MFRS 141: DETERMINANTS AND EXTENT OF DISCLOSURE

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ABSTRACT

The objective of this study is two-fold. First, the study investigates the extent of the agriculture accounting disclosure as prescribed by Malaysian Financial Reporting Standard, MFRS 141 among Malaysian listed companies for years 2009 and 2012. Second, this study intends to examine the factors that influence the company's disclosure on MFRS 141 by using 82 firm-year observations. This study found that the level of compliance on MFRS 141 among all plantation companies has marginally improved from 80 percent in 2009 to 83 percent in 2012. Based on content analysis of the standard, it is discovered that paragraphs 47 to 54 are the most difficult paragraphs to comply with as these paragraphs require the preparer to be well versed with fair value measurement. The results on logit regression analysis indicate that profitability as measured by earnings per share significantly influence the level of compliance score on MFRS 141. Likewise, company size as measured by market value of equity has significantly affect compliance score at 5 percent level. There is no evidence that other variables such as a) age; (b) leverage; (c) directors' ownership, (d) foreign ownership; (e) growth and (f) auditors quality have any significant influence on the level of compliance on MFRS 141. It is hopeful that this finding could help regulators and standard setting bodies in providing adequate guidelines to financial statement preparers in the future.

Keywords: MFRS 141, IFRS 41, accounting for agriculture, Malaysia.

ABSTRAK

Objektif kajian ini terbahagi kepada dua bahagian. Pertama, kajian ini adalah untuk menilai tahap pendedahan laporan perakaunan pertanian yang ditetapkan oleh MFRS 141 keatas syarikat yang tersenarai di Malaysia bagi tahun 2009 dan 2012. Kedua, kajian ini adalah bertujuan untuk mengkaji faktor-faktor yang mempengaruhi tahap pematuhannya terhadap MFRS 141. Kajian ini telah dijalankan menggunakan 82 pemerhatian dan mendapati bahawa tahap pematuhan terhadap MFRS 141 di keseluruhan syarikat perladangan mengalami sedikit peningkatan daripada 80 peratus pada tahun 2009 kepada 83 peratus pada tahun 2012. Berdasarkan analisis kandungan yang dijalankan, ia mendapati bahawa perenggan 47-54 dari MFRS 141 adalah perenggan yang paling sukar untuk dipatuhi kerana penyedia pelaopran perlu mempunyai kemahiran yang tinggi dalam mengukur nilai saksama assetpertanian. Bagi keputusan analisis logit pula, ia menunjukkan bahawa keuntungan yang dinilai dengan pendapatan sesaham sangat ketara mempengaruhi tahap skor pematuhan kepada MFRS 141. Begitu juga dengan saiz syarikat seperti yang dikenalpasti oleh nilai pasaran ekuiti telah menunjukkanhubungan yang ketara dalam mempengaruhi skor pematuhan di tahap 5 peratus. Kajian ini membuktikan bahawa faktor-faktor lain seperti a) umur; (b) penggunaan hutang (c) pemilikan pengarah , (d) pemilikan asing ; (e) pertumbuhan dan (f) kualiti juruaudit tidak mempunyai pengaruh yang besar ke atas tahap pematuhan kepada MFRS 141. Oleh itu, berdasarkan kajian ini, ia diharapkan hasil daripada kajian ini dapat membantu pihak berwajib dan pihak tertentu dalam merangka dan mengenalpasti garis panduan yang lebih terperinci bagi memudahkan syarikat meningkatkan tahap pematuhan kepada perakaunan pertanian, MFRS 141 di masa akan datang.

Keywords: MFRS 141, IFRS 41, perakaunan pertanian, Malaysia.

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EBITDA	earning before interest, tax, depreciation and amortization expenses
et. al	(et alia); and others
i.e	(id est); that is
IAS	International Accounting Standard
IT	information technology
MASB	Malaysian Accounting Standard Board
MCCG	Malaysia Code of Corporate Governance
MFRS	Malaysian Financial Reporting Standard
MTBV	market to book value
SPSS	Statistical Package for the Social Science
Stata	Statistics Analysis Data

CHAPTER 1

INTRODUCTION

1.1 Background of The Study

At the beginning of the independence, it was seen that growth in the Malaysian economy was hugely gathered by the agricultural sector production. However, as Malaysia is moving towards a developed country in the year of 2020, the industrial sector becomes positively favorable as a catalyst in expanding the economy than the traditional agriculture sector. Historically, the dependency on agricultural sector to enhance the growth of the economic by the government can be seen through three policies. They were drafted under long term national plans; the First National Agriculture Policies (1984-1991), the Second Agriculture Policy (1992-2000), and the Third Agriculture Policy (2010). Previously, the percentage of contribution to the economy has decreased. Besides that, the difficulties faced by this sector are named as the labor participation, limited capital inputs and concentration to the boosting of the importance of industrial sector (Matahir, 2012)

Furthermore, in stepping to the new era of modernization, the development of agriculture has positively shown that most business succeeds in this sector and it enhances the economic growth of Malaysia. The economic growth itself has changed. The change that has been made is in term of the economy based on production being moved to the well established business environment of turbulent knowledge. Mainly, there are thirteen states in Malaysia by which eleven states are located on the peninsular Malaysia and the remaining two are situated on the Borneo Island which better known as the west coast. Basically, states in total which located on the peninsular of Malaysia were separately treated into a number of three regional growth corridors (RGCs) which are known as the northern corridor of economic region (NCER), the Iskandar development region (IDR) and the eastern corridor of economic region (ECER). The three Regional Growth Corridors help in decreasing the unparalleled economic according to each regions (Matahir, 2012).

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Moreover, agriculture sector could be well examined during the Ninth Malaysia Plan (9MP) in the year of 2006-2010 where the Malaysian government came out with various ways in improving the sector of agriculture and as well reactivate such sector as the most income generated in economic growth. Besides that, according to the 9th Malaysian Planning of the "new agriculture" program, it will take into consideration by which it can be said that the large orientation into the commercial scale and modernization of the production. Furthermore, it can be well determined by especially in the greater production that will add more value into it as well as in the agriculture specifically in products. As for this, wide techniques in the information and communication technology (ICT) biotechnology in creating the wealthiest to improved marketing methods are used by which it emphasizing more on the farm accreditation and the standards of product. It is also a fundamental of a greater professionalism, participation of entrepreneurial farmers and as well as a very skilled workforce gathered. Moreover, to make the economic grow effectively and efficiently, the government takes various actions. One of the actions is in promoting the development of entrepreneurship skills by giving training courses to the farmers. The training basically will guide farmers on ways in doing good businesses activities such as setting up the records of the farms, book keeping which are the accounting and administrative work, best practices in management of farm, marketing of agribusiness and ethical practices in the workplace. (Rezai et al. 2011).

Figure 1.1: griculture and Industrial sector contribution to Malaysian GDP
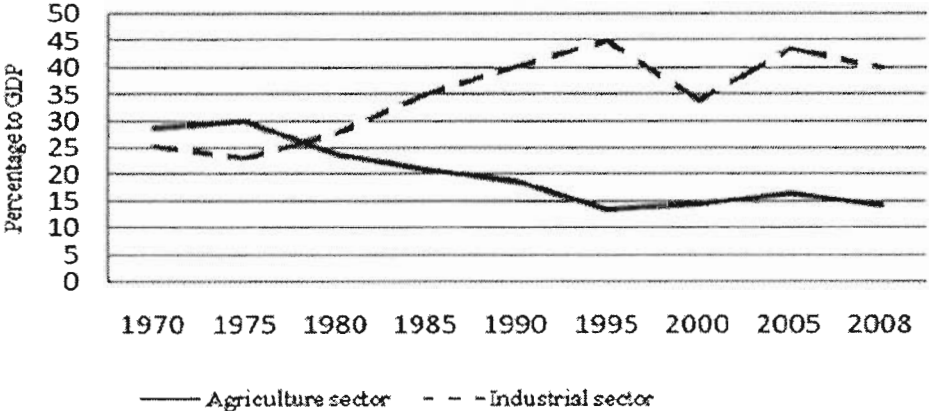
Source: Ninth Malaysia Plan (9MP)

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According to Matahir (2012), the above figure depicted clearly the significant of contribution in agricultural sector to the economic growth in Malaysia has been reduced. Moreover, the spending pattern of the graph based on the agriculture sector which has been bullish in order to promote productivity, mainly for the food products. In addition to that, the government tries in best to avoid largely dependent on import for food industry which can make the instability in general price of food. Furthermore, in the early of the commencement of that policy, agricultural sector becomes the third tool of the growth behind industrial and services sector. This sector should be modernized with some advancement of the technology by which it includes the high-skilled labors to its production itself.

Besides that, the modernization in agriculture sector shall be a significant method to the growth of the economic. According to Awokuse (2009), the researcher argues that agriculture sector can still be the best way of growth based on the causality path from the agriculture to economic growth. In addition, the study of the relationship between economic growth and accounting among others can be seen in the previous research by Triffin and Irz (2006). Moreover, Katircioglu (2004) points out that there is an appearance of the unidirectional causality from output based from the agriculture sector in the Northern Cyprus economy. Furthermore, study done by Chebbi (2010) revealed that the agriculture sector plays a limited role in the short term for the growth of the economics of Tunisian.

