

**VOLUNTARY DISCLOSURE AND CORPORATE GOVERNANCE AMONG
GOVERNMENT-LINKED COMPANIES IN MALAYSIA**

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AMONG GOVERNMENT-LINKED COMPANIES IN MALAYSIA**

A dissertation submitted to the Faculty of Accountancy
in partial fulfilment of the requirements for the degree
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By

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DEDICATION

My Lovely Great Beloved Parents,

In loving memory of my late uncles, (Abu-Ashraf & Abu- Ahmad),

My Lovely Dear Uncle (Abu-Almu'taz)

My Heart Love (Anwar)

My supportive and caring brothers,

My beloved kind sisters,

My sweetie nephews and nieces

My work is dedicated to all of you my heart residents

ABSTRACT

This paper examines the effect of corporate governance characteristics on the extent of voluntary disclosure in the financial reports among government-linked companies (GLCs) in Malaysia. We extend previous researches by simultaneously considering board of directors' composition (as the main or the root of the CG mechanisms, board size, CEO duality, and ownership structure (managerial ownership, and government ownership level) in relationship to the level of voluntary (non-mandatory accounting and non-accounting information) disclosure extent in the 2005 financial reports of thirty (30) listed GLCs in Bursa Saham Malaysia. Our results suggest that the corporate governance-related variables influence the level of information disclosed, thus confirming the hypotheses. In regard to the quality of disclosure, our results on the governance characteristics show that (1) managerial ownership was negatively related to the voluntary disclosure index, (2) the level of government ownership was positively linked to the level of voluntary disclosure extent, (3) the level extent of non-executive directors was negatively related to the voluntary disclosure index, (4) the board size was negatively related to the voluntary disclosure index, (5) the role of duality was negatively related to the voluntary disclosure index. Moreover, our results on the companies specific characteristics indicate that (6) the profitability variables (ROE, ROA) were positively related to the voluntary disclosure index, (7) the Gearing variable was positively related to the voluntary disclosure extent index, and (8) company size was positively related to the level of voluntary disclosure extent. The results of this study might be of interest to regulators, investment analysts, and market participants.

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CHAPTER ONE

INTRODUCTION

1.0 Background

The annual report is one of the major corporations' medium used to transmit information to outsiders (Botosan, 1997; Lang and Lundholm, 1993): in other words, annual reports are used as a communication method to communicate both quantitative and qualitative corporate information (Barko, Hancock, and Izan, 2006) with stakeholders or with the interested parties. Thorell (2003) states that a corporation's interested parties are commonly known as the owners, investors, employees, creditors, suppliers, customers and the public. Everybody who is interested in the success of corporations depends on the information disclosed by corporations (Perseus, 1997) in making various decisions (Thorell, 2003). Relevance is a vital standard, so the information must be appropriate and relevant to the users to assist decision-making (Cook, 1989b).

Financial disclosure in the annual reports reflects the operational, structural, and financial picture of the corporations to the stakeholders. Financial disclosure can be classified into two parts: mandatory and voluntary (non-mandatory) disclosures. Corporate voluntary disclosure, which is optional and additional on requirements, provides free choice on the part of managers to provide information to the annual reports users (Nasir, 2004). Understanding why companies voluntarily disclose information is useful for both producers and users of accounting information, as well as for accounting policy (Buzbee, 1975; Meek, Gray and Roberts, 1995). In other words the disclosure works as a bridge between the management and the financial reports' users. Voluntary

The contents of
the thesis is for
internal user
only

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