLC (Chan, 2007).

Since there are a number of pros and cons on the issuance of interims, Ku Ismail and Chandler (2005b) used questionnaires to ascertain investors' perceptions on the usefulness of Malaysian interims. The study was made shortly after the Bursa Malaysia obliged Malaysian PLC to publish quarterly instead of half-yearly interims in July 1999. Ku Ismail and Chandler (2005b) discovered that although interims are beneficial to investors, the level varies according to the types of professional investors. They also determined that despite the timeliness of interims, the annual report is more beneficial to investors because interims are less reliable and investors are not accustomed to the newly published interims. However, their discoveries may not be generalisable since the response rate was very low and over the time period, the professional investors have become more familiar with the

interims and they may have found that they are now informative enough for them to be used to make investment decisions.

The usefulness of the information that is published in interims is supported by several previous studies. For example, interims have been shown to play an important role in equity markets (Wiedman, 2007) where they furnish prominent information to stockholders concerning future earnings (Brown and Niederhoffer, 1968), provide timely information on companies' development (Mc Ewen and Schwartcz, 1992), and contribute information to creditors and other stakeholders in appraising the company's capability in generating adequate cash flows and maintaining liquidity (Joshi and Bremser, 2003). The research by Mangena (2004) revealed that investment analysts use the information from the interims to make decisions. The stock market operates more effectively with high quality and accepted information, and the risk of deceptive information in the market may be reduced by publishing interims (Bagshaw, 2000). The aforementioned research provides evidence on how PLC may benefit from issuing interims and it describes how it avails the users of financial reports.

2.3 Quality of Interims

Bromwich (1992) stressed on the importance of financial information quality and not how the information was disclosed. The relevant and reliable financial information will generate highest return and consequently lead to efficient capital market. The market that is more efficient will lead to productive economy. However, it is questionable whether the financial reports provide quality information for the public interests.

Although there is voluminous research on the quality of financial reports, there is no universal definition of the term "quality" (McFie, 2006). While there is no agreed specific definition, most users of financial reports are conversant with the notion of "accounting quality" (Imhoff, 1988). Robinson and Munter (2004) defined high-quality financial report as a fair presentation

of a company's operations and financial positions in overall financial reporting, including disclosures. Meanwhile, Ross (2009) states that people construed quality differently and a few can measure it operationally. For example, financial reports may be interpreted as high quality to a researcher who studies the topic, but not to other users. Therefore, the term "quality" is a subjective attribute that is uniquely defined by different individuals with regard to the subject that it relates to.

McFie (2006) further claims that "quality financial reporting" and "the quality of financial reporting" is a different concept. "Quality financial reporting" refers to "excellent" financial reporting (Francis, 2004) while "the quality of financial reporting" varies from "low or poor" to "high or excellent" (Wallace et al., 1994). McFie (2006) also indicated that "the quality of financial reporting" that is characterised by a single proxy in a study is debatably to be high, although the single proxy measured is "excellent". This is due to focusing on one aspect and ignores others. In light of the above arguments, the present study fills this gap by evaluating "the quality of financial reporting" on several proxies (which are illustrated in detail in Section 2.5).

The quality of financial reports is associated with the importance and usefulness of financial information to the users (Jonas and Blanchet, 2000). The Association for Investment Management and Research conducted a survey of corporate disclosure quality, and determined that corporate disclosure and quality of financial reports were considered to be very important (43%), extremely important (30%), and somewhat important (22%) to a majority of portfolio managers and security analysts. Low quality financial reports will persuade investors to turn to financial analysts, money managers and other intermediaries to generate and process the information that the investors require to make decisions, instead of using the financial reports alone (Miller and Bahnson, 1999). Furthermore, if market participants perceive an unacceptable quality of financial reports, then this will stimulate the demand for additional regulations (Imhoff, 1988) because the current

accounting standards can grant too much flexibility for management to manipulate the accounting information.

The previous research has evaluated the quality of financial reports in a variety of measures. The different measures that are contemplated as proxies for quality of financial reports include: timeliness (Dyer and McHugh, 1975; Davies and Whittred, 1980; Whittred and Zimmer, 1984; Ku Ismail and Chandler, 2004; Bowrin, 2008), adoption of accounting standards (Bowrin, 2008; Morais and Curto, 2008; Paananen and Lin, 2009), compliance with the accounting standards (McEwen and Schwartz, 1992; Joshi and Al-Mudhaki, 2001; Joshi and Bremser, 2003; Rahman and Ismail, 2008), information disclosure (Abayo et al., 1993; D'Arcy and Grabensberger 2003; Naser and Nuseibeh, 2003), earnings management (Miller and Bahnson, 1999; Tendeloo and Vanstraelen, 2005), involvement of external auditors (Imhoff, 1988), audit-firm tenure (Johnson et. al, 2002), and influence of corporate governance (Goodwin and Seow, 2002). Most research is driven to study the quality of the annual financial report; research on interims is not common since publishing quarterly interims is not mandated in the majority of countries. The present study contributes to the literature by examining the quality of interims that are published quarterly.

The results of preceding research are mixed, which may be due to the diverse measurement of quality financial reports and difference in the economic environment across countries. For example, D'Arcy and Grabensberger (2003) and Rahman and Ismail (2008) discovered that the quality of financial reports was high or increasing, while Abayo et al. (1993) found that the quality of financial reports was low. In another example, Imhoff (1988) found that the quality of financial reports for companies audited by main Chartered Public Accountants (CPA) firms do not differ, while Miller and Bahnson (1999), Morais and Curto (2008), Bowrin (2008) and Paananen and Lin (2009) found a mixed level of quality of financial reports.

Interims provide an important source of information (D'Arcy and Grabensberger, 2003) to the users of financial reports. However, according to (Bagshaw, 2000, 40):

“Interim reports are the only regular financial information received by shareholders between annual reports and the quality of this price-sensitive information is therefore crucial. Despite this, the regulation of interim reports is still fairly light, and concern has been expressed over many years as to the quality and problems associated with interim reports.”

Boritz and Liu (2006), who suggest that interims should not be viewed as reliable support Bagshaw's (2000) view on the crucial quality of information disclosed in the interims. Interims furnish unconvincing information to their users for several reasons such as: non-disclosure of all required information (McEwen and Schwartz, 1992; Miller and Bahnson, 1999); seasonal factors (Chan, 2007) that can cause inconsistent earnings due to the costs that are only incurred during one quarter and not to other quarters; imprecise estimation of accruals, provisions, and tax rates (Jarret, 1983; Bagshaw, 2000; Boritz and Liu, 2006); and, the absence of an audit review by an independent party, such as external auditors (Ku Ismail and Abdullah, 2009).

Non-disclosure of all of the required financial information can have a considerable impact on the decisions made by the users of financial reports, especially investors. Seasonal factors will cause the earnings trend to fluctuate and become inconsistent with the traditional trends. Investors can make different decisions due to the fluctuations in earnings. Estimated tax rates made by the management during the interim periods may be inaccurate. The imprecise estimation of tax rates may have an enormous impact on the users of financial reports because profit may be over or underestimated. Due to the inaccurate estimation of tax rates, interims' profits may not be a reliable measure of a company's performance because the company can amend the profit to suit its own purposes. Concerning audit reviews, Mendenhall and Nichols (1988) concluded that managers have a greater opportunity to manipulate earnings when earnings reports are

unaudited. In addition, unaudited information may lack credibility and, therefore, may cause a market to become unstable (Rahman et al., 2007).

The aforementioned studies provide support for the theory that interims may be unreliable. Unreliable information may cause the users of financial reports (such as investors) to use other sources of information such as visits to companies, interaction with management, advisory services, annual reports, prospectuses, stockbrokers' advice and reports, the corporate press releases, company's information on their web pages, and other announcements made by the Bursa Malaysia (Ku Ismail and Chandler, 2005b) in order to alleviate investment risks and be more confident about the financial information before making investment decisions. Consequently, it can be inferred that interims may not be a source for investors to rely on to make investment decisions, especially if they are unaudited. The unreliability of interims is further supported by studies from Newell (1969) and Al-Darayseh and Brown (1992) who found that quarterly data were significantly differs from the annual reports. Although the interims were not subject to audit review when their research was conducted, they found that the information in interims was used more often than information in annual reports. As numerous stakeholders make decisions grounded on the interims' information (Beuselinck and Manigart, 2007) the quality of interims should be evaluated in order to confirm that the information is relevant, reliable, and comparable.

Al-Darayseh and Brown (1992) examined the accuracy of investment decisions by comparing the annual and quarterly data of 190 companies in the US. They were motivated to do this research because they posited that inaccurate and abnormal decisions made by investors are due to inaccuracy and enhancements of the data that are released to the public. They compared the sum of four quarterly financial figures with the annual financial figures, and they then run a t-test to determine any significant differences. They found that the financial data contained in interims might not be as

accurate as that in annual reports. They also found that the interims were not coherent with the annual reports. Owing to unreliability of interims viewed by previous research, the present study is motivated to examine the quality of Malaysian interims, which is the first objective of this research.

Cook (1987) proposed that the quality of financial reports will be enhanced if three elements are adopted: the independent auditors' efforts to ensure that financial reports comply with accounting standards, the measurement and reporting standards that govern the preparation and presentation of financial reports, and the efforts of management to prepare financial reports. Similar to Cook (1987), Bandyopadhyay et al. (2007) asserts that the quality of financial reports is a collective result of the integrity and severity of the auditor's review process, the interim financial reporting standards, and the financial expertise possessed by the preparer. Williams (2008) emphasized on corporate governance, preparation of financial reports and audit to improve financial reporting. By referring to Cook (1987), Bandyopadhyay et al. (2007) and Williams (2008) proposals, it can be seen that three important elements to enrich the quality of interims is: to perform audit reviews by independent auditors, to measure interims' compliance with the interim reporting standards, and to evaluate whether those responsible for corporate governance have executed their obligations conscientiously. A detailed explanation of each element is given in sections 2.4, 2.5, and 2.6 respectively.

2.4 Audit Review and Review Reports

Assurance on the quality of a financial report is categorised into three groups, namely: compiled, reviewed, and audited. The quality of compiled financial reports is low because the financial information is merely constructed in accordance with a specified format and, therefore, the reliability is uncertain. Although an audit company may have revised the financial reports, they may not be of a good quality because the review is more limited than auditing. Audited financial reports have undergone an in-

depth assessment by an audit firm and are considered to be of a good quality if the audit firms issued unqualified opinions. Nevertheless, financial reports with an unqualified opinion may not be of excellent quality, especially if they are prepared according to concept-based accounting standards.

Accounting standards are categorised into rules-based and concept-based accounting standards. However, in reality there are neither purely rules-based nor concept-based accounting standards (DiPiazza et al., 2008). In other words, in practice, accounting standards are a mixture of rules-based and concept-based accounting standards. Rules-based accounting standards are a list of detailed rules that must be complied with when a financial report is prepared. Compliance with these rules may increase the accuracy of accounting information and lessen any ambiguities while non-compliance with these rules may lead to penalties by the authorities. Concept-based or principles-based accounting standards provide a conceptual basis for the preparer of financial reports to pursue. They are a set of broad guidelines that are practical for a variety of circumstances. They also enable the preparer of a financial report to manipulate accounting information. Meanwhile, concept-based accounting standards enable substantial room for companies to manoeuvre and there is always a risk that the auditors may fail to uncover errors or manipulations deliberately made by the company's management.

Interims are not subjected to a complete audit. Instead, interims are subjected to audit reviews; however, a mandatory review of interims depends on the constitutional regulations of each individual country. For example, in the US, the interims of PLC are mandated to be reviewed, while there is no such requirement for Malaysian PLC. The lack of audit reviews may be caused by their high cost. This is evidenced by the study of Bedard and Courteau (2008), who determined that total audit fees for companies with quarterly reviews are 15% higher than those without a quarterly review.

In December 1999, the US SEC released a new regulation that obliged all PLC to review their interims. The US SEC advised that the involvement of external auditors would enrich the usefulness of interims. Raedy and Helms (2002) suggested that the participation of external auditors can produce relevant and reliable financial information and, consequently, they can improve the quality of interims. Wiedman (2007) also agreed that a mandatory review of interims might strengthen their reliability and lessen the frequency of restatements in interims.

Audit reviews consist primarily of analytical procedures and inquiries of management (Bailey, 1999). They do not include physical inspection over the tangible assets, company information from external parties, or comprehensive examination of transaction documents (Ettredge et al., 1999; Bedard and Courteau, 2008). Audit reviews are designed to enable an accountant, without applying comprehensive procedures, to assess the management's representations and consider whether interims are in conformity with the Generally Accepted Accounting Principles (GAAP). Hence, audit reviews provide a limited degree of assurance in comparison to an audit.

Krishnan and Zhang (2005) suggest that conducting a review of financial reports is significant for two reasons. Firstly, it signifies that a company's independent audit firm has accomplished a timely or quarterly review on the interims, and its presence is alleged to improve the quality of financial reports. A higher perceived quality could in turn improve the stock market performance. Secondly, just like an audit report, a review report can be "clean" or "modified" and, therefore, it can convey information about the company's financial condition.

Initially, the US SEC enabled PLC to select their interim review to be conducted on either a timely basis (reviewed quarterly) or retrospectively (delay review until the end of a fiscal year at the time of annual audit). Manry

et al. (1999) investigated whether timely or retrospective reviews influence the credibility of quarterly earnings and a majority of their respondents selected a timely review (78%). They determined that a timely review enriched the credibility of financial reports due to the earlier contribution of external auditors in financial reporting processes. Bedard and Courteau (2008) also found that timely reviews improve interims.

Bandyopadhyay et al. (2007) states that audit reviews that are based on enquiry, discussion, and analyses are not adequate for transactions that have occurred in interims. These processes may result in adjustments in the fourth quarter where audit procedures are properly performed for all transactions. In addition, the adjustments may impair the quality of interims. They also discovered that if reviewing interims by auditors is mandated, then, all companies are likely to purchase the lowest level of review in order to meet the minimum requirements. However, if reviewing interims is voluntary, then companies will likely purchase the highest quality level of review in order to distinguish their quality from other companies and signal their quality to the market.

Notwithstanding the fact that interims are submitted to timely reviews, the US SEC has not mandated companies to append the audit review reports in interims; the decision to append the audit review reports will be made by the companies. Boritz and Liu (2006) learnt that some auditors preferred that written audit review reports be attached to interims because the appended audit review reports are believed to enhance the interims' credibility. However, contrary to Boritz and Liu (2006), Krishnan and Zhang (2005) suggest that the external auditors may discourage companies from appending audit review reports because a written form may cause higher audit fees to the companies and they can expose the auditors to additional litigation risk. Krishnan and Zhang (2005) noted that only a small percentage of the companies in their study appended audit review reports. The majority of these reports were "clean", which implies that companies that modified

their financial reports may not append their audit review reports. Hussey and Woolfe (1998) found that audit review reports are most likely to be published by larger companies. It can be concluded from this that audit review reports may be disclosed by large companies and they were not disclosed by some companies due to the benefit of both parties, which is to reduce the audit fees for the companies and to decrease litigation risk for the external auditors.

Mangena and Taurigana (2004) examined the relationship between the external auditor's involvement in the UK PLC interims and corporate governance. Corporate governance is proxied by the characteristics of the audit committee and the Board of Directors (BOD). Mangena and Taurigana (2004) found that engaging an external auditor to review interims was directly associated with an audit committee's financial expertise and inversely associated with the shareholding of audit committee members. These results suggest that audit committee members with financial expertise and low shareholding encourage their companies to be reviewed by external auditors. Audit committee size, the executive directors' shareholdings, and the proportion of non-executive directors were not significantly associated with the determination to include external auditors in interims. They also found that large companies, interim profit, interim dividend payment, a long stock exchange listing history, and being listed on the London Stock Exchange's market were all positively related to the external auditor's involvement with interims.

There are several advantages and disadvantages to involve the external auditors in interims. Continuous involvement of external auditors in interims not only benefits the PLC but it benefits the external auditors as well. Association with interims throughout the year will allow the external auditors to identify problems at an earlier stage and to manage the risks associated with a company's financial reports, and will result in faster completion of auditing at the year-end (Raedy and Helms, 2002). This will strengthen the

reputation of the external auditors. In addition to producing a high quality of financial report, the quality and the efficiency of the annual audit will also develop since the annual financial report is produced on a more timely basis.

Despite these benefits, Bedard and Courteau (2008) proposed that audit reviews expanded the tasks for external auditors because they have to review a company's interims every quarter instead of annually or semi-annually. Consequently, the external auditors must evaluate their personnel's ability to do the quarterly reviews for their quoted client base. Additionally, association with external auditors may also burden PLC because of the higher audit fees (Krishnan and Zhang, 2005; Bedard and Courteau, 2008). In addition, the management has to provide more estimates of provisions and they have to provide any information that is required by external auditors every quarter.

Imhoff (1988) examined the views of financial analysts on the quality of financial reports of companies who were the clients of the previous Big Eight major Certified Public Accountants (CPA). This study is particularly important because it investigated whether major CPA firms tolerated low quality financial reports and ignored non-compliance with the accounting standards. In other words, some major CPA firms may abuse a company's non-compliance with the accounting standards in order to win a long-term relationship with their clients. Imhoff (1988) found that there were no significant quality distinctions viewed by the financial analysts over those PLC. The absence of quality differences would suggest that the uniform application of accounting standards by the PLC and the Big Eight CPA firms did not ignore the non-compliance with accounting standards; therefore, the quality of financial reports is high. A further study by Imhoff (2003) suggested that substantive changes in auditing, accounting and corporate governance can enhance the quality of financial reports.

These previous studies have proved the importance of audit reviews and audit review reports to enrich the quality of interims. As mentioned earlier, Bagshaw (2000) and Boritz and Liu (2006) points out that the quality of interims is unreliable and that the US SEC requires timely review of the interims published by US PLC. Meanwhile, the absence of an audit review and no mechanism set by the Malaysian regulatory body to ensure that PLC have complied with the interim reporting standards provides further support for the need of the present study to evaluate the quality of Malaysian interims. The quality of interims is evaluated according to Cook (1987), Bandyopadhyay et al. (2007) and Williams (2008) proposals which is audit reviews, compliance with the accounting standards and corporate governance. In addition to that, the present study also uses the conceptual framework that is issued by the Malaysian Accounting Standards Board (MASB), which is illustrated in the next section.

2.5 MASB Accounting Standards and Conceptual Framework

The MASB is an independent authority that develops and issues accounting and financial reporting standards in Malaysia. To prepare interims, the MASB released the MASB 26, Interim Financial Reporting in 2002, which is a standard that is consistent with the International Accounting Standards (IAS) 34, Interim Financial Reporting. In 2001, the IAS was renamed as International Financial Reporting Standards (IFRS). In order to converge with the IFRS, Malaysia renamed the MASB standards as the Financial Reporting Standards (FRS) in 2005. Consequently, the MASB 26 has been replaced by the FRS 134. The IAS 34 was revised in 2005 and 2007. The FRS 134 was revised accordingly and the latter revised standard was effective beginning 1st July 2007. In conjunction with the FRS 134 (previously known as MASB 26), the Bursa Malaysia revised the Bursa Malaysia Listing Requirements (BMLR) by inserting provisions for interims. The provisions in the FRS 134 and the BMLR are not repetitive and they complement each other. Therefore, in Malaysia, the interim reporting

standards to be complied by PLC to prepare interims are the FRS 134 and the BMLR.

According to the MASB's conceptual framework for the Presentation and Preparation of Financial Statements, the qualitative characteristics of financial reports determine the usefulness of financial information. Jonas and Blanchet (2000) proposed that the usefulness of financial information is linked to the quality of a financial report. Therefore, the present study used the framework that adherence to the interim reporting standards and qualitative characteristics of financial reports will provide useful information to the users of financial reports, and they will consequently produce high quality interims. Using qualitative characteristics to determine the quality of financial reports is supported by the study by Bowrin (2008), who conceptualised the quality of annual financial reports by using two qualitative characteristics, namely: relevance and reliability.

The MASB qualitative characteristics were revised in November 2011. The qualitative characteristics are divided into two categories namely fundamental and enhancing qualitative characteristics. Fundamental characteristics consist of relevance, materiality and faithful representation. Financial information is relevant if it has predictive and/or confirmatory value. Information is material if omitting or misstating it could influence the users in making decisions. Faithful representation consists of three characteristics namely complete, neutral and free from error. Faithful representation replaced the term reliability as the concept of reliability is very subjective and lack of common understanding of its meanings. Enhancing qualitative characteristics consist of comparability, verifiability, timeliness and understandability. Comparability enables the users to identify the similarities and differences between at least two items. Verifiability means that the independent viewers accept that the information revealed denotes the economic phenomena that it intends to represent. Timeliness is having timely information that is capable to influence the decision makers'

decisions. Understandability means information is clearly and concisely classified, characterised and presented.

The unrevised MASB conceptual framework was used as the periods of interims in the present study were prior to MASB's revision. Three qualitative characteristics were chosen to determine the quality of interims, namely relevance, reliability and comparability. These characteristics were chosen because they correspond to the items highlighted in FRS 134. The objective of FRS 134 is to provide the minimum content of financial information for an interim period so that "timely" and "reliable" information develops the awareness of the users of a financial report of a company's financial position. The FRS 134 also emphasises the importance of "comparative" figures in interims. Using these variables also add a contribution to the literature because the present study extends Bowrin's (2008) study by adding a new variable, comparability. The information of each qualitative characteristic according to the MASB unrevised framework is as follows.

2.5.1 Relevance

According to the MASB conceptual framework, relevance refers to the possibility to influence the financial user's economic decision-making. Financial report is useful if the information is relevant to the decision making process of users. Relevant information is required by the financial report's users to make predictions and constructive decisions (Zeghal, 1984; Muller, 2011). Previous researchers used several measures to identify the relevance of information. Value relevance of information is commonly used by previous researchers (Barth et al., 2001; Sami and Zhou, 2004; Tswei, 2013). Beest (2009) used predictive and confirmatory value that conforms to the composition of revised conceptual framework. Predictive value was measured by forward-looking information, business opportunities, business risks and use of fair value in financial reports. Confirmatory value was measured by conformance to past expectations based on previous evaluations.

Under the MASB unrevised conceptual framework, relevance consists of materiality and timeliness. Information is material if its omission or misstatement could influence the user's economic decisions. Timeliness consists of publishing information in financial reports in a timely manner. Information that is published more timely provides more information that is relevant to the users. The present study used timeliness as the proxy of quality of interims because it is of vital importance for the capital market (Charumathi, 2011) and commonly used by the previous research. A delay in releasing financial information will increase the uncertainty to make decisions and the information becomes irrelevant to investors (Fagbemi and Uadiale, 2011).

Nevertheless, the MASB highlighted that producing timely information often contains ambiguous amounts, which will impair the reliability of financial reports. Delaying financial reporting until all of the information is known and certain will cause the financial reports to be highly reliable. However, the delayed information may no longer be relevant to financial report's users since the information is already outdated. This is evidenced by a study from Joshi (2005), who finds that the value of information can diminish with an increased time lag in publishing the financial reports because the economic and financial decision made by the financial report's users are greatly influenced by the timeliness of the information released. Consequently, it is important for the management of a company to strike a balance between timely financial reports and reliable information.

2.5.2 Reliability

The reliability of financial information reflects the reality and substance of transactions and events, which is complete and free from bias and material errors. Reliability is very important because otherwise erroneous decision making will occur. According to the MASB unrevised conceptual framework, reliability consists of faithful representation, substance over form, prudence, neutrality, completeness and verifiability. Faithful representation means that

the transactions that are reported in the financial reports represent the actual transactions that have occurred. Substance over form means that it is in accordance with the transaction's substance and economic reality, not the legal form. Prudence means exercising judgments for uncertain information, especially financial estimates, so that asset or income is not overstated and liability or expense is not understated. Neutrality means absence from bias while completeness means that it is completed without any omissions. The definition of verifiability is similar to the above revised conceptual framework.

Many studies are interested in investigating the reliability of financial reports. As there is a lack of common understanding what the term reliability means, a range of assorted measures are used. For example, Ku Ismail and Chandler (2005c) analysed the exceptional items; Manry et al. (1999), Raedy and Helms (2002), Mangena and Tauringana (2004), Krishnan and Zhang (2005), Boritz and Liu (2006), and Bedard and Courteau (2008) evaluated audit reviews by the external auditors; and McEwen and Schwartz (1992), Joshi and Bremser (2003) and Rahman and Ismail (2008) examined compliance with accounting standards.

Ku Ismail and Chandler (2005c) examined the reliability of interims by studying exceptional items reported in interims. They discovered that most PLC (78.9%) deferred reporting exceptional items and made negative adjustments in the fourth quarter. The PLC had a tendency to manage their earnings in the first three quarters and they used the fourth quarter to settle all of the previous restatements. They concluded that interims may not be reliable. They also found that deferment of reporting exceptional items was more likely for non-profitable companies and there was no association of deferment with size, growth, and leverage of a company. The limitation of Ku Ismail and Chandler's (2005c) study is that the sample only consisted of companies that disclosed exceptional items; therefore, their conclusion that interims are not reliable cannot be generalised to Malaysian PLC that did not report exceptional items. Furthermore, the sample was investigated when

the related accounting standards had not been enforced to PLC. Therefore, PLC with exceptional items may not report the item because there are no specific rules and regulations to follow.

McEwen and Schwartz (1992), Joshi and Bremser (2003), Nieuwoudt and Koen (1999), and Rahman and Ismail (2008) used compliance with accounting standards to investigate the reliability of interims. Accounting standards are one of the vehicles for monitoring and enforcing the quality of financial reports (Imhoff, 1988). As mentioned earlier, accounting standards have been categorised into rules-based and concepts-based standards. The FRS 134 is a concept-based accounting standards, which have broader guidelines that cause the preparers to misinterpret their meanings and therefore cause the financial reports to be inaccurate or unreliable. Following the suggestions by Cook (1987), Bandyopadhyay et al. (2007), Williams (2008) and previous research, the present study used compliance with the interim reporting standards to assess the quality of interims.

2.5.3 Comparability

Comparability means that the users can determine the trends of financial reports through the periods, and then compare the financial position and performance with other companies. For example, disclosure of financial figures of the preceding corresponding periods in the current financial reports assists the users to make decisions. However, preparer of interims must be aware of the amendments of accounting standards and they must apply them appropriately so that the financial information in the financial reports is comparable with other companies. In other words, in order to have comparable financial reports, the transactions of a company are treated consistently throughout the period, the financial information is amended according to the changes of accounting standards, and the changes of accounting standards are treated similarly and correctly with other companies. As there seems to be no research on comparability of interims,

the present study fills this gap by examining the comparability of Malaysian interims every quarter.

The information of each qualitative characteristic, which is proxied by timeliness, compliance with the interim reporting standards and comparability, is detailed as follows.

2.6 Timeliness

Timeliness of accounting information is essential for the financial report's users (Davies and Whittred, 1980; Zeghal, 1984; Urbanic, 1992) because they require current information to make predictions and constructive decisions (Zeghal, 1984). The accounting information should be published as early as possible (Zeghal, 1984) in order to have an effective disclosure of information (Buzby, 1974). Delay in releasing information may cause the information to be irrelevant for making decisions. Nevertheless, according to Bromwich (1992), timeliness is not deemed a significant characteristic from an information economic perspective. Timeliness is a significant factor if the information that published early provides greater benefits to the decision maker.

The quality of financial reports depends in part upon the frequency and timeliness of reporting (Miller and Bahnson, 1999). Timely disclosure and presentation of information improves the image of corporate bodies because they reflect managerial efficiency and effectiveness (Joshi, 2005). The importance of timeliness is further supported by the research of Abdulla (1996), who suggested that a shorter time between the financial year-end and publication date is more beneficial for users. According to the MASB's framework, undue deferment of financial reporting may lose the relevance of accounting information and therefore, may have an immense effect on the user's decisions. A delay in releasing the financial reports may increase the uncertainty level of investors' decisions (Givoly and Palmon, 1982) because it intensifies the level of historical information (Zeghal, 1984).

Interims are timely if they are published within the stipulated period given by the Securities Commission. Different countries have different periods to publish their interims. In Canada, Singapore, Japan and Hong Kong, the period to publish interims is within 45 days after the quarter's end. Meanwhile, the Frankfurt Stock Exchange has extended the period for publication of interims from two to three months for non-European Union PLC. The extension period was effective on 15 August 2008. The period at the Frankfurt Stock Exchange was lengthened because some international PLC were not able to meet two months reporting deadlines due to legal or practical reasons in their home countries (Anders and Ploetz, 2008). On the other hand, the US SEC has shortened the period for interims from 45 days to 35 days. Due to the different allowable period to publish interims, the definition of timely publishing of interims varies in different countries. For example, although the US PLC publish their interims 40 days after the quarter ends are not considered to be published on a timely basis, this would be considered to be timely for Singaporean or Malaysian PLC.

The FRS 134 requires Malaysian PLC to publish interims not exceeding 60 days after each quarter ends. Similarly, the Bursa Malaysia obliges Malaysian PLC to submit interims within two months after the quarter ends (Section 9.22(1)). If PLC requires an extension to the period, then they must notify the Bursa Malaysia fifteen days before the allowable period ends (Section 9.26(2)). Failure to issue interims within the stipulated time period means that PLC must make an immediate announcement to the Bursa Malaysia on the expiry date of timeliness and notify the reasons for such a failure (Section 9.26(3a)) and they must announce the issuing of interims on or before the last market day of each month following the expiry date of timeliness (Section 9.26(3b)). Failure to issue interims within three months from the expiry date of timeliness will result in the Bursa Malaysia suspending trade in securities for PLC until the interims are published (Section 9.26(4)). If the delay is longer than six months then the PLC will be

de-listed (Section 9.26(6)). The severity of these penalties shows how important timeliness is considered to be.

The previous studies have used several methods to measure timeliness. Dyer and McHugh (1975), Whittred (1980), Whittred and Zimmer (1984) measured timeliness by segregating the reporting lags into three categories: a) preliminary; b) the auditor's signature; and c) total lag. These are respectively measured by the number of days from the financial year-end to: a) the receipt of preliminary statement by the Sydney Stock Exchange (SSE); b) the date of auditor's signature on the auditor's report; and c) the publishing date of financial reports with the SSE.

Whittred and Zimmeris (1984) examined the reporting lags by comparing "healthy" and "entering financial distress" companies. Companies are "healthy" if they have succeeded in receiving the receipts of preliminary statements, and "entering financial distress" otherwise. Kross and Schroeder (1984) compared the actual and forecast reporting lag. The actual reporting lag is measured by the number of days between the interims' date and the date they were issued. Forecast reporting lag is measured by a time-series analysis of each PLC reporting history for 26 quarterly periods (i.e. from the second quarter of 1971 to the third quarter of 1977).

Leventis and Weetman (2004) measured timeliness by measuring the lead time and discretionary delay. Lead time is measured by the number of calendar days between the balance sheet date and the released date of annual reports. Discretionary delay is measured by the ratio of $b/(b+c)$, where b is the period between the date the auditor signs the financial reports and the date of releasing the annual reports and c is the period between the date of releasing the annual reports and the allowable time given to the companies to publish the annual reports. Leventis and Weetman (2004) found that all companies reported within the regulatory deadlines, which were possibly due to the costs of regulatory actions and adverse impact of

the market. However, companies with higher number of remarks in their audit reports exercised discretion by releasing less timely information to the market. Leventis and Weetman's approach requires audit involvement. Malaysian interims are not subject to audit. Therefore, the discretionary delay of the present study can only be measured by the difference between the allowable time given to PLC and the date the interims are released to the public. This method has been included for the present study.

Kross and Schroeder's (1984), Annaert et al. (2002), and Ku Ismail and Chandler (2004) measured the timeliness of interims by reporting lag, which refers to the period between accounting date of interims' quarters and the date when the interims are issued. The present study employs this method because it is suitable to measure interims in the absence of audit reviews.

There has been much research conducted on the timeliness of annual reports in: Australia (Dyer and McHugh, 1975; Davies and Whittred, 1980; Whittred and Zimmer, 1984), New Zealand (Carslaw and Kaplan, 1991), in the U.S (Givoly and Palmon, 1982; Ashton et al.,1987), Hong Kong (Ng and Tai, 1994), India (Joshi, 2005), Bangladesh (Karim et al., 2006), Bahrain (Abdulla, 1996), Zimbabwe (Owusu-Ansah, 2000), and in Trinidad and Tobago (Bowrin, 2008). However, this review has found that there is less research in quarterly interims; the most obvious reason for this is due to the voluntary nature of publishing quarterly interims in most countries.

At the beginning, most of the previous literature on timeliness found that PLC published financial reports within the regulatory stipulated period. Later researchers extended this early research by investigating the association between timeliness and several attributes, such as: earnings (Chambers and Penman,1984; Butler et al., 2007), audit review (Hussey and Woolfe,1998; Boritz and Liu, 2006), types of audit firm (Davies and Whittred, 1980), audit fees (Abdelsalam and El-Masry, 2008), audit opinions (Whittred,1980), contents of information in financial reports (Zeghal,1984), company size (Dyer and McHugh,1975; Lont and Sun, 2007; Abdelsalam and El-Masry,

2008), company age (Courtis,1976; Owusu-Ansah, 2000), date of financial year end (Dyer and McHugh,1975), number of shareholders (Courtis,1976), industry classification (Courtis,1976; Lunt, 1982; Lont and Sun (2007), types of news (Chambers and Penman,1984; Annaert et al., 2002), profitability (Dyer and McHugh,1975; Owusu-Ansah, 2000; Abdelsalam and El-Masry, 2008), and extraordinary items (Davies and Whittred, 1980). Similarly, the extension studies of timeliness mostly focused on annual reports instead of interims. The research on timeliness of interims in various countries is detailed below.

Lunt (1982) investigated the timeliness of UK PLC to publish interims. Lunt discovered that the UK PLC published interims between 61 and 90 days, with a mean timeliness of 72 days. Lunt's (1982) results indicate that the interims of all PLC are published within the allowable period of 90 days. Large PLC are hypothesised to publish interims earlier than smaller PLC because they have the ability to acquire more sophisticated information systems that expedite the financial reporting process. Nevertheless, the results have failed to support this hypothesis; Lunt (1982) found that the reporting lag between small and large PLC insignificantly differs. Concerning the types of industries, Lunt (1982) found that non-industrial PLC published interims more timely than industrial PLC.

Kross and Schroeder (1984) examined the timeliness of the US PLC interims. Their sample consists of 297 New York Stock Exchange (NYSE) and American Stock Exchange PLC. The period was between 1977 and 1980. They found that the actual reporting lag of PLC was between 22 to 30 days after the end of each quarter. Contrary to Lunt (1982), Kross and Schroeder (1984) found that the number of days generates a positively skewed distribution, which indicates that the US PLC published interims in a very timely manner and they did not publish towards the end of the allowable period.

Chambers and Penman (1984) explored timeliness by comparing the interims and annual earnings published in the "Wall Street Journal Index". They found that the reporting lag time was predictable: between three to four days for interims and one week for annual reports. This result indicates that earnings for interims are published three or four days earlier than earnings of annual reports. Additionally, PLC with positive earnings tends to release interims earlier than PLC that have forecasted bad news. PLC tends to release good news earlier to attract more investors. Apart from timeliness, Chambers and Penman (1984) assessed the relationship between timeliness and company size (which was measured by the market value). They found that timeliness was associated negatively with company size.

Although Zeghal's (1984) study is similar to that of Chambers and Penman (1984) in that it compared the timeliness of interims and annual reports, it used different types of variable (i.e. the content of information in interims and annual reports). Zeghal (1984) used a large sample of New York and American Stock Exchange PLC. The sample consists of 1,402 PLC and the periods observed were 1973, 1974 and 1975. Altogether, there were 4,186 annual reports and 11,933 interims. Zeghal (1984) provides evidence that, regardless of the types of financial reports (i.e. whether it is interim or annual), timely financial reports have higher contents of information than delayed financial reports. However, the delay of information content was more significant for interims than annual reports. This may be due to the different characteristics of the information contained in interim and annual reports. In addition, it may also be caused by the different roles that they serve for the investor's decision-making process. In other words, interims contain abstracted and unaudited information to update the investor's expectations while annual reports contain extensive and audited information to confirm the investor's prediction.

Hussey and Woolfe (1998) also investigated the timeliness of UK PLC interims. They found that a greater number of UK PLC published interims

within the allowable period of 90 days than in the prior five years. The mean of timeliness had also significantly reduced from 68.7 days in 1992 to 62.4 days in 1997. The mean showed that UK PLC published interims 21 to 27 days earlier than the required 90 days to publish. Hussey and Woolfe (1998) also investigated the association between timeliness and independent audit reviews. They found that there is no association between timeliness and independent audit reviews. However, the audit review is positively associated with voluntary disclosures in interims.

Annaert et al. (2002) pooled the time series and cross-sectional data of 67 Belgian PLC between 1991 and 1998. This period was chosen because before 1991, Belgian PLC was not required to issue interims. The Royal Decrees that imposed the regulation to issue interims for PLC on the Brussels Stock Exchange (BSE) were made effective on 3 July 1996. On 17 December 1998, the regulation was extended to be effective until 1999 and the allowable period to issue interims was reduced from four to three months. Annaert et al. (2002) discovered that the mean and median of Belgian interims were 57 and 58 days, respectively. Over the years, timeliness to issue interims has been found to improve, possibly because of the build-up of experience gained by PLC during that period. They also discovered that timeliness was not associated with the type of news (be it good or bad). This result is in contrast with Chambers and Penman (1984), who found that timeliness is associated with the types of news.

D'Arcy and Grabensberger (2003) examined the quality of German Neuer market interims. Their sample consists of 47 PLC and the interim periods of their study are the third quarter of 1999, 2000, and 2001 only. They found that most PLC published their interims within two months after the quarter ends. Four PLC delayed publishing their interims in 1999, three in 2000, and one in 2001. The results indicate that over the periods, fewer numbers of companies published interims more than the given period. Similar to the results of Hussey and Woolfe (1998), mean timeliness improves over the

periods but insignificantly differs. The mean timeliness was 49 days in 1999, and 47 days in 2000 and 2001.

Ku Ismail and Chandler (2004) discovered that all but one of the Malaysian PLC included in the sample submitted interims within the permissible reporting lag of two months. The mean and median of interims submission were 55.7 and 58 days, respectively. This indicated that PLC in Malaysia was inclined to submit the interims towards the end of the allowable period. This result is in contrast to that of Kross and Schroeder (1984), who found that US PLC is inclined to submit interims early. Ku Ismail and Chandler (2004) examined only the third-quarter financial reports ending on 30 September 2001, which is similar to D'Arcy and Grabensberger (2003). Their findings may not be generalizable because no comparison is made across quarters and years. The present study fills this gap by examining the timeliness of Malaysian PLC across quarters and years to identify whether the findings remain. Additionally, comparison can be made with the subsequent year to identify the trend of timeliness of Malaysian interims.

Butler et al. (2007) investigated the effect of frequency reporting on the timeliness of earnings. Their sample included those companies that issued semi-annual and quarterly financial reports, and the observations were from 1950 to 1973. They found that there was no difference on timeliness to issue semi-annual and quarterly financial reports. However, companies that increased the reporting frequency from semi-annual to quarterly reports voluntarily had increased the timeliness to publish their financial reports. Companies who are mandated by the US SEC did not increase their timeliness.

Lont and Sun (2007) explored the timeliness to issue interims and annual reports of New Zealand PLC from 2004 to 2006. The allowable period for annual reports and interims is three months after the end of each financial year. They found that interims were released on average 10 days earlier

than the annual financial reports. They suggest that this may be due to the reduced complexity and absence of audit for interims. Lont and Sun (2007) also inspected the reporting lag of interims and annual reports based on company size, types of industries, and slow and fast reporting companies. Their annual revenue measured company size. They hypothesised that larger companies report earlier because:

- 1) they have greater resources that enable them to purchase less delay in issuing the financial reports;
- 2) they are audited by the big accounting firms that request audit resources for timely reporting; and,
- 3) they are often widely held stock companies that are pressured to provide timely information to shareholders.

Lont and Sun (2007) found that the median for interims of small and large companies were 82 days and 80 days respectively. The median for annual reports is consistent for small and large companies, i.e. 89 days. These results showed that releasing the interims for small and large companies differs insignificantly and releasing the annual reports is consistent, regardless of the size of the companies. Reporting lag based on different types of industries for interims and annual financial reports differed insignificantly. However, the range for interims was larger than the annual reports: between 67 and 97 days for interims, and 81 and 93 days for annual reports. Timeliness for the first five fastest reporters was around 70 days in 2004, which reduced to 61 days in 2006. Although Lont and Sun (2007) disclosed the first five fastest and all late reporters for annual reports, they disclosed none for interims. A comparison may add value to the literature by determining whether the same companies are among the first five and late reporters for interims and annual reports.

Some of the previous research focuses on timeliness based on industrial classification (e.g. Curtis, 1976; Givoly and Palmon, 1982; and Bowrin, 2008). Previous research has revealed that timeliness of different types of

industries differs. For example, Courtis (1976) found that timeliness was associated with industry classification: for New Zealand PLC, finance, and fuel and energy industries were fast reporters while mining and exploration, and service industries were slow reporters.

Bowrin's (2008) investigation of timeliness according to types of industries consists of 16 companies, of which: four companies were from the banking industry, six companies from the manufacturing industry, four companies were conglomerates, one company was in publishing, and one company came from property development and management. Bowrin (2008) found that the banking industry in Trinidad and Tobago out-performed non-banking industries, which may be due to the banking industry's "Blue Chip" stocks and both the financial sector and general market looked at the banking industry's reports to form expectations for the entire market. In addition, two independent bodies supervised companies from the banking industry and only one independent body supervised other industries. The independent body that supervised all industries is the Trinidad and Tobago Securities and Exchange Commission. The additional independent body that supervised the banking industry is the Central Bank of Trinidad and Tobago (CBTT). In comparison to the independent body, the CBTT monitored the banking industry more frequently, on an on-going basis, and more comprehensively (Bowrin, 2007). Since the sample size was trivial in Bowrin's (2008) study, the findings obtained may be unconvincing.

Ashton et al. (1987) and Ng and Tai (1994) raised the conflict issue of the involvement of external auditors which caused a delay in issuing the financial reports. Their concern was proven by a study from Wheatley et al. (2001), who found that audit reviews delayed the timeliness of the interims of US PLC. However, this phenomenon is restricted to PLC in five of the Big Six audit firms. Ashton et al. (1987) determined that an audit delay was positively associated with companies that:

- a) received qualified audit opinions;

- b) were in industrial classification;
- c) were not publicly traded;
- d) were non-December financial year end;
- e) had poor internal controls;
- f) employed less complex data-processing technology; and,
- g) had a greater amount of audit work to be performed after the financial year-end.

Factors that are associated with audit delay are categorised into audit-related and company-specific factors (Owusu-Ansah, 2000). Audit-related factors are likely to obstruct (or facilitate) the auditors in carrying out the audit assignments and issuing the audit reports promptly. Company-specific factors either enable management to produce a more timely report or reduce the associated costs that result in issuance of an early report.

Although audit reviews have delayed the timeliness of interims, Raedy and Helms (2002) suggested that involvement of external auditors may enrich the reliability of interims. Ghicas, (2003) agreed with this view and added that interims provide less reliable information due to non-verification by independent auditors, although interims were more timely to be published than the annual financial reports. On the other hand, Hussey and Woolfe (1998) provide evidence that the presence of auditor involvement was not associated with the delay in issuing interims but were associated with the voluntary disclosure of additional information. Boritz and Liu (2006) agreed with this finding when they found that PLC with no audit reviews published interims less timely than PLC with audit review. This was possibly due to PLC perception that publishing interims without an audit review gives a negative signal to the market. Therefore, PLC with the absence of audit reviews published interims later than those with audit reviews.

In addition to audit reviews, some of the reasons to defer issuing interims include: a frequent issue of financial reports (Gigler and Hemmer, 1998)

which cause the management of a company to spend more time to prepare the increase number of financial reports; a reluctance to release bad financial information to the public (Givoly and Palmon, 1982; Bowen et al., 1992; Deloof and Weets, 2003; Doyle and Magilke, 2009); financial distress (Whittred and Zimmer, 1984); complexity of the consolidation process in groups that have many subsidiaries, which includes foreign subsidiaries (Bowrin, 2008); and the additional workload forced on companies through compliance with the accounting standards (Bowrin, 2008).

Deferment to publish interims may possibly reduce the reliability of information disclosed (Joshi, 2005) because the financial information may be out-dated and no longer useful for the financial report's users to make decisions. There are several approaches suggested by previous researchers to expedite the timeliness of interims. For example, one of the approaches that was suggested by Kopcke (2002) was to report interims online, which may trigger the finance staff to spend less time on processing the accounts and more time on value-added analysis. Lybaert (2002) discovered that most companies were not inclined to post the interims' information online, which caused the internet users' failure to obtain the latest information in the fastest way possible. Subsequently, Abdelsalam and El-Masry (2008) investigated PLC timeliness of internet reporting and found that only 11% PLC did not post interims on their websites. Their results showed that over the period, most PLC were inclined to post interims online and the financial report's users can download the required files at any time without incurring a high cost.

The other approach to reduce the deferment in publishing interims is using a type of software that expedites the financial reporting process, such as the extensible business reporting language (XBRL). The US SEC introduced the XBRL to its PLC on 17 December 2008 to facilitate the companies' management to prepare frequent and timely financial reports. XBRL uses an interactive data format. It is used for analysing, exchanging, and reporting

financial and other business performance information (Rayner and Chandler, 2008). XBRL defines the contents of financial reports and facilitates the dissemination, access, and comparison of financial information. XBRL consists of a collection of standardised tags for line items in financial reports. The tagged information benefits the preparers and users of financial reports. With XBRL, the preparers can easily fill in the tagged data and the users, especially investors, can download the information to make analyses and to compare financial information across companies, reporting periods, and industries. Using XBRL enables PLC to prepare interims faster and more easily. However, management may take time to become accustomed to this new software. This may cause PLC delays in timeliness to publish interims in the short-term. However, in the long-term, timeliness should be improved.

2.7 Compliance with the Interim Reporting Standards

The MASB released the FRS 134 for Malaysian PLC to prepare interims. The objective of the FRS 134 is to prescribe the minimum contents of interims and principles for recognition and measurement that should be applied in complete or condensed interims. PLC are required to provide less information at interim dates when compared with annual financial reports due to the short allowable period given by the Securities Commission. Additionally, it ensures that PLC can publish interims on a timely basis and not repeat information from the previous annual report. The Bursa Malaysia issued the BMLR to complement FRS 134. Both standards are mandatory for Malaysian PLC.

Sound accounting standards will elevate the investors' confidence in published financial reports because they provide a basis for believing that a company's performance is accurately reported (Jermakowicz and McGuire, 2002). Completeness of information is one of the items that are contained in reliability, while incomplete information will make the interims unreliable. Miller and Bahnson (1999) proposed that incomplete information in financial reports will increase uncertainty for investors and creditors. Greater

uncertainty consequently increased the risks and caused the investors to demand a higher expected return. Incomplete information in financial reports may in turn cause a diminishing demand for a company's securities because the investors are uncertain about the expected returns and financial condition of the company.

Aljifri (2008) found that adequate disclosures in the financial reports assist market efficiency. Interestingly, Buzby (1974) provides an integrated overview of the nature of adequate disclosure, which partly depends on the objective of financial reports (which is to provide relevant information to the users in order to make economic decisions). Buzby (1974) suggests five interrelated questions to determine adequate disclosures :

- 1) For whom is the information to be disclosed?
- 2) What is the purpose of the information?
- 3) How much information should be disclosed?
- 4) How should the information be disclosed?
- 5) When should the information be disclosed?

The answers to these questions are that the disclosure is adequate if:

- 1) The users of the information are specifically determined;
- 2) Financial information is relevant to the specific users;
- 3) The elements of the financial reports (the balance sheet, income statement, and statement of retained earnings) are prepared according to the GAAP;
- 4) The methods of presenting the information are understandable; and,
- 5) The information is disclosed in a timely manner.

There is a sizeable literature on assessing the financial report's compliance with the accounting standards. However, there seems to be less research on compliance with the interim reporting standards. One of the early studies was conducted by McEwen and Schwartz (1992) who examined the compliance of 76 PLC with the minimum standards of Accounting Principles

Board (APB) 28, Interim Financial Reporting. The minimum disclosures required by APB 28 are:

- 1) Sales or gross revenues, which is subdivided into these categories:
 - a) Season revenues, costs or expenses;
 - b) Costs that are associated with revenues; and
 - c) Costs that are not associated with revenues.
- 2) Provision for income taxes.
- 3) Net income and earnings per share (EPS).
- 4) Other required disclosures:
 - a) Discontinued operations;
 - b) Extraordinary items;
 - c) Cumulative effects of changes in accounting principles;
 - d) Unusual items;
 - e) Contingent items; and
 - f) Significant changes in financial principles.

McEwen and Schwartz (1992) found that all PLC disclosed sales or gross revenues in their interims. However, a majority of PLC (89%) did not disclose the seasonality that may affect their interims' operations. Information about seasonality is important because the users of financial reports can differentiate whether a PLC earnings inconsistency are due to the seasonality or turning points in their operations. They identified non-disclosure of seasonality by observing the EPS values of each interim's quarter. Inconsistent values may indicate the appearance of seasonality in the interims' operations. Since their sample consists of a large number of PLC, they used a Friedman test to detect the existence of seasonality in the PLC business operations.

Firstly, McEwen and Schwartz (1992) compared revenues across all quarters to identify any differences across the year. Subsequently, revenues were compared between each pair of quarters. The results indicated inconsistency of revenues across the year, of which the highest mean rank

of revenues was in quarter four, followed by the second, third and first quarters. For the subsequent test,

- a) Revenues for the fourth quarter exceeded revenues for the other quarters;
- b) Revenues for the first quarter were lower than the other quarters; and
- c) Revenues for the second and third quarters insignificantly differ from each other.

However, this study failed to prove that the differences of revenues in all quarters were linked to seasonality. McEwen and Schwartz (1992) suggested that the differences across the years were more towards industry-wide or economic-wide sectors and turning points of an individual PLC.

Costs that are directly associated with revenues are to be recognised in the relevant interims' periods. It is recommended that PLC should use the same inventory pricing method as in annual reports for their interims. Ending inventory reported in interims has to be estimated because no physical stocktaking can be done in the interims' periods. Therefore, APB 28 allows PLC to use gross profit or other alternative methods for interims, which differs significantly from the method used in annual report. However, the methods used must be disclosed in the interims. McEwen and Schwartz (1992) found that no PLC disclosed how they determined the ending inventory in interims. Therefore, they cannot determine whether PLC used gross profit margins, or alternative methods to estimate the ending inventory.

Incurred costs that are not associated with revenues are expensed in the interims' relevant quarter. However, a problem of allocation arises when the costs benefit more than one interim period. APB 28 requires a "settling up" process in quarter four, but this adjustment leads to larger forecast errors in quarter four when compared with the other three quarters. Costs allocation may impair the quarters' earnings. McEwen and Schwartz (1992) found that

no companies disclosed the nature and amount of such costs, and no reconciliation information was available for over or under allocation adjustment of these costs in the fourth quarter.

APB 28 requires PLC to disclose estimate tax rates for each interim period and significant changes in the estimated effective tax rates. McEwen and Schwartz (1992) found that two PLC did not make the disclosures and eight PLC disclosed them in the quarterly footnote. A Friedman test result showed that the estimated tax rates for the first quarter were significantly higher than the annual tax rates. Tax rates revision was made after the first quarter because estimated tax rates in quarter two and three did not significantly differ with the annual tax rates. They suggest that failure to estimate the tax rates precisely may affect the usefulness of interims and diminish the predictability of earnings.

McEwen and Schwartz (1992) found that all PLC successfully disclosed their net income and EPS in interims; however, only a small percentage of PLC disclosed other required disclosures, which were: a) 13.1% on discontinued operations; b) 7.9% on extraordinary items; and c) 19.7% on the cumulative effect of changing an accounting principle in the annual report. Unusual items, contingent items and significant changes in financial position were frequently reported in the president's letter or in management discussion. There are no requirements in APB 28 for PLC to disclose balance sheets and cash flow statements in interims. Despite the lack of requirements for disclosure, 82.9% PLC disclosed a condensed balance sheet and 61.8% disclosed cash flows statements. Additionally, most PLC provide additional disclosures such as: a) 86.8% on the number of outstanding shares in each interim's period; b) 47.3% on dividend information; and c) 43.4% on summary segment or product information.

Overall, McEwen and Schwartz (1992) found that PLC in the sample did not disclose all the information required by APB 28. Therefore, the interims are

not reliable and they concluded that non-compliance with APB 28 diminished the usefulness of financial reports. They supported the suggestion by the US SEC to include independent auditors in the interim reporting process to improve the usefulness of interims and, ultimately, to enhance the compliance with the APB 28's requirements.

Nieuwoudt and Koen (1999) examined the compliance of South African PLC with the interim reporting standards for three-year periods (i.e. from 1996 to 1998). The first objective is more towards PLC compliance with disclosure of balance sheet and income statement items, and the second objective is more towards the narrative disclosure of interims. The first 50 PLC with the highest average of total assets, market capitalisation, net profit and turnover were selected as the sample.

For the first objective, Nieuwoudt and Koen (1999) selected 25 out of 55 interims' reporting requirements, which were based on the researchers' opinion that the information had a greater risk to be dealt inappropriately by PLC. The requirements were classified into four groups, namely: general disclosures, income statement, balance sheet and supplementary information. Compliance with these requirements varies:

- a) Four requirements with 100% compliance;
- b) Six requirements' compliance ranged from 80% to 96%;
- c) Four requirements ranged from 50% to 79%;
- d) Four requirements below 50%; and
- e) Seven requirements were uncertain due to insufficient information disclosed in interims.

For the second objective, Nieuwoudt and Koen selected all 19 disclosure requirements of interims. Compliance with these requirements also varied:

- a) Nine disclosure requirements ranged from 4% to 100%; and
- b) Ten disclosure requirements were uncertain.

Nieuwoudt and Koen suggested that low compliance with the interim reporting standards may be due to abundant regulations for interims, insufficient attention paid by the Registrar of Companies and Johannesburg Stock Exchange Board, and the PLC perception that the information was outdated and not beneficial to the financial report's users.

Joshi and Bremser (2003) investigated the preparation of interims and the first year adoption of IAS 34 by 31 PLC on the Bahrain Stock Exchange. They found that a large number of companies (i.e. around 88% of the sample) prepared interims. The degree of compliance with the IAS 34 was high, although only 66% of the sample had adopted the IAS 34. Company size, profitability and financial leverage were factors that influenced early adoption of IAS 34 in Bahrain. Association with foreign operations were not significant, and this was probably because no Bahraini companies were listed on a foreign stock exchange at the time of their study.

D'Arcy and Grabensberger (2003) examined the quality of Germany's Neuer Market's (GNM) interims by focusing on the disclosure level of third quarter financial reports. They were motivated to do the research because the interims of GNM had failed to meet the investor's information needs (Maier and Herr 2000; cited in D' Arcy and Grabensberger 2003, p. 330). Furthermore, Glaum and Street (2002), cited in D' Arcy and Grabensberger (2003, p. 330), found that year 2000 financial reports of 100 GNM's companies did not comply considerably with either the IAS or the US GAAP standards. Consequently, in 2002 the stock prices of GNM's companies had drastically fallen more than 90% from their peak price in March 2000.

D'Arcy and Grabensberger (2003) hypothesised that a higher disclosure level will result in higher quality financial reports. Forty-seven PLC were taken as the sample and the financial periods assessed covered three consecutive financial years (i.e. 1999, 2000 and 2001). D'Arcy and Grabensberger (2003) established four disclosure indexes to determine the

quality of GNM's financial reports as follows: 1) whether all parts of interims (i.e. the balance sheet, the income statement, the cash flow statement and the earnings per share) were present; 2) whether interims complied with Neuer Market Rules and Regulations (NMRR); 3) whether interims was prepared according to the IAS 34; and 4) whether interims complied with the US GAAP. D'Arcy and Grabensberger (2003) also investigated the typical attributes of companies that provide a high or low level of accounting information disclosure in the interims.

D'Arcy and Grabensberger (2003) found that in 1999, 43% of the sample disclosed basic elements of interims, almost three quarters in 2000, and all PLC in 2001. The missing disclosure in 1999 and 2000 may be due to the NMRR regulation in 1999, which did not require PLC to disclose a balance sheet (unlike both the IAS and the US GAAP). For the second index, the frequency of compliance with NMRR varied because some rules were only applicable to certain conditions. However, the items of information in the sample increased progressively over the three-year periods. For the third index, two companies in 1999 and one company in 2000 did not provide any items of IAS 34 requirements and more than 60% of the sample did not disclose segment information in the interims. Finally, they found that the IAS disclosure level grew at over 30% per annum and the US GAAP disclosure level was more constant. Overall, D'Arcy and Grabensberger (2003) found that the level of disclosure had increased over time because of the continuous supervision of interims by the relevant authoritative body and also because the NMRR had introduced a standardised format in the year 2000. The good results that were obtained by D'Arcy and Grabensberger (2003) are in contrast to those of Glaum and Street (2002), who found that GNM's companies did not comply with the IAS or US GAAP in the year 2000.

D'Arcy and Grabensberger (2003) investigated the typical attributes of PLC that provide a high or low level of accounting information disclosure in

interims. The first attribute was the accounting principles used by PLC. They found that the disclosure level of PLC that used the US GAAP was higher in the first two years, but in 2001, the IAS disclosure index surpassed the US GAAP. The second attribute was the characteristics of PLC that provide a full set of financial reports or reconciliation. D'Arcy and Grabensberger (2003) presumed that companies that were listed longer in the Neuer market would have a higher quality in their interims. They found that when using Pearson's correlation coefficients the relationship was positive but insignificant.

The quality of financial reporting not only depends on accounting standards, it also depends on the enforcement of accounting standards that vary from one country to another (Erickson et al., 2009). Ku Ismail and Chandler (2005a) investigated the disclosure of interims since there was no formal mechanism set by the Bursa Malaysia to ensure that PLC complied with the interim reporting standards. However, they only investigated PLC compliance with the BMLR and not the FRS 134. Their first objective was to identify the overall disclosure with the BMLR. Their second objective was to identify the extent of narrative disclosure with respect to three selected items (i.e. material changes in profit before tax, performance review and current year prospects). Their third, and final, objective was to examine the association between the extent of disclosure and company-specific attributes (profitability, growth and leverage).

Ku Ismail and Chandler (2005a) found that Malaysian PLC disclosed all mandatory financial reports' requirements of BMLR, except for cash flow and changes in equity statements (which were not provided by any of the PLC because the inclusion of these statements in interims was still under the proposal stage at the time of their study). The extent of mandatory narrative disclosure varies. The extent of the disclosure for material changes in profit before tax (85.5%) and performance reviews (87.2%) were high and greatly vary for prospects. Profitability and growth were not significantly associated

with the extent of disclosure. Leverage was positively associated with the extent of disclosure, which indicates that PLC with higher leverage disclosed more information in interims.

Mangena and Taurigana (2008) investigated 259 UK PLC compliance with the Accounting Standards Board in UK (UK ASB). They measured the degree of compliance by using three disclosure indexes, namely: overall, narrative and financial reports. The result showed that the overall disclosure of compliance was high (74.5%) and the financial statement's disclosure was higher (82.5%) than narrative disclosure (59.9%). The Ordinary Least Square (OLS) regression model was used to identify the influence of company-specific features and Corporate Governance Characteristics (CGC) on the degree of compliance disclosure. Company-specific characteristics were proxied by multiple listing, company size, interim dividend, and new shares issuance. The characteristics were positively associated with the degree of compliance disclosure. For the CGC, auditor involvement, audit committee independence and audit committee financial expertise were all positively related with the degree of compliance disclosure.

Rahman and Ismail (2008) examined the reliability of Malaysian interims. However, their study slightly differs from Ku Ismail and Chandler (2005c), where they investigated the quality of Malaysian PLC interims by examining compliance with the FRS 134 and the BMLR. Rahman and Ismail study used the top 100 PLC on the main board of Bursa Malaysia. However, they excluded the financial sector industry and PLC with insufficient data, leaving 76 PLC that met their prescribed criteria. They prepared a checklist based on the FRS 134 and Part A of Appendix 9B of the BMLR and determined interims in the year of 2005. There were 81 items in the checklist and they were not separated based on the types of accounting standards, the FRS 134 and the BMLR. They grouped several items of a similar nature into a specific category. The checklist was aggregated into 15 categories, which

were: financial statements, performance review, taxation, corporate proposals, borrowings and debt securities, off-balance sheet financial statements, litigation, dividends, accounting policies, qualification of preceding audited annual accounts, seasonal or cyclical factors, unusual items, segmental reporting, subsequent events, and contingent assets and liabilities.

Using ordinal measures, Rahman and Ismail (2008) found that the lowest and highest compliance score with the FRS 134 and BMLR was 77% and 94%, respectively, and the average score was 85%. The results indicated that Malaysian PLC disclosed the information required by the FRS 134 and the BMLR extensively. Therefore, the quality of Malaysian interims may be categorised as high. However, they only studied interims for one year and the sample was from large PLC in the main board of the Bursa Malaysia Stock Exchange (BMSE). The findings may differ if several financial years and all PLC in different boards of BMSE are taken as the sample.

There seems to be less research into the compliance with the interim reporting standards according to the types of industries. Therefore, the present study fills this gap by examining PLC compliance with the interims reporting standards according to the types of industries as well as boards on BMSE. According to Aljifri and Hussainey (2007), different industrial sectors (i.e. banks, insurance, manufacturing and services) adopt different accounting policies, measurement, valuation, and disclosure techniques that will result in differences in the level of disclosures.

2.8 Comparability

The information release to the market may not be comparable between one company and another if PLC are given the option to publish interims (Business Times Singapore, 12 November 2005). In other words, information flow to the securities market will be uneven if some PLC are given the option to publish interims. Therefore, all Malaysian PLC are

mandated to publish interims regardless of their size or other special characteristics. In addition to mandating PLC to publish interims, the MASB and the Bursa Malaysia have respectively issued the FRS 134 and the BMLR to promote consistency in the requirements to prepare interims.

The objective of FRS 101, Presentation of Financial Reports, is to provide the basis for the presentation of financial reports in order to be comparable with the companies' own financial reports of the previous periods and with the financial reports of other companies. The FRS 101 is consistent with IAS 1. The FRS 134 allows PLC to either prepare a complete or condensed financial reports in interims. However, if PLC choose complete financial reports for interims then they must conform to the FRS 101. Meanwhile, if a condensed financial report is chosen then PLC should prepare interims according to the FRS 134. To date, no research has been done on the comparability of Malaysian interims. A plausible reason for this was mentioned earlier: interims, particularly quarter interims, are not mandated internationally.

Jacques et al. (1997) investigated whether interims or annual reports provide better forecasts by analysing 133 companies over five consecutive years. Their analysis was based on total income, operating income, and net income. They found that the percentage error was generally lowest for total income and highest for net income. Total income is the component with the highest degree of predictability. This is probably due to net operating income, which contains more items than the total income while net income contains unusual and extraordinary items that are generally recognised at the year-end. Jacques et al. (1997) suggested that it is not possible to forecast the upcoming quarter results accurately, although there is a strong correlation of seasonal effect between one quarter and the same quarter of the following year. It is only possible to know the magnitude of income. Net income for the fourth quarter was higher than the three preceding quarters during the fiscal years. Average net income for the first, second, third and

fourth quarters were 21.1%, 22.8%, 24.2%, and 31.9%, respectively. Their study concluded that the highest income for the fourth quarter could be due to major adjustments because the companies were not careful in estimating the interim's results. Additionally, interim results are less accurate to be forecast because most decisions are not made until the year-end (e.g. unusual and extraordinary events). Inaccurate interim results may cause the amount to be incomparable with the corresponding annual reported figures.

Miller and Bahnson (1999) proposed several techniques to evaluate the quality of the financial reports of PLC. The first technique is to inspect the overstated earnings made by the management. This technique is proposed because PLC are motivated to increase earnings in order to meet analysts' expectations, to meet debt covenants, or to improve incentive compensation. Hence, many researchers have used earnings quality as one of the proxies of quality of financial reports. The second technique is to verify assets and liabilities. The management may have the intention to overstate assets and understate liabilities in order to make the financial position appear better. The third technique is that the quality of reported cash flows needs to be examined because the adequacy of the disclosure affects the quality of financial reports. Finally, studying all of the information in financial reports is a useful tool to discover financial irregularities. For example, increased earnings and decreased operating cash flows may indicate aggressive reporting of earnings. After using the above techniques, Miller and Bahnson (1999) noticed that published financial reports did not contain all of the information that the investors required. The financial reports were of low quality because they were incomplete, contained useless data, and were difficult to analyse.

Joshi and Al-Mudhaki (2001) investigated whether the annual reports of 37 PLC in Bahrain complied with the extent of disclosures as required by the IAS 1. Joshi and Al-Mudhaki (2001) sorted out disclosure items into 10 groups. They found that the degree of compliance with the IAS 1

requirements was high for 4 groups (i.e. components of financial report, comparability, compliance and stock information) and there was a fair degree of compliance for the remaining groups (i.e. disclosure of reclassification, dividends, description of reserves, timeliness, going concern and disclosure of income statement).

Joshi and Al-Mudhaki (2001) assessed comparability by ensuring that PLC placed the previous corresponding period's financial reports' figures in the current financial reports. Reclassification was assessed by ensuring that the comparative figures were reclassified in order for them to be comparable with the current period's figures. However, if the comparative figures were not practicable to be reclassified then the PLC should disclose the reasons and the nature of the changes if the comparative figures are reclassified. Overall, it can be concluded that the quality of PLC financial reports in Bahrain was quite high due to compliance with the IAS1.

Using a mail questionnaire, Mangena (2004) investigated the analysts' perceptions of the information disclosed in interims. Mangena (2004) found that the information was helpful for analysts to use to make investment decisions. They found that the most important items are the profit and loss account and cash flow statement. Following Mangena's (2004) recommendations, the present study has investigated comparability by comparing profit and loss items because these items are useful to financial analysts when they make decisions. Four profit and loss items are assessed in this present study, (i.e. revenue, gross profit, net profit before tax, and net profit after tax) from the date when they were originally issued with the time when they were placed in the next year's corresponding period as a comparative figure.

Apart from investigating the quality of interims, the previous studies have also examined the factors that influence the financial report quality. Chariri (2009) suggests on studying the quality of financial reports by looking at the

contextual factors, which is corporate governance. Studying on the contents of financial reports may not be sufficient due to several factors such as flexible accounting standards and manager's behaviour to hide information. The necessity to study corporate governance is proven by the occurrence of accounting scandal such as Enron. Epstein and Roy (2010) stated that a company's performance is evaluated comprehensively but when it comes to directors, they do not want to be evaluated especially individual directors. If they do not perform well, the shareholders may not appoint them for the next accounting period. Therefore, it is time to evaluate the corporate governance especially BOD to ensure that they have perform their duties responsibly.

Lara et al. (2009) studied on the association between corporate governance and conditional accounting conservatism. Corporate governance was measured internally (characteristics of BOD) and externally (antitakeover protection level) because both have a complementary effect. Accounting conservatism is an approach to limit the amount of risks in accounting information. Lara et al. used market-based and accruals-based as proxies. They found that corporate governance was associated positively with accounting conservatism, which indicates that companies with strong corporate governance are more conservative and therefore affect the companies' timeliness of loss recognition. They also provide the evidence of direction of causality flowing from corporate governance to conservatism, which suggests that corporate governance may influence the quality of financial reports.

Fortin et al. (1997) asserts that poor corporate governance may impair interims, especially if independent directors do not know much about a company's operations. According to Lipton and Lorsch (2002), the public is not confident in a company's financial reports if the corporate governance is felt to be ineffective and reliable. These assertions have attracted the present study to investigate whether corporate governance has an influence

on the quality of interims in Malaysia. More details on corporate governance will be given in the next section.

2.9 Corporate Governance

Corporate governance is appointed to monitor management on behalf of shareholders and to provide resources to function for the best interests of shareholders (Hillman and Dalziel, 2003). Despite the important and abundant research on corporate governance, there is no universally accepted definition of corporate governance (Securities and Exchange Commission of Pakistan; Cohen et al., 2002; Cohen et al., 2010). The term is not properly defined because it potentially covers many different economic trends. A basic definition of corporate governance that has been broadly recognized is stated in the Cadbury Report (1992):

“Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting”.

Following the publication of the Cadbury Report in 1992, the development of corporate governance has grown exponentially and corporate governance codes are being established globally. In the UK, the Cadbury Report led the way for a number of further reports, such as the Greenbury Report (1995), the Hampel Report (1998), the Turnbull Report (1999), the Smith Report (2003), the Higgs Report (2006) and the UK Corporate Governance Code (2010). Due to weakness of corporate governance in Malaysia especially during the economic crisis in 1997 (Rahman and Ali, 2006), the Malaysian Code on Corporate Governance (MCCG) was issued in March 2000 and revised in October 2007.

The MCCG has two main parts: part one sets out the broad principles, and part two gives the best practices for PLC to follow. Apart from this code, the Malaysian Securities Commission (MSC) inserted corporate governance provisions in the BMLR. The MSC circulated provisions that state all PLC should disclose in a narrative statement the principles applied for part one of MCCG and state the extent of compliance for part two. PLC does not have to comply with the prescriptions of the code and they have the flexibility to develop their approaches of corporate governance. Nevertheless, the PLC needs to reveal the reasons for non-compliance and the alternative practices that they have adopted. In the event of failure to do so, the Bursa Malaysia will take action against the PLC or their directors.

The problems of corporate governance in Malaysia persist despite the issuance of MCCG, due to several factors (Singam, 2003) as follows. Firstly, there is a high concentration of ownership in Malaysia (Haniffa and Hudaib, 2006), that provides the power for largest shareholders to make decisions for self-interests (Singam, 2003; Fan and Wong, 2002). Secondly, most of the largest shareholders opted for nominee companies to hide their identities (Singam, 2003) as there are restrictions imposed by Bursa Malaysia for ownership composition. Thirdly, there is a tendency for biases to pay the remuneration of family-owned company's directors. Concentration ownership and family-owned companies may cause the controlling shareholders to act for self-interest at the expense of minority shareholders and investors (Singam, 2003). Due to the weakness of corporate governance in Malaysia, it is important for the present study to be conducted.

Corporate governance has to ensure that their companies disclose relevant and reliable financial and non-financial information to the stakeholders (Epstein and Roy, 2010). Prior research reveals that weaknesses in the corporate governance structure are often correlated with lower financial reporting quality. In other words, the quality of financial reports is attained

when there is a well-balanced and functioning system of corporate governance (Rezaee, 2003).

The importance of corporate governance may be appreciated by looking at the key corporate actors. Cohen et al. (2010) proposed that corporate governance actors (such as management, the BOD, the audit committee and the auditors) play an important role in ensuring the quality of financial reporting. Rezaee (2003) recommends a company to develop a metaphorical “six-legged stool” that comprised of the BOD, the audit committee, the top management team, internal auditors, external auditors, and governing bodies in order to ensure the reliability of financial reports. By referring to the above suggestions, it can be seen that the importance of corporate governance may be appreciated by looking at the key actors of corporate governance who actually have to perform their duties.

The BOD and audit committees monitor management on behalf of shareholders (Hillman and Dalziel, 2003) and they are expected to monitor the quality of financial reports. The BOD, particularly independent directors, are an effective form of monitoring (Fama and Jensen, 1983; Bathala and Rao, 1995; Rediker and Seth, 1995; and Agrawal and Knoeber, 1996, Garg, 2007) because a lack of credible financial reporting may distort the image of independent directors to the public and reduce their demand for monitoring services (Ahmed et al., 2006). Meanwhile, an audit committee is effective if they protect the stakeholders’ interests by ensuring that the financial reports are reliable (DeZoort et al., 2002). Audit committee members can also improve the monitoring of financial reports and the internal control of companies (Sori et al., 2007).

Following Rezaee’s (2003) suggestion, the present study mainly focuses on the BOD and audit committee members because:

- a) Malaysian interims are not subjected to audit reviews and, therefore, there is no involvement of external auditors in interims;

- b) Internal auditors and management are directly involved with the day to day activities of financial reporting process and, therefore, they are not independent;
- c) There is no control mechanism set up by Malaysian governing bodies for Malaysian interims.

One of the objectives of corporate governance is to produce quality financial reports (Miettinen, 2008). The next section describes the responsibility of corporate governance to ensure that they produce quality financial reports.

2.10 Corporate Governance Responsibilities

In US, two legal standards govern the responsibility of corporate governance, namely: the duty of care and the duty of loyalty (Wilson, 2002). The duty of care requires BOD to perform their duties with reasonable care, diligence, and skills. The duty of loyalty requires BOD to exercise their powers for the company's interests. The National Association of Corporate Directors issued ten principles to strengthen corporate governance for the US PLC. The principles of corporate governance structure and practices should be designed to:

- 1) position the BOD to fulfil their duties effectively and efficiently;
- 2) be transparent;
- 3) ensure the competency and commitment of BOD;
- 4) ensure the BOD accountability and objectivity;
- 5) provide independent BOD leadership;
- 6) promote integrity, ethics, and corporate social responsibility;
- 7) support the BOD attention to information, agenda and, strategy;
- 8) protect against the BOD entrenchment;
- 9) encourage shareholders' involvement in selecting the BOD; and,
- 10) encourage communication with shareholders.