Similar result gathered by Houssem (2010). The researcher came out with the point that all sectors involving services, industrial and agriculture tend to change in the longer term. Furthermore, in aligning to the link of the industrial sectors and the agricultural sectors, Hye (2009) found out that the agricultural sector is a yardstick in giving a significant impact of promoting it wellness in the modern sector as to strive in best economic development. Besides that, on the other hand, the output of the industrial can only enhance the agricultural sector in the long term. Likewise, same result was found by Subramaniam and Reed (2009). The study revealed on the inter linkages among sectors by using Poland and Romanian data and employed the cointegration analysis and pointed out that non-agriculture sector has a favorable impact to the agriculture sector in both countries particularly in the long term. Moreover, another study by Seka (2009) pointed out that the appearance of the unidirectional granger causality from agriculture to industrial growth in the West African States give impact on this sector. Basically,

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in perspective on country of India, Chaudhuri and Rao (2004) found bidirectional causality between these sectors. Other study done by Paul (2009) estimated that the causality among services, industrial and agriculture sector for Indian data and find the existence a unidirectional relationship from industrial or services sector to agriculture outcome. The result aligned with the previous study by Koo and Lau (1997) which found out that the growth of the Chinese agriculture outcome was depended on Industrial sector as a basis.

1.2 Problem Statement

According to Zain (2009), he stated that there had not been a lot of issues and cases in this subject matter previously. As Malaysia has made a point of changes in the agriculture sector dominantly for the economy to be a well and successful middle income economy over a short period of thirty years, agriculture accounting was rare and difficult to be complied with. This was due to the fact that previous standards did not use fair valuation method of measuring the agriculture assets. However, with the adoption of IFRS 41 and its requirements, this will have a great impact on agricultural companies as systematic fair value valuation on the assets need to be done on yearly basis. In addition, researcher as well mentioned about the system that may need to be replaced as to grab the new ways, methods and the sequences causes on the financial statements of a company. However, the outcome gathered as by which to use the IAS 41 as a new standard which did not been reached by the authorities because of the need to it is difficult to find out its true cost or benefit of that subject matter. Furthermore, the sector of agriculture found out that this standard is treated as a burden to be complied with. Their perspective of saying that by applying agriculture accounting standard, it will have to measure the fair value of the trees as they live and at often gaps over pockets of plantation in different and various locations being asked on the worth that they can gather to the financial statements' users.

In addition, according to The Star published on Thursday July 11, 2013, the investors in Southeast Asia were not supporting that agriculture accounting standard to be used in order to know the worth of the farm animals, crops and other agricultural produce. The companies tended to doubt it would seek the profits are highly uncertain and increased the risk of corporate earnings management. The standard was used in developed markets however the implementation

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in South East Asia creates large controversies. Furthermore, as in Malaysia, Indonesia and Thailand, these countries have large palm oil, rubber and other agricultural industries, might have problems in valuing such assets. The standard meant that the companies must surely able to determine the worth of agricultural produced before they are sold. If the market price of the agricultural produce increases, "fair value" accounting would lead to gains while reduction in prices lead to losses based on fair value measurement. As a result, income for agricultural companies might be very volatile as it depends on changes in commodity prices. However, financial analysts are more concerned with cash flows of the companies rather than accounting earnings based on fair value.

Besides that, as to link the study, it was found there are still challenges that can be seen by which in between of the lack of efficiency in recording and practices of accounting in the agriculture field and the importance provided to accounting. The reasons for this gap could be seen as there were current rules in the general accounting that did not well adapted to the particularities of farming and were very hard together with the higher cost to impending it. (Argiles and Slof, 2001).

1.3 Research Questions

The purpose of this study is to determine the extent of the agriculture accounting disclosure as prescribed by Malaysian Financial Reporting Standard MFRS 141 among Malaysian listed companies for years 2009 and 2012. The year of 2012 is chosen as it is the year when all public listed companies in Malaysia are required to comply with Malaysian Financial Reporting Standards (MFRS). Year 2009 is chosen to be the base year before the mandatory compliance requirement. Next, this study intends to examine the factors that influence the level of compliance on MFRS 141.

The research questions are:

1. What is the extent of agriculture accounting disclosure among public listed companies in Malaysia for the year of 2009 and 2012?

2. Is there any different in the compliance level on MFRS 141 among public listed firms between 2009 and 2012?

3. What are the factors that affect the level of compliance on agriculture accounting standard disclosure MFRS 141 among Malaysian companies?

1.4 Research Objectives

The objective of this study is to enhance useful insights on the development of agriculture accounting standard among Malaysian listed companies. In focus, this study tries to achieve the following objectives:

1. To assess the extent of disclosure on agriculture accounting standard MFRS 141 disclosure among Malaysian listed companies using modified disclosure score as proposed by Argiles and Slof (2001).
2. To determine whether there is changes in compliance level on MFRS 141 among public listed companies between years 2009 and 2012.
3. To determine whether the factors of profitability, corporate size, firm's age, leverage, auditors quality, director ownership, foreign ownership, and firm's growth affect compliance level on agriculture accounting standard, MFRS 141.

1.5 Significance of The Study

Generally, the study will discover the level of compliance on disclosure requirements under the current accounting standard MFRS 141 among public listed companies in Malaysia. Furthermore, it can explain and enhance understanding on the determinants or the factors which influence the agriculture accounting disclosure level of compliance among public listed companies in Malaysia.

Based on literature search, it is rather difficult to find any study on agriculture reporting in Malaysia. Many of the studies found are from the western countries such as United States and United Kingdom. To the best of the author's knowledge this is the first study in Malaysia to examine the level of compliance on agriculture reporting, MFRS 141.

Previous studies gathered from the developed market as mentioned by (Argiles and Slof, 2001) indicate that companies faced real challenge in complying with agricultural standard. This study will provide an indication on the level of difficulties faced by the agriculture companies in complying with MFRS 141. It is hoped that this study can highlight the areas that requires improvement and further clarification. Thus this study can provide useful feedback to authorities and regulatory bodies in encouraging them to develop a practical agricultural accounting standard suitable in Malaysian environment.

1.6 Scope of The Study

This study is basically studied on the extent and disclosure of agriculture accounting MFRS 141 based on 41 listed companies in Malaysia for the year of 2009 and 2012. As for the year of 2009, it is selected due to after the global financial crisis crash into the Malaysia financial market while for the year of 2012, it is selected due to mandatory requirement of the standard is prior on that year. Furthermore, the data was collected based on secondary data gathered from DataStream and annual report of each and every company listed in the Malaysian main market. The findings and analysis which is the descriptive analysis is carried out using Statistical Package for the Social Science (SPSS) and Statistic of Analysis Data (Stata).

1.7 Organization of The Thesis

This paper is organized as follows. Chapter 1 covers on the background of the study, problem statement, research questions, research objectives and significance of the study. Next, it provides brief overview on agriculture development in Malaysia, the definition of agriculture accounting and the importance of disclosing Agriculture Accounting. The second chapter will discuss on literature reviews relevant on agriculture accounting. Next, Chapter 3 explains the methodology and presents the theoretical framework for the study. The fourth chapter presents the results on descriptive analysis and logistic regression and finally, the last chapter will summarize the objectives of the study, its main findings, some limitations of the study, and give some suggestions for future research.

CHAPTER 2
LITERATURE REVIEW

This chapter discusses literature review relevant to the agriculture accounting. Section 2.1 describes the development of agriculture accounting in Malaysia, the definition and importance of disclosing agriculture accounting. Section 2.2 discusses on the importance of agriculture accounting using relevant underpinning theories.

2.1 Development of Agriculture Accounting in Malaysia

Malaysia is leading into becoming a wealth country. In achieving this aim, the agriculture field has been used as one of the generators in boosting the economy. Consequences to it, various efforts have been generated, nonetheless, although it's striving successfully in the developing of such industry, it seems that such efforts not succeed and unable to place positive impacts on socio-economic of the farmers which aim especially on their earnings. According to Shaffril et al. (2011) has concluded that the average earnings of agriculture sector in Malaysia were approximately RM669.62 which is roughly equivalent to USD 220.

A new strategy was adopted to increase farmers' income. Malaysian government played major role in helping farmers especially through sustainable agricultural activities. A well-established agriculture could be referred to the technique used in food producing that was good for the health of the human beings and animals as well, techniques which would not pose threat to the environment and are fair for workers, respects animals, offer better earnings for farmers, and help build the rural communities (Altieri, 1995). Government has supported the sustainable agriculture projects through the commencement of the Third National Agriculture Policy. It was aimed to have a sustainable farming through a link on the united agriculture in focusing on the agro forestry, renewing of slightly the land and also on proper soil and water conservation as well (Ahmad, 2001). Besides that, the commencement of Third National Agriculture Policy also has generated to the large in number of the successful projects. One of the most excellent examples was conducted by Koperasi Atlet

Malaysia Berhad (KAMB) and IRIS Corporation Berhad. Both companies have cooperated in developing sustainable and communal agricultural farming model. This model as well is being developed at a farm in Perak, and it is estimated that the project will generate and create "greener agriculture activities", local opportunities on jobs, and also high yield of premium crops. Some examples of these crops include the eggplant, cherry tomato, golden melon, Japanese cucumber in improving the eco-agro tourism.

Sadati et al. (2010) indicated that farmers' attitudes can significantly influence the stable agriculture in acceptance. Previous study done by Allport (1935) defined that, an attitude is a readiness level of mental, ordered by high experiences, and can significantly accept theeffective measure on the feedback of the self towards all of the objects by which it is linked with. Thus, it could be concluded that farmers relies on their openness in mind and past experienced in the sector of agriculture.

Besides attitude, farmers' knowledge was another essential factor in adapting sustainable agriculture matters. Knowledge was a tool which is very vital in such planning, and is surely very demanding in this challenging era of globalization. To be well understood, in the 21st century, application on knowledge and accretion will bring the processes of development run in the right path. Knowledge can train poor farmers in increasing their standards of living. According to Carreon et al. (2011), knowledge could be referred to as proper or well data processes which changed to the information, as well as a core in any process of innovation. Moreover, in this study it can be noted that knowledge is as one of the important, vital and potentially high factors for the sustainability of agriculture accounting.

