

**DETERMINANTS OF VOLUNTARY DISCLOSURE
BY SHARIAH APPROVED COMPANIES**

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UNIVERSITI UTARA MALAYSIA

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COMPANIES**

BY

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ABSTRACT

This research is undertaken to identify the empirical determinants of voluntary disclosure in the annual report of 55 ShAC companies listed in Bursa Malaysia and Shariah Index. The research is carried out to ascertain the relationship and the degree of significant between voluntary disclosure items in the annual report with the three factors which are profitability, firm size and debt to equity ratio. A disclosure checklist consisting of 18 items of information is used and statistically analyzed by using multiple regression analysis. The finding indicates that voluntary disclosure in the annual report of *ShAC* depends on some firm characteristics. It is revealed that profitability, firm size and debt to equity ratio variable are significant in determining the level of voluntary disclosure provided by the *ShAC* in Malaysia.

ABSTRAK

Kajian ini dijalankan untuk mengenal pasti faktor penentu empirikal pendedahan secara sukarela dalam laporan tahunan 55 syarikat yang tersenarai di Bursa Malaysia dan disenaraikan dalam indeks shariah. Penyelidikan ini dijalankan untuk menentukan hubungan faktor penentu tersebut iaitu ciri-ciri firma dari segi keuntungan, saiz dan nisbah hutang kepada ekuiti. Ujian dilakukan ke atas tahap pendedahan maklumat secara sukarela di dalam laporan tahunan. Indeks pendedahan adalah terdiri daripada 18 item maklumat dan dianalisis secara statistik dengan menggunakan analisis regresi berganda. Hasil daripada kajian tersebut menunjukkan bahawa pendedahan secara sukarela dalam laporan tahunan syarikat bergantung kepada ciri-ciri firma. Ia menunjukkan bahawa keuntungan, saiz firma dan nisbah hutang kepada ekuiti adalah faktor antara faktor-faktor penentu kepada tahap pendedahan secara sukarela dalam penyata kewangan syarikat yang tersenarai di Bursa Malaysia dan disenaraikan dalam indeks shariah.

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LIST OF ABBREVIATIONS

BNM	Bank Negara Malaysia
DSCORE	Voluntary Disclosure
FASB	Financial Accounting Standard Board
FRS	Financial Reporting Standard
ICM	Islamic Capital Market
MASB	Malaysian Accounting Standards Board
SAC	Shariah Advisory Council
SC	Security Commission
<i>ShAC</i>	Shariah Approved Companies
ShNAC	Shariah Non-Approved Companies
TD	Total Disclosure
VD	Voluntary Disclosure

CHAPTER ONE

INTRODUCTION

1.0 Background

This chapter consists of an introduction and overview of Islamic Capital Market and *Shari'ah* approved companies. This chapter also includes problem statement and research objective. This chapter also briefly discusses the limitations and significance of the study.

1.1 Introduction

Due to the demand from investors and other users, the content of annual report has increased significantly. To assist investors and others users' decision making, timely information is needed. However, to reduce information asymmetry, adequate information is needed (Ho & Wong, 2001). There are two categories of information disclosed in annual report which is mandatory information (mandatory disclosure) and voluntary information (voluntary disclosure). Mandatory disclosure is items that companies must disclose because of statutory regulations. Therefore, it is the minimum level of information which requires to be disclosed in the annual reports. Meanwhile, voluntary disclosure is defined as that which is not mandated (Cooke, 1992), thus it constitutes information additional to statutory requirements.

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