The BOD responsibilities to govern a company are underpinned by agency theory (Jensen and Meckling, 1976), stewardship theory (Donaldson, 1990;

Donaldson and Davis, 1991), and resource dependence theory (Aldrich and Pfeffer, 1976; Pfeffer and Salancik, 1978). Agency theory concentrates on the monitoring role of BOD, stewardship theory centres on the proportion of inside BOD, and resource dependence theory focuses on other types of variables.

As previously described, agency theory is concerned with the monitoring function played by the BOD for the best interest of shareholders. However, a conflict of interest may arise if managers and shareholders' interests significantly differ. In contrast to agency theory, stewardship theory assumes that managers are not motivated by individual interests but serve as a steward with the objective to accomplish the shareholders' interests (Davis et al., 1997). They are trustworthy individuals and they make good use of the resources entrusted to them (Donaldson and Davis, 1991). Donaldson and Davis (1991) suggest that insiders or non-independent directors can make superior decisions than independent directors due to their direct involvement with day-to-day organisational activities. In other words, stewardship theory views inside or dependent directors as trustworthy. Resource dependence theory is concerned with how directors provide resources and how they use these resources to benefit the shareholder's interests.

Hillman and Dalziel (2003) and Jackling and Juhl (2009) used agency and resource dependence theories to assess corporate governance. Similarly, the present study will use these theories and it will exclude stewardship theory because it assumes that dependent directors are trustworthy and will act in the best interests of the shareholders. The next section will provide further detail on the corporate governance accountabilities that are expounded by agency and resource dependence theories.

2.10.1 Agency Theory

The theoretical background of corporate governance responsibilities is partly grounded on agency theory, which separates the ownership and control of a company. Jensen and Meckling (1976: 5) defined agency relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making to the agent)”. The principals or the owners of a company are the shareholders who employ managers as an agent to control a company and make decisions for the best interests of shareholders.

Since the owners of a company employ an agent to manage the business, problems can arise if there is a conflict of interests between shareholders and managers. Managers will make decisions based on their own interests and they will tend to ignore the best interests of shareholders if they can gain a benefit (Jensen and Meckling, 1976). When the interests of shareholders and managers diverge, there is a potential for “managerial mischief” (Dalton et al., 2007). This conflict of interests is magnified in larger companies (Gayle and Miller, 2009). This is evidenced by a study from Tuggle et al. (2010), who analysed BOD meeting transcripts and found that BOD did not monitor management consistently enough to protect the shareholder’s value. The BOD was found to be very selective about which organisational matters to focus on. They only paid attention to organisational matters that deviate from prior performance and they overlooked the other matters. Their inattentiveness towards other matters may stimulate management to make decisions based on their own interests instead of the interests of the shareholders.

Managers may be more knowledgeable than the owner because they are involved with the day-to day activities of the business. Having superior knowledge can also accelerate the manager’s actions to exploit the owners if they are not monitored effectively (Miller and Sardais, 2011). Therefore,

there is a need to establish an adequate monitoring system to protect the owner against a manager's conflict of interests (Zaitul, 2010) and ensure that the manager produces high quality financial reports.

It can be seen from this that agency theory makes two assumptions: goal conflict exists between the owners and managers, and the managers have more information than the owners. This results in information asymmetry between the owners and managers (Waterman and Muer, 1998). Better corporate governance is associated with less information asymmetry between management and shareholders (Karamanou and Vafeas, 2005). In other words, agency theory is concerned with aligning the interests of owners and managers (Jensen and Meckling, 1976).

The ultimate decision made by the managers may also rest on the portion of equity ownership. The portion of equity ownership can also persuade managers not to act for the best interests of shareholders. For example, Jensen and Meckling (1976) argue that in a manager's wholly owned company, the manager will make operating decisions that maximise his or her utility. However, if a manager's fraction of equity decreases then their claim on the company's outcome is reduced and they are inclined to allocate a larger amount of corporate resources as perquisites. Meanwhile, if both principal and agents are utility maximisers, then they may have different goals to accomplish (Waterman and Muer, 1998).

Agency cost is used to reduce the conflict of interests between the owners and managers, which consists of monitoring cost, bonding costs, and residual loss (Jensen and Meckling, 1976:6). Monitoring costs are those costs that are paid by the owner to control the manager's behaviour. Bonding costs are those costs that are borne by the manager to consume resources to guarantee that any actions taken by them are not destructive for the owners or the owners will be compensated if such actions are taken. Residual loss is the agency loss that arises due to reduction in their welfare as a result of divergence of interests between managers and shareholders.

Residual loss is associated with an imbalance of monitoring and bonding costs.

Agency theory also suggests that a greater number of independent BOD members can more effectively monitor a company (Nicholson and Kiel, 2007). Therefore, the company will incur less agency cost and greater returns to shareholders. Epstein and Roy (2010) stressed that BOD have to upgrade their performance because some directors lack the required skills and knowledge to sustain the company and push through industrial changes. Theoretically, inadequate corporate governance processes and practices can lead to corporate disaster. Therefore, the present study attempts to evaluate the monitoring roles of BOD and audit committee as mechanisms that mitigate agency conflicts.

The most dominant path to measure the monitoring service executed by the BOD and audit committee is to associate them with financial reporting quality (Hillman and Dalziel, 2003). Prior research has used monitoring proxies, such as the BOD composition and leadership (Jackling and Johl, 2009; DeVilliers et al., 2011). Examples of BOD composition and leadership include the independence of directors and Chief Executive Officer (CEO) duality. Nevertheless, the preceding research provides no evidence on the direction and magnitude of the relationship between corporate governance and the quality of financial reports in relation to agency theory (Dalton et al., 2003). Therefore, it is important for the present study to investigate the relationship between CGC and the quality of interims in relation to agency theory. This study will use independence of the directors as a proxy for corporate governance characteristics, which is similar to the proxies that were used in the previous research. The other role of directors, which is to provide resources for the benefits of shareholders, is explained by resource dependence theory, which is described in more detail in the following subsection.

2.10.2 Resource Dependence Theory

A company needs resources to survive (Rao et al., 2007), including financial and physical resources (Pfeffer and Salancik, 1978). In addition to resources, a company needs information obtained from the environment, which can make the company dependent on the external sources for these resources (Pfeffer and Salancik, 1978). The company's dependence on these resources has caused the development of resource dependence theory.

The BOD is an example of one of the external sources of information. The BOD role is to provide essential resources and put them to use (Zaitul, 2010; Nicholson and Kiel, 2004) in order to maintain a company's performance. However, there is no universally accepted definition of what is an important resource to a company (Nicholson and Kiel, 2007). In fact, the association between corporate governance and company performance in relation to resource dependence theory is less explored (Hillman and Dalziel, 2003) by previous researchers. Therefore, the present study fills this gap by examining the CGC and company performance in relation to resource dependence theory.

The previous research initially investigated the relationship between the BOD composition and a company's performance by using the same characteristics and attributes, regardless of whether the BOD roles relate to agency theory or resource dependence theory (Pearce and Zahra, 1992; Daily and Dalton, 1994). Hillman et al. (2000) then proposed that agency theory and resource dependence theory are theoretically and practically different from each other and, therefore, the BOD characteristics and attributes should also differ. After this proposal, the BOD characteristics were assessed based on agency theory and resource dependence theory. According to Hillman and Dalziel (2003), and DeVilliers et al. (2011), proxies for agency theory include the independence of directors while the proxies for resource dependence theory are divided into two categories: human capital

(e.g. experience, expertise and reputation) and relation capital (e.g. ties of network and external contingencies). These variables were then used by the previous research to identify the association between corporate governance and company performance.

Muth and Donaldson (1998), Peng (2004), Nicholson and Kiel (2007), Jackling and Johl (2009), Carter et al. (2010), and DeVilliers et al. (2011) determined the association between BOD characteristics and company's performance in relation to resource dependence theory. Jackling and Johl (2009) used the size of BOD, the frequency of BOD meetings, and corporate governance expertise as proxies to resource dependence theory. Carter et al. (2010) used directors' gender and ethnicity, which are related to human capital, because they posit that these characteristics are important in corporate governance and may cause the business to be more profitable. Although their results provide evidence for a relationship between corporate governance and a company's performance in relation to resource dependence theory, the relationship between these items depends on the proxies of corporate governance used. In conclusion, the BOD has heterogeneous characteristics (Hillman and Dalziel, 2003) which cause various relationships between the characteristics of BOD and a company's performance to develop.

Based on the above discussion, agency theory and resource dependence theory provide the basic foundation for the corporate governance responsibility to ensure that the management makes decisions in the best interests of shareholders. The previous research on the impact of corporate governance on the quality of interims is described in more detail in the next section.

2.11 The Impact of Corporate Governance on Quality of Interims

A considerable research has been done on the impact of corporate governance on the quality of financial reports, especially annual financial

reports. As mentioned earlier, interims are not mandated internationally and this has caused less research to be done on interims. The proxies of quality of financial reports used by previous research to determine their relationships with corporate governance are financial performance (Brown and Caylor, 2004; Filatotchev et al., 2007), financial statement fraud, (Turner, 2001; Beasley et al., 1999; Persons, 2006), transparency of information (Chiang, 2005), audit process (Cohen et al., 2002), internal controls (Goh, 2009), timeliness (Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008; CheHaat et al., 2008), and level of disclosure (Mangena and Pike, 2005; Beekes and Brown, 2006; Mangena and Taurigana, 2008; Kent and Stewart, 2008).

The association between corporate governance and financial performance, which is proxied by earnings management, has extensively been used by previous research. Lo (2007) found that those who are involved with earnings management are experienced, intelligent, well-educated, and guided by explicit professional codes of conduct or implicit codes of ethics. Therefore, it would be very difficult to detect their earnings management if they have the intention to garner benefits out of it. Who should be responsible to manage the earnings is also questionable because all decisions are made by the BOD. According to the law, managers and BOD are protected by the “business judgment rule”, which makes it difficult to find them liable for business decisions.

Hillman and Dalziel (2003) integrated agency theory and resource dependence theory to investigate the relationship between corporate governance and the quality of financial reports. By referring to agency theory and resource dependence theory, it can be seen that corporate governance serves two important functions, which is to monitor management on behalf of shareholders, and to provide resources and act for the best interests of shareholders. Beekes et al. (2004), Jackling and Johl (2009) and Zaitul (2010) also underpinned these two theories in their studies.

The importance of integration between agency theory and resource dependence theory is proven by the study of Hillman and Dalziel (2003), who interviewed the BOD on how they spent their time on boards. They discovered that the directors executed various activities that were attached to monitoring and providing resources, such as planning long-term strategy, monitoring and evaluating strategy implementation, and building external relations to strengthen the company. They found that integration between agency theory and resource dependence theory is more useful and important than using either one of the two theories by itself.

Although the companies frequently have a comprehensive system to evaluate their performance, the BOD may decline and become stressed if the board members are mandated to be appraised individually (Epstein and Roy, 2010). Epstein and Roy (2010) suggest that if both BOD and company performance are evaluated, then it can greatly improve the company's performance. There are several propositions to appraise the BOD members. Those highlighted by Hillman and Dalziel (2003), Jackling and Johl (2009) and Carter et al. (2010), Epstein and Roy (2010) include the frequency of BOD meetings, the percentage of board members who are independent and financially literate, the number of boards the directors served on (corporate governance expertise), and the diversity of board members in terms of race. DeZoort et al. (2002) also suggest that size, composition, expertise and frequency of audit committee meetings influence the effectiveness of the audit committee's monitoring activities.

Chiang (2005) investigated the relationship between corporate governance and the transparency of corporate performance of high technology PLC in Taiwan. The results of this study revealed that the size of BOD, ownership by the BOD, institution ownership, financial transparency, information disclosure and BOD and management structure and process were all significantly related with corporate performance.

Persons (2006) inspected the relationship between corporate governance and non-financial reporting fraud. The sample used in this study included 82 companies that had been found to commit fraud, mostly listed on the NYSE. The study identified CGC that were associated with non-financial reporting fraud companies by using logit regression analysis. A dichotomous variable was used, of which 1 denotes PLC engagement with non-financial reporting fraud and 0 otherwise. The statistical results indicated that non-financial reporting fraud was lower if:

- 1) a large proportion of BOD were independent directors;
- 2) the CEO and the BOD were of different person;
- 3) the size of BOD was smaller;
- 4) the CEO tenure on the BOD was long; and,
- 5) the profitability of the company was high.

Filatotchev et al. (2007) examined the association between corporate governance and large companies' financial performance in Poland and Hungary. They found that the managers' independence was positively associated with companies' financial performance. Companies with poor corporate governance were less profitable, less valuable, and pay less to their shareholders (Brown and Caylor, 2004).

There has been less previous research that has examined the influence of corporate governance on timeliness and compliance with the interim reporting standards. For example, Mangena and Pike (2005) claimed that their study was the first to investigate the relationship between corporate governance and interims. They investigated the relationship between corporate governance and the disclosure of interims by UK PLC. Abdelsalam and El-Masry (2008), and Ezat and El-Masry (2008) investigated the association between corporate governance and timeliness of interims of Irish and Egyptian PLC, respectively. Meanwhile, this literature review has found that there is no research on the influence of corporate governance on the comparability of interims and only minimal research in

the influence of corporate governance on the quality of interims in developing countries like Malaysia. The present study seeks to fill this gap in the literature by adding the association between corporate governance and comparability of interims, apart from timeliness and compliance with the interim reporting standards' disclosures.

Mangena and Pike (2005) examined the effect of the audit committee's characteristics on the level of disclosures in interims. 262 UK PLC were selected as the sample. They found that interims' disclosure is negatively associated with audit committee shareholdings, positively associated with financial expertise of audit committees, but not associated with the size of the audit committee. Their findings indicate that disclosure in interims increased if the audit committee shareholdings decreased and a large portion of audit committee members have financial expertise. The number of audit committee members does not significantly influence the level of disclosure in interims. Mangena and Pike (2005) recommend that future research should explore other characteristics of audit committee because financial irregularities occurred in Enron even though their audit committee's financial expertise exceeded the requirements.

Abdelsalam and El-Masry (2008) investigated the timeliness of publishing Irish PLC interims and annual reports online. 13 criteria were identified to associate with the timeliness of internet reporting. Additionally, this study assessed the influence of directors' independence, ownership structure, and control variables on the above-mentioned criteria. Independence was measured by the percentage of independent directors, chairman dual role, and the average tenure of directors. The proportion of shares held by major shareholders, managers and the CEO measured ownership structure. The control variables were company size, audit fees, and profitability. Company size was measured by the company's turnover. Abdelsalam and El-Masry (2008) found that: a) PLC conform to 46% of the criteria and ranged between 8% and 75%; b) independent directors, average tenure of directors,

and CEO ownership were positively associated with the timeliness of the interim internet reporting; c) controlled variables were not found to be significantly associated with the timeliness of internet reporting. For the interims, a) only one third of PLC reported interims online; and b) independent directors were positively associated with timeliness of internet reporting. For annual reports, company size was found to be positively associated with timeliness of internet reporting.

Ezat and El-Masry (2008) investigated the timeliness of internet reporting of 50 Egyptian PLC. They also examined the impact of corporate governance and company-specific characteristics on the timeliness of internet reporting. Corporate governance variables included ownership structure, independent directors, CEO role duality, and the size of the BOD. Company-specific characteristic consisted of six variables, namely: company size, type(s) of business, profitability, leverage, liquidity, and issue of shares. The analyses were done by two methods, namely: multiple and logistics regression analyses. Ezat and El-Masry (2008) found that only a small percentage of PLC (18.9%) published interims online. By using multiple regression models, company size, liquidity, ownership structure, business service activity, independent directors and size of BOD were found to be positively and significantly associated with the timeliness of internet reporting. By using logistic regression, all of the variables were seen to be significantly associated with the timeliness of internet reporting.

CheHaat et al. (2008) investigated the influence of corporate governance on the timeliness of reporting, the level of disclosure, and a company's performance. The sample consisted of 73 top PLC and the period covered was the year 2002. This period was chosen because they wanted to observe the effect of a newly revamped BMLR on corporate governance, which was introduced in 2001. Multiple regression analysis was used to identify the association between dependent and independent variables. The independent variables were corporate governance, which consisted of the

independence of BOD, the leadership of BOD, the quality of BOD, insider ownership, foreign ownership, debt financing, and audit quality. These variables were divided into three groups. The first group consisted of the first four items, the second group consisted of the next two items, and the third group consisted of the last item. CheHaat et al. (2008) found that corporate governance influenced a company's performance.

Kent and Stewart (2008) investigated the association between corporate governance and the level of disclosure in financial reports and found that they were positively related. Meanwhile, Beekes and Brown (2006) examined whether corporate governance was related to informative disclosures in the financial reports. They found that Australian PLC with better corporate governance made disclosures that are more informative.

Corporate governance has a responsibility to monitor management and provide resources for the best interest of shareholders. The effectiveness of monitoring by the BOD is dependent on its composition (Fama and Jensen, 1983). There is a vast growing literature on directors' attributes that makes them perform their responsibilities diligently. In order to have effective corporate governance, the common and argumentative attributes used by prior researchers include independent; knowledgeable and expertise; and delegation of adequate authority which is proxied by the frequency of BOD meeting (Mohiuddin and Karbhari, 2010). Therefore, the corporate governance attributes used by the present study are derived from those highlighted by Mohiuddin and Karbhari (2010) as well as the integration of agency theory and resource dependence theory proposed by Hillman and Dalziel (2003), Jackling and Johl (2009), Carter et al. (2010) and Epstein and Roy (2010), which include independent, financial expertise, corporate governance expertise and frequency of BOD meetings.

Apart from the four variables, the present study includes ethnicity because there is a diversity of BOD due to multi-ethnic societies in Malaysia. Diversity

of directors may have an impact on overall organisational performance (Enhardt et al., 2003). Diversity of BOD enhances performance by increasing decision-making capacity, but reduces group performance by increasing conflict of interests (Enhardt et al., 2003). Malaysian government favouritism towards Bumiputra since the introduction of New Economic Policy (NEP) has caused non-Bumiputra to appoint Bumiputra directors to get business opportunities (Mamman, 2003) and publish poor quality financial reports (Ball et al., 2003). This is evidenced by prior studies (Haniffa and Cooke, 2002; Yatim et al., 2006; Hashim, 2012) who found that Bumiputra directors have more favourable corporate governance practices and publish more quality financial reports. Therefore, ethnicity is chosen as numbers of non-Bumiputra directors in the board are increasing.

The previous research has used all these variables to investigate their influence on financial reporting quality. However, the results of previous research are mixed and they only used one proxy to determine the quality, which is considered to ignore other aspects (McFie, 2006). Therefore, the present study used several proxies to determine the influence of each variable on the quality of interims and examine whether the results are consistent. The findings add a contribution to the literature. Explanation for each CGC is as follows.

2.11.1 Frequency of Meetings

The frequency of directors' meetings is chosen because there are a few studies of the impact of this variable on the quality of interims and the results are mixed. Bhuiyan et al. (2000) emphasized on the importance of BOD meetings and found that the frequency of BOD meetings is significantly associated with companies' performance. The importance of BOD meeting is proven by Section 9.22 (1) of BMLR that require interims to be approved by the BOD before they are published. BOD has to conduct meetings periodically to discuss the important issues of a company. BOD with multiple

educational background and experiences interact with each other to discuss important and current issues.

Despite of the importance, the frequency of holding the BOD meetings remains unclear and it is not prescribed in MCG. However, the MCG requires BOD to disclose the frequency of annual BOD meetings and the attendance of each individual director in respect of each meeting held in the annual reports. The disclosure of annual BOD meetings' frequency is meant to enable shareholders to evaluate the commitment of a particular director to a company's affairs and to satisfy themselves that the BOD are in control of the company. The disclosure of a director's attendance is important because the absence of directors in the meetings may indicate that the directors are not doing their duties attentively.

BOD that hold multiple directorships have a higher tendency to be absent from the BOD meetings (Jiraporn et al., 2009) because they are busy directors and may not be able to attend all of the meetings simultaneously. Adams and Ferreira (2008) discovered that the absence of BOD during the meetings is less likely if the board meeting fees are higher. This result implies that BOD will perform or attend the meetings if financial rewards are given to them, even though the reward may be a small amount compared to their wealth.

The frequency of BOD meetings provides an important implication to corporate governance. To attain better corporate governance, it is less costly to adjust the frequency of the BOD meetings than changing the composition of the BOD members or ownership structure (Vafeas,1999; Evans et al., 2002). However, holding frequent BOD meetings raises a number of benefits and problems. For example, frequent meetings can increase costs (such as managerial time, travelling and administrative expenses, and the directors' meeting fees) while the benefits can include having more time for the director's discussion, and have effective strategy and monitoring management (Evans et al., 2002).

Vafeas (1999) investigated whether companies that meet more frequently perform better than inactive BOD. Vafeas (1999) hypothesised that a larger size of BOD requires more time to make discussion. As the size of BOD increases, the frequency of the BOD meetings also increases. To reduce the workload, some BOD has delegated their work to various types of board committees. However, the performance delegated to the board committees remains open to question. Surprisingly, BOD that delegated the work to board committees meets more often in order to discuss the coordination and supervision of the board committees. BOD that meet more frequently are more likely to perform their duties for the best interests of shareholders. Vafeas (1999) found that companies meet more frequently if they have poor performance. Evans et al. (2002) also agreed that frequency of BOD meetings is more likely to increase if the companies' performance declines.

The relationship between the frequency of BOD meetings and a company's performance is mixed. Lipton and Lorsch (1992) suggest that a greater frequency of BOD meetings is likely to result in superior performance. Craft and Benson (2006) suggest that the infrequency of BOD meetings make their sharing of the necessary critical information for governance being ineffective. On the other hand, Jensen (1993) and Vafeas (1999) suggest that a higher frequency of BOD meetings is likely to indicate a response to a company's poor performance.

2.11.2 Independent Directors

Independent directors is included in the present study because they are considered to be an effective form of monitoring (Fama and Jensen, 1983; Bathala and Rao, 1995; Rediker and Seth, 1995; and Agrawal and Knoeber, 1996) because a lack of credible financial reporting may distort the image of independent directors to the public and reduce their demand for monitoring services (Ahmed et al., 2006). Kelton and Yang (2008) also agreed that independent directors enhance the monitoring of managerial opportunism and reduce the management's ability to withhold information.

The BOD and audit committee members include both dependent and independent directors. Independent, or non-executive, directors are those who do not form a part of the executive management team of a company while dependent, or executive directors, are associated with the management team of a company. In addition, independent directors do not have direct interests in a company but are responsible to protect the shareholder's interests. In Malaysia, the first chapter of the BMLR defines the term independent as a director who is independent of management and free from any business or other relationship that could interfere with exercising independence. Non-independent directors possess knowledge about the company's business operations and day-to-day activities while independent directors have less knowledge about the business operations.

Bhuiyan et al. (2000), and Filatotchev et al., (2007) found that independent directors are significantly associated with a company's performance. Independent directors are one of the internal mechanisms that a company can use to control agency problems and improve a company's value (Hossain et al., 2000). Independent directors are important because their interests are aligned more closely with those of the owners when compared with non-independent directors who have incentives to execute activities that do not increase the company's value (Hossain et al., 2000).

On the other hand, Patton and Baker (1987) suggest that independent directors lack the necessary time, expertise, and incentives to perform their duties effectively, which leads to their failure to make a meaningful contribution to the shareholder's wealth. Dulewicz and Taylor (2010) asked how long the independent directors spent performing their duties and found that they only have a limited time to attend the BOD meetings that are held less frequently. Therefore, it is unlikely for independent directors to know everything about the company within a short period of time, especially on highly technical issues. Dulewicz and Taylor (2010) suggested that on-going training be provided to independent directors in order to update their

knowledge and expertise. They added that support staff should be provided to enable independent directors to access internal and external information.

The NYSE and the National Association of Securities Dealers Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees highlighted that the independence of audit committee members is important for them to function effectively (Turner, 2006). In Malaysia, the MCCG requires all audit committee members to be non-executive directors. It adds that at least one of the members should be a qualified member of the Malaysian Institute of Accountants (MIA). The qualification is important to ensure that the audit committee performs their duties diligently.

Goh (2009) was motivated to examine whether corporate governance plays an important role in monitoring the remediation of internal control deficiencies. Goh (2009) found that PLC with more independent audit committees, greater non-accounting financial expertise, and larger audit committees were more likely to remediate the internal control deficiencies in a timely manner. The results indicated that independence, non-financial expertise, and the size of the audit committee are important to improve the quality of financial reports. Krishnan (2005) also found that independent audit committee members are less likely to be associated with the internal control problems of a company. These research studies provide evidence that audit committee members need to be independent to enrich the quality of financial reports.

2.11.3 Financial Expertise Directors

One of the means to increase the effectiveness of corporate governance mechanism is financial expertise. (Pergola, 2005). Bursey and Pittman (2010) suggests that BOD with financial expertise are beneficial to companies, especially when they have accounting-based expertise. Cantor (2005) suggests that BOD work well with a combination of expertise, experience, and good dynamics. There is a risk that BOD will fail to perform

if any item of this combination is missing. When BOD have expertise then they know “when to act”. When they have experience then they have the “will to act”. In addition, when they have good dynamics then they know the environment that can replicate and sustain best practices in corporate governance. Therefore, financial expertise director is important to be included in the present study.

Aside from the audit committee members, the MCCG does not require a specific proportion of BOD members to be financially literate. One of the possible reasons not to mandate all directors to have financial literacy is due to the high costs of acquiring directors with financial expertise, which may create needless cost for companies that do not require it (Jeanjean and Stolowy, 2009). Nevertheless, recurring corporate failures are caused by the weaknesses of corporate governance, whose directors either have little or no financial literacy (Suleik, 2011). Many regulators (such as Ontario Securities Commission) have stressed the need to have more financially expert directors (Guner et al., 2008) on the board and they have suggested disclosing in financial reports why companies do not include directors with a financial expertise (Burseley and Pittman, 2010).

The Blue Ribbon Committee (1999) recommends that each audit committee member should be financially literate, or have accounting or related financial management expertise. In Malaysia, at least one of the audit committee members should be a qualified member of the Malaysian Institute of Accountants (MIA). The qualification is important to ensure that the audit committee performs their duties diligently. If there is no qualified member of the MIA, then the member must have three years working experience and he or she should have passed the specified examination in the First Schedule of the Accountants Act or be approved by the Bursa Malaysia.

The BOD needs to be financially literate in order to understand the financial position of a company and to understand the required compliance with

reporting practices. Defond et al. (2005) investigated whether the markets react favourably if appointed audit committee member has an accounting financial expertise. They discovered that the market reacts positively to audit committee members who have accounting financial expertise rather than non-accounting financial expertise. The financial expertise of audit committees will strengthen corporate governance by protecting the interests of shareholders. Companies with financial fraud are more likely to be those companies whose audit committee members have no certified qualification or experience in accounting (Turner, 2006). The research mentioned above supports the importance of financial literacy of directors to improve the quality of financial reports.

2.11.4 Corporate Governance Expertise Directors

Multiple directorships can signal the quality of the directors (Fama and Jensen, 1983). Directors who hold more than one directorship on a board are presumed to have corporate governance expertise because they have a lot of experience, which is gained by monitoring the various types of businesses that they participate in. Directors with multiple directorships are also known as busy directors since they have to give their attention to multiple companies. Ferris et al. (2003) found that directors in larger companies and those who sit on larger boards are inclined to attract directorships elsewhere. Corporate governance expertise directors are more likely to have a greater demand for their monitoring services as they have more experience with different types of companies.

The question of how many directorships a director can hold in order to sustain performance at the expected level has been of interest to many previous researchers. For example, Kiel and Nicholson (2006) suggested two views on this matter: a) the first view is that it depends on the individual directors and the boards on which they are to be placed; and b) the second view is that it depends on the association between a company's complications and the workloads of the directors involved. For the latter

view, directors who hold more than five directorships are considered to be doing a disservice to the companies' shareholders.

Li and Ang (2000) examined the effectiveness of directors who hold multiple directorships and asked if their monitoring performance is impaired. They analysed a substantial numbers of directors: 1,195 directors from 121 companies in the US. The directors' effectiveness was tested by using two hypotheses, namely: attention and expertise hypotheses. The attention hypothesis relates to the attention or amount of time spent by directors on their work while the expertise hypothesis relates to the expertise possessed by the directors. Concerning the attention hypothesis, it was hypothesised that directors who hold more directorships may be neglectful in their duties because they have to divide their attention towards many companies. In the expertise hypothesis, it was hypothesised that directors may have multiple directorships because they have specialised skills which means that they are in demand to multi boards of companies. However, Li and Ang (2000) failed to support attention hypothesis and they found weak support for the expertise hypothesis. Their results indicate that directors who hold multiple directorships are not associated with a company's performance. In addition, Kiel and Nicholson (2006) also discovered that there is no association between multiple directorship and company performance.

One of the audit committee's duties is to monitor the companies' financial performance and, therefore, ensure their quality. However, the association between audit committee members with multiple directorships and financial reporting quality has not been thoroughly explored by previous researchers. This lack of research motivated Zheng (2008) to study this issue. Zheng (2008) used data from 500 companies for the period of 1997-2005, and discovered that multiple directorships of audit committee members are not associated with financial reporting quality. This result indicates that multiple directorship of audit committee member is not a significant characteristic to ensure that the financial report that a company produces is of high quality.

As the previous findings are mixed and there are many directors with multiple directorship in Malaysian PLC, the present study find it necessary to investigate the influence of this variable on the quality of interims.

2.11.5 Ethnicity of Directors

The Malaysian population in 2007 and 2008 was 27.2 million and 27.9 million respectively. Malaysia is a multi-ethnic country which contains of three main ethnic groups, namely: Malays or Bumiputra (60%), Chinese (23%), and Indians (6.8%). Each ethnic maintains its own unique ethnic and identity values (Hashim, 2012). As Malaysia is a multi-ethnic country, there is a diversity of BOD in PLC. Diversity of directors lead to a greater knowledge base, creativity and innovation (Watsoon et al., 1993) and appeared to have an impact on overall organisational performance (Erhardt et al., 2003).

Despite the large Bumiputra population, Salleh et al. (2006) has discovered that non-Bumiputra especially Chinese directors dominate BOD in Malaysian PLC. The Bumiputra accounted for 38% of directors in the listed companies. In addition to that, Chinese and Indians are more likely to support laissez-faire economic policies whilst Bumiputra managers are more likely to support government policies (Mamman, 2002). Chinese play a dominant role in Malaysian economics (Mamman, 2002; Hashim, 2012) because Chinese show remarkably high entrepreneurship, good discipline and strategic thinking (Wah, 2002) since the colonial period (Mamman, 2002). The Chinese transformed the family-owned business into professionally managed organization (Wah, 2002) which caused them to seize the market.

Malaysia's official statistics supported the domination of Chinese group in Malaysian economy by disclosing a higher income for the Chinese. For example, in 2007 and 2009, the mean monthly income for Chinese is RM 4,853 and 5,011 respectively and for the Bumiputra, they are RM 3,156 and RM 3,624 respectively. The Chinese, followed by the Indians and other

aces earn the highest monthly income. Bumiputra earns the lowest monthly income of all Malaysia's ethnic groups. Eight out of ten of the richest Malaysians listed in Forbes 2011 are of Chinese ethnicity. Malaysian Chinese have the reputation of being more prosperous than the other ethnic communities (Pak, 2011).

Due to domination of economics mainstream by Chinese and politics by Malays (Hashim, 2012), Malaysian government introduced the New Economic Policy (NEP) in 1970, with the objective of increasing ownership of corporate sectors by Bumiputra. Bumiputra was given priority of various concessions including business contracts (Johnson and Mitton, 2003). Government favouritism towards Bumiputra has caused the Chinese to appoint influential Bumiputra directors to enjoy benefits offered by the government (Mamman, 2002). Otherwise, they will not get special concessions offered by the government that gives benefit to their companies. Nevertheless, Yatim et al. (2006) found that PLC with Bumiputra directors have more favourable corporate governance practices than non-Bumiputra directors. PLC controlled by non-Bumiputra tend to disclose lower profit for tax avoidance (Ball et al., 2003) as they are usually family-owned companies.

Ethnic and employment background of managers may influence their attitude (Mamman, 2002). The difference in level of income amongst Malaysian ethnic groups and the findings of prior studies (Ball et al., 2003; Yatim et al., 2006) that associate non-quality of financial reporting with non-Bumiputra directors has motivated the present study to explore whether ethnicity is one of the important factors to influence the quality of interims. Furthermore, there seems to be less research of the influence of ethnicity on the quality of interims in developing countries, especially in Malaysia. Therefore, the present study fills this gap by adding ethnicity as one of the variables that may possibly associate with the quality of interims.

Hofstede (1980) defined culture as the collective mental programming that differentiates one group from another. Hofstede studied 116 000 IBM employees from 50 nations and identified four values that differed systematically across cultures namely uncertainty avoidance, individual-collectivism, masculinity-femininity and power distance. Uncertainty avoidance is where the culture faces unknown future with different anxiety levels, individualism relates to how an individual lives within the society, masculinity-femininity is a pattern of sex roles for most societies where men aggressive behaviour relates to decisive decision and women behaviour relates to compromise and negotiation and power distance describes how a society deals with human inequality (Cohen et al.,1993).

There are several criticisms of Hofstede's study. Firstly, Hofstede's survey was of one organization and the results may not be applicable to other contexts (Gernon and Wallace,1995). Gernon and Wallace debate on the applicability of Hofstede's indices was proven by dissimilar results when Harrison et al. (1994) and Merritt (2000) replicated Hofstede's indices in their research. Secondly, Hofstede's indices were not widely used in social sciences of sociology and anthropology because Hofstede equates nation states with cultures (Baskerville, 2003). In other words, each nation was deemed as one culture. There are many cultures in one nation or country (Wildavsky, 1989). According to O'Leary and Levinson (1991), there are 35 different cultures in 14 nations in the Middle East. Thirdly, Hofstede relates cultural differences by comparing the above four values with seven national measurements namely gross national product, economic growth, latitude, population size, population growth, population density and organization size. Baskerville (2003) criticized that Hofstede measured characteristics of different nations that relate to socio economics factors and not cultural dimensions. In other words, Hofstede was studying on national character instead of national culture. Baskerville (2003) suggested that Hofstede might not have studied the culture at all. He was measuring the socio economic

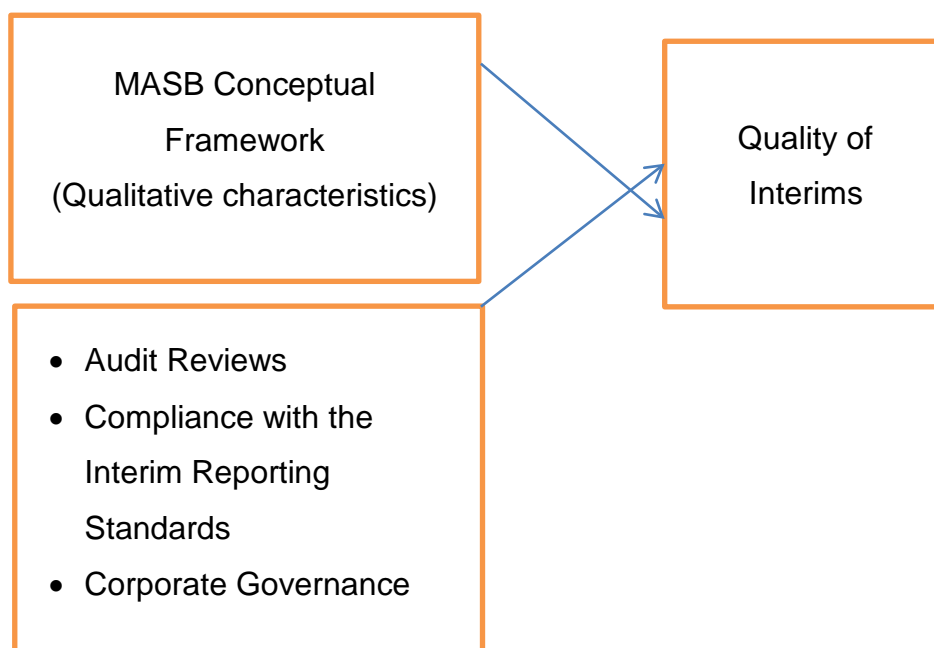
factors instead. Despite periodical critiques of Hofstede's indices, many accounting studies still used them for their research (Baskerville, 2003).

A number of studies used Hofstede's framework and provide evidence on the influence of culture on financial reporting system such as Abdullah (1992), Cohen et al., (1993) and Hope (2003). Abdullah (1992) used Hofstede values and provide evidence that Bumiputra is rated lower on individualism which may be partly due to concept of zakat (i.e. obligatory payment made once a year under Islamic law which is used for charity and religious purposes) in Islam that promotes the development of collectivism of which the rich helps the poor people. Chinese are more individualistic and more secretive due to their entrepreneurial skill that greatly influence Malaysian economy (Haniffa and Cooke, 2002).

2.12 Summary

The following model summarises the main message of all literature discussed in this paper.

Figure 2.1 Quality of Interims



Despite the benefits of publishing interims, the financial information provided is crucial due to seasonality factors, imprecise estimation of provisions and

taxes, absence of audit reviews, and the limited allowable period to publish the interims report. Various techniques have been used by preceding research to assess the quality of interims. This thesis applies the qualitative characteristics of financial reports that are itemised in the MASB's conceptual framework and matches them with items highlighted in the interim reporting standards to support the importance of choosing the items to assess the quality of interims. The qualitative characteristics are relevance, reliable and comparability, which are proxied by timeliness, compliance with the interim reporting standards and comparable profit and loss items respectively.

Cook (1987), Bandyopadhyay et al. (2007) and Williams (2008) emphasised on three elements to improve the quality of interims namely audit reviews, compliance with the reporting standards and corporate governance. Previous research (e.g. Raedy and Helms, 2002; Boritz and Liu, 2006; Bedard and Courteau, 2008) has placed emphasis on the significance of audit reviews to enrich the quality of interims. Malaysian interims are not exposed to independent audit reviews and, therefore, the quality of Malaysian interims may be unreliable. Furthermore, there is no specific mechanism set by the regulatory body, Bursa Malaysia, to ensure that Malaysian PLC comply with the interim reporting standards and make adequate disclosures in their interims. These reasons mean that it is essential to examine the quality of Malaysian interims.

In addition to assessing the quality of interims, this thesis also investigates the impact of corporate governance on the quality of interims. Corporate governance accountabilities are expounded by agency and resource dependence theories. Agency theory assumes that managers will make decisions in the best interests of managers instead of shareholders, which causes a conflict of interest to arise. Meanwhile, resource dependence theory highlights the BOD role in providing resources and using them for the

best interests of shareholders. One of the objectives of corporate governance is to produce quality financial reports. However, accounting scandals recur despite the good corporate governance disclosed in the financial reports. Therefore, it is necessary for the present study to investigate the relationship between corporate governance and the quality of interims in order to ensure that the corporate governance has executed their responsibilities attentively.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

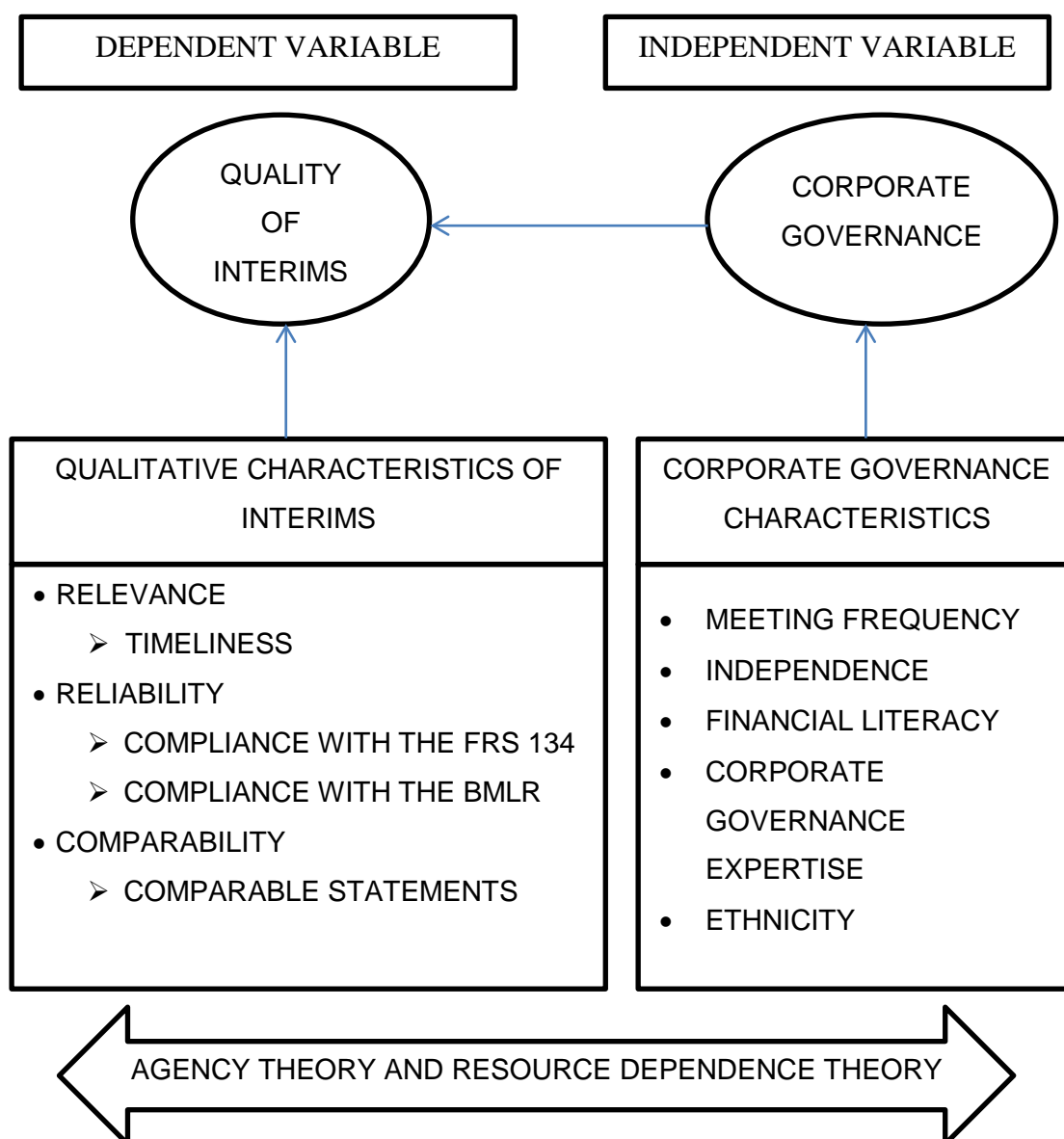
There are two main objectives of this chapter. The first objective is to describe the research framework, research questions, and hypotheses of this thesis. The hypotheses are related to the quality of interims and the impact of Corporate Governance Characteristics (CGC) on the quality of interims. The selection of variables on the quality of interims and CGC has already been identified in the last chapter. The second objective is to describe the data sources, sample selection, research instruments, and how the data is measured and analysed. The data sources explain how the data were collected, the population of the sample and the procedures to choose a sample out of the whole population. The research instruments reveal the devices and procedures that are used to answer the research questions of the present study in detail. This section is followed by the explanation of model specification and statistical tests to analyse the hypotheses. Finally, this chapter concludes with a brief summary.

3.2 Research Framework and Research Questions

Figure 3.1 illustrates the research framework of the present study. As described in Chapter Two, interims provide beneficial information to the users of financial reports so that they can make informed decisions (McEwen and Schwartz, 1992; Gajewski and Quere, 2001; Joshi and Bremser, 2003; Teen and Vasanthi, 2006; Aubert, 2006; Wiedman, 2007; Rahman and Ismail, 2008). However, Bagshaw (2000) and Boritz and Liu (2006) stressed that the quality of information in interims is crucial due to several factors, such as: non-disclosure of required information (McEwen and Schwartz, 1992; Miller and Bahnsen, 1999), seasonality factors (Chan, 2007), imprecise estimation of accruals, provision and taxes during the interim periods (Jarret, 1983; Bagshaw, 2000; Boritz and Liu, 2006) and absence of audit reviews (Ku Ismail and Abdullah, 2009). Malaysian interims

are not subject to audit reviews and there are no mechanisms set up by the Malaysian regulatory body to ensure that PLC complies with the interim reporting standards. This questions the reliability of the quality of Malaysian interims. The possibility of the unreliability of Malaysian interims raised the necessity for the present study to examine their quality in order to ensure that the users of financial reports can rely on the interims to make decisions.

Figure 3.1: The Research Framework



Source: Adapted from Zaitul (2010) and Ho and Wong (2001)

According to the Malaysian Accounting Standards Board's (MASB) conceptual framework for the Presentation and Preparation of Financial Statements, the objective of financial reports is to provide financial information to the users of financial reports and the qualitative characteristics of financial reports determine the usefulness of financial information to the users of financial reports. Jonas and Blanchet (2000) assert that the usefulness of financial information to the users of financial reports is related to the quality of a financial report. Therefore, adherence to the objective of financial reports and usefulness of financial information, proxied by the qualitative characteristics of financial reports will generate high-quality financial reports.

Most of the previous research (Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008) has used a single proxy to determine the influence of qualitative characteristics on the quality of financial reports. McFie (2006) proposed that using a single proxy to determine the quality of financial reports is doubtfully to be high, even though the measurements used provide an excellent result. The single proxy used to investigate the quality of financial reports only focuses on one aspect and ignore other aspects. Consequently, the present study uses several proxies to determine the quality of interims. The qualitative characteristics used in the present study are relevance (measured by the proxy, timeliness), reliability (measured by the proxy, compliance with the interim reporting standards namely the FRS 134 and the BMLR), and comparability (measured by the proxy, comparable profit and loss).

Apart from using the MASB's qualitative characteristics, the present study followed the propositions of Cook (1987), Bandyopadhyay et al. (2007) and Williams (2008) to assess the quality of Malaysian interims which includes audit reviews, compliance with the interim reporting standards, and corporate governance. Audit reviews are designed to enable an accountant, without applying comprehensive procedures, to assess the management's

representations and consider whether the interims are in conformity with the Generally Accepted Accounting Principles (GAAP). The US SEC and preceding researchers (Boritz and Liu, 2006; Bandyopadhyay et al., 2007) have alleged that audit reviews improve the quality of interims. Unlike the US listed corporations, Malaysian PLC are not subject to audit reviews, possibly because it may delay the submission of financial reports (Ashton et al., 1987; Ng and Tai, 1994), increase audit fees, and because it may expose the external auditors to litigation risk (Krishnan and Zhang, 2005). Consequently, the present study assesses the quality of Malaysian interims in the absence of audit reviews.

Compliance with the interim reporting standards is important because the objective of interim reporting standards is to provide “timely” and “reliable” information to the users of financial reports. The interim reporting standards have also highlighted the importance of “comparative” figures of financial information in interims. Therefore, there are three significant items highlighted in the interim reporting standards which are timeliness, reliability, and comparability and they are consistent with the qualitative characteristics of financial reports.

One of the objectives of corporate governance is to produce quality financial reports (Miettinen, 2008). According to Fortin et al. (1997), poor corporate governance may impair interims, especially if independent directors do not know much about the company's operations. Lack of knowledge by those responsible for corporate governance may then influence the quality of interims. The corporate governance accountabilities are expounded by agency theory and resource dependence theory. Agency theory is concerned with aligning the interests of owners and managers (Jensen and Meckling, 1976). When the interests of owners and managers diverge, there is a potential for “managerial mischief” (Dalton et al., 2007) which may influence the quality of interims. Besides divergent interests between the owners and managers, appointed managers have superior knowledge than

the owner and they tend to use the superior information to exploit the owners if they are not monitored effectively (Miller and Sardais, 2011). Therefore, there is a need to establish an adequate monitoring system to protect the owner against an irresponsible manager (Zaitul, 2010). BOD is expected to monitor the managers' conflicts of interests and ensure that a high quality financial report is issued. Resource dependence theory provides a theoretical foundation for the directors' role as a provider of a company's resources (Zaitul, 2010). In theory, directors use these resources for the best interests of shareholders.

A number of previous studies have underpinned agency theory and resource dependence theory in relation to corporate governance responsibilities and ensuring that they provide quality financial reports (Hilman and Daziel, 2003; Beekes et al., 2004; Abdullah, 2007; Jackling and Johl, 2009; and Zaitul, 2010). The present study also uses these theories for corporate governance responsibilities and investigates the influence of CGC on the quality of interims. By performing corporate governance duties, are CGC influence the quality of interims?

There is a lot of previous research on the influence of corporate governance on the quality of financial reports. However, most of the research focuses on the quality of annual financial reports and less research has been done on interims. For example, Mangena and Pike (2005) claimed that their study was the first to investigate the relationship between corporate governance and interims. This is followed by research from Abdelsalam and El-Masry (2008) and Ezat and El-Masry (2008). The literature review has found less previous research on the influence of corporate governance on Malaysian interims.

Mangena and Pike (2005), Abdelsalam and El-Masry (2008) and Ezat and El-Masry (2008) studied on relationship between corporate governance and timeliness, as well as corporate disclosures. There seems to be no research

on relationship between corporate governance and comparability of interims. Therefore, the present study seeks to fill this gap in the literature by adding the association between corporate governance and comparability of interims apart from timeliness and compliance with the interim reporting standards' disclosures. Besides filling this research gap, the present study is different from preceding literature in terms of the types of financial reports. Mangena and Pike (2005), Abdelsalam and El-Masry (2008), and Ezat and El-Masry (2008) focused on half yearly interims and the present study used quarterly interims.

In addition to corporate governance, the present study incorporates control variables to assess the quality of interims. The selected control variables are based on the important variables highlighted by the preceding research (such as company size, profitability and leverage). Size of the BOD is incorporated in the control variables instead of corporate governance to avoid problems of multicollinearity. After explaining the present study's research framework, the research questions were developed to address the research problems. The two main research questions of the present study are as follows:

- 1) What is the overall quality of Malaysian interims with the absence of audit reviews?**

- 2) What is the impact of corporate governance on the quality of Malaysian interims?**

These research questions are addressed by the test of hypotheses which is described in the following section.

3.3 Hypotheses Development

The quality of interims is unreliable (Bagshaw, 2000; Boritz and Liu, 2006) because of a number of factors such as: non-disclosure of information required (Miller and Bahnson, 1999; McEwen and Schwartz, 1992), seasonality factors (Chan, 2007), imprecise estimation of provision and taxes (Jarret, 1983; Bagshaw, 2000; Boritz, and Liu, 2006) and the absence of audit reviews (Ku Ismail and Abdullah, 2009). Previous research has highlighted that audit reviews are necessary to enrich the quality of interims (e.g. Manry et al., 1999; Raedy and Helms, 2002; Boritz and Liu, 2006; Wiedman, 2007; Bedard and Courteau, 2008).

In December 1999, the US SEC has imposed a regulation for US PLC to have their interims reviewed by external auditors in order to enrich their quality. Initially, the US PLC is given the option to review their interims quarterly or at the end of the annual audit. Manry et al. (1999) found that quarterly reviews enrich the credibility of interims due to earlier involvement of auditors in the financial reporting processes. Bedard and Courteau (2008) also discovered that quarterly reviews improve interims. Raedy and Helms (2002) suggest that involvement of external auditors in interims allow them to identify and manage in advance a company's risk associated with financial reporting, which then results in faster completion of the audit at the year end. Due to the importance of external auditors' involvement in interims, the US SEC obliged US PLC to do quarterly reviews instead of reviews at the end of annual audit beginning on 15th March 2000.

Malaysian interims are not subject to independent audit reviews. Additionally, there is no specific mechanism set by the regulatory body, Bursa Malaysia to ensure that Malaysian PLC complies with the interim reporting standards. Consequently, Malaysian interims may not be reliable for the users of financial reports to use to make decisions due to the absence of independent audit reviews. Therefore, the first objective of the present study is to evaluate the quality of Malaysian interims. As none PLC

in Malaysia reviewed their interims, there is no variance to do a statistical test. Therefore, the first research question is investigated by describing the descriptive statistics of each qualitative item of interims namely timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of profit and loss statements. The average score of each qualitative item is accumulated and compared with Table 3.6 to determine whether the quality of Malaysian interims is high, moderate or low. Apart from determining the overall quality of Malaysian interims, the present study also identifies:

- 1) whether the quality of interims is consistent every quarter.
- 2) whether the quality of interims is equivalent in different type of BSE.
- 3) whether the quality of interims is equivalent in different types of industries.
- 4) whether Malaysian PLC publish interims on a timely basis every quarter.
- 5) whether Malaysian PLC publish interims that comply with the interim reporting standards every quarter.
- 6) whether Malaysian PLC publish interims that are comparable every quarter.
- 7) whether timeliness of Malaysian interims in different type of BSE and types of industries are equivalent every quarter.
- 8) Whether compliance with the interim reporting standards in different type of BSE and types of industries equivalent every quarter.
- 9) whether comparability of interims in different type of BSE and types of industries are equivalent every quarter.
- 10) which qualitative characteristic contributes the most and the least to the quality of Malaysian interims.

One of the objectives of corporate governance is to produce quality financial reports (Miettinen, 2008).The second research question or objective is to determine the influence of corporate governance on the quality of interims.

Corporate governance comprises of the BOD, the audit committee, the top management team, internal auditors, external auditors and governing bodies (Rezaee, 2003). Corporate governance is appointed to monitor the management and provide resources for the best interests of shareholders (Hillman and Dalziel, 2003). Corporate governance is expounded by agency theory and resource dependence theory to perform their duties conscientiously. The corporate governance actors possess various characteristics, educational background, and experiences that may influence their performance and, therefore, the quality of interims.

Previous research has used various CGC and their findings on the impact of corporate governance on the quality of interims are mixed. For example, Chiang (2005), Kent and Stewart (2008), and CheHaat et al. (2008) found that corporate governance influences the quality of financial reports. Meanwhile, Mangena and Pike (2005) found that the number of audit committee members does not significantly influence the disclosure level in the interim reports. Since there are two views on the influence of corporate governance on the quality of interims, the present study posits in null form that:

H₀₁ There is no association between the corporate governance characteristics and quality of interims.

Altogether, there are five CGC to be assessed in the present study namely the frequency of BOD meetings, independent, financial literacy, corporate governance expertise and ethnicity of directors. The association between the five CGC and each qualitative item of interims is expressed in the form of hypothesis and is summarized in Table 3.1. In other words, the second research question is address by tests of hypotheses listed in Table 3.1. All hypotheses in Table 3.1 are in non-directional form because there are supporting and opposing findings from preceding research. A detailed explanation of each hypothesis is given in Sections 3.3.1 to 3.3.5. Apart from

assessing the influence of corporate governance on the quality of interims, the present study also assessed:

- 1) whether the impact of corporate governance is similar for each qualitative characteristic of Malaysian interims.
- 2) the most and the least CGC that contributes to the quality of Malaysian interims.

Table 3.1: Hypotheses of the Influence of CGC on the Quality of Interims

No	Hypotheses	
1	H_{1A}	<i>There is no association between the frequency of a BOD meetings and timeliness.</i>
2	H_{1B}	<i>There is no association between the frequency of a BOD meetings and compliance with the FRS 134.</i>
3	H_{1C}	<i>There is no association between the frequency of a BOD meetings and compliance with the BMLR.</i>
4	H_{1D}	<i>There is no association between the frequency of a BOD meetings and comparability.</i>
5	H_{1E}	<i>There is no association between the independent directors and timeliness.</i>
6	H_{1F}	<i>There is no association between the independent directors and compliance with the FRS 134.</i>
7	H_{1G}	<i>There is no association between the independent directors and compliance with the BMLR.</i>
8	H_{1H}	<i>There is no association between the independent directors and comparability.</i>
9	H_{1I}	<i>There is no association between the financial expertise of directors and timeliness.</i>
10	H_{1J}	<i>There is no association between the financial expertise of directors and compliance with the FRS 134.</i>
11	H_{1K}	<i>There is no association between the financial expertise of directors and compliance with the BMLR.</i>
12	H_{1L}	<i>There is no association between the financial expertise of directors and comparability.</i>
13	H_{1M}	<i>There is no association between the corporate governance expertise of directors and timeliness.</i>
14	H_{1N}	<i>There is no association between the corporate governance expertise of directors and compliance with the FRS 134.</i>
15	H_{1O}	<i>There is no association between the corporate governance expertise of directors and compliance with the BMLR.</i>
16	H_{1P}	<i>There is no association between the corporate governance expertise of directors and comparability.</i>
17	H_{1Q}	<i>There is no association between the ethnicity of directors and timeliness.</i>
18	H_{1R}	<i>There is no association between the ethnicity of directors and compliance with the FRS 134.</i>
19	H_{1S}	<i>There is no association between the ethnicity of directors and compliance with the BMLR.</i>
20	H_{1T}	<i>There is no association between the ethnicity of directors and comparability.</i>

3.3.1 Frequency of Meetings

One of the directors' activities is to attend and discuss a company's issues in the BOD meetings. An effective corporate governance is attained by conducting a focused and productive BOD meeting, and evaluating and improve it continuously (Orlikoff and Totten, 2001). The BOD is exposed to misunderstanding and miscommunication during the meetings due to the diverse backgrounds of individual directors. However, they are tied by the BOD membership (Castor, 2007) and they have to reach a consensus to any decisions made. If there are any issues of disagreement in the interims that require a further investigation, the BOD may deter discussion on these issues to the next meeting. Therefore, these issues require frequent meetings and cause interims to be published on a less timely basis.

Infrequent meetings may indicate that BOD does not perform their activities diligently. For example, BOD must hold meetings at least four times per year if interims are issued every quarter. Otherwise, the BOD may not have discussed any of the issues published in some of the interims or they may have delegated the approval to audit committee members. Since Malaysian interims are not subject to independent audit reviews, all decisions made by a company with infrequent meetings may solely made by the audit committee members and internal auditors. Alternatively, the BOD may still discuss these issues but the meetings may have to be delayed, which causes the interims to be published on a less timely basis.

Vafeas (1999) found that BOD meet more frequently if the company's performance is poor. Non-compliance with the accounting standards and non-comparability of interims are also seen as an indication of poor performance. Therefore, non-compliance with the accounting standards and non-comparability of interims may trigger BOD to hold more frequent meetings. Nevertheless, companies with a large proportion of non-financial expertise may not understand the non-compliance and non-comparability of interims. Additionally, a company's compliance with the interim reporting

standards may not be of BOD concern since financial information has been delegated to audit committee members. According to Adams and Ferreira (2007), BOD spent most of the time advising rather than ensuring the company's compliance with the financial reporting standards. Therefore, there may not be an association between the frequency of a BOD meetings and compliance with the interim reporting standards, as well as comparability of interims.

As the association between frequency of BOD meetings and quality of financial reports is mixed, the present study posits the association between them in null form which is presented as H_{1A} , H_{1B} , H_{1C} and H_{1D} in Table 3.1.

3.3.2 Independent Directors

Directors, particularly independent directors, are an effective form of monitoring (Fama and Jensen, 1983; Bathala and Rao, 1995; Rediker and Seth, 1995; and Agrawal and Knoeber, 1996) because a lack of credible financial reporting may distort the image of independent directors to the public and reduce their demand for monitoring services (Ahmed et al., 2006). Independent directors enhance the monitoring of managerial opportunism and they reduce the management's chance to withhold information (Kelton and Yang, 2008).

MCCG requires at least one third of directors to be independent. This large portion indicates how important the independence is to protect the shareholder's interests. This is supported by Filatotchev et al. (2007), who found that an independent BOD was positively associated with a company's financial performance. Abdelsalam and El-Masry (2008) and Ezat and El-Masry (2008) discovered that independent directors are positively associated with timeliness to publish interims. Beekes et al. (2004) found that having independent directors is positively associated with timeliness to release bad news in earnings. On the other hand, Bushman et al. (2004) and Abdelsalam and Street (2007) found that independent directors are

negatively associated with timeliness because they have lack of business knowledge to be effective due to less time focused on the company.

Apart from timeliness, the previous research has studied the association between independent directors and corporate disclosures. Beasley (1996), Adams et al. (1998), Chen and Jaggi (2000), Xiao et al. (2004), Mangena and Taurigana (2007) and Abdelsalam and Street (2007) found that independent directors are associated positively with corporate disclosure. However, the association between independent directors and corporate disclosure is reduced for family controlled companies (Chen and Jaggi, 2000). Eng and Mak (2003), and Gul and Leung (2004) found that independent directors are negatively associated with compliance disclosure for companies in Singapore and Hong Kong. Haniffa and Cooke (2002), and Ho and Wong (2001) did not find any significant relationship between independent directors and compliance disclosure. Therefore, the association between independent directors and corporate disclosures is mixed.

Independent directors with non-financial expertise may have less knowledge of the business operations and financial information. They may not be aware of or be concerned with the comparability of interims from one period to another. Meanwhile, independent directors with financial expertise may be attentive to the importance of comparability of interims because the impact of non-comparability of interims detected by investors may impair the demand of director's monitoring services by other PLC.

Bhuiyan et al. (2000) and Filatotchev et al. (2007) found that independent directors are significantly associated with companies' performance. However, Patton and Baker (1987) suggest that independent directors lack the necessary time, expertise and incentives to perform their duties effectively, which leads to their failure to make a meaningful contribution to shareholders' wealth.

Due to the mixed associations between independent directors and quality of financial reports, the present study hypothesised in a non-directional form for these items. The hypotheses are H_{1E}, H_{1F}, H_{1G} and H_{1H} in Table 3.1.

3.3.3 Financial Expertise Directors

Prior researchers commonly investigate the association between financial expertise of audit committee and quality of financial reports instead of financial expertise of BOD. Financial expertise directors are able to provide better monitoring of financial reports (Davidson et al., 2004). Felo et al. (2003) and Ruzaidah and Takiah (2004) found that financial expertise is associated positively with quality of financial reports. Mangena and Taurigana (2007) also found that financial expertise director is associated positively with compliance of interim reporting standards. Absence of financial expertise directors has led companies to have financial problems (McMullen and Raghunandan, 1996).

According to Domnisoru and Vinatoru (2008), companies with less financial expertise directors have internal control weaknesses. Therefore, non-financial expertise BOD may be less effective in monitoring timeliness to publish interims, complying with the interims reporting standards and comparability of interims. Nevertheless, Lin et al. (2006) and Ismail et al. (2008) found that there is no association between financial expertise and quality of financial reports.

Due to the mixed findings of the association between the financial expertise of directors and quality of financial reports, the present study hypothesises these relationships in null form, which are H_{1I}, H_{1J}, H_{1K} and H_{1L} in Table 3.1.

3.3.4 Corporate Governance Expertise Directors

Directors who hold multiple directorships on a number of boards are considered to have corporate governance expertise because of the experiences and knowledge gained by monitoring various types of

businesses. Directors with multiple directorships can generate benefits since they have many networks (Pfeffer, 1972; Mizruchi and Stearns, 1994; Booth and Deli, 1995) and they can access required resources and information of multiple companies (Zahra and Pearce, 1989). Corporate governance expertise directors are associated positively with quality of financial reports (Kiel and Nicholson, 2003; Ruzaidah and Takiah, 2004; Haniffa and Cooke, 2005; Ismail et al., 2008). According to Ismail et al. (2008), corporate governance expertise directors are exposed to the economic trends and opportunities to compare management policies and practices of multiple companies. Therefore, they may not want a company to delay in publishing interims if the other company that they hold a directorship of publishes their interims timely. Additionally, they may not want a company to produce non-compliance and incomparable financial reports.

However, holding multiple directorships has become a controversial issue because it may impair the director's focus to monitor the management of a company (Ferris et al., 2003). Jirapon et al. (2008) found that multiple directorships are inversely related to company performance. Directors who hold more directorships are too busy to be effective monitors and this leads to delay in publishing interims, non-compliance with the interim reporting standards and incomparable interims.

The mixed views of association between corporate governance expertise of directors and quality of financial reports have caused the present study to posit in null form the association between these items, which are presented as hypotheses H_{1M}, H_{1N}, H_{1O} and H_{1P} in Table 3.1.

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3.3.5 Ethnicity of Directors

The introduction of NEP in Malaysia caused the government favouritism towards Bumiputra to receive various concessions including business contracts (Johnson and Mitton, 2003). As a result, Chinese family-owned PLC appointed influential Bumiputra directors to get business opportunities

from the government (Mamman, 2003). Diversity of BOD enhances performance by increasing decision-making capacity, but detracts from group performance by increasing conflict of interests (Enhardt et al., 2003).

PLC with Bumiputra directors have higher level of disclosure (Haniffa and Cooke, 2002) and may have fewer tendencies to manipulate accounting information. PLC controlled by non-Bumiputra tend to disclose lower profit for tax avoidance (Ball et al., 2003) as the PLC are usually family-owned companies. Yatim et al. (2006) found that PLC with Bumiputra directors has more favourable corporate governance practices than non-Bumiputra directors. Therefore, PLC that is dominated by Bumiputra directors has higher financial report quality (Hashim, 2012). Nevertheless, Rahman and Ali (2006) found no relationship between ethnicity and financial reporting quality.

Based on the mix results of prior studies, the present study posits in null form the relationship between ethnicity of directors and the quality of interims. The relationship between ethnicity of directors and each qualitative characteristic of interims are hypothesise as H_{1Q} , H_{1R} , H_{1S} and H_{1T} in Table 3.1. Besides CGC, the present study also includes control variables to identify their influence on the quality of interims. Descriptions and measures of control variables are detailed in the next section.

3.4 Control Variables

Control variables consist of company-specific attributes and size of BOD. Company-specific attributes consist of company size, profitability, and leverage. Size of BOD is included in the control variables instead of CGC in order to avoid multi-collinearity problems. If the size of BOD is included in CGC then a multi-collinearity problem may arise because the measures of directors with independence, financial literacy, corporate governance expertise, and ethnicity are in proportion to the size of BOD. Measures for

each control variable are detailed in Table 3.2, and details of each control variable are explained in the following sections.

Table 3.2 Measures of Control Variables

Variables		Measures
1	Company size	The logarithm of total assets.
2	Profitability	The ratio of net income to revenue
3	Leverage	The ratio of total debts to total assets
4	Size of BOD	The number of directors at the financial year end*

* If a director resigns during the year, that director will not be included in the count. If the director is appointed during the financial year, even towards the end of the year, he or she will be included.

3.4.1 Company Size

Company size is one of the important company-specific attributes that interest most prior studies that examine timeliness and disclosure of financial reports. Three theories are proposed to associate company size and timeliness (Zaitul, 2010): client preparation theory, client services theory, and transaction theory. Client preparation theory suggests that larger companies have better internal controls that may expedite the preparation of financial reports (Ashton et al., 1989). Client services theory suggests that larger companies are important to the audit firm and they are prioritised to be audited sooner than smaller companies (Bamber et al., 1993). Transaction theory suggests that larger companies have a larger number of transactions which may delay the audit processes (Simnett et al., 1995).

The findings in the previous research of the association between company size and timeliness are mixed. For example, Lont and Sun (2007) hypothesised that larger companies publish interims on a more timely basis because: a) they have greater resources that enable them to purchase less delay in issuing the financial reports; b) they are audited by the big accounting firms that request audit resources for timely reporting; and c)

they are often widely-held stock companies that are pressured to provide timely information to shareholders. However, Lont and Sun found that releasing interims and annual reports for small and large companies differs insignificantly. Courtis (1976), Gilling (1977), Simnett et al. (1995), Abdelsalam and El-Masry (2008) also found that there is no association between a company's size and timeliness.

On the other hand, Dyer and Hugh (1975), Davies and Whittered (1980), Givoly and Palmon (1984), Chambers and Penman (1984), Newton and Ashton (1989), Carslaw and Kaplan (1991), Bamber et al., (1993), Ng and Tai (1994), Abdulla (1996), Owusu-Ansah (2000), Ku Ismail and Chandler (2004) and Ezat and El-Masry (2008) found an inverse relationship between company size and timeliness. Larger companies take less time to publish financial reports because they have larger resources, more advanced accounting information systems, are modernised and technology developed, are more visible to the public, and have more external stakeholders that are concerned about the company's financial performance. Additionally, larger companies have stronger internal controls, internal audit, and greater accountability that expedite the audit process.

With regard to the association between company size and compliance disclosure, Schadewitz and Blevins (1998) and Mangena and Taurigana (2007) found that they are positively and significantly associated for interims. Company size is also positively and significantly associated with the level of disclosure for annual financial reports (Firth, 1979; Cooke, 1989; Ahmed and Nicholls, 1994; Wallace and Naser, 1995; Raffournier, 1995; Inchausti, 1997; Owusu-Ansah, 1998; Singhvi and Desai, 2001; Alsaeed, 2005). However, Tan and Tower (1997) found no association between company size and the level of disclosure in interims. Stanga, (1976) and Spero (1979) also found no association of those items in annual financial reports.

3.4.2 Profitability

Profitability is a business outcome. A company can either gain a profit or they can make a loss, depending on political and economic factors. According to Naser (1998), management is more likely to disclose good news rather than bad news. In other words, management will rather disclose profit than losses. Disseminating good information may attract potential investors and retain existing investors while disseminating bad information may distract potential and existing investors to retain their investments. Based on this theory, profitability is associated negatively with the timeliness of financial reports. Chambers and Penman (1984) and Ku Ismail and Chandler (2004) found that PLC with positive earnings tend to release more timely interims. Abdulla (1996), Carlslaw and Kaplan (1991), Courtis (1976), Lawrence (1983), Whittred and Zimmer (1984), Owusu-Ansah (2000) and (Beekes et. al, 2004) also found that profitability is associated negatively with timeliness of financial reporting. However, Annaert et al. (2002) discovered that the timeliness of interims was not associated with good or bad news. Abdelsalam and El-Masry (2008) found that profitability is not significantly associated with the timeliness of interims, while Dyer and Hugh (1975) found that profitability is not significantly associated with the timeliness of annual reports.

There is much research on the association between profitability and disclosures. Singhvi and Desai (2001) found that profitability is positively associated with information disclosure in annual financial reports. Cooke (1989) suggests that profitable companies are more likely to disclose more information to signal the market about their superior performance. Low profitability may result in less information being disclosed by a company's management (Singhvi and Desai, 1971). On the other hand, Ku Ismail and Chandler (2005a) found that there is no association between companies' profitability and compliance with disclosures of interim reporting standards.

3.4.3 Leverage

Leverage refers to the company's financial debts. Ashbaugh-Skaife et al. (2006) suggest that weak corporate governance can result in higher debt financing by companies. Higher leveraged companies may deter the willingness of financial institutions and creditors to permit additional borrowing, due to their inability to pay their debts. Based on this theory, highly leveraged companies will publish interims less timely. Ku Ismail and Chandler (2005) found that low leveraged companies reported more timely interims.

With regard to the association between leverage and compliance disclosure, highly leveraged companies are expected to disclose more information, which is required by the financial institutions to monitor the ability of companies to pay their debts. For interims, Ku Ismail and Chandler (2005a) found that leverage is significantly and positively associated with the extent of disclosure of interim reporting standards. Ahmed and Nicolls (1994), Hossain et al. (1994), Jaggi and Low (2000) and Malone et al. (1993) also found that leverage is positively associated with the level of disclosure. However, Tan and Tower (1997) found that leverage was not significantly influenced by the compliance with interim reporting standards.

3.4.4 Size of BOD

There is a conflict argument about the appropriate size of BOD in a company. Lehn et al. (2009) found that size of BOD is positively associated with company size. Although there is no specific size of BOD recommended by the MCGG, it has highlighted the need for PLC to examine the impact of size of BOD on their effectiveness. Small BOD helps to improve a company's performance (Jensen, 1993). In contrast, Bhuiyan et al. (2010) found that larger BOD provides a greater pool of skills and knowledge than smaller BOD. However, larger BOD is quite difficult to coordinate and may have communication problems (Booth et al., 2002) because they possess various types of educational background and experiences. Lipton and

Lorsch (1992) suggest between seven and nine BOD members to be optimal, and they find that more than ten BOD members make it difficult for them to express their ideas and opinions. The number of directors should not be too small or too large because their small size will dominate decision making by certain directors and a big BOD may cause directors to feel very constrained to participate actively. For interims, Ezat and El-Masry (2008) found that size of BOD is positively and significantly associated with the timeliness of internet reporting. Mak and Kusnadi (2005) found that size of BOD is inversely related with company's performance in Singapore and Malaysia.

3.5 Data Collection and Sample

This section illustrates how the data were collected and how the sample was selected to investigate the quality of interims.

3.5.1 Data Collection

The main data source to evaluate the qualitative characteristics of interims that was used in this study were the public filings on the Bursa Malaysia Stock Exchange's (BMSE) website <http://www.klse.com.my>, on which Malaysian PLC have been required to file their interims online since July 1999. The selection of the sample and the time period of interims are discussed below.