In addition to the farmers' attitudes and knowledge, financial, social and educational aspects were very useful and demanding. Consistent support for sustainable agriculture practices in agreement farming was crucial, as this will ensure its continuing viability as being said by (D'Silva et al., 2010) which accentuate the role of government in taking care on the right of the farmers to adapt suitable methods in farming transactions. Major role is to provide adequate financial support as for the practices in farming to be succeeded.

Agricultural activity comprised of a wide range of activities such as forestry, raising livestock or perennial cropping, cultivating orchards and plantation, floriculture and aquaculture. In Malaysia, agricultural industry was considered as number one of the major contributors to national gross income, especially revenue gathered from rubber and palm oil. Up until the year of 2002, there are 44 public listed companies involved in agricultural industry. This industry was known as a complex industry and most of the businesses involved in agricultural activities are small, independent and family business. They were treated as not as being required to produce general-purpose financial statements. Accounting for agriculture has gained much attention from standard setters in the developed world as of late. In the year of 2000, the International Accounting Standards Board (IASB) has issued a specific standard specifically for agriculture accounting which was known as the IAS 41 Agriculture.

IAS 41 prescribes on an accounting standard for the agriculture industry. It was published for the year ended 2000 and became usable for accounting periods starting on or after 1 January 2003. Furthermore, accounting for agriculture becomes more difficult as the financial reporting framework has transform from the historical cost method to the fair value method. Within Malaysia, the Malaysian Institute of Accountants (MIA) commended the effort by the IASB in generating a specific standard for agriculture. The MIA had already established the efforts on developing a special Malaysian standard in agriculture for the past previous years. Previously, Malaysian Accounting Standard 8 (MAS 8) was issued and this standard was used in measuring the historical cost accounting.

2.2 Definition of Agriculture Accounting

According to International Accounting Standard (IAS) 41, the features of the agricultural activity can be best defined as the biological management transition of plants or living animals (biological assets) to yield produce for consumption or processing. Biological transformations such as growth, procreation, production and degeneration are significant events that under the accrual assumption that could be reported in the period in which they incurred. Moreover, the cause of changes in substance brought about by biological transition is best revealed by reference to the changed state of the biological assets (animals or plants). Furthermore, the unit of measurement could be based on the group of animals or plants (for example, dairy herd, apple orchard, and pine forest and maize crop) rather than the individual animal or plant. The existence of effective and efficient markets for biological assets and agricultural produce will increase the capacity to be depending on measurement of the effect in changes of biological assets.

Several terms linked to the agriculture activities as defined by the IASB in IAS 41 are discussed below:

Activity in agriculture is the process of handling the business of a transition of biological known as selling of the biological assets; produce of agriculture, or into surplus of asset in biological such as plants and living animals. It is as such due to its yield to produce agricultural in waiting for processing in the future and consumption or sale. In Malaysia, most agricultural activities were done involving plants and vegetables such as oil palm tree and breeding animals such as chickens and ducks. All of the activities which relates to this definition can be determined as the agricultural activities. Thus, the enterprise must follow MFRS 141 which is equivalent to IAS 41 to produce financial reports.

The following elaborations were being used in the Standard with the meanings specified as:

An activity in agriculture is the corporation by which it able to handle its biological transition and as well as harvesting the biological assets to be sold or otherwise for the translation

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purposes into production of agricultural product or as well as into more assets of biological. Moreover, the productions of the agriculture products are the harvested of the firm's biological assets named as a living plant or animal. As such, biological transition includes the processes of procreation, production, degeneration, and growth that cause numbering or non-numbering transforms in a biological asset. In addition to it, the costs to be sold are the costs primarily directly attributable to the disposal of an asset, without the cost of finance and taxes imposed. Harvesting activities is the process of producing early product known as biological asset or the discontinuation of a life processes in biological asset.

Furthermore, under the International Accounting Standard (IAS) 41, the activity of agriculture comprises of a various range of activities. The best example can be seen as a livestock being increased, annual or perennial cropping, forestry, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Another common feature in the biological asset that can be furthermore seen are the existence within this diversity: (a) change in capability of living animals and plants which are capable of biological transition; (b) changes in management by which various facilities being done in order to handle the biological transition by encouraging, make it stable and some regulations imposes as for the task to carry on. The conditions arise are such as light, nutrient levels, fertility, temperature, and moisture. In the organization, the upper levels who manage those processes must distinguish agricultural activity to be differed from other activities. The best illustration can be seen are harvesting from mismanage sources such as deforestation and ocean fishing which is known as the activity which is in the agriculture and in terms of change in estimation purposes. Next is the transformation in quality such as genetic merit, density, ripeness, fat cover, protein content, and fibred strength or quantity for example, progeny, weight, cubic metres, fibred length or diameter, and number of buds which can be seen as by which a biological transition or harvest is measured and monitored as a routine management function.

The biological transformation gives outcomes on the following types of outcomes. They are changes in asset through its growth. The growth can be elaborated by an increasing in quantity or improvement in quality of an animal or plant, next is degeneration. Degeneration

is known as a decreasing in the value or diminishing in quality of an animal or plant. Moreover, the third changes can be seen is the procreation. Procreation creates an additional form of a live animals or plants as well. Besides that, the production also can be well determined when the agriculture process can produce outcome best known as latex, tea leaf, wool, and milk.

There is best and accurate definition as for MFRS 141. The general definitions of this standard can be well meant as a market which actively doing trading in agriculture process is by which all of the following conditions exist and fully abide with. The conditions that must be met are firstly the items traded within the business transaction is the same, second, it must have a willing buyers and sellers which can normally do the trading transaction on the same time. Thirdly, the prices reveal which is the public information that they can know best. Moreover, in the agriculture activities, the company must know the net amount by which, the amount can be generated in the income statement or statement of financial position. The fair value of such number by which known as an asset that could be transformed over time, or an obligation by which being settled in between of willing parties and knowledgeable person within the transaction in the agriculture activities itself. Next is the fair value of an asset is based on its present condition and location. As a result, the best example is the fair value of cattle at a farm. It is the priced at the market price less the cost of transportation and other costs of getting the cattle to that market. Table 1 shows examples of biological assets and biological products.

Table 1: assets and products covered by IAS 41

Biological assets	Products	Excluded products resulting from harvest
Sheep	Wool	Yarn, threads, carpets
Plantation trees	Felled trees i.e., Logs	Boards, plywood, rubber
Plants and shrubs	Cotton	Threads, cloth
	Sugar cane	Sugar, molasses
	Leaves	Tea, tobacco
Dairy cows	Milk	Ice cream, cheese
Stocker animals	Calves, carcasses	Steak, hamburger
Pigs	Carcasses	Sausages, cured ham, bacon
Chickens and turkeys	Eggs, carcasses	Meat for consumption
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruits

Source: AIS 41

http://ec.europa.eu/internal_market/accounting/docs/consolidated/ias41_en.pdf

2.3 The Importance of Disclosing Agriculture Accounting

According to Zain (2009), he states that the standard can be complied with and wisely met as compared to the professional valuation practices which occurred previously. Furthermore, the issues occur when splitting of the land portions and the biological assets which are the trees, and apportionment between the two can be done by referring to market evidence. Consequences to it, an organization in the plantation base should train themselves for the new implementation of fair valuing their greenest of assets. Based on the statement, it has shown how importance of disclosing agriculture accounting effectively and efficiently as for the company to achieve their mission.

Furthermore, there are many ways for the companies to disclose the agriculture accounting information in the annual report. Several main reasons to disclose it are mainly to show the fundamental of it in the income statement by which analysis can be done in the income and expenses used to determine income from operating activities by using a division classification through the nature of revenue and expenses. Next is to disclose the nature of expense method provides to be more useful information to the users about an agricultural enterprise. (IASC, 2000)

In addition, according to PricewaterhouseCoopers, (2009) the disclosure of agriculture accounting has the uniqueness by itself. The uniqueness is through the initial gain or loss on biological assets. Next is through changes in fair value less costs to sell of biological assets and lastly is the initial gain or loss on agricultural produce.

Accounting can improve farm management and lead to better farm performance. According to Garcia et al. (1983) found that those farmers who used a proper record keeping system over time can improve their ability to use such kind of information in that produced by the system generally. For example, they found that farmers who were able to prepare financial statements were more likely able to make cash flow projections than for whom which is not involved in financial accounting.

Furthermore, agricultural users often demand more on accounting information and enhance toward best information of accounting info (Bronstien, 1995) by which it is consistent with the previous study that source of accounting will make a favourable outcome and result as to present and predict the reverse condition of succeed which the farm happen to fail (Argile's, 2001). Besides that, previous study by this researcher indicated that the government did intervene in various trading of agriculture transaction in many countries worldwide. As such, the setters of the policy as well might demand for true and fair on the information in accounting. The researchers concluded that although that there are existence of an outside demand for information of accounting in agriculture and that this information, it would also be a useful tool for the farmers to be used. Farmers do not use this method in

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accounting due to currently accounting rules use to not adapting by them very well in applying to their type of business and are also difficult and expensive to implement by them.

Study done by Miller and Bahnson (2009) proposed that there is a reverse opinion in measuring the fair value in reporting of agriculture as required in IAS 41. They faced with the US agricultural producers which issue meaningless financial statements when the organizations then provides financial information on an estimate of the current value of the assets, liabilities and equity as compulsory data and information. Both of the presentations include the disclaimers that raised questions from lenders and auditors about the gathered information. By using a basis of fair value on the valuation on the financial information, it settled the inefficient and ineffectiveness of reporting process as the information of the financial statement has lower linkage with what is happen currently according to Miller and Bahnson (2009),the researchers also give reverse opinion by which the agriculture accounting should be treated as an industry which specialized on its own norms and nature although the fair value recognition could be a tool for assistance.

2.4 Underpinning Theories

The disclosure of agricultural accounting can be best examined by using these underpinning theories. The theories are Signalling Theory and Agency Theory.

2.4.1 Signalling Theory

Signalling theory can be well said as the companies which use financial statement as a signalling method as a tool in expressing their expectations and intentions. This can be further discussed based on previous study done by Singhvi & Desai (1971: 135). According to this researcher, the corporation may disclose and reveal a lot of information when the profitability is higher than the industry average. This is happened due to inform the shareholders and other stakeholders about the position of a corporation are whether it can be survived or otherwise. Besides that, the authors sometimes use profitability, size and auditors

as a factors and proxies for the signalling theory. Signalling theory also focused and concerned on the understanding of why such signals are dependable and reliable while others are not. Furthermore, it looks on how the signal is linked and related with the quality that is being able to represents and question on what are the segments and elements of the signal or the environment based on the community surrounded with that keep it directly reliable. Moreover, signalling happens in the competitive environments. The signalling theory restricts that the interest of the agent and principles are seldom parallel in it, and the standard is quite odds with one and another. Sometimes the fighting is overt and fierce, which is aligned with the prey and predators. Furthermore, the potential victim may signal the predators on ways they are not efficient or that they can run very quick or compete back accordingly and effectively in order to pursue them is vain. Next, the potential fighters may signal their strength to one and another by which it is not properly matched together and the weaker may quit and the real competition, which is costly among all, can be diminished. In other words, the competition is vital when the signalling process arise is in between established firms. Even though it is within the cooperative relationships, there will be a conflict of interest on how planning and identity are seen.

2.4.2   Agency Theory

With regards on the agency theory, it can be more elaborated in this study by which the larger firms which is the control variable of size will have higher agency cost due to high difficulties in the organizational structure and it is subject to more costs on political in order to disclosure real information in reducing the agency cost. Moreover, this can be applied on the agriculture companies by which the proprietary costs are lesser in the big organization as compared to smaller firm and therefore there are lower incentives to hold back of the information, and as such, the information is disclosed by them as a primary source of information for their competitors' purposes. In the smaller firms, it should be reluctant to make a full disclosure of their activities due to it can also be assumed that the large firms are more sensitive to political costs and in aligning with that subject matter, it will disclose more in order to allay criticism by the public or government inference in their matters and affairs.

Previously, most studies have been reported a favourable outcome of the association between firm size and level of disclosure compliance with IFRSs (Gassen, 2006).

Moreover, the agency theory has been used by previous researches to argue that potential transfers of wealth from debt holders to stockholders can be influenced by leverage and ownerships especially when a company is highly levered. According to Jensen and Meckling (1976), the researchers reversely gave opinion on such conflicts in organization are exist due to the presence of bondholders in a capital structure of a firm. In order to protect their economic interest, the agency theory estimates and predicts on the restrictive covenants which may be written into the debt contracts. Through that, the agency theory suggested that the information level of the disclosure rises as the result of the growing leverage of a firm.

Besides that, according to Ahmed and Nicholls (1994), they mentioned out that in most of the states in Malaysia where the institutions of finance are the major treat as yardstick of funds in the company, an estimation arise and will give impact to the companies at most which tend to have a high portion of liabilities on their account which will be disclosing real data in their annual reports. This also can be seen in such companies which use to disclose information in detail to attract and encourage company's opportunity of getting funds from such financial institutions.

This study will considerate the financial variables which mainly can be divided into two; the corporate governance variables and control variables. The financial variables itself can be more elaborated by the profitability, leverage and cash and cash equivalent of a company may have. Moreover, the corporate governance will present on ownership and auditors. The ownership in the company consist of director ownership and foreign ownership of shares held by them while the last variable is the control variables which are the age of the company, the size of the company and the growth of the company. These variables are determined as to investigate its relationship with the compliance level and disclosure of each company. From the reported figure, the independent variables are profitability, auditors, leverage, and ownerships as well as the control variables which are growth, size and the age

of the company while the dependent variable is the compliance and disclosure of agriculture accounting according to the MFRS 141.

In addition, the empirical work done by Garcia et al. (1983) found out that the farmers who used a formal system of recording based on the improvised of the overtime ability in order to use the kind of information that the system produced. As for the example, they observed that farmers who used proper record keeping and prepared the financial statements were more likely to prepare and provide the best cash flow projections as compared to those who were not involved in financial accounting. As such the agency theory can be applied in this situation between the principal and agent. Moreover, Streeter (1992) studied on five farmers who were using electronic information systems. The researcher is able to observe these farmers by discovering the most important function in the accounting by which they will improvise their information systems management. Furthermore, the accounting is a necessary as a precondition in generating the useful information in making decision, and as well as it is a good complement for management information systems.

Furthermore, previous study found out that the agricultural lenders often demand more and better accounting information. This can be seen in the study of Bronstien, 1995. This study is consistent with the empirical evidence that the accounting data may make a significant contribution to predict and explain the failure of the farm. (Argile's, 2001). Moreover, it is given result that the government intervention in much agricultural markets in various countries and various policy makers which will have a need on the accounting information. As a conclusion, the researcher concluded that even though there is existence of an external accounting information demand in agriculture and that this information, it is a useful tool for the farmers themselves. The farmers do not get involved in accounting but due to the current accounting principal and rules, the adapting process is not very well translated into their type of business and also it is hard and expensive to execute the planning (Argiles and Slof, 2001).

As opposed to preparers and scholars as a whole, users of financial statements, may distinguish the market value in accounting to be easier understood in various manners on the

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historical cost accounting which may be difficult to be applied on. This can be best seen in the example of inconvenience on an accountant who can determine the historical costs that is sincerely to be represented on with the value of a bushel of wheat or new-born lamb. Moreover, it is very costly, difficult and complicated to be done by the proponents of market value accounting. It creates a conflict here when this subject matter happened to occur. As such, the transformation from historical cost to fair value accounting might create positive value in accounting itself. It can strengthen the volume for the subsidiary's governments in lesser in the developed countries to impose tax procedures that will be based on the market value of the income which are generated in high profit, on established multinational corporations which involved in the agriculture and activities of forestry and as well as thereby in generating to decrease the potential for the expropriation of natural resources (Elad, 2004).

Besides that, issue was discussed and highlighted by most of the scholar is regarding the standard named as IAS 41 which has specified the measurement of fair value for most of the biological assets even though not all of the assets exist can be treated as increasing and are absolutely sold through which can result in misrepresentation on the information of the financial statement. This can be best said as the information presented is not true and fair for the users generally and involve agency problem. Then, another issue arise is lack of an effective, efficient and systematically system in determining the fair value model by which it can create to a big differences which known as gap in quality of earnings in the agriculture sector which create agency problem as well. (Aryanto 2011).

Furthermore, under the International Accounting Standard (IAS) 41, the activity of agriculture comprises of a various range of activities. The best example can be seen as a livestock being increased, annual or perennial cropping, forestry, cultivating orchards and plantations, floriculture and aquaculture (including fish farming). Another common feature in the biological asset that can be furthermore seen are in terms of the existence within this diversity which better known as the change in capability of living animals and plants by which they are very capable towards the biological transition, then, the changes in

management by which various facilities being provided in order to handle the biological transition accordingly by encouraging and as well as to make it stable with complying on some conditions necessary as for such process to take place effectively and efficiently. The conditions arise are such as nutrient levels, moisture, temperature, fertility, and light. In the organization, the upper levels who manage those processes must distinguish agricultural activity to be differed from other activities. The best illustration can be seen are harvesting from mismanaged sources such as deforestation and ocean fishing which is known as not activity in agriculture and change in estimation. Next is the quality transformation such as genetic merit, density, ripeness, fat cover, protein content, and fibred strength or quantity for example, progeny, weight, cubic metres, fibred length or diameter, and number of buds which can be brought about by biological transition or harvest is measured and monitored as a compulsory matter in the management function to be done.

Biological assets may be sold on their growth process no matter when and where. For example, cattle or timber can be sold any time at any age at a given market price. However, older cattle or timber typically have higher market prices. For example, older teak trees command a higher price than saplings. Under the concept of appreciation, the asset in the economic will benefit increases in value during the period of accounting and consequently, the revenue is being recognized without having to measure and estimate it based on the organization which set the amount by which the measurement of such amount is estimated and just involve time as a subject matter before it is gathered (Marsh et al, 2013). Additionally, according to Elad, 2004 the bodies in the accounting professional have openly and directly argued and criticized the fundamental of measurement just because of most of them believe that it can measure the gain before the selling off the assets is not a wise decision and moreover can create in problem and as such the recognition can leads to earnings volatility.

Besides that, another major subject matter to be focused on is the implication of tax imposed of being whether it able to recognize thee appreciation in value as the measurement process gives inaccurate and unreliable financial report information or otherwise. This was being said by Elad, 2004. The sequences of unmeasured gains and losses of such biological

asset either it is increasing or decreasing in the income statement by using the natural classification approach which can result in volatility of income. According to the IAS 41 as well, it moreover has another issue on the approach of classification on natural asset in biological. This was being said due to it has the issues in language. For example, in France, the gross profit gives a reverse meaning by which it only relates dominantly on the sales on goods bought from outside products for sale that was being done previously. This was mentioned by Mates and Grosu, 2008. However, it does not link to the internal production as of the company happen to do trade transaction based on the other countries. Furthermore, it intermediation of the consumption can be known as next term that has several translation in different countries.