3.5.2 Sample Selection

The sample of the present study is drawn from PLC listed on the BMSE. In 2008, the total number of listed companies on the BMSE was 977. With such a large population, the researcher was forced to extract a sample of companies for examination. The PLC were first categorised into the date of financial year-end, type of BSE, and types of industries. In total, 558 PLC have a financial year ending 31st December (57.1%), 128 PLC share a financial year-end on 30th June (13.1%), and 112 PLC financial year-end is on 31st March (11.5%). The first BSE is for more established PLC, the

second BSE is for relatively smaller PLC, and the MESDAQ market is for high growth and technology PLC. In total, 634 PLC are from the first BSE (64.9%), 221 PLC are from the second BSE (22.6%) and 122 PLC are from the MESDAQ (12.5%). The main types of industries in the BMSE are construction, finance, consumer products, hotels, industrial products, plantation, properties, services, technology, mining and infrastructure project companies (IPC). The three industries with a large number of PLC are industrial products, services and consumer products.

In order to have a more generalisable result, the present study selected PLC with the same financial year-end. A December financial year-end was chosen because this is common to more than half of Malaysian PLC. The PLC listings with 31st December financial year-end were then segregated into types of industries, followed by the type of BSE listing. The hotel and IPC industries were not included in the sample because their numbers were very small. The mining industry was not included in the sample as no PLC in that industry has a December financial year end. The sample consists of PLC in the first and second BSE only. No PLC was taken from MESDAQ as the numbers of PLC in MESDAQ were very small. Finally, the list of PLC was organised in alphabetical order.

A stratified systematic sampling method was then used in order to have a balanced sample according to the types of industries and type of BSE. By using stratified systematic sampling, one third of Malaysian PLC with December financial year-ends was selected as the sample. The main criterion for sampling the PLC was that all interims were available for the years 2007 and 2008. After excluding PLC in the MESDAQ market there were 163 PLC, of which 119 and 44 PLC were from the first and second BSE, respectively. After downloading the data, the interims for 47 PLC were found to be incomplete: 33 and 14 PLC were from the first and second BSE, respectively. PLC with incomplete data were excluded from the sample. Consequently, the number of PLC in the sample was reduced to 116, of

which 86 PLC are from the first BSE and 30 PLC are from the second BSE. Table 3.3 summarises the final selection of sample PLC with the December financial year-end. The names of PLC included in the study are listed in Appendix 3-1.

Table 3.3: Selection of Sample

Types of BSE Types of industry	First BSE				Second BSE				Total			
	T	NA	A	%A	T	NA	A	%A	T	NA	A	%A
Industrial Products	31	5	26	30.2	23	6	17	56.7	54	11	43	37.1
Services	31	14	17	19.8	7	3	4	13.3	38	17	21	18.1
Consumer products	15	5	10	11.6	8	3	5	16.7	23	8	15	12.9
Properties	13	3	10	11.6	1	0	1	3.3	14	3	11	9.5
Plantations	9	2	7	8.1	1	0	1	3.3	10	2	8	6.9
Construction	8	1	7	8.1	3	2	1	3.3	11	3	8	6.9
Finance	7	1	6	7.0	0	0	0	0.0	7	1	6	5.2
Technology	5	2	3	3.5	1	0	1	3.3	6	2	4	3.4
TOTAL	119	33	86	100	44	14	30	100	163	47	116	100

*T- Total, A - Data Available, NA - Data not available or incomplete

There are 928 observations in the present study since the data were collected every quarter for the fiscal years of 2007 and 2008 (i.e.116 PLC x four quarters x two years). These periods were chosen because the FRS 134 was revised in 2007 and the revision became effective on or after 1 July 2007. Additionally, the Malaysian Code of Corporate Governance (MCCG) was also revised in 2007. The present study investigated whether the revised FRS 134 and MCCG was complied with by Malaysian PLC. Data were collected in 2008 with the objective of making a comparison of the quality of interims between the two years to find whether the quality of interims is consistent, improving or declining.

3.6 Measurements of the Quality of Interims

As described in the research framework, adherence to the objective and qualitative characteristics of the financial reports will provide high quality interims. The qualitative characteristics that are used to assess the quality of interims are timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of interims' profit and loss. This section describes how to determine the quality of interims by using the qualitative characteristics mentioned above.

The present study used two approaches to determine the quality of interims. The first approach used a dichotomous variable where one score is given to a company if it complies with the qualitative characteristics; otherwise they are given a zero score. The second approach used a continuous variable where a higher score is given to a company if it highly complies with the qualitative characteristics of interims and is given a lower score otherwise. The subsections below detail each qualitative characteristic of interims and the scoring procedures to determine the quality of interims.

3.6.1 Timeliness

Timeliness in releasing information to the users of financial reports is important because it will affect their decision making (Ashton et al., 1987). Financial information becomes less valuable if more time passes between the interims' reporting date and disclosure (Mc Gee, 2007). Similar to the previous studies (Owusu-Ansah, 2000; Ku Ismail and Chandler, 2004), the timeliness of interims in this present study is measured by reporting lag, which is the number of days between the financial reporting date and the publishing date of interims on the BMSE website. The date that PLC initially issued their interims is known as the "initial reporting date" and publishing interims subsequent to the "initial reporting date" after some required amendments are called an "amendment reporting date". The "initial reporting date" is taken as the actual reporting date because the amendments made by PLC are immaterial.

The FRS 134 requires PLC to publish interims within 60 days of the reporting date, while the BMLR requires PLC to publish interims within two months of the reporting date. The actual number of days to publish interims was counted and by adopting the first approach, which used a dichotomous value, a score of one was given to a company if it published its interim within 60 days and a zero score otherwise. The score of timeliness is abbreviated by SCOTI₁, and the formula is as follows:

$$\begin{aligned} \text{SCOTI}_1 &= \text{Time}_1 \\ \text{Time}_1 &= \begin{aligned} &1 \text{ (if PLC publish interims within 60 days)} \\ &0 \text{ (if PLC publishes interims > 60 days)} \end{aligned} \end{aligned}$$

The second approach used a continuous value of which PLC have a higher compliance score if they published their interims early. The actual number of days to publish interims was counted and the scoring procedure is as follows: if PLC published interims the day after their interims reporting date, they have a compliance score of one; if PLC published their interims one day after the end of the allowable period of 60 days, they have a compliance score of zero; and if PLC published interims more than the allowable period of 61 days, the compliance score with timeliness is a negative figure. Therefore, the equation to determine the compliance score of timeliness is as follows:

$$\begin{aligned} \text{SCOTI}_2 &= \frac{(60 - \text{Time}_2) + 1}{60} \\ \text{Time}_2 &= \text{the actual number of days PLC publish interims} \end{aligned}$$

Apart from the general analysis, the analysis on timeliness to publish interims was also made across the quarters, type of BSE, and types of industries to examine any differences.

3.6.2 Compliance with the FRS 134

PLC is required to publish interims so that the prospective users of interims have more transparent information. Following the Asian financial crisis, in March 1999, the Bursa Malaysia announced that all PLC in Malaysia had to issue quarterly instead of half yearly interims, effective July 1999. The MASB issued the MASB 26, Interim Financial Reporting, in 2002 to prepare interims. The standards became effective for financial reports beginning 1 July, 2002. Malaysia renamed the MASB standards as the Financial Reporting Standards (FRS) in 2005 and, accordingly, the MASB 26 was replaced by the FRS 134. The FRS 134 requirements are identical to the International Financial Reporting Standards (IFRS) 134. The revision of IFRS 134 in 2007 caused the revision of FRS 134. Malaysian PLC now has to comply with the MASB 26 and the revised FRS 134 for the accounting periods beginning on or after 1 July 2007.

A PLC compliance with the FRS 134 is measured by constructing a disclosure index. The method of constructing the disclosure index, the test on reliability of the disclosure index, the items listed in the disclosure index and the scoring procedures of compliance with the FRS 134 are explained in the four sub-sections as follows.

3.6.2.1 Constructing the Disclosure Index

Similar to Rahman and Ismail (2008), the present study has constructed a disclosure index to determine a PLC compliance with the FRS 134. The disclosure items that were adopted from the FRS 134 were based on these criteria:

- 1) Compliance with the mandatory disclosures.
- 2) Select items that were widely applicable to all PLC. For example, business combination requirements in the FRS 134 were excluded from the disclosure index, although they were mandatory for Malaysian PLC. Non-inclusion of this item is due to inapplicability of this information to a majority of PLC during the period under review.

Inclusion of these items in the disclosure index will distort the compliance score of PLC with the absence of business combinations.

3.6.2.2 Reliability of the Disclosure Index

The present study validated the accuracy of all items in the disclosure index by reconciling with disclosure index prepared and published by PricewaterhouseCoopers (PwC) on the internet (<http://www.pwc.com/enMY/my/assets/publications/disclosurechecklistinterimreporting.pdf>). All items in the disclosure index prepared by the present study were listed on a spreadsheet and compared with the printed disclosure index that was prepared by PWC. Some items in PWC's disclosure index were not included in the disclosure index of the present study due to the selection criteria mentioned in the previous section.

To ensure that all important items were selected and included in the disclosure index, a control procedure was performed by recording the omission of any items and the reasons why these items were excluded from the disclosure index. Apart from the selection criteria, the disclosure index prepared by the present study slightly differs from the disclosure index prepared by PWC in that the item in the FRS 134 that starts with "the nature and amount of ..." (e. g. the nature and amount of unusual items, paragraph 16 C) were counted as two items rather than one single item as in PWC's treatment.

A pilot study was carried out to add further reliability to the present study's disclosure index after all mandatory disclosure items had been listed and reconciled with the disclosure index published by PWC. An independent accounting researcher tested the disclosure index by scoring the compliance with the FRS 134 of one of the companies in the sample. The complete scoring sheet of disclosure index prepared by the independent accounting researcher was compared with the present study's completed scoring sheet of disclosure index. The total compliance score calculated by the accounting

researcher was the same as that calculated by the present study. Apart from the control procedure and pilot study, a complete disclosure index was checked and proved by two professional accountants and academicians to ensure that the disclosure index was free from any discrepancies and can be used as a research instrument for the present study.

3.6.2.3 Items Listed in the Disclosure Index

Pursuant to applying the above criteria and procedures, Table 3.4 presents 39 items that are mandatory to be disclosed by Malaysian PLC in their interims every quarter. Rahman and Ismail (2008) grouped similar items in the disclosure index. Similarly, the present study grouped items of a similar nature and classified them into 14 groups (see Table 3.4).

Table 3.4: The Disclosure Index of Compliance with the FRS 134

No	FRS 134 items	Total Score	Ref
1	Components of financial statements: a) A condensed Balance Sheet (BS); b) A condensed Income Statement (IS); c) A condensed statement of Changes in Equity (CE); d) A condensed Cash Flow statement (CF); e) Explanatory notes.	5	8a 8b 8c 8d 8e
2	Periods of financial statements disclosed: a) BS: current quarter and preceding financial year end; b) IS: current quarter and Financial Year to Date (FYTD); c) IS: preceding corresponding quarter and FYTD of preceding year; d) CE: FYTD of current quarter and preceding year; e) CF: FYTD of current quarter and preceding year.	5	20a 20b 20b 20c 20d
3	Interim financial statement's general requirements: a) Publish either a complete or condensed financial statements; b) Comply with MASB 26/FRS 134; c) Are consolidated if the recent annual report is consolidated.	3	4 9 14
4	Disclose Earnings per Share (EPS) in the face of income statement: a) Basic EPS; b) Diluted EPS.	2	11 11
5	Accounting policies: a) Accounting policies are consistent with the preceding annual report; b) Methods of computation are consistent with the preceding annual report; c) Disclose any changes of accounting policies: i) Nature of the changes of accounting policies; ii) Effect of the changes of accounting policies.	5	16a 16a 16a 16a 16a
6	Seasonality or cyclicity of interim operations.	1	16b
7	Unusual items: a) Disclose unusual items; b) Nature of unusual items; c) Amount of unusual items.	3	16c 16c 16c
8	Estimation of provision: a) Disclose changes in estimates of provision; b) Nature of items; c) Amount of changes in estimates of provision.	3	16d 16d 16d
9	Debt and equity securities. Disclose issuance, cancellations, repurchases and repayments.	1	16e
10	Segmental Reporting: a) Business segments: i) Segmental revenue; ii) Segmental result. b) Geographical segments: i) Segmental revenue; ii) Segmental result.	6	16g 16g 16g 16g 16g 16g
11	Material subsequent events.	1	16 h
12	Changes in composition of the entity.	1	16 i
13	Changes in contingent assets or liabilities: a) Contingent assets; b) Contingent liabilities.	2	16j 16j
14	Disclose dividends paid according to the types.	1	16f
	TOTAL SCORE	39	

3.6.2.4 Scoring Procedures of Compliance with the FRS 134

A dichotomous procedure is commonly used by previous researchers (Cooke, 1989; Ali et. al., 2004; Al-Shammari, 2005; Akhtaruddin, 2005) to determine the compliance score with accounting standards. An item scored one if it was disclosed and zero score otherwise. However, there was a problem when non-disclosure is due to irrelevance or inapplicability of information to the company (Yeoh, 2005), meaning that the item can neither be given one nor zero score. In order not to penalize a company that did not disclose inapplicable information, similar to Al-Shammari's (2005) study, a non-applicable (NA) score was given to the item.

Several steps have been taken by previous researchers to minimise the impact of the NA score. Firstly, the financial reports were read thoroughly before scoring the information disclosed by the company in order to ensure the information was indeed irrelevant to the companies (Cooke, 1989; Al-Shammari, 2005). Secondly, the information that was irrelevant to be disclosed was supported by reviewing the preceding and succeeding financial reports (Owusu-Ansah, 2000; Al-Shammari, 2005). Thirdly, the information that was irrelevant to be disclosed was determined by logical reasoning (Owusu-Ansah, 2000). Fourthly, the companies must mention that the information was irrelevant to them (Rahman and Ismail, 2008). The present study used these four methods in order to avoid marking down a company that did not disclose inapplicable information. If the information is indeed inapplicable and is being accredited directly or indirectly in the financial reports, then the company is considered to be making a full disclosure and a NA score will be given to the item.

The total compliance score with the FRS 134 was calculated after completing the compliance scoring sheet of the disclosure index. A company's score can vary between 0 and 39, where a zero score indicates a perfect non-compliance with the FRS 134 and full score of 39 points indicate

perfect compliance with the FRS 134. The total compliance score with the FRS 134 is abbreviated as TOFRS.

An index is then created to measure the relative level of compliance with the FRS 134. Two methods are commonly used by the prior studies, namely: weighted and unweighted approach (Spero, 1979; Cooke, 1989; Ahmed and Nicholls, 1994; Wallace et al., 1994; Cooke, 1996; Patton and Zelenka, 1997; Craig and Diga, 1998; Street and Bryant, 2000; Street and Gray, 2001; Yeoh, 2005). The difference between these methods is the importance of information disclosed. All items of information are not equally important in weighted approach and equally important in unweighted approach (Akhtaruddin, 2005) to the average users (Wallace, 1998). In the weighted approach the allocation of weights was done arbitrarily by the researchers. The unweighted approach was considered superior (Owusu-Ansah, 1998) and more appropriate (Tsalavoutas et al., 2008) than the weighted approach and was commonly used by the former researchers to measure the compliance with accounting standards. Consequently, the unweighted approach is adopted for the present study.

A large number of non-applicable items in the disclosure index will yield a low total compliance score with the FRS 134. Therefore, it is unfair to the company because the information is irrelevant. To overcome this problem, a relative index was used by measuring the ratio of what the company actually disclosed to the maximum score applicable to be disclosed by the company (Owusu-Ansah, 1998; Akhtaruddin, 2005; Tsalavoutas, 2008). Consequently, the actual (numerator) and maximum (denominator) items disclosed by PLC varied as some items were inapplicable to some PLC. The disclosure index of compliance score with the FRS 134 is abbreviated as INDEXFRS and the formula is as follows:

$$\text{INDEXFRS} = \frac{\text{TOFRS}}{\text{MFRS}}$$

TOFRS	=	$\sum_{i=1}^n di$	and	MFRS	=	$\sum_{i=1}^m di$
INDEXFRS	=	Index of compliance score with the FRS134				
TOFRS	=	Total amount of items complied with the FRS 134				
MFRS	=	Maximum applicable items complied with the FRS134				
n	=	number of applicable items in the disclosure index which are expected to be complied by a company				
m	=	maximum number of applicable items that should be complied by PLC and $n \leq m$				
<i>di</i>	=	1 if the item complies with the FRS 134 and 0 if the item does not comply with the FRS 134				

The present study used two approaches to measure the quality of PLC compliance with the FRS 134. The first and the second approach used dichotomous and continuous value, respectively. For the first approach, one score is given to PLC if the index of compliance score with the FRS 134 (INDEXFRS) is greater than 50% and zero score otherwise. The quality score on compliance with the FRS 134 by using the first approach is abbreviated as SCOFRS₁. The second approach uses continuous value and is abbreviated by SCOFRS₂. The quality score on compliance with the FRS 134 is measured by the actual value of INDEXFRS. PLC that has a higher value of INDEXFRS will have a higher quality value of interims. Apart from the general analysis on compliance with the FRS 134 by Malaysian PLC, the analysis was also made across quarters, type of BSE, and types of industries to examine any differences.

3.6.3 Compliance with the BMLR

Since Malaysian PLC has had to issue quarterly instead of half yearly financial interims since July 1999, the Bursa Malaysia revised the BMLR in conjunction with the FRS 134. Apart from complying with the FRS 134 to

prepare interims, PLC also has to comply with the BMLR. Items in the BMLR that are required to be complied to prepare interims are in Part A of Appendix 9B. Except to the allowable time period to publish interims, all items in the FRS 134 and the BMLR complement each other. In other words, all items listed in the BMLR are not a repetition of items listed in the FRS 134.

The PLC compliance with the BMLR was also measured in this present study by constructing a disclosure index. The methods of constructing and testing the reliability of the disclosure index are similar to those used for compliance with the FRS 134. The only difference is there is no selection process in listing the items in the disclosure index of BMLR as all items in Part A of Appendix 9B are a mandatory requirement for PLC to adhere to and are applicable to all PLC. Items listed in the disclosure index and scoring procedure of compliance with BMLR are explained in Section 3.6.3.1 and Section 3.6.3.2, respectively.

3.6.3.1 Items Listed in the Disclosure Index

Table 3.5 presents the 78 items adopted from the BMLR that are mandated to be disclosed by Malaysian PLC in their interims every quarter. Similar to compliance with the FRS 134, all items listed in the BMLR's disclosure index are classified into 14 groups of related items as indicated in Table 3.5.

Table 3.5: The Disclosure Index of Compliance with the BMLR

No	BMLR Items	Total Score	Ref
1	BOD approval.	1	9.22 (1)
2	Performance Review:	10	
	a) Describe the amount of material changes in earnings/revenue		1
	i) Current quarter		1
	ii) FYTD		1
	b) Explain the factors affecting the earnings and/or revenue		1
	i) Current quarter		1
	ii) FYTD		1
	c) Describe the amount of material changes in PBT		2
	i) Current and preceding quarters		2
	d) Factors affecting the changes in PBT		2
	i) Current and preceding quarters		2
3	Prospects	6	
	a) Disclose the prospects		3a
	b) Prospects for remaining period to FYE or next FYE for the last quarter		3a
	c) Factors that influence the prospects for the remaining period to FYE or next FYE for the last quarter		3a
	d) Company's progress to achieve revenue/profit estimate in the		
	i) remaining period to FYE		3b
	ii) In the forecast period which was previously announced or disclosed in a public document		3b
	e) Board of Director's opinion to achieve them		4
4	Profit forecast/guarantee in a public document	5	
	a) Disclose profit forecast/guarantee in a public document		5
	b) The variance of actual PAT and minority interest (if exceeds 10%)		5
	c) The forecast PAT and minority interest (if the variance exceeds 10%)		5
	d) The shortfall in profit guarantee received by the company		5
	e) Steps taken to recover the shortfall in profit guarantee received		5
5	Taxation	3	
	a) Breakdown of tax charges		6
	b) Explain the variance between the effective and statutory tax rate		
	i) Current quarter		6
	ii) FYTD		6
6	Unquoted investments and properties	6	
	a) Profits/(losses) on sales of unquoted investments		7
	i) Current quarter		7
	ii) FYTD		7
	b) Profits/(losses) on sales of unquoted properties		7
	i) Current quarter		7
	ii) FYTD		7
7	Quoted securities (exception to closed-end funds, banking, finance and insurance)	12	
	a) Purchase quoted securities		8a
	i) Current quarter		8a
	ii) FYTD		8a
	b) Disposal of quoted securities		8a
	i) Current quarter		8a
	ii) FYTD		8a
	c) Profit/loss arising from disposal of quoted securities		8a

No	BMLR Items	Total Score	Ref
	i) Current quarter		8a
	ii) FYTD		8a
	d) investments in quoted securities		
	i) at cost		8b
	ii) at carrying/book value		8b
	iii) at market value		8b
8	Corporate proposal	8	
	a) Disclose corporate proposal		9a
	b) Proceeds raised from any corporate proposal		9b
	i) Purpose		9b
	ii) Proposed utilisation		9b
	iii) Actual utilisation		9b
	iv) Intended timeframe for utilisation		9b
	v) Deviation amount		9b
	vi) Explanations		9b
9	Group borrowings and debt securities	4	
	a) Breakdown between secured and unsecured		10a
	b) Breakdown between short term and long term borrowings		10b
	c) Denominate any foreign currency		10c
	d) Breakdown of debt/borrowings in each foreign currency		10c
10	Off-balance sheet financial instruments	8	
	a) Disclose off balance sheet instruments		11
	i) Face or contract amount or notional principal amount		11a
	ii) Nature of off-balance sheet instruments		11b
	iii) Terms of off-balance sheet instruments		11b
	iv) Credit risk		11b
	v) Market risk		11b
	vi) Cash requirement		11b
	vii) Related accounting policies		11b
11	Changes in material litigation	1	12
12	Dividends	8	
	a) Declared/recommended dividend		13a(i)
	i) Amount per share for current period		13a(ii)
	ii) Amount per share for previous corresponding period		13a(iii)
	iii) Date payable for the current period		13a(iv)
	iv) For deposited securities, the cut-off date for entitlement to dividends		13a(v)
	v) Total dividend per share for the current financial year		13b
	vi) Dividend is before tax, net of tax or tax exempt		13
	vii) Relevant tax rate (for non-tax exempt dividend)		13
13	Earnings per share	4	
	a) Numerator amount		
	i) Basic EPS		14a
	ii) Diluted EPS		14a
	b) Weighted average number of ordinary shares used as denominator		
	i) Basic EPS		14b
	ii) Diluted EPS		14b
14	Qualification of preceding annual financial reports	2	
	a) Types of qualification		15
	b) Current status for qualified report		15
	TOTAL SCORE	78	

FYTD - Financial year to date

PBT - Profit before tax

FYE - Financial year-end

3.6.3.2 Scoring Procedures of Compliance with the BMLR

The scoring procedures of compliance with the BMLR were similar with the scoring procedures of compliance with the FRS 134, where an item scored one if it was disclosed and zero otherwise. An item which was considered irrelevant or inapplicable to PLC was given a NA score. The total score of compliance with the BMLR was computed after completing the scoring sheet of the BMLR disclosure index. A company's score can vary between 0 and 78, where 0 score indicates a perfect non-compliance with the BMLR and a full score of 78 points indicates a perfect compliance with the BMLR. The total compliance score with the BMLR is abbreviated as TOBMLR.

The compliance score with the BMLR is measured by creating an index, which is then measured by using the unweighted approach because all items listed in the BMLR disclosure index are equally important to be disclosed by PLC. To avoid underscoring compliance with the BMLR for PLC with inapplicable items, the ratio of total compliance with the BMLR (TOBMLR) divided by the maximum applicable amount of items complied with the BMLR was used. The disclosure index of compliance score with the BMLR is abbreviated as INDEXBMLR and the formula is as follows:

$$\text{INDEXBMLR} = \frac{\text{TOBMLR}}{\text{MBMLR}}$$
$$\text{TOBMLR} = \sum_{i=1}^n d_i \quad \text{and} \quad \text{MBMLR} = \sum_{i=1}^m d_i$$

INDEXBMLR = Index of compliance score with the BMLR

TOBMLR = Total amount of items complied with the BMLR

MBMLR = Maximum applicable items complied with the BMLR

N = Number of applicable items in the disclosure index which is expected to be complied with by a company

m = Maximum number of applicable items that should be complied by PLC and $n \leq m$

d_i = 1 if the item complies with the BMLR and
0 if the item does not comply with the BMLR

The quality of a PLC compliance with the BMLR was measured by two approaches. The first approach used a dichotomous value where one score is given to PLC if the index of compliance score with the BMLR (INDEXBMLR) is greater than 50% and zero score otherwise. The quality score on compliance with the BMLR by using the first approach is abbreviated as SCOBMLR₁. The second approach used continuous value. The quality score of PLC compliance with the BMLR was measured by the actual value of INDEXBMLR. PLC with higher value of INDEXBMLR will have higher quality interims and PLC with a lower value of INDEXBMLR will have lower quality interims. The quality score on compliance with the BMLR by using the second approach is abbreviated by SCOBMLR₂. Apart from the general analysis on compliance with the BMLR, the analysis was also made across the quarters, type of BSE and types of industries to examine any differences.

3.6.4 Comparability of Interims

To assist stakeholders, especially the prospective investors to make decisions, the interims information must be meaningful and comparable. Therefore, the present study has investigated whether the profit and loss of Malaysian PLC interims are comparable for one period with another. Profit and loss items were selected because Mangena (2004) found that profit and loss information was very helpful for analysts to make investment decisions.

Four profit and loss items (i.e. revenues, gross profit, profit before tax and profit after tax) were selected as comparable figures. These figures were checked when interims were originally issued and when they were placed in the next year's corresponding quarter as a comparative figure. If PLC resubmits interims at a later date then the resubmission figures were used for the comparison. If the figures differ then there is a tendency of

manipulation of accounting figures by the PLC, which may impair the quality of interims. However, the different figures may also be due to restatement as a result of revision of accounting standards.

One score is given to PLC if each profit and loss item's figures initially issued are equivalent with the comparative figures in the next year corresponding period, and zero score otherwise. The scores of each profit and loss figure were summed up and the sum value varies between zero and four, where a zero score indicates non-comparability of interims and a score of four indicates full comparability of interims. The amount of comparability of interims is abbreviated by SCOCOMP.

Two approaches were used to measure the comparability of interims. The first approach used a dichotomous value where one score is given to PLC if the SCOCOMP is equivalent to four and zero score otherwise. The quality score of comparability of interims using the first approach is abbreviated as SCOCOMP₁. The second approach used a continuous value and the actual value of SCOCOMP is used to measure the quality score on the comparability of interims. PLC with a higher-ranking score of comparability of interims will have a higher quality value of interims and vice versa. The quality score on comparability of interims using the second approach is abbreviated as SCOCOMP₂. Apart from the general analysis on comparability of interims, the analysis was also made across the quarters, type of BSE, and type of industry to examine any differences.

Additional investigation was done to ensure that interims are comparable. The revenues, gross profit, profit before tax, and profit after tax figures in quarter one, two, three and four in a year were summed up and compared with the annual report of the corresponding year. The comparison was made because the annual financial reports were audited and the involvement of external auditors is believed to enhance the quality of financial reports. If the financial figures differ between interims and annual reports, there is a

possibility that PLC manipulated the accounting figures in interims, which may impair their quality.

3.6.5 Scoring Procedures of the Overall Quality Value of Interims

The overall quality of Malaysian interims is determined by the sum of all interims' qualitative characteristics' quality value. There are two approaches used by the present study to identify the quality of each qualitative characteristic of interims namely dichotomous and continuous values. The formula for each approach is detailed below. For the first approach, which used a dichotomous value, the equation for overall quality value of interims, which is abbreviated as QUALITY₁, is:

$$\begin{aligned} \text{QUALITY}_1 &= \text{SCOTI}_1 + \text{SCOFRS}_1 + \text{SCOBMLR}_1 + \text{SCOCOMP}_1 \\ \text{SCOTI}_1 &= \text{Score of timeliness} \\ \text{SCOFRS}_1 &= \text{Score of compliance with the FRS 134} \\ \text{SCOBMLR}_1 &= \text{Score of compliance with the BMLR} \\ \text{SCOCOMPARE}_1 &= \text{Score of comparability of interims} \end{aligned}$$

The overall quality of interims by using the second approach, which used a continuous value, is abbreviated as QUALITY₂. The equation is:

$$\begin{aligned} \text{QUALITY}_2 &= \text{SCOTI}_2 + \text{SCOFRS}_2 + \text{SCOBMLR}_2 + \text{SCOCOMPARE}_2 \\ \text{SCOTI}_2 &= \text{Score of timeliness} \\ \text{SCOFRS}_2 &= \text{Score of compliance with the FRS 134} \\ \text{SCOBMLR}_2 &= \text{Score of compliance with the BMLR} \\ \text{SCOCOMPARE}_2 &= \text{Score of comparability of interims} \end{aligned}$$

Apart from determining the overall quality value of interims in general, the quality value of interims was also assessed across the quarters, type of BSE, and types of industries to determine any differences. Unlike the US, Malaysian interims are not subject to audit reviews. Due to the absence of audit reviews, the present study cannot use any audit variables to determine the influence of audit reviews on the quality of interims. Therefore, a statistical test is not recommended because there is no variation of variables

to do the analysis. Consequently, the present study uses the scale in Table 3.3 to determine the level of quality of interims. The basic rule to follow is that a higher quality score indicates a higher quality of interims.

Table 3.6 The Level of Quality of Interims

Score	Quality Level
3.51-4.00	Very High
3.01-3.50	High
2.51-3.00	Moderate
2.00-2.50	Low
<1.99	Very Low

3.7 Measurements of Corporate Governance on the Quality of Interims

Corporate governance is a set of policies and guidelines which affects the way a company is managed by the BOD. Corporate governance is important because the BOD help to monitor and control the behaviour of senior managers and protect the shareholders' interests (Beekes et. al, 2004). Improved corporate governance and stronger regulatory controls have been found to assist Malaysia and some other countries to recover from financial crisis (Vichitsarawang, 2010).

Directors are professionals from various educational backgrounds and they bring depth and diversity in experience, expertise, and perspectives to the company's business operations. A BOD size and other characteristics (e.g. membership composition) appear to be an important factor in determining the effectiveness of corporate governance (DeZoort et al., 2002; Lin et al., 2003; Hillman and Dalziel, 2003; Jackling and Johl, 2009; and Carter et al., 2010). Epstein and Roy (2010) also highlighted that the frequency of a BOD meetings, the percentage of directors who are independent and financially literate, the number of boards that the directors serve on (corporate

governance expertise), and the diversity of board members in terms of race and gender are important for BOD to perform their duties effectively.

According to the suggestions drawn from the previous research (e.g. Mohiuddin and Karbhari, 2010; Hillman and Dalziel, 2003; Jackling and Juhl, 2009), the present study has investigated the influence of corporate governance on the quality of interims by assessing CGC, which are the frequency of BOD meetings, independence, financial literacy, corporate governance expertise and ethnicity of directors. To answer the second research question, this section firstly describes the measures for each CGC which are detailed in Table 3.7.

Table 3.7 Measures of Corporate Governance Variables

Variables		Measures
1	Frequency of BOD meetings	The number of meetings held by BOD each year.
2	Independence	The proportion of independent non-executive directors on the board and is expressed as a percentage.
3	Financial expertise	The proportion of directors with financial expertise on the board and is measured as a percentage.
4	Corporate governance expertise	The proportion of directors with corporate governance expertise which is to hold more than one directorship on the board and is measured in percentage.
5	Ethnicity	The proportion of Bumiputra directors on the board and is measured in percentage.

3.8 Statistical Tests

The present study employs the Statistical Packages for Social Science (SPSS) software program to analyse the data scientifically and determine the hypotheses (which were developed in Section 3.3). The data were firstly examined prior to conducting the analysis. The process of examining the data, checking the reliability of the data, the types and justification to use the statistical tests to analyse the data namely univariate, bivariate, and multivariate analyses are detailed in the subsection which follow.

3.8.1 Examination of Data

The examination of data prior to analysis is essential because any missing data, errors and outliers will distort the statistical results if no corrections are made. The missing data were verified by inspecting the frequencies of each variable. If the total number (N) is not equal to 116 for each variable in every quarter, then there is an existence of missing data. Data errors were investigated by running the descriptive analysis and checking the minimum and maximum number for each variable. The outliers are examined by inspecting the boxplot. The outliers' points appear as little circles with an ID number attached to them.

No missing data and errors have been found for each variable in the present study. However, several points are found to be outliers. The raw data were checked again to ensure that the outliers' points are genuine and not due to input errors. The present study checked the 5% trimmed mean in the descriptive table produced by SPSS after the outliers were found to be genuine. The original mean and the 5% trimmed mean were compared to identify whether the outliers' values have a significant influence on the original mean. The present study found that the difference between the original mean and 5% trimmed mean was insignificant for all variables except for company size. These results indicate that the outliers' values were not extreme and did not influence the original mean value. Therefore, the outliers were retained and not removed from the data. There was a

substantial range in company size between the smallest and the largest value. Therefore, similar to prior studies, the company size proxy by the amount of assets owned by the company was transformed to log asset.

3.8.2 Reliability of the Data Scale

Using a reliable data scale is important in a research study (Pallant, 2005). Cronbach's Alpha was used to measure the internal consistency of the research instruments. The Cronbach's Alpha value of 0.794 in Table 3.8 indicates the reliability status of all 68 variables in the present study. Based on Nunnally's (1960) criteria, the data is considered to be reliable if Cronbach's Alpha value is more than 60%. Therefore, the Cronbach's Alpha value of 0.794 or 79.4% indicates that all the data used in the present study is reliable. The impact of removing each item from the scale is shown in Appendix 3-2. The Cronbach's Alpha value is still more than 70% for all variables if one of the variables is removed from the data. Therefore, these values further confirm the reliability of data used in the present study.

Table 3.8 Reliability test

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No. of Items
.866	.794	68

3.8.3 Univariate Analysis

Univariate, or one variable, analysis was used in this study to investigate the quality of interims every quarter. Univariate analysis is presented by descriptive statistics, which aim to generate summary information on the distribution of all variables, variability and the central tendency of the continuous variables. The descriptive statistics showed the mean, median, mode, standard deviation, variance, range, minimum, maximum, kurtosis, and skewness for each variable. The descriptive statistics were presented

across quarters, the type of BSE, and types of industries, apart from the general descriptive statistics, to investigate any differences.

Before proceeding with the bivariate and multivariate analysis, a diagnostic test was conducted on all of the incorporated variables in the present study. The parametric tests were chosen to analyse the data. One of the conditions to use the parametric tests is to have normal distribution variables. The normal distribution of each variable was checked by conducting an Explore analysis. Three results produced by SPSS were used to analyse the normal distribution which are:

- 1) Kolmogorov-Smirnov and Shapiro-Wilk tests;
- 2) Skewness and kurtosis; and,
- 3) Histograms.

Kolmogorov-Smirnov and Shapiro-Wilk tests were found to be significant for all variables, which indicate that all of the variables were not normally distributed. The skewness values show that all of the qualitative items are negatively skewed since most PLC are inclined to publish interims at the end of the allowable period of 60 days, have a high compliance score with the interim reporting standards, and high comparability ranking score of interims. All corporate governance and control variables are positively skewed, except for the corporate governance expertise of directors and profitability. However, the degree of skewness varies and becomes an arbitrary to determine which value renders the non-normality of data. Finally, a histogram (which is a graphical representation of each variable) is compared with the normal curve. Independence, ethnicity, and size of BOD are the only variables that are normally distributed.

Previous researchers have either transformed the non-normal distribution data to make them normally distributed or they have used non-parametric tests, which are free from any assumptions to utilise it. The methods used by the previous researchers to achieve a normal distribution variable are an art

and depends on the shape of the distribution (Pallant, 2005). However, many researchers have suggested not using the transformed data since the analyses were drawn from the transformed data and not the raw or original data. Additionally, the results obtained from the transformed data have to be carefully interpreted since the variables are completely new and different from the original data.

Regarding non-parametric tests (as suggested by its name), there are no parameters used to measure the actual difference between the populations (Dallal, 2000). The non-parametric tests also throw away information because they discard the actual values and ignore the sign test (if the value is negative) by ranking the data in order from the lowest to the highest value (Dallal, 2000). Therefore, non-parametric tests tend to be less powerful because they may not detect differences or relationships when they actually exist (Motulsky, 1995; Pallant, 2005).

Hair et al. (2010) suggested that normality can have a serious effect on a small sample size and the impact diminishes when the sample size reach 200 cases or more. Skewness will not make a substantive difference in the analysis with a reasonable sample size (Tabachnick and Fidell, 2011). Therefore, the present study pooled interims data every quarter in each year of 2007 and 2008 in order to have a larger sample size and reduced the impact of non-normal distribution variables. Annaert et al. (2002) also pooled data in their studies. In addition, the pooling of data were done by following Pallant's (2005) suggestion that sample sizes influence the statistical significance results of Pearson "r" and larger sizes will generate more generalisable results.

According to the Stata web books, dependent and independent (predictor) variables need not be normally distributed in order to conduct a linear regression analysis; only the residuals need to be normally distributed to have a valid hypothesis test. Consequently, the present study did not

transform all non-normally distributed variables, except company size (as mentioned earlier). However, when regression analyses were done, non-transformation of all variables failed to produce normally distributed residuals for timeliness and compliance with the FRS 134 regressions. The present study has to rank timeliness and compliance with FRS 134 to obtain normally distributed residuals. Ignoring the sign test is not an issue for these variables because all of the data are positive and continuous from zero to infinity. In addition to descriptive statistics, the present study has used t-test to check whether the qualitative characteristics of interims are within the desired values.

3.8.4 Bivariate Analysis

Bivariate, or two variables analysis was conducted in this study to identify a significant relationship between two variables, and discover the direction and strength of association between them. A Pearson correlation coefficient was used to determine the association between two variables. One of the Pearson correlation coefficient's conditions is to use continuous or dichotomous variables. All of the incorporated variables in the present study are continuous variables, except for the comparability of the interims. The ordinal values of comparability of interims were transformed to dichotomous variables, where 0 and 1 denote non-comparable and comparable interims, respectively.

The Pearson correlation coefficient (r) values ranged from -1 to +1. The negative correlation indicates an increase in one variable and a decrease in the other while positive correlation indicates an increase in two variables measured. Ignoring the sign, the absolute value of Pearson " r " indicates the strength of relationship between two variables. Zero and one value indicates none and perfect relationship between the two variables, respectively, or shows a weak and strong relationship between the two variables, respectively.

The Pearson correlation coefficient was used to identify the direction, significance and strength of relationship between:

- 1) the qualitative characteristics of interims;
- 2) the corporate governance characteristics of BOD (CGCB);
- 3) the control variables;
- 4) the qualitative characteristics of interims and the CGCB;
- 5) the qualitative characteristics of interims and the control variables;
and,
- 6) the CGCB and the control variables.

The objective to determine whether there exists a relationship between the qualitative characteristics is to identify whether:

- 1) PLC that publish interims more timely have higher compliance with the FRS 134 and the BMLR, or vice versa;
- 2) PLC that publish interims more timely have higher comparability score of interims, or vice versa; and,
- 3) PLC that have higher comparability score of interims have higher compliance with the FRS 134 and the BMLR, or vice versa.

The present study also investigates the interrelationship of CGC as well as control variables. The purpose to investigate these relationships is to identify whether the CGC and control variables are associated with each other. The associations between the qualitative characteristics of interims and corporate governance of BOD, as well as control variables, answer the second research question of the present study that is to investigate whether CGC and control variables are associated with qualitative characteristics of interims.

3.8.5 Multivariate Analysis

Multivariate analysis is an extension of bivariate analysis where more than two variables are used for the analysis. The Pearson correlation coefficients only identify the direction, significance, and strength of relationship between

two variables and it does not determine the causal relationship between those variables. Therefore, multiple regression analysis is used to examine the causal relationship of independent variables on dependent variables. In addition, multiple regression analysis explores the predictive ability of a set of independent variables on dependent variables and it identifies which variable is the best predictor of dependent variable (Pallant, 2005).

In order to have a reliable analysis, the assumptions of multiple regressions namely, sample size, outliers, multicollinearity, normality, linearity and homoscedasticity of residuals were checked. Sample size is an issue because larger sample size will generate more generalizable results (Pallant, 2005). For a reliable equation of multiple regression analysis, Stevens (1996) recommends fifteen subjects per predictor and Tabachnick and Fidell (2001) suggests the following formula: $N > 50 + 8m$, where m is the number of predictors. There are nine predictors in the present study. Following the formulas of Stevens (1996) and Tabachnick and Fidell (2001), the recommended minimum sample size for multiple regression analysis for the present study is 135 and 122 subjects. The actual sample size for the present study is more than that suggested by Stevens (1996) and Tabachnick and Fidell (2001), which is 464 subjects for each year of 2007 and 2008 and 928 for the pool data.

As suggested by Pallant (2005), the outliers in this study were checked by inspecting the Cook's and Mahalanobis distance in the Residuals Diagnostics table produced by the multiple regression analysis. Tabachnick and Fidell (2001) suggest that a value of Cook's distance above 1 indicates that the outliers have an undue influence on the results of the multiple regression models as a whole and the outliers need to be removed. The present study found that the Cook's distance is above 1 for multiple regressions of timeliness and the BMLR in 2007 and pool years due to one offending outlier. Therefore, this sole outlier was removed from the multiple regression analyses of timeliness and the BMLR in 2007 and the pool data

which then caused N to be 463 and 927 in 2007 and pool years, respectively.

In this study, multicollinearity was checked from the Coefficients table produced by SPSS after conducting the multiple regression analysis. Tolerance values smaller than 0.1 and Variance Inflation Factor (VIF) values above 10 indicate the existence of multicollinearity. According to Pallant (2005), multicollinearity may also exist when independent variables are highly correlated, of which Pearson “r” is above 0.7. After the tolerance, VIF values and Pearson r were checked, no multicollinearity was found in the multiple regression analyses of the quality of interims.

The normality, linearity, and homoscedasticity of residuals were checked by inspecting the residuals’ scatterplot and the normal probability plot of the regression standardised residuals (Pallant, 2005). A normal distribution of residuals (which is presented by a reasonably straight diagonal line) indicates that there are no major deviations from the normality assumption.

After meeting all assumptions of multiple regression analysis, four basic multiple regression models were developed (which is one model for each qualitative characteristic). These four models are called Basic Model 1 (timeliness), Basic Model 2 (compliance with the FRS 134), Basic Model 3 (compliance with the BMLR), and Basic Model 4 (comparability of interims). The equations for these models are as follows:

Basic Model 1

$$\text{TIME} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \beta_6\text{SIZECOM} + \beta_7\text{PROFIT} + \beta_8\text{LEVERAGE} + \beta_9\text{SIZEBOD} + \epsilon$$

Basic Model 2

$$\text{FRS134} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \beta_6\text{SIZECOM} + \beta_7\text{PROFIT} + \beta_8\text{LEVERAGE} + \beta_9\text{SIZEBOD} + \epsilon$$

Basic Model 3

$$\text{BMLR} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \beta_6\text{SIZECOM} + \beta_7\text{PROFIT} + \beta_8\text{LEVERAGE} + \beta_9\text{SIZEBOD} + \epsilon$$

Basic Model 4

$$\text{COMPARE} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \beta_6\text{SIZECOM} + \beta_7\text{PROFIT} + \beta_8\text{LEVERAGE} + \beta_9\text{SIZEBOD} + \epsilon$$

Where:

TIME	=	Timeliness
FRS 134	=	Compliance with the FRS 134
BMLR	=	Compliance with the BMLR
COMPARE	=	Comparability of interims' profit and loss
MTGD	=	Frequency of BOD meetings
INDEPD	=	Independence of directors
FINLITD	=	Financial literacy of directors
GOVD	=	Corporate governance expertise of directors
ETHNICD	=	Ethnicity of directors
SIZECOM	=	Company size.
PROFIT	=	Profitability
LEVERAGE	=	Leverage.
SIZEBOD	=	Size of BOD

The statistical results were interpreted to identify the impact of corporate governance and control variables on the quality of interims. The R^2 for each model was identified to determine how much independent and control variables in each model explained the variance in each dependent variable. The standardised coefficient's values in the Coefficient table indicate which independent or control variables mostly predict the dependent variable. The largest value of the Beta coefficient is the strongest contribution to the dependent variable when the variance explained by other variables is controlled for (Pallant, 2005).

3.8.6 Additional Analysis

As described in the literature review in Chapter Two, seasonality is one of the important factors to be disclosed in interims. Due to its importance, the present study did an additional analysis to ensure that the seasonality in interims is insignificant, as claimed by all PLC. A one-way repeated measures ANOVA was done to analyse the seasonality or cyclicity of the business operations. This test checked whether the PLC revenue differs across all quarters and years, and across the type of BSE.

Apart from the one-way repeated measures ANOVA, the present study conducted three additional tests of multiple regression analysis. The aim of this test is to determine the sensitivity and robustness of the initial results of basic multiple regression analyses. The first additional test is to add new independent variables in the basic multiple regression models. The aim of this test is to examine the effect of adding new variables on all basic regression models. The new independent variables are the frequency of audit committee meetings, independence, corporate governance expertise, financial literacy and ethnicity of the audit committee members. The second additional test is to replace the CGCB with Corporate Governance of Audit Committee members (CGCA) to identify which group of variables has more influence on all qualitative characteristics of interims. The final additional test regresses CGCB, CGCA, and control variables individually to identify which

groups of variables have more influence on the qualitative characteristics of interims. The model specifications for additional tests are as follows:

For the first additional analysis, the equations of Basic Model 1, 2, 3 and 4 are replaced with Model 1A, 2A, 3A and 4A when CGCA are added. The equations for these models are as follows:

Model 1A

$$\begin{aligned} \text{TIME} &= \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \\ &\beta_5\text{ETHNICD} + \beta_6\text{MTGAC} + \beta_7\text{INDEPAC} + \beta_8\text{FINLITAC} + \\ &\beta_9\text{GOVAC} + \beta_{10}\text{ETHNICAC} + \beta_{11}\text{SIZECOM} + \beta_{12}\text{PROFIT} + \\ &\beta_{13}\text{LEVERAGE} + \beta_{14}\text{SIZEBOD} + \epsilon \end{aligned}$$

Model 2A

$$\begin{aligned} \text{FRS 134} &= \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \\ &\beta_5\text{ETHNICD} + \beta_6\text{MTGAC} + \beta_7\text{INDEPAC} + \beta_8\text{FINLITAC} + \\ &\beta_9\text{GOVAC} + \beta_{10}\text{ETHNICAC} + \beta_{11}\text{SIZECOM} + \beta_{12}\text{PROFIT} + \\ &\beta_{13}\text{LEVERAGE} + \beta_{14}\text{SIZEBOD} + \epsilon \end{aligned}$$

Model 3A

$$\begin{aligned} \text{BMLR} &= \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \\ &\beta_5\text{ETHNICD} + \beta_6\text{MTGAC} + \beta_7\text{INDEPAC} + \beta_8\text{FINLITAC} + \\ &\beta_9\text{GOVAC} + \beta_{10}\text{ETHNICAC} + \beta_{11}\text{SIZECOM} + \beta_{12}\text{PROFIT} + \\ &\beta_{13}\text{LEVERAGE} + \beta_{14}\text{SIZEBOD} + \epsilon \end{aligned}$$

Model 4A

$$\begin{aligned} \text{COMPARE} &= \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \\ &\beta_5\text{ETHNICD} + \beta_6\text{MTGAC} + \beta_7\text{INDEPAC} + \beta_8\text{FINLITAC} + \\ &\beta_9\text{GOVAC} + \beta_{10}\text{ETHNICAC} + \beta_{11}\text{SIZECOM} + \beta_{12}\text{PROFIT} + \\ &\beta_{13}\text{LEVERAGE} + \beta_{14}\text{SIZEBOD} + \epsilon \end{aligned}$$

Where:

TIME = Timeliness

FRS 134 = Compliance with the FRS 134

BMLR	=	Compliance with the BMLR
COMPARE	=	Comparability of interims
MTGD	=	Frequency of BOD meetings
INDEPD	=	Independence of directors
FINLITD	=	Financial literacy of directors
GOVD	=	Corporate Governance expertise of directors
ETHNICD	=	Ethnicity of directors
MTGAC	=	Frequency of audit committee meetings
INDEPAC	=	Independence of audit committee
FINLITAC	=	Financial literacy of audit committee
GOVAC	=	Governance expertise of audit committee
ETHNICAC	=	Ethnicity of audit committee
SIZECOM	=	Company's size.
PROFIT	=	Profitability
LEVERAGE	=	Leverage.
SIZEBOD	=	Size of BOD

For the second additional tests, CGCB in the basic models was replaced with CGCA. The equations of Basic Model 1, 2, 3 and 4 are replaced with Model 1AA, 2AA, 3AA and 4AA. The equations for all models are as follows:

Model 1AA

$$\text{TIME} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \beta_7\text{SIZECOM} + \beta_8\text{PROFIT} + \beta_9\text{LEVERAGE} + \beta_{10}\text{SIZEBOD} + \epsilon$$

Model 2AA

$$\text{FRS 134} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \beta_7\text{SIZECOM} + \beta_8\text{PROFIT} + \beta_9\text{LEVERAGE} + \beta_{10}\text{SIZEBOD} + \epsilon$$

Model 3AA

$$\text{BMLR} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \beta_7\text{SIZECOM} + \beta_8\text{PROFIT} + \beta_9\text{LEVERAGE} + \beta_{10}\text{SIZEBOD} + \epsilon$$

Model 4AA

$$\text{TIME} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \beta_7\text{SIZECOM} + \beta_8\text{PROFIT} + \beta_9\text{LEVERAGE} + \beta_{10}\text{SIZEBOD} + \epsilon$$

Where:

TIME	=	Timeliness
FRS 134	=	Compliance with the FRS 134
BMLR	=	Compliance with the BMLR
COMPARE	=	Comparability of interims
MTGAC	=	Frequency of audit committee meetings
INDEPAC	=	Independence of audit committee
FINLITAC	=	Financial literacy of audit committee
GOVAC	=	Governance expertise of audit committee
ETHNICAC	=	Ethnicity of audit committee
SIZECOM	=	Company's size.
PROFIT	=	Profitability
LEVERAGE	=	Leverage.
SIZEBOD	=	Size of BOD

For the third additional analysis, CGCB, CGCA, and control variables were individually regressed to determine which group have a more significant influence on the quality of interims. The equations of Basic Model 1, 2, 3 and 4 are replaced with Model 1AAA, 2AAA, 3AAA and 4AAA for CGCB, 1BBB, 2BBB, 3BBB and 4BBB for CGCA and 1CCC, 2CCC, 3CCC and CCC for control variables. The equations of multiple regression models are as follows:

Model 1AAA

$$\text{TIME} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \epsilon$$

Model 1BBB

$$\text{TIME} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \epsilon$$

Model 1CCC

$$\text{TIME} = \beta_0 + \beta_2\text{SIZECOM} + \beta_3\text{PROFIT} + \beta_4\text{LEVERAGE} + \beta_5\text{SIZEBOD} + \epsilon$$

Model 2AAA

$$\text{FRS134} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \epsilon$$

Model 2BBB

$$\text{FRS134} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \epsilon$$

Model 2CCC

$$\text{FRS 134} = \beta_0 + \beta_2\text{SIZECOM} + \beta_3\text{PROFIT} + \beta_4\text{LEVERAGE} + \beta_5\text{SIZEBOD} + \epsilon$$

Model 3AAA

$$\text{BMLR} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \epsilon$$

Model 3BBB

$$\text{BMLR} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \epsilon$$

Model 3CCC

$$\text{BMLR} = \beta_0 + \beta_2\text{SIZECOM} + \beta_3\text{PROFIT} + \beta_4\text{LEVERAGE} + \beta_5\text{SIZEBOD} + \epsilon$$

Model 4AAA

$$\text{COMPARE} = \beta_0 + \beta_1\text{MTGD} + \beta_2\text{INDEPD} + \beta_3\text{FINLITD} + \beta_4\text{GOVD} + \beta_5\text{ETHNICD} + \epsilon$$

Model4BBB

$$\text{COMPARE} = \beta_0 + \beta_2\text{MTGAC} + \beta_3\text{INDEPAC} + \beta_4\text{FINLITAC} + \beta_5\text{GOVAC} + \beta_6\text{ETHNICAC} + \epsilon$$

Model 4CCC

$$\text{COMPARE} = \beta_0 + \beta_2\text{SIZECOM} + \beta_3\text{PROFIT} + \beta_4\text{LEVERAGE} + \beta_5\text{SIZEBOD} + \epsilon$$

Where:

TIME	=	Timeliness
FRS 134	=	Compliance with the FRS 134
BMLR	=	Compliance with the BMLR
COMPARE	=	Comparability of interims
MTGD	=	Frequency of BOD meetings
INDEPD	=	Independence of directors
FINLITD	=	Financial literacy of directors
GOVD	=	Corporate Governance expertise of directors
ETHNICD	=	Ethnicity of directors
MTGAC	=	Frequency of audit committee meetings
INDEPAC	=	Independence of audit committee
FINLITAC	=	Financial literacy of audit committee
GOVAC	=	Governance expertise of audit committee
ETHNICAC	=	Ethnicity of audit committee
SIZECOM	=	Company's size.
PROFIT	=	Profitability
LEVERAGE	=	Leverage.
SIZEBOD	=	Size of BOD

3.9 Summary

This chapter initially discussed the research framework and the research questions of the present study. The two objectives of the present study are to determine the quality of interims in the absence of audit reviews and to

investigate the impact of corporate governance on the quality of interims. The quality of interims was assessed by examining four qualitative characteristics of interims, which are timeliness, compliance with the FRS 134, compliance with the BMLR, and comparability of interims' profit and loss. The corporate governance variables are proxied by the frequency of BOD meetings, independence, financial literacy, corporate governance expertise, and the ethnicity of directors. The hypotheses are developed based on the research questions. The hypotheses are supported by findings of preceding research.

An overview of the data collection and the procedures to select the sample are then described. This is followed by the measurements and instruments to find the quality of interims and the influence of corporate governance on the quality of interims. The two objectives of the present study are assessed by hypotheses and statistical analysis. The statistical analyses include univariate, bivariate and multivariate analyses. Univariate analysis is presented by descriptive statistics, which generate summary information of all incorporated variables in the present study. The descriptive statistics are then used in the research formulae to determine the quality of interims. Bivariate and multivariate analyses are used to determine the impact of corporate governance on the quality of interims. The Pearson correlation coefficients and multiple regression analyses are the instruments that are used for bivariate and multivariate analyses, respectively. The Pearson correlation discovers the direction and strength of association between corporate governance and quality of interims. However, the Pearson correlation does not determine the causal relationship between those variables. Therefore, multiple regression analysis was used to determine the causal relationship between those variables.

Additional analyses were also done to determine the sensitivity and robustness of the initial results of basic multiple regression analyses on each qualitative characteristic of interims. The first test is to add new independent

variables, which is CGCA that consists of frequency of audit committee meetings, independence, financial literacy, corporate governance expertise, and the ethnicity of audit committee members. The second test is to replace CGCB with CGCA to identify which one has a more powerful influence on the quality of interims. The final test regresses CGCB, CGCA, and control variables individually to determine which group has the strongest effect on the quality of interims. The statistical results of all these analyses are discussed in Chapter Four.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the first and second empirical analysis of this study, which aims to evaluate the quality of interims by using the qualitative characteristics of interims and to ascertain the impact of Corporate Governance Characteristics (CGC) on the quality of interims. The data are analysed using the statistical methods that were discussed in chapter three, which are descriptive statistics and t-tests for the first empirical analysis and Pearson correlation coefficient and multiple regression analysis for the second empirical analysis. The dependent variable is quality of interims and it is comprised of timeliness, compliance with the FRS 134, compliance with the BMLR, and comparability of interims. The independent variables are CGC and they include the frequency of Board of Directors (BOD) meetings, independence, financial literacy, corporate governance expertise, and ethnicity of directors. In addition to the CGC, this study also incorporates control variables to identify their influence on the quality of interims. The control variables include company size, profitability, leverage, and the size of BOD.

This chapter is organised as follows. The next section reports the quality of interims by firstly describing each qualitative characteristic of interims in descriptive statistics and t-test results. The descriptive statistics are presented either in graphs or tables and they are illustrated in general every quarter, across the first and second Boards of Stock Exchange (BSE), and across the types of industries to examine any differences. The quality of interims is then determined by using two approaches namely dichotomous and continuous methods. A Pearson product moment correlation is used to identify the relationship between quality of interims and CGC. However, because the Pearson correlation only exhibits association between two variables and does not signify the causal interrelationships among a set of

variables, the next section reports a further examination by using multiple regression analysis. In order to ascertain the credibility of initial results of multiple regression analyses, several additional tests were conducted and the results are presented towards the end of the chapter. The last section summarises the overall findings and concludes this chapter.

4.2 The Quality of Interims

Before determining the quality of interims, this section will first analyse the descriptive statistics of all variables as per Table 4.1. Detailed explanations are in Section 4.2.1 for dependent variable, Section 4.2.2 for independent variables and Section 4.2.3 for control variables. Section 4.2.4 explained the overall computation on the quality of interims. Apart from general explanation, this study reports the quality of interims across the first and second BSE, and types of industries to ascertain any dissimilarity. There are no missing values in every quarter and year. In total, 86 and 30 public listed companies (PLC) are from the first and second BSE, respectively. For these companies, 43, 21, 15, 11, 8, 8, 6, and 4 PLC are respectively from the industrial products, services, consumer, properties, plantations, construction, finance and technology industries.

Table 4.1 The Descriptive Statistics of Variables

VARIABLES	TIME	FRS	BMLR	COM PARE	MTGD	INDEPD	FINLITD	GOVD	ETHNICD	SIZECOM	PROFIT	LEVER AGE	SIZE BOD
YEAR	2007												
N Valid	464	464	464	464	464	464	464	464	464	464	464	464	464
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0
Mean	55.56	93.45	77.40	3.09	5.39	.4364	.2547	.6624	.3966	3.E+09	.07680	.24570	7.42
Median	58.00	96.00	79.00	4.00	5.00	.4300	.2000	.7140	.3000	4.E+08	.07850	.18500	7.00
Std. Deviation	6.920	5.846	9.967	1.471	2.035	.11008	.15070	.26429	.25419	2.E+10	.426714	.386758	1.798
Minimum	16	75	50	0	3	.17	0.00	0.00	0.00	3.E+07	-4.949	0.000	4
Maximum	68	100	95	4	17	.71	.75	1.00	1.00	2.E+11	2.437	7.349	12
YEAR	2008												
N Valid	464	464	464	464	464	464	464	464	464	464	464	464	464
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0
Mean	54.83	91.88	77.15	3.34	5.38	.4505	.2666	.6716	.3828	2.91E+09	.02276	.23456	7.42
Median	57.00	94.00	78.00	4.00	5.00	.4300	.2500	.7205	.3000	4.41E+08	.05200	.19600	7.00
Std. Deviation	7.191	6.532	9.442	1.321	1.908	.11998	.14351	.26180	.25498	1.77E+10	.552939	.199017	1.841
Minimum	14	67	48	0	4	.22	0.00	0.00	0.00	2.36E+07	-8.385	0.000	3
Maximum	91	100	95	4	17	.83	.67	1.00	1.00	1.96E+11	3.713	1.069	12

Notes: MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, SIZECOM = Company' size, PROFIT = Profitability, LEVERAGE = Leverage. SIZEBOD = Size of BOD.

4.2.1 Dependent Variables

The dependent variable is the quality of interims. Four variables are used by the present study to assess the quality of interims, namely: timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of interims. The explanation of each variable is described below.

4.2.1.1 Timeliness

The allowable time to publish Malaysian interims is 60 days. The one sample t-test was conducted to determine whether the timeliness to publish interims was more than the allowable time given. As presented in Table 4.2, timeliness is significant at $p < 0.01$ every quarter, which indicates that mean timeliness was lower than the allowable period of 60 days. Similar with the previous studies (Lunt, 1982; Hussey and Woolfe, 1998; D'Arcy and Grabensberger, 2003; Ku Ismail and Chandler, 2004; Alias et al., 2009), the mean timeliness to publish interims of the present study is within the allowable period given.

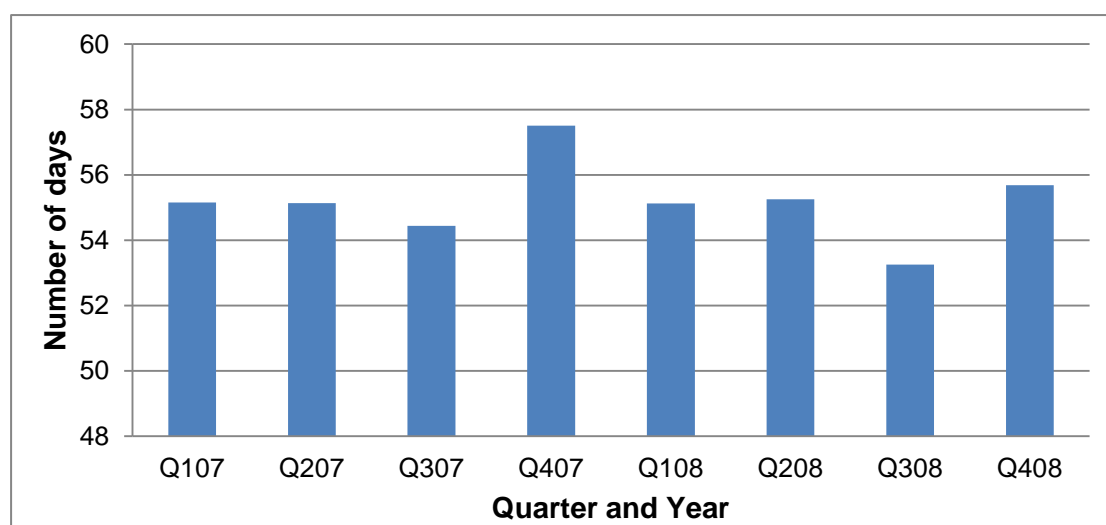
Table 4.2 Timeliness: One Sample Test

Quarter	Year	Test Value = 60					
		t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
1	2007	-6.881	115	.000	-4.845	-6.24	-3.45
	2008	-6.538	115	.000	-4.871	-6.35	-3.40
2	2007	-7.724	115	.000	-4.862	-6.11	-3.62
	2008	-6.959	115	.000	-4.750	-6.10	-3.40
3	2007	-7.731	115	.000	-5.560	-6.98	-4.14
	2008	-9.722	115	.000	-6.741	-8.11	-5.37
4	2007	-5.490	115	.000	-2.491	-3.39	-1.59
	2008	-8.426	115	.000	-4.319	-5.33	-3.30

Figure 4.1 presents the mean number of days to publish interims. In 2007, the mean for four consecutive quarters are 55, 55, 54 and 58 days, while in 2008, the means are 55, 55, 53 and 56 days. Malaysian PLC still pursues the conventional trend, which is the inclination to publish interims towards

the end of the allowable period of 60 days. This finding is similar with Kulsmaail and Chandler (2004) and Lont and Sun (2007) but is contrary to that of Kross and Schroeder (1984) and Hussey and Woolfe (1998) who found that the US and the UK PLC were inclined to publish interims early and not towards the end of the allowable time period given.

Figure 4.1 Mean of Timeliness



Despite the absence of audit reviews, Malaysian PLC is still inclined to publish interims towards the end of the allowable period. Following the suggestion of Hussey and Woolfe (1998), there seems to be no association between timeliness to publish Malaysian interims and audit reviews. As suggested by the previous studies, the most plausible reasons to defer issuing Malaysian interims are due to a frequent release of financial reports (Gigler and Hemmer, 1998; Butler et al., 2007) and a reluctance to release bad financial information (Givoly and Palmon, 1982). This is evidenced by non-application of accounting software such as XBRL that was introduced by the US SEC to its PLC to expedite the financial reporting process and losses incurred by most PLC in the second BSE (refer to section 4.2.3). Nonetheless, involvement of external auditors may enrich the quality of interims (Raedy and Helms, 2002).

With the exception of quarter four, the mean number of days to publish interims is quite consistent in every quarter and year. The mean timeliness for the first two quarters in 2007 is exactly similar with the mean of the first two quarters in 2008. For the next two quarters, the number of days to publish interims reduced by one and two days in 2007 and 2008, respectively. This finding is quite similar with Hussey and Wolfe (1998), and D'Arcy and Grabensberger (2003) who found that timeliness improved over the period but the difference insignificantly differs. Therefore, the present study can conclude that timeliness to publish interims is quite consistent in every quarter and year for Malaysian PLC.

Due to the consistency of timeliness, changes in the mean number of days to publish interims between one quarter and immediate quarter, and between one quarter and the succeeding corresponding quarter, are very insignificant. For example, the number of days to publish interims in quarter two and three in 2007 is 55 days and 54 days, respectively, and the number of days to publish interims in quarter two in 2008 is 55 days. Therefore, the difference in the number of days to publish interims for quarter two and the immediate quarter is one day only, and for the succeeding corresponding quarter there is no difference in the number of days to publish interims.

The consistency of timeliness also causes an insignificant difference in the most and the least quarter to publish interims. The most and the least timely quarter to publish interims is quarter three and four, respectively, which are 54 and 58 days in 2007 and 53 and 56 days in 2008. Most previous studies also found that the least timely quarter to publish interims was in quarter four (Ku Ismail and Chandler, 2004; Alias et al., 2009) and the deferment in publishing interims in quarter four was due to the time required by the management to make accounting adjustments before the financial reports were due to be audited.

Although quarter four is the least timely quarter to be published, the present study disagrees with the previous studies' finding that the deferment in quarter four was due to the time required by the management to make accounting adjustments. This disagreement is due to the minimal differences between the most and the least timely quarter to publish interims, which are four days in 2007 and three days in 2008. A further investigation is required to support this finding and this is explained in further detail in Section 4.2.1.3.

Table 4.3 reports the range of timeliness in every quarter. Although the mean timeliness insignificantly differs between quarters and years, there is a substantial range between the minimum and maximum number of days to publish interims. The statistical results reveal that around 1% PLC publish interims within two weeks; 0.9% to 3.5% PLC publish interims less than or equal to 30 days; 83.6% to 98.3% PLC publish interims more than 30 days after each quarter ends; and 0% to 14% PLC publish interims more than 60 days after each quarter ends. The statistical results indicate that the percentage of PLC that publishes interims within the allowable period of 60 days is very high in every quarter, which is between 86.2% and 100%. No PLC publish interims exceeding 60 days in quarter four in 2007 and quarter three in 2008. Ku Ismail and Chandler (2004) found that all except one PLC publish interims within the allowable period of 60 days. They also conclude that Malaysian PLC publishes interims on a timely basis.

Another important finding to highlight is that PLC who publishes interims exceeding the allowable period of 60 days greatly reduced from the maximum of 13.8% in 2007 to 1.7% in 2008. The improvement of reporting lag indicates that timeliness to publish interims improves for Malaysian PLC. The reason is that Malaysian PLC may realise the importance to publish interims more timely for use by the users of financial reports.

Table 4.3 Range of Timeliness

Number of Days	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
<= 20	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9
21-30	1.7	0.0	2.6	1.7	1.7	2.6	2.6	0.0
31-40	1.7	2.6	1.7	0.0	1.7	0.9	1.7	0.0
41-50	7.8	10.3	10.3	2.6	8.6	8.6	23.3	7.8
51-60	74.1	74.1	75.0	95.7	86.2	86.2	71.6	89.7
61+	13.8	12.1	9.5	0.0	0.9	0.9	0.0	1.7
Total	100	100	100	100	100	100	100	100

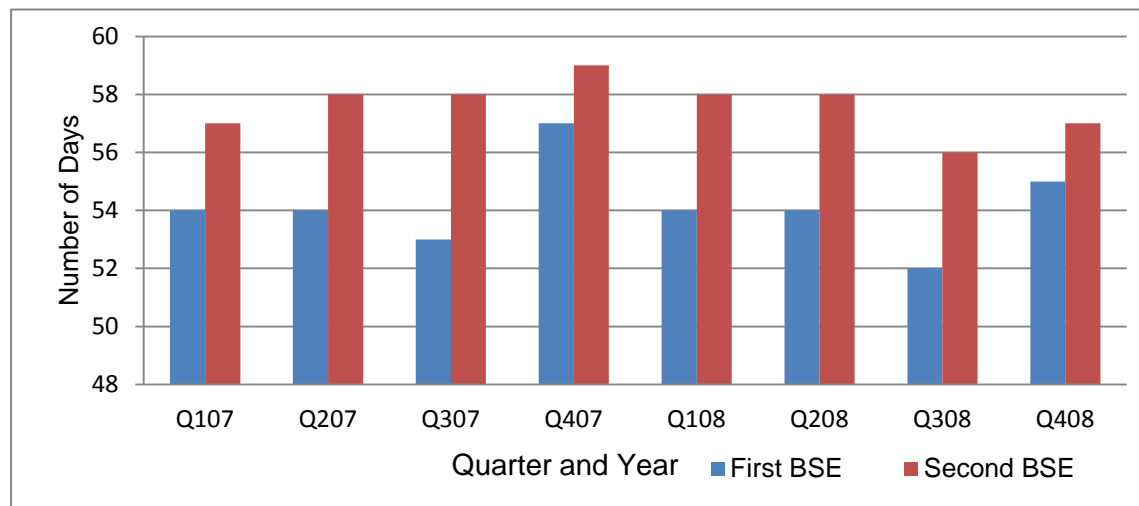
Since the timeliness to publish interims is quite consistent for Malaysian PLC, the present study further investigates the timeliness according to the type of BSE. The one sample t-test in Table 4.4 shows that mean timeliness to publish interims is lower than the allowable period of 60 days in every quarter and in every year except the first quarter of 2008 for PLC in the second BSE. The timeliness is insignificant at $p < 0.01$ and is due to non-compliance with the timeliness to publish interims by one company (namely Industronic Bhd.) who published interims 90 days after the quarter ended. A large difference of 30 days from the allowable period to publish interims caused the p value to be insignificant.

Table 4.4 Timeliness: One Sample Test (BSE)

Quarter	Year	Types of Board	Test Value = 60					
							95% Confidence Interval of the Difference	
			t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
1	2007	First BSE	-6.337	85	.000	-5.512	-7.24	-3.78
		Second BSE	-2.828	29	.008	-2.933	-5.05	-.81
	2008	First BSE	-6.944	85	.000	-5.721	-7.36	-4.08
		Second BSE	-1.530	29	.137	-2.433	-5.69	.82
2	2007	First BSE	-7.330	85	.000	-5.733	-7.29	-4.18
		Second BSE	-2.942	29	.006	-2.367	-4.01	-.72
	2008	First BSE	-6.344	85	.000	-5.547	-7.28	-3.81
		Second BSE	-3.561	29	.001	-2.467	-3.88	-1.05
3	2007	First BSE	-7.487	85	.000	-6.779	-8.58	-4.98
		Second BSE	-2.996	29	.006	-2.067	-3.48	-.66
	2008	First BSE	-8.924	85	.000	-7.721	-9.44	-6.00
		Second BSE	-4.645	29	.000	-3.933	-5.67	-2.20
4	2007	First BSE	-4.949	85	.000	-2.942	-4.12	-1.76
		Second BSE	-3.598	29	.001	-1.200	-1.88	-.52
	2008	First BSE	-7.097	85	.000	-4.674	-5.98	-3.36
		Second BSE	-5.693	29	.000	-3.300	-4.49	-2.11

Figure 4.2 depicts the mean timeliness for Malaysian PLC across the BSE. PLC in the first BSE have higher capital than PLC in the second BSE. In tandem with the higher capital, the graph shows that mean timeliness for PLC in the first BSE is slightly lower than second BSE, which indicates that PLC in the first BSE publish interims more timely than second BSE. This result corresponds to the findings of the previous studies by Chambers and Penman (1984) and Ku Ismail and Chandler (2004). The plausible reason is that a larger amount of capital owned by companies empowered them to acquire more systematic accounting systems and hire accountants that are more professional. These factors may affect the capability of larger PLC, which is the first BSE to publish interims in a more timely manner. The present study's result is contrary to the results of Lunt (1982), and Lont and Sun (2007) who found that timeliness between small and large PLC insignificantly differs.

Figure 4.2 Timeliness: Mean (BSE)



With regard to the timeliest and the latest quarter to publish interims, the quarters slightly differ between PLC in the first and second BSE. For PLC in the first BSE and in each year of 2007 and 2008, quarter three is the timeliest to publish interims and quarter four is the latest quarter to publish interims. For PLC in the second BSE, quarter one and four is the most and

the least timely to publish interims in 2007, and quarter three is the timeliest and quarters one and two are the least timely quarter to publish interims in 2008. Although quarter four is not the least timely quarter to publish interims for PLC in the second BSE, quarter four is the least comparable interims. The low comparability score showed in Figure 4.8 and 4.9 in section 4.2.1.3 evidence this. Therefore, this result supports this study's disagreement that the deferment in quarter four is due to the time required by the management to make accounting adjustments before the financial year ends.

As reported in Table 4.5, a further investigation revealed that PLC in the first BSE has a greater range of timeliness than PLC in the second BSE. The greater range of timeliness is due to 1.2% PLC in the first BSE publishing interims within two weeks after each quarter period's end and no PLC in the second BSE publishing interims less than 30 days every quarter. The minimum numbers of days to publish interims for PLC in the second BSE are inconsistent (i.e. between 34 and 52 days). 87% to 98% PLC in the first BSE publish interims between 30 days and 60 days after each quarter ends while for the second BSE, the percentages are between 70% and 100%. Consequently, PLC that publishes interims beyond the allowable period of 60 days is higher for PLC in the second BSE. As PLC in the second BSE own a lower amount of capital, the statistical results further support the former conclusion that larger PLC published interims in a more timely manner than smaller PLC. Nevertheless, the number of PLC in the first and the second BSE that published interims exceeding 60 days were greatly reduced from 2007 to 2008.