In addition, the United Nations Statistics Division System of National Accounts (SNA 2012) presents on the instant usage. Instant usage is the usage amount of the goods and services as the inputs from a process of a production being excluded the fixed assets and moreover treated the consumption of the fixed capital. According to Elad and Herbohn, 2011, in France, intermediate consumption can be seen as to the recognition of value added. The international agricultural representatives were being interviewed. This is done due to find the IAS 41 reporting happen to get higher demands of extra work or otherwise. Consequences to it, this highlights the role of the auditors in ruling the compulsory matter of the accretion recognition which in some cases resulted in the negative side between auditors and managements (Aryanto 2011, Elad and Herbohn 2011).

2.5 Literature Review on Determinants of MFRS 141 disclosure level of compliance.

This study will focus primarily on the causes that make each and every company in Malaysia discloses agriculture accounting standard in the annual report. There are several factors that might influence the company's level of compliance to MFRS 141 as follows:

2.5.1 Firm Age

Company age severally been used in previous studies examining disclosure variability. The benefits in selecting this variable relies in the probability that the old firms might have change their financial reporting practices over time (Alsaeed, 2006), and old firms try to influence their reputation and image in the market (Akhtaruddin, 2005).

Bukh et al. (2005) used company age as a proxy for risk in the consideration of the greater established companies is less risky. From this perspective, the extent of a company's disclosure is estimated to be related to how many years it has been in business.

Owusu-Ansah, (1998) states that, the competition argument proposes that young firms are not likely to disclose the full information about their financial results and position. This is because this it may prove that it can be harmful if sensitive information is disclosed to the established competitors and the costs of processing information are likely to be more irrelevant to the younger companies than for older companies. Accordingly, there might be a positive relationship between the age of the firm and the extent of a company's compliance with IFRSs.

The empirical evidence on the relationship between information disclosure and age of firms has provided mixed results. For example, Bukh et al. (2005) and Hossain and Reaz's (2007) have reported no association between company age and the reporting of the information level, while, Al-Shammari, (2011) reported a positive association between firm age and level of disclosure compliance with IFRSs.

2.5.2 Corporate Size

Most of all disclosure studies, the size of the company has characterized as the important factors of levels in disclosing by these researcher Belkaoui-Riahi, 2001; Chow and Wong-Boren, 1987; Lang and Lundholm, 1993; Owusu-Ansah, 1998; Juhmani, 2006; and Hossain and Reaz's, 2007, which furthermore mentioned that there is a general contract that a favourably relate from the size of a firm and its reporting methods is to be estimated. This linkages of the association can be best explained by the agency theory by which it proposes is to see the large firms that will have greater agency cost due to the more difficulties of an organizational structure and consequently may have subjected to more political costs thus use disclosure to reduce agency cost.

Besides that, on other hand proprietary costs in the size of a company are lesser in the huge firm, and therefore there are lower incentives to hold back information, and as such the information disclosed by them is the most important source of information for their competitors. As for the small firms, it should be reluctant to make a full disclosure of their activities. It can also be assumed that large firms are high in sensitivity to the political costs and, consequently, it will disclose greater in order to satisfy the public criticism or government intervention in their affairs. As such, most studies have reported a favourable association between firm size and level of disclosure compliance with IFRSs (e.g., Gassen and Sellhorn, 2006; and Al-Shammari, 2011).

2.5.3 Leverage

In this leverage factors, the agency theory has been used by previous researches to study and argue by which to furthermore see the potential change of wealth from debt holders to stockholders can take place in highly leverage firms. According to Jensen and Meckling (1976), they argued that agency conflicts are occurred by the existence of holders of the bonds in a capital structure on that particular firm. In order to protect their interest in the economy, the agency theory expects to restrict the covenants which may be disclosed into the debt agreements. Therefore, agency theory points out that the level of information disclosure rises as the leverage of the firm increases and grows. In addition, under Ahmad and Nicholls (1994), they argued that

in the countries where the financial institutions act as a primary source of company funds, there is an assumption that companies, which are having greater accumulated of liabilities on their balance sheet, will report more information in their annual reports. Also, such companies tend to disclose information in detailed to influence their opportunity of getting source of funds from financial institutions.

Moreover, the empirical evidence on the linkage between the disclosure of information and leverage has provided in the mixed results. Some studies have reported a favourably associated. This can be moreover seen in Bradbury, 1992; Malone et al., 1993; Naser, 1998; Al-Shammari et al. 2008, while other studies reported a negative relationship in Meek et al, 1995; and Juhmani, 2006. However, most of previous studies pointed out that there is no significant relationship between leverage and the level of information disclosure. This can be more elaborated by applying to previous study done by Ahmad and Nicholls, 1994; Inchausti, 1997; Depoers, 2000; Hossain et al., 1994; and Barako, 2007.

2.5.4 *Profitability*

Profitability is the most important key for a successful organization. This can furthermore discuss by looking at the rationale for an influence of profitability on disclosure of information is very obvious. The profitable of the companies may have incentives to differentiate themselves from low profitable companies in order to increase the capital on the best available terms. Therefore, the higher the profit of companies, it is assumed to report more information as compared to the non-profitable companies. This can be seen on the previous empirical studies by which it hasshown that the profitability enhances the reporting purpose in the annual reports. The studies that have been done and applying with are the study done by these researchers, Wallace and Naser, 1995; Inchausti, 1997; Owusu-Ansah, 1998. However, a researcher who is Inchausti (1997) argued from the perspective of agency theory that firm is very profitable when it will be able to gather the information as by which to obtain self needs. Therefore, they will report the information in detail as a means of indicating their compensation package and position that they have earned. According to Skinner (1994), he argued that, although it is estimated that firms will

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raise the amount of the disclosure of the information when it is favourable and it is normal to find firms that disclose more information when the result is unfavourable. As such, this has been justified as an attempt to prevent litigation costs or loss of management reputation. Lang and Lundholm (1993) suggested that the direction of the relationship is not clear. However, it is more likely that the management of a profitable enterprise will disclose more information to the market to enhance the value of the firm, as this also determines their compensation as well as the value of their human capital in a competitive labour market. In addition, most of the prior empirical research found out that there is no significant association between profitability and the level of information disclosure (e.g., Meek et al., 1995; Malone et al., 1993; Juhmani, 2006; and Barako, 2007). Ali et al. (2004) reported no relationship exist between profitability and the extent of mandatory compliance with IASs disclosure requirements, while, Hodgdon et al. (2009) reported a negative relationship.

2.5.5   Auditors

According to Watts and Zimmerman (1986), auditors could influence the level of information disclosed by companies. It is hypothesized that the big audit firms are more likely to associate with clients that disclose a greaterinformation level reported in their annual reports. This can be seen in the study done by Malone et al. (1993). However, Beaty (1989) argued that greater audit firms tend to have more percentage to be able stick with what they had achieved which is clearly known as their reputation in order to be able to present of the best quality of audit as compared to the smaller audit firms. In such a way, big firm will tend to have a greater output to be found and disclose a breach of contract by client in the system of accounting just because of the client of the financial statements presented on inadequate as well as errors in disclosing data that will eliminate the goodwill of big audit firms are larger as compared to the smaller firms. Moreover, study found by Ahmed and Nicholls (1994) argued that the largest of firm will be more well-known audit firms apply more influence over the information disclosure policies of companies than smaller and lesser-known audit firms.

While, other studies such as Hossain et al. (1994), and Juhmani (2006) have reported no significant association between audit size firms and level of information disclosure. Large audit

firms are expected to deal with multinational companies conducting their business activities over the world. Therefore, their task is more likely to be enhanced by the standards set by IASs and it is expected that their clients will provide high level of information in their annual reports.

2.5.6 Ownership

In the ownership factor, the conflicts and the linkages happen between agents and principals revealed on the effectiveness of the markets and variety of agreement mechanisms can help and help in lowering the cost to the firm of these potential conflicts can be seen. In addition, it is estimated that within agency theory, that principles will expect on whether the agent will be caused by the personal needs and therefore the rules and regulation will control that the manager in reacting except they are denied to do so. Furthermore, it will generate activities of self-serving that could be compulsory to the welfare in the economics of the principle. In the absence of any agreement mechanism to restrict the agent's potentially opportunistic behaviour, the principle will pay the agent a lower salary as for the hope of the opportunistic actions. The agents are therefore assumed to have an incentive in entering into the contractual arrangements that appear to be able in reducing their ability to undertake actions detrimental to the interests of the principals. (Jensen and Meckling, 1976)

In addition, the ownership can be more seen in this study where, the boundaries around various reporting are also vague when it comes to the use of trusts in trading and also the separation of ownership between the farm business and the land. (Paul, 2009)

According to PricewaterhouseCoopers (2009), the contract-grower entity needs to examine whether its exposure to risk is that of a receivable which is the secured credit risk or that of a biological asset known by physical inventory and fair value changes. This can be seen where the risks and rewards relating to ownership of the biological assets are with the contract growth entity which management should account for them as its biological assets.

2.5.7 Firm's Growth

According to Akhtaruddin and Hossain (2008), they indicate that growth firm's will make the level of voluntary disclosure of companies to grow higher. As such, the growth plays important role in determining the level of compliance on disclosure in the annual report. Under the standard of IAS 41, it guides and deals with the measurement and recording of the transition of the biological assets that include any living animal or plant. According to this standard, the biological transformation is defined as the process of, production, procreation, growth, or aging of the biological asset. The recognition of biological assets occurs in the firms which are able to maintain the assets. As the outcomes of a previous activity, the future gain on economic are possible and the asset fair value or cost can be well measured. Furthermore, there are part that being a hot issue. The most issue raise in the IAS 41 is the obligations on fair value as whether to appreciate the value or otherwise minus the estimated selling point costs to be measured as revenues or expenses to be disclosed in the income statement for the financial year in which the transformation on it occurs. In this case the revenue is measured during the maturation and product growth as compared to the product which is being sold.

CHAPTER 3

METHODOLOGY

3.1 Introduction

In this research, a test hypothesis will be conducted as to examine the mandatory agriculture accounting standard disclosure among Malaysian listed companies and to determine factors influencing the disclosure level of compliance in the agriculture accounting, MFRS 141.

3.2 Research Design

3.2.1   Type of Study

This study is explanatory in nature and will use descriptive and regression analysis to examine on the hypotheses developed in this chapter. According Sekaran *et al.*(2009) mentioned thatexploratory study can be well defined as when it is not much being known about the situation or information is unavailable on the same difficulties or issue in research have been settled previously. Furthermore, study on exploratory as well matches when there are facts to be known but most of the information is needed as for developing purposes which is in developing a viable theoretical framework.

It is hoped that this study will give significant value to both parties between business practitioners and users.

3.2.1.1 Research Approach

According Sekaran *et al.* (2009),the most important ways to capture knowledge are through two methods. They are the induction approach and the deduction approach. Under the process of induction, it identifies on survey which happened firstly through the observations then it will be process until such information will be fully gathered. Next, the information will be used for the implementation of new theories created. In spite, such process of deductive will start on the reading section first and moreover understanding the theories and followed by formulation of hypothesis to be tested.

The process of research in this study will be best examined as deductive approach. The researcher firstly will read and then will understand such theory comprises in it and after that followed by, such theory is tested in reality. In this paper, researcher adopted and adapted the theory from previous study and matched it with MFRS 141.

3.2.2   Unit of Analysis

The unit analysis in this study is all listed agriculture companies in plantation industry on the main market. This study will utilize financial and non-financial information available from companies' annual reports and data from Thompson DataStream database.

3.2.3   Population Frame

According to Sekaran *et al.* (2009), population can be best described as the whole people in the group, events or things that attracted the researcher to investigate the subject matter in deeply. The population of this research comprised of all listed plantation companies in Malaysia as of 2009 and 2012 which mainly operating agriculture as the source of income. There are 41 listed Plantation companies in Malaysia, thus make up for 82 firm- year observations.

3.3 Hypotheses Development

This section will discuss on the hypotheses development followed by variables measurement, control variables, data collection and data analysis.

3.3.1 Profitability

Based on the empirical studies from the past done by Owusu-Ansah (1998), the profitability affects the extent of disclosure of raw data included inside the annual reports. According to Owusu-Ansah (1998), from the agency theory perspective, firm which able to make large profit tend to use such information in order to obtain self needs. Therefore, the users will reveal the information in detail for the result of measuring their compensation package as well as their position. As such, profitability can influence the level of compliance in agriculture sector. Based on these arguments, it is hypothesized that profitability will positively affects companies' compliance level on MFRS141

H1: There is a positive relationship between profitability and the level of agriculture accounting disclosure, MFRS 141.

3.3.2 Level of leverage

There were mixed evidences through the relationship between firms' leverage and the level of accounting disclosures. Previous studies reported positive association. This can be seen in Bradbury, 1992; Naser, 1998; Al-Shammari et al. 2008, while other studies reported a negative relationship such as in Meek et al, 1995; and Juhmani, 2006. Other studies found no significant relationship between the levels of information disclosure and leverage (Ahmad & Nicholls, 1994; Hossain et al., 1994; and Barako, 2007). Based on the inconclusive evidence, it is therefore hypothesized that:

H2: There is a positive relationship between level of leverage and agriculture accounting disclosure.

3.3.3 Ownership Concentration

Under this factor, ownership can be divided into two sections. The first section of the ownership is based on director ownership and second is the foreign ownership. Agency theory explains on the separation of ownership and control in the companies which creates a self-value where managers as an agent for shareholder-owner will act in their own economic self-interest. Moreover, the agents are thought to have an incentive to enter into contractual arrangements that appear to be able to reduce their ability to undertake actions detrimental to the interests of the principals. (Jensen and Meckling, 1976). The low ownership concentration in the firm is equated to managers' control while the high ownership concentration firms are equated to owner control. This can be furthermore elaborated by determining the management structure of the organization. The magnitude of agency cost can vary with the management style of the organization. A centralized management style can reduce agency costs because it allows directors control the foreign in the organization while the decentralized mentioned that the result will highly the agency cost because the foreign may make decisions that do not focus on maximizing the value of the organization.

i)   Centralization is the ownership of the director control all of the organization

ii)   Decentralization is the ownership of foreign controls all of the organization.

Based on the above arguments, it is hypothesized that:

H3: There is a positive relationship between ownership concentration and agriculture accounting disclosure.

> **i)   There is a positive relationship between director ownership concentrations and the level of disclosure.**

> **ii)   There is a positive relationship between foreign ownership concentrations and level of disclosure.**

3.3.4 Auditor

According to Watts and Zimmerman (1986), auditors could influence the level of information disclosed by companies. It is hypothesized that the big audit firms are more likely to associate with clients that disclose a greater level of information in their annual reports. This can be seen in the study done by Malone et al. (1993). However, Beaty (1989) gave contradict outcome when they mentioned out that the audit firms intend high in maintaining their goodwill as prepares of the quality audit as compared to the smaller audit firms. Therefore, bigger firms have a larger incentive to be found and report a breach of contract by client in the system of accounting just because of the client of the financial statements issued with inadequate and errors of disclosure would eliminate the reputation of big audit firms more as compared to the smaller firms. Moreover, study found by Ahmed and Nicholls (1994) mentioned that the largest of firm will be having more reputational audit firms by which it apply true and fair view of the whole information disclosure procedures of companies than smaller and lesser-known audit firms. Based on the above arguments, it is hypothesized that:

H4: There is a positive relationship between auditor and agriculture accounting disclosure.

Control Variables

3.3.5 Firm size

Previous studies concluded that the size of the company is an important determinant of disclosure levels and (Belkaoui-Riahi, 2001; Lang and Lundholm, 1993; Owusu-Ansah, 1998; Juhmani, 2006; Hossain and Reaz's, 2007; and Barako, 2007. These studies indicated that there were positive significant relationship between the size of a firm and its extent of disclosure Moreover, this association can be explained by applying the agency theory. Agency theory proposed that the larger the firms are the higher is the agency cost due to a

more complexity of the organizational structure and consequently it the more disclosures are needed to reduce the agency cost.

3.3.6Firm Age

Bukh's et al. (2005) found out that, there is no significant relationship between firm age and firm compliance disclosure. Moreover, study done by Owusu-Ansah, (1998) states that, the contradiction in competition for the proposes that new firms are not likely to disclose all of the information whether internally or externally regarding its outcomes of financial and as well as their position due to this may be revealed to be harmful if confidential information is revealed to the public especially established competitors and the costs of processing information are likely to give high burden for infant companies as compared to strong and established companies. Accordingly, there shall become on a positive relationship between the age of the firm and the extent of a company's when they are able to comply with the IFRSs standards.

3.3.7 Growth

According to Akhtaruddin and Hossain (2008) indicates that growth firms benefit level of voluntary disclosure of companies. As such, the growth plays important role in examining the level of compliance on disclosure in the annual report. Moreover, this study mentioned out that revenue can be known during the growth or maturation of the product rather than when the product is sold.

3.4 Variable Measurement and Instrument

3.4.1 Measurement for Agriculture Accounting Disclosure (Dependent variable)

In measuring agriculture accounting compliance disclosure score, the dependent variables, the study follows Cerf (1961), Naser et al. 2002; Haniffa and Cooke 2002 where the procedure is a simple approach by which an item scores '1' if it is disclosed, and '0' if it is not disclosed. The total score/disclosure (TD) for a company is computed as follows:

$$TD = \sum_{i=1}^{m} d_i$$

Where d = 1 if the item d_i is disclosed

d = 0 if the item d_i is not disclosed, and

$m \leq n$

Then, the total score achieved by i company is simply is total score for company divided by Total Score available for MFRS141.

3.4.2 Measurement for Independent variables

The factors which are being studied in determining the relationship to intellectual capital disclosure are:

i) **Leverage** – the level of external financing of the companies is measured by the ratio of liabilities over total assets as at the end of the 2009 financial year. As defined by the DataStream, total liabilities represent all short and long term obligations expected to be satisfied by the company. It includes current liabilities, long term debt, deferred taxes, others liabilities and excludes minority interest, preferred stock equity, common stock equity and non-equity reserves. Most of prior studies used this measurement in determining the value of firm leverage (e. g. Bradbury, 1992; Malone et al., 1993; Naser, 1998; Al-Shammari et al. 2008).

ii) **Ownership** – this study utilizes shareholdings by directors and foreign ownerships. Thus, the ownership is measured based on the percentage of shares hold by the dependent and independent directors in the companies as at end of 2009 and 2012. Jensen and Meckling (1976) used the same measurement in their study for foreign ownership holding.

iii) **Profitability** – there are various techniques in measuring profits. In this study, profit is measured using earnings per share as provided by DataStream database.

iv) **Auditor's Quality**–Auditor's quality could influence the level of information disclosed by companies. In this study, Big 4 firms such as KPMG, Ernst and Young and Pricewaterhouse Cooper and Deloitte are selected as auditor with higher quality as compared to non-Big 4 accounting firms.