Table 4.5 Range of Timeliness (BSE)

Type of BSE	Number of Days	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
First BSE	<= 20	1.2	1.2	1.2	0.0	1.2	1.2	1.2	1.2
	21=30	2.3	0.0	3.5	2.3	2.3	3.5	3.5	0.0
	31-40	1.2	3.5	2.3	0.0	1.2	1.2	1.2	0.0
	41-50	9.3	11.6	12.8	3.5	9.3	9.3	27.9	8.1
	51-60	76.7	77.9	74.4	94.2	86.0	83.7	66.3	89.5
	61+	9.3	5.8	5.8	0.0	0.0	1.2	0.0	1.2
	Total	100	100	100	100	100	100	100	100
Second BSE	31-40	3.3	0.0	0.0	0.0	3.3	0.0	3.3	0.0
	41-50	3.3	6.7	3.3	0.0	6.7	6.7	10.0	6.7
	51-60	66.7	63.3	76.7	100	86.7	93.3	86.7	90.0
	61+	26.7	30.0	20.0	0.0	3.3	0.0	0.0	3.3
		Total	100	100	100	100	100	100	100

Table 4.6 depicts the mean and range of timeliness according to the types of industries. The mean timeliness insignificantly differs for PLC in different types of industries and is also towards the end of the allowable period of 60 days, except for the finance and technology industries (the graphs on mean timeliness for each industry are given in Appendix 4-7). The mean timeliness for finance and technology industries in the present study is lower because a few PLC published interims within two and three weeks. Most previous studies did not include financial institutions in the sample because these companies have additional regulations to adhere to (such as the Banking Acts from the Central Bank). However, this study is more comprehensive and it includes financial institutions in the sample because all qualitative items investigated in this study applied to all PLC, regardless of the types of industries. Courtis (1976) and Bowrin (2008) support the finding of the present study that the financial institutions published financial reports more timely than non-financial institutions considering that the financial institutions have blue-chip stocks and are always in the eyes of prospective investors.

Table 4.6 Mean and Range of Timeliness by Industry

Types of industries	N	Q1 2007 Mean Range	Q2 2007 Mean Range	Q3 2007 Mean Range	Q4 2007 Mean Range	Q1 2008 Mean Range	Q2 2008 Mean Range	Q3 2008 Mean Range	Q4 2008 Mean Range
Industrial products	43	56 34	57 16	56 31	58 10	56 25	57 21	54 15	57 41
Services	21	58 14	56 14	56 11	58 11	57 9	57 10	56 11	56 9
Consumer	15	55 37	54 22	54 25	57 30	54 35	56 22	50 30	54 17
Properties	11	58 14	56 14	55 18	58 10	55 15	53 35	55 15	56 6
Plantations	8	51 20	53 16	53 14	58 3	54 15	55 11	54 10	56 4
Construction	8	55 9	57 7	53 35	58 8	57 8	55 14	54 15	55 8
Finance	6	48 43	51 43	49 44	52 39	48 46	49 43	45 45	50 38
Technology	4	47 35	46 28	46 31	57 9	54 61	44 31	44 28	57 3

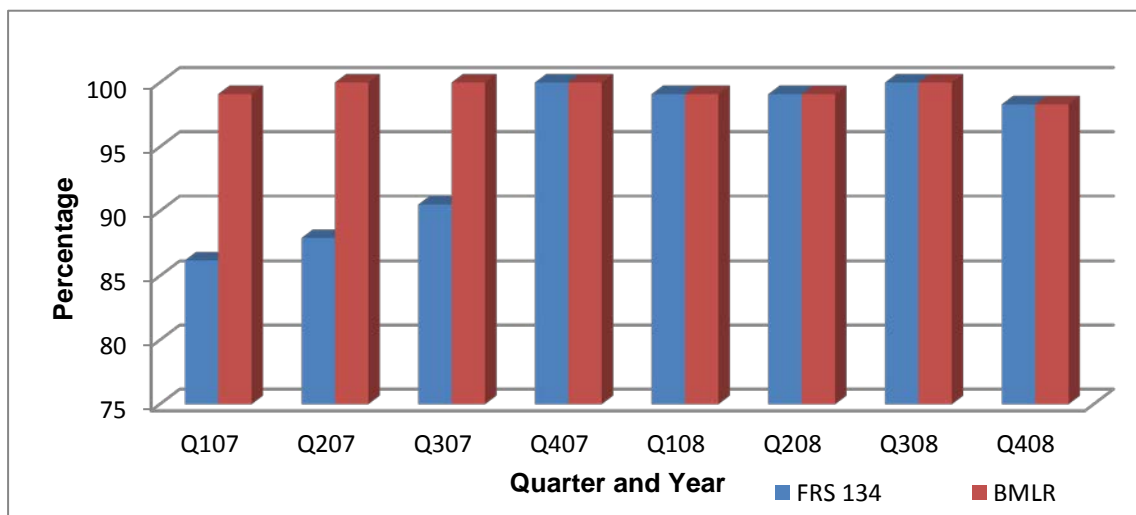
The most and the least timely quarter to publish interims for PLC in various types of industries varies, mostly on the third and fourth quarters. In 2008, quarter four is not the least timely quarter for certain industries (such as services, consumer and construction). Despite the better timeliness to publish interims, the technology industry still published quarter four interims towards the end of the allowable period of 60 days. The mean timeliness of the finance industry for the fourth quarter in 2007 and 2008 is respectively 8 and 10 days earlier than the allowable time period given.

The FRS 134 and the BMLR require PLC to publish interims not more than 60 days and two months, respectively. An exception is made in February because the actual number of days for every month in a calendar year is either 30 or 31 days. By following the two-month rule, the actual number of days for the first three quarters is more than 60 days (i.e. 61, 62 and 61 days consecutively). For the final quarter, as the number of days in February differs, the actual number of days is 59 and 60 in 2007 and 2008, respectively. If PLC follows the two-month rule, then they possibly do not

count the actual number of days allowable to publish interims and, therefore, they do not follow the period of 60 days rule of FRS 134.

Figure 4.3 presents the percentage of PLC that complies with timeliness by comparing the FRS 134 and BMLR specific requirement. The compliance rate with timeliness is remarkably high in all quarters, ranging from 86% to 100% for compliance with the FRS 134 requirement and from 98% to 100% for the BMLR requirement. For the FRS 134, the highest compliance rate is quarter four in 2007 and quarter three in 2008, whilst the lowest compliance rate is quarter one in 2007 and quarter four in 2008. Therefore, no specific quarter appears to be fully or least complied with timeliness based on the FRS 134 requirements. All quarters are fully complied with the BMLR requirement, except quarter one in 2007 and quarter one, two and four in 2008.

Figure 4.3 Timeliness: Compliance with the FRS 134 and the BMLR

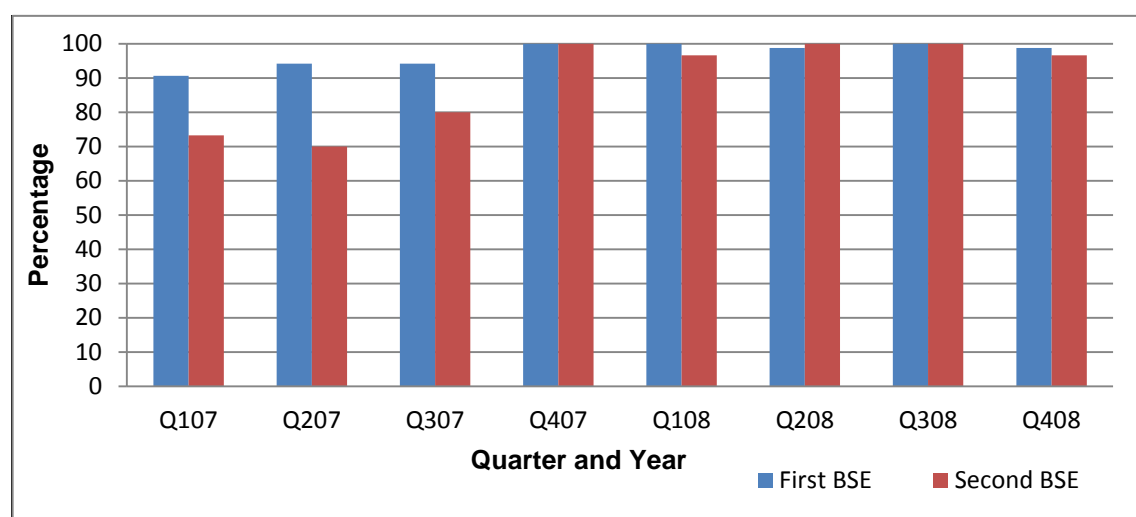


Based on Figure 4.3, a sizeable non-compliance frequency of the FRS 134 in 2007 and full compliance score with the BMLR in most quarters evidenced that PLC are more inclined to follow a two-month rule of the BMLR than the allowable period of 60 days of the FRS 134. However, the frequency of non-compliance with timeliness by following either the FRS 134 or the BMLR is

quite similar in 2008. The PLC either comprehends the misinterpretation meanings of the two-month rule or timeliness has improved over time.

Figure 4.4 portrays the compliance rate of timeliness for the first and second BSE by following the FRS 134 rule. The range of compliance rate between the first and second BSE insignificantly differs, except the first three quarters in 2007 where PLC in the first BSE are more complied with the FRS 134 than PLC in the second BSE.

Figure 4.4 Timeliness: Compliance with the FRS 134 (BSE)



With regard to non-compliance with the BMLR requirement, four PLC from the first BSE and one PLC from the second BSE did not comply with the two-month rule. This result indicates that non-compliance with the two-month rule of BMLR requirement is higher for PLC in the first BSE than PLC in the second BSE.

Table 4.7 reports that a majority of PLC in different types of industries fully complied with the timeliness to publish interims by following the FRS 134 rule. For example, plantations, construction, and finance industries fully complied with the FRS 134 rule of timeliness in every quarter and year. The present study also revealed that the number of days to publish interims

improved over the time period. For example, the compliance of the services, consumer, and property industries with the FRS 134 is less than 100% for the first three quarters in 2007 but increased to 100% for the remaining quarters and years.

Table 4.7 Timeliness: Compliance Rate with the FRS 134 (Industry)

Types of industries	N	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Industrial products	43	74.4	79.1	90.7	100	100	97.7	100	95.3
Services	21	85.7	95.2	90.5	100	100	100	100	100
Consumer	15	86.7	80.0	86.7	100	100	100	100	100
Properties	11	100	90.9	81.8	100	100	100	100	100
Plantations	8	100	100	100	100	100	100	100	100
Construction	8	100	100	100	100	100	100	100	100
Finance	6	100	100	100	100	100	100	100	100
Technology	4	100	100	75.0	100	75.0	100	100	100

For non-compliance with the BMLR, four and one companies did not comply with the two-month rule of timeliness to publish interims and they are, respectively, from the industrial products and technology industries.

4.2.1.2 Compliance with the Interim Reporting Standards (FRS 134 and BMLR)

Compliance with the interim reporting standards requirements will make the published interims more relevant, reliable, comparable, and meaningful to the users of financial reports, especially the prospective investors. Malaysian PLC is required to comply with two types of accounting standards, namely the FRS 134 and the BMLR, to prepare interims. Similar to timeliness, the descriptive statistics of compliance with the FRS 134 and the BMLR are illustrated in general, across the type of BSE and across the types of industries, to determine any differences.

Rahman and Ismail (2008) did not make analysis based on the types of interim reporting standards. Their research combined the FRS 134 and the BMLR requirements into an index. Ku Ismail and Chandler (2005) only

studied PLC compliance with the BMLR. Similar to Rahman and Ismail (2008), the present study makes analysis on both the FRS134 and the BMLR requirements. However, the present study segregated these requirements when forming the index.

As illustrated in Figure 4.5, the present study found that the mean compliance score of the FRS 134 is moderately higher than the BMLR, which is between 92% and 94% for the FRS 134 and between 77% and 78% for the BMLR. The percentage insignificantly differs from the previous studies where the compliance rate for Ku Ismail and Chandler (2005a) and Rahman and Ismail (2008) ranged from 85% to 87%. Similar to timeliness, the compliance score with the FRS 134 and the BMLR is almost consistent throughout all of the quarters and years. Joshi and Bremser (2003), D'Arcy and Grabensberger (2003), Mangena and Taurigana (2007), and Rahman and Ismail (2008) also found that compliance with the interim reporting standards are high. Despite the absence of mechanisms set by the Bursa Malaysia to ensure that Malaysian PLC comply with the interim reporting standards, the compliance rate with the FRS 134 and the BMLR are quite high. This finding is different with McEwen and Schwartz (1992), Nieuwoudt and Koen (1999), and Glaum and Street (2002) who found that most PLC did not comply with the interim reporting standards and they concluded from this that the interims are not reliable.

Figure 4.5 Compliance Score with the FRS 134 and the BMLR

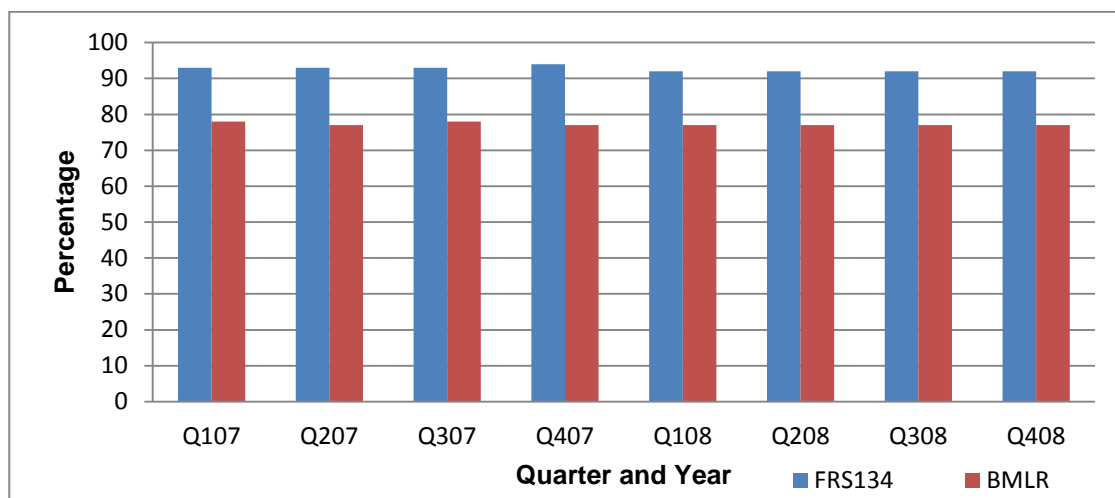


Table 4.8 presents the range of compliance score with the FRS134 and the BMLR for every quarter and year. There is a substantial range between the minimum and maximum compliance score, especially with the BMLR. The minimum compliance score with the FRS 134 is 75% in 2007 and 67% in 2008, and the maximum compliance score is 100% for both years. The minimum compliance score with the BMLR is very much lower (i.e. 50% in 2007 and 48% in 2008). The average maximum compliance score with the BMLR is 95% in 2007 and 2008. No PLC has fully complied with the BMLR for both years, which is contrary to compliance with the FRS 134. Due to the lower minimum compliance score with the BMLR, there is a greater range of compliance score with the BMLR than the FRS 134.

Table 4.8 Range of Compliance Score with the FRS and the BMLR

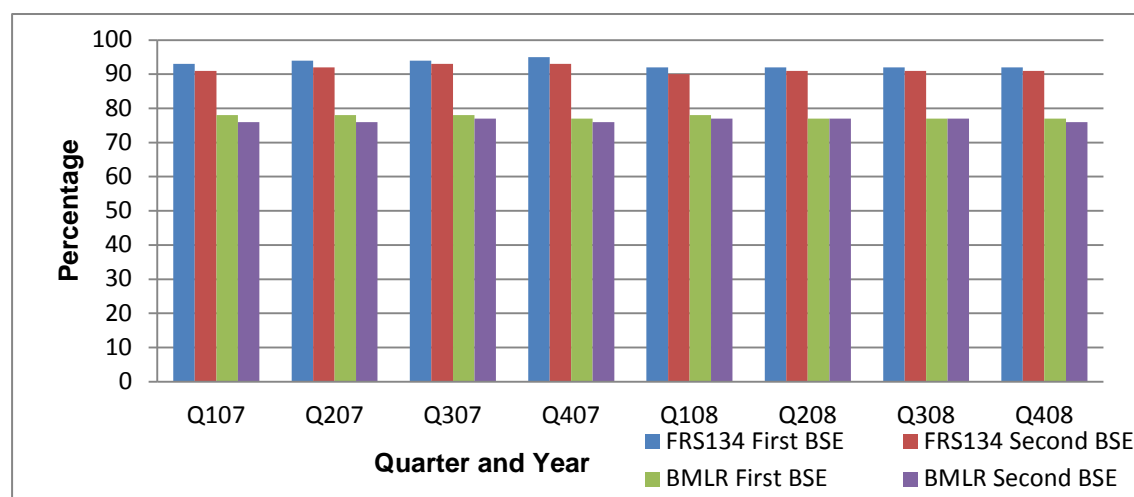
Compliance Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
FRS134								
60-70	0.0	0.0	0.0	0.0	0.9	0.9	0.9	0.9
71 - 80	3.4	3.4	2.6	2.6	4.3	3.4	3.4	2.6
81-90	23.3	19.8	19.8	15.5	34.5	34.5	32.8	33.6
91-99	60.3	62.1	62.9	65.5	46.6	47.4	50.0	50.9
100	12.9	14.7	14.7	16.4	13.8	13.8	12.9	12.1
Total	100	100	100	100	100	100	100	100
BMLR								
<= 50	1.7	1.7	0.9	1.7	3.4	3.4	1.7	1.7
51-60	7.8	6.9	4.3	3.4	1.7	1.7	2.6	2.6
61-70	15.5	17.2	19.0	21.6	20.7	17.2	15.5	19.0
71-80	28.4	29.3	33.6	36.2	35.3	36.2	44.0	39.7
81-90	37.9	37.1	34.5	29.3	32.8	37.1	31.0	34.5
91-99	8.6	7.8	7.8	7.8	6.0	4.3	5.2	2.6
Total	100	100	100	100	100	100	100	100

The distribution of the most compliance score with the FRS 134 and the BMLR slightly differs. The compliance score with the FRS 134 for most PLC ranged between 91% and 99%, and the next highest range is between 81% and 90%. For the compliance score with the BMLR, the highest range is between 81% and 90% in 2007 and between 71% and 80% in 2008, and the next highest range is vice versa for both years. These results indicate that the compliance score with the FRS 134 is higher and more consistent than the compliance score with the BMLR.

Previous studies did not conduct their analysis according to the type of BSE (Ku Ismail and Chandler, 2005a; Rahman and Ismail, 2008). Therefore, the present study further explored into this area. As shown in Figure 4.6, regardless of the type of BSE, the mean compliance score with the FRS 134 and the BMLR are quite consistent in all quarters and years. However, PLC in the first BSE has an equal or slightly higher means compliance score with the FRS 134 and the BMLR than PLC in the second BSE. Similar to timeliness, these results suggest that larger companies are more likely to comply with the FRS 134 and the BMLR than smaller companies. This may

be due to higher accounting expertise employed by larger companies to prepare interims and audit committee members are more proficient to perform their duties because larger companies have the ability to pay them.

Figure 4.6 Compliance with the FRS 134 and the BMLR (BSE)



There is a considerable range between the minimum and maximum compliance rate with the FRS 134 and the BMLR (the details are given in Appendix 4-9). The minimum compliance score with the FRS 134 for PLC in the first BSE and second BSE is 67% and 74%, respectively, and the maximum is 100%, regardless of the type of BSE. For both type of BSE, the minimum and maximum compliance score with the BMLR is 48% and 95%, respectively. No PLC has fully complied with the BMLR requirements.

Aljifri and Hussainey (2007) suggested that the PLC disclosure for different types of industries differ due to different disclosure requirements. Therefore, apart from the type of BSE, the present study has also investigated the mean compliance score with the FRS 134 and the BMLR in different types of industries. Graphs for each type of industry are given in Appendix 4-10. The graphs showed that mean compliance score with the FRS 134 and the BMLR are consistent throughout the quarters and years, and the mean insignificantly differs for different types of industries. Nevertheless, the

compliance rate with the FRS 134 is higher than the BMLR for all types of industries.

Although the compliance score with the FRS 134 and the BMLR are consistent throughout the quarters and years, there is a substantial range between the minimum and maximum compliance rates for PLC in certain types of industries which is shown in Appendix 4-11 and 4-12. For example, the minimum compliance score with the FRS 134 for PLC in services industry is between 60% and 70%, and the maximum compliance score is 100% throughout the quarters and years. The range between the minimum and maximum compliance score with the BMLR is larger because all industries (except for the consumer and finance industries) compliance score with the BMLR is less than 50% throughout the quarters and years.

Two indexes were constructed to determine PLC compliance with the FRS 134 and the BMLR and the indexes are explained in the next two sub-sections.

4.2.1.2.1 The Checklist of Compliance Score with the FRS 134

According to the statistical results above, the mean compliance score with the FRS 134 is fairly high. Therefore, this study conducted a further investigation by breaking down the compliance score according to the classified groups to identify whether all items in the groups are fully, or least likely to comply with the FRS 134. Altogether, there are 14 classified groups, which are comprised of 39 items in the checklist adopted from the FRS 134. Items of a similar nature are grouped together. Weighting is not used in any of these groups because all items in the checklist are mandatory requirements to all Malaysian PLC. Table 4.9 presents a summary of the minimum disclosure requirements of the FRS 134 according to the classified groups.

Table 4.9 Compliance Score with the FRS 134

Grp No.	FRS 134 items	N	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
1	Financial statements components	5	100	100	100	100	100	100	100	100
2	Period of financial statements	5	98	98	98	100	98	98	98	99
3	Interims' general requirements	3	99	99	99	99	99	99	99	99
4	Earnings per share	2	88	88	88	88	89	89	89	89
5	Accounting policies	5	73	77	77	80	66	67	68	66
6	Seasonality	1	99	99	99	99	99	99	99	99
7	Unusual items	3	95	95	97	96	96	96	96	96
8	Estimation of provision	3	94	95	95	94	95	95	95	95
9	Debt and equity securities	1	100	100	100	100	99	99	100	100
10	Segmental Reporting	6	99	99	99	99	97	97	97	96
11	Material subsequent events	1	100	100	100	100	100	100	100	100
12	Composition of the entity	1	100	100	100	100	100	100	100	100
13	Contingent assets or liabilities	2	77	77	76	77	77	77	77	77
14	Type of dividends	1	97	97	97	97	97	97	97	97
	Total	39								

* Grp No. = Group Number

The statistical results in Table 4.9 show that all PLC disclosed without any failure the components of financial statements, namely the balance sheet, income statement, statement of changes in equity, cash flow statement and explanatory notes. However, 2% of the PLC failed to disclose the respectable period of changes in equity and cash flow statements. The PLC only disclosed the cumulative financial year to date of the current quarter and they did not disclose the cumulative financial year to date of the preceding year. Therefore, the non-compliance percentage for group two in Table 4.9 is slightly reduced by 2%. The findings of Nieuwoudt and Koen (1999) are in contrast with those of the present study. They found that only 80% to 96% PLC in Johannesburg complied with the income statement

requirements, and 50% to 79% complied with the balance sheet requirements.

The interims' general requirements show that all of the Malaysian PLC in this study was found to have published a condensed instead of a complete set of financial statements, even though they have an alternative between the two. In addition, all of the Malaysian PLC published consolidated financial statements if the recent annual reports are consolidated financial statements. The present study presumed that all PLC chose a condensed set of financial statements because they only have to provide the minimum disclosure requirements of the FRS 134, while a complete set of financial statements also requires a conformance to the FRS 101 (Presentation of Financial Statements). Additional conformance to these accounting standards will be an oppressive task to the management because of the limited allowable time period to publish interims. This study also revealed that two PLC failed to disclose their statement of compliance with the FRS 134 in explanatory notes every quarter.

With regard to the Earnings per Share (EPS), the entire PLC disclosed the basic EPS in the face of an income statement. McEwen and Schwartz (1992) also found that all PLC disclosed EPS in interims. However, the present study found that 30% to 32% PLC failed to disclose the diluted EPS every quarter. The PLC may not disclose the diluted EPS because a big difference between the basic and diluted EPS indicates a high potential dilution for the company's shares, which is a problem for the investors and financial analysts.

In total, 96% to 97% PLC disclosed that their interims' accounting policies are consistent with the preceding annual report. However, in 2007, 17% to 28% PLC did not disclose the effect of changes in accounting policies in their interims. In 2008, the percentage of non-disclosure increased between 38% and 41%. One of the major changes of accounting policies in 2007 was

the FRS 117, Leases, which requires the PLC to restate their balance sheet figures by reclassifying the leasehold land and building held for their own use from property, plant, and equipment to prepaid lease. The land and building elements are considered separately for the lease classification. The land element is classified as an operating lease and the building element is classified as an operating or finance lease by applying the classification criteria in the standard.

The FRS 117 defined a finance lease as a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset and the title may or may not be transferred eventually. The operating lease is a lease other than a finance lease. The upfront payments are allocated between the land and buildings elements in proportion to the relative fair values at the inception of the lease. If the apportionment between these two elements cannot be done reliably, then the entire lease is classified as a finance lease. If both elements are operating leases, then they can be classified as the operating lease. The upfront payment of the land element is treated as the prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term. The unamortised carrying amount is to be retained in the balance sheet and classified as prepaid land lease payments. The adoption of the FRS 117 also requires PLC to reclassify the comparative amounts of preceding year in the balance sheet. However, the adoption of the FRS 117 has no effect to the profit and loss account for the current quarter and comparative figures, unless the cost and fair values differ at the inception of the lease.

Information about the seasonality or cyclicity is important to the financial reports' users because they can distinguish between the seasonal results and turning points in a company's operations (McEwen and Schwartz, 1992). McEwen and Schwartz found that a majority of PLC (89%) did not disclose the seasonality in their interims. The present study found that all PLC, except one company, disclosed the seasonality or cyclicity of their

business operations in the explanatory notes of their interims. The PLC stated that the seasonality (or cyclical) factors either insignificantly or did not affect their business operations. To ensure that there is no seasonality or cyclical factors in PLC business operations, the present study has tested the PLC revenues by using a one-way repeated measure (i.e. ANOVA). The aim of this test is to confirm that there are no significant differences in the revenues across the quarter and years, across the type of BSE, and across the types of industries. All of the results of these tests are presented below in Tables 4.10 to Table 4.13.

Table 4.10 Revenue: One-way Repeated Measures ANOVA

Year	Quarter	Mean Revenue (RM'000)	Std. Deviation	N
2007	1	142800	299854	116
	2	160464	346833	116
	3	174168	358580	116
	4	180250	394138	116
2008	1	180145	400750	116
	2	195682	427280	116
	3	206139	463259	116
	4	178642	342659	116

Mean rank revenues in Table 4.10 significantly differ across the quarters and years. Inconsistent values may indicate that seasonality exists in the particular interims (McEwen and Schwartz, 1992). The lowest mean revenue in 2007 and 2008 is quarter one and four, respectively, while the highest mean revenue is quarter four and quarter three, respectively. There is no specific quarter cycle across the years. In other words, there is no specific quarter that flows cyclically in every year. For example, in 2007 the highest to the lowest mean revenue is quarter four-three-two-one while in 2008, it is quarter three-two-one-four. Therefore, this study has found that there is no cyclical factor that influences the mean rank revenues of Malaysian PLC.

The value of Wilks' Lambda in Table 4.11 is 0.831 and 0.895 in 2007 and 2008 respectively, and the p value is less than 0.01 in both years. Since the

p value is less than 0.01, there is statistically significant effect for revenue of which there was a change in revenues across the quarters. The magnitude of the changes is determined by the eta squared value. In 2007 and 2008, the eta squared values are 0.169 and 0.105, respectively. Following the guidelines proposed by Cohen (1988), it was found that the changes of revenues in 2007 are very large and moderate in 2008.

Table 4.11 Revenue: Multivariate Test

Year		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
2007	Pillai's Trace	.169	7.653 ^a	3.000	113.000	.000	.169
	Wilks' Lambda	.831	7.653 ^a	3.000	113.000	.000	.169
	Hotelling's Trace	.203	7.653 ^a	3.000	113.000	.000	.169
	Roy's Largest Root	.203	7.653 ^a	3.000	113.000	.000	.169
2008	Pillai's Trace	.105	4.404 ^a	3.000	113.000	.006	.105
	Wilks' Lambda	.895	4.404 ^a	3.000	113.000	.006	.105
	Hotelling's Trace	.117	4.404 ^a	3.000	113.000	.006	.105
	Roy's Largest Root	.117	4.404 ^a	3.000	113.000	.006	.105

The differences in mean rank revenues could possibly due to the festive seasons celebrated by the Malaysian population, which was estimated to be 27.7 million in 2008. The Malaysian population is made up of 65% Bumiputra, 26% Chinese, 8% Indian, and 1% other races. The predominantly Muslim Bumiputra celebrated their festive season (i.e. Eidul Fitr) in the second and first week of October in 2007 and 2008, respectively. The Chinese celebrated their festive season (i.e. the Chinese New year) in February for both years. The Indians celebrated their festive seasons (i.e. Deepavali) in the first week of November in 2007 and in the fourth week of October in 2008. Therefore, in 2007 and 2008, the Bumiputra celebrated their festive seasons at the beginning of quarter four, the Chinese in the middle of the first quarter, and Indians in the middle of the fourth quarter.

Malaysians normally shop a few weeks before the festive seasons. The Bumiputra account for over half of the Malaysian population. The highest mean rank revenues was quarter four in 2007 and quarter three in 2008, which indicates that the revenues were possibly linked to the Bumiputras' festive season. In 2007, due to the festive season in the second week of October, Bumiputras may have been triggered to shop to prepare for the festival, which caused the mean rank revenue to be the highest in quarter four. In 2008 the Bumiputra's festive season was held in the first week of October. Therefore, this may be a trigger to shop in September to prepare for the festival, which is in quarter three. The percentage of Indians in Malaysia is quite low. Their principle festive celebration (which is concurrent with the Malay's festival) is in quarter four in 2007. This may give further cause for the fourth quarter mean rank revenues to be the highest of all in 2007. In 2008, the Bumiputra were triggered to shop in quarter three. Therefore, mean rank revenues is the highest in quarter three instead of quarter four. Therefore, the above results suggest that the PLC revenues, to some extent, are linked to the seasonal religious festivals of Malaysia's multicultural society and are not for cyclical factors. McEwen and Schwartz (1992) failed to associate the differences in revenues with the seasonality by using non-parametric statistics.

Seasonal and cyclical factors are assessed in the present study according to the type of BSE. The results are presented in Table 4.12. Mean rank revenues significantly differ across the type of BSE. However, PLC in the first and second BSE has the same cyclical quarter every year. For example, in 2007, the highest to the lowest mean revenue is quarter four-three-two-one for the first and second BSE while in 2008, it is quarter three-two-one-four for both type of BSE.

Table 4.12 Revenue: One-way Repeated Measures ANOVA (BSE)

Type of BSE	Year	Quarter	Mean Revenue (RM'000)	Std. Deviation	N
First BSE	2007	1	183483.74	338752.942	86
		2	205169.52	392641.767	86
		3	223351.24	404423.048	86
		4	231379.45	446087.471	86
Second BSE	2007	1	26171.63	34973.742	30
		2	32309.50	47308.260	30
		3	33174.47	52466.886	30
		4	33680.27	52811.507	30
First BSE	2008	1	232470.28	453660.957	86
		2	252736.64	483078.357	86
		3	266404.13	524591.050	86
		4	230744.64	384159.698	86
Second BSE	2008	1	30145.97	47316.672	30
		2	32126.60	51498.148	30
		3	33379.03	52733.351	30
		4	29279.73	43865.340	30

In 2007, the value of Wilks' Lambda in Table 4.13 is 0.790 for PLC in the first BSE and 0.846 for PLC in the second BSE. The p value is less than 0.01 for PLC in the first BSE only. In 2008, the value of Wilks' Lambda is 0.867 for PLC in the first BSE and 0.839 for PLC in the second BSE. The p value is less than 0.01 for PLC in the first BSE only. Since the p value is less than 0.01 for PLC in the first BSE, there is statistically significant effect of changes in revenue across the quarters for PLC in the first BSE only. There are no significant changes of revenues for PLC in the second BSE. The magnitude of changes for PLC in the first BSE is determined by the eta squared value, which is 0.210 in 2007 and 0.133 in 2008. Following the guidelines proposed by Cohen (1988), the changes of revenues for PLC in the first BSE is very large in 2007 and is moderate in 2008.

Table 4.13 Revenue: Multivariate Test (BSE)

Year	BSE		Value	F	Hypo df	Error df	Sig.	Partial Eta Squared
2007	First BSE	Pillai's Trace	.210	7.360 ^a	3.000	83.000	.000	.210
		Wilks' Lambda	.790	7.360 ^a	3.000	83.000	.000	.210
		Hotelling's Trace	.266	7.360 ^a	3.000	83.000	.000	.210
		Roy's Largest Root	.266	7.360 ^a	3.000	83.000	.000	.210
2007	Second BSE	Pillai's Trace	.154	1.639 ^a	3.000	27.000	.204	.154
		Wilks' Lambda	.846	1.639 ^a	3.000	27.000	.204	.154
		Hotelling's Trace	.182	1.639 ^a	3.000	27.000	.204	.154
		Roy's Largest Root	.182	1.639 ^a	3.000	27.000	.204	.154
2008	First BSE	Pillai's Trace	.133	4.250 ^a	3.000	83.000	.008	.133
		Wilks' Lambda	.867	4.250 ^a	3.000	83.000	.008	.133
		Hotelling's Trace	.154	4.250 ^a	3.000	83.000	.008	.133
		Roy's Largest Root	.154	4.250 ^a	3.000	83.000	.008	.133
2008	Second BSE	Pillai's Trace	.161	1.721 ^a	3.000	27.000	.186	.161
		Wilks' Lambda	.839	1.721 ^a	3.000	27.000	.186	.161
		Hotelling's Trace	.191	1.721 ^a	3.000	27.000	.186	.161
		Roy's Largest Root	.191	1.721 ^a	3.000	27.000	.186	.161

*Hypo = Hypothesis

Table 4.9 shows that 94% to 97% PLC disclosed the unusual items and estimation of provisions in interims every quarter. However, 9% to 23% PLC did not disclose the nature and amount of the unusual items and 25% to 67% PLC did not disclose the nature and amount of changes in estimates of provision that affects their financial reports. The overall percentage for unusual items and estimates of provision percentage are still high for all quarters despite the high percentages of non-disclosures. This happens because the items are inapplicable to 88% to 97% PLC.

The compliance rate for debt and equity securities, segmental reporting, material subsequent events and composition of the entity have almost reached the maximum values of 100%, which indicate that almost all PLC disclosed the requirements without any failure. However, a few PLC did not state the inapplicability of geographical segments in their interims, which caused the overall percentage of segmental reporting to reduce to 96% and

99% every quarter. McEwen and Schwartz (1992), and D'Arcy and Grabensberger (2003) found that PLC interims have low compliance with the disclosure in segmental information.

Although all PLC disclosed the existence of their contingent liabilities, only half of them disclosed their contingent assets. The PLC possibly did not have the contingent assets but the FRS134 requires them to disclose it. Therefore, the overall percentage of changes in composition of contingent assets or liabilities reduced to 76% and 77% for all quarters. Finally, all PLC except three companies disclosed the dividends paid according to the types of shares.

In summary, the present study found that the compliance score with the FRS 134 is fairly high in every quarter for all items in the 14 pre-classified groups, except for accounting policies and contingent assets or contingent liabilities.

4.2.1.2.2 The Checklist of Compliance Score with the BMLR

Since the overall mean compliance score with the BMLR is also fairly high, this study breaks down the compliance score according to the specified groups. The results are presented in Table 4.14. Altogether, there are 79 items in the checklist, which were adopted from Appendix 9B, Part A of BMLR. The items are classified into 14 groups and each group is comprised of items of a similar nature. Similar to the compliance with the FRS 134, weighting is not used in any of the groups in the checklist because all of the items are mandatory requirements to all Malaysian PLC, regardless of the types of BSE and industries. The present study found that the compliance with the BMLR for each group in the checklist varies.

Although the entire PLC stated the BOD approval at the ending page of interims, only 67.8% PLC stated the date of BOD meetings. An issue arises whether the BOD had done their duties before interims are published. Further investigation cannot be conducted because a majority of PLC only

stated the frequency of BOD meetings and not the date of the meetings in their annual reports.

Table 4.14 Mean Compliance Score with the BMLR

Grp No.	BMLR items	N	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
1	BOD approval	1	100	100	100	100	100	100	100	100
2	Performance Review	10	71	71	72	73	70	71	71	72
3	Prospects	7	55	55	55	55	54	54	55	55
4	Profit forecast/ guarantee in a public document	5	92	91	89	90	92	92	92	92
5	Taxation	3	64	64	64	64	61	61	61	62
6	Unquoted investments and properties	6	86	85	85	84	88	87	88	90
7	Quoted securities	12	84	84	83	84	84	86	85	84
8	Corporate proposal	8	88	85	84	86	87	86	87	87
9	Group borrowings and debt securities	4	98	98	99	99	99	98	98	98
10	Off-balance sheet financial instruments	8	72	71	71	70	73	71	72	70
11	Changes in material litigation	1	98	98	98	98	98	98	98	98
12	Dividends	8	73	74	73	65	71	71	67	65
13	Earnings per share	4	86	87	86	88	88	88	88	88
14	Qualification of preceding annual financial reports	2	100	100	100	100	100	100	100	100
	Total	79								

* Grp No. = Group Number

Performance review is important to be disclosed in interims because the financial report's users especially investors would like to know about the company's progress and performance. As reported in Table 4.14, the mean compliance score of PLC performance review ranged from 71% to 73% in every quarter. These percentages are quite low due to the following non-compliances. Despite the high percentage (i.e. 90% to 92%) of disclosure of material changes in earnings and revenues, 22% to 34% PLC did not

describe the material changes for the current quarter and 43% to 61% PLC did not describe the material changes for the financial year to date. Additionally, 30% to 34% PLC did not describe the factors that affect the material changes in earnings and revenues, 43% to 52% PLC did not describe the factors for the current quarter and 62% to 77% did not describe the factors for the financial year to date. These non-compliances cause the percentage to reduce greatly every quarter.

In addition, PLC also have to explain the material changes and factors affecting the changes in profit before tax for the current and immediate preceding quarter in the performance review. A total of 93% to 97% PLC described the material changes in profit before tax and 89% to 91% PLC described the changes for the required periods. Meanwhile, 79% to 87% PLC stated the factors affecting the changes in profit before tax for the required periods. However, some PLC misconceives the word “immediate preceding quarter” stated in the BMLR. The PLC compared the profit before tax between a current quarter and “immediate preceding corresponding quarter” instead of “immediate preceding quarter”. For example, profit before tax in June 2008 was compared with the profit before tax in June 2007 instead of March 2008. This misinterpretation by some PLC also reduces the percentage of performance review in Table 4.14.

Disclosure of a company’s prospects may assist the users of financial reports when they make decisions. Therefore, the BMLR requires PLC to comment on the company’s prospects for the remaining period until the financial year-ends or until the next financial year for the last quarter. Although all PLC disclosed their company’s prospects, 23% to 28% PLC failed to explain the factors that influence their company’s prospects in the future. Furthermore, most PLC only stated the prospects that are more likely to influence the company’s prospects without stating the company’s progress to achieve them. Only one or two PLC disclosed the BOD opinion regarding the possibility for the company to achieve their prospects

successfully. Therefore, the overall percentage of prospects is very low for all quarters (i.e. between 54% and 55%). Regarding the profit forecasts or guarantee in a public document, it is not applicable to all PLC except in two companies. Only one company disclosed some of the details required by the BMLR because the other information is not applicable.

PLC have to estimate the amount of taxes payable to the Malaysian Inland Revenue Department (IRD) in every quarter, disclose the breakdown of tax charges, and disclose the explanation of the variance between the effective and statutory tax rate of the current quarter and financial year to date. McEwen and Schwartz (1992) found that two companies did not disclose the estimated tax rates in interims. The present study found that all PLC disclosed the amount of taxes payable, but 1% or 2% PLC did not disclose the breakdown of tax charges in every quarter. The mean score of 62% to 64% in Table 4.14 is quite low despite the high compliance of tax disclosure because PLC did not explain the variance between the effective and statutory tax rate for the current quarter (i.e. 37% to 45%) and financial year to date (i.e. 69% to 74%).

PLC is required to disclose the profit or losses from selling unquoted investments and/or properties for the current quarter and financial year to date. Any purchase or disposal of quoted securities also required to be disclosed by PLC except closed-end funds, banking, finance, and insurance industries. The present study found that no PLC except one to four companies disclosed the quoted securities in their interims in every quarter. The overall percentages are quite low despite the high disclosure on quoted securities because PLC did not disclose the items for the respectable periods.

All except one company disclosed the status of complete corporate proposals in interims. PLC that disclosed the corporate proposals are required to explain the status of utilising the proceeds raised from the

corporate proposals in the following format: the purpose, the proposed and actual utilisation, the intended timeframe of utilization, the deviation amount, and explanations of the deviation amount. A total of 73% to 100% PLC disclosed the first three items and only 38% to 71% PLC disclosed the last three items. The non-compliances cause the overall percentage to be low every quarter.

With regard to the group borrowings and debt securities disclosure, only one company did not disclose the item in explanatory notes of interims. Apart from disclosing the total amount of borrowings and debt securities, 90% to 100% PLC disclosed the breakdown as follows: secured or unsecured, breakdown of secured and unsecured, short term or long term, any denomination of foreign currency and breakdown of each foreign currency.

A total of 97% PLC disclosed off-balance sheet financial instruments according to the type and maturity profile. Meanwhile, 74% to 91% PLC disclosed the face or contract amount and the nature and terms of off-balance sheet financial instruments. Only 19% to 53% PLC disclosed the credit and market risks, cash requirements and the accounting policies related to off-balance sheet financial instruments. Due to the high percentage of non-compliances, the overall percentage of off-balance sheet instruments descends to 70% and 73% for all quarters. With regard to the changes in material litigation, 98% PLC disclosed them so that the users of financial reports are aware of pending and up to date litigation information.

Shareholders are very concerned about the distributable dividends declared by the company at any time during the year. Information on dividends may also give an influence on the decisions made by the users of financial reports, especially the prospective investors. They have the perception that the more dividends paid out by the companies, then the more profitable are the companies and they are worth investing. A total of 96% PLC disclosed the declaration or recommendation of interim dividend or final ordinary

dividend. However, some PLC did not include all details required by the BMLR, such as: the amount of dividends per share for the current period, the amount of dividends per share for the previous corresponding period, the date payable, total dividend per share for the current financial year, types of dividend declared (whether the amount is before tax, net of tax or exempted from tax), the amount of tax rates, and the cut-off date for entitlement to dividends for deposited securities.

Concerning the earnings per share, the FRS 134 requires PLC to disclose the basic and diluted EPS in the face of income statement while the BMLR requires PLC to disclose the numerator and denominator to calculate the basic and diluted EPS. McEwen and Schwartz (1992) found that all PLC successfully disclosed their EPS in interims. The present study found that 97% to 100% PLC disclosed the numerator and denominator of basic EPS, but only 67% to 70% PLC disclosed the numerator and denominator of diluted EPS. Finally, all PLC disclosed the qualification of the company's preceding annual financial reports and the current status if the annual report is qualified.

4.2.1.3 The Comparability of Interims

One of the sources of information that is used by the users of financial reports before they make decisions is to compare the current accounting information of a company with the company's preceding corresponding period in addition to information of PLC in the same industry. Due to the importance of comparability of financial information to the users of financial reports, the present study investigated whether the accounting information of preceding corresponding period placed in the current quarter equals the information when it was initially issued.

This investigation is essential because Malaysian interims are neither audited nor being reviewed by the external auditors and, therefore, the validity of accounting information in interims is questionable. Comparison

with the annual report is also made since an equal amount with the audited annual report may indicate a low possibility of accounting adjustments by PLC. Additionally, a comparison with the annual report further strengthens the comparability ranking score of Malaysian PLC in the present study because an independent party audits the annual reports. This study compares four profit and loss items (namely revenues, gross profit, profit before tax, and profit after tax) between a quarter and preceding corresponding period in addition to the audited annual report. The comparable values are taken after PLC has made resubmission or restatement to their interims.

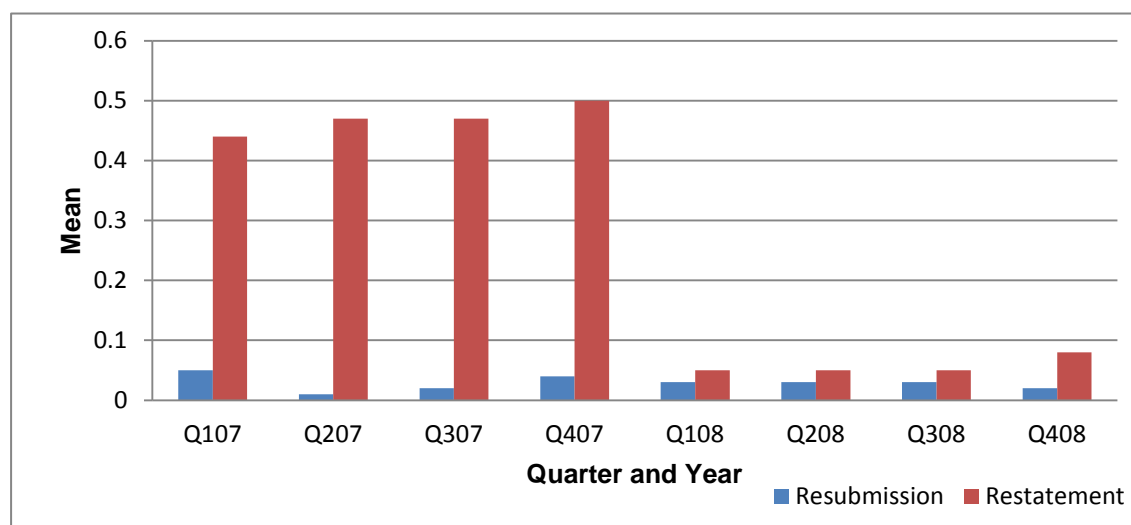
Before making the comparison, this study initially examined the frequency of resubmission and restatement made by PLC. High frequency of resubmission and restatement may affect the decisions of the users of financial reports if they use financial information in interims before the resubmission and restatement was made. As reported in Figure 4.7, the mean score of resubmission is very low for all quarters in 2007 and 2008, which indicates irregular resubmission of interims by PLC.

Contrary to the mean score of resubmission, the mean score of restatement is very high for all quarters in 2007 (i.e. almost 50% PLC restated their interims every quarter). However, the mean score of restatement is very low in 2008 (i.e. between 5% and 8% in all quarters). The significant difference of mean restatement between 2007 and 2008 is mainly due to the revised accounting policy, the FRS 117, which requires PLC to reclassify the leasehold land as prepaid lease payments. Other revisions of accounting policies did not give a significant impact to interims.

Although almost half of PLC in the sample restated their interims in 2007, the restatement figures do not affect the decision making by the users of financial reports because the restatement required by the FRS 117 is only a reclassification of leasehold land from property, plant, and equipment to

prepaid lease. An insignificant difference of comparable ranking score between one quarter and succeeding corresponding quarter (which is shown in Figure 4.8) confirms that the FRS 117 has no effect on the comparability of interims, although adjustments are required to be made for the current quarter and comparable periods.

Figure 4.7 Resubmission and Restatement



The mean ranking score of interims' comparability that is shown in Figure 4.8 is reasonably high for all quarters and years except quarter four. The mean ranking score for the first three quarters is equal or above 3.5 while in quarter four the mean ranking score is almost half of the first three quarters (i.e. 1.9 in 2007 and 2.1 in 2008). These results suggest that interims for the first three quarters are more comparable than the fourth quarter. As reported in Table 4.17, the accounting adjustments in quarter four are still high regardless of the delay or early publishing of interims. Jacques (1997) found that net income for the fourth quarter is higher than the first three quarters and the plausible reason is due to adjustments of unusual and extraordinary items that are made at the financial year-end. Adjustment in quarter four is one the most plausible reasons why the quarter is the least comparable amongst all.

Figure 4.8 also reveals that the comparability ranking score for all quarters in 2007 is slightly lower than the succeeding corresponding quarters. The increased ranking score from 2007 to 2008 reveals that over the time, the comparability of interims improves and, therefore, adds benefits to the stakeholders to make comparisons before making the final decisions.

Figure 4.8 Mean Ranking Score of Comparability of Interims

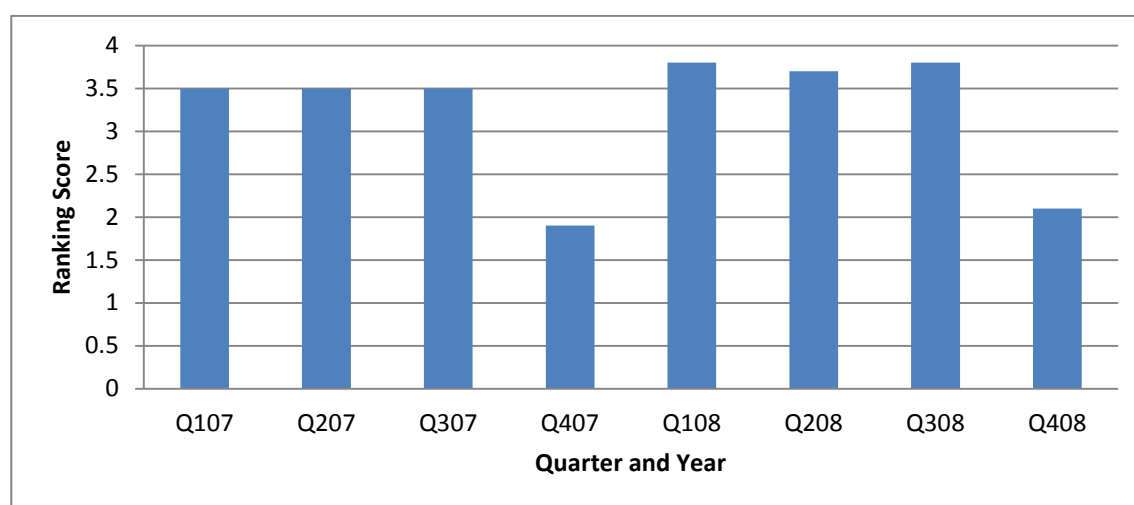


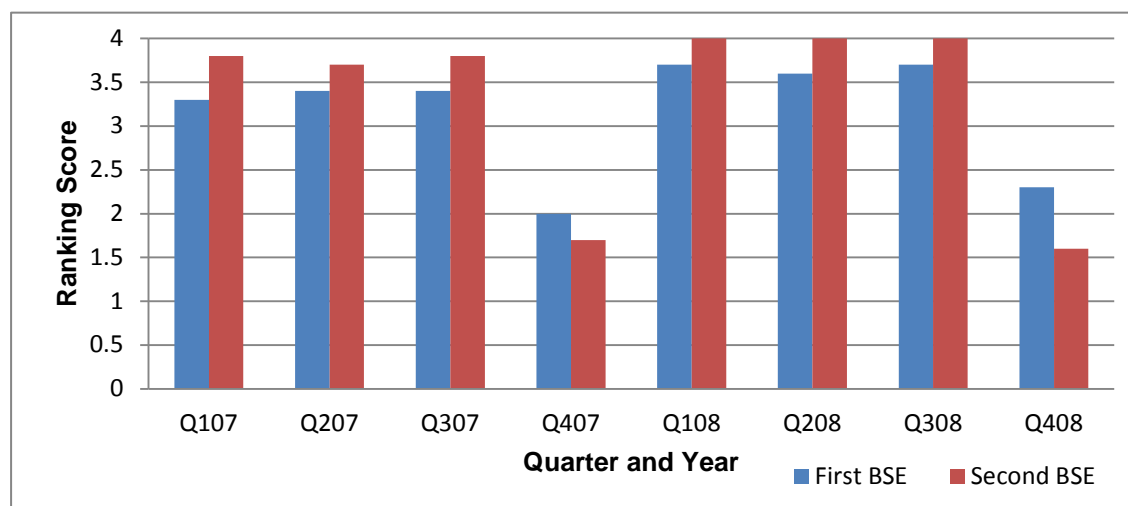
Table 4.15 presents the distribution of comparability ranking score of interims. A total of 75% to 79% PLC have the full comparability ranking score for the first three quarters in 2007, and the percentages increased to 85% and 90% in 2008. The comparability ranking score of the fourth quarter significantly differs from the first three quarters where only 36% and 41% PLC have the full comparability ranking score in the fourth quarter of 2007 and 2008, respectively. The comparability ranking score for most PLC in quarter four is one, which is the lowest rank amongst all.

Table 4.15 Comparability Ranking Score of Interims

Ranking Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
1	10.3	11.2	11.2	50.0	3.4	4.3	2.6	44.8
2	3.4	4.3	2.6	6.9	1.7	4.3	1.7	8.6
3	11.2	6.9	6.9	6.9	8.6	6.0	6.0	6.0
4	75.0	77.6	79.3	36.2	86.2	85.3	89.7	40.5
Total	100	100	100	100	100	100	100	100

Figure 4.9 portrays the mean comparability ranking score of interims across the type of BSE. The present study found that, regardless of the type of BSE, the mean ranking score of interims' comparability is very high for the first three quarters and very low for the fourth quarter. Contrary to timeliness and compliance with the interim reporting standards, PLC in the second BSE have a higher mean comparability ranking score of interims than the first BSE for the first three quarters in all years. In fact, the mean comparability ranking score for PLC in the second BSE reached the maximum value for the first three quarters in 2008. However, in quarter four, PLC in the second BSE have a lower comparability ranking score than the first BSE. Therefore, the statistical results suggest that interims for PLC in the second BSE are more comparable than PLC in the first BSE for the first three quarters and PLC in the second BSE are more inclined to make accounting adjustment than PLC in the first BSE in the fourth quarter.

Figure 4.9 Mean Comparability Ranking Score of Interims (BSE)



As depicted in Table 4.16, with the exception of quarter four, the distribution of comparability ranking score between PLC in the first and second BSE significantly differs. Comparability ranking score for most PLC in the first BSE is four and the percentages of the first three quarter's comparability ranking score are more or less equivalent. A total of 69% to 74% PLC in the first BSE have the full comparability ranking score for the first three quarters

in 2007, and the percentages increased to 80% and 86% in 2008. PLC in the second BSE score either the lowest or the highest comparability ranking score for the first three quarters and no comparability scores in between. Meanwhile, 90% to 93% PLC in the second BSE have the full comparability ranking score in the first three quarters in 2007, and the percentages increased to 100% in 2008. The statistical results further support the previous finding that interims for PLC in the second BSE are more comparable than the first BSE for the first three quarters and vice versa for the fourth quarter.

Table 4.16 Comparability Ranking Score of Interims (BSE)

Type of BSE	Rank Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
First BSE	1.0	11.6	11.6	12.8	47.7	4.7	5.8	3.5	39.5
	2.0	4.7	5.8	3.5	7.0	2.3	5.8	2.3	9.3
	3.0	15.1	9.3	9.3	8.1	11.6	8.1	8.1	7.0
	4.0	68.6	73.3	74.4	37.2	81.4	80.2	86.0	44.2
	Total	100	100	100	100	100	100	100	100
Second BSE	1.0	6.7	10.0	6.7	56.7	0.0	0.0	0.0	60.0
	2.0	0.0	0.0	0.0	6.7	0.0	0.0	0.0	6.7
	3.0	0.0	0.0	0.0	3.3	0.0	0.0	0.0	3.3
	4.0	93.3	90.0	93.3	33.3	100	100	100	30.0
	Total	100	100	100	100	100	100	100	100

The mean comparability ranking score of the first three quarters in 2007 and 2008 for all types of industries is equal to, or higher than 3.5 except for the property, finance and technology industries. Mean graphs and distribution of comparability ranking score for each type of industry are given in Appendix 4-13 and Appendix 4-14, respectively. It is interesting to reveal that despite the early timeliness for some PLC in the finance industry to publish interims every quarter, the comparability ranking score of interims is very low for the first three quarters in 2007 compared to other types of industries. This finding indicates that companies in the finance industry that publish interims on a more timely basis may have a tendency to publish less comparable

interims. Construction, plantations and technology industries have a full comparability ranking score of interims for some quarters in 2008, although the first two industries do not publish interims more timely.

Table 4.17 shows the comparability ranking score for PLC that publishes the fourth quarter interims more timely. The results show that comparability ranking score is very low, although interims are published more timely in quarter four. The results further supports this study's disagreement with the view that the deferments to publish interims in quarter four is due to the time required by the management to make adjustments before the financial year ends. In other words, even though PLC publishes interims more timely in quarter four, the comparability ranking score is very low.

Table 4.17 Non-Quarter Four as the Least Timely Quarter (Industry)

Types of industries	The least timely quarter		Quarter four
	Quarter	Comparability ranking score	Comparability ranking score
Services	Q108	3.9	1.4
	Q208	3.7	1.4
Consumer	Q208	3.7	2.5
Construction	Q108	4.0	1.8

Apart from the overall ranking score of comparability, this study breaks down the comparability into its constituents namely revenues, gross profit, profit before tax and profit after tax. As indicated in Table 4.18, the mean comparability ranking score for revenues, gross profit, profit before tax and profit after tax are very high in the first three quarters and very low in quarter four, which are in tandem with the overall comparability ranking score of interims. This study also found that mean revenues, gross profit, profit before tax and profit after tax slightly differ with each other: a) Mean revenues are higher than mean gross profit, profit before tax and profit after tax; b) mean gross profit is quite similar with mean profit before tax; and c)

mean profit after tax is slightly higher, similar or lower than mean gross profit and profit before tax.

A mean gross profit which is lower than mean revenues suggests that the number of PLC that make gross profit adjustment is higher than adjustment of revenues. The company either adjusts the effect of changes in revenue on gross profit and/or manipulates the operating expenses. Surprisingly, mean profit before tax is quite similar with mean gross profit, which suggests that the number of PLC that adjust profit before tax is more or less equivalent to gross profit adjustment. The same number could possibly due to the very low numbers of companies (or none) who have adjusted their other types of revenue in addition to the administration expenses. PLC that adjust the profit after tax are possibly due to the effects of revenues, operating and/or administration expense adjustments, and the wrong estimation of tax payable for the specific quarter. Higher, similar, or lower mean profit after tax than mean gross profit and profit before tax indicates that the number of PLC that adjust the amount of taxes payable to the authority is lower, similar, or higher (respectively).

Table 4.18 Mean comparability of Interims

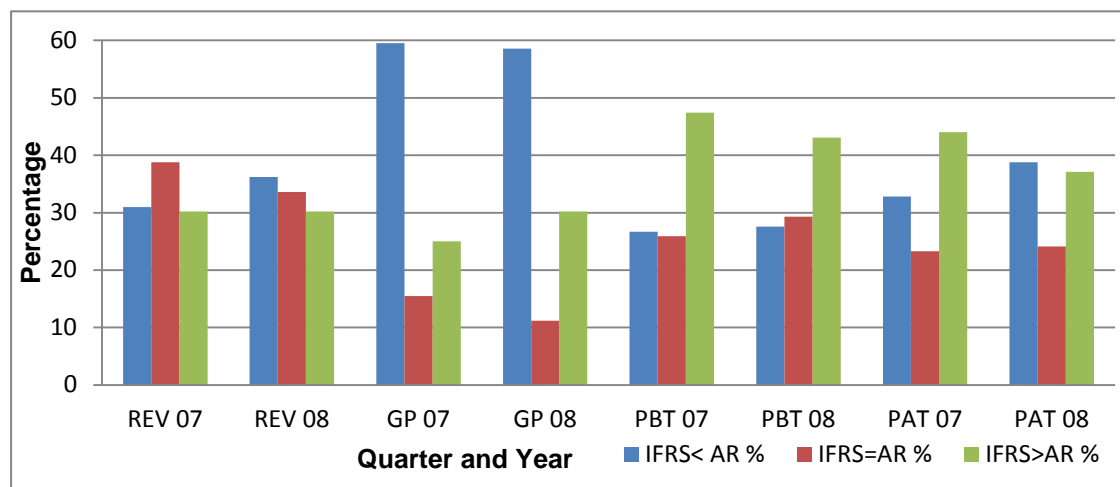
Type	Q1 2007 mean	Q2 2007 mean	Q3 2007 mean	Q4 2007 mean	Q1 2008 mean	Q2 2008 mean	Q3 2008 mean	Q4 2008 mean
Revenues	0.92	0.92	0.92	0.59	0.95	0.97	0.97	0.64
Gross Profit	0.81	0.84	0.84	0.47	0.94	0.91	0.94	0.53
Profit Before Tax	0.84	0.83	0.84	0.46	0.94	0.91	0.95	0.47
Profit After Tax	0.89	0.88	0.87	0.42	0.93	0.91	0.94	0.44
Overall (Total)	3.46	3.47	3.48	1.95	3.76	3.71	3.80	2.08

Apart from breaking down the comparability of interims into revenues, gross profit, profit before tax and profit after tax, this study also compared the value of these items in interims and the corresponding annual report (the results are presented in Figure 4.10). This study found that, despite a high comparability ranking score when interims are compared with the preceding

corresponding period, the percentages of PLC with equal value of revenues, gross profit, profit before tax and profit after tax between interims and the corresponding annual report are quite low. As presented in Figure 4.10, only 38.8% PLC have equal revenues, 15.5% equal gross profit, 25.9% equal profit before tax and 23.3% equal profit after tax between interims and the annual report in 2007. In 2008, the percentages slightly reduced for revenues and gross profit (i.e. 33.6% and 11.2% respectively) and slightly increased for profit before tax and profit after tax (i.e. 29.3% and 24.1% respectively). Al-Darayseh and Brown (1992) also found that the financial figures in interims were not as consistent as in the annual financial reports. Therefore, the present study can possibly conclude that Malaysian interims are not comparable with the annual financial reports despite a high-ranking score being assessed for interims.

Figure 4.10 also shows that PLC that recorded interims' revenues higher or lower than the annual report are more equivalent: a) more PLC recorded lower gross profit in interims than in the annual report; and b) more PLC recorded higher values of profit before tax and profit after tax in interims than in the annual report. Therefore, the overall results suggest that a) more than half of the PLC recorded higher amount of operating expenses in interims than in the annual report; and b) more PLC recorded lower administration and tax expenses in interims than in the annual report. Recording lower values of other types of revenues is very unlikely because PLC prefer to highlight to the users of their financial reports their companies as a going concern which has higher profitability. The main consequence of recording lower administration expenses is the value increment in profit before tax. Prospective investors who use profit before tax as one of the measures can possibly mislead their decision making.

Figure 4.10 Comparability between Interims and Annual Report



*Interims= Interim financial reports, AR= Annual Report

* REV = Revenues, GP=Gross Profit, PBT=Profit Before Tax, PAT=Profit After Tax

4.2.2 Independent Variables

The independent variables, or CGC, include the frequency of the BOD meetings, independence, financial literacy, corporate governance expertise, and the ethnicity of the directors. This section details the descriptive statistics of the CGC in general, across the type of BSE and types of industries, and identifies their non-compliance with the Malaysian Code on Corporate Governance (MCCG). The explanations on these variables are as follows.

4.2.2.1 Frequency of BOD Meetings

Section 9.22 of the BMLR requires PLC to get an approval of BOD before publishing their interims. Figure 4.11 shows the mean of BOD meetings in general, across the type of BSE and industry. In 2007 and 2008, the mean of BOD meetings was five. Therefore, the mean is more than the minimum requirement of MCCG. A total of 67.8% PLC stated the date of BOD meetings at the ending page of interims, which indicates that the BOD had possibly looked and discussed the interims before they were published.

With regard to the frequency of BOD meetings (the details in Appendix 4-18), it was held between 3 and 17 times in 2007, and between 4 and 17 times in 2008. Therefore, in 2007, the two PLC did not comply with the

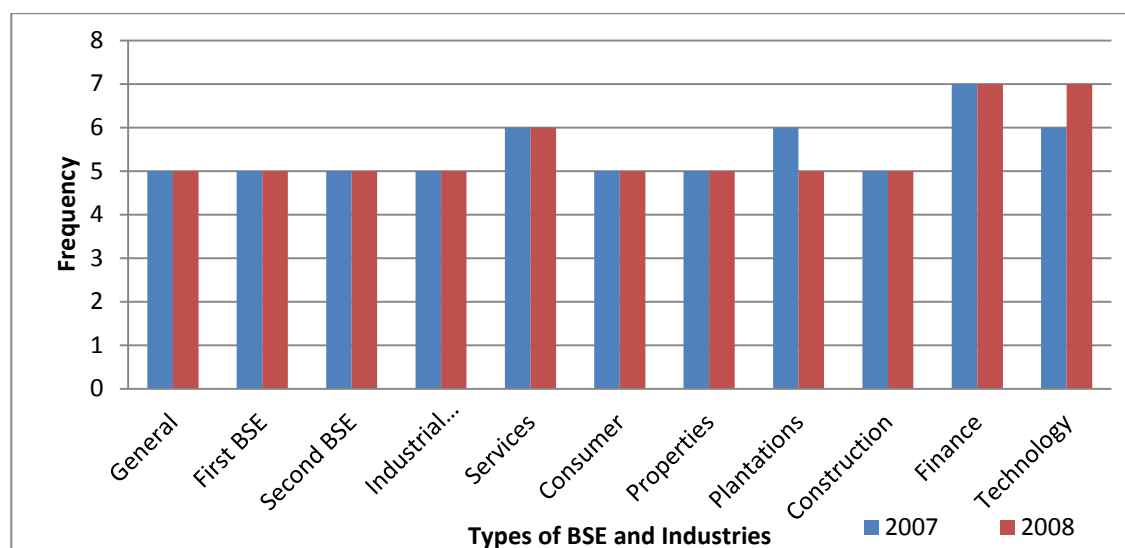
MCCG which requires PLC to have at least four meetings in a year. The above finding also suggests that the BOD of the two companies did not hold a meeting before they published one of their interims. The present study investigated interims of the two companies and found that only one company stated the date of BOD meetings at the ending page of their interims.

However, an issue arises because the interims for the final quarter of one of the companies that should be approved by the BOD in the first meeting of 2007 were incorrectly dated as 15 February 2006 instead of 2007. The date of the BOD meeting for the next four consecutive quarters stated in interims are 23 May 2007, 15 August 2007, 16 November 2007 and 22 February 2008. If the date of the BOD meeting in the final quarter of 2006 was correctly dated as 15 February 2007, then there were four BOD meetings in 2007 instead of three as disclosed in the annual report. Further investigation is not available because the company did not disclose the date of BOD meetings in the annual report. This finding suggests that there is a possibility that the company disclosed a wrong date of the BOD meeting in order to hide the BOD weaknesses in performing their duties. This study recommends that PLC state the date of BOD meetings at the ending page of interims every quarter and in the annual report in order to ensure that the BOD have successfully performed their duties attentively.

Figure 4.11 shows that there is no significant difference on the mean frequency of BOD meetings for PLC in the first and second BSE, and across industries except services, plantations, and finance and technology industries. These four industries have higher frequency of BOD meetings, which is either six or seven times in a year. As reported earlier, two companies held three BOD meetings in 2007, which indicates that these companies did not comply with one of the MCCG's requirements to have at least four meetings in a year and did not hold a meeting before one of their interims was published. The two companies are from the first BSE and from

properties and services industries. No PLC in the second BSE held BOD meetings lower than the MCCG's requirement.

Figure 4.11 Mean Frequency of BOD meetings

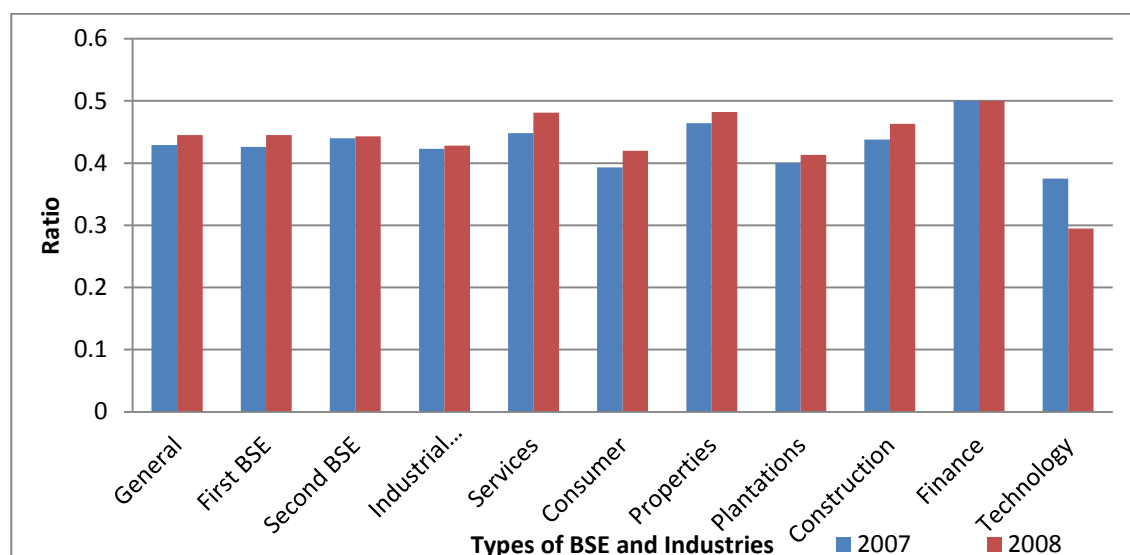


4.2.2.2 Independent Directors

BMLR 15.02 states that BOD should comprise at least two independent directors or one-third of directors are independent, whichever is higher. If the number of directors is not in multiples of three, then the nearest to one third shall be used. The MCCG also prescribed that the BOD should comprise at least one third of independent directors. In 2007 and 2008, 91.4% PLC meet the MCCG and BMLR requirements to have at least two independent directors or one-third of directors are independent (the details are in Appendix 4-19). Therefore, 8.6% or ten PLC did not comply with the requirement of having one third of independent directors in all years. The PLC that did not comply with the requirement is from the first BSE, except one and two companies from the second BSE in 2007 and 2008, respectively. The non-compliance PLC from the first BSE are from construction, consumer, plantations, services and industrial products industries while non-compliance PLC from the second BSE are all from the industrial products industry.

Figure 4.12 exhibits the mean proportion of independent directors in Malaysian PLC. A total of 42.9% directors are independent in 2007 and the percentage slightly increased to 44.5% in 2008. The percentages reveal the domination of non-independent executive directors in the composition of BOD in Malaysia. The mean independent of directors for PLC in the first and second BSE insignificantly differs but for PLC in different types of industries, the mean ranged between 30% and 50%. The technology and finance industries have the lowest and the largest mean of independent directors, respectively.

Figure 4.12 Mean Independent Directors

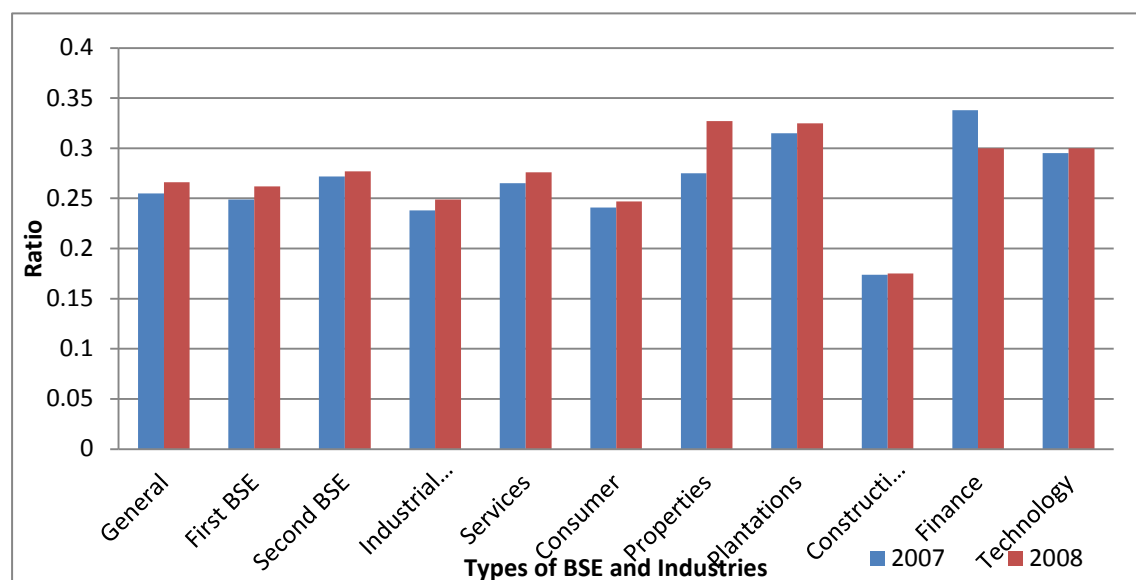


4.2.2.3 Financial Literacy of the Directors

With the exception of the audit committee members, there is no specified portion of BOD which has to be financially literate. BMLR 15.10.1(a) requires a company to have at least three audit committee members and, commencing 31 January 2009, the MCGG requires all audit committee members to be financially literate. As depicted in Figure 4.13, the proportion of financial literacy directors is very low in Malaysian PLC. Only 25.5% of directors on the board are financially literate in 2007, which slightly increased to 26.6% in 2008. In 2007, the most frequent number of financial literacy directors on the board is one (46%) followed by two (30%) and three

(12%) members. In 2008, the percentages changed to 37%, 35%, and 15% for one, two, and three members, respectively. Although the number of financial literacy directors slightly increased in 2008, most PLC have not seriously taken any actions to comply with the MCCG requirement to have all financial literacy audit committee members commencing January 2009. This is evidenced by having a mean frequency of two financial literacy directors in 2007 and 2008, and there are no financial literacy directors in three (2.6%) and four (3.4%) companies in 2007 and 2008, respectively (details in Appendix 4-20).