3.5 Control Variables

According to Vergauwen and van Alem's (2005) argue that accounting regulations and auditors conservatism might be the factors which influence companies on disclosing agriculture accounting. In this study, there are three control variables which are; (a) firm size (b) firm growth (c) age. These variables were selected either on theoretical grounds or because previous empirical studies claims that they are important factors in determining the compliance of agriculture accounting disclosure. Hence, it is expected that these control variables would give significant influence on agriculture accounting disclosure.

v)   **Firm Size** – the size of a company is measured by the natural logarithm of total assets of a company. As defined by the DataStream, total assets represent the sum of total current assets, long term receivables, investment in unconsolidated subsidiaries, other investments, net property plant and equipment and other assets.

vi)   **Growth** – growth is measured using market-to-book-value (MTBV) of common shares. MTBV is defined as the ratio of market price per share to value of equity per share at the end of 2009 and 2012.

vii)   **Firm Age** – the age of the companies is measured in years from the date of listing on the Bursa Malaysia until the end of year 2009. This measurement is used by Saad & Salleh (2008) and Bukh (2005). This study uses natural log of Age.

3.6 Data Collection

3.6.1 Procedures

This study used a secondary data gathered from various sources such as annual reports of the companies and DataStream database. Annual reports of 2009 and 2012 were used to extract the relevant information. The 2009 and 2012 annual reports were chosen as they are expected to incorporate several changes as stipulated in the revised Malaysian Code of Corporate Governance 2007 (MCCG 2007). Data is also gathered from the DataStream Database where the information regarding the company's financial data such as total assets, total liabilities and other information can be obtained. However, to ensure the validity and reliability of the data, it is necessary to manually cross checked the figure using the company's annual report. Besides that, the data was also gathered by accessing the website of Bursa Malaysia. Some of the data collected from the DataStream need to be confirmed with Bursa Malaysia, for example the listing age for the companies. Several circulars from the Bursa Malaysia website are gathered to ascertain the official listing date of the companies.

3.7 Data Analysis Techniques

The analysis of the data is divided into two parts which are (1) compliance score (2) descriptive analysis and (3) Logit regression analyses.

3.7.1 Descriptive Analysis

The first part is the analysis on describing the demographic and financial characteristics of the sample firms. Descriptive analysis is carried out using Statistical Package for the Social Science (SPSS) and Statistic of Analysis Data (Stata).

3.7.2 Logit Regression

The second part deals with the analysis of the dependent variables (agriculture accounting disclosure) and the regression analysis using Logit Model. Logit models presents on some of the linkages between the logit of observed probabilities (not the probabilities themselves), and unknown parameters of the model. For example, logit models used in logistic regression presents on a linear relation between the logit and parameters of the model. The major reason for using logits, as opposed to probabilities themselves, is that in many cases where a linear model using probabilities does not fit the data, a linear model using logits does. The dependent variable would be binary, with the value of 1 for group one or having compliance score of above median level and a value of 0 for having lower than median compliance level.

The Logit regression model to be estimated is as follows:

$$CSORE = B_0 + \beta_1 \text{ Profitability} + \beta_2 \text{ Leverage} + \beta_3 \text{ Dirown} + \text{Foreignown}$$
$$+ \beta_5 \text{Auditor} + \beta_6 \text{ Size} + \beta_7 \text{ Growth} + \beta_8 \text{ Age} + \varepsilon_i$$

Where;

CSORE	=	Compliance Score of company i, value 1 or 0
Profitability	=	Earnings per share i
Leverage	=	Level of Leverage of company$i$, Measured by Total debt/ Total assets
Dirown	=	Percentage of independent and dependent directors ownership in Company i
Foreignown	=	Percentage of foreign ownership in Company i
Auditor	=	Represents auditor quality with binary code of o equal to non Big 4 accounting firm, while 1 is for Big 4 accounting firm.
Size	=	Size of company, measured as natural log of Market Value
Growth	=	Market to book value i
Age	=	Age of company, measured as natural log of Age

	B_0		=	Constant
	$\beta_1 - \beta_5$		=	Coefficient of the explanatory independent variables
	εi		=	Error or disturbance terms of company i

The extent of agriculture accounting disclosure is indicated by number of terms related to the agriculture accounting occurring in the annual report of the companies. Meanwhile, the signs of the β coefficient in the regression model show the direction of the relationship of explanatory variables with the dependent variables. This regression model is run using Statistic of Analysis Data (Stata). Theoretical framework for the study is shown on figure 3.8.

3.8 Theoretical Framework

INDEPENDENT VARIABLES		DEPENDENT VARIABLE

Financial Variables

a) Profitability

b) Leverage

Corporate Governance Variables

c) Ownership

   i)   Director

   ii)   Foreign

d) Auditors

Control Variables

e) Age

f) Size

g) Growth
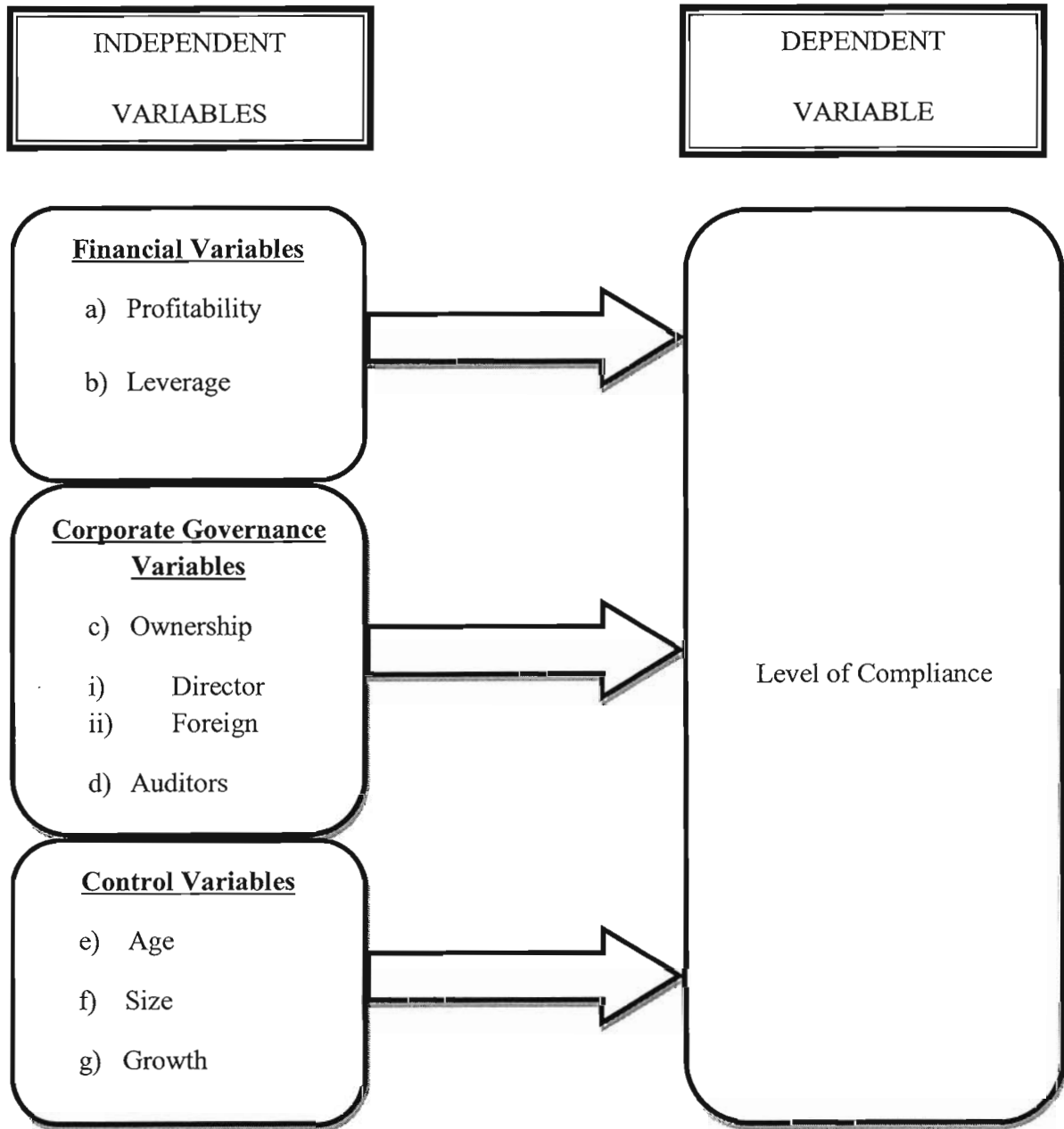
Level of Compliance

Figure 3.8

CHAPTER FOUR

FINDINGS AND ANALYSIS

This chapter discusses the findings and analysis of the study. The analysis of the results is divided into four parts. They are (1) analysis on compliance score (CSORE) (2) descriptive statistics (3) correlation matrix and (4) logit regression analysis.

4.1 Analysis on Compliance Score according to MFRS 141

The study started with analyzing the disclosure of paragraph 40-57 of MFRS141 will be used to analyse the level of compliance of each company. Forty one annual reports of plantation companies were examined. Based on these companies listed in Main market of Bursa Malaysia, it is representing 0.0473% of number of companies in this industry out of all industries listed in the Main market. The tick (/) will be given to each company which complied with the stipulated standard which presents on the similarity of meaning and words. As for the companies which did not comply with the standard will be stated as Non Compliance while No Report will be given to companies which did not disclose d any disclosure requirement as per MFRS 141.