Figure 4.13 Mean Financial Literacy Directors



The percentages of financial literacy directors between the first and second BSE insignificantly differ and the increment from 2007 to 2008 was minimal. Despite the slight increment in the percentage of financial literacy of directors as a whole, the percentage of PLC that have more than half of financially literate directors on the board has slightly reduced. For PLC in the first BSE, 7% PLC have more than half financially literate directors in 2007 and the percentage surprisingly reduced to 5.8% in 2008. A total of 6.3% PLC in the second BSE have more than half of their directors who are financially literate in 2007 and the percentage also slightly reduced to 3.3%

in 2008. All non-financially literate directors are from the first BSE. Based on the low frequency of financially literate directors, all PLC from the first or second BSE are not prepared to fulfil MCCG's requirement to have financially literate audit committee members as a whole, commencing January 2009. With regard to the proportion of financially literate directors according to the types of industries, the size varies from 17.4% to 33.8%. The finance and construction industry has the highest and lowest proportion of financially literate directors, respectively.

This study further investigated the proportion of financial literacy audit committee members and the results are presented in Table 4.19. Seven and eight PLC did not have financial literacy audit committee members in 2007 and 2008, respectively. PLC with more than 50% financial literacy audit committee members are also very low. The percentages are 13.8% in 2007 and 16.4% in 2008. Only 1.7% PLC has all financial literate audit committee members in 2007 and the percentage slightly increased to 3.4% in 2008. The results indicate that many PLC may not comply with the MCCG requirement to have all financial literacy audit committee members, commencing January 2009.

Table 4.19 Proportion of Financial Literacy Audit Committee Members

Proportion	2007			2008		
	Frequency	%	Cumulative Percentage	Frequency	%	Cumulative Percentage
.00	7	6.0	6.0	8	6.9	6.9
.20	6	5.2	11.2	3	2.6	9.5
.25	13	11.2	22.4	0	0	9.5
.30	0	0	22.4	77	66.4	75.9
.33	66	56.9	79.3	0	0	75.9
.40	2	1.7	81.0	0	0	75.9
.50	6	5.2	86.2	9	7.8	83.6
.60	0	0	86.2	1	.9	84.5
.67	12	10.3	96.6	0	0	84.5
.70	0	0	96.6	12	10.3	94.8
.75	2	1.7	98.3	0	0	94.8
.80	0	0	98.3	2	1.7	96.6
1.00	2	1.7	100.0	4	3.4	100.0
Total	116	100	100	116	100	100

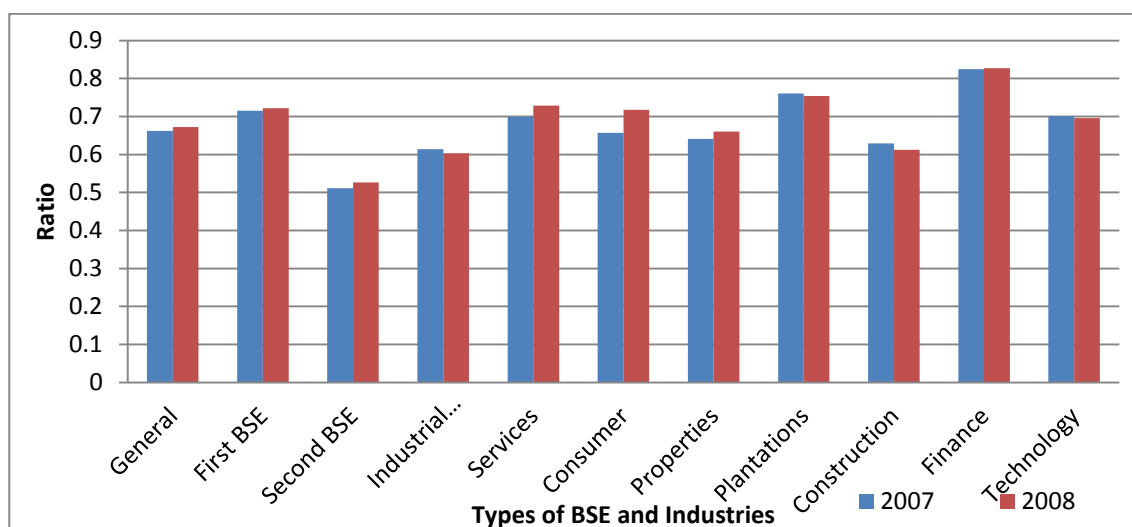
4.2.2.4 The Corporate Governance Expertise of Directors

The mean corporate governance expertise of directors on the board is shown in Figure 4.14. Since corporate governance expertise magnifies BOD efficiency in discharging their duties, 66.2% directors hold additional directorships in other PLC in 2007 and the percentage slightly increased to 67.2% in 2008. One company, or 0.9% of PLC, did not have corporate governance expertise directors and 19.8% PLC had corporate governance expertise directors on the board as a whole in 2007 and 2008. A total of 67.2% and 68.1% PLC have more than half corporate governance expertise directors on the board in 2007 and 2008, respectively.

PLC with corporate governance expertise significantly differ between the first and second BSE. A total of 71.5% directors in the first BSE had corporate governance expertise in 2007, and the percentage slightly increased to 72.2% in 2008. For PLC in the second BSE, 51.1% and 52.6% directors had corporate governance expertise in 2007 and 2008 respectively. The result indicates that PLC in the first BSE has a higher proportion of directors with corporate governance expertise than PLC in the second BSE and the increment in 2007 to 2008 is very minimal.

PLC in the first BSE that have the number of corporate governance expertise directors as a whole is higher than PLC in the second BSE (i.e. 22.1% in 2007 and 23.3% in 2008 for PLC in the first BSE and 13.3% in 2007 and 10% in 2008 for PLC in the second BSE). Corporate governance expertise for PLC across industries significantly differs and the mean proportion of directors with corporate governance expertise ranged from 60.3% to 82.7%. PLC with the highest and lowest proportion of corporate governance expertise directors are from the finance and industrial products industries, respectively.

Figure 4.14 Mean Corporate Governance Expertise Directors



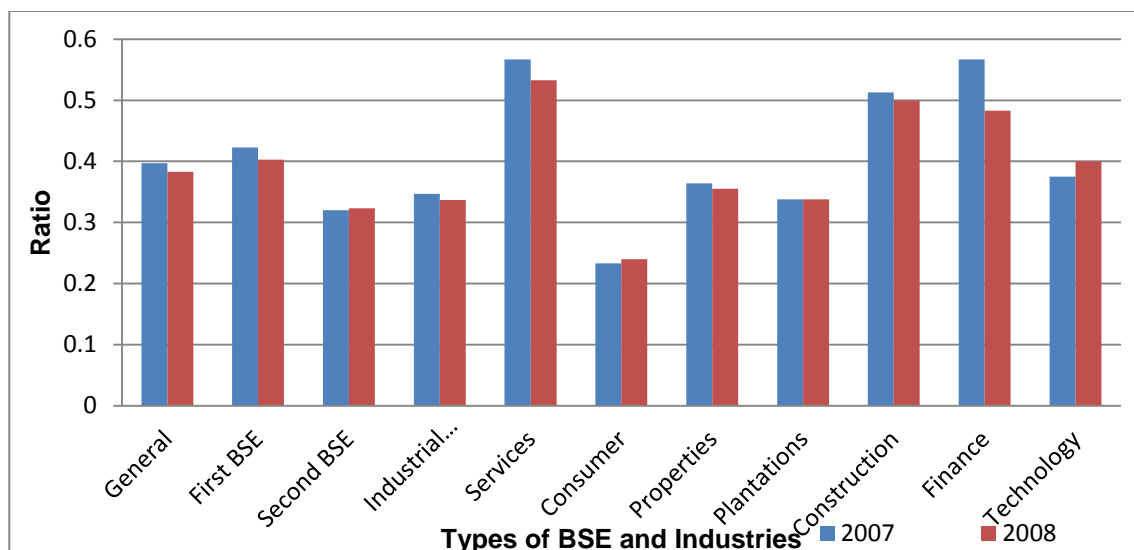
4.2.2.5 The Ethnicity of Directors

Figure 4.15 presents the mean ethnicity of directors on the board in general, across the type of BSE and types of industries. Around 40% and 38% directors are Bumiputra in 2007 and 2008 respectively. These statistical results suggest a nomination of non-Bumiputra directors in Malaysian PLC, although Bumiputra is the largest ethnic group in Malaysia. In 2007, the racial composition of directors in Malaysian PLC was 53% Chinese, 40% Bumiputra, 4% Indian, and 3% from other races. In 2008, Chinese directors increased by 2% and the Bumiputra directors concurrently decreased by 2% and there were no changes of Indians and other races.

The proportion of Bumiputra directors for PLC in the first and second BSE significantly differs. In 2007, the composition of directors in the first BSE was 42% Bumiputra, 50% Chinese, 4% Indians and 4% other races; while in the second BSE, the percentages are 32% Bumiputra, 62% Chinese, 3% Indians and 3% other races. There are no major changes of directors' compositions in 2008, except for a reduction of 2% of Bumiputra directors and an increase of 2% Chinese directors for PLC in the first BSE. These results indicate that the proportion of non-Bumiputra directors for PLC in the second BSE is higher than the first BSE. With regard to the types of industries, it is interesting to note that the highest proportion of Bumiputra

directors are to be found in the services and finance industries, while the lowest proportion is to be found in the consumer industry.

Figure 4.15 Mean Ethnicity Directors



4.2.3 Control Variables

The control variables investigated in the present study are company size, profitability, leverage and size of BOD. Table 4.20 presents the descriptive statistics for these control variables. The mean company size measured by the assets owned by PLC ranged from RM 2.53 billion to RM 3.42 billion. There is a substantial range between the minimum and maximum company size, which is from RM 23.6 million to RM196 billion. Therefore, the sample of this study covers both small and large companies and this makes the findings more generalizable than if they had concentrated on one size of company alone. The mean company size between the first and second BSE significantly differs: between RM 3.36 billion and RM 4.56 billion for PLC in the first BSE, and between RM 151 million and RM 163 million for PLC in the second BSE. Mean size for PLC in the second BSE is only around 4% of PLC in the first BSE. With regard to the types of industries, the highest mean company size came from the finance industry, and the lowest came from the construction and technology industries.

The mean profitability of the PLC ranged from -14.4% to 11.4%, and mean leverage ranged from 22.4% to 28.2%. Mean profitability between the first and second BSE significantly differs where PLC in the first and second BSE shows positive and negative ratios, respectively. This study can possibly conclude that most PLC in the first and second BSE incurred profit and losses respectively for both years. Although mean leverage across the type of BSE insignificantly differs, it is slightly higher for PLC in the second BSE. Finally, the mean size of BOD is seven members in 2007 and 2008, and eight and seven members for PLC in the first and second BSE respectively. These results indicate that mean size of BOD for PLC in the first BSE is slightly higher than PLC in the second BSE.

Table 4.20 Control Variables

Types	Control Variables	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
General	Company size	3.42E+09	2.53E+09	2.62E+09	2.73E+09	2.79E+09	2.90E+09	2.96E+09	2.99E+09
	Profitability	0.077	0.053	0.103	0.075	0.114	0.073	0.047	-0.144
	Leverage	0.282	0.231	0.236	0.234	0.224	0.229	0.239	0.247
	Size BOD	7	7	7	7	7	7	7	7
Boards of Stock Exchange (BSE)									
First BSE	Company size	4.56E+09	3.36E+09	3.48E+09	3.63E+09	3.70E+09	3.85E+09	3.93E+09	3.97E+09
	Profitability	0.125	0.138	0.169	0.157	0.141	0.134	0.103	-0.139
	Leverage	0.302	0.228	0.223	0.226	0.223	0.227	0.234	0.241
	Size of BOD	8	8	8	8	8	8	8	8
Second BSE	Company size	1.51E+08	1.56E+08	1.51E+08	1.57E+08	1.62E+08	1.61E+08	1.63E+08	1.60E+08
	Profitability	-0.06	-0.193	-0.088	-0.161	0.035	-0.103	-0.113	-0.159
	Leverage	0.226	0.238	0.272	0.258	0.226	0.234	0.252	0.262
	Size of BOD	7	7	7	7	7	7	7	7

4.2.4 Computation on the Quality Value of Interims

The first objective of this thesis is to determine the quality of Malaysian interims in the absence of audit reviews. The PLC will be considered to have a higher quality value of interims if all of the qualitative items measured earlier have higher values (i.e. have published interims sooner, have a higher compliance score with the FRS 134, have a higher compliance score with the BMLR, and have higher comparability ranking score of interims).

The quality value of each qualitative item is added and the accumulative value ranges from 0 to 4. This study computed the quality value of interims by using two methods (which have been described in Chapter Three). The first and second methods used dichotomous and continuous values, respectively, for all qualitative items. The results are reported in general and across the type of BSE and types of industries to determine any differences.

4.2.4.1 Quality of Interims: Dichotomous Method

Figure 4.18 depicts the quality value of interims by using the first method, which uses dichotomous values for all qualitative items. The PLC that comply with the allowable period to publish interims, comply with the FRS 134, comply with the BMLR and comparable interims from one period to another will score one point for each variable. The quality value for each qualitative item is added and the results are presented graphically in Figure 4.16. The quality value of interims progressively increased in the first three quarters and intensely dropped in quarter four by 0.35 in 2007 and 0.5 points in 2008. The quality value of interims is slightly higher in 2008.

Figure 4.16 Quality Value of Interims: The Dichotomous Method

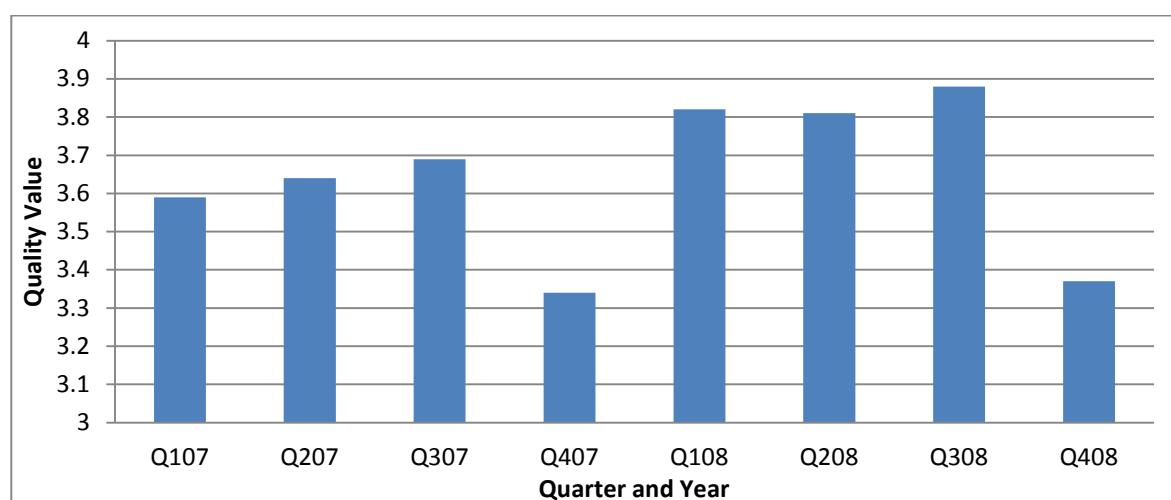


Table 4.21 presents the quality value of each qualitative characteristic of interims. The value for each qualitative characteristic of interims is

remarkably high. Compliance with the FRS 134 is the item that mostly contributes to the quality of interims. However, the timeliness value is also high for some quarters (such as quarter four in 2007 and quarter three in 2008). The item that contributes the least to the quality of interims is comparability. In 2007 and 2008, the highest quality value is quarter three and the lowest is quarter four.

The quality value of interims is above 3.5 for the first three quarters in 2007 and 2008 and between 3.0 and 3.5 in quarter four for both years. By referring to the level of quality of interims in Table 3.6, Chapter Three, the results indicate that the quality value of interims is very high for the first three quarters and high for the fourth quarter.

Table 4.21 Mean Quality Value of Interims: The Dichotomous Method

Qualitative characteristics of Interims	Mean score of quality value	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		2007 %	2007 %	2007 %	2007 %	2008 %	2008 %	2008 %	2008 %
Timeliness	SCOTI ₁	0.862	0.879	0.905	1.000	0.991	0.991	1.000	0.983
FRS134	SCOFRS ₁	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
BMLR	SCOBMLR ₁	0.983	0.983	0.991	0.983	0.966	0.966	0.983	0.983
Comparability	SCOCOMP ₁	0.750	0.776	0.793	0.362	0.862	0.853	0.897	0.405
Total	QUALITY ₁	3.590	3.640	3.690	3.340	3.820	3.810	3.880	3.370

As presented in Figure 4.17, the quality value of interims insignificantly differs between PLC in the first and second BSE. The quality value of interims for PLC in the first BSE is higher than PLC in the second BSE in quarter two and four in 2007 and quarter four in 2008. For the remaining quarters, PLC in the second BSE has a higher value of quality of interims than PLC in the first BSE. Regardless of the type of BSE, the highest and the lowest quality value of interims is in quarter three and four, respectively.

Figure 4.17 Mean Quality Value of Interims: The Dichotomous Method (BSE)

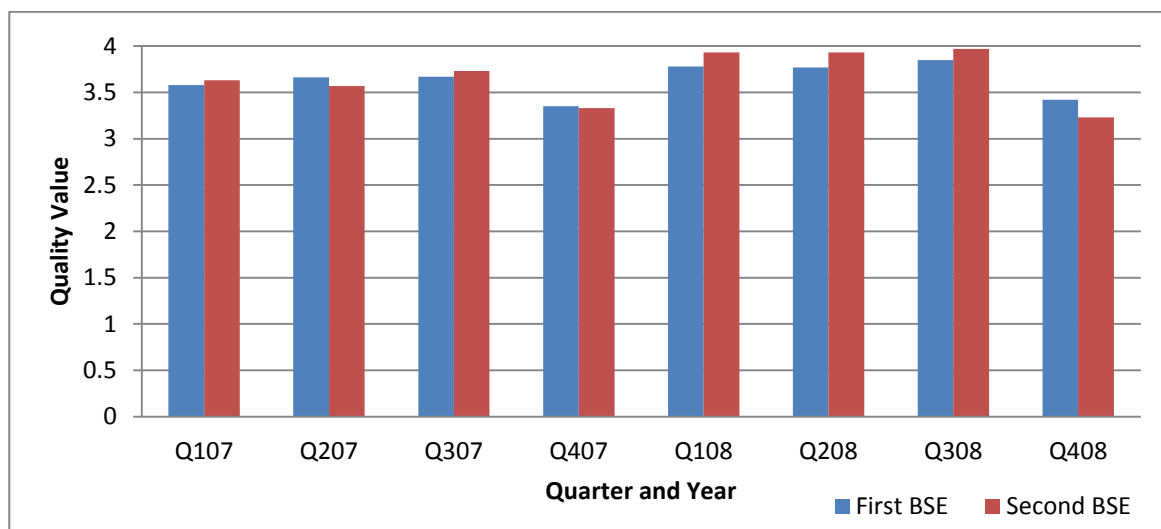


Table 4.22 shows that, regardless of the type of BSE, compliance with the FRS 134 is the item that mostly contributes to the quality of interims. However, timeliness, compliance with the BMLR and comparability values is equally high for some quarters. The item that contributes the least to the quality of interims slightly differs according to the type of BSE. For PLC in the first BSE, comparability is the item that contributes the least to quality of interims. For PLC in the second BSE, timeliness and compliance with the BMLR is the item that contributes the least to the quality of interims for the first three quarters in 2007 and 2008, and comparability is the item that contributes the least to the quality of interims for the fourth quarter in 2007 and 2008.

Regardless of the type of BSE, the quality value of interims in the first three quarters is higher than 3.5 and the quality value of interims in the fourth quarter is between 3.0 and 3.5. These results indicate that the quality of interims in the first three quarters and the fourth quarter is very high and high respectively.

Table 4.22 Mean Quality Value of Interims: The Dichotomous Method (BSE)

Qualitative characteristics	Mean score of quality value	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
First BSE									
Timeliness	SCOTI ₁	0.907	0.942	0.942	1.000	1.000	0.988	1.000	0.988
FRS134	SCOFRS ₁	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
BMLR	SCOBMLR ₁	0.988	0.988	0.988	0.977	0.965	0.977	0.988	0.988
Comparability	SCOCOMP ₁	0.686	0.733	0.744	0.372	0.814	0.802	0.861	0.442
Total	QUALITY ₁	3.580	3.660	3.670	3.350	3.780	3.770	3.850	3.420
Second BSE									
Timeliness	SCOTI ₁	0.733	0.700	0.800	1.000	0.967	1.000	1.000	0.967
FRS134	SCOFRS ₁	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
BMLR	SCOBMLR ₁	0.967	0.967	1.000	1.000	0.967	0.933	0.967	0.967
Comparability	SCOCOMP ₁	0.933	0.900	0.933	0.333	1.000	1.000	1.000	0.300
Total	QUALITY ₁	3.630	3.570	3.730	3.330	3.930	3.930	3.970	3.230

Table 4.23 shows that the highest quality value of interims for PLC in each types of industries is mixed (i.e. quarter one, two, or three). The lowest quality value of interims is quarter four for each types of industries, except for the technology industry in 2008. With regard to the types of industries, construction and finance industry has the highest and lowest quality value of interims in most quarters. Although the finance industry published interims most timely, the comparability was very low and this has caused the quality of interims to be amongst the lowest when compared to other types of industries.

The quality value of interims for most industries is above 3.5 for the first three quarters and between 3.0 and 3.5 for the fourth quarter, which indicates that the quality of interims is very high and high respectively. The quality of interims for the finance industry is between 3.0 and 3.5 for all quarters except quarter two and three in 2008. Based on these results, the present study can conclude that regardless of the types of industries, the quality of interims is high with the absence of audit reviews.

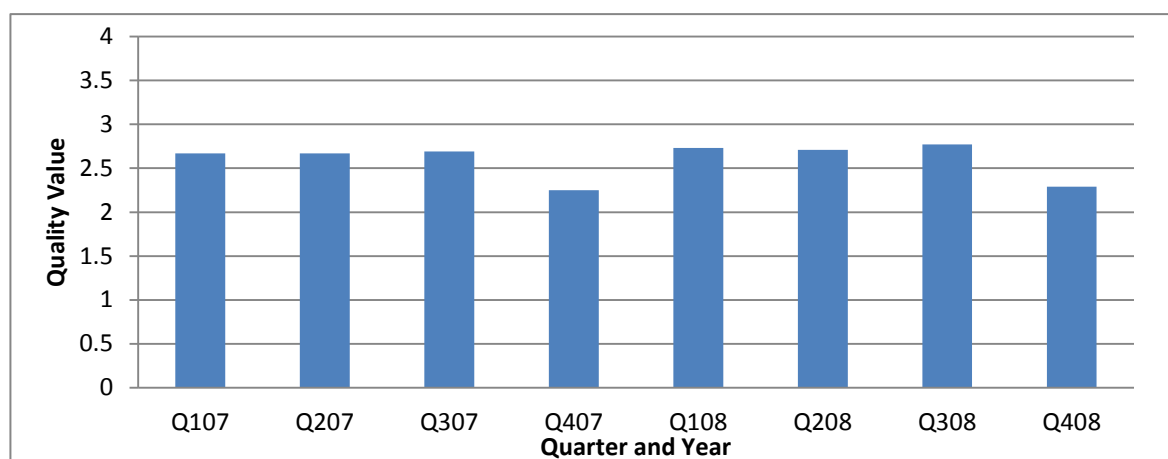
Table 4.23 Mean Quality Value of Interims: The Dichotomous Method
(Industry)

Qualitative characteristics	Mean score of quality value	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Construction									
Timeliness	SCOTI ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.8750	.8750	.8750	.1250	1.0000	.8750	1.0000	.2500
Total	QUALITY ₁	3.88	3.88	3.88	3.13	4.00	3.88	4.00	3.25
Consumer									
Timeliness	SCOTI ₁	.8667	.8000	.8667	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.8667	.9333	.8667	.4000	.9333	.8667	.9333	.6000
Total	QUALITY ₁	3.73	3.73	3.73	3.40	3.93	3.87	3.93	3.60
Finance									
Timeliness	SCOTI ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.5000	.3333	.3333	.1667	.3333	.6667	.8333	.1667
Total	QUALITY ₁	3.50	3.33	3.33	3.17	3.33	3.67	3.83	3.17
Industrial Products									
Timeliness	SCOTI ₁	.7442	.7907	.9070	1.0000	1.0000	.9767	1.0000	.9535
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	.9767	.9767	1.0000	1.0000	.9767	.9535	.9767	.9767
Comparability	SCOCOMP ₁	.7674	.7907	.8372	.3953	.9070	.8605	.9070	.4651
Total	QUALITY ₁	3.49	3.56	3.74	3.40	3.88	3.79	3.88	3.40
Plantations									
Timeliness	SCOTI ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	.8750	.7500	.7500	.8750	.8750
Comparability	SCOCOMP ₁	.7500	.7500	.7500	.3750	1.0000	1.0000	1.0000	.5000
Total	QUALITY ₁	3.75	3.75	3.75	3.25	3.75	3.75	3.88	3.38
Properties									
Timeliness	SCOTI ₁	1.0000	.9091	.8182	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	.9091	.9091	.9091	.9091	.9091	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.6364	.7273	.7273	.2727	.7273	.8182	.7273	.2727
Total	QUALITY ₁	3.55	3.55	3.45	3.18	3.64	3.82	3.73	3.27
Services									
Timeliness	SCOTI ₁	.8571	.9524	.9048	1.0000	1.0000	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.7143	.7619	.8095	.4762	.9048	.8571	.8571	.2381
Total	QUALITY ₁	3.57	3.71	3.71	3.48	3.90	3.86	3.86	3.24
Technology									
Timeliness	SCOTI ₁	1.0000	1.0000	.7500	1.0000	.7500	1.0000	1.0000	1.0000
FRS134	SCOFRS ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
BMLR	SCOBMLR ₁	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Comparability	SCOCOMP ₁	.7500	.7500	.7500	.2500	.5000	.7500	1.0000	.7500
Total	QUALITY ₁	3.75	3.75	3.50	3.25	3.25	3.75	4.00	3.75

4.2.4.2 Quality of Interims: The Continuous Method

Figure 4.18 exhibits the quality value of interims by using the second method, which measures each qualitative item continuously from 0 to 1. The quality value for each qualitative item is added and the accumulative amount is presented graphically in Figure 4.18. Similar to the dichotomous method, the quality value of interims for the first three quarters in 2007 and 2008 insignificantly differs and the lowest quality value of interims is to be found in quarter four. The present study also found that the quality of interims by using the continuous method is lower because decimal points are used to calculate each qualitative items of interims whilst a whole number is used in the continuous method to calculate each qualitative item of interims.

Figure 4.18 Mean Quality Value of Interims: The Continuous Method



As shown in Table 4.24, the qualitative characteristic of interims that contribute the most and the least to the quality of interims is compliance with the FRS 134 and timeliness, respectively. However, comparability is the item that mostly contributes to the quality of interims in the first three quarters of 2008. Although comparability is the item that mostly contributes to the quality of interims in the first three quarters in 2008, the mean of comparability and compliance with the FRS 134 insignificantly differs. Similar to the dichotomous method, the highest and the lowest quality value of interims is to be found in quarter three and four, respectively.

The quality value of interims for the first three quarters is between 2.5 and 3.0, which indicates that the quality for these quarters is moderate. The quality of interims in quarter four is between 2.0 and 2.5, which indicates that the quality of interims for the fourth quarter is low. Therefore, the present study concludes that by using continuous method, the quality of interims is moderate for the first three quarters and low for the fourth quarter. This is due to PLC inclination to publish interims towards the end of the allowable period.

Table 4.24 Mean Quality Value of Interims: The Continuous Method

Qualitative characteristics	Mean score of quality value	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Timeliness	SCOTI ₂	0.100	0.100	0.110	0.060	0.100	0.100	0.130	0.090
FRS134	SCOFRS ₂	0.930	0.930	0.930	0.940	0.920	0.920	0.920	0.920
BMLR	SCOBMLR ₂	0.780	0.770	0.780	0.770	0.770	0.770	0.770	0.770
Comparability	SCOCOMP ₂	0.860	0.870	0.870	0.490	0.940	0.930	0.950	0.520
Total	QUALITY ₂	2.670	2.670	2.690	2.250	2.730	2.710	2.770	2.290

In summary, regardless of the methods used, and even with the absence of audit reviews, most PLC that were included in this study complied with the FRS 134 disclosure requirement without any failure. The item that contributes the least to the quality of interims is found to significantly differ if a different method is used. The item that contributes the least to the quality of interims is comparability for the dichotomous method and timeliness for continuous method. Most PLC publishes interims timely but towards the end of the allowable time period of 60 days. Therefore, the value is high in the dichotomous method and very low in the continuous method. Ku Ismail and Chandler (2004) proposed that the authority reduces the allowable period to publish interims so that Malaysian PLC submit interims early, which is an equivalent result to that found in many developed countries such as the US. By using the continuous method, it can be seen that the quality value of comparability is higher than the quality value of timeliness to publish interims.

As shown in Figure 4.19, the quality value for PLC in the first and second BSE insignificantly differ in all quarters and years. However, PLC in the first BSE has an equal or slightly higher quality values than PLC in the second BSE.

Figure 4.19 Mean Quality Value of Interims: The Continuous Method (BSE)

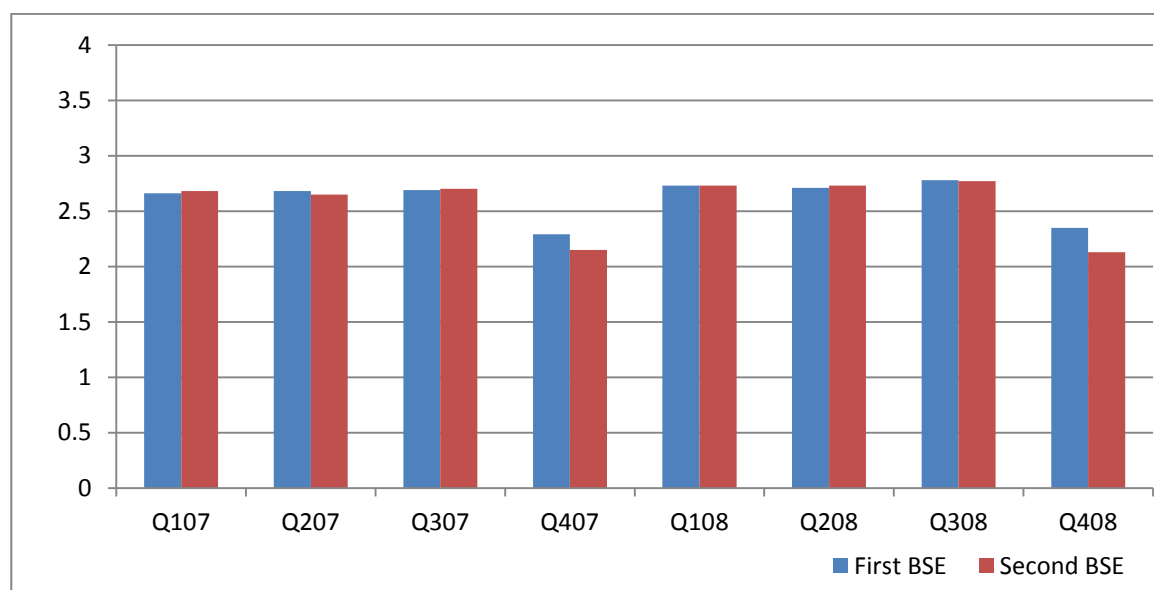


Table 4.25 reports that the item that contributes the most to the quality of interims slightly differs for PLC in different type of BSE. Compliance with the FRS 134 is the item that mostly contributes to the quality of interims for PLC in the first BSE. Except quarter four, comparability is the item that mostly contributes to the quality of interims for PLC in the second BSE. However, mean compliance with the FRS 134 for PLC in the second BSE is remarkably high and insignificantly differs from the mean of comparability of interims. Regardless of the type of BSE, the item that contributes the least to the quality of interims is timeliness. Timeliness is very low if a continuous method is used because PLC published interims towards the end of the allowable period given. Similar to the dichotomous method, the highest and the lowest quality of interims in the first and second BSE is quarter three and four, respectively.

Regardless of the type of BSE, the quality value of interims is between 2.5 and 3.0 for the first three quarters and between 2.0 and 2.5 for the fourth quarter. These results suggest that the quality of interims for the first three quarters and quarter four is moderate and low respectively.

Table 4.25 Mean Quality Value of Interims: The Continuous Method (BSE)

Qualitative characteristics	Mean score of quality value	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
First BSE									
Timeliness	SCOTI ₂	0.110	0.110	0.130	0.070	0.110	0.110	0.150	0.090
FRS134	SCOFRS ₂	0.930	0.940	0.940	0.950	0.920	0.920	0.920	0.920
BMLR	SCOBMLR ₂	0.780	0.780	0.780	0.770	0.780	0.770	0.770	0.770
Comparability	SCOCOMP ₂	0.840	0.850	0.840	0.510	0.920	0.900	0.930	0.560
Total	QUALITY ₂	2.660	2.680	2.690	2.290	2.730	2.710	2.780	2.350
Second BSE									
Timeliness	SCOTI ₂	0.070	0.060	0.050	0.040	0.060	0.060	0.080	0.070
FRS134	SCOFRS ₂	0.910	0.920	0.930	0.930	0.900	0.910	0.910	0.910
BMLR	SCOBMLR ₂	0.760	0.760	0.770	0.760	0.770	0.770	0.770	0.760
Comparability	SCOCOMP ₂	0.940	0.920	0.950	0.420	1.000	1.000	1.000	0.390
Total	QUALITY ₂	2.680	2.650	2.700	2.150	2.730	2.730	2.770	2.130

In summary, for PLC in the first BSE, comparability is the item that contributes the least to the quality of interims if a dichotomous method is used and timeliness contributes the least to the quality of interims if a continuous method is used. For PLC in the second BSE, if a dichotomous method is used, timeliness and compliance with the BMLR is the least item that contributes to the quality of interims for the first three quarters in 2007 and 2008, respectively, and comparability in quarter four. If a continuous method is used, then the item that contributes the least to the quality of interims is timeliness.

Table 4.26 shows the quality value of interims based on the types of industries if continuous method is used. The highest quality of interims for most industries is quarter three and the lowest quality of interims is quarter four for all types of industries. The finance industry has the lowest quality value for the first three quarters in 2007 despite the early timeliness to

publish interims. Nevertheless, the quality value for the finance industry improved in 2008. The quality of interims for services industry is the lowest for the last three quarters in 2008. For the remaining industries, the quality values insignificantly differ.

With the exception of the finance industry, the quality value of interims in the first three quarters is between 2.5 and 3.0, which indicates that the quality of interims for these quarters is moderate. The quality value of interims in the fourth quarter is between 2.0 and 2.5, which indicates that the quality of interims in quarter four is low.

Table 4.26 Mean Quality Value of Interims: The Continuous Method
(Industry)

Qualitative characteristics	Mean score of quality value	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Construction									
Timeliness	SCOTI ₂	0.106	0.071	0.142	0.052	0.075	0.098	0.117	0.100
FRS134	SCOFRS ₂	0.906	0.903	0.923	0.928	0.935	0.935	0.935	0.926
BMLR	SCOBMLR ₂	0.735	0.760	0.750	0.748	0.763	0.760	0.760	0.740
Comparability	SCOCOMP ₂	0.875	0.875	0.875	0.344	1.000	0.969	1.000	0.438
Total	QUALITY ₂	2.623	2.608	2.689	2.071	2.773	2.762	2.812	2.204
Consumer									
Timeliness	SCOTI ₂	0.103	0.113	0.120	0.072	0.119	0.084	0.189	0.117
FRS134	SCOFRS ₂	0.948	0.947	0.947	0.953	0.945	0.943	0.945	0.937
BMLR	SCOBMLR ₂	0.794	0.790	0.789	0.769	0.779	0.779	0.782	0.772
Comparability	SCOCOMP ₂	0.933	0.950	0.933	0.517	0.950	0.933	0.933	0.633
Total	QUALITY ₂	2.779	2.801	2.789	2.312	2.792	2.740	2.850	2.459
Finance									
Timeliness	SCOTI ₂	0.225	0.167	0.200	0.144	0.211	0.208	0.267	0.192
FRS134	SCOFRS ₂	0.922	0.937	0.937	0.938	0.923	0.923	0.923	0.923
BMLR	SCOBMLR ₂	0.780	0.757	0.765	0.770	0.755	0.777	0.777	0.785
Comparability	SCOCOMP ₂	0.583	0.500	0.417	0.375	0.792	0.875	0.958	0.458
Total	QUALITY ₂	2.510	2.360	2.318	2.228	2.681	2.783	2.925	2.358
Industrial Products									
Timeliness	SCOTI ₂	0.079	0.074	0.088	0.047	0.090	0.071	0.109	0.070
FRS134	SCOFRS ₂	0.935	0.942	0.942	0.950	0.915	0.917	0.919	0.919
BMLR	SCOBMLR ₂	0.767	0.766	0.779	0.775	0.780	0.777	0.779	0.773
Comparability	SCOCOMP ₂	0.884	0.866	0.901	0.517	0.936	0.930	0.948	0.593
Total	QUALITY ₂	2.664	2.648	2.710	2.289	2.721	2.695	2.755	2.356
Plantations									
Timeliness	SCOTI ₂	0.169	0.140	0.135	0.050	0.119	0.102	0.117	0.079
FRS134	SCOFRS ₂	0.955	0.955	0.955	0.955	0.930	0.916	0.934	0.935
BMLR	SCOBMLR ₂	0.816	0.796	0.769	0.749	0.760	0.734	0.749	0.721
Comparability	SCOCOMP ₂	0.875	0.875	0.875	0.469	1.000	1.000	1.000	0.625
Total	QUALITY ₂	2.815	2.766	2.734	2.223	2.809	2.752	2.799	2.360
Properties									
Timeliness	SCOTI ₂	0.062	0.077	0.094	0.053	0.103	0.126	0.106	0.089
FRS134	SCOFRS ₂	0.938	0.938	0.938	0.944	0.922	0.931	0.931	0.935
BMLR	SCOBMLR ₂	0.776	0.768	0.779	0.762	0.757	0.782	0.771	0.781
Comparability	SCOCOMP ₂	0.773	0.886	0.886	0.273	0.932	0.886	0.932	0.318
Total	QUALITY ₂	2.549	2.670	2.698	2.031	2.714	2.725	2.740	2.123
Services									
Timeliness	SCOTI ₂	0.056	0.090	0.078	0.054	0.060	0.068	0.081	0.079
FRS134	SCOFRS ₂	0.912	0.921	0.921	0.930	0.897	0.897	0.900	0.904
BMLR	SCOBMLR ₂	0.790	0.790	0.786	0.769	0.788	0.772	0.775	0.770
Comparability	SCOCOMP ₂	0.881	0.893	0.881	0.607	0.976	0.929	0.929	0.357
Total	QUALITY ₂	2.639	2.694	2.665	2.361	2.721	2.665	2.685	2.110
Technology									
Timeliness	SCOTI ₂	0.242	0.258	0.254	0.067	0.117	0.288	0.283	0.075
FRS134	SCOFRS ₂	0.850	0.858	0.850	0.850	0.850	0.875	0.875	0.850
BMLR	SCOBMLR ₂	0.768	0.748	0.755	0.758	0.755	0.745	0.745	0.740
Comparability	SCOCOMP ₂	0.938	0.875	0.875	0.500	0.750	0.813	1.000	0.750
Total	QUALITY ₂	2.797	2.738	2.734	2.174	2.472	2.720	2.903	2.415

4.3 Correlation Analysis

The second objective of this thesis is to determine the impact of CGC on the quality of interims. The quality of interims is proxied by the qualitative characteristics of financial reports, namely: timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of interims. The qualitative items are categorised as dependent variables and CGC are categorised as independent variables.

A Pearson product moment correlation coefficient was conducted to determine the relationships between CGC and the quality of interims. One of the circumstances to use the Pearson is using continuous or dichotomous values. Except comparability, all qualitative items of interims are using continuous values. Therefore, the present study has to transform the ordinal value of comparability to dichotomous value, where 0 and 1 denotes non-comparable and comparable interims, respectively.

This study conducted a distinctive measure from the previous studies by pooling the interims data for every quarter in 2007 and 2008 in order to have a larger sample size. This technique of pooling data follows the suggestion by Pallant (2005), who advised that sample size influences the statistical significance results of Pearson "r" and larger sizes will generate more generalisable results. Correlations between all variables are presented in Table 4.27 and there are no missing values for all variables.

Table 4.27 Pearson Product Moment Correlation Coefficients – The Basic Model

VARIABLES	TIME	FRS134	BMLR	COMPARE	MTGD	INDEPD	FINLITD	GOVD	ETHNICD	SIZE COM	PROFIT	LEVER-AGE	SIZE BOD
TIME	1												
FRS134	-.036	1											
BMLR	-.099^{**}	.247^{***}	1										
COMPARE	-.000	.106^{***}	-.008	1									
MTGD	-.073* (H_{2A})	-.166^{***} (H_{2B})	-.145^{***} (H_{2C})	.115^{***} (H_{2D})	1								
INDEPD	-.056(H _{2E})	.058(H _{2F})	-.005(H _{2G})	.056(H _{2H})	.089^{***}	1							
FINLITD	-.001(H _{2I})	-.100^{***} (H_{2J})	-.091^{***} (H_{2K})	.081^{***} (H_{2L})	.240^{***}	.012	1						
GOVD	-.131^{***} (H_{2M})	.043(H _{2N})	.021(H _{2O})	.047(H _{2P})	.183^{***}	.166^{***}	.059	1					
ETHNICD	.117^{***} (H_{2Q})	-.121^{***} (H_{2R})	-.101^{***} (H_{2S})	.075^{***} (H_{2T})	.201^{***}	.212^{***}	.093^{***}	.252^{***}	1				
SIZECOM	-.176^{***}	-.015	-.033	.102^{***}	.516^{***}	.189^{***}	-.089^{**}	.103^{***}	.053	1			
PROFIT	-.110^{***}	-.018	.036	-.045	.048	-.044	-.059	.157^{***}	.031	.066[*]	1		
LEVERAGE	.135^{***}	-.037	-.057	-.028	.215^{***}	.102^{***}	.083[*]	-.025	.185^{***}	-.081[*]	-.086^{***}	1	
SIZEBOD	-.070[*]	.037	.032	.079[*]	.053	-.099^{***}	-.159^{***}	-.042	.101^{***}	.100^{***}	.072[*]	-.085^{***}	1

Source: This study

** Correlation is significant at the 0.01 level * Correlation is significant at the 0.05 level

Dependent variables: TIME, FRS 134, BMLR and COMPARE

Independent variables: MGTD, INDEPD, FINLITD, GOVD and ETHNICD

Control variables: SIZECOM, PROFIT, LEVERAGE AND SIZEBOD

MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, SIZECOM = Company' size, PROFIT = Profitability, LEVERAGE = Leverage. SIZEBOD = Size of BOD.

4.3.1 Relationship between Dependent Variables

Dependent variables are the qualitative characteristics of interims. As presented in Table 4.27, there is an absence of a significant relationship between all dependent variables, except for an inverse relationship between timeliness and compliance with the BMLR, a positive relationship between compliance with the FRS 134 and compliance with the BMLR, and a positive relationship between compliance with the FRS 134 and comparability of interims. These associations indicate that time may not be a factor that influences the PLC compliance with the FRS 134 and comparative figures in interims and the more timely in publishing interims may cause the compliance score with the BMLR to be high. This finding is similar to that of Zeghal (1984), who found that timely financial reports contain higher quality information. With regard to the absence association between timeliness and comparability of interims, this indicates that time is not a factor for PLC to make accounting adjustment in their interims. Therefore, this result further supports this study's disagreement with the previous studies finding that the time is a factor to make adjustment that cause PLC to defer in publishing quarter four interims.

The PLC compliance score with the FRS 134 is significantly and positively associated with the BMLR compliance score and comparability of interims at $p < 0.01$. The results suggest that as the PLC compliance score with the FRS134 increased, the BMLR compliance score and comparability of interims will also increase. Despite the significant association between the FRS 134 compliance score and comparability of interims, no association was found between the BMLR compliance score and comparability of interims.

This study can conclude from these results that timeliness to publish interims is not a factor that influences PLC to comply with the FRS 134 and have comparable interims from one period to another. Since there is no association between timeliness and compliance with the FRS 134, the

present study supports the proposal made by Ku Ismail and Chandler (2004), who recommended that the regulatory authority should lessen the allowable time period to publish interims so as to come into line with the time period of other well-developed countries such as the US. The benefit of having timely published interims is to assist the users of financial reports to make decisions more accurately. Timeliness significantly influences the PLC compliance with the BMLR because the delay in timeliness to publish interims is associated with lower compliance score with the BMLR. A compliance score with the FRS 134 significantly affects the compliance score with the BMLR as well as affecting the comparability of interims. However, the compliance score with the BMLR in this study has no influence on the comparability of interims.

4.3.2 Relationship between Independent Variables

Independent variables are CGC. All of the independent variables in this study are significantly and positively correlated with each other, except for: a) the independence and financial literacy of directors; and b) the financial literacy and corporate governance expertise of directors. This finding contrasts with those of Jeanjean and Stolowy (2009), who found that financial expertise of directors is positively associated with the independence of directors.

The association of independent variables indicates that PLC with a higher proportion of directors who are independent, financially literate, with corporate governance expertise and who are Bumiputra held a larger frequency of BOD meetings. Menon and Williams (1994) and Hossain et al. (2000) also found that independence directors are positively associated with the frequency of BOD meetings. The skills possessed by the directors may trigger their awareness of the importance of having the BOD meeting.

This study also finds that an independent director is positively and significantly correlated with corporate governance expertise and the ethnicity

of directors, suggesting that PLC with a larger proportion of independent directors have a higher proportion of corporate governance expertise and they have more Bumiputra directors. Finally, a larger proportion of directors who are financially literate and who have corporate governance expertise are Bumiputra.

4.3.3 Relationship between Control Variables

The control variables used in the present study are: company size, profitability, leverage, and size of BOD. All of the control variables are either positively or negatively associated with each other at $p < 0.01$ or $p < 0.05$. Company size is positively and significantly associated with profitability and size of BOD, which suggests that PLC of a larger size have a larger profitability ratio and BOD with more members. An inverse association between company size and leverage ratio suggests that PLC of a larger size have a lower leverage ratio. Larger PLC takes the opportunity to issue additional shares and bonds instead of borrowing from financial institutions in order to have lower leverage ratio. Otherwise, the PLC has to pay higher debts due to the higher interest payment and this causes the leverage ratio to be higher. The lower leverage ratio of larger PLC probably causes them to earn higher profitability. This is supported by an inverse association between profitability and leverage which is found in this study (as shown in Table 4.27). Finally, BOD with more members has higher profitability and lower leverage ratios.

Based on these statistical results, the present study can conclude that larger PLC has a larger profitability ratio, a lower leverage ratio, and BOD with more members. Meanwhile, PLC with a lower leverage ratio has higher profitability because there are lower principal and interest payments made to the financial institutions. Finally, BOD with more members has higher profitability and lower leverage ratios.

4.3.4 Relationship between the Dependent and Independent Variables

The relationship between dependent and independent variables will determine the impact of CGC on the quality of interims and provide evidence for hypothesis one that was developed in Chapter Three. The summary result of all hypotheses that may influence the quality of interims is given in Table 4.28.

Table 4.28 The Hypotheses of CGC that Influence the Quality of Interims

No	Hypotheses		Results
1	H_{1A}	<i>There is no association between the frequency of a BOD meetings and timeliness.</i>	<i>Not Supported</i>
2	H_{1B}	<i>There is no association between the frequency of a BOD meetings and compliance with the FRS 134.</i>	<i>Not Supported</i>
3	H_{1C}	<i>There is no association between the frequency of a BOD meetings and compliance with the BMLR.</i>	<i>Not Supported</i>
4	H_{1D}	<i>There is no association between the frequency of a BOD meetings and comparability.</i>	<i>Not Supported</i>
5	H_{1E}	<i>There is no association between the independent directors and timeliness.</i>	<i>Supported</i>
6	H_{1F}	<i>There is no association between the independent directors and compliance with the FRS 134.</i>	<i>Supported</i>
7	H_{1G}	<i>There is no association between the independent directors and compliance with the BMLR.</i>	<i>Supported</i>
8	H_{1H}	<i>There is no association between the independent directors and comparability.</i>	<i>Supported</i>
9	H_{1I}	<i>There is no association between the financial expertise of directors and timeliness.</i>	<i>Supported</i>
10	H_{1J}	<i>There is no association between the financial expertise of directors and compliance with the FRS 134.</i>	<i>Not Supported</i>
11	H_{1K}	<i>There is no association between the financial expertise of directors and compliance with the BMLR.</i>	<i>Not Supported</i>
12	H_{1L}	<i>There is no association between the financial expertise of directors and comparability.</i>	<i>Not Supported</i>
13	H_{1M}	<i>There is no association between the corporate governance expertise of directors and timeliness</i>	<i>Not Supported</i>
14	H_{1N}	<i>There is no association between the corporate governance expertise of directors and compliance with the FRS 134.</i>	<i>Supported</i>
15	H_{1O}	<i>There is no association between the corporate governance expertise of directors and compliance with the BMLR.</i>	<i>Supported</i>

No	Hypotheses		Results
16	H_{1P}	<i>There is no association between the corporate governance expertise of directors and comparability.</i>	<i>Supported</i>
17	H_{1Q}	<i>There is no association between the ethnicity of directors and timeliness</i>	<i>Not Supported</i>
18	H_{1R}	<i>There is no association between the ethnicity of directors and compliance with the FRS 134.</i>	<i>Not Supported</i>
19	H_{1S}	<i>There is no association between the ethnicity of directors and compliance with the BMLR.</i>	<i>Not Supported</i>
20	H_{1T}	<i>There is no association between the ethnicity of directors and comparability.</i>	<i>Not Supported</i>

The frequency of a BOD meetings is found in this study to be associated significantly with all of the qualitative characteristics of interims. Except comparability, there is an inverse association found between the frequency of a BOD meetings and all qualitative characteristics of interims. These results indicates that PLC with a higher frequency of BOD meetings will publish interims in a more timely manner, have lower compliance score with the FRS 134, have lower compliance score with the BMLR, and have higher comparability of interims. Since all of the qualitative characteristics of interims are significantly associated with the frequency of BOD meeting at either $p < 0.01$ or $p < 0.05$, the present study can reject the null hypotheses H_{1A} , H_{1B} , H_{1C} and H_{1D} . These findings support the findings of Lipton and Lorsch (1992), Bhuiyan et al. (2000) and Craft and Benson (2006) but are in contrast to the findings of Jensen (1993) and Vafeas (1999).

There is no significant association found between the independence of the directors and all qualitative characteristics of interims. Therefore, the independence of the directors has no significant influence on the timeliness to publish interims, compliance with the FRS 134, compliance with the BMLR and comparability of interims. Therefore, the present study failed to reject the null hypotheses H_{1E} , H_{1F} , H_{1G} and H_{1H} , which means that independent directors have no impact on the quality of interims because there are absences of relationship between these variables. This finding is in contrast to those of Abdelsalam and El-Masry (2008), CheHaat et al. (2008)

and Ezat and El-Masry (2008), who all found that independent directors were positively and significantly associated with the timeliness of publishing interims.

The financial literacy possessed by directors has no influence on the timeliness to publish interims. Nevertheless, the present study unpredictably revealed that there was an inverse instead of a direct relationship between financial literacy and compliance with the FRS 134 and the BMLR. Realistically, financially literate directors should be more familiar with the accounting standards and the necessities to comply with these standards. Therefore, the financial expertise possessed by directors may result in more compliance with the interim reporting standards. The financial literacy of directors is associated positively with the comparability of interims, which suggests that PLC with a higher proportion of financially literate directors have a higher comparability of interims. The skill of financially literate directors means they understand the importance of comparative figures in interims for the benefits of the users of financial reports. In summary, the financial literacy of directors has a significant influence on all qualitative characteristics of interims, except timeliness. Based on the statistical results, the present study fails to reject hypothesis H_{1I} and can reject hypotheses H_{1J} , H_{1K} and H_{1L} .

In contrast to financial literacy, timeliness is the only qualitative characteristic of interims that is significantly associated with the corporate governance expertise of directors, at $p < 0.01$. This result indicates that those PLC that have directors with higher corporate governance expertise will publish interims more timely. The other qualitative characteristics of interims are not significantly associated with the corporate governance expertise of directors. Meanwhile, in contrast, Mangena and Pike (2005) found that corporate governance expertise of directors is associated positively with disclosure level of interims. Therefore, the present study rejects the null hypothesis H_{1M} and fails to reject the null hypotheses H_{1N} , H_{1O} and H_{1P} .

The ethnicity of directors is significantly associated with all of the qualitative characteristics of interims. This study has found that there is a positive association between ethnicity of directors and timeliness as well as comparability of interims. These results indicate that PLC with a higher proportion of Bumiputra directors publish interims less timely but have higher comparability of interims. Meanwhile, a negative association between ethnicity of directors and compliance with the FRS 134 and the BMLR indicates that PLC with a higher proportion of Bumiputra directors has a lower compliance score with the interim reporting standards. Since all of the qualitative characteristics of interims are significantly associated with ethnicity of directors, the present study can reject the null hypotheses H_{1Q} , H_{1R} , H_{1S} and H_{1T} . Therefore, the ethnicity of directors is found by this study to be significantly associated with the quality of interims.

Kent and Stewart (2008) and Beekes and Brown (2006) found that corporate governance was related with informative disclosures in financial reports. From these associations, this study can conclude the importance of three CGC that are mainly associated with qualitative characteristics of interims namely: the frequency of the BOD meetings, the financial literacy and ethnicity of directors. Therefore, these three CGC rejects hypothesis one that there is no association between CGC and the quality of interims. Two CGC namely independence and corporate governance expertise of directors fail to lead to rejection of hypothesis one.

When the PLC held a larger frequency of BOD meetings, the timeliness to publish interims was found to improve and the comparability of the interims increased. However, BOD with a higher frequency of meetings has a lower compliance score with the FRS 134 and the BMLR. These BOD are possibly concerned about their ability to publish interims within the allowable time period given by the authority and they have fewer concerns about their compliance with the interim reporting standards. PLC with a higher proportion of financially literate directors have a lower compliance score with

the FRS 134 and the BMLR, and higher comparability of interims. Financial literacy is not associated significantly with timeliness to publish interims. However, PLC with higher proportion of directors with corporate governance expertise publishes interims more timely. Finally, PLC with a higher proportion of Bumiputra directors publish interims less timely, have a lower compliance score with the FRS 134 and the BMLR, and they have more comparable interims.

4.3.5 Relationship between Dependent and Control Variables

All of the control variables in this study have a significant association with timeliness, no association with FRS 134 compliance, no association with BMLR compliance, and they are partially associated with the comparability of interims. Company size, profitability ratio, and size of BOD are inversely associated with timeliness, which suggests that PLC of a larger size, larger profitability ratio, and higher size of BOD published interims in a more timely manner. This finding is in agreement with that of Chambers and Penman (1984), who also found that company size was inversely associated with timeliness. However, this finding disagrees with that of Abdelsalam and El-Masry (2008), who found that company size and profitability was not associated with timeliness of interims, and Ezat and El-Masry (2008), who found that company size and the size of BOD were positively associated with the timeliness of interims.

A positive and significant association between leverage and timeliness suggests that PLC with a higher leverage ratio published interims in a less timely manner. No association was found in this study between all of the control variables and compliance with the FRS 134 and the BMLR. Ku Ismail and Chandler (2005a) also found that there is no association between profitability and BMLR's disclosure. However, Ku Ismail and Chandler found that PLC with higher leverage ratio has higher disclosure in interims. Meanwhile, Mangena and Pike (2005) found that the size of corporate governance does not significantly influence the level of disclosure in

interims. Finally, the comparability of interims is significantly and directly related to company size and the size of BOD. These results suggest that larger PLC with larger BOD will have more comparable interims.

The present study can conclude that larger PLC will tend to publish interims in a more timely manner than smaller PLC and they will also have more comparable interims. Surprisingly, profitability and leverage have been found to have no significant influence on any of the qualitative items, except for timeliness whereby PLC with higher profitability and lower leverage ratios have been found to publish more timely interims. This finding is in agreement with previous studies. Finally, PLC with larger BOD has been found to have published more timely interims and they have more comparable interims.

4.3.6 The Relationship between Independent and Control Variables

As shown in Table 4.27, PLC of a larger size held more BOD meetings, have a higher proportion of independent directors, have a higher proportion of corporate governance expertise directors, and they have a lower proportion of financially literate directors. No association was found in this study between company size and the ethnicity of directors. Boone et al. (2007), Linck et al. (2008), and Coles et al. (2008) found that independent directors are associated positively with company size. Rosenstein and Wyatt (1990), and Hossain et al. (2000) in contrary suggest that smaller companies should have more independent directors because larger companies can rely on an alternative monitoring mechanism (such as institutional investors and stock analysts).

Unexpectedly, this study found that profitability is not associated with any independent variables, except for the corporate governance expertise of directors. This lack of association indicates that PLC with a higher proportion of directors with corporate governance expertise has a higher profitability ratio. This finding does not support that of Fich and Shivdasani (2006), who

found that directors who hold three or more directorship in other companies have lower profitability which they attribute to their weak corporate governance through the holding of more directorships.

In contrast to profitability, this study finds that leverage is directly and significantly associated with all independent variables, except corporate governance expertise. These results suggest that PLC with a higher leverage ratio held more frequent BOD meetings and have a higher proportion of independent, financially literate and Bumiputra directors. Hossain et al. (2000) also found that leverage is associated positively with independent directors.

Finally, BOD which have more members have a lower proportion of independent and financially literate directors but a higher proportion of Bumiputra directors because the associations between these variables are inverse and direct, respectively. There is no association between the size of BOD and the frequency of a BOD meetings. Nevertheless, Vafeas (1999) found that as the size of the BOD increases, the frequency of BOD meetings also increased.

4.4 Multivariate Analysis

The Pearson correlation coefficients only show the direction, significance and strength of relationship between two variables. They do not signify the causal relationships between the variables. Therefore, this study conducted a multiple regression analysis to analyse the causal and interrelationship among a set of variables, identify how a set of variables predict the dependent variable, and to identify which is the best predictor of a dependent variable. An assessment was made for 2007 and 2008 as well as the pool year in order to has a larger sample size and obtains more generalizable results. The pool year is a combination of year 2007 and 2008. The assumptions for multiple regression analyses were assessed before conducting the tests. The problems of multicollinearity, normality, linearity,

and homoscedasticity of the residuals were not encountered because timeliness and compliance with FRS 134 have been transformed to rank, which is a similar method to that used in the previous studies (Lang and Lundholm, 1993; Wallace and Naser, 1995; and Abdelsalam and Street, 2007). The summarised results of multiple regressions of timeliness, compliance with the FRS 134, compliance with the BMLR, and comparability of interims are summarised in Table 4.29. The results are described in detail in Sections 4.4.1 to 4.4.4.

4.4.1 Multiple Regression of Timeliness

The equation of multiple regression of timeliness is represented by Model One. The R^2 reveals how much the independent and control variables in Model One explain the total variance in timeliness. The R^2 for model one is 12.3%, 13.1%, and 12.8% for the pool years, 2007 and 2008, respectively. The results reveal that the variations in timeliness explained by all independent and control variables in Model One are quite low. However, the significance values of F statistics is less than 0.01 for all periods, which indicates that the variations explained by all independent and control variables in Model One are very significant.

Table 4.29 shows that the frequency of a BOD meetings and the financial literacy of the directors have no influence on a PLC timeliness to publish interims because there was no association found between these variables and timeliness when they were regressed. Although the frequency of a BOD meeting is associated negatively with timeliness in Pearson's correlation coefficients, the meeting is not a factor that influences the PLC timeliness to publish interims.

This study has found that the independence and corporate governance expertise of directors significantly influences the PLC timeliness to publish interims since there is an inverse association between these variables and timeliness for the pool years and in 2008. The inverse associations indicate

that PLC with a higher proportion of independent directors and higher proportion of corporate governance expertise tend to publish interims in a more timely manner. The ethnicity of directors is associated positively and significantly at $p < 0.01$ with timeliness for all periods when they were regressed. The direct association between these variables indicates that PLC with a higher proportion of Bumiputra directors publish interims in a less timely manner. Therefore, these relationships suggest the importance of the three CGC that have a significant impact on timeliness to publish interims, namely: independence, corporate governance expertise, and ethnicity of directors. The association between timeliness and independence, as well as corporate governance expertise and the ethnicity of directors, supported the present study to reject hypotheses H_{1E} , H_{1M} and H_{1Q} .

The multiple regression of timeliness shows that two control variables have a significant impact on a PLC timeliness to publish interims namely company size and leverage. Company size is inversely associated with timeliness, which indicates that PLC of a larger size publish interims more timely than smaller PLC. This finding is similar to those of prior studies, where larger companies were found to be able to publish more timely financial reports than smaller companies for a number of reasons, such as the ability to purchase a more systematic accounting system, a more experienced and qualified accountant who prepares the financial reports, and more interested users of the financial reports. A positive relationship between leverage and timeliness suggests that PLC with a higher leverage ratio tend to delay in publishing interims. This happens because by delaying to publish interims the companies are able to pull prospective investors to invest despite having a high debt ratio.

Table 4.29 Summary of Multivariate Analysis: CGCB and Control Variables

Types of Variables	Timeliness						Compliance with the FRS 134					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGD	-0.018	-0.522	-0.056	-1.154	0.039	0.777	-0.168	-4.612**	-0.05	-0.967	-0.258	-5.016**
INDEPD	-0.069	-2.110*	-0.036	-0.768	-0.099	-2.107*	0.086	2.553*	0.219	4.628**	0.004	0.091
FINLITD	-0.034	-1.032	-0.023	-0.487	-0.05	-1.076	-0.047	-1.39	-0.065	-1.383	-0.025	-0.517
GOVD	-0.08	-2.355*	-0.055	-1.142	-0.111	-2.262*	0.099	2.822*	0.093	1.889	0.103	2.060*
ETHNICD	0.21	5.973**	0.198	3.928**	0.218	4.385**	-0.145	-4.046**	-0.195	-3.860**	-0.102	-2.001*
SIZECOM	-0.239	-6.138**	-0.22	-3.926**	-0.25	-4.554**	0.027	0.671	0.009	0.162	0.031	0.554
PROFIT	-0.045	-1.413	-0.08	-1.719	-0.035	-0.781	-0.027	-0.812	-0.017	-0.363	-0.03	-0.654
LEVERAGE	0.13	3.924**	0.165	3.540**	0.082	1.707	0.028	0.821	0.011	0.229	0.02	0.408
SIZEBOD	-0.003	-0.074	0.044	0.91	-0.062	-1.246	0.06	1.693	0.033	0.658	0.097	1.913
R-squared	0.123		0.131		0.128		0.060		0.084		0.086	
Types of Variables	Compliance with the BMLR						Comparability					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGD	-0.132	-3.640**	-0.066	-1.279	-0.207	-4.003**	-0.02	-0.547	-0.115	-2.252*	0.079	1.523
INDEPD	0.031	0.897	0.011	0.227	0.071	1.47	-0.02	-0.586	-0.101	-2.154*	0.02	0.409
FINLITD	-0.04	-1.184	-0.033	-0.686	-0.039	-0.818	-0.08	-2.379*	-0.08	-1.706	-0.113	-2.338*
GOVD	0.055	1.54	0.105	2.068*	-0.002	-0.048	0.012	0.35	0.052	1.071	-0.019	-0.382
ETHNICD	-0.077	-2.088*	-0.038	-0.707	-0.116	-2.269*	0.019	0.528	0.056	1.119	-0.025	-0.489
SIZECOM	-0.012	-0.29	-0.079	-1.342	0.057	1	-0.23	-5.705**	-0.211	-3.701**	-0.249	-4.408**
PROFIT	0.025	0.762	0.033	0.669	0.021	0.458	0.08	2.431*	0.011	0.24	0.156	3.346**
LEVERAGE	-0.07	-2.010*	-0.079	-1.596	-0.071	-1.443	-0.025	-0.735	-0.034	-0.701	0.041	0.823
SIZEBOD	0.042	1.166	0.062	1.213	0.027	0.535	-0.019	-0.52	-0.096	-1.938	0.06	1.182
R-squared	0.043		0.033		0.075		0.064		0.103		0.075	

Notes: **Significant at 0.01 level * Significant at 0.05 level , Beta = Standardised Beta, t = t value MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, SIZECOM = Company' size, PROFIT = Profitability, LEVERAGE = Leverage. SIZEBOD = Size of BOD.

In contrast to the prior studies, this study found that profitability has no impact on timeliness to publish interims. Prior studies have found that companies that made losses were more inclined to delay in publishing their interims because the prospective investors may lose their interest to invest due to the losses made. The companies preferentially wait for other companies to publish their interims and then compare their losses with companies of a similar type. Companies that make losses are more likely to either retain the amount or manipulate it to attract more investors. Therefore, it is of great concern that this study reveals there is no correlation between timeliness and profitability, and the evidence of absence relationship between these items is inconclusive. Finally, the size of the BOD has been found in this study to have no significant impact on timeliness to publish interims.

The standardised Beta values show the contribution of each independent or control variable to timeliness in publishing interims when the other variables in the model are controlled for. Regardless of the positive or negative sign, the highest value of standardised Beta shows that the variable presents the strongest contribution to explain timeliness to publish interims. The strongest variable that contributes to explain timeliness to publish interims is company size, followed by the ethnicity of BOD. The standardised Beta values for these variables in the pool years, 2007 and 2008 are -0.239, -0.22 and -0.25 respectively for company size and 0.21, 0.198, and 0.218 respectively for the ethnicity of the directors. The least contributory but significant variable to explain timeliness is independent directors for the pool years and 2008, and leverage for the year 2007.

4.4.2 Multiple Regression of Compliance with the FRS 134

The equation of multiple regression of FRS 134 is represented by Model Two. The R^2 for Model Two is 6%, 8.4%, and 8.6% for the pool years, 2007 and 2008 respectively. These results reveal that the variations in compliance with the FRS 134 explained by all independent and control variables in Model Two are very low and about half that of the R^2 of timeliness. However, the

significance value of F statistics for all periods is less than 0.01, which indicates that the variations explained by all independent and control variables in Model Two are very significant.

As shown in Table 4.29, contrary to timeliness, the frequency of a BOD meetings significantly influences the PLC compliance with the FRS 134 for the pool years and in 2008. An inverse association between the frequency of BOD meetings and compliance with the FRS 134 suggests that PLC that held a larger frequency of BOD meetings have a lower compliance score with the FRS 134. A further analysis was made, and the present study found that 53.4% of PLC changed the frequency of BOD meetings in 2008, of which 30.2% and 23.2% increased and reduced the frequency of BOD meetings, respectively. The increased frequency of BOD meetings in 2008 and consistent compliance with the FRS 134 every year can be one of the reasons why there is an association between the two items in that particular year.

The independence, corporate governance expertise, and ethnicity of directors have a significant influence on compliance with the FRS 134, which is similar to timeliness. There is no association between financial literacy of directors and compliance with the FRS134. The independence and corporate governance expertise of directors are positively associated with compliance with the FRS 134, which suggests that PLC with a higher proportion of directors who are independent and who have an expertise in corporate governance have a higher compliance score with the FRS 134. Meanwhile, PLC with a higher proportion of Bumiputra directors have a lower compliance score with the FRS 134.

A further analysis was made to investigate the non-significant association between the independent directors and compliance with the FRS 134 in 2008. Only 44% of the PLC changed their independent directors from 2007 to 2008, of which 30.2% and 13.8% increased and reduced the number of independence directors, respectively. Since the incremental percentage is

higher than the reduced percentage, this study has found no conclusive evidence why there is no association between the independence of directors and compliance with the FRS 134 in 2008, although the relationship between those items is positive. The association between compliance with the FRS 134 and frequency of BOD meetings, as well as the ethnicity of the directors, have rejected the hypotheses H_{1B} and H_{1R} .

There is no association between any of the control variables and compliance with the FRS 134. Therefore, company size, profitability, leverage, and size of BOD have no significant influence on a PLC compliance with the FRS 134. With regard to the standard Beta coefficient values, there is a slight difference in the highest and lowest contributor to compliance with the FRS 134. The frequency of a BOD meetings is the highest contributor in compliance with the FRS 134 for the pool years and 2008, and the independence of directors is the highest contributor in 2007. The subsequent highest contributor is the ethnicity of directors for the pool years and 2007. The lowest but significant contributor for the pool years and in 2008 is independence of directors and corporate governance expertise of directors respectively.

4.4.3 Multiple Regression of Compliance with the BMLR

The R^2 for the pool years 2007 and 2008 are very low: 4.3%, 3.3%, and 7.5%, respectively. Other than 2007, the F value is statistically significant at $p < 0.01$. In tandem with low R^2 value, there is less association between compliance with the BMLR and CGCB as well as the control variables.

As presented in Table 4.29, the independence and financial literacy of directors have no influence on a PLC compliance with the BMLR because there is an absence of a relationship between these variables. Non-significant associations between these variables cause a failure for this study to reject hypotheses H_{1G} and H_{1K} . The frequency of a BOD meetings, corporate governance expertise, and the ethnicity of directors are partially associated with compliance with the BMLR in a positive or negative direction. These

results suggest that PLC with a lower frequency of BOD meetings, a higher proportion of directors with a corporate governance expertise, and a lower proportion of Bumiputra directors have a higher compliance score with the BMLR.

Similar to compliance with the FRS 134, none of the control variables are associated with compliance with the BMLR. However, leverage is negatively associated with compliance with the BMLR in the pool years, which indicate that PLC with a high leverage ratio have a low compliance score with the BMLR. Consequently, company size, profitability, and the size of the BOD have no significant influence on a PLC compliance score with the BMLR.

The number of BOD meetings is the highest contributor to compliance with the BMLR for the pool years and 2008, and the standardised Beta coefficient values are -0.13 and -0.21, respectively. In 2007, the highest contributor is the corporate governance expertise of directors with the coefficients value of 0.105. The subsequent highest contributor that influences compliance score with the BMLR is ethnicity. The coefficient's values are -0.077 and -0.116 in the pool years and 2008, respectively.

4.4.4 Multiple Regression of Comparability of Interims

The R^2 for the pool years 2007 and 2008 are 6.4%, 10.3%, and 7.5%, respectively. The R^2 for comparability of interims is slightly higher than compliance with the interim reporting standards but it is lower than timeliness. The F-value is significant at $p < 0.01$ for all periods.

Table 4.29 shows that the frequency of a BOD meetings, and the independence and financial literacy of the directors are significant but partially associated with the comparability of interims. These results indicate that those PLC that held a higher frequency of BOD meetings, have a higher proportion of independent directors and have a higher proportion of financial literacy directors will have a lower comparability of interims. Although the corporate

governance expertise and ethnicity of directors significantly influences a PLC timeliness to publish interims and its compliance with the interim reporting standards, it did not have an impact on the comparability of interims. Therefore, the non-significant association between these variables failed to reject hypotheses H_{1P} and H_{1T} . Based on the regression results, this study can conclude that those PLC that held a higher frequency of BOD meetings, and who have directors who are more independent and financially literate, will also have less comparable interims. However, the association is true for some period(s) only.

Company size and profitability are two control variables that are inversely and directly associated with the comparability of interims, respectively. These associations suggest that PLC of a larger size and those which have a lower profitability ratio will have less comparable interims. Financial leverage and size of BOD have no influence on the comparability of interims as there is an absence of relationship between these variables. The variable with the highest contribution to the comparability of interims is company size, where the coefficient's values are -0.23, -0.211 and -0.249 for the pool years, 2007 and 2008, respectively. The subsequent highest contributor is profitability for the pool years and 2008, and the frequency of the BOD meetings for 2007.

4.5 Additional Analyses

Several additional tests were conducted to ascertain the credibility of the initial or basic multiple regressions analyses that have been reported in Section 4.4. The aim of the additional tests is to determine the sensitivity of the results and robustness of the initial findings. Firstly, this study further tests the basic regression models (i.e. Model One, Model Two, Model Three, and Model Four) by adding new independent variables, which are the corporate governance characteristics of audit committee members (CGCA). These variables are similar to corporate governance characteristics of BOD (CGCB), and they include the frequency of audit committee meetings and the independence, corporate governance expertise, financial literacy, and

ethnicity of the audit committee members. The aim of this test is to examine the effect of adding new variables on all basic regression models. The results of this test are described in Section 4.5.1. Meanwhile, Section 4.5.2 describes how this study replaced CGCB with CGCA to identify which group of variables has more influence on the quality of interims. Finally, Section 4.5.3 compares multiple regressions of CGCB, CGCA and control variables individually to identify which groups of variables have more influence on the quality of interims.

4.5.1 The Addition of New Variables: Audit Committee

Rezaee (2003) proposed that the quality of financial reports can be achieved by having a well-balanced and functioning system of corporate governance. Rezaee (2003) proposed that a “six-legged stool” model (which comprised of six groups namely: BOD, audit committee, top management team, internal auditors, external auditors, and governing bodies) should be developed by the companies in order to have good corporate governance. The CGCB has been examined in Section 4.4. Apart from the BOD, the most suitable variable to add in the regression tests is the audit committee. This is due to the inability to examine the impact of external auditors and governing bodies to the quality of financial reports since Malaysian interims are not subjected to audit reviews and there is no control mechanism set by the governing bodies on interims’ disclosure. Neither the internal auditors nor the top management team can be added as new variables because they are dependent to the companies. Therefore, this study cannot examine one of the CGC namely independence, because there are no variations in this variable.

Table 4.30 presents the multiple regressions of timeliness, compliance with the FRS 134, compliance with the BMLR, and the comparability of interims when the new variables of CGCA are added to the basic regression models. Equations in the basic regression models (i.e. Model One, Model Two, Model Three, and Model Four) are adjusted to reflect the addition of new variables and they are known as Model 1A, Model 2A, Model 3A, and Model 4A for

multiple regression of timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of interims, respectively. The equations for these models are in Chapter Three. The results reported that the addition of audit committee members causes the R^2 to slightly increase or insignificantly differ for all models. In addition, the F-values remain significant.

4.5.1.1 Multiple Regression of Timeliness: CGCB, CGCA and Control Variables

The R^2 for multiple regression of timeliness when CGCA are added to the regression analysis insignificantly differs from the initial result in Section 4.4. The R^2 for the initial result is 12.3%, 13.1%, and 12.8% for the pool years, 2007 and 2008 respectively, while for the new model, the percentages are 12.2%, 15.9%, and 13.1%, respectively. The F-values are significant at $p < 0.01$ in all periods. Although the R^2 insignificantly differs, the association between timeliness and CGCB significantly differs when audit committee characteristics are added up to the new regression model. In the initial regression model the three CGCB that are significantly associated with timeliness are independence, corporate governance expertise and ethnicity of directors while in the new regression model the ethnicity of BOD is the only variable that is associated with timeliness. The ethnicity of BOD is found to be positively associated with timeliness, which indicates that PLC with a high proportion of Bumiputra directors are inclined to publish interims in a less timely manner.

With regard to CGCA, only a few variables are associated with timeliness when they are added to the regression test of Model One, namely corporate governance expertise and ethnicity of the audit committee members. They are associated with timeliness at $p < 0.01$ in an inverse and direct direction, respectively. These results suggest that PLC with a higher number corporate governance expertise and Bumiputra audit committee members are inclined to publish interims in a more and less timely manner, respectively.

Table 4.30 Summary of Multivariate Analysis: CGCB, CGCA and Control Variables

Types of Variables	Timeliness						Compliance with the FRS 134					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGD	-0.029	-0.687	-0.042	-0.764	-0.002	-0.032	-0.233	-5.354**	-0.045	-0.776	-0.498	-7.513**
INDEPD	-0.04	-1.059	0.001	0.024	-0.087	-1.6	0.064	1.643	0.259	4.551**	-0.073	-1.357
FINLITD	-0.037	-0.914	-0.095	-1.667	-0.037	-0.613	-0.059	-1.43	-0.071	-1.212	-0.062	-1.059
GOVD	-0.057	-1.333	0.058	0.928	-0.118	-1.943	0.118	2.713**	0.106	1.655	0.156	2.621**
ETHNICD	0.14	2.579*	0.066	0.884	0.199	2.474*	-0.187	-3.368**	-0.329	-4.304**	-0.047	-0.6
MTGAC	0.001	0.029	-0.024	-0.441	0.058	0.843	0.114	2.658**	-0.011	-0.188	0.354	5.288**
INDEPAC	-0.02	-0.53	-0.001	-0.023	-0.01	-0.185	0.083	2.196*	0.022	0.414	0.139	2.586**
FINLITAC	0.007	0.186	0.089	1.623	-0.017	-0.299	0.04	1.002	0.022	0.39	0.087	1.535
GOVAC	-0.063	-1.457	-0.161	-2.512*	0.024	0.401	-0.02	-0.455	-0.019	-0.281	0.006	0.104
ETHNICAC	0.115	2.248*	0.2	2.818**	0.02	0.272	0.091	1.737	0.185	2.524*	-0.004	-0.059
SIZECOM	-0.232	-5.645**	-0.199	-3.422**	-0.27	-4.585**	0.004	0.1	0.013	0.215	-0.051	-0.881
PROFIT	-0.058	-1.76	-0.099	-2.131*	-0.031	-0.664	-0.031	-0.922	-0.028	-0.574	-0.013	-0.274
LEVERAGE	0.086	2.570**	0.167	3.527**	0.087	1.729	0.04	1.174	0.008	0.168	0.084	1.71
SIZEBOD	0.01	0.263	0.064	1.204	-0.043	-0.722	0.043	1.063	0.04	0.735	0.062	1.072
R-squared	0.122		0.159		0.131		0.082		0.099		0.163	

Notes:

**Significant at 0.01 level * Significant at 0.05 level, Beta = Standardized Beta, t = t value

MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, MTGAC = Audit Committee's meetings, INDEPAC = Independence of Audit Committee, FINLITAC = Financial Literacy of Audit Committee, GOVAC= Governance Expertise of Audit Committee, ETHNICAC = Ethnicity of Audit Committee, SIZECOM = Companies' size, PROFIT = Companies' Profitability, LEVERAGE = Companies' Leverage. SIZEBOD = Size of BOD.

Table 4.30 Summary of Multivariate Analysis: CGCB, CGCA and Control Variables (Continue)

Types of Variables	Compliance with the BMLR						Comparability					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGD	-0.2	-4.532**	-0.139	-2.427*	-0.285	-4.125**	-0.013	-0.298	-0.094	-1.633	0.097	1.395
INDEPD	0.053	1.347	0.085	1.479	0.07	1.245	-0.014	-0.366	-0.097	-1.718	0.028	0.493
FINLITD	-0.038	-0.902	-0.003	-0.05	-0.062	-1.011	-0.08	-1.905	-0.075	-1.283	-0.102	-1.659
GOVD	0.099	2.241*	0.153	2.347*	0.033	0.524	-0.04	-0.912	-0.029	-0.457	-0.037	-0.593
ETHNICD	-0.166	-2.947**	-0.224	-2.878**	-0.067	-0.815	0.058	1.03	0.11	1.457	-0.008	-0.095
MTGAC	0.12	2.747**	0.123	2.178*	0.135	1.932	-0.013	-0.29	-0.036	-0.655	-0.028	-0.393
INDEPAC	-0.059	-1.535	-0.047	-0.869	-0.08	-1.417	-0.004	-0.114	-0.031	-0.591	-0.014	-0.24
FINLITAC	-0.025	-0.613	-0.047	-0.821	-0.001	-0.013	0.022	0.546	0.02	0.357	-0.017	-0.277
GOVAC	-0.049	-1.093	-0.101	-1.498	-0.018	-0.301	0.094	2.115*	0.137	2.087*	0.023	0.375
ETHNICAC	0.091	1.709	0.263	3.526**	-0.075	-0.974	-0.059	-1.123	-0.101	-1.397	-0.029	-0.381
SIZECOM	-0.046	-1.077	-0.115	-1.889	0.021	0.351	-0.234	-5.516**	-0.214	-3.592**	-0.246	-4.055**
PROFIT	0.038	1.125	0.042	0.857	0.034	0.711	0.079	2.344*	0.012	0.242	0.157	3.267**
LEVERAGE	0.001	0.037	-0.098	-1.957	-0.052	-1.005	-0.024	-0.695	-0.031	-0.646	0.034	0.667
SIZEBOD	0.101	2.485*	0.13	2.344*	0.077	1.267	-0.035	-0.857	-0.116	-2.141*	0.064	1.05
R-squared	0.051		0.073		0.088		0.069		0.116		0.076	

Notes:

**Significant at 0.01 level * Significant at 0.05 level, Beta = Standardized Beta, t = t value

MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, MTGAC = Audit Committee's meetings, INDEPAC = Independence of Audit Committee, FINLITAC = Financial Literacy of Audit Committee, GOVAC= Governance Expertise of Audit Committee, ETHNICAC = Ethnicity of Audit Committee, SIZECOM = Companies' size, PROFIT = Companies' Profitability, LEVERAGE = Companies' Leverage. SIZEBOD = Size of BOD.

Company size and leverage are two control variables that are associated with timeliness in the initial and new regression models. However, there is a partial relationship between profitability and timeliness in the new regression model. The inverse relationship between profitability and timeliness in 2007 suggests that PLC with a higher profitability ratio publish interims in a more timely manner.

In summary, when CGCA are added to the regression test, the association between timeliness and CGCB significantly differs but no major changes are found in the association between timeliness and control variables. With regard to CGCA, only two variables are found to be significantly associated with timeliness to publish interims, namely corporate governance expertise and ethnicity of directors.

4.5.1.2 Multiple Regression of Compliance with the FRS 134: CGCB, CGCA, and Control Variables

Table 4.30 reports the addition of CGCA in the basic regression of Model Two, which caused the R^2 for the pool years 2007 and 2008 to increase from 6%, 8.4%, and 8.6% in the initial regression model to 8.2%, 9.9% and 16.3% in the new regression model. There are no major changes of relationship between CGCB and compliance with the FRS 134 when CGCA is added to the regression test. Non-changes of association between CGCB and compliance with the FRS 134 indicate the stability of the findings that all qualitative characteristics, except the financial literacy of directors, influence the quality of interims.

Three out of five CGCA are significantly but partially associated with compliance with the FRS 134, namely: the frequency of audit committee meetings, independence and ethnicity of audit committee members. These results suggest that PLC that held a higher number of audit committee meetings and who have a higher proportion of independent and Bumiputra

audit committee members will have a higher compliance score with the FRS134.

There are no changes in the association between compliance with the FRS 134 and control variables when CGCA are added to the regression test. The statistical results showed that control variables have no significant influence on PLC compliance with the FRS 134 in the initial and new regression models. Non-changes of association between these variables show the stability of the findings in the basic Model Two.

4.5.1.3 Multiple Regression of Compliance with the BMLR: CGCB, CGCA, and Control Variables

The addition of CGCA to the basic regression Model Three caused the R² for the pool years 2007 and 2008 slightly increased from 4.3%, 3.3% and 7.5% in the initial regression model to 5.1%, 7.3%, and 8.8% in the new regression model. Table 4.30 shows that there are no changes of association between compliance with the BMLR and the CGCB when CGCA are added to the basic regression model. The frequency of a BOD meetings, corporate governance expertise and ethnicity of directors was found to significantly influence the compliance with the BMLR in the basic and new regression models.

With regard to CGCA, there are only a few associations between these items and compliance with the BMLR. The frequency of audit committee meetings and the ethnicity of audit committee members are partially associated with the compliance with the BMLR. These statistical results suggest that PLC with a higher frequency of audit committee meetings and higher number of Bumiputra audit committee members have a higher compliance score with the BMLR since the relationship between these variables are positive.

Control variables have no significant impact on compliance with the BMLR in the basic and new regression models. However, leverage and size of BOD is

partially associated with the compliance with the BMLR for certain period(s) in the basic and new regression models, respectively.

4.5.1.4 Multiple Regression of Comparability: CGCB, CGCA, and Control Variables

The R^2 for the pool years, 2007 and 2008 has slightly increased from 6.4%, 10.3% and 7.5% to 6.9%, 11.6% and 7.6%, respectively, when the CGCA is added to the basic regression Model Four. The relationship between comparability of interims and CGCB in the basic and new regression models slightly differs. The differences are that there are absence of relationships between comparability of interims and all CGCB in the new regression model while in the basic regression model, the frequency of a BOD meeting, and the independence and financial literacy of directors are partially associated with the comparability of interims. Apart from CGCB, CGCA also did not have a significant impact on the comparability of interims, except corporate governance expertise of audit committee in the pool years and 2007.

There are no major changes in relationship between comparability of interims and control variables when the CGCA is added to the basic regression model. The minor change is the existence of a partial relationship between the size of BOD and comparability of interims in the new regression model. Non-changes of association between these variables show the stability of the findings in the basic Model Four.

4.5.2 Comparison between Multiple Regression of CGCB and CGCA

The addition of CGCA has slightly elevated the adjusted R^2 for all basic models. This study investigated which group of variables has a more persuasive value of regression tests: CGCB or CGCA. In order to make the comparison, CGCB are replaced with CGCA. The results are presented in Table 4.31 for timeliness, compliance with the FRS 134, compliance with the BMLR, and comparability of interims. The equations for the basic regression models are adjusted to reflect the substitution of CGCB with CGCA. Apart

from identifying which group of variables has a more persuasive value of R^2 , this study will also identify the difference in associations between dependent and independent variables, as well as control variables.

4.5.2.1 Multiple Regression of Timeliness: CGCA and Control Variables

Table 4.31 presents the multiple regression of timeliness when CGCB is replaced with CGCA. The R^2 insignificantly differs when the replacement was made and the F-values still remains significant at $p < 0.01$ for all periods. The R^2 for CGCB is 12.3%, 13.1%, and 12.8% for the pool years, 2007 and 2008 respectively, and the R^2 for CGCA are 12.1%, 14.9%, and 10.9% for the similar periods.

The relationship between timeliness and CGCA are quite similar with the relationship between timeliness and CGCB. The only difference is the absence of a relationship between timeliness and independence of audit committee members in CGCA. There are no changes in association between timeliness and control variables when either the CGCA or CGCB was regressed with timeliness.

Based on the above results, the present study can conclude that CGCA has a similar impact on timeliness when compared with CGCB and the associations between timeliness and control variables for both regressions are quite similar.

Table 4.31 Summary of Multivariate Analysis: CGCA and Control Variables

Types of Variables	Timeliness						Compliance with the FRS 134					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGAC	-0.022	-0.639	-0.055	-1.144	0.037	0.744	-0.011	-0.312	-0.029	-0.57	0.000	-0.004
INDEPAC	-0.038	-1.149	0.011	0.25	-0.064	-1.303	0.155	4.473**	0.154	3.226**	0.159	3.085**
FINLITAC	-0.009	-0.289	0.037	0.81	-0.046	-0.963	-0.013	-0.386	-0.046	-0.953	0.005	0.101
GOVAC	-0.085	-2.447*	-0.119	-2.394*	-0.037	-0.745	0.035	0.971	0.048	0.913	0.032	0.63
ETHNICAC	0.198	5.844**	0.233	4.826**	0.156	3.259**	-0.04	-1.116	-0.066	-1.285	-0.023	-0.456
SIZECOM	-0.233	-6.012**	-0.19	-3.531**	-0.278	-4.912**	-0.029	-0.709	0.019	0.325	-0.069	-1.167
PROFIT	-0.055	-1.69	-0.086	-1.885	-0.043	-0.93	-0.022	-0.647	-0.024	-0.491	-0.024	-0.493
LEVERAGE	0.129	3.973**	0.161	3.526**	0.099	2.121*	-0.055	-1.603	-0.061	-1.258	-0.047	-0.962
SIZEBOD	0.049	1.372	0.067	1.39	0.031	0.572	-0.007	-0.179	-0.048	-0.942	0.023	0.413
R-squared	0.121		0.149		0.109		0.032		0.037		0.034	
Types of Variables	Compliance with the BMLR						Comparability					
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464	
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value
MTGAC	0.009	0.25	0.074	1.462	-0.055	-1.056	-0.032	-0.916	-0.088	-1.798	0.026	0.515
INDEPAC	-0.001	-0.043	0.022	0.467	-0.031	-0.6	-0.003	-0.097	-0.056	-1.203	0.013	0.254
FINLITAC	-0.068	-1.977*	-0.061	-1.262	-0.065	-1.308	-0.024	-0.704	-0.017	-0.36	-0.064	-1.312
GOVAC	-0.01	-0.271	0.002	0.039	-0.041	-0.797	0.072	2.031*	0.123	2.427*	0.017	0.342
ETHNICAC	-0.016	-0.451	0.09	1.746	-0.12	-2.407*	-0.02	-0.579	-0.02	-0.404	-0.037	-0.751
SIZECOM	-0.072	-1.764	-0.145	-2.534*	0.011	0.19	-0.239	-5.983**	-0.245	-4.415**	-0.252	-4.356**
PROFIT	0.04	1.171	0.053	1.091	0.028	0.576	0.082	2.459*	0.023	0.5	0.165	3.470**
LEVERAGE	-0.112	-3.253**	-0.123	-2.535*	-0.109	-2.251*	-0.03	-0.917	-0.061	-1.335	0.048	1.001
SIZEBOD	0.055	1.44	0.07	1.37	0.043	0.754	-0.006	-0.153	-0.069	-1.385	0.087	1.56
R-squared	0.022		0.035		0.041		0.063		0.097		0.066	

Notes: **Significant at 0.01 level * Significant at 0.05 level Beta = Standardized Beta, t = t value

MTGAC = Audit Committee's meetings, INDEPAC = Independence of Audit Committee, FINLITAC = Financial Literacy of Audit Committee, GOVAC= Governance Expertise of Audit Committee, ETHNICAC = Ethnicity of Audit Committee, SIZECOM = Companies' size, PROFIT = Companies' Profitability, LEVERAGE = Companies' Leverage. SIZEBOD = Size of BOD.

4.5.2.2 Multiple Regression of Compliance with the FRS 134: CGCA, and Control Variables

Table 4.31 shows the multiple regression of the FRS 134 when CGCB is replaced with CGCA. The R^2 for the pool years, 2007 and 2008 slightly reduced from 6%, 8.4% and 8.6% to 3.2%, 3.7% and 3.4%, respectively. In tandem with reduction of R^2 when the replacement was made, there are fewer associations between compliance with the FRS 134 and CGCA. In the basic regression model, all CGCB except the financial literacy of directors are associated with compliance with the FRS 134. In the new regression model, the independence of audit committee members is the only CGCA that is associated with the FRS 134 compliance. This compares to the previous study by Mangena and Taurigana (2007), who found that independence and financial literacy of audit committee members are associated positively with compliance with the accounting standards.

Control variables have no impact on compliance with the FRS 134 when they are regressed with either CGCB or CGCA. Based on these statistical results, the present study can conclude that CGCB has a more significant impact on compliance with the FRS 134 than the CGCA and that the control variables have no association with compliance with the FRS 134 when CGCA or CGCB are used.

4.5.2.3 Multiple Regression of Compliance with the BMLR: CGCA and Control Variables

Table 4.31 presents the multiple regression of BMLR when CGCB is replaced with CGCA. The R^2 for the pool years and 2008 is lower than the R^2 of the basic regression model in Section 4.4.3 and the R^2 in 2007 is slightly higher by 0.2%. The F-values for CGCB and CGCA are significant for the pool years and 2008, and insignificant in 2007.

The association between compliance with the BMLR and independent variables slightly differs when CGCB is replaced with CGCA. The association

between compliance with the BMLR and control variables are also differ. There are meagre associations between compliance with the BMLR and CGCA as compared with the CGCB in Section 4.4.3. In the basic regression model, the PLC with a higher frequency of BOD meetings, directors with a lower level of corporate governance expertise, and a higher proportion of Bumiputra directors will tend to have a lower compliance score with the BMLR. In the new regression model, the financial literacy and ethnicity of audit committee members are inversely but meagrely associated with the BMLR compliance, which suggests that PLC with a higher proportion of financial literacy and Bumiputra audit committee members will have a lower compliance score with the BMLR.

With regard to the control variables, the leverage ratio is the only variable that is associated with BMLR compliance in the basic regression model. When CGCB is replaced with CGCA, company size and leverage are inversely associated with the BMLR compliance. These results suggest that PLC of a larger size and who have a higher leverage ratio will also have a lower compliance score with the BMLR. Referring to the R^2 values, this study can conclude that CGCB has a higher influence on the compliance with the BMLR than CGCA.

4.5.2.4 Multiple Regression of Comparability: CGCA and Control Variables

The R^2 for the pool years, 2007 and 2008 slightly reduced from 6.4%, 10.3% and 7.5% in the basic regression model to 6.3%, 9.7% and 6.6%, respectively, when the CGCB is replaced with CGCA. Therefore, this study can conclude that CGCB has a more significant influence on the comparability of interims than the CGCA. The association between comparability of interims and corporate governance variables varies.

The frequency of BOD meetings and the independence and financial literacy of directors are three CGCB that are associated with the comparability of

interims while the corporate governance expertise of audit committee members is the only variable of CGCA that is associated with comparability of interims when they are regressed.

There are no changes in the association between the comparability of interims and control variables when they are regressed with either the CGCB or CGCA. Company size and profitability are inversely and directly associated with comparability of interims, respectively. These results indicate that PLC of a larger size and who have a lower profitability ratio will have less comparable interims.

4.5.3 Comparison of Multiple Regressions of CGCB, CGCA and Control Variables

The results in Section 4.5.2 show that the R^2 for CGCB is slightly higher than the CGCA. Generally, the associations between the qualitative items and CGCB are similar or slightly differ from the CGCA. The associations between qualitative items and control variables are also quite similar when CGCB is replaced with CGCA. Therefore, this study will verify which group of variables has a more significant influence on the qualitative items by comparing the multiple regressions of CGCB, CGCA, and control variables individually. The equation for each model is constructed to reflect the independent variables for each qualitative item. The equations of these models are described in Chapter Three. The results for multiple regressions of timeliness, compliance with the FRS 134, compliance with the BMLR and comparability of interims are explained in Sections 4.5.3.1 to 4.5.3.4.

4.5.3.1 Multiple Regression of Timeliness: Individual CGCB, CGCA and Control Variables

Table 4.32 presents the multiple regression of timeliness by using the CGCB, CGCA and control variables. The R^2 of multiple regression of timeliness by using the CGCB are 5.2%, 5.3% and 5.3% for the pool years, 2007 and 2008, respectively. The R^2 values are very much lower than the multiple regression

of timeliness when both CGCB and control variables are collectively regressed. The results may suggest that the control variables have more influence on timeliness than the CGCB. Although the R^2 is very low, the F-values are very significant at $p < 0.01$ for all periods.

The associations between timeliness and CGCB insignificantly differ when the CGCB is regressed individually or collectively with the control variables. The only difference is the existence of a relationship between timeliness and the frequency of BOD meetings and the absence of relationship between timeliness and independence of directors when CGCB is regressed individually.

The R^2 values of the multiple regression of timeliness by using the CGCA are 6%, 8.5% and 4% for the pool years, 2007 and 2008 respectively. The R^2 values are very much lower than the R^2 values when CGCA and control variables are collectively regressed. These results indicate that the control variables have more influence on timeliness than the CGCA. However, the R^2 values are higher than the R^2 values of individual regression of CGCB. Therefore, CGCA has more influence on timeliness than CGCB. The associations between timeliness and CGCA are quite similar when they are regressed with or without the control variables. The only difference is the existence of a relationship between timeliness and the frequency of audit committee's meetings when CGCA is individually regressed.

Table 4.32 Summary of Multivariate Analysis: Individual CGCB, CGCA and Control Variables

Types of Variables	Timeliness						Compliance with the FRS 134						
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464		
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	
	CGCB						CGCB						
MTGD	-0.085	-2.493*	-0.119	-2.500*	-0.04	-0.811	-0.156	-4.615**	-0.051	-1.081	-0.236	-4.841**	
INDEPD	-0.062	-1.884	-0.041	-0.877	-0.081	-1.692	0.084	2.539*	0.217	4.712**	-0.002	-0.049	
FINLITD	0.012	0.352	0.018	0.392	0.005	0.114	-0.057	-1.735	-0.069	-1.499	-0.045	-0.97	
GOVD	-0.154	-4.561**	-0.13	-2.725**	-0.179	-3.753**	0.092	2.730**	0.088	1.861	0.094	2.000*	
ETHNICD	0.184	5.395**	0.193	3.983**	0.167	3.438**	-0.126	-3.697**	-0.187	-3.936**	-0.074	-1.54	
R-squared	0.052		0.053		0.053		0.057		0.083		0.074		
Types of Variables	CGCA						CGCA						
	MTGAC	-0.104	-3.206**	-0.129	-2.830**	-0.058	-1.226	-0.019	-0.568	-0.019	-0.395	-0.023	-0.491
	INDEPAC	-0.055	-1.687	0.009	0.197	-0.108	-2.312*	0.153	4.653**	0.145	3.132**	0.16	3.415**
	FINLITAC	-0.025	-0.761	0.001	0.014	-0.046	-0.957	-0.009	-0.28	-0.04	-0.855	0.013	0.279
	GOVAC	-0.163	-4.758**	-0.199	-4.110**	-0.119	-2.448*	0.033	0.95	0.05	1.009	0.025	0.505
	ETHNICAC	0.195	5.791**	0.25	5.237**	0.135	2.809**	-0.057	-1.652	-0.08	-1.633	-0.041	-0.85
R-squared	0.060		0.085		0.040		0.028		0.031		0.028		
Types of Variables	CONTROL VARIABLES						CONTROL VARIABLES						
	SIZECOM	-0.217	-6.312**	-0.197	-4.052**	-0.225	-4.589**	-0.035	-0.982	-0.005	-0.101	-0.063	-1.242
	PROFIT	-0.048	-1.485	-0.079	-1.729	-0.042	-0.91	-0.023	-0.695	-0.016	-0.333	-0.028	-0.582
	LEVERAGE	0.176	5.506**	0.213	4.785**	0.132	2.872**	-0.071	-2.134*	-0.08	-1.712	-0.059	-1.244
	SIZEBOD	0.03	0.88	0.062	1.306	-0.014	-0.283	0.045	1.264	-0.003	-0.066	0.087	1.711
R-squared	0.084		0.098		0.080		0.008		0.007		0.013		

Notes:

**Significant at 0.01 level * Significant at 0.05 level , Beta = Standardized Beta, t = t value

MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, MTGAC = Audit Committee's meetings, INDEPAC = Independence of Audit Committee, FINLITAC = Financial Literacy of Audit Committee, GOVAC= Governance Expertise of Audit Committee, ETHINCAC = Ethnicity of Audit Committee, SIZECOM = Company size, PROFIT = Companies' Profitability, LEVERAGE = Companies' Leverage. SIZEBOD = Size of BOD.

Table 4.32 Summary of Multivariate Analysis: Individual CGCB,CGCA and Control Variables (Continue)

Types of Variables	Compliance with the BMLR						Comparability						
	Pooled N=927		2007 N=463		2008 N=464		Pooled N=928		2007 N=464		2008 N=464		
	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	Beta	t-value	
	CGCB						CGCB						
MTGD	-0.134	-3.919**	-0.087	-1.79	-0.192	-3.925**	-0.088	-2.564*	-0.186	3.886**	0.021	0.426	
INDEPD	0.015	0.45	-0.012	-0.253	0.056	1.194	-0.037	-1.087	-0.107	2.280*	0.004	0.072	
FINLITD	-0.055	-1.637	-0.046	-0.96	-0.06	-1.271	-0.056	-1.638	-0.04	0.846	-0.09	-1.855	
GOVD	0.067	1.970*	0.103	2.128*	0.027	0.567	-0.011	-0.328	0.028	-0.584	-0.056	-1.161	
ETHNICD	-0.09	-2.623**	-0.07	-1.428	-0.113	-2.347*	-0.042	-1.208	-0.012	0.246	-0.069	-1.402	
R-squared	0.036		0.022		0.064		0.020		0.050		0.017		
Types of Variables	CGCA						CGCA						
	MTGAC	-0.014	-0.422	0.031	0.659	-0.053	-1.11	-0.113	-3.406**	-0.168	-3.607**	-0.069	-1.432
	INDEPAC	0.015	0.461	0.042	0.895	-0.003	-0.067	-0.027	-0.817	-0.076	-1.638	0.000	-0.005
	FINLITAC	-0.042	-1.23	-0.036	-0.751	-0.043	-0.891	-0.011	-0.319	-0.021	-0.456	-0.019	-0.402
	GOVAC	0.007	0.189	0.01	0.195	-0.009	-0.186	0.03	0.851	0.058	1.168	-0.012	-0.239
	ETHNICAC	-0.047	-1.35	0.043	0.863	-0.135	-2.784**	-0.051	-1.491	-0.053	-1.089	-0.051	-1.046
R-squared	0.004		0.007		0.026		0.018		0.037		0.009		
Types of Variables	CONTROL VARIABLES						CONTROL VARIABLES						
	SIZECOM	-0.066	-1.853	-0.086	-1.705	-0.046	-0.909	-0.235	-6.751**	-0.248	-5.039**	-0.233	-4.718**
	PROFIT	0.032	0.941	0.051	1.066	0.015	0.318	0.086	2.648*	0.038	0.813	0.154	3.317**
	LEVERAGE	-0.108	-3.270**	-0.098	-2.110*	-0.122	-2.578*	-0.033	-1.029	-0.064	-1.428	0.042	0.898
	SIZEBOD	0.043	1.218	0.055	1.119	0.027	0.535	-0.003	-0.08	-0.064	-1.33	0.073	1.483
R-squared	0.017		0.018		0.018		0.056		0.074		0.060		

Notes:

**Significant at 0.01 level * Significant at 0.05 level

Beta = Standardized Beta, t = t value

MTGD = Frequency of BOD meetings, INDEPD = Independence of Directors, FINLITD = Financial Literacy of Directors, GOVD = Governance Expertise of Directors, ETHNICD = Ethnicity of directors, MTGAC = Audit Committee's meetings, INDEPAC = Independence of Audit Committee, FINLITAC = Financial Literacy of Audit Committee, GOVAC= Governance Expertise of Audit Committee, ETHINCAC = Ethnicity of Audit Committee, SIZECOM = Company size, PROFIT = Companies' Profitability, LEVERAGE = Companies' Leverage. SIZEBOD = Size of BOD.

The R^2 values of the multiple regression of timeliness by using the control variables are 8.4%, 9.8% and 8% for the pool years, 2007 and 2008 respectively. The R^2 values of the control variables are higher than the R^2 values of CGCB and CGCA when they are individually regressed. Therefore, these results confirm that the control variables have a more significant influence on timeliness than the CGCB and CGCA. There are no changes of association between timeliness and control variables when the control variables are regressed individually or collectively with the CGCB and CGCA. Therefore, the results indicate the stability of the findings that PLC of a larger size and who have a lower ratio of financial leverage have published interims in a more timely manner.

4.5.3.2 Multiple Regression of Compliance with the FRS 134 Individual CGCB, CGCA and Control Variables

Table 4.32 presents the multiple regression of compliance with the FRS 134 by using the CGCB, CGCA and control variables. The R^2 values are 5.7%, 8.3% and 7.4% for the pool years, 2007 and 2008 respectively. It is difficult to identify which group of variables has a more significant influence on the compliance score with the FRS 134 because the R^2 values insignificantly differ when the CGCB is regressed individually or collectively with the control variables. The F-values are very significant at $p < 0.01$ for all periods.

There are no changes of association between compliance with the FRS 134 and CGCB when the CGCB is regressed individually or collectively with the control variables. Non-changes of associations indicate the stability of the findings that PLC with a higher frequency of BOD meetings, a lower proportion of independent directors, a lower proportion of corporate governance expertise directors and a higher proportion of Bumiputra directors have a lower compliance score with the FRS 134.

The R^2 values of the multiple regression of compliance with the FRS 134 by using the CGCA variables are 2.8%, 3.1% and 2.8% for the pool years, 2007 and 2008, respectively. The F-value is significant at $p < 0.01$ for the pool years

and at $p < 0.05$ in 2007 and 2008. The R^2 values are lower than the R^2 values of individual regression of CGCB. Therefore, the CGCB has more influence on compliance with the FRS 134 than the CGCA. The R^2 values are also slightly lower than the R^2 values of collective regression of CGCA and control variables. The insignificant difference of R^2 may indicate that CGCA have a more significant influence on compliance with the FRS 134 than control variables. Non-changes of association between compliance with the FRS 134 and CGCA when the variables are regressed individually or collectively with the control variables indicate the stability of the findings that PLC with a higher proportion of independent audit committee members also have a higher compliance score with the FRS 134.

The R^2 values for multiple regression of compliance with the FRS 134 by using the control variables are 0.8%, 0.7% and 1.3% for the pool years, 2007 and 2008 respectively. The R^2 values are very low for all periods and they are lower than the R^2 values of CGCB and CGCA. Due to the low values of R^2 , the control variables do not significantly influence the PLC compliance with the FRS 134, and both CGCB and CGCA have more influence on compliance with the FRS 134 than the control variables. Non-association between compliance with the FRS 134 and control variables when the control variables are regressed individually or collectively with the CGCB and CGCA further supports the finding that the control variables have no significant influence on compliance with the FRS 134. Therefore, the above results suggest that CGCB has more influence on compliance with the FRS 134 than CGCA, and the control variables have no influence on compliance with the FRS 134.

4.5.3.3 Multiple Regression of Compliance with the BMLR Individual CGCB, CGCA, and Control Variables

Table 4.32 presents the multiple regression of compliance with the BMLR by using the CGCB, CGCA, and control variables. The R^2 values of the multiple regression of BMLR compliance by using the CGCB are 3.6%, 2.2% and 6.4% for the pool years, 2007 and 2008, respectively. The R^2 values are slightly lower than the R^2 values of collective regression of CGCB and control variables.

Since the percentages slightly differ, it is difficult to identify which group of variables has more influence on compliance with the BMLR (i.e. whether CGCB or control variables).

The similar associations between compliance with the BMLR and the CGCB when the CGCB is regressed individually or collectively with the control variables shows the stability of the findings that PLC who held a higher frequency of BOD meetings, have a lower proportion of corporate governance expertise directors and PLC with a higher proportion of Bumiputra directors will have a lower compliance score with the BMLR. However, the findings are applicable to the pool years and 2008 only because the F-value is insignificant in 2007.

The R^2 values of the multiple regression of compliance with the BMLR by using the CGCA are 0.4%, 0.7% and 2.6% for the pool years, 2007 and 2008, respectively. The R^2 values are very much lower than the R^2 values when the CGCA is collectively regressed with the control variables. Therefore, the control variables may have more influence on a PLC compliance with the BMLR than CGCA. The R^2 values are also lower than the R^2 values of individual regression of CGCB. Therefore, CGCB has more influence on compliance with the BMLR than CGCA. The F value is significant at $p < 0.05$ in 2008 only and CGCA is meagrely associated with compliance with the BMLR.

The R^2 values of multiple regression of compliance with the BMLR by using the control variables are 1.7%, 1.8%, and 1.8% for the pool years, 2007 and 2008, respectively. The R^2 values are lower than the R^2 values of individual regression of CGCB but higher than CGCA. These results indicate that CGCB has more influence on compliance score with the BMLR than the control variables, and the control variables have more influence on compliance with the BMLR than CGCA. The association between compliance with the BMLR and control variables slightly differs when the control variables are regressed individually or collectively with CGCB and CGCA. The minor difference is the

absence of a relationship between company size and compliance with the BMLR when the control variables are individually regressed. An inverse association between compliance with the BMLR and leverage indicates that PLC with a higher ratio of financial leverage has a lower compliance score with the BMLR. However, the association is only applicable to the pool years only as the F-values are not significant in 2007 and 2008.

4.5.3.4 Multiple Regression of Comparability of Interims Individual CGCB, CGCA and Control Variables

Table 4.32 presents the multiple regression of comparability of interims by using the CGCB, CGCA, and control variables. The R^2 values of the multiple regression of comparability by using the CGCB are 2%, 5% and 1.7% for the pool years 2007 and 2008, respectively. The R^2 values are very much lower than the R^2 values of the multiple regressions when the CGCB is collectively regressed with the control variables. These results indicate that the control variables have more influence on the comparability of interims than CGCB.

The association between comparability of interims and CGCB slightly differs when they are regressed individually or collectively with the control variables. The minor difference is the absence relationship between financial literacy of directors and comparability of interims when the CGCB is regressed individually. The inverse association between the comparability of interims and the frequency of a BOD meetings, as well as independent directors, indicate that those PLC who held a larger frequency of BOD meetings and have a higher proportion of independent directors will also have a lower comparability of interims. However, the F-values are significant at $p < 0.01$ for the pool years and 2007 only.

The R^2 values of the multiple regression of comparability by using the CGCA are 1.8%, 3.7% and 0.9% for the pool years, 2007 and 2008, respectively. The R^2 values are lower than R^2 values of CGCB when they are individually regressed and lower than the R^2 values of collective regression of CGCA and control variables. These results indicate that CGCB has more significant

influence on the comparability of interims than CGCA, and the control variables may have more influence on the comparability of interims than CGCA. The association between comparability of interims and CGCA slightly differs when the CGCA is individually regressed or collectively regressed with the control variables. The corporate governance expertise of the audit committee members and the frequency of audit committee meetings are associated with comparability of interims when the CGCA is respectively regressed with and without the control variables. These associations indicate that PLC with a higher proportion of audit committee members with a corporate governance expertise and who held a lower number of audit committee meetings will have interims that are more comparable. However, the F-values are significant for the pool years and 2007 only.

Finally, the R^2 values of the multiple regression of comparability of interims by using the control variables are 5.6%, 7.4% and 6% for the pool years, 2007 and 2008, respectively. The R^2 values are higher than the R^2 values of CGCB and CGCA when they are individually regressed. This study can conclude that the control variables have more significant influence on the comparability of interims than the CGCB and CGCA. Additionally, the F values are significant at $p < 0.01$ for all periods. The associations between comparability of interims and control variables did not change when the control variables are regressed individually or collectively with the CGCB and CGCA. Therefore, the non-changes in these associations indicates the stability of the findings that PLC of a larger size and who have a lower profitability ratio also have less comparable interims.

In summary, the variables that have more to less influence on the qualitative items are shown in Table 4.33.

Table 4.33 The Influence of Variables on the Qualitative Items

Qualitative items	Types of Variables
Timeliness	CV → CGCA → CGCB
Compliance with the FRS 134	CGCB → CGCA → CV
Compliance with the BMLR	CGCB → CV → CGCA
Comparability	CV → CGCB → CGCA

* CV= control variables, CGCB = corporate governance characteristics of the BOD, CGCA = corporate governance characteristics of audit committee members

4.6 Summary

This chapter discussed the results of the data analysis. The discussion began with the descriptive statistics and some statistical tests, such as t-tests and one way repeated measure ANOVA for the variables incorporated in this study (which are dependent variables, independent variables and control variables). After explaining the mean, and non-compliance of these variables, the quality value was determined by using two methods (i.e. dichotomous and continuous methods). Different quality values were then obtained by using these methods. The quality value was also assessed according to the type of BSE and industry to determine if they are any significant differences.

After determining the quality of interims, this study investigated the association between corporate governance characteristics on the quality of interims by using Pearson correlation coefficients. The results show that the corporate governance characteristics that are associated with the quality of interims is the frequency of a BOD meetings, and financial literacy and ethnicity of directors. This thesis conducted multiple regression analysis because the Pearson correlation coefficients only show the direction of the relationship. The results show that the influence of corporate governance characteristics on the quality of interims is quite low and the influence of corporate governance characteristics on the quality of interims is mixed.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.1 Introduction

This chapter presents an overview, summary and conclusion of the two empirical investigations of this study. The first investigation aims to determine the quality of Malaysian interim financial reports. The second investigation aims to determine the impact of corporate governance on the quality of Malaysian interims. This chapter also details the implications and limitations of this study. It ends with a number of suggestions for future research.

5.2 An Overview, Summary, and Conclusion of this Study

This section begins by describing an overview of this thesis. This is followed by a summary of the findings obtained after the data has been analysed. It ends with a conclusion of the findings.

5.2.1 An Overview of this Study

Interims can be one of the most beneficial resources for the users of financial reports when they make economic decisions. Nevertheless, on closer inspection, the quality of interims is often unconvincing. This is due to several factors, such as the absence of audit reviews by an independent third party, non-disclosure of all of the required information, seasonality factors, and an imprecise estimation of provision and tax rates. Despite the unconvincing information disclosed, interims are still required because they provide up-to-date and transparent information to the users of financial reports. Therefore, an investigation is necessary to determine the quality of financial information disclosure in interims, which is the first objective of this thesis. Additionally, there is less research on interims because many financial regulatory bodies around the world did not mandate PLC to publish interims. This study has aimed to fill this gap.

Many scholars have focused on the issue of the quality of financial reporting. However, their findings vary because there are a number of diverse proxies of quality measurement and different economic environments internationally. This thesis follows the recommendation of Cook (1987), Bandyopadhyay et al. (2007) and Williams (2008), who advise to enrich the quality of interims through the involvement of external auditors, compliance with the accounting standards, and corporate governance. However, in this study, Malaysian interims are assessed in the absence of audit reviews as there is no requirement for Malaysian interims to be reviewed by an independent party.

According to McFie (2006), using a single proxy to determine the quality of financial reports is doubtful to be high even though the results are excellent. This is because a single proxy focuses on one aspect and ignores other aspects. McFie proposed to look at several aspects to determine the quality of financial reports and thus use several proxies. Consequently, this thesis has used several proxies to determine the quality of interims namely timeliness, compliance with the interim reporting standards (i.e. the FRS 134 and the BMLR), and comparability. These proxies were chosen because the MASB's conceptual framework for the Presentation and Preparation of Financial Statements advises that they are a part of the qualitative characteristics of financial reports that determine the usefulness of financial information to the users of financial reports. According to Jonas and Blanchet (2000), the usefulness of financial information is linked to the quality of a financial report.

In addition to assessing the quality of interims, this thesis has also investigated the impact of corporate governance on the quality of interims. Corporate governance responsibility to interims is expounded by both agency theory and resource dependence theory. Agency theory is concerned with the monitoring function played by the BOD for the best interests of shareholders while resource dependence theory is concerned with the directors' responsibilities to provide resources for the best interests of the shareholders. Nevertheless, conflicts of interests may arise between shareholders and managers if the

managers gain benefits. Additionally, management usually has superior knowledge to that of the shareholders, and this can trigger the managers to exploit the shareholders' wealth. Therefore, this thesis has investigated the impact of corporate governance on the quality of interims (which is the second objective of this thesis). Additionally, there seems to be less research on the impact of corporate governance on the quality of interims.

Several approaches have been used to appraise corporate governance actors. This thesis chose to examine the role of BOD and audit committee members. Their characteristics have been assessed in relation to agency theory and resource dependence theory. As highlighted by Hillman and Dalziel (2003), Jackling and Johl (2009), Carter et al. (2010) and Epstein and Roy (2010), the important characteristics include the frequency of meetings, the independence, financial literacy, corporate governance expertise, and ethnicity of the directors.

5.2.2 A Summary of the Findings

In this thesis, the quality of interims is assessed by timeliness, compliance with the FRS 134, compliance with the BMLR, and comparability. Similar with the previous studies, mean timeliness of Malaysian interims is found to be within the allowable time period given (Lunt, 1982; Hussey and Woolfe, 1998; D'Arcy and Grabensberger, 2003; Ku Ismail and Chandler, 2004; Alias et al., 2009) and the mean of timeliness is consistent in every quarter and year (D'Arcy and Grabensberger, 2003). Despite the absence of audit reviews, which are perceived by some researchers to cause a delay in publishing interims, most PLC in this study are inclined to publish towards the end of the allowable time period, which is in contrast to the findings for US PLC (Kross and Schroeder, 1984) and UK PLC (Hussey and Woolfe, 1998). Some of the plausible reasons for Malaysian PLC to defer publishing interims is due to their frequent release of interims and the losses incurred by PLC, especially in the second BSE. Furthermore, the period of interims covered by this thesis coincides with the economic crisis of 2008.

Due to the finding of consistent timeliness in every quarter, the mean number of days to publish interims between one quarter and the other is insignificant and therefore, this thesis disagrees with the previous findings that the deferment in quarter four is due to the time required by management to make accounting adjustments. The low comparability score of quarter four interims evidence this although they are published more timely. In other words, quarter four interims are less comparable as compared to the other quarters although quarter four interims are published on a more timely basis.

The FRS 134 and the BMLR require PLC to publish interims not exceeding 60 days and two months, respectively. By following the two-month rule, the actual number of days for the first three quarters are more than 60 days (i.e. 61, 62, and 61 days, consecutively). For the final quarter, since the number of days in February differs because of the leap year, the actual number of days is 59 in 2007 and 60 in 2008. By following the FRS 134 and the BMLR requirement, 0% to 14% of PLC published interims exceeding 60 days after each quarter ends and 0% to 2% PLC published interims not exceeding the two months period. However, the number of PLC exceeding the period given reduced over the time covered by the study.

With regard to the type of BSE, PLC in the first BSE are found to publish interims more timely than PLC in the second BSE. The most likely reason for this is the higher levels of capital owned by PLC in the first BSE, which enable these companies to acquire better accounting systems and hire more accountants that are professional. There is a considerable range between the minimum and maximum number of days taken to publish interims, especially for PLC in the first BSE. Some PLC in the first BSE (i.e. in the finance industry) publish interims within two weeks of the quarter ends. None of the PLC in the second BSE publishes interims within 30 days every quarter. With regard to the types of industries, mean timeliness insignificantly differs except for the finance and technology industries. The finance industry published interims early

because PLC in that industry are blue-chip stocks and they are always in the eyes of prospective investors.

As shown in Table 4.4, the numbers of PLC that publish interims exceeding 60 days are quite high for PLC in the second BSE. In line with the finding of the previous studies, this is possibly due to higher capital possessed by PLC in the first BSE enables them to acquire sophisticated accounting systems and hire accountants that are more qualified. With regard to compliance with the BMLR requirement, four PLC from the first BSE and one PLC in the second BSE did not comply with the two months requirement. All companies are from industrial products except one from the technology industry. This result shows that PLC are more inclined to follow the two-month rule of BMLR to publish interims than the 60 days allowable period of the FRS 134. Nevertheless, over the period, the non-compliance with both the FRS 134 and the BMLR diminished. With regard to the types of industries, as shown in Table 4.6, all PLC in plantations, construction and finance industry publish interims within the allowable period of 60 days in every quarter and in every year. The timeliness has greatly improved in 2008 where almost all PLC in all types of industries publish interims in the allowable period of 60 days.

The compliance rate for interim reporting standards is remarkably high for all PLC. However, compliance with the FRS 134 is higher than the BMLR, which is between 92% and 94% for the FRS 134 and 77% and 78% for the BMLR. Previous studies (Ku Ismail and Chandler, 2005a; and Rahman and Ismail, 2008) have also found a high compliance rate with the interim reporting standards for Malaysian PLC. However, Ku Ismail and Chandler (2005a) only studied one of the interim reporting standards and Rahman and Ismail (2008) did not segregate the index based on the types of interim reporting standards. The finding of this present study is in contrast to that of McEwen and Schwartz (1992), Nieuwoudt and Koen (1999), and Glaum and Street (2002), who found that PLC did not comply with the requirements for interim reporting standards which caused the interims to become unreliable. Despite a high percentage in

the compliance score with the interim reporting standards, there is a substantial range between the minimum and maximum score of compliance especially with the BMLR. The minimum compliance score with the FRS 134 is between 75% and 67% and for the BMLR, it is between 50% and 48%. The maximum compliance rate for the FRS 134 and BMLR is 100% and 95%, respectively.

The present study fills the gap of analysing PLC compliance with the interim reporting standards according to the type of BSE and industry. Regardless of the type of BSE and the types of industries, the compliance score with the FRS 134 and the BMLR is quite consistent in all quarters and years. However, the compliance score with the FRS 134 is slightly higher for PLC in the first BSE than the second BSE. Similar to timeliness, PLC in the first BSE are able to hire accountants that are more qualified and this possibly causes their compliance score with the interim reporting standards to be higher.

Two indexes were constructed to determine PLC compliance with the FRS 134 and the BMLR. Most PLC comply with all requirements of the FRS 134, except accounting policies and contingent assets or liabilities. Another point to highlight is that all except one PLC disclosed that seasonality is insignificant in the narrative disclosure of interims. However, when a one way repeated measure ANOVA was conducted, this study found that mean revenues vary across quarters and possibly link to seasonality (i.e. the festive season of the Bumiputra who form around 65% of Malaysian population). The analysis of the PLC compliance with the BMLR showed that performance review, taxation, off-balance sheet financial instruments and dividends are requirements that have quite a low compliance score.

The resubmission and restatement of interims were investigated in this study prior to conducting the comparability measure. Although the resubmission rate has been found to be very low, the restatement rate was found to be very high in 2007 (i.e. almost 50% of PLC) due to the revised accounting policy of the FRS 117. This restatement did not affect the PLC figures because they only

had to reclassify leasehold land from property, plant, and equipment to prepaid lease.

Measured ordinally, this study has found that the comparability ranking score is quite high for the first three quarters but it moderately declines in quarter four. This result suggests that the interim for the first three quarters are more comparable than the fourth quarter. Similar with the previous studies, the present study suggests that quarter four is the time for PLC to make adjustments before the financial reports are due to be audited. This is one of the reasons why the comparability ranking score in quarter four is very low (i.e. about half that of the first three quarters). Nevertheless, time is not a factor that is associated with management requirement to make accounting adjustments. This is proven by the lack of association between timeliness and comparability in the Pearson correlation coefficient in Table 4.26 and lower comparability ranking score in quarter four although they are published more timely than the other quarters (Table 4.16). Over the period, the comparability ranking score of interims improve, which makes the information more beneficial to the users of financial reports.

With regard to the type of BSE, PLC in the second BSE have a higher ranking score than PLC in the first BSE for the first three quarters. In fact, the mean comparability ranking score for PLC in the second BSE reached the maximum value of 100% for the first three quarters in 2008. However, PLC in the first BSE have a higher comparability ranking score in the fourth quarter. These results suggest that although the interims for PLC in the second BSE are more comparable in the first three quarters, they are more inclined to make accounting adjustments in quarter four.

The mean comparability ranking score for all types of industries is high, except for the property, finance, and technology industries. Despite the timeliness to publish interims, the finance industries mean comparability was the lowest in 2007. However, their mean comparability improved in 2008. Despite the high

comparable ranking score, this study found that most of the profit and loss details of the interims are not equivalent to those in the annual reports, which are audited by an independent party. Consequently, the quality of interims is lower.

Both the dichotomous and continuous methods were used in this study to measure the quality value of interims. Those PLC that published interims on a more timely basis, have a higher compliance score with the FRS 134 and the BMLR, and a higher comparability ranking score means that they will have higher quality values. The quality value of each of these qualitative items was then summed up and the value ranges from 0 to 4, which denotes the lowest and highest quality, respectively.

By using the dichotomous method, it was found that the quality value of interims is remarkably high (i.e. above 3.5) for the first three quarters, although it is then found to have intensely dropped in quarter four (i.e. below 3.5). By referring to the level of quality value in Table 3.6, the quality of interims for the first three quarters is very high and for the fourth quarter, the quality of interims is high. Therefore, the present study concludes that in the absence of audit reviews, the quality of Malaysian interims is high. The items that contribute the most and the least to the quality of interims is compliance with the FRS 134 and comparability, respectively. The highest quality value is found in quarter three and the lowest is found in quarter four.

By using dichotomous value, the quality value of interims insignificantly differs between PLC in the first and second BSE. However, the items that contribute the least to the quality of interims slightly differ between the types of BSE. For PLC in the first BSE, the item that contributes the least is comparability while for the second BSE, the items that contribute the least differs in every quarter, which are timeliness, compliance with the BMLR and comparability. Regardless of the type of BSE, the item that contributes the most to the quality of interims is compliance with the FRS 134. With regard to the types of industries, the

construction and finance industries have the highest and lowest quality value of interims in most quarters, respectively. Again, regardless of the type of BSE and types of industries, the quality of interims for the first three quarters is very high and for the fourth quarter, the quality of interims is high.

When using the continuous method, the quality value of interims is found to be lower (i.e. less than 3) than in the dichotomous method. This happens because decimal numbers are used in the continuous method while a whole number is used in the dichotomous method. The quality of interims for the first three quarters is between 2.5 and 3.0, which indicates that the quality of interims is moderate. The quality of interims in the fourth quarter is between 2.0 and 2.5, which indicates that the quality of interims is low. Therefore, by using continuous method, the quality of interims is quite low due to PLC inclination to publish interims towards the end of the allowable period given.

Similar with the dichotomous method, the highest and the lowest quality value of interims by using the continuous method is in quarter three and four, respectively, and the quality value for PLC in the first and second BSE insignificantly differs. The qualitative characteristic of interims that contribute the most and the least to the quality of interims is compliance with the FRS 134 and timeliness, respectively. However, comparability is the item that mostly contributes to the quality of interims in the first three quarters of 2008. The item that contributes the most to the quality of interims slightly differs between the types of BSE. For PLC in the first BSE, the item that contributes the most is compliance with the FRS 134 while for the second BSE the item that contributes the most is comparability. Regardless of the type of BSE, the item that contributes the least to the quality of interims is timeliness. The finance and services industry has the lowest quality value of interims in most quarters.

Prior to finding the impact of corporate governance on the quality of interims, the descriptive statistics revealed the following findings for corporate governance characteristics variables. Regardless of the type of BSE, the mean

frequency of BOD meeting is five. Two companies did not hold meetings before the interims were issued. The services, plantations, finance, and technology industries have been found to have a higher frequency of BOD meetings. In total, 8.6% of PLC (of which all except three PLC are from the first BSE) did not comply with the BMLR's requirement to have at least two independent directors or one-third of directors are independent, whichever is higher. Non-independent executive directors dominate the composition of the BOD in Malaysia. The technology and finance industries have the lowest and the largest mean of independent directors, respectively.

The mean frequency of financial literacy directors is found to be quite low (i.e. two members). Indeed, some PLC in the first BSE did not have any directors who were financially literate. Therefore, most of the PLC in this study may not comply with the MCGG requirement to have all financially literate audit committee members commencing January 2009. The finance and construction industries have the highest and lowest proportion of financial literacy directors, respectively. As corporate governance expertise magnifies BOD efficiency, around 66% directors have corporate governance expertise in 2007 and the percentage slightly increased to 67% in 2008. PLC in the second BSE have a lower percentage of corporate governance expertise (i.e. around 52%) than PLC in the first BSE (i.e. around 72%). The corporate governance expertise for PLC across all of the industries significantly differs. PLC with the highest and lowest proportion of corporate governance expertise directors are to be found in the finance and industrial products industries, respectively. Although Bumiputra is the largest ethnic group in Malaysia, only 40% and 38% of the directors in the companies in this study are Bumiputra. PLC in the second BSE were found to have a lower proportion of Bumiputra directors (around 32%). This result shows that non-Bumiputra directors dominate the proportion of directors on the BOD of Malaysian PLC. The services and finance industries have the highest proportion of Bumiputra directors while the lowest proportion is to be found in the consumer industry.

A Pearson correlation coefficient was used to investigate the relationship between corporate governance characteristics and the quality of interims and multivariate analysis was used to identify the impact of corporate governance characteristics on the quality of interims. Three corporate governance characteristics of BOD (CGCB) that have a very significant relationship with the quality of interims is the frequency of BOD meetings, the financial literacy and ethnicity of directors. This study has shown that independence and corporate governance expertise have no significant association with the quality of interims.

In addition, this study found that there was no relationship between any of the qualitative characteristics of interims, except for: a) timeliness and compliance with the BMLR; b) compliance with the FRS 134 and compliance with the BMLR; and c) compliance with the FRS 134 and comparability of interims. Therefore, timeliness is not a factor that relates to a PLC compliance with the FRS 134 and comparability of interims. This finding supports this study's disagreement with the view that time is not a factor in making accounting adjustments in quarter four, which then causes a delay in publishing interims. This relationship suggests that as compliance with the FRS 134 increased, compliance with the BMLR and comparability of interims also increased.

With regard to the interrelationship between CGCB, all are found to be interrelated except for the relationship between financial literacy and independence, as well as the corporate governance expertise of directors. These results suggest that PLC with directors who are more independent, who are financially literate, who have some corporate governance expertise, and who come from the Bumiputra ethnic group are more likely to hold more frequent BOD meetings. A positive relationship between independent directors and directors who hold a corporate governance expertise suggests that most independent directors have a corporate governance expertise. Finally, most of the Bumiputra directors in this study were found to be independent, financially literate, and to have corporate governance expertise.

All control variables are correlated with each other. These relationships suggest that PLC of a larger size have higher profitability, have a lower leverage ratio and have BOD with larger members. Additionally, PLC with higher leverage ratio earn lower profitability. Finally, PLC with a larger size of BOD have a higher profitability and lower leverage ratios. Control variables are not associated significantly with all qualitative items of interims except timeliness. With regard to the association between control variables and CGC, all CGC are either partly or fully associated with the control variables.

Multivariate analyses were conducted to identify the impact of CGC on the quality of interims as Pearson correlation coefficients do not analyse the causal and interrelationship among all CGC variables and quality of interims. The results show that the influence of CGC on quality of interims is low and the influence of CGC on each qualitative characteristic of interims is mixed (details is in Appendix 5-1). Three additional analyses were conducted to check the robustness of the initial multiple regression results. Firstly, new variables, which are the CGCA that consists of the frequency of audit committee meetings, independence, financial literacy, corporate governance expertise and ethnicity of audit committee members are added to the regression tests of the basic models. The results as per Appendix 5-2 show that if CGCA are added to the basic model, the relationship between CGC and the qualitative items of interims insignificantly differs. The insignificant difference shows the stability of the findings of this study. Secondly, the CGCB is replaced by CGCA to determine the influence of CGC on the quality of interims if different corporate governance actors are assessed. The result shows that the relationship between CGCB and quality of interims slightly differ with the relationship between CGCA and quality of interims if CGCB is replaced by CGCA (details is in Appendix 5-3). Thirdly, CGCB, CGCA and control variables are regressed individually to investigate which group of variables has more significant influence on the quality of interims. The result is shown in Appendix 5-4. This study also found that the group of variables that has more to less influence on a) timeliness is control variables, followed by CGCA and CGCB; b) compliance with the FRS 134 is

CGCB, followed by CGCA and control variables; c) compliance with the BMLR is CGCB, followed by control variables and CGCA; and d) comparability is control variables, followed by CGCB and CGCA. Finally, the R^2 of all multiple regressions shown in Appendix 5-5 reveals that the influence of CGCB, CGCA and control variables on the quality of interims is quite low.

5.2.3 Conclusion

The first objective of this study is to determine the quality of interims in the absence of audit reviews. This study has found that the quality value of interims is remarkably high for each qualitative characteristic of interims if a dichotomous method is used. However, the quality is lower than three if a continuous method is used because the timeliness to publish interims is towards the end of the allowable period given, and most profit and loss items of interims are not equivalent to the annual report that has been audited by the independent party.

The quality value of interims is quite consistent for the first three quarters and the lowest is quarter four and this insignificantly differs for different types of BSE and industries. The item that contributes the most and the least to the quality of interims is the compliance with the FRS 134 and comparability, respectively, for the dichotomous method and compliance with the FRS 134 and timeliness, respectively, for the continuous method. The items also differ when analysis is made on the types of BSE. By using a dichotomous method, this study found that the most and least items that contribute to the quality of interims is compliance with the FRS 134 and comparability for PLC in the first BSE, and compliance with the FRS 134 and a mixture of other qualitative items for PLC in the second BSE. By using the continuous method, it is found that the most and least items that contribute to the quality of interims is compliance with the FRS 134 and timeliness respectively for PLC in the first BSE, and comparability and timeliness respectively for PLC in the second BSE.

The second objective of this study is to determine the impact of corporate governance on the quality of interims. As presented in Tables 4.26 and 4.27, the corporate governance characteristics that are associated with the quality of interims are the frequency of BOD meetings, the financial literacy and ethnicity of directors. Since the Pearson correlation coefficients only show the association between two variables, this thesis has conducted multivariate analysis to confirm the influence of corporate governance characteristics on the quality of interims.

Overall, the multiple regression analyses show that the influence of CGC on quality of interims is low and the influence of CGC on each qualitative characteristic of interims is mixed. Additional analyses results prove the stability of this study's findings as the association between the initial multiple regression results insignificantly differs with the additional analyses. Nevertheless, the influence of corporate governance characteristics on the quality of interims is also quite low with the additional tests conducted.

5.3 The Implications of this Study

The findings of this study should be of potential interests to regulatory bodies, policy makers, professionals, corporate governance, shareholders, and academics. Of particular interests are the issues relating to quality of interims and corporate governance.

There are no mechanisms set by Malaysian regulatory bodies to ensure that PLC complies with the interim reporting standards. The interim standards are the FRS 134 and the BMLR that are issued by the Malaysian Accounting Standards Board and the Bursa Malaysia, respectively. The Malaysian regulatory bodies can use the findings of this study to identify whether Malaysian PLC have successfully complied with the imposed interim reporting standards.

Policy-makers may use the findings of this study to be aware of the PLC misunderstanding of some provisions in the accounting standards. For example, some PLC has misconceived the word “immediate preceding quarter” stated in the BMLR and they have compared the profit before tax between a current quarter and an “immediate preceding corresponding quarter” instead of an “immediate preceding quarter”.

Professionals, such as financial analysts, may use the findings of this study to identify those types of PLC that have higher quality interims before they make a decision to invest. For example, if PLC publishes interims on a more timely basis, do they also comply with the interim reporting standards and are they comparable?

The findings on corporate governance may be useful to shareholders and BOD to determine the board’s composition that may influence the quality of interims. The shareholders may appoint BOD with certain characteristics, and the BOD may predict the impact of inclusion and exclusion of corporate governance characteristics included in this thesis in the board.

Finally, academics may be interested with the findings of this study because they can be used to extend future research.

5.4 Limitations of the Study

Although this study has several strengths, there are also a number of limitations, which this study must recognise.

Firstly, this study presumed that all data included in interims (such as the profit and loss figures, narrative disclosures and corporate governance information) is correct. It is difficult to determine the authenticity of the information beforehand, especially when Malaysian interims are not subject to audit reviews by an independent party.

Secondly, this study has used Malaysian interims extracted from the Bursa Malaysia Stock Exchange's (BMSE) website. The periods that the interims covered are all quarters in 2007 and 2008 only. Therefore, the periods covered are very short and the only comparison that can be made is between quarters for these years. No analysis can be done to see the trend on a long-term basis.

Thirdly, this study has only focused on the BOD and audit committee as proxies of corporate governance actors. According to Rezaee (2003) corporate governance actors include the BOD, the audit committee, the top management team, internal auditors, external auditors, and governing bodies to ensure the reliability of financial reports.

Fourthly, there are other corporate governance characteristics that are not included in this thesis that may affect the quality of Malaysian interims (such as the age of the directors and CEO duality).

Despite these limitations, the study has strengths and is an important contribution to our understanding of the development of a significant area of corporate reporting. However, overcoming these limitations might offer a platform for future research, which is explained in the next section.

5.5 Recommendations for Future Research

This study is able to make a number of suggestions for future research based on the limitations that were explained in the last section.

Firstly, future research in other countries can compare the quality of interims when they are reviewed or not reviewed by external auditors. By examining interims with independent audit reviews, the quality of interims may be improved as external auditors may concern with timeliness to publish interims, compliance with the interim reporting standards and comparability of interims from one period to another. None compliance with all qualitative characteristics of interims may give an impact to the external auditors' reputation in doing their business.

Secondly, future research can extend the periods of interims covered so that they can make analysis on a long-term basis. Additionally, they can see a trend and make a forecast for the benefit of the users of a financial report.

Thirdly, future research can include other corporate governance actors in their studies. The results can then be compared to those of this thesis. If similar results are found then they may be internationally generalisable.

Finally, future research can also include other corporate governance characteristics (such as age of the directors and CEO duality) and determine the association between these characteristics and the quality of interims.

In conclusion, the quality of Malaysian interims is remarkably high if a dichotomous method is used and moderate if a continuous method is used. This is due to timeliness to publish interims towards the end of the allowable time period given and most profit and loss items of interims are not equivalent to the annual report that has been audited by the independent party. Only three CGC is associated with the quality of interims namely the frequency of a BOD meetings, the financial literacy and ethnicity of directors. Independence and corporate governance expertise is not associated with the quality of interims. The multiple regression analyses reveal that the impact of corporate governance on the quality of interims is mixed and low.

Apart from examining the qualitative characteristics of interims to determine the quality, it is also interesting for future research to focus on the quantitative characteristics of interims such as the financial ratios and observe whether the impact of corporate governance characteristics on the quality of interims significantly or insignificantly differs between these two types of characteristics. By investigating the qualitative and quantitative characteristics of interims at the same time, the quality of interims is measured more comprehensively and the finding is more stable. Due to different culture and environment across countries, the impact of corporate governance on the quality of interims may be different from this study. If the impact of corporate governance characteristics

on qualitative and quantitative characteristics of interims is still low, future research may then focus on the other areas of corporate governance such as institutional ownership, internal controls and ethics.

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APPENDICES

Appendix 3-1: Names of Public Listed Companies

A & M REALTY BHD	LUSTER INDUSTRIES BHD
ABRIC BHD	MAA HOLDINGS BHD
ADVANCE SYNERGY BHD	MAGNA PRIMA BHD
AFFIN HOLDINGS BHD	MALAYAN FLOUR MILLS BHD
AHMAD ZAKI RESOURCES BHD	MALAYAN UNITED INDUSTRIES BHD
AIKBEE RESOURCES BHD	MALAYSIA PACKAGING INDUSTRY BHD
APEX HEALTHCARE BHD	MALYSIAN BULK CARRIERS BHD
APM AUTOMOTIVE HOLDINGS BHD	MALPAC HOLDINGS BHD
APP INDUSTRIES BHD	MAXTRAL INDUSTRY BHD
ASIATIC DEVELOPMENT BHD	MBf HOLDINGS BHD
BANDAR RAYA DEVELOPMENTS BHD	MEASAT GLOBAL BHD
BERTAM ALLIANCE BHD	MEGA FIRST CORPORATION BHD
BINTULU PORT HOLDINGS BHD	MIECO CHIPBOARD BHD
BLD PLANTATION BHD	MINPLY HOLDINGS (M) BHD
BOX-PAK (MALAYSIA) BHD	MITRAJAYA HOLDINGS BHD
BTM RESOURCES BHD	MUI PROPERTIES BHD
CAHYA MATA SARAWAK BHD	MWE HOLDINGS BHD
CAM RESOURCES BHD	NAKAMICHI CORPORATION BHD
CARLSBERG BREWERY MALAYSIA BHD	NAM FATT CORPORATION BHD
CENTURY LOGISTICS HOLDINGS BHD	NEPLINE BHD
CHEMICAL COMPANY OF MALAYSIA BHD	NPC RESOURCES BHD
CN ASIA CORPORATION BHD	NV MULTI CORPORATION BHD
COUNTRY HEIGHTS HOLDINGS BHD	ORIENTAL HOLDINGS BHD
DELLOYD VENTURES BHD	ORNAPAPER BHD
DKLS INDUSTRIES BHD	PADIBERAS NASIONAL BHD
EMIVEST BHD	PAN MALAYSIA CAPITAL BHD
ENCORP BHD	PAN MALAYSIA CORPORATION BHD
ENGLOTECHS HOLDING BHD	PARAMOUNT CORPORATION BHD
ESSO MALAYSIA BHD	PERMAJU INDUSTRIES BHD
FAR EAST HOLDINGS BHD	PLUS EXPRESSWAYS BHD
FOREMOST HOLDINGS BHD	PREMIUM NUTRIENTS BHD
FSBM HOLDINGS BHD	PRESTAR RESOURCES BHD
FURQAN BUSINESS ORGANISATION BHD	PRINSIPTEK CORPORATION BHD
GLOBETRONICS TECHNOLOGY BHD	PUBLIC BANK BHD
GOH BAN HUAT BHD	RAPID SYNERGY BHD
HAISAN RESOURCES BHD	REX INDUSTRY BHD
HARN LEN CORPORATION BHD	SAAG CONSOLIDATED (M) BHD
HO WAH GENTING BHD	SCOMI GROUP BHD
I-BHD	SINDORA BHD
IBRACO BHD	SMIS CORPORATION BHD
INDUSTRONICS BHD	SOUTH MALAYSIA INDUSTRIES BHD
INTEGRAX BHD	SUMATEC RESOURCES BHD
JERNEH ASIA BHD	TA WIN HOLDINGS BHD
KBB RESOURCES BHD	TALIWORKS CORPORATION BHD
KECK SENG (M) BHD	TAN CHONG MOTOR HOLDINGS BHD
KEN HOLDINGS BHD	THONG GUAN INDUSTRIES BHD
KIM HIN INDUSTRY BHD	TIMBERWELL BHD

Appendix 3-1: Names of Public Listed Companies (Continue)

KNM GROUP BHD	TIME ENGINEERING BHD
KNUSFORD BHD	TRACOMA HOLDINGS BHD
KPJ HEALTHCARE BHD	TRC SYNERGY BHD
KRETAM HOLDINGS BHD	TRIUMPHAL ASSOCIATES BHD
LAFARGE MALAYAN CEMENT BHD	UCHI TECHNOLOGIES BHD
LATEXX PARTNERS BHD	UNISEM (M) BHD
LBS BINA GROUP BHD	UNITED PLANTATIONS BHD
LCL CORPORATION BHD	VTI VINTAGE BHD
LEADER UNIVERSAL HOLDINGS BHD	WAH SEONG CORPORATION BHD
LIMAHSOON BHD	WOODLANDOR HOLDINGS BHD
LITYAN HOLDINGS BHD	Y.S.P.SOUTHEAST ASIA HOLDING BHD

Appendix 3-2: The Cronbach's Alpha

Variables	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TIMEQ107	1871.93	9911.776	.126	.868
FRSQ107	1834.25	9525.240	.510	.860
BMLRQ107	1849.35	8663.244	.709	.853
COMPAREQ107	1923.63	10109.110	.218	.865
TIMEQ207	1871.95	9693.509	.315	.864
FRSQ207	1833.73	9527.237	.517	.860
BMLRQ207	1849.67	8598.826	.759	.852
COMPAREQ207	1923.62	10123.173	.154	.866
TIMEQ307	1872.65	9761.288	.221	.866
FRSQ307	1833.62	9525.344	.529	.860
BMLRQ307	1849.38	8649.982	.797	.851
COMPAREQ307	1923.61	10115.920	.181	.866
TIMEQ407	1869.58	9951.317	.189	.865
FRSQ407	1832.97	9549.596	.524	.860
BMLRQ407	1850.36	8775.252	.724	.853
COMPAREQ407	1925.14	10174.732	-.052	.867
TIMEQ108	1871.96	9776.958	.200	.867
FRSQ108	1835.43	9320.791	.607	.858
BMLRQ108	1849.68	8729.393	.727	.853
COMPAREQ108	1923.33	10156.377	.017	.866
TIMEQ208	1871.84	9839.253	.182	.867
FRSQ208	1835.27	9390.620	.568	.859
BMLRQ208	1849.93	8809.393	.674	.855
COMPAREQ208	1923.38	10177.668	-.115	.866
TIMEQ308	1873.83	9715.376	.264	.865
FRSQ308	1835.00	9479.368	.508	.860
BMLRQ308	1849.75	8914.164	.659	.855
COMPAREQ308	1923.29	10177.784	-.131	.866
TIMEQ408	1871.41	9954.338	.159	.866
FRSQ408	1835.13	9491.018	.504	.860
BMLRQ408	1850.41	9103.534	.582	.857
COMPAREQ408	1925.01	10166.099	-.027	.867
MTGD07	1921.70	10264.503	-.264	.868
INDEPD07	1926.71	10158.975	.002	.866
CORPGOVDQ107	1926.43	10159.664	-.005	.866
FINLITD07	1926.98	10164.581	-.082	.866
ETHNICD07	1926.78	10167.189	-.085	.866
MTGDQ108	1921.71	10280.421	-.321	.868
INDEPD08	1926.70	10175.092	-.161	.866
CORPGOVD08	1926.42	10161.031	-.031	.866
FINLITD08	1926.96	10164.248	-.072	.866
ETHNICD08	1926.78	10165.030	-.062	.866

Appendix 3-2: The Cronbach's Alpha (Continue)

Variables	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SIZEBOD07	1919.67	10154.057	.006	.866
PROFITQ107	1927.01	10158.789	.011	.866
LEVERAGEQ107	1926.81	10159.353	-.003	.866
LGASSETQ107	1918.44	10180.539	-.169	.866
PROFITQ207	1927.04	10155.862	.031	.866
LEVERAGEQ207	1926.86	10160.051	-.016	.866
LGASSETQ207	1918.43	10175.209	-.138	.866
PROFITQ307	1926.99	10160.327	-.014	.866
LEVERAGEQ307	1926.85	10161.410	-.046	.866
LGASSETQ307	1918.42	10176.107	-.142	.866
PROFITQ407	1927.02	10157.072	.020	.866
LEVERAGEQ407	1926.86	10159.970	-.014	.866
LGASSETQ407	1918.42	10178.091	-.158	.866
SIZEBOD08	1919.67	10166.153	-.027	.867
PROFITQ108	1926.98	10162.600	-.055	.866
LEVERAGEQ108	1926.87	10158.712	.018	.866
LGASSETQ108	1918.41	10177.639	-.154	.866
PROFITQ208	1927.02	10160.696	-.022	.866
LEVERAGEQ208	1926.86	10158.131	.033	.866
LGASSETQ208	1918.40	10177.346	-.148	.866
PROFITQ308	1927.04	10163.281	-.059	.866
LEVERAGEQ308	1926.85	10158.022	.035	.866
LGASSETQ308	1918.39	10177.343	-.148	.866
PROFITQ408	1927.23	10166.787	-.043	.866
LEVERAGEQ408	1926.84	10157.280	.051	.866
LGASSETQ408	1918.41	10176.486	-.140	.866

Appendix 4-1: Descriptive Statistics of Qualitative Characteristics

		TIME	FRS 134	BMLR	COMPARE
N	Valid	928	928	928	928
	Missing	0	0	0	0
Mean		55.20	92.67	77.27	3.21
Std. Error of Mean		.232	.205	.319	.046
Median		58.00	94.00	78.00	4.00
Mode		59	97	80	4
Std. Deviation		7.062	6.245	9.704	1.402
Variance		49.877	38.995	94.159	1.967
Range		77	33	47	4
Minimum		14	67	48	0
Maximum		91	100	95	4
Sum		51221	85994	71711	2981
Percentiles	25	53.00	88.00	71.00	3.00
	50	58.00	94.00	78.00	4.00
	75	59.00	97.00	85.00	4.00

Appendix 4-2: Descriptive Statistics of Qualitative Characteristics-Quarter

YEAR			2007				2008				
QUARTER			TIME	FRS	BMLR	COM PARE	TIME	FRS	BMLR	COM PARE	
1	N	Valid	116	116	116	116	116	116	116	116	
		Missing	0	0	0	0	0	0	0	0	
		Mean	55.16	92.84	77.74	3.46	55.13	91.66	77.41	3.76	
		Median	58.00	94.00	80.00	4.00	57.00	94.00	78.00	4.00	
		Mode	60	97	80 ^a	4	59	97	70	4	
		Std. Deviation	7.58	6.00	10.50	1.122	8.023	6.763	9.823	.730	
		Variance	57.50	36.04	110.36	1.259	64.37	45.73	96.488	.533	
		Range	52	25	44	4	77	33	46	4	
		Minimum	16	75	50	0	14	67	48	0	
		Maximum	68	100	94	4	91	100	94	4	
		Percentiles	25	54.00	89.00	70.25	3.25	53.00	87.00	70.00	4.00
			50	58.00	94.00	80.00	4.00	57.00	94.00	78.00	4.00
			75	60.00	97.00	86.00	4.00	59.00	97.00	85.00	4.00
2	N	Valid	116	116	116	116	116	116	116	116	
		Missing	0	0	0	0	0	0	0	0	
		Mean	55.14	93.36	77.42	3.47	55.25	91.82	77.16	3.71	
		Median	58.00	95.00	78.50	4.00	58.00	94.00	77.50	4.00	
		Mode	60	97	86	4	59	97	76	4	
		Std. Deviation	6.780	5.920	10.325	1.130	7.352	6.588	9.891	.813	
		Variance	45.96	35.05	106.61	1.277	54.05	43.40	97.825	.661	
		Range	44	25	45	4	47	33	46	4	
		Minimum	17	75	50	0	17	67	48	0	
		Maximum	61	100	95	4	64	100	94	4	
		Percentiles	25	53.00	91.00	70.00	4.00	53.00	87.25	71.00	4.00
			50	58.00	95.00	78.50	4.00	58.00	94.00	77.50	4.00
			75	60.00	97.00	86.00	4.00	59.00	97.00	85.00	4.00
3	N	Valid	116	116	116	116	116	116	116	116	
		Missing	0	0	0	0	0	0	0	0	
		Mean	54.44	93.47	77.71	3.48	53.26	92.09	77.34	3.80	
		Median	57.00	95.00	79.00	4.00	56.00	94.00	79.00	4.00	
		Mode	60	97	86	4	59	97	76 ^a	4	
		Std. Deviation	7.746	5.815	9.560	1.161	7.468	6.459	9.314	.713	
		Variance	60.00	33.81	91.392	1.348	55.77	41.72	86.747	.508	
		Range	45	25	44	4	45	33	47	4	
		Minimum	16	75	50	0	14	67	48	0	
		Maximum	61	100	94	4	59	100	95	4	
		Percentiles	25	52.00	91.00	71.00	4.00	50.00	88.00	72.00	4.00
			50	57.00	95.00	79.00	4.00	56.00	94.00	79.00	4.00
			75	60.00	97.00	85.00	4.00	58.00	97.00	84.00	4.00
4	N	Valid	116	116	116	116	116	116	116	116	
		Missing	0	0	0	0	0	0	0	0	
		Mean	57.51	94.12	76.73	1.95	55.68	91.96	76.68	2.08	
		Median	59.00	97.00	78.00	1.50	57.00	94.00	78.00	2.00	
		Mode	59 ^a	97	78 ^a	4	58	97	80 ^a	4	
		Std. Deviation	4.887	5.645	9.536	1.754	5.521	6.389	8.805	1.785	
		Variance	23.88	31.86	90.928	3.076	30.48	40.82	77.523	3.185	
		Range	39	25	45	4	68	33	47	4	
		Minimum	21	75	50	0	20	67	48	0	
		Maximum	60	100	95	4	88	100	95	4	
		Percentiles	25	57.00	93.00	70.00	.00	55.00	88.00	71.00	.00
			50	59.00	97.00	78.00	1.50	57.00	94.00	78.00	2.00
			75	60.00	97.00	84.00	4.00	58.00	97.00	83.00	4.00

Appendix 4-3: Descriptive Statistics of Qualitative Characteristics - BSE

TYPES OF BSE			FIRST BSE				SECOND BSE			
YEAR			TIME	FRS	BMLR	COM PARE	TIME	FRS	BML R	COM PARE
2007	N	Valid	344	344	344	344	120	120	120	120
		Missing	0	0	0	0	0	0	0	0
	Mean		54.76	93.86	77.84	3.04	57.86	92.28	76.15	3.23
	Std. Error of Mean		.404	.301	.554	.079	.379	.585	.817	.136
	Median		58.00	97.00	80.00	4.00	60.00	94.00	77.50	4.00
	Mode		59	97	86	4	60	97	82	4
	Std. Deviation		7.494	5.588	10.274	1.462	4.157	6.410	8.951	1.492
	Variance		56.154	31.23	105.56	2.138	17.28	41.092	80.11	2.226
	Range		52	25	45	4	27	24	45	4
	Minimum		16	75	50	0	34	76	50	0
	Maximum		68	100	95	4	61	100	95	4
	Sum		18837	32287	26776	1046	6943	11073	9138	387
	Percent iles	25		53.00	91.00	70.25	2.00	57.00	88.00	70.00
	50		58.00	97.00	80.00	4.00	60.00	94.00	77.50	4.00
	75		59.00	97.00	86.00	4.00	60.00	97.00	82.00	4.00
2008	N	Valid	344	344	344	344	120	120	120	120
		Missing	0	0	0	0	0	0	0	0
	Mean		54.08	92.22	77.36	3.32	56.97	90.93	76.55	3.39
	Std. Error of Mean		.408	.357	.502	.070	.501	.565	.898	.125
	Median		57.00	94.00	78.50	4.00	58.00	91.00	76.00	4.00
	Mode		58	97	80	4	58	97	76	4
	Std. Deviation		7.563	6.623	9.306	1.303	5.486	6.193	9.835	1.374
	Variance		57.197	43.86	86.609	1.698	30.10	38.348	96.72	1.887
	Range		74	33	46	4	56	26	47	4
	Minimum		14	67	48	0	35	74	48	0
	Maximum		88	100	94	4	91	100	95	4
	Sum		18605	31722	26611	1141	6836	10912	9186	407
	Percent iles	25		52.00	88.00	72.00	3.00	56.25	86.25	70.00
	50		57.00	94.00	78.50	4.00	58.00	91.00	76.00	4.00
	75		58.00	97.00	84.00	4.00	59.00	97.00	84.75	4.00

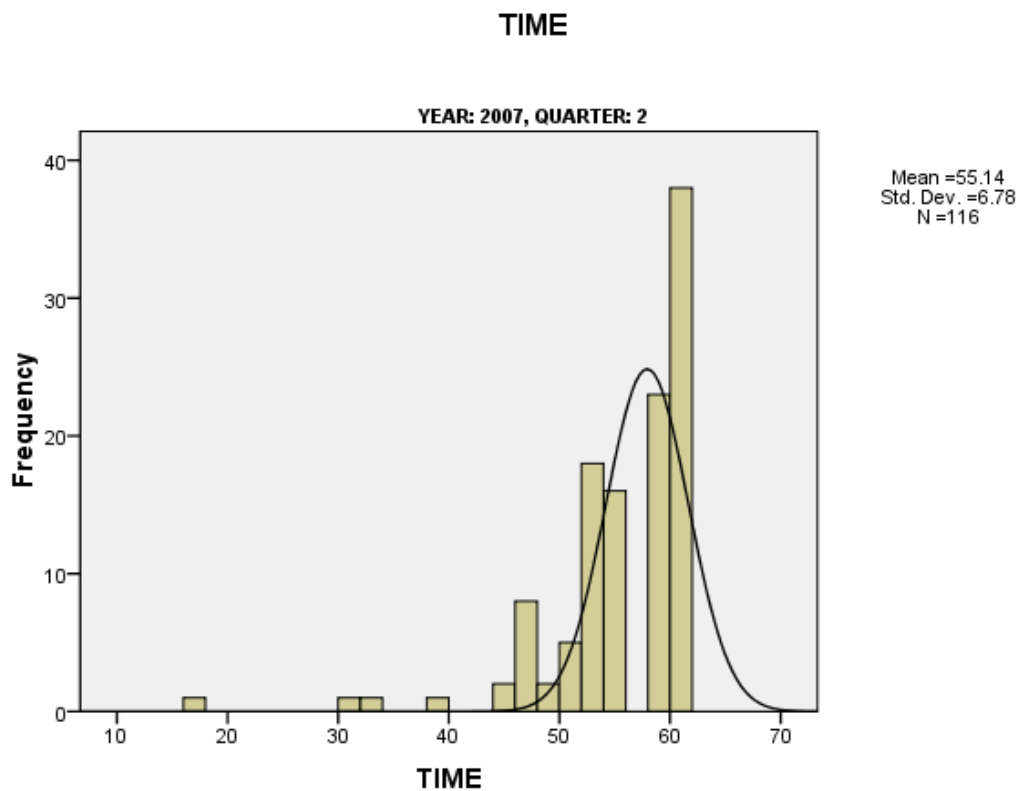
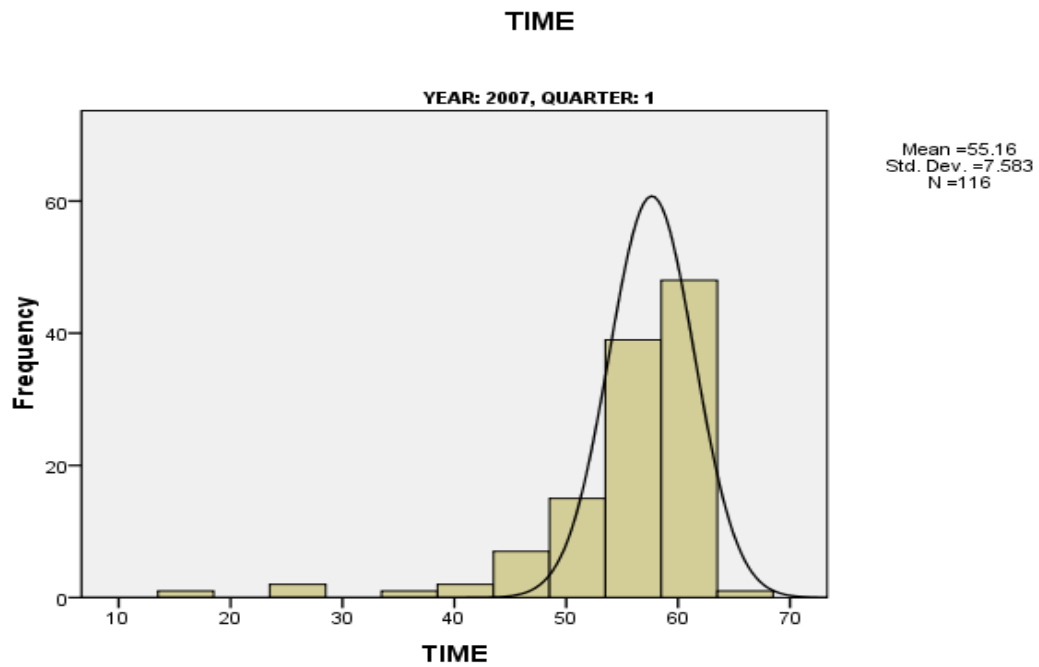
Appendix4-4:Descriptive Statistics of Qualitative Characteristics- Industry

YEAR			2007				2008			
INDUSTRY			TIME	FRS	BMLR	COMP ARE	TIME	FRS	BMLR	COM PARE
CONSTRUCTION	N	Valid	32	32	32	32	32	32	32	32
		Missing	0	0	0	0	0	0	0	0
	Mean		55.44	91.47	74.81	2.97	55.16	93.28	75.56	3.41
	Median		58.00	91.00	75.00	4.00	56.00	97.00	74.50	4.00
	Mode		60	97	69 ^a	4	58	97	73	4
	Std. Deviation		6.370	5.465	11.032	1.656	4.065	4.861	9.857	1.292
	Variance		40.57	29.87	121.70	2.741	16.52	23.62	97.15	1.668
	Range		35	16	37	4	16	13	37	4
	Minimum		25	81	52	0	44	84	52	0
	Maximum		60	97	89	4	60	97	89	4
	Sum		1774	2927	2394	95	1765	2985	2418	109
	Percentiles	25	53.00	87.00	69.00	1.25	52.00	88.00	73.00	4.00
		50	58.00	91.00	75.00	4.00	56.00	97.00	74.50	4.00
	75	59.00	97.00	84.00	4.00	58.00	97.00	81.00	4.00	
CONSUMER	N	Valid	60	60	60	60	60	60	60	60
		Missing	0	0	0	0	0	0	0	0
	Mean		54.87	94.90	78.55	3.33	53.37	94.25	77.78	3.45
	Median		58.00	97.00	80.00	4.00	58.00	96.00	79.50	4.00
	Mode		60	97	80 ^a	4	58	100	80 ^a	4
	Std. Deviation		7.386	4.273	8.339	1.336	8.447	5.522	8.019	1.294
	Variance		54.55	18.26	69.540	1.785	71.35	30.49	64.30	1.675
	Range		37	14	29	4	35	16	28	4
	Minimum		24	86	63	0	25	84	64	0
	Maximum		61	100	92	4	60	100	92	4
	Sum		3292	5694	4713	200	3202	5655	4667	207
	Percentiles	25	52.00	91.50	70.00	4.00	51.00	89.00	70.00	4.00
		50	58.00	97.00	80.00	4.00	58.00	96.00	79.50	4.00
	75	60.00	97.00	84.00	4.00	58.00	100.0	85.00	4.00	
FINANCE	N	Valid	24	24	24	24	24	24	24	24
		Missing	0	0	0	0	0	0	0	0
	Mean		49.96	93.33	76.79	1.88	47.83	92.33	77.33	3.08
	Median		57.00	97.00	74.50	2.00	53.50	96.50	78.00	3.50
	Mode		60	97	67 ^a	0	57 ^a	97	75	4
	Std. Deviation		15.32	7.505	7.384	1.777	15.15	7.167	6.895	1.248
	Variance		234.7	56.31	54.520	3.158	229.6	51.36	47.53	1.558
	Range		44	24	24	4	46	19	25	4
	Minimum		16	76	67	0	14	78	64	0
	Maximum		60	100	91	4	60	97	89	4
	Sum		1199	2240	1843	45	1148	2216	1856	74
	Percentiles	25	51.25	96.00	71.25	.00	45.75	89.00	75.00	3.00
		50	57.00	97.00	74.50	2.00	53.50	96.50	78.00	3.50
	75	59.00	97.00	84.00	4.00	57.75	97.00	83.00	4.00	
INDUSTRIAL PRODUCT	N	Valid	172	172	172	172	172	172	172	172
		Missing	0	0	0	0	0	0	0	0
	Mean		56.69	94.24	77.15	3.17	55.91	91.76	77.74	3.41
	Median		59.00	96.00	78.00	4.00	57.00	94.00	79.00	4.00
	Mode		60	97	78	4	59	97	76	4
	Std. Deviation		4.999	5.295	9.515	1.431	5.148	5.692	8.854	1.260
	Variance		24.98	28.04	90.538	2.047	26.50	32.39	78.40	1.588
	Range		38	24	45	4	53	26	46	4
	Minimum		30	76	50	0	35	74	48	0
	Maximum		68	100	95	4	88	100	94	4
	Sum		9751	16209	13270	545	9617	15782	13372	586
	Percentiles	25	54.00	94.00	71.00	3.00	55.00	88.00	71.25	4.00
		50	59.00	96.00	78.00	4.00	57.00	94.00	79.00	4.00
	75	60.00	97.00	85.00	4.00	59.00	97.00	84.00	4.00	

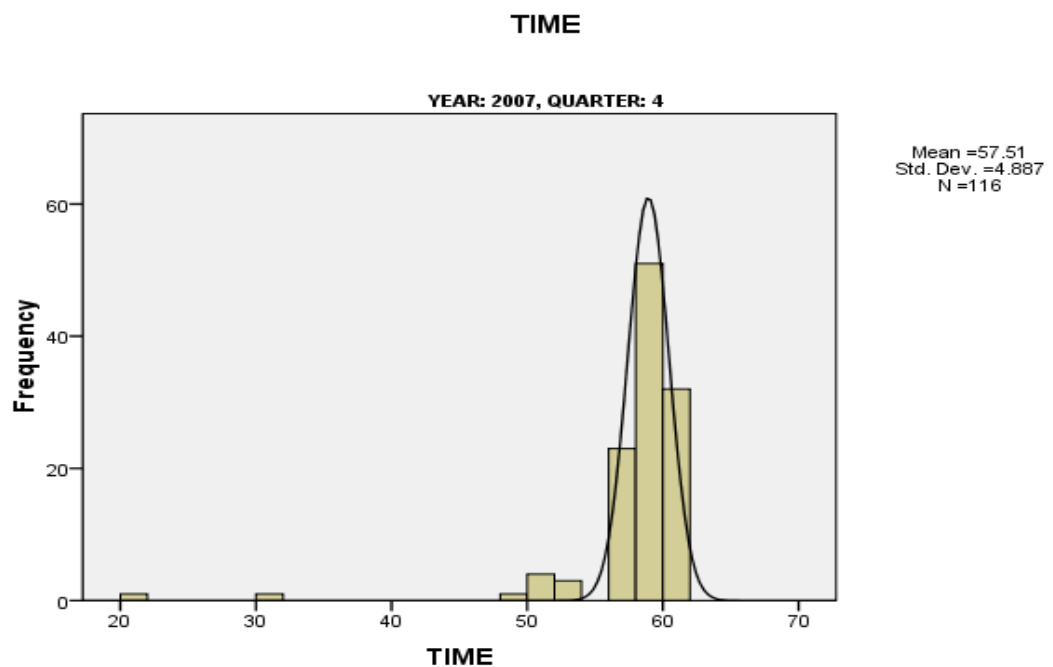
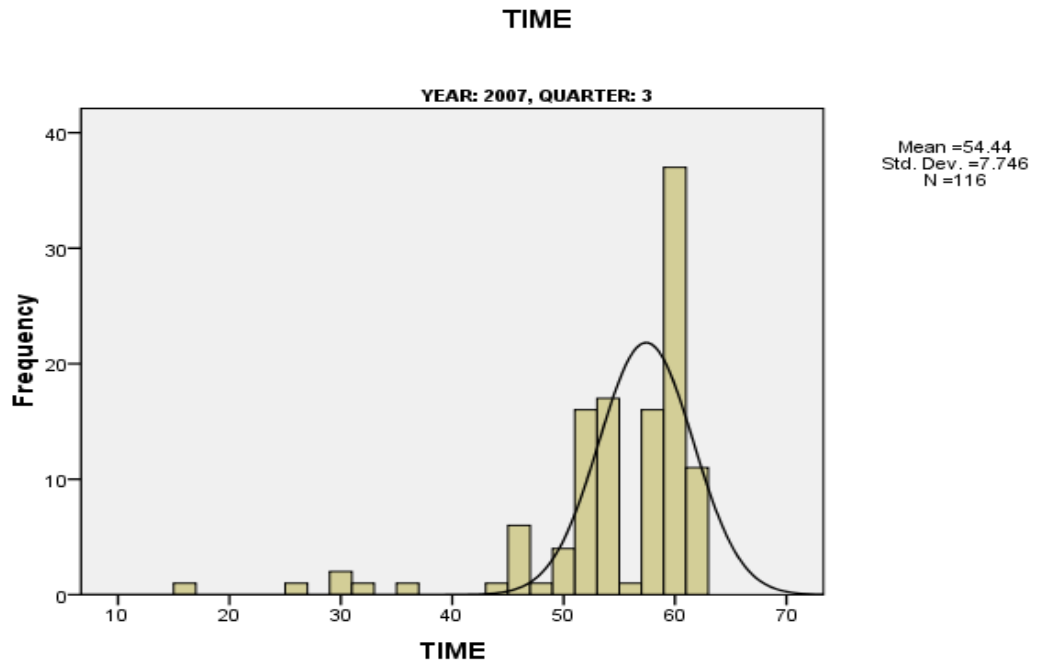
**Appendix 4-4: Descriptive Statistics of Qualitative Characteristics-
Industry (Continue)**

YEAR			2007				2008			
			TIME	FRS	BMLR	COM	TIME	FRS	BMLR	COM
P L A N T A T I O N S	N	Valid	32	32	32	32	32	32	32	32
		Missing	0	0	0	0	0	0	0	0
	Mean		53.59	95.50	78.25	3.09	54.75	92.88	74.09	3.63
	Median		54.00	95.50	79.50	4.00	56.00	91.00	77.00	4.00
	Mode		59	100	60	4	56	100	48 ^a	4
	Std. Deviation		5.593	4.158	14.317	1.422	4.333	5.047	15.397	1.070
	Variance		31.28	17.290	204.96	2.023	18.77	25.468	237.05	1.145
	Range		21	11	45	4	16	17	46	4
	Minimum		39	89	50	0	44	83	48	0
	Maximum		60	100	95	4	60	100	94	4
	Sum		1715	3056	2504	99	1752	2972	2371	116
	Percentiles	25	50.50	91.50	63.00	1.50	52.00	90.00	58.75	4.00
		50	54.00	95.50	79.50	4.00	56.00	91.00	77.00	4.00
	75	58.75	100.00	91.00	4.00	58.00	99.25	85.75	4.00	
P R O P E R T I E S	N	Valid	44	44	44	44	44	44	44	44
		Missing	0	0	0	0	0	0	0	0
	Mean		56.70	93.95	77.14	2.82	54.64	92.95	77.27	3.07
	Median		58.50	95.00	80.00	4.00	57.00	96.00	79.00	4.00
	Mode		60	94 ^a	83	4	57	100	83	4
	Std. Deviation		4.486	5.460	11.894	1.660	6.142	6.619	9.339	1.500
	Variance		20.12	29.812	141.46	2.757	37.72	43.812	87.226	2.251
	Range		18	19	43	4	35	19	41	4
	Minimum		43	81	50	0	25	81	50	0
	Maximum		61	100	93	4	60	100	91	4
	Sum		2495	4134	3394	124	2404	4090	3400	135
	Percentiles	25	55.00	92.00	68.75	1.00	53.00	87.00	70.00	3.00
		50	58.50	95.00	80.00	4.00	57.00	96.00	79.00	4.00
	75	60.00	97.00	86.00	4.00	58.00	100.00	83.00	4.00	
S E R V I C E S	N	Valid	84	84	84	84	84	84	84	84
		Missing	0	0	0	0	0	0	0	0
	Mean		56.85	92.11	78.39	3.26	56.67	89.93	77.61	3.19
	Median		59.00	94.00	79.00	4.00	58.00	91.00	77.50	4.00
	Mode		60	97	65	4	58	97	68	4
	Std. Deviation		3.935	6.848	9.346	1.281	2.938	8.395	8.803	1.468
	Variance		15.48	46.892	87.350	1.641	8.635	70.477	77.494	2.156
	Range		14	25	35	4	12	33	34	4
	Minimum		47	75	60	0	48	67	61	0
	Maximum		61	100	95	4	60	100	95	4
	Sum		4775	7737	6585	274	4760	7554	6519	268
	Percentiles	25	54.00	87.00	70.25	3.00	56.00	86.00	70.00	3.00
		50	59.00	94.00	79.00	4.00	58.00	91.00	77.50	4.00
	75	60.00	97.00	86.75	4.00	59.00	97.00	84.75	4.00	
T E C H N O L O G Y	N	Valid	16	16	16	16	16	16	16	16
		Missing	0	0	0	0	0	0	0	0
	Mean		48.69	85.19	75.69	3.19	49.56	86.25	74.63	3.31
	Median		57.50	85.50	76.00	4.00	55.50	81.00	75.50	4.00
	Mode		59 ^a	81	67 ^a	4	28 ^a	81	76	4
	Std. Deviation		13.72	4.262	9.046	1.276	16.82	6.648	11.111	1.352
	Variance		188.3	18.163	81.829	1.629	283.0	44.200	123.45	1.829
	Range		37	10	27	4	63	16	33	4
	Minimum		24	81	63	0	28	81	58	0
	Maximum		61	91	90	4	91	97	91	4
	Sum		779	1363	1211	51	793	1380	1194	53
	Percentiles	25	32.25	81.00	67.00	2.25	31.75	81.00	63.50	3.25
		50	57.50	85.50	76.00	4.00	55.50	81.00	75.50	4.00
	75	59.75	90.00	83.75	4.00	57.75	91.00	85.00	4.00	

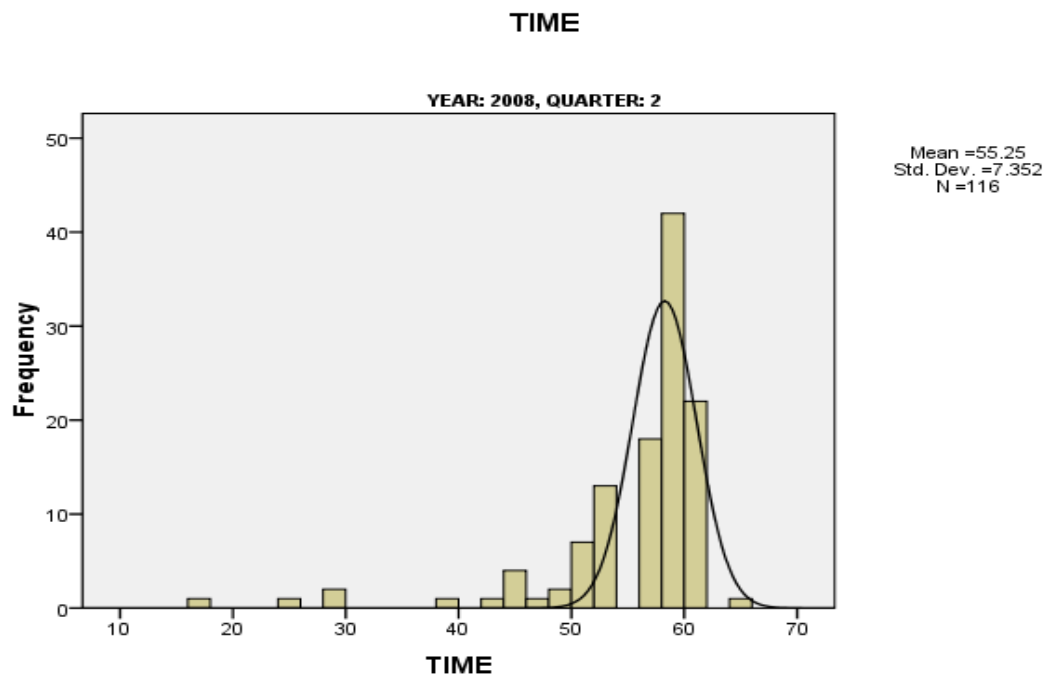
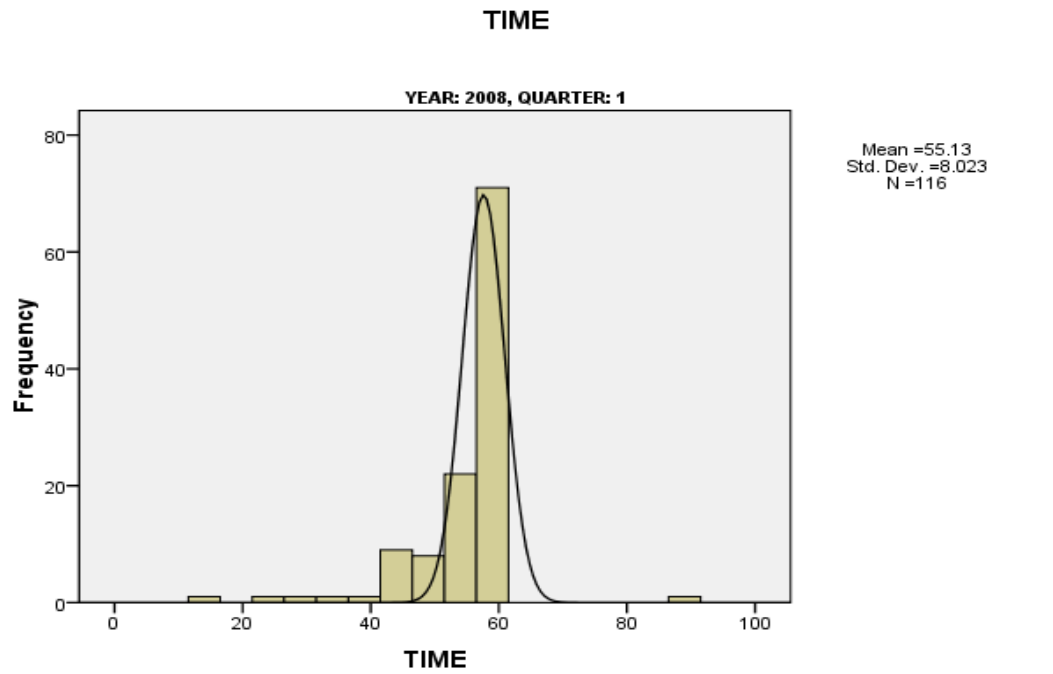
Appendix 4-5: Histogram of Timeliness - Quarter



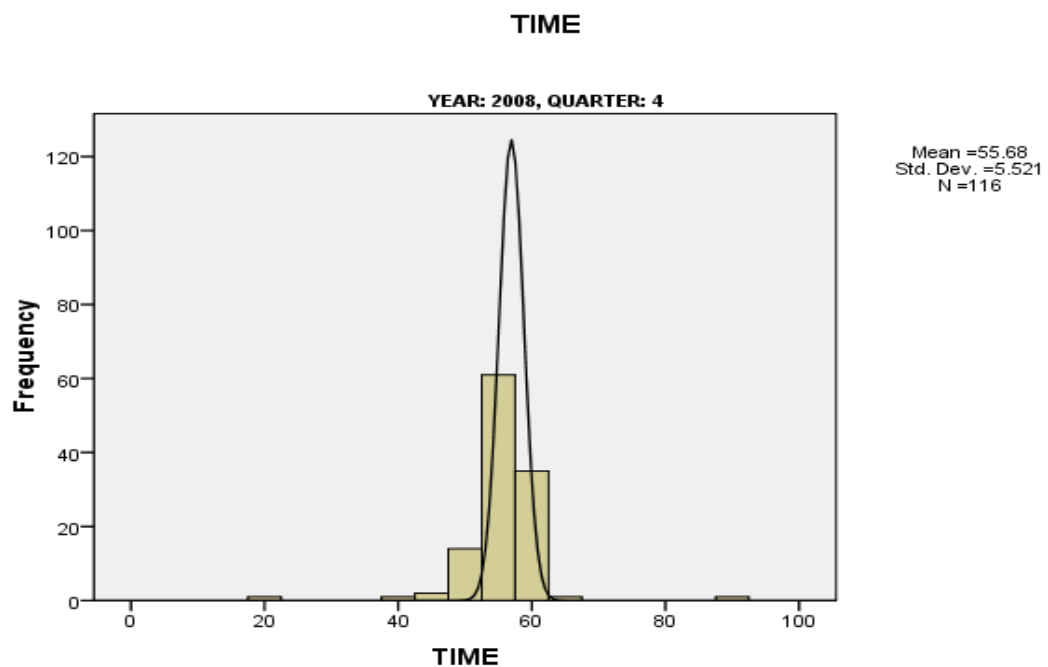
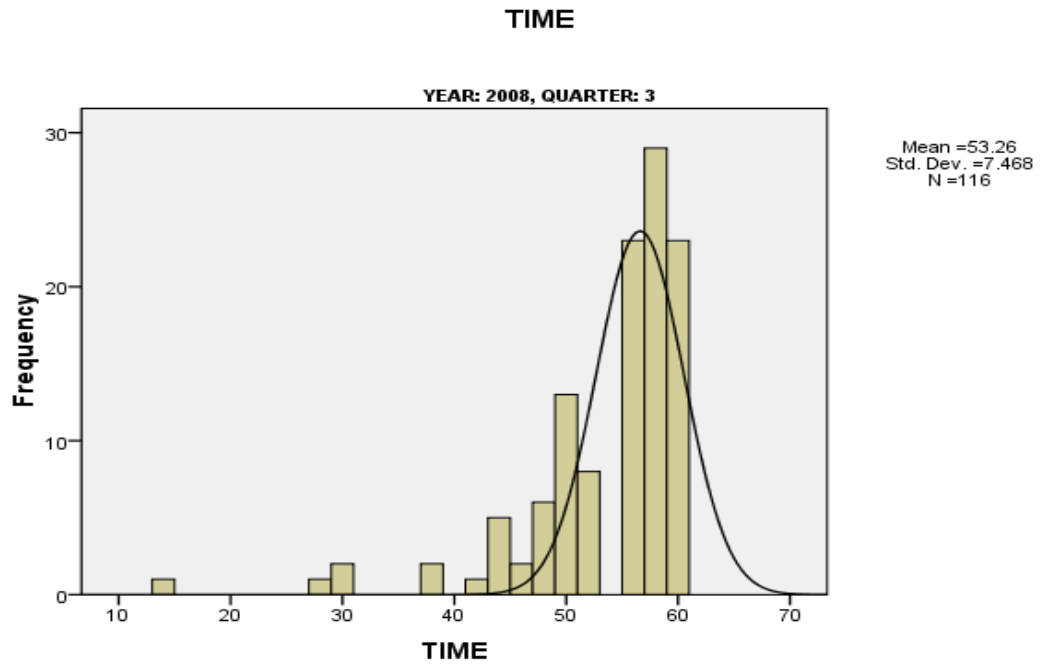
Appendix 4-5: Histogram of Timeliness - Quarter (Continue)



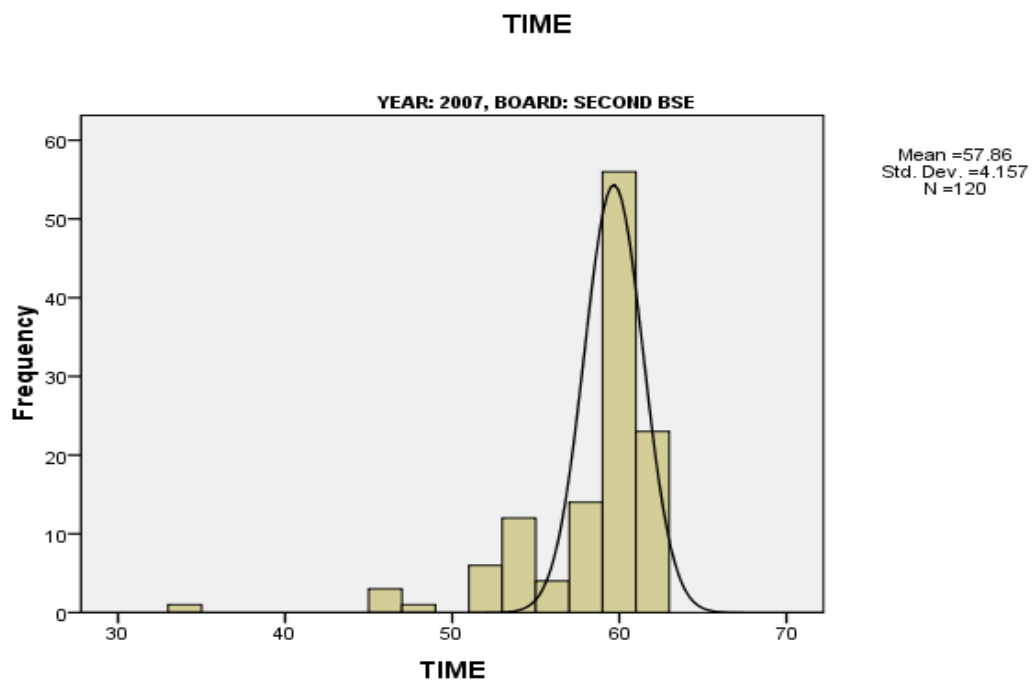
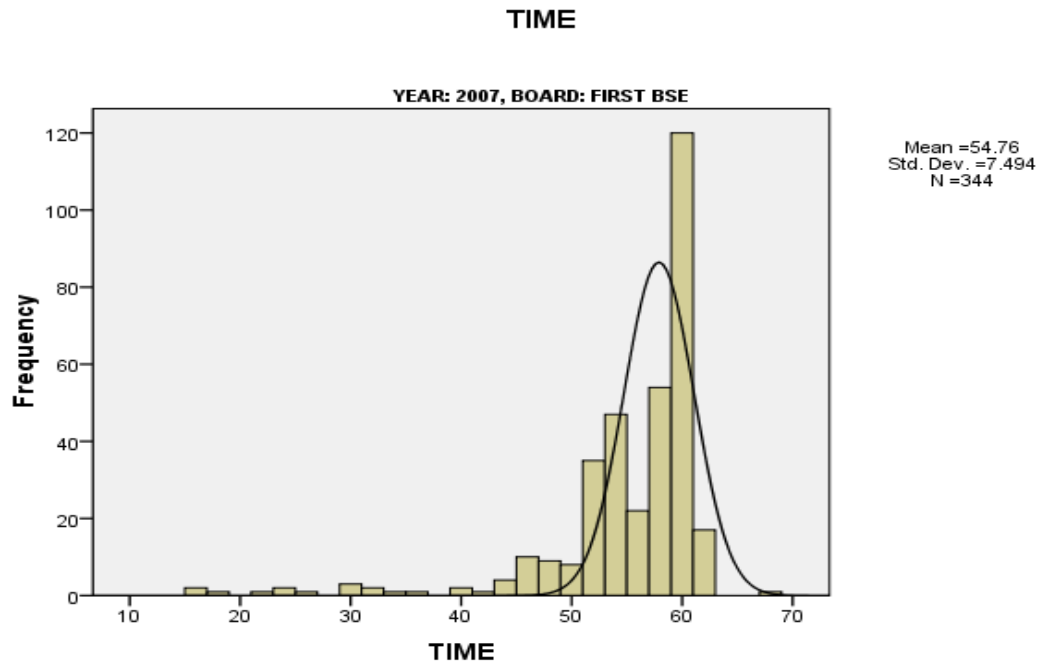
Appendix 4-5: Histogram of Timeliness - Quarter (Continue)



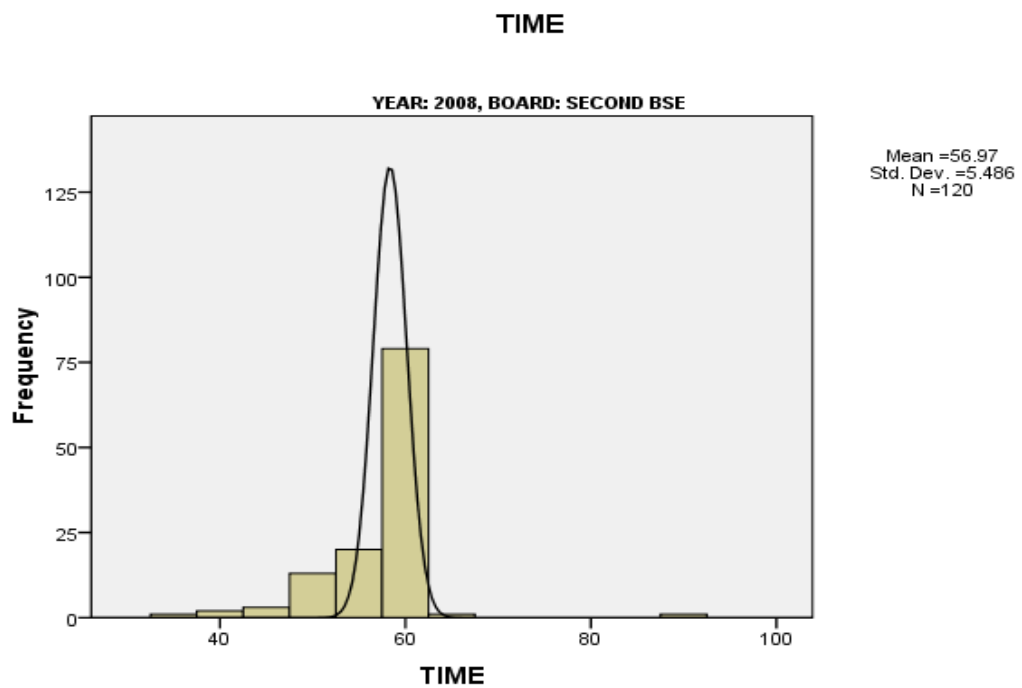
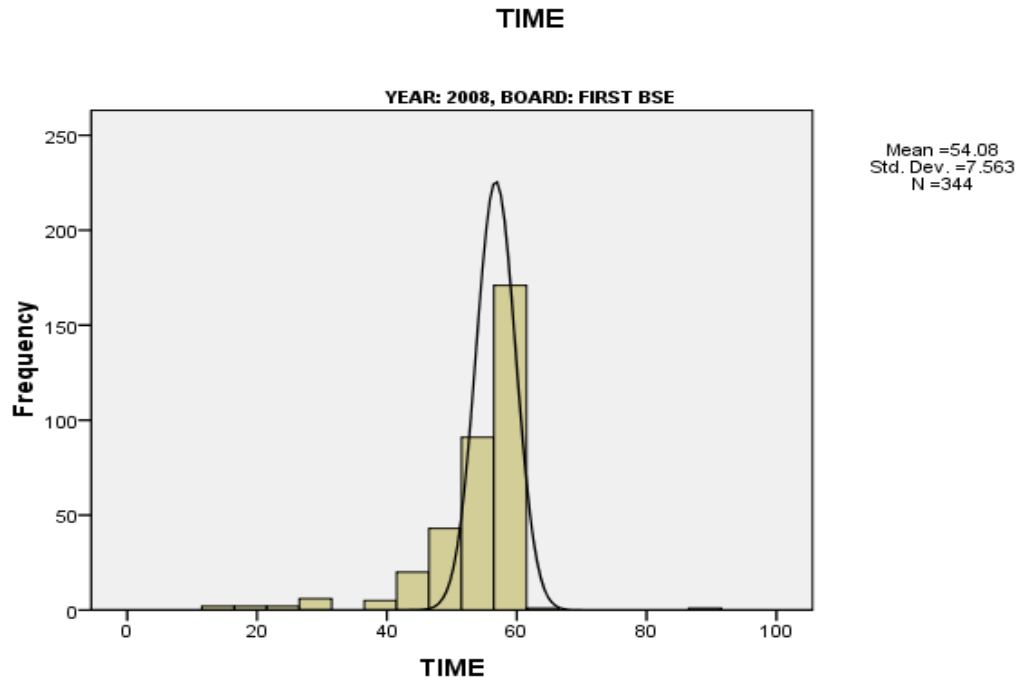
Appendix 4-5: Histogram of Timeliness - Quarter (Continue)



Appendix 4-6: Histogram of Timeliness -BSE

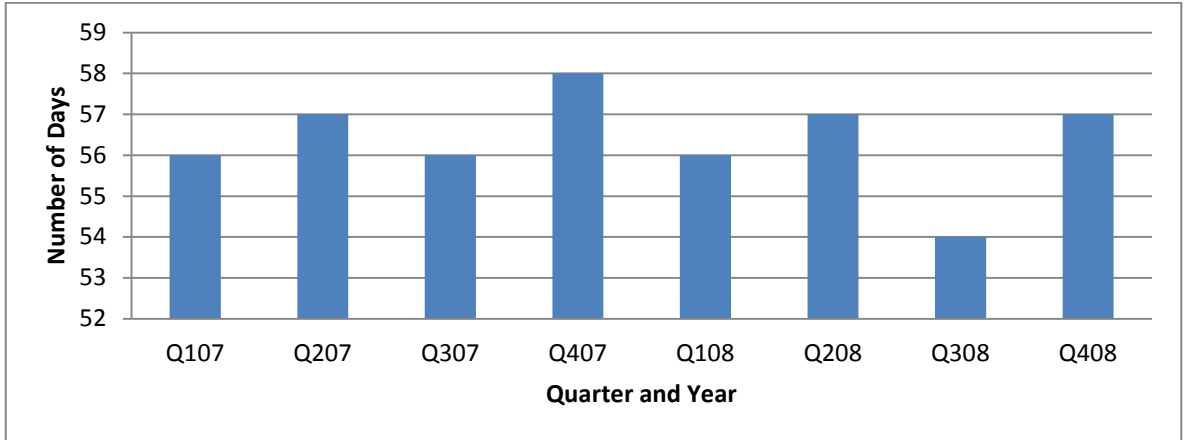


Appendix 4-6: Histogram of Timeliness - BSE (Continue)

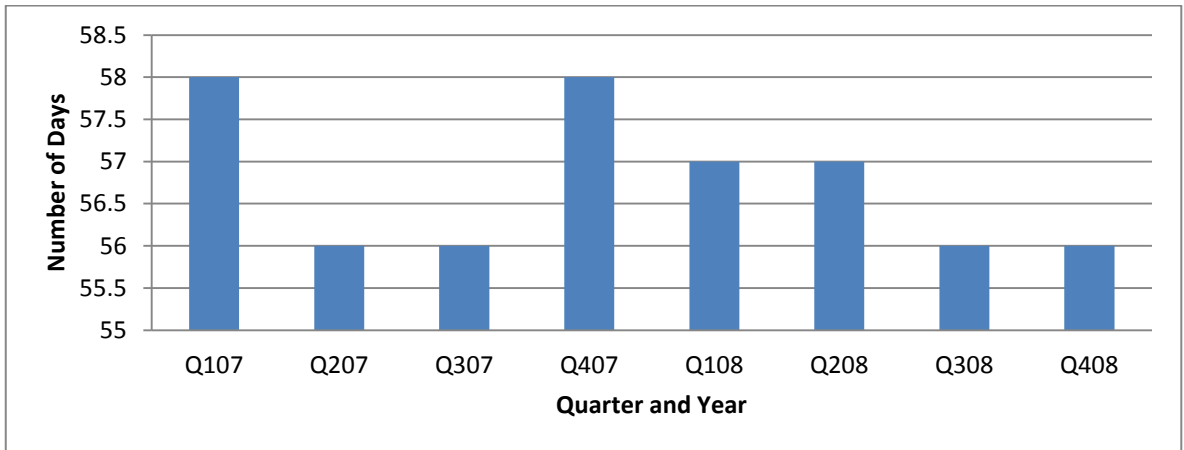


Appendix 4-7: Mean of Timeliness - Industry

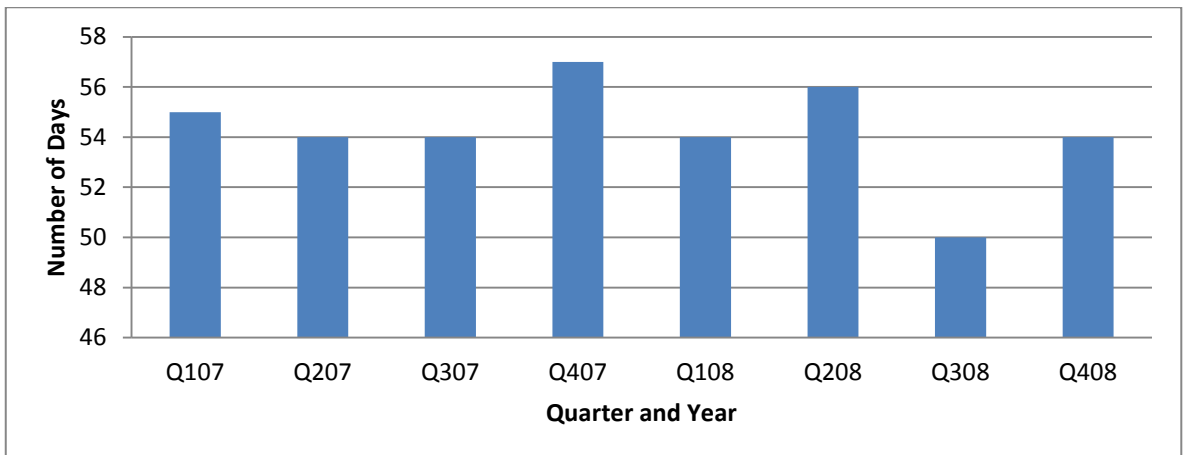
Mean Timeliness: Industrial Products



Mean Timeliness: Services

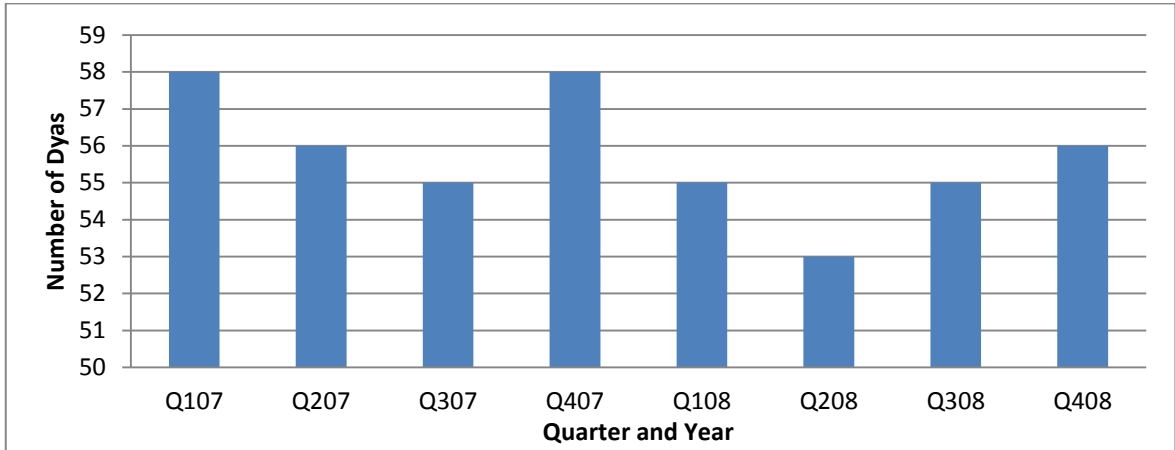


Mean Timeliness: Consumer

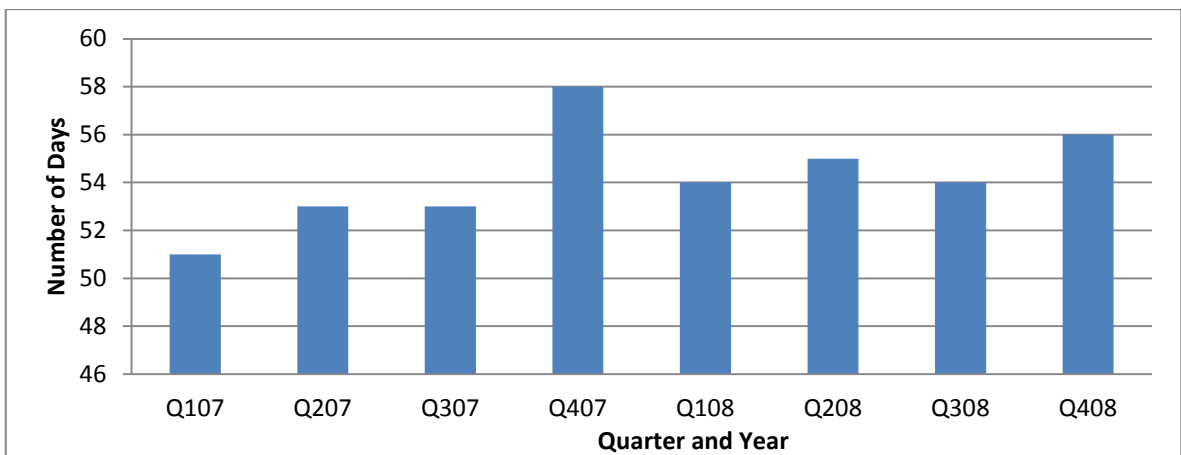


Appendix 4-7: Mean of Timeliness - Industry (Continue)

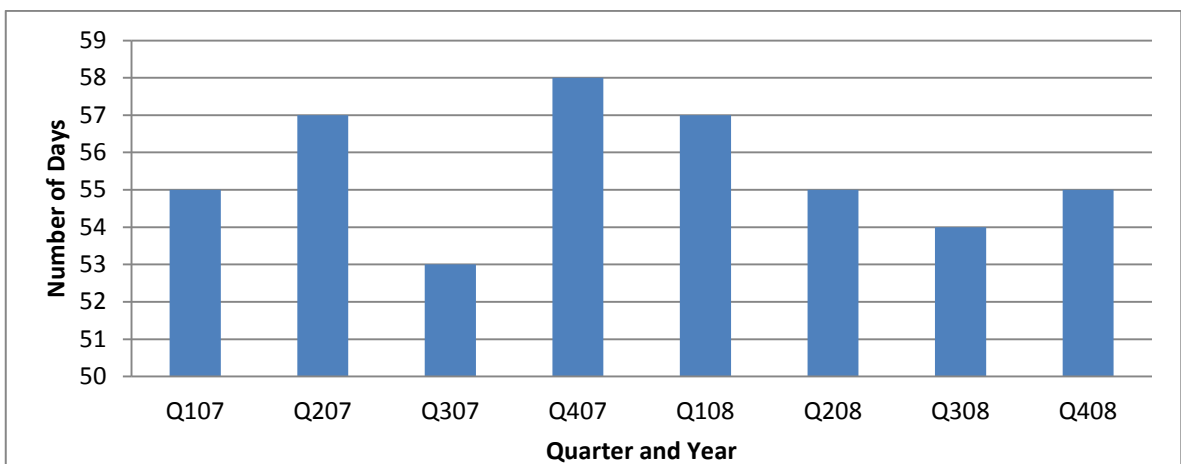
Mean Timeliness: Properties



Mean Timeliness: Plantations

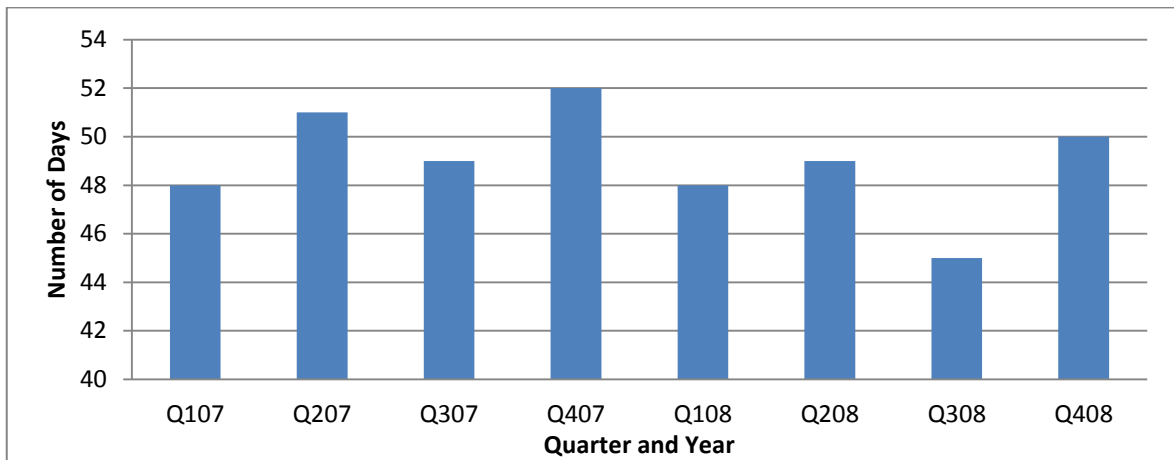


Mean Timeliness: Construction

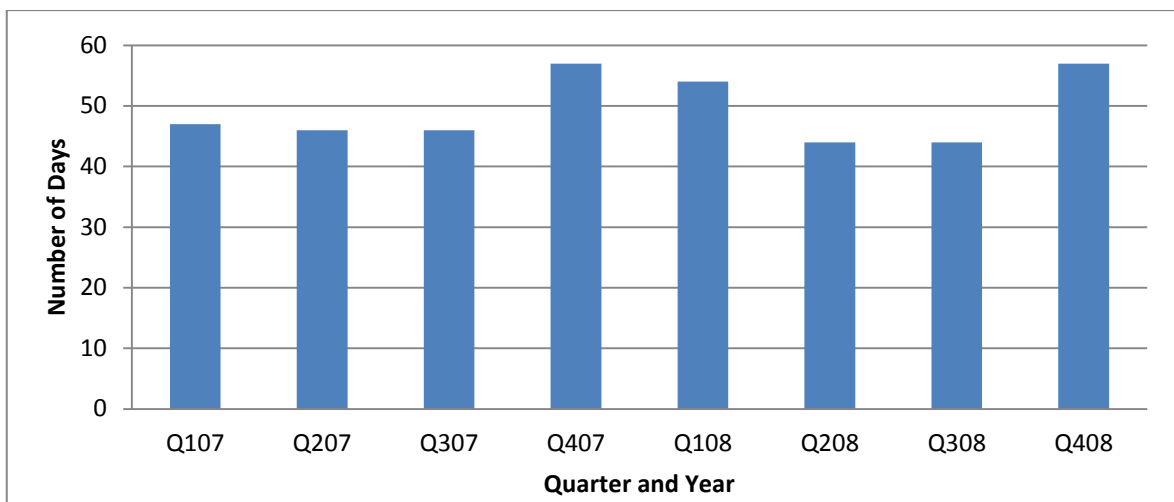


Appendix 4-7: Mean of Timeliness - Industry (Continue)

Mean Timeliness: Finance



Mean Timeliness: Technology



Appendix 4-8: Range of Timeliness - Industry

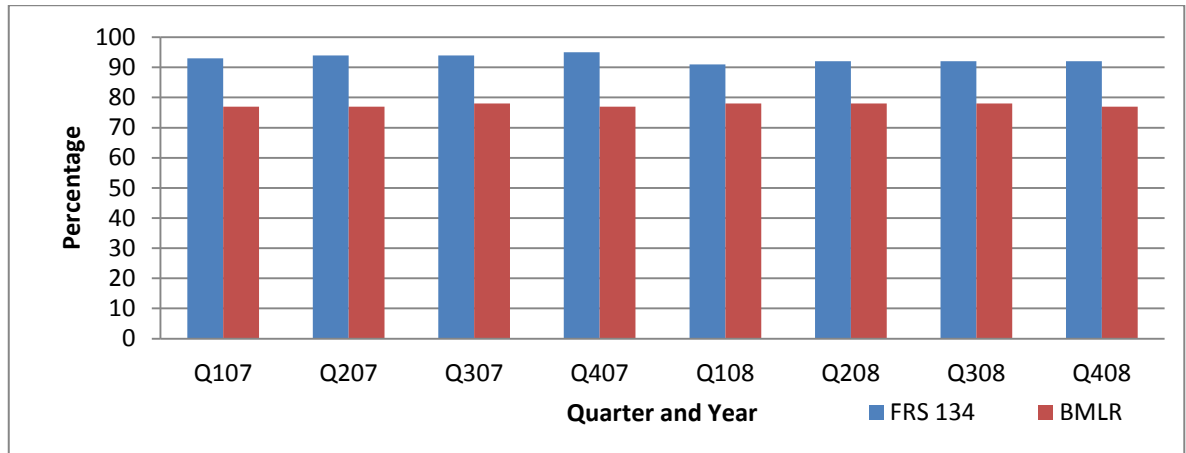
Types of Industry	Days	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Industrial products	21-30	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0
	31-40	2.3	0.0	0.0	0.0	2.3	0.0	0.0	0.0
	41-50	2.3	14.0	9.3	2.3	4.7	9.3	27.9	7.0
	51-60	69.8	65.1	79.1	97.7	93.0	88.4	72.1	88.4
	61+	25.6	20.9	9.3	0.0	0.0	2.3	0.0	4.7
	Total	100	100	100	100	100	100	100	100
Services	41-50	9.5	9.5	4.8	4.8	0.0	0.0	14.3	4.8
	51-60	76.2	85.7	85.7	95.2	100.0	4.8	85.7	95.2
	61+	14.3	4.8	9.5	0.0	0.0	95.2	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Consumer	21-30	6.7	0.0	0.0	6.7	6.7	0.0	13.3	0.0
	31-40	0.0	6.7	6.7	0.0	0.0	6.7	6.7	0.0
	41-50	6.7	6.7	13.3	0.0	13.3	0.0	26.7	20.0
	51-60	73.3	66.7	66.7	93.3	80.0	93.3	53.3	80.0
	61+	13.3	20.0	13.3	0.0	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Properties	21-30	0.0	0.0	0.0	0.0	0.0	9.1	0.0	0.0
	41-50	9.1	9.1	18.2	9.1	27.3	9.1	9.1	0.0
	51-60	90.9	81.8	63.6	90.9	72.7	81.8	90.9	100.0
	61+	0.0	9.1	18.2	0.0	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Plantations	31-40	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	41-50	25.0	25.0	37.5	0.0	25.0	25.0	25.0	0.0
	51-60	62.5	75.0	62.5	100.0	75.0	75.0	75.0	100.0
	Total	100	100	100	100	100	100	100	100
Construction	21-30	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0
	41-50	0.0	0.0	0.0	0.0	0.0	12.5	12.5	25.0
	51-60	100.0	100.0	87.5	100.0	100.0	87.5	87.5	75.0
	Total	100	100	100	100	100	100	100	100
Finance	<= 20	16.7	16.7	16.7	0.0	16.7	16.7	16.7	16.7
	21-30	0.0	0.0	0.0	16.7	0.0	0.0	0.0	0.0
	41-50	16.7	0.0	0.0	0.0	16.7	16.7	66.7	0.0
	51-60	66.7	83.3	83.3	83.3	66.7	66.7	16.7	83.3
	Total	100	100	100	100	100	100	100	100
Technology	21-30	25.0	0.0	25.0	0.0	25.0	0.0	25.0	0.0
	31-40	0.0	50.0	25.0	0.0	25.0	50.0	25.0	0.0
	41-50	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	51-60	50.0	50.0	25.0	100.0	25.0	50.0	50.0	100.0
	61+	0.0	0.0	25.0	0.0	25.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100

Appendix 4-9: Range of Compliance Score with the Interim Reporting Standards - BSE

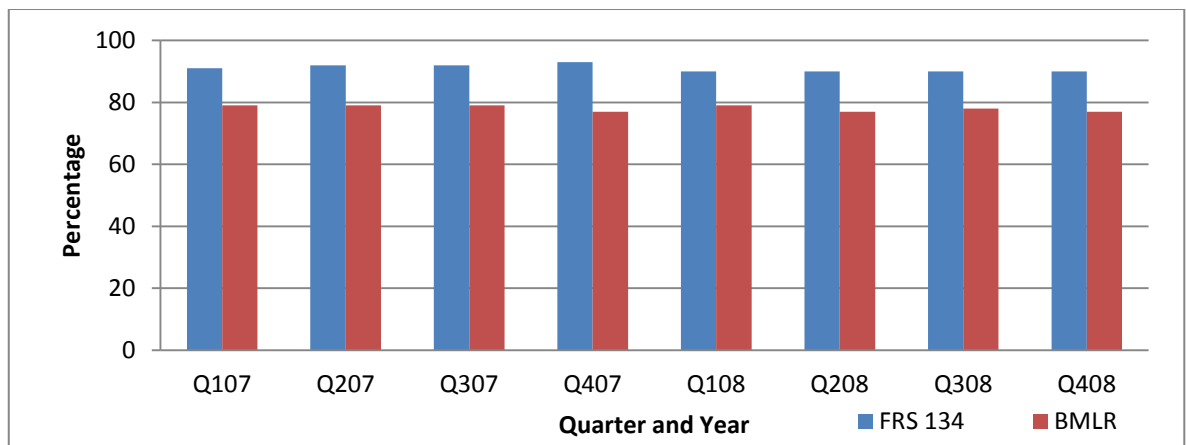
Compliance score	BSE	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
FRS134	First								
	60-70	0.0	0.0	0.0	0.0	1.2	1.2	1.2	1.2
	71 - 80	2.3	2.3	2.3	2.3	3.5	3.5	3.5	2.3
	81-90	20.9	18.6	18.6	14.0	32.6	32.6	31.4	31.4
	91-99	62.8	64.0	64.0	66.3	46.5	46.5	48.8	51.2
	100	14.0	15.1	15.1	17.4	16.3	16.3	15.1	14.0
	Total	100	100	100	100	100	100	100	100
	Second								
	71 - 80	6.7	6.7	3.3	3.3	6.7	3.3	3.3	3.3
	81-90	30.0	23.3	23.3	20.0	40.0	40.0	36.7	40.0
	91-99	53.3	56.7	60.0	63.3	46.7	50.0	53.3	50.0
	100	10.0	13.3	13.3	13.3	6.7	6.7	6.7	6.7
	Total	100	100	100	100	100	100	100	100
	BMLR	First							
<= 50		1.2	1.2	1.2	2.3	3.5	2.3	1.2	1.2
51-60		8.1	8.1	4.7	2.3	2.3	2.3	3.5	3.5
61-70		15.1	18.6	17.4	19.8	17.4	16.3	15.1	17.4
71-80		24.4	22.1	30.2	36.0	37.2	36.0	45.3	40.7
81-90		40.7	40.7	39.5	31.4	32.6	39.5	29.1	36.0
91-99		10.5	9.3	7.0	8.1	7.0	3.5	5.8	1.2
Total		100	100	100	100	100	100	100	100
Second									
<= 50		3.3	3.3	0.0	0.0	3.3	6.7	3.3	3.3
51-60		6.7	3.3	3.3	6.7	0.0	0.0	0.0	0.0
61-70		16.7	13.3	23.3	26.7	30.0	20.0	16.7	23.3
71-80		40.0	50.0	43.3	36.7	30.0	36.7	40.0	36.7
81-90		30.0	26.7	20.0	23.3	33.3	30.0	36.7	30.0
91-99	3.3	3.3	10.0	6.7	3.3	6.7	3.3	6.7	
Total	100	100	100	100	100	100	100	100	

Appendix 4-10: Mean Compliance Score with the Interim Reporting Standards - Industry

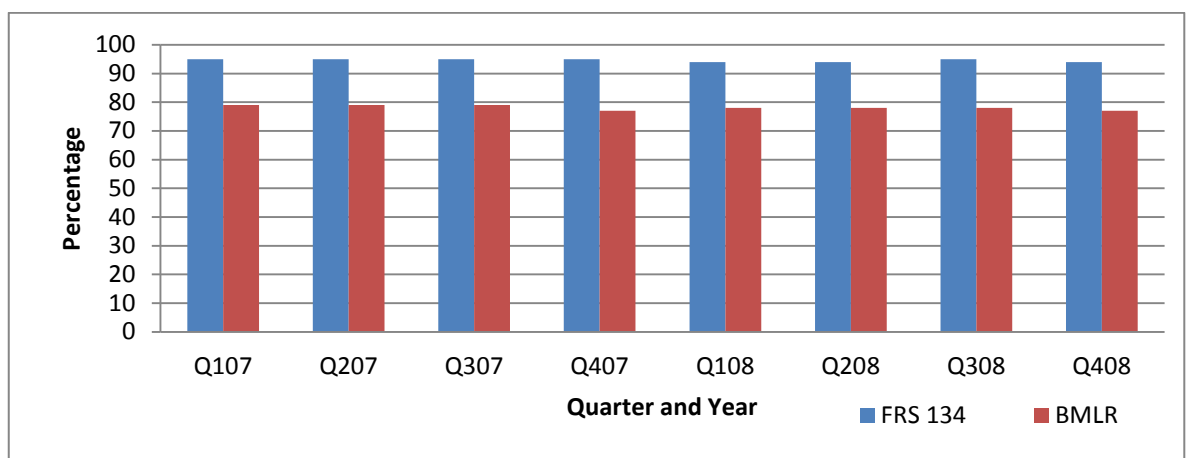
Compliance Score with the Interim Reporting Standards: Industrial Products



Compliance Score with the Interim Reporting Standards: Services

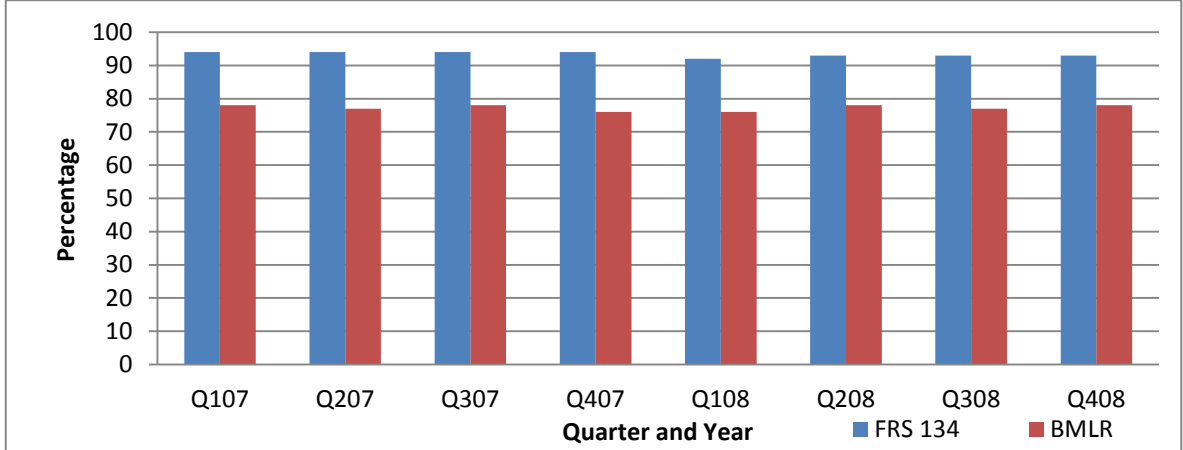


Compliance Score with the Interim Reporting Standards: Consumer

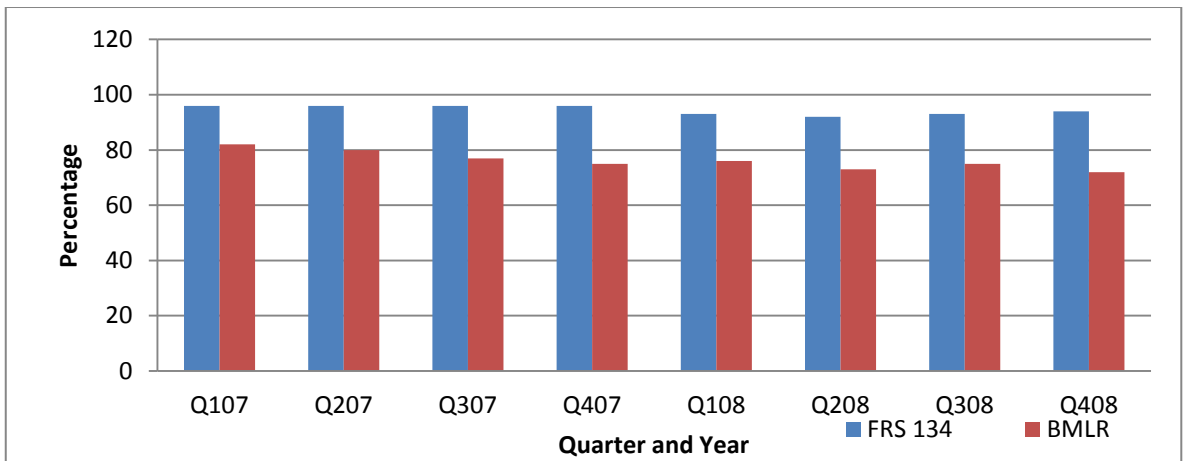


Appendix 4-10: Mean Compliance Score with the Interim Reporting Standards – Industry (Continue)

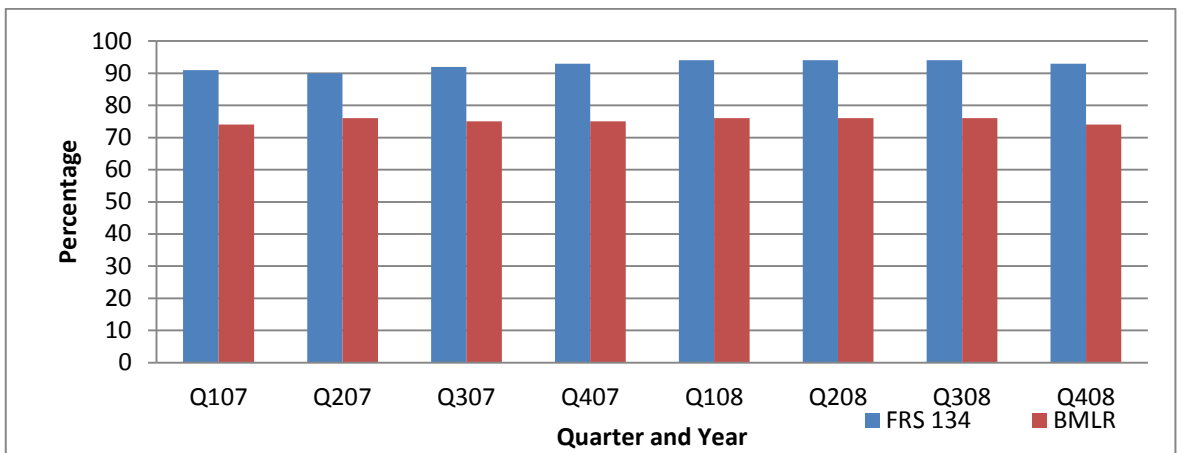
Compliance Score with the Interim Reporting Standards: Properties



Compliance Score with the Interim Reporting Standards: Plantations

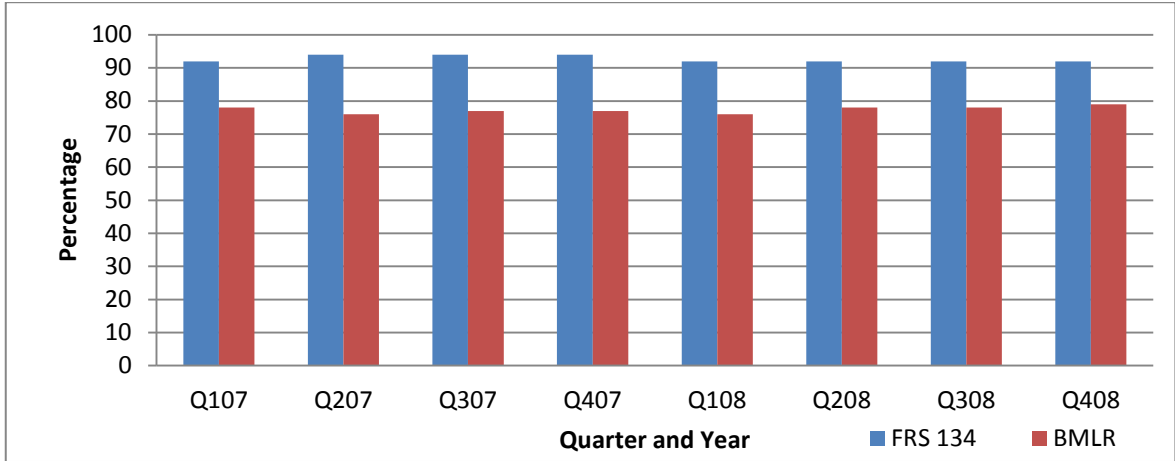


Compliance Score with the Interim Reporting Standards: Construction

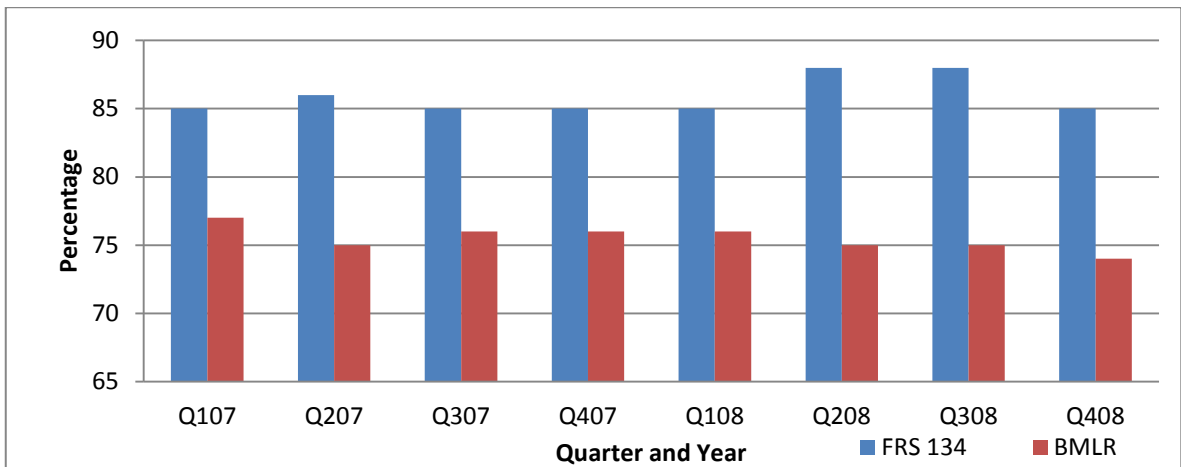


Appendix 4-10: Mean Compliance Score with the Interim Reporting Standards – Industry (Continue)

Compliance Score with the Interim Reporting Standards: Finance



Compliance Score with the Interim Reporting Standards: Technology



Appendix 4-11: Range of Compliance Score with the FRS134 - Industry

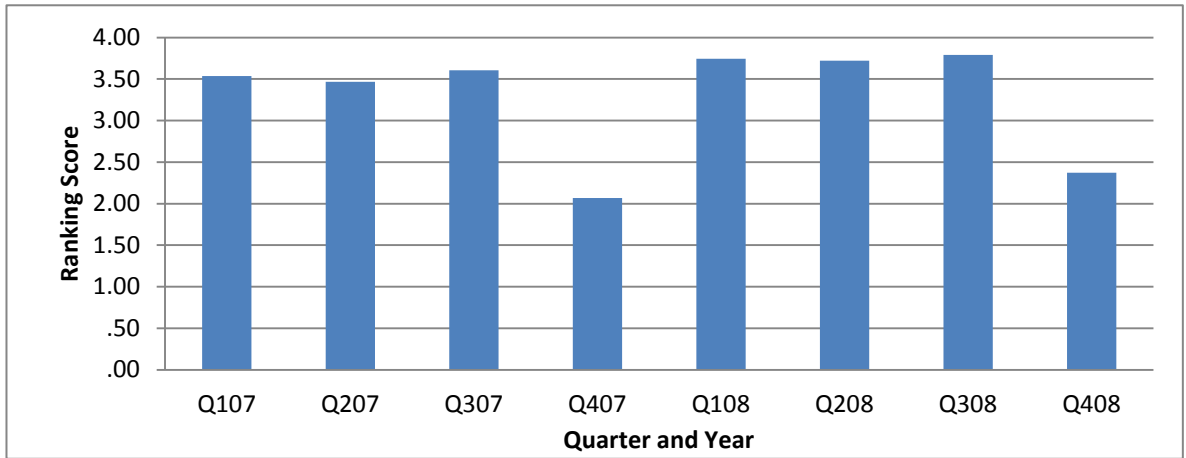
Industry	Compliance Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Construction	81-90	50.0	50.0	37.5	25.0	25.0	25.0	25.0	37.5
	91-99	50.0	50.0	62.5	75.0	75.0	75.0	75.0	62.5
	Total	100	100	100	100	100	100	100	100
Consumer	81-90	20.0	20.0	20.0	20.0	26.7	26.7	26.7	33.3
	91-99	60.0	60.0	60.0	53.3	40.0	40.0	40.0	40.0
	100	20.0	20.0	20.0	26.7	33.3	33.3	33.3	26.7
	Total	100	100	100	100	100	100	100	100
Finance	71 - 80	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
	81-90	16.7	0.0	0.0	0.0	16.7	16.7	16.7	16.7
	91-99	66.7	83.3	83.3	66.7	66.7	66.7	66.7	66.7
	100	0.0	0.0	0.0	16.7	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Industrial Products	71 - 80	4.7	4.7	2.3	2.3	4.7	2.3	2.3	2.3
	81-90	16.3	11.6	14.0	7.0	39.5	41.9	41.9	34.9
	91-99	67.4	69.8	69.8	76.7	48.8	48.8	48.8	55.8
	100	11.6	14.0	14.0	14.0	7.0	7.0	7.0	7.0
	Total	100	100	100	100	100	100	100	100
Plantations	81-90	12.5	12.5	12.5	12.5	37.5	50.0	37.5	25.0
	91-99	50.0	50.0	50.0	50.0	37.5	25.0	37.5	50.0
	100	37.5	37.5	37.5	37.5	25.0	25.0	25.0	25.0
	Total	100	100	100	100	100	100	100	100
Properties	81-90	18.2	18.2	18.2	18.2	45.5	36.4	36.4	36.4
	91-99	63.6	63.6	63.6	63.6	27.3	36.4	36.4	36.4
	100	18.2	18.2	18.2	18.2	27.3	27.3	27.3	27.3
	Total	100	100	100	100	100	100	100	100
Services	60-70	0.0	0.0	0.0	0.0	4.8	4.8	4.8	4.8
	71 - 80	4.8	4.8	4.8	4.8	9.5	9.5	9.5	4.8
	81-90	28.6	23.8	23.8	19.0	23.8	23.8	19.0	28.6
	91-99	57.1	57.1	57.1	61.9	47.6	47.6	57.1	52.4
	100	9.5	14.3	14.3	14.3	14.3	14.3	9.5	9.5
	Total	100	100	100	100	100	100	100	100
Technology	81-90	75.0	75.0	75.0	75.0	75.0	50.0	50.0	75.0
	91-99	25.0	25.0	25.0	25.0	25.0	50.0	50.0	25.0
	Total	100	100	100	100	100	100	100	100

Appendix 4-12: Range of Compliance Score with the BMLR - Industry

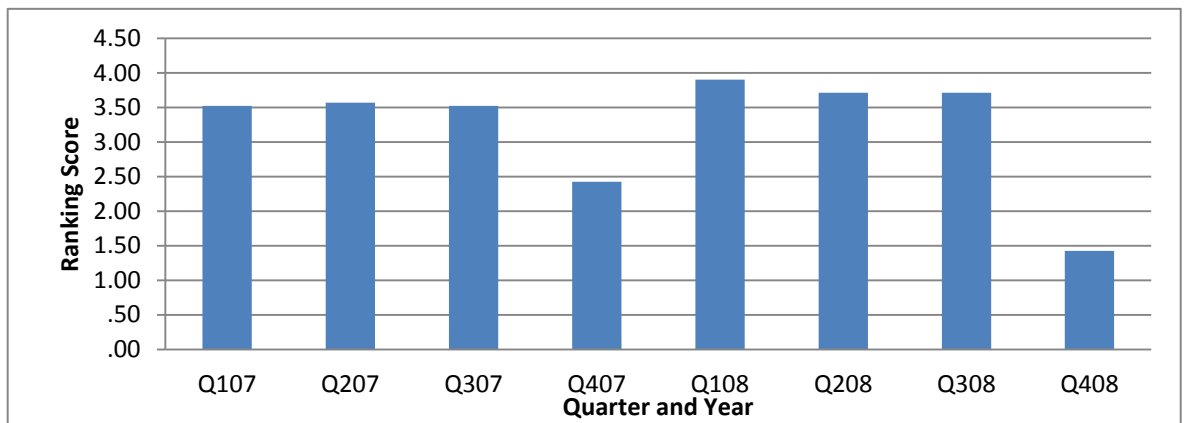
Types of Industry	Compliance Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Construction	51-60	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
	61-70	37.5	25.0	25.0	25.0	0.0	0.0	0.0	0.0
	71-80	12.5	12.5	12.5	25.0	50.0	50.0	50.0	75.0
	81-90	37.5	50.0	50.0	37.5	37.5	37.5	37.5	12.5
	Total	100	100	100	100	100	100	100	100
Consumer	61-70	20.0	26.7	26.7	33.3	40.0	26.7	26.7	26.7
	71-80	33.3	20.0	20.0	26.7	26.7	33.3	33.3	40.0
	81-90	33.3	46.7	46.7	33.3	26.7	40.0	40.0	33.3
	91-99	13.3	6.7	6.7	6.7	6.7	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Finance	61-70	16.7	33.3	16.7	16.7	16.7	16.7	16.7	16.7
	71-80	50.0	33.3	50.0	50.0	66.7	50.0	50.0	50.0
	81-90	16.7	33.3	33.3	33.3	16.7	33.3	33.3	33.3
	91-99	16.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100
Industrial Products	<= 50	2.3	2.3	0.0	0.0	2.3	4.7	2.3	2.3
	51-60	11.6	11.6	4.7	4.7	0.0	0.0	0.0	0.0
	61-70	9.3	7.0	16.3	18.6	20.9	16.3	11.6	16.3
	71-80	34.9	41.9	41.9	34.9	32.6	34.9	48.8	32.6
	81-90	39.5	32.6	32.6	37.2	41.9	37.2	32.6	48.8
	91-99	2.3	4.7	4.7	4.7	2.3	7.0	4.7	0.0
	Total	100	100	100	100	100	100	100	100
Plantations	<= 50	0.0	0.0	0.0	12.5	25.0	25.0	12.5	12.5
	51-60	25.0	25.0	25.0	12.5	0.0	0.0	12.5	12.5
	61-70	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.5
	71-80	0.0	25.0	37.5	50.0	25.0	37.5	37.5	37.5
	81-90	37.5	25.0	12.5	0.0	25.0	37.5	12.5	25.0
	91-99	37.5	25.0	25.0	25.0	25.0	0.0	25.0	
	Total	100	100	100	100	100	100	100	100
Properties	<= 50	9.1	9.1	9.1	9.1	9.1	0.0	0.0	0.0
	61-70	18.2	18.2	18.2	9.1	18.2	27.3	27.3	27.3
	71-80	18.2	18.2	18.2	45.5	36.4	18.2	27.3	27.3
	81-90	45.5	45.5	45.5	27.3	36.4	45.5	45.5	36.4
	91-99	9.1	9.1	9.1	9.1	0.0	9.1	0.0	9.1
	Total	100	100	100	100	100	100	100	100
Services	51-60	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	61-70	19.0	23.8	23.8	28.6	28.6	23.8	23.8	28.6
	71-80	23.8	28.6	33.3	38.1	33.3	38.1	47.6	42.9
	81-90	42.9	33.3	28.6	19.0	28.6	33.3	19.0	19.0
	91-99	9.5	14.3	14.3	14.3	9.5	4.8	9.5	9.5
	Total	100	100	100	100	100	100	100	100
Technology	51-60	0.0	0.0	0.0	0.0	25.0	25.0	25.0	25.0
	61-70	25.0	50.0	25.0	50.0	0.0	0.0	0.0	0.0
	71-80	50.0	0.0	50.0	25.0	50.0	50.0	50.0	50.0
	81-90	25.0	50.0	25.0	25.0	25.0	25.0	25.0	25.0
	Total	100	100	100	100	100	100	100	100

Appendix 4-13 Mean Comparability Ranking Score of Interims - Industry

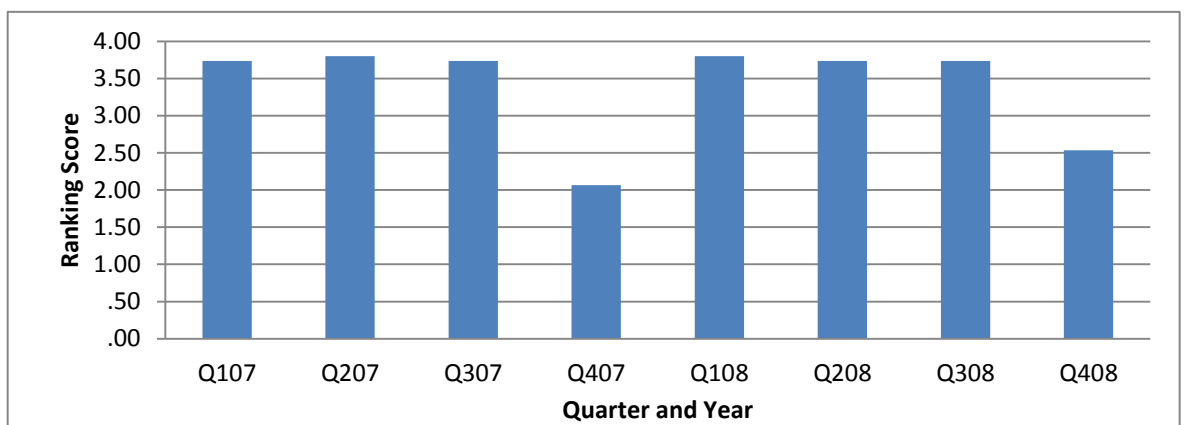
Comparability of Interims: Industrial Products



Comparability of Interims: Services

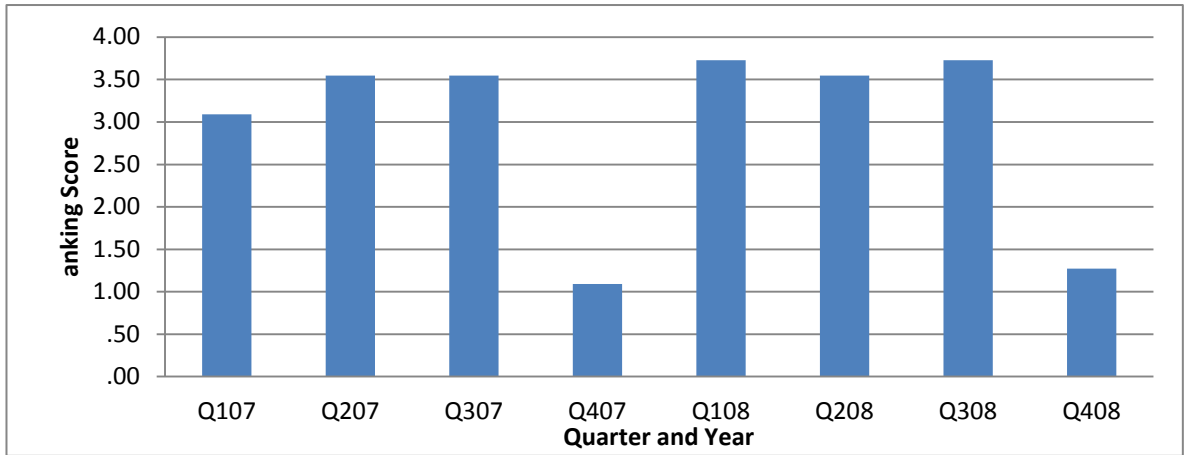


Comparability of Interims: Consumer

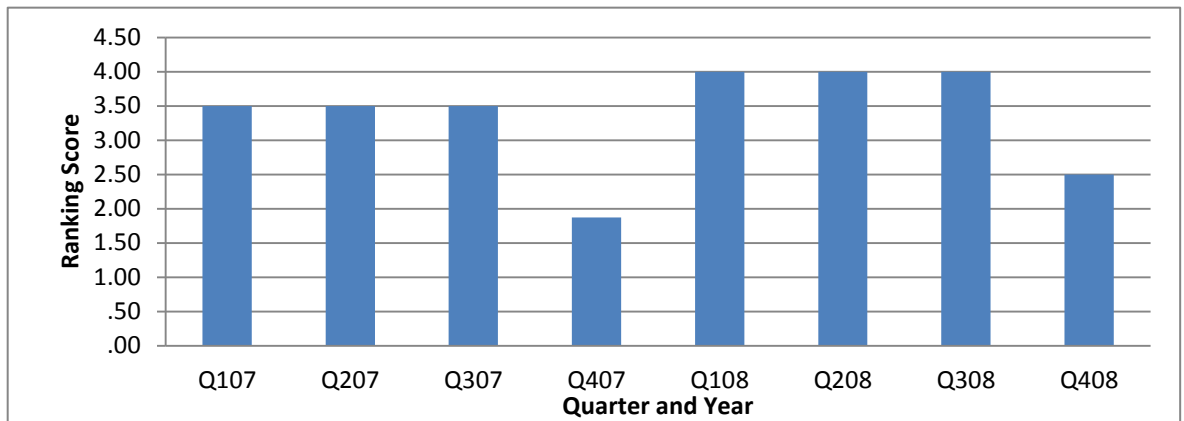


**Appendix 4-13 Mean Comparability Ranking Score of Interims – Industry
(Continue)**

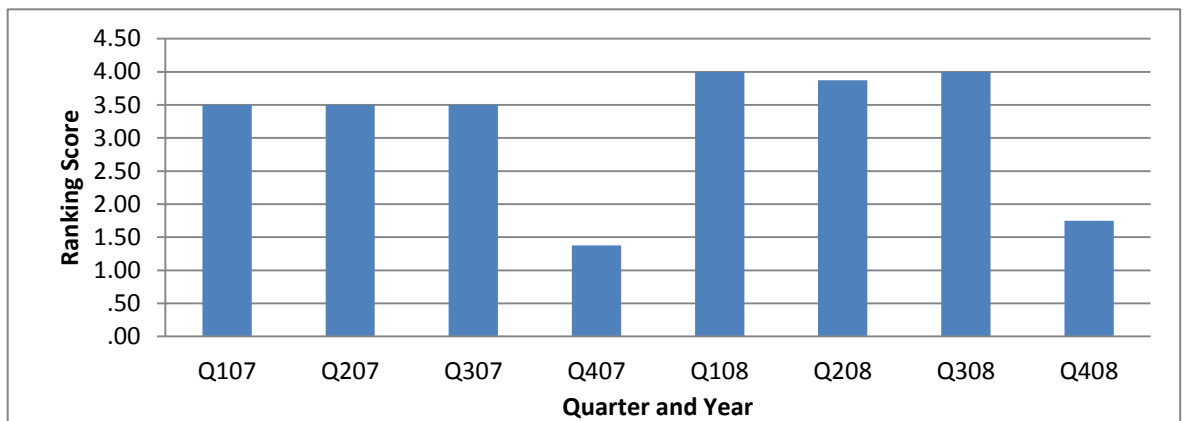
Comparability of Interims: Properties



Comparability of Interims: Plantations

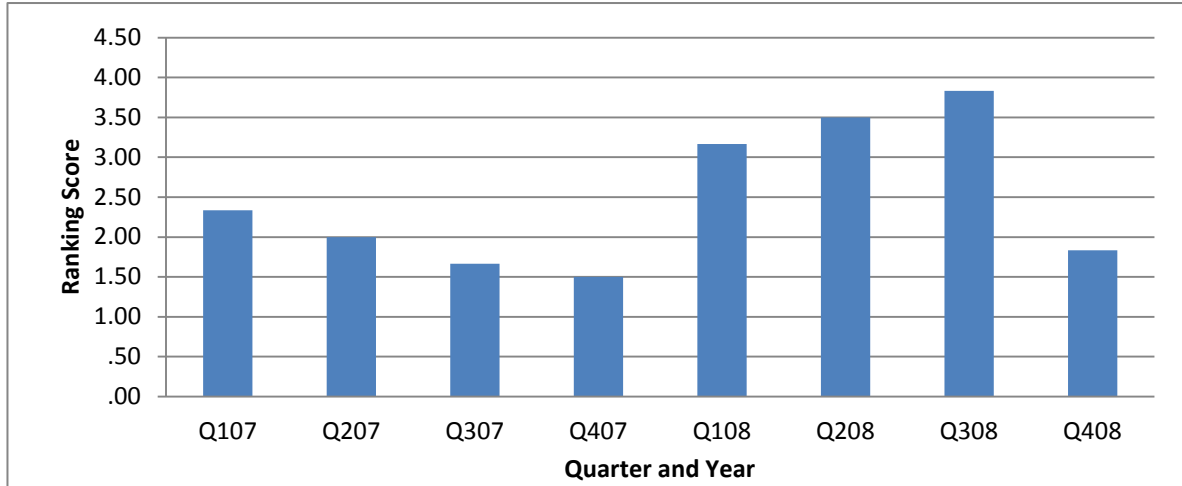


Comparability of Interims: Construction

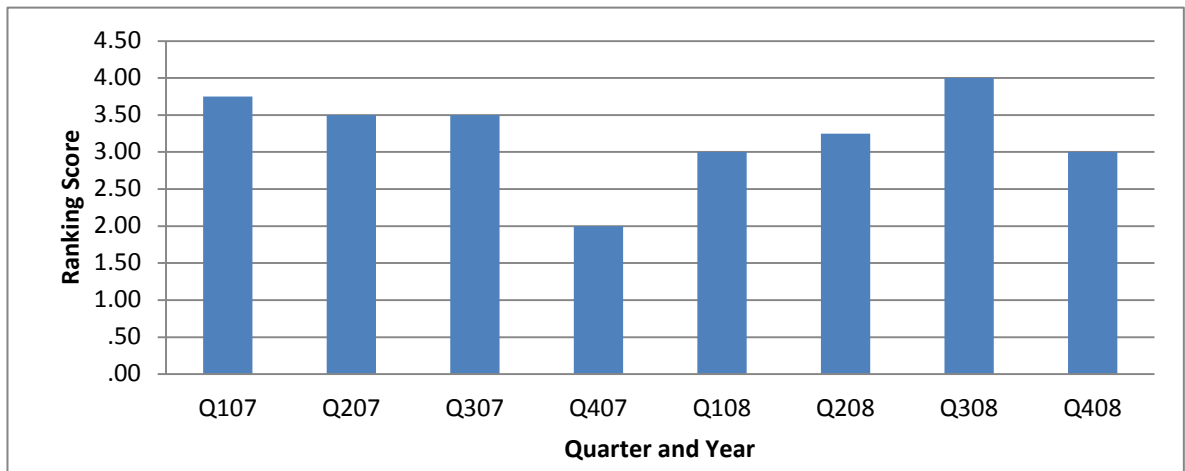


**Appendix 4-13 Mean Comparability Ranking Score of Interims – Industry
(Continue)**

Comparability of Interims: Finance



Comparability of Interims: Technology



Appendix 4-14: Comparability Ranking Score of Interims - Industry

Industry	Ranking Score	Q1 2007 %	Q2 2007 %	Q3 2007 %	Q4 2007 %	Q1 2008 %	Q2 2008 %	Q3 2008 %	Q4 2008 %
Construction	1	12.5	12.5	12.5	62.5	0.0	0.0	0.0	50.0
	2	0.0	0.0	0.0	12.5	0.0	0.0	0.0	12.5
	3	0.0	0.0	0.0	12.5	0.0	12.5	0.0	12.5
	4	87.5	87.5	87.5	12.5	100.0	87.5	100.0	25.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Consumer	1.0	6.7	6.7	6.7	46.7	6.7	6.7	6.7	40.0
	2	0.0	0.0	0.0	6.7	0.0	0.0	0.0	0.0
	3.0	6.7	0.0	6.7	6.7	0.0	6.7	0.0	0.0
	4.0	86.7	93.3	86.7	40.0	93.3	86.7	93.3	60.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Finance	1.0	33.3	33.3	50.0	50.0	0.0	0.0	0.0	50.0
	2	16.7	33.3	16.7	16.7	16.7	16.7	0.0	0.0
	3.0	0.0	0.0	0.0	16.7	50.0	16.7	16.7	33.3
	4.0	50.0	33.3	33.3	16.7	33.3	66.7	83.3	16.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial Products	1.0	9.3	14.0	9.3	46.5	4.7	2.3	2.3	37.2
	2	0.0	0.0	0.0	9.3	2.3	7.0	4.7	9.3
	3.0	14.0	7.0	7.0	4.7	2.3	4.7	2.3	7.0
	4.0	76.7	79.1	83.7	39.5	90.7	86.0	90.7	46.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Plantations	1.0	12.5	12.5	12.5	62.5	0.0	0.0	0.0	25.0
	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0
	3.0	12.5	12.5	12.5	0.0	0.0	0.0	0.0	0.0
	4.0	75.0	75.0	75.0	37.5	100.0	100.0	100.0	50.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Properties	1.0	18.2	9.1	9.1	72.7	0.0	9.1	0.0	63.6
	2	9.1	0.0	0.0	0.0	0.0	9.1	0.0	9.1
	3.0	9.1	18.2	18.2	0.0	27.3	0.0	27.3	0.0
	4.0	63.6	72.7	72.7	27.3	72.7	81.8	72.7	27.3
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Services	1.0	4.8	4.8	9.5	38.1	0.0	4.8	4.8	61.9
	2	9.5	9.5	4.8	4.8	0.0	0.0	0.0	9.5
	3.0	14.3	9.5	4.8	9.5	9.5	9.5	9.5	4.8
	4.0	71.4	76.2	81.0	47.6	90.5	85.7	85.7	23.8
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Technology	1.0	0.0	0.0	0.0	50.0	25.0	25.0	0.0	25.0
	2	0.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0
	3.0	25.0	0.0	0.0	25.0	25.0	0.0	0.0	0.0
	4.0	75.0	75.0	75.0	25.0	50.0	75.0	100.0	75.0
	Total	100	100	100	100	100	100	100	100

Appendix 4-15: Descriptive Statistics of Independent Variables

YEAR			MTGD	INDEPD	FINLITD	GOVD	ETHNICD	
2007	N	Valid	464	464	464	464	464	
		Missing	0	0	0	0	0	
		Mean	5.39	.44	.25	.66243	.40	
		Std. Error of Mean	.094	.005	.007	.012269	.012	
		Median	5.00	.43	.20	.71400	.30	
		Mode	5	1	0	1.000	0	
		Std. Deviation	2.035	.110	.151	.264292	.254	
		Variance	4.143	.012	.023	.070	.065	
		Range	14	1	1	1.000	1	
		Minimum	3	0	0	.000	0	
		Maximum	17	1	1	1.000	1	
		Sum	2500	202	118	307.368	184	
		Percentiles						
			25	4.00	.33	.14	.44400	.20
			50	5.00	.43	.20	.71400	.30
		75	6.00	.50	.33	.87500	.50	
2008	N	Valid	464	464	464	464	464	
		Missing	0	0	0	0	0	
		Mean	5.38	.45	.27	.67162	.38	
		Std. Error of Mean	.089	.006	.007	.012154	.012	
		Median	5.00	.43	.25	.72050	.30	
		Mode	5	1	0	1.000	0	
		Std. Deviation	1.908	.120	.144	.261800	.255	
		Variance	3.640	.014	.021	.069	.065	
		Range	13	1	1	1.000	1	
		Minimum	4	0	0	.000	0	
		Maximum	17	1	1	1.000	1	
		Sum	2496	209	124	311.632	178	
		Percentiles						
			25	4.00	.37	.14	.42900	.20
			50	5.00	.43	.25	.72050	.30
		75	6.00	.50	.33	.88900	.50	

Appendix 4-16: Descriptive Statistics of Independent Variables - BSE

YEAR			2007					2008				
TYPES OF BSE			MTGD	INDEPD	FINLITD	GOVD	ETHNICD	MTGD	INDEPD	FINLITD	GOVD	ETHNICD
FIRST BSE	N	Valid	344	344	344	344	344	344	344	344	344	344
		Missing	0	0	0	0	0	0	0	0	0	0
	Mean		5.45	.4328	.2486	.7153	.4233	5.49	.4507	.2628	.7222	.4035
	Std. Error of Mean		.118	.00597	.00822	.01229	.01392	.115	.00618	.00792	.01264	.01403
	Median		5.00	.4300	.2000	.7500	.3000	5.00	.4300	.2500	.7640	.3000
	Mode		4	.50	.17	1.00	.30	5	.50	.14	1.00	.30
	Std. Deviation		2.185	.11080	.15242	.22802	.25813	2.142	.11462	.14695	.23444	.26027
	Variance		4.773	.012	.023	.052	.067	4.589	.013	.022	.055	.068
	Range		14	.50	.75	.80	1.00	13	.53	.67	.86	1.00
	Minimum		3	.17	.00	.20	.00	4	.22	.00	.14	.00
	Maximum		17	.67	.75	1.00	1.00	17	.75	.67	1.00	1.00
	Sum		1876	148.88	85.52	246.07	145.60	1888	155.04	90.40	248.45	138.80
	Percentiles	25	4.00	.3300	.1400	.5560	.3000	4.00	.3800	.1400	.5710	.2000
		50	5.00	.4300	.2000	.7500	.3000	5.00	.4300	.2500	.7640	.3000
	75	6.00	.5000	.3300	.8890	.6000	6.00	.5000	.3300	.9000	.6000	
SECOND BSE	N	Valid	120	120	120	120	120	120	120	120	120	120
		Missing	0	0	0	0	0	0	0	0	0	0
	Mean		5.20	.4467	.2720	.5108	.3200	5.07	.4500	.2777	.5265	.3233
	Std. Error of Mean		.139	.00984	.01323	.02748	.02069	.082	.01229	.01215	.02576	.02100
	Median		5.00	.4300	.2200	.4220	.3000	5.00	.4300	.2500	.4645	.3000
	Mode		5	.50	.17	.33 ^a	.30	5	.33	.17 ^a	.33	.30
	Std. Deviation		1.521	.10779	.14491	.30107	.22663	.896	.13468	.13311	.28214	.22999
	Variance		2.313	.012	.021	.091	.051	.802	.018	.018	.080	.053
	Range		6	.42	.49	1.00	1.00	3	.58	.46	1.00	1.00
	Minimum		4	.29	.11	.00	.00	4	.25	.11	.00	.00
	Maximum		10	.71	.60	1.00	1.00	7	.83	.57	1.00	1.00
	Sum		624	53.60	32.64	61.30	38.40	608	54.00	33.32	63.18	38.80
	Percentiles	25	4.00	.3300	.1700	.2860	.2000	4.00	.3300	.1700	.3330	.2000
		50	5.00	.4300	.2200	.4220	.3000	5.00	.4300	.2500	.4645	.3000
	75	5.00	.5000	.4000	.7500	.4000	6.00	.5000	.3300	.7500	.4000	

Appendix 4-17: Descriptive Statistics of Independent Variables - Industry

YEAR			2007					2008				
INDUSTRY			MTGD	INDEPD	FINLITD	GOVD	ETHNICD	MTGD	INDEPD	FINLITD	GOVD	ETHNICD
CONSTRUCTION	N	Valid	32	32	32	32	32	32	32	32	32	32
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	4.88	.4400	.1738	.6285	.5125	5.00	.4763	.1900	.6119	.5000
		Median	5.00	.4300	.1550	.5710	.4500	5.00	.4300	.1550	.5710	.4500
		Mode	4 ^a	.43	.14	.57	.30 ^a	4 ^a	.43	.14	.40 ^a	.10 ^a
		Std. Deviation	.793	.12981	.04248	.19988	.31083	.880	.11870	.06486	.20956	.33697
		Variance	.629	.017	.002	.040	.097	.774	.014	.004	.044	.114
		Range	2	.42	.12	.60	.90	2	.41	.16	.60	.90
		Minimum	4	.25	.13	.40	.10	4	.29	.14	.40	.10
		Maximum	6	.67	.25	1.00	1.00	6	.70	.30	1.00	1.00
		Sum	156	14.08	5.56	20.11	16.40	160	15.24	6.08	19.58	16.00
CONSUMER	N	Valid	60	60	60	60	60	60	60	60	60	60
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	4.93	.4013	.2407	.6568	.2333	4.93	.4320	.2460	.7175	.2400
		Median	5.00	.4300	.1700	.6670	.3000	5.00	.4300	.1800	.7140	.3000
		Mode	5	.43 ^a	.17	1.00	.30	4	.43	.14 ^a	1.00	.30
		Std. Deviation	.936	.08974	.14135	.28245	.12577	.936	.08366	.15020	.25413	.13679
		Variance	.877	.008	.020	.080	.016	.877	.007	.023	.065	.019
		Range	3	.33	.49	.88	.40	3	.36	.57	.88	.40
		Minimum	4	.17	.11	.13	.00	4	.27	.00	.13	.00
		Maximum	7	.50	.60	1.00	.40	7	.63	.57	1.00	.40
		Sum	296	24.08	14.44	39.41	14.00	296	25.92	14.76	43.05	14.40
FINANCE	N	Valid	24	24	24	24	24	24	24	24	24	24
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	6.83	.5133	.3383	.8250	.5667	7.00	.5000	.3217	.8273	.4833
		Median	5.00	.5250	.3550	.8920	.4500	5.00	.5000	.3300	.8820	.4000
		Mode	4 ^a	.33 ^a	.17 ^a	1.00	.40	4 ^a	.50	.33	.50 ^a	.30 ^a
		Std. Deviation	4.310	.12239	.12363	.23329	.25481	4.334	.11632	.13021	.16101	.24613
		Variance	18.580	.015	.015	.054	.065	18.783	.014	.017	.026	.061
		Range	12	.34	.33	.67	.70	12	.34	.37	.50	.60
		Minimum	4	.33	.17	.33	.30	4	.33	.13	.50	.20
		Maximum	16	.67	.50	1.00	1.00	16	.67	.50	1.00	.80
		Sum	164	12.32	8.12	19.80	13.60	168	12.00	7.72	19.86	11.60

YEAR			2007					2008				
INDUSTRY			MTGD	INDEPD	FINLITD	GOVD	ETHNICD	MTGD	INDEPD	FINLITD	GOVD	ETHNICD
INDUSTRIAL PRODUCTS	N	Valid	172	172	172	172	172	172	172	172	172	172
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	5.28	.4307	.2377	.6139	.3465	5.02	.4330	.2474	.6026	.3372
		Median	5.00	.4000	.2000	.6670	.3000	5.00	.4300	.2000	.6670	.3000
		Mode	4	.33	.11	1.00	.30	5	.33 ^a	.17 ^a	1.00	.30
		Std. Deviation	1.534	.11558	.14863	.27754	.23530	1.175	.13095	.13765	.28791	.23991
		Variance	2.354	.013	.022	.077	.055	1.380	.017	.019	.083	.058
		Range	6	.49	.67	1.00	1.00	6	.61	.67	1.00	1.00
		Minimum	4	.22	.00	.00	.00	4	.22	.00	.00	.00
		Maximum	10	.71	.67	1.00	1.00	10	.83	.67	1.00	1.00
	Sum	908	74.08	40.88	105.58	59.60	864	74.48	42.56	103.64	58.00	
PLANTATIONS	N	Valid	32	32	32	32	32	32	32	32	32	32
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	5.50	.4113	.3150	.7609	.3375	5.38	.4225	.3288	.7541	.3375
		Median	5.00	.4150	.3100	.7890	.3000	5.00	.3900	.3250	.7890	.3000
		Mode	4 ^a	.33	.14	.67	.10 ^a	5	.33	.11 ^a	.67	.10 ^a
		Std. Deviation	1.832	.08965	.17391	.16556	.20907	1.519	.12748	.16323	.17990	.20907
		Variance	3.355	.008	.030	.027	.044	2.306	.016	.027	.032	.044
		Range	5	.28	.46	.57	.60	5	.42	.46	.63	.60
		Minimum	4	.29	.11	.43	.10	4	.29	.11	.38	.10
		Maximum	9	.57	.57	1.00	.70	9	.71	.57	1.00	.70
	Sum	176	13.16	10.08	24.35	10.80	172	13.52	10.52	24.13	10.80	
PROPERTIES	N	Valid	44	44	44	44	44	44	44	44	44	44
		Missing	0	0	0	0	0	0	0	0	0	0
		Mean	5.36	.4673	.2745	.6405	.3636	5.27	.4782	.3145	.6595	.3545
		Median	5.00	.5000	.2900	.7500	.3000	5.00	.4500	.3600	.7500	.3000
		Mode	5	.50	.17 ^a	.75	.20	5	.50	.29	.75	.20
		Std. Deviation	1.740	.09607	.13185	.22501	.16295	.973	.10712	.12986	.24294	.16907
		Variance	3.027	.009	.017	.051	.027	.947	.011	.017	.059	.029
		Range	7	.30	.50	.73	.50	3	.42	.50	.73	.50
		Minimum	3	.33	.00	.27	.20	4	.33	.00	.27	.10
		Maximum	10	.63	.50	1.00	.70	7	.75	.50	1.00	.60
	Sum	236	20.56	12.08	28.18	16.00	232	21.04	13.84	29.02	15.60	

YEAR			2007					2008					
INDUSTRY			MTGD	INDEPD	FINLITD	GOVD	ETHNICD	MTGD	INDEPD	FINLITD	GOVD	ETHNICD	
SERVICES	N	Valid	84	84	84	84	84	84	84	84	84	84	
		Missing	0	0	0	0	0	0	0	0	0	0	
		Mean	5.52	.4552	.2652	.6990	.5667	5.95	.4852	.2786	.7288	.5333	
		Median	5.00	.4400	.2200	.7500	.6000	5.00	.5000	.2500	.7500	.5000	
		Mode	4	.50	.29	1.00	.30 ^a	6	.50	.14 ^a	1.00	.30 ^a	
		Std. Deviation	2.839	.10210	.17351	.29088	.26404	2.750	.11523	.15424	.25377	.27999	
		Variance	8.060	.010	.030	.085	.070	7.564	.013	.024	.064	.078	
		Range	14	.35	.75	.80	.90	13	.42	.60	.86	1.00	
		Minimum	3	.29	.00	.20	.10	4	.29	.00	.14	.00	
		Maximum	17	.64	.75	1.00	1.00	17	.71	.60	1.00	1.00	
		Sum	464	38.24	22.28	58.72	47.60	500	40.76	23.40	61.22	44.80	
	TECHNOLOGY	N	Valid	16	16	16	16	16	16	16	16	16	16
			Missing	0	0	0	0	0	0	0	0	0	0
		Mean	6.25	.3725	.2950	.7010	.3750	6.50	.3800	.3025	.6955	.4000	
		Median	6.00	.3450	.2900	.7635	.2500	6.50	.3450	.3000	.7800	.3000	
		Mode	5	.30 ^a	.10 ^a	.44 ^a	.20	4 ^a	.33	.11 ^a	.33 ^a	.30	
		Std. Deviation	1.342	.07912	.15483	.15828	.25690	1.862	.07266	.14411	.22435	.24221	
		Variance	1.800	.006	.024	.025	.066	3.467	.005	.021	.050	.059	
		Range	3	.20	.40	.39	.60	5	.17	.39	.56	.60	
		Minimum	5	.30	.10	.44	.20	4	.33	.11	.33	.20	
		Maximum	8	.50	.50	.83	.80	9	.50	.50	.89	.80	
		Sum	100	5.96	4.72	11.22	6.00	104	6.08	4.84	11.13	6.40	

Appendix 4-18: Mean of BOD meetings

Year	Number of Meetings	General % N=116	First BSE % N=86	Second BSE % N=30	1 % N=43	2 % N=21	3 % N=15	4 % N=11	5 % N=8	6 % N=8	7 % N=6	8 % N=4
2007	3	1.7	2.3	0.0	0.0	4.8	0.0	9.1	0.0	0.0	0.0	0.0
	4	33.6	33.7	33.3	37.2	38.1	33.3	18.2	37.5	37.5	33.3	0.0
	5	35.3	31.4	46.7	32.6	23.8	53.3	36.4	37.5	37.5	33.3	50.0
	6	13.8	15.1	10.0	16.3	19.0	0.0	27.3	0.0	25.0	0.0	0.0
	7	6.0	8.1	0.0	4.7	4.8	13.3	0.0	0.0	0.0	16.7	25.0
	8	2.6	3.5	0.0	0.0	4.8	0.0	0.0	12.5	0.0	0.0	25.0
	9	3.4	2.3	6.7	7.0	0.0	0.0	0.0	12.5	0.0	0.0	0.0
	10	1.7	1.2	3.3	2.3	0.0	0.0	0.0	9.1	0.0	0.0	0.0
	16	.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.7	0.0
	17	.9	1.2	0.0	0.0	0.0	4.8	0.0	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100	100	100	100
2008	4	31.9	32.6	30.0	37.2	23.8	40.0	18.2	25.0	37.5	33.3	25.0
	5	36.2	34.9	40.0	39.5	28.6	33.3	54.5	50.0	25.0	33.3	25.0
	6	19.0	17.4	23.3	14.0	33.3	20.0	9.1	12.5	37.5	0.0	25.0
	7	6.9	7.0	6.7	7.0	4.8	6.7	18.2	0.0	0.0	0.0	0.0
	8	.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.7	0.0
	9	2.6	3.5	0.0	0.0	4.8	0.0	0.0	12.5	0.0	0.0	25.0
	10	.9	1.2	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	16	.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.7	0.0
	17	.9	1.2	0.0	0.0	0.0	4.8	0.0	0.0	0.0	0.0	0.0
		Total	100	100	100	100	100	100	100	100	100	100

Note:

1= Industrial products, 2= Services, 3=Consumer, 4= Properties, 5=Plantations, 6=Construction, 7= Finance, 8= Technology

Appendix 4-19: Mean Independent Directors

Year	Ratio	General % N=116	First BSE % N=86	Second BSE % N=30	1 % N=43	2 % N=21	3 % N=15	4 % N=11	5 % N=8	6 % N=8	7 % N=6	8 % N=4
2007	0.2-0.29	.9	1.2	0.0	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0
	0.3-0.39	9.5	11.6	10.5	11.6	9.5	6.7	0.0	12.5	12.5	0.0	25.0
	0.4-0.49	50.0	48.8	50.0	53.5	42.9	60.0	27.3	62.5	62.5	33.3	50.0
	0.5-0.59	24.1	22.1	20.9	20.9	28.6	26.7	54.5	12.5	0.0	16.7	25.0
	0.6-0.69	9.5	11.6	9.3	4.7	14.3	0.0	18.2	12.5	12.5	33.3	0.0
	0.7-0.79	5.2	4.7	5.8	7.0	4.8	0.0	0.0	0.0	12.5	16.7	0.0
	0.8-0.89	.9	0.0	3.5	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100	100	100	100	100	100	100	100
2008	0.3-0.39	9.5	3.3	6.7	14.0	4.8	13.3	0.0	12.5	12.5	0.0	0.0
	0.4-0.49	50.9	53.3	53.3	51.2	42.9	60.0	45.5	62.5	50.0	33.3	75.0
	0.5-0.59	20.7	30.0	20.0	18.6	19.0	20.0	36.4	12.5	12.5	33.3	25.0
	0.6-0.69	9.5	3.3	10.0	7.0	19.0	6.7	9.1	0.0	12.5	16.7	0.0
	0.7-0.79	6.0	6.7	6.7	7.0	9.5	0.0	0.0	0.0	12.5	16.7	0.0
	0.8-0.89	2.6	3.3	0.0	0.0	4.8	0.0	9.1	12.5	0.0	0.0	0.0
	0.9-0.99	.9	0.0	3.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100	100	100	100	100	100	100	100

Note:

1= Industrial products, 2= Services, 3=Consumer, 4= Properties, 5=Plantations, 6=Construction, 7= Finance, 8= Technology

Appendix 4-20: Mean Financial Literacy Directors

Year	Ratio	General % N=116	First BSE % N=86	Second BSE % N=30	1 % N=43	2 % N=21	3 % N=15	4 % N=11	5 % N=8	6 % N=8	7 % N=6	8 % N=4
2007	0	2.6	3.5	0.0	2.3	4.8	0.0	9.1	0.0	0.0	0.0	0.0
	0.1-0.19	1.7	2.3	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	25.0
	0.2-0.29	46.6	46.5	46.7	51.2	42.9	66.7	18.2	37.5	75.0	33.3	0.0
	0.3-0.39	20.7	20.9	20.0	23.3	28.6	6.7	27.3	12.5	25.0	0.0	25.0
	0.4-0.49	16.4	15.1	20.0	11.6	9.5	20.0	36.4	25.0	0.0	33.3	25.0
	0.5-0.59	5.2	4.7	6.7	2.3	0.0	0.0	9.1	12.5	0.0	33.3	25.0
	0.6-0.69	4.3	3.5	6.7	2.3	9.5	6.7	0.0	12.5	0.0	0.0	0.0
	0.7-0.79	1.7	2.3	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.8-0.89	.9	1.2	0.0	0.0	4.8	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100	100	100	100	100	100	100	
2008	0	3.4	4.7	0.0	2.3	4.8	6.7	9.1	0.0	0.0	0.0	0.0
	0.1-0.19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.2-0.29	40.5	39.5	43.3	48.8	33.3	46.7	9.1	25.0	75.0	33.3	25.0
	0.3-0.39	21.6	22.1	20.0	20.9	19.0	26.7	27.3	25.0	25.0	0.0	25.0
	0.4-0.49	21.6	22.1	20.0	16.3	28.6	6.7	45.5	25.0	0.0	50.0	25.0
	0.5-0.59	7.8	5.8	13.3	7.0	4.8	6.7	9.1	12.5	0.0	16.7	25.0
	0.6-0.69	4.3	4.7	3.3	2.3	9.5	6.7	0.0	12.5	0.0	0.0	0.0
	0.7-0.79	.9	1.2	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	100	100	100	100	100	100	100	100	100	100	100

Note:

1= Industrial products, 2= Services, 3=Consumer, 4= Properties, 5=Plantations, 6=Construction, 7= Finance, 8= Technology

Appendix 4-21: Mean Corporate Governance Expertise Directors

Year	Ratio	General % N=116	First BSE % N=86	Second BSE % N=30	1 % N=43	2 % N=21	3 % N=15	4 % N=11	5 % N=8	6 % N=8	7 % N=6	8 % N=4
2007	0	.9	0.0	3.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.2-0.29	4.3	1.2	13.3	2.3	9.5	13.3	0.0	0.0	0.0	0.0	0.0
	0.3-0.39	7.8	5.8	13.3	11.6	14.3	0.0	9.1	0.0	0.0	0.0	0.0
	0.4-0.49	11.2	8.1	20.0	16.3	0.0	13.3	9.1	12.5	12.5	16.7	0.0
	0.5-0.59	8.6	9.3	6.7	9.3	0.0	6.7	18.2	0.0	25.0	0.0	25.0
	0.6-0.69	5.2	7.0	0.0	2.3	9.5	0.0	9.1	0.0	25.0	0.0	0.0
	0.7-0.79	10.3	9.3	13.3	14.0	0.0	20.0	0.0	25.0	12.5	0.0	0.0
	0.8-0.89	17.2	19.8	10.0	11.6	23.8	20.0	27.3	25.0	0.0	0.0	50.0
	0.9-0.99	14.7	17.4	6.7	16.3	9.5	0.0	18.2	25.0	12.5	33.3	25.0
	1	19.8	22.1	13.3	14.0	33.3	26.7	9.1	12.5	12.5	50.0	0.0
	Total	100	100	100	100	100	100	100	100	100	100	100
2008	0	.9	0.0	3.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.1-0.19	.9	0.0	3.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.2-0.29	2.6	1.2	6.7	2.3	4.8	6.7	0.0	0.0	0.0	0.0	0.0
	0.3-0.39	4.3	4.7	3.3	9.3	0.0	0.0	9.1	0.0	0.0	0.0	0.0
	0.4-0.49	18.1	12.8	33.3	20.9	14.3	13.3	18.2	12.5	37.5	0.0	25.0
	0.5-0.59	5.2	3.5	10.0	9.3	4.8	0.0	0.0	0.0	0.0	16.7	0.0
	0.6-0.69	6.9	9.3	0.0	2.3	9.5	6.7	18.2	0.0	25.0	0.0	0.0
	0.7-0.79	7.8	7.0	10.0	9.3	0.0	13.3	0.0	25.0	12.5	0.0	0.0
	0.8-0.89	15.5	18.6	6.7	7.0	23.8	20.0	27.3	25.0	0.0	16.7	25.0
	0.9-0.99	18.1	19.8	13.3	18.6	9.5	13.3	9.1	25.0	12.5	50.0	50.0
1	19.8	23.3	10.0	16.3	33.3	26.7	18.2	12.5	12.5	16.7	0.0	
	Total	100	100	100	100	100	100	100	100	100	100	100

Note: 1= Industrial products, 2= Services, 3=Consumer, 4= Properties, 5=Plantations, 6=Construction, 7= Finance, 8= Technology

Appendix 4-22: Mean Ethnicity of Directors

Year	Ratio	General % N=116	First BSE % N=86	Second BSE % N=30	1 % N=43	2 % N=21	3 % N=15	4 % N=11	5 % N=8	6 % N=8	7 % N=6	8 % N=4	
2007	0	4.3	3.5	6.7	7.0	0.0	13.3	0.0	0.0	0.0	0.0	0.0	
	0.1-0.19	7.8	8.1	6.7	7.0	4.8	13.3	0.0	25.0	12.5	0.0	0.0	
	0.2-0.29	16.4	12.8	26.7	20.9	4.8	13.3	36.4	12.5	0.0	0.0	50.0	
	0.3-0.39	29.3	27.9	33.3	34.9	19.0	46.7	18.2	25.0	25.0	16.7	25.0	
	0.4-0.49	11.2	10.5	13.3	7.0	14.3	13.3	9.1	12.5	12.5	33.3	0.0	
	0.5-0.59	7.8	10.5	0.0	4.7	4.8	0.0	27.3	0.0	25.0	16.7	0.0	
	0.6-0.69	4.3	3.5	6.7	7.0	4.8	0.0	0.0	12.5	0.0	0.0	0.0	
	0.7-0.79	5.2	7.0	0.0	0.0	19.0	0.0	9.1	12.5	0.0	0.0	0.0	
	0.8-0.89	6.9	9.3	0.0	7.0	14.3	0.0	0.0	0.0	0.0	0.0	16.7	25.0
	0.9-0.99	1.7	2.3	0.0	2.3	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1	5.2	4.7	6.7	2.3	9.5	0.0	0.0	0.0	25.0	16.7	0.0		
	Total	100	100	100	100	100	100	100	100	100	100	100	
2008	0	6.0	4.7	10.0	9.3	4.8	13.3	0.0	0.0	0.0	0.0	0.0	
	0.1-0.19	11.2	12.8	6.7	9.3	4.8	20.0	9.1	25.0	25.0	0.0	0.0	
	0.2-0.29	12.1	10.5	16.7	16.3	4.8	0.0	27.3	12.5	0.0	16.7	25.0	
	0.3-0.39	29.3	26.7	36.7	34.9	14.3	46.7	18.2	25.0	12.5	33.3	50.0	
	0.4-0.49	10.3	9.3	13.3	7.0	14.3	20.0	9.1	12.5	12.5	0.0	0.0	
	0.5-0.59	7.8	8.1	6.7	7.0	9.5	0.0	18.2	0.0	12.5	16.7	0.0	
	0.6-0.69	7.8	9.3	3.3	4.7	14.3	0.0	18.2	12.5	12.5	0.0	0.0	
	0.7-0.79	1.7	2.3	0.0	0.0	4.8	0.0	0.0	12.5	0.0	0.0	0.0	
	0.8-0.89	7.8	10.5	0.0	7.0	14.3	0.0	0.0	0.0	0.0	0.0	33.3	25.0
	0.9-0.99	1.7	2.3	0.0	2.3	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1	4.3	3.5	6.7	2.3	9.5	0.0	0.0	0.0	25.0	0.0	0.0		
	Total	100	100	100	100	100	100	100	100	100	100	100	

Note: 1= Industrial products, 2= Services, 3=Consumer, 4= Properties, 5=Plantations, 6=Construction, 7= Finance, 8= Technology

Appendix 4-23: Descriptive Statistics of Control Variables

YEAR			SIZECOM	PROFIT	LEVERAGE	SIZEBOD
2007	N	Valid	464	464	464	464
		Missing	0	0	0	0
	Mean		2.83E+09	.07680	.24570	7.42
	Std. Error of Mean		7.590E+08	.019810	.017955	.083
	Median		4.18E+08	.07850	.18500	7.00
	Mode		3.E+08	.035 ^a	.000	6
	Std. Deviation		1.635E+10	.426714	.386758	1.798
	Variance		2.673E+20	.182	.150	3.234
	Range		2.E+11	7.386	7.349	8
	Minimum		3.E+07	-	.000	4
	Maximum		2.E+11	4.949E+00	7.349	12
	Sum		1.E+12	35.634	114.004	3444
	Percentiles	25	1.84E+08	.01625	.05525	6.00
		50	4.18E+08	.07850	.18500	7.00
		75	1.07E+09	.16475	.35000	9.00
2008	N	Valid	464	464	464	464
		Missing	0	0	0	0
	Mean		2.91E+09	.02276	.23456	7.42
	Std. Error of Mean		8.202E+08	.025670	.009239	.085
	Median		4.41E+08	.05200	.19600	7.00
	Mode		23576000 ^a	.024	.000	7
	Std. Deviation		1.767E+10	.552939	.199017	1.841
	Variance		3.121E+20	.306	.040	3.389
	Range		2.E+11	12.098	1.069	9
	Minimum		2.E+07	-	.000	3
	Maximum		2.E+11	8.385E+00	1.069	12
	Sum		1.E+12	10.560	108.836	3444
	Percentiles	25	1.97E+08	-.02400	.08025	6.00
		50	4.41E+08	.05200	.19600	7.00
		75	1.12E+09	.12650	.34425	9.00

Appendix 4-24: Descriptive Statistics of Control Variables -BSE

TYPES OF BSE			FIRST BSE				SECOND BSE			
YEAR			SIZECOM	PROFIT	LEVERAGE	SIZEBOD	SIZECOM	PROFIT	LEVERAGE	SIZEBOD
2007	N	Valid	344	344	344	344	120	120	120	120
		Missing	0	0	0	0	0	0	0	0
		Mean	3.76E+09	.14734	.24468	7.63	1.54E+08	-.12543	.24862	6.83
		Std. Error of Mean	1.019E+09	.014313	.023465	.097	9.224E+06	.061216	.017326	.154
		Median	6.23E+08	.09500	.17650	7.00	1.37E+08	.01200	.23800	6.50
		Mode	62013000a	.041	.000	6	3.E+08	.022a	.000	6
		Std. Deviation	1.891E+10	.265474	.435214	1.794	1.010E+08	.670588	.189801	1.682
		Variance	3.575E+20	.070	.189	3.220	1.021E+16	.450	.036	2.829
		Range	2.E+11	3.764	7.349	8	4.E+08	7.370	1.253	6
		Minimum	6.E+07	-1.327E+00	.000	4	3.E+07	-4.949E+00	.000	4
		Maximum	2.E+11	2.437	7.349	12	5.E+08	2.421	1.253	10
		Sum	1.E+12	50.685	84.170	2624	2.E+10	-1.505E+01	29.834	820
		Percentiles								
			25	2.99E+08	.04100	.04700	6.00	7.56E+07	-.15100	.11425
		50	6.23E+08	.09500	.17650	7.00	1.37E+08	.01200	.23800	6.50
		75	1.45E+09	.18825	.34875	9.00	1.94E+08	.07850	.38600	9.00
2008	N	Valid	344	344	344	344	120	120	120	120
		Missing	0	0	0	0	0	0	0	0
		Mean	3.87E+09	.05992	.23136	7.65	1.61E+08	-.08377	.24373	6.77
		Std. Error of Mean	1.102E+09	.029229	.011251	.099	1.017E+07	.052204	.015403	.155
		Median	6.56E+08	.07550	.18150	7.00	1.31E+08	.00750	.21650	7.00
		Mode	67648000a	.044a	.000	7	23576000a	.019	.000	6
		Std. Deviation	2.044E+10	.542119	.208681	1.838	1.114E+08	.571863	.168727	1.694
		Variance	4.177E+20	.294	.044	3.377	1.242E+16	.327	.028	2.869
		Range	2.E+11	9.979	1.069	9	5.E+08	6.215	.639	6
		Minimum	7.E+07	-8.385E+00	.000	3	2.E+07	-2.502E+00	.000	4
		Maximum	2.E+11	1.594	1.069	12	5.E+08	3.713	.639	10
		Sum	1.E+12	20.612	79.589	2632	2.E+10	-1.005E+01	29.247	812
		Percentiles								
			25	3.23E+08	.00575	.06000	6.00	7.33E+07	-.18125	.12150
		50	6.56E+08	.07550	.18150	7.00	1.31E+08	.00750	.21650	7.00
		75	1.66E+09	.16175	.34175	9.00	2.18E+08	.04950	.34575	8.00

Appendix 4-25: Descriptive Statistics of Control Variables -Industry

YEAR			2007				2008			
INDUSTRY			SIZECOM	PROFIT	LEVERAGE	SIZEBOD	SIZECOM	PROFIT	LEVERAGE	SIZEBOD
CONSTRUCTION	N	Valid	32	32	32	32	32	32	32	32
		Missing	0	0	0	0	0	0	0	0
		Mean	5.17E+08	.09931	.21509	7.13	5.54E+08	.09056	.20019	7.00
		Median	4.42E+08	.09700	.24600	7.00	4.18E+08	.07500	.22250	7.00
		Mode	144887000 ^a	.041 ^a	.299	7	147950000 ^a	.050 ^a	.001	7
		Std. Deviation	4.256E+08	.067826	.099800	1.185	4.461E+08	.105972	.107852	1.344
		Variance	1.812E+17	.005	.010	1.403	1.990E+17	.011	.012	1.806
		Range	1.E+09	.349	.343	4	2.E+09	.569	.378	5
		Minimum	1.E+08	-1.000E-02	.001	5	1.E+08	-2.060E-01	.001	5
		Maximum	2.E+09	.339	.344	9	2.E+09	.363	.379	10
		Sum	2.E+10	3.178	6.883	228	2.E+10	2.898	6.406	224
CONSUMER	N	Valid	60	60	60	60	60	60	60	60
		Missing	0	0	0	0	0	0	0	0
		Mean	6.31E+08	-.06602	.15687	6.67	7.06E+08	.11690	.16545	7.20
		Median	2.00E+08	.07400	.12400	7.00	2.18E+08	.07300	.12650	7.00
		Mode	33468000 ^a	.074	.000	6 ^a	30524000 ^a	.075 ^a	.000	7
		Std. Deviation	1.119E+09	.889951	.147958	1.084	1.265E+09	.580163	.148537	1.286
		Variance	1.253E+18	.792	.022	1.175	1.600E+18	.337	.022	1.654
		Range	5.E+09	7.386	.513	4	5.E+09	4.364	.542	6
		Minimum	3.E+07	-4.949E+00	.000	5	3.E+07	-6.510E-01	.000	5
		Maximum	5.E+09	2.437	.513	9	5.E+09	3.713	.542	11
		Sum	4.E+10	-3.961E+00	9.412	400	4.E+10	7.014	9.927	432
FINANCE	N	Valid	24	24	24	24	24	24	24	24
		Missing	0	0	0	0	0	0	0	0
		Mean	3.51E+10	.16683	.13325	7.00	3.93E+10	.07079	.12750	7.33
		Median	1.95E+09	.18500	.09300	6.00	4.86E+09	.07550	.05800	7.00
		Mode	475480000 ^a	-.090 ^a	.002	6	381255000 ^a	-.446 ^a	.019	6
		Std. Deviation	6.071E+10	.117156	.154094	2.043	6.902E+10	.184963	.172490	1.834
		Variance	3.685E+21	.014	.024	4.174	4.764E+21	.034	.030	3.362
		Range	2.E+11	.411	.479	6	2.E+11	.814	.522	5
		Minimum	5.E+08	-9.000E-02	.002	5	4.E+08	-4.460E-01	.000	5
		Maximum	2.E+11	.321	.481	11	2.E+11	.368	.522	10
		Sum	8.E+11	4.004	3.198	168	9.E+11	1.699	3.060	176

YEAR			2007				2008				
INDUSTRY			SIZECOM	PROFIT	LEVERAGE	SIZEBOD	SIZECOM	PROFIT	LEVERAGE	SIZEBOD	
INDUSTRIAL PRODUCTS	N	Valid	172	172	172	172	172	172	172	172	
		Missing	0	0	0	0	0	0	0	0	
	Mean		1.28E+09	.00243	.26806	7.44	7.32E+08	-.05605	.27315	7.23	
	Median		2.81E+08	.03200	.26600	7.00	2.67E+08	.01850	.29150	7.00	
	Mode		26402000 ^a	.006 ^a	.000	9	23576000 ^a	.024	.000	6	
	Std. Deviation		8.299E+09	.219079	.185277	1.877	1.022E+09	.331587	.173489	2.027	
	Variance		6.888E+19	.048	.034	3.523	1.045E+18	.110	.030	4.109	
	Range		1.E+11	1.474	1.253	8	4.E+09	3.023	.748	9	
	Minimum		3.E+07	-8.100E-01	.000	4	2.E+07	-2.502E+00	.000	3	
	Maximum		1.E+11	.664	1.253	12	4.E+09	.521	.748	12	
	Sum		2.E+11	.418	46.107	1280	1.E+11	-9.641E+00	46.981	1244	
	PLANTATIONS	N	Valid	32	32	32	32	32	32	32	32
			Missing	0	0	0	0	0	0	0	0
Mean			7.40E+08	.36191	.08778	7.38	8.60E+08	.31841	.09025	7.50	
Median			5.09E+08	.31900	.01950	7.00	5.34E+08	.35250	.04300	7.50	
Mode			163970000 ^a	.176 ^a	.000	7 ^a	174721000 ^a	.387	.000	9	
Std. Deviation			6.286E+08	.207054	.103785	1.431	7.559E+08	.251996	.108271	1.437	
Variance			3.952E+17	.043	.011	2.048	5.713E+17	.064	.012	2.065	
Range			2.E+09	.826	.283	4	2.E+09	1.603	.323	4	
Minimum			2.E+08	.081	.000	5	2.E+08	-4.100E-01	.000	5	
Maximum			2.E+09	.907	.283	9	3.E+09	1.193	.323	9	
Sum			2.E+10	11.581	2.809	236	3.E+10	10.189	2.888	240	
PROPERTIES		N	Valid	44	44	44	44	44	44	44	44
			Missing	0	0	0	0	0	0	0	0
	Mean		9.19E+08	.09805	.20475	8.00	9.34E+08	-.15177	.19241	7.91	
	Median		6.45E+08	.08650	.13400	8.00	6.04E+08	.05800	.13900	7.00	
	Mode		179521000 ^a	.277	.047	6	169377000 ^a	-.360 ^a	.003	7	
	Std. Deviation		6.977E+08	.275713	.203284	2.023	7.521E+08	1.294122	.189814	2.133	
	Variance		4.868E+17	.076	.041	4.093	5.656E+17	1.675	.036	4.550	
	Range		2.E+09	1.691	.736	6	3.E+09	9.243	.707	7	
	Minimum		2.E+08	-4.290E-01	.002	6	2.E+08	-8.385E+00	.000	5	
	Maximum		2.E+09	1.262	.738	12	3.E+09	.858	.707	12	
	Sum		4.E+10	4.314	9.009	352	4.E+10	-6.678E+00	8.466	348	

YEAR			2007				2008			
INDUSTRY			SIZECOM	PROFIT	LEVERAGE	SIZEBOD	SIZECOM	PROFIT	LEVERAGE	SIZEBOD
SERVICES	N	Valid	84	84	84	84	84	84	84	84
		Missing	0	0	0	0	0	0	0	0
		Mean	1.46E+09	.17976	.36770	7.57	1.70E+09	.06608	.30212	7.62
		Median	6.62E+08	.11400	.27600	7.00	6.61E+08	.08250	.29050	7.00
		Mode	3.E+08	.039 ^a	.000	7	137982000 ^a	.108	.000	7
		Std. Deviation	2.838E+09	.467556	.798388	1.877	3.492E+09	.507428	.215119	1.796
		Variance	8.053E+18	.219	.637	3.525	1.219E+19	.257	.046	3.227
		Range	2.E+10	4.100	7.349	7	2.E+10	3.836	.739	7
		Minimum	9.E+07	-1.679E+00	.000	4	1.E+08	-2.092E+00	.000	5
		Maximum	2.E+10	2.421	7.349	11	2.E+10	1.744	.739	12
		Sum	1.E+11	15.100	30.887	636	1.E+11	5.551	25.378	640
		Percentiles								
		25		2.23E+08	.06225	.12425	6.00	3.10E+08	-.02875	.11325
	50		6.62E+08	.11400	.27600	7.00	6.61E+08	.08250	.29050	7.00
	75		1.19E+09	.30750	.45300	9.00	1.27E+09	.24675	.52375	9.00
TECHNOLOGY	N	Valid	16	16	16	16	16	16	16	16
		Missing	0	0	0	0	0	0	0	0
		Mean	4.91E+08	.06250	.35619	9.00	5.39E+08	-.02950	.35813	8.75
		Median	1.99E+08	.10700	.15000	9.50	1.93E+08	.00700	.18450	9.00
		Mode	62013000 ^a	.108	.009	6 ^a	67648000 ^a	-.278 ^a	.005 ^a	9
		Std. Deviation	6.128E+08	.133717	.448144	1.932	6.975E+08	.133665	.436915	1.844
		Variance	3.756E+17	.018	.201	3.733	4.864E+17	.018	.191	3.400
		Range	2.E+09	.539	1.191	5	2.E+09	.410	1.065	5
		Minimum	6.E+07	-3.860E-01	.003	6	7.E+07	-2.780E-01	.004	6
		Maximum	2.E+09	.153	1.194	11	2.E+09	.132	1.069	11
		Sum	8.E+09	1.000	5.699	144	9.E+09	-4.720E-01	5.730	140
		Percentiles								
		25		8.21E+07	.05225	.01650	6.75	7.81E+07	-.14000	.01350
	50		1.99E+08	.10700	.15000	9.50	1.93E+08	.00700	.18450	9.00
	75		1.03E+09	.13750	.82475	10.75	1.31E+09	.08575	.87025	10.50

Appendix 5-1: A Summary of Multivariate Analysis: CGCB and Control Variables

Types of Variables	Timeliness	FRS 134 Compliance	BMLR Compliance	Comparability
MTGD	None	Partial	Partial	Partial
INDEPD	Partial	Partial	None	Partial
FINLITD	None	None	None	Partial
GOVD	Partial	Partial	Partial	None
ETHNICD	Yes	Yes	Partial	None
SIZECOM	Yes	None	None	Yes
PROFIT	None	None	None	Partial
LEVERAGE	Partial	None	Partial	None
SIZEBOD	None	None	None	None

Appendix 5-2: A Summary of Multivariate Analysis: CGCB, CGCA and Control Variables

Types of Variables	Timeliness	FRS 134 Compliance	BMLR Compliance	Comparability
MTGD	None	Partial	Yes	None
INDEPD	None	Partial	None	None
FINLITD	None	None	None	None
GOVD	None	Partial	Partial	None
ETHNICD	Partial	Partial	Partial	None
MTGAC	None	Partial	Partial	None
INDEPAC	None	Partial	None	None
FINLITAC	None	None	None	None
GOVAC	Partial	None	None	Partial
ETHNICAC	Partial	Partial	Partial	None
SIZECOM	Yes	None	None	Yes
PROFIT	Partial	None	None	Partial
LEVERAGE	Partial	None	None	None
SIZEBOD	None	None	Partial	Partial

Appendix 5-3: A Summary of Multivariate Analysis: CGCA and Control Variables

Types of Variables	Timeliness	FRS 134 Compliance	BMLR Compliance	Comparability
MTGAC	None	None	None	None
INDEPAC	None	Yes	None	None
FINLITAC	None	None	Partial	None
GOVAC	Partial	None	None	Partial
ETHNICAC	Yes	None	Partial	None
SIZECOM	Yes	None	Partial	Yes
PROFIT	None	None	None	Partial
LEVERAGE	Yes	None	Yes	None
SIZEBOD	None	None	None	None

Appendix 5-4: A Summary of Multivariate Analysis: Individual CGCB, CGCA and Control Variables

Types of Variables	Timeliness	FRS 134 Compliance	BMLR Compliance	Comparability
MTGAC	Partial	Partial	Partial	Partial
INDEPAC	None	Partial	None	Partial
FINLITAC	None	None	None	None
GOVAC	Yes	Partial	Partial	None
ETHNICAC	Yes	Partial	Partial	None
MTGAC	Partial	None	None	Partial
INDEPAC	Partial	Yes	None	None
FINLITAC	None	None	None	None
GOVAC	Yes	None	None	None
ETHNICAC	Yes	None	Partial	None
SIZECOM	Yes	None	None	Yes
PROFIT	None	None	None	Partial
LEVERAGE	Yes	Partial	Yes	None
SIZEBOD	None	None	None	None

Appendix 5-5: The R² of Multiple Regression of CGCB, CGCA and Control Variables

Qualitative Items Types of Variables	Timeliness			Compliance with the FRS 134			Compliance with the BMLR			Comparability		
	POOL	2007	2008	POOL	2007	2008	POOL	2007	2008	POOL	2007	2008
CGCB and Control Variables	0.123	0.131	0.128	0.060	0.084	0.086	0.043	0.033	0.075	0.064	0.103	0.075
CGCA, CGCB and Control Variables	0.122	0.159	0.131	0.082	0.099	0.163	0.051	0.073	0.088	0.069	0.116	0.076
CGCA and Control Variables	0.121	0.149	0.109	0.032	0.037	0.034	0.022	0.035	0.041	0.063	0.097	0.066
CGCB	0.052	0.053	0.053	0.057	0.083	0.074	0.036	0.022	0.064	0.020	0.050	0.017
CGCA	0.060	0.085	0.040	0.028	0.031	0.028	0.004	0.007	0.026	0.018	0.037	0.009
Control Variables	0.084	0.098	0.080	0.008	0.007	0.013	0.017	0.018	0.018	0.056	0.074	0.060