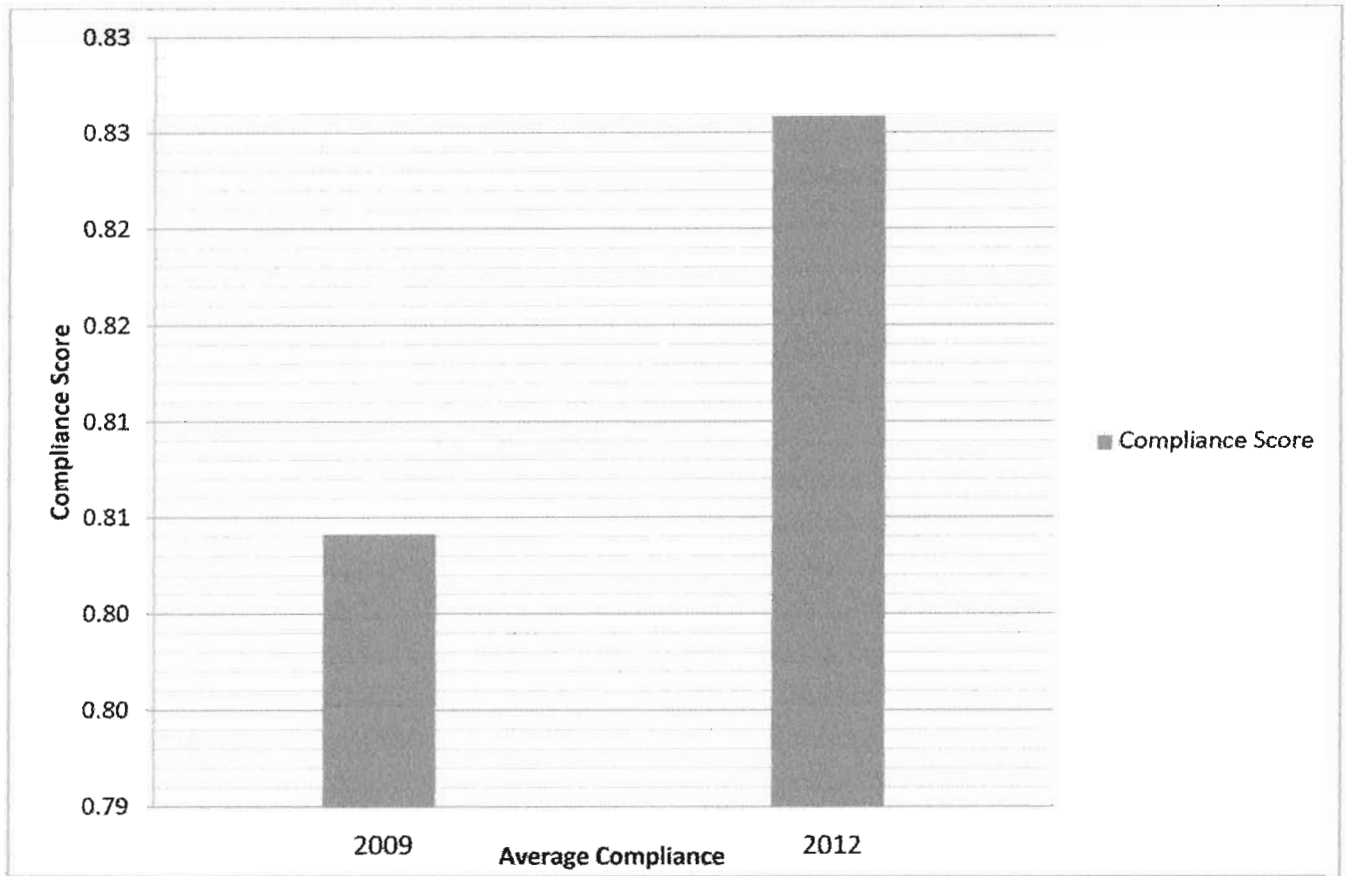Figure 4.1: Average Compliance for the Year of 2009 and 2012

Figure 4.1 shows a bar chart of the average of compliance level (CSORE) for sample firms for years 2009 and 2012. Both years show that all plantation companies were able to fulfil most of requirements. The average percentage of the CScore according to year of 2009 is 80% while in 2012 is 83%.
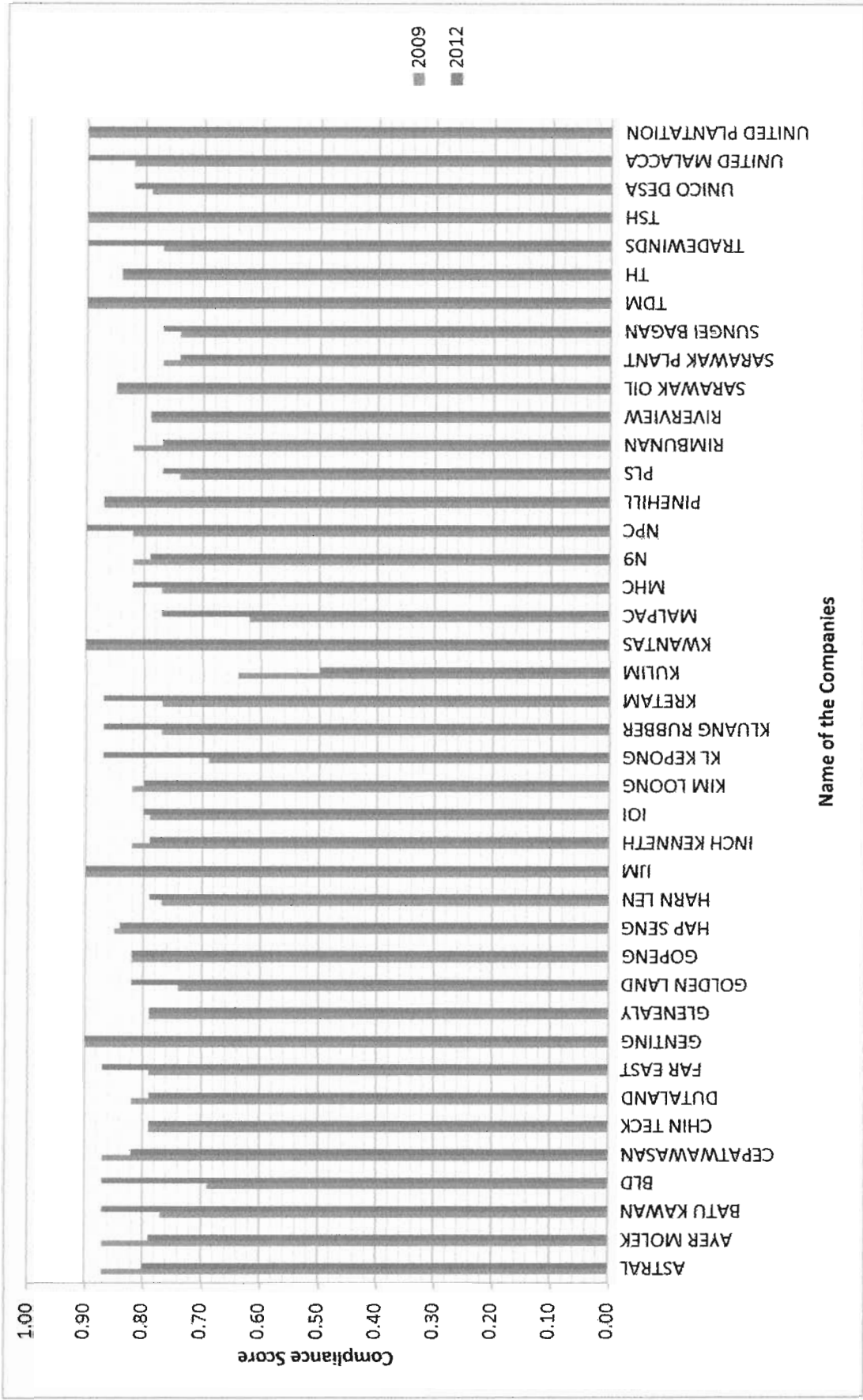
Figure 4.2: Companies' Compliance in 2009 and 2012

Based on figure 4.2, it is interesting to note that some companies have decreased compliance score from the base year. The companies which resulted in decreasing in amount of percentage are Astral Asia Berhad, 87% to 80%, Ayer Molek Berhad, 87% to 79%, CepatWawasan Berhad, 87% to 82%, Dutaland Berhad, 82% to 79%, Hap Seng Berhad, 85% to 84%, Inch Kenneth Berhad, 82% to 79%, Kim Loong Berhad, 82% to 80%, Kulim Berhad, 64% to 50%, Negri Sembilan Berhad, 82% to 79%, Rimbunan Sawit Berhad, 82% to 77% and Sarawak Plant Berhad, 77% to 74%.

Many companies have significantly improved their compliance level (CSORE) which may imply that these companies are aware of the importance of complying with the standards. These companies are Batu Kawan Berhad, 77% to 87%, BLD Berhad, 69% to 87%, Far East Berhad, 79% to 87%, Golden Land Berhad, 74% to 82%, Harn Len Berhad, 77% to 79%, IOI Berhad, 79% to 80%, Kuala Lumpur Kepong Berhad, 9% to 87%, Kluang Rubber Berhad, 77% to 87%, Kretam Berhad, 77% to 87%, MALPAC Berhad, 62% to 77%, MHC Berhad, 77% to 82%, NPC Berhad, 82% to 90%, PLS Berhad, 74% to 77%, Sungei Bagan Berhad, 74% to 77%, Tradewinds Berhad, 77% to 90%, UNICO Desa Berhad, 79% to 82% and United Malacca, 82% to 90%. As for the company which had equivalent level of CScore for both years are Chin Teck Berhad by 79%, Genting Berhad by 90%, Glenealy Berhad by 79%, Gopeng Berhad by 82%, IJM Berhad by 90%, KWANTAS Berhad by 90%, Pinehill Berhad by 87%, Riverview Berhad by 79%, Sarawak Oil Berhad by 85%, TDM Berhad by 90%, TH Berhad by 84%, TSH Berhad 90% and United Plantation by 90%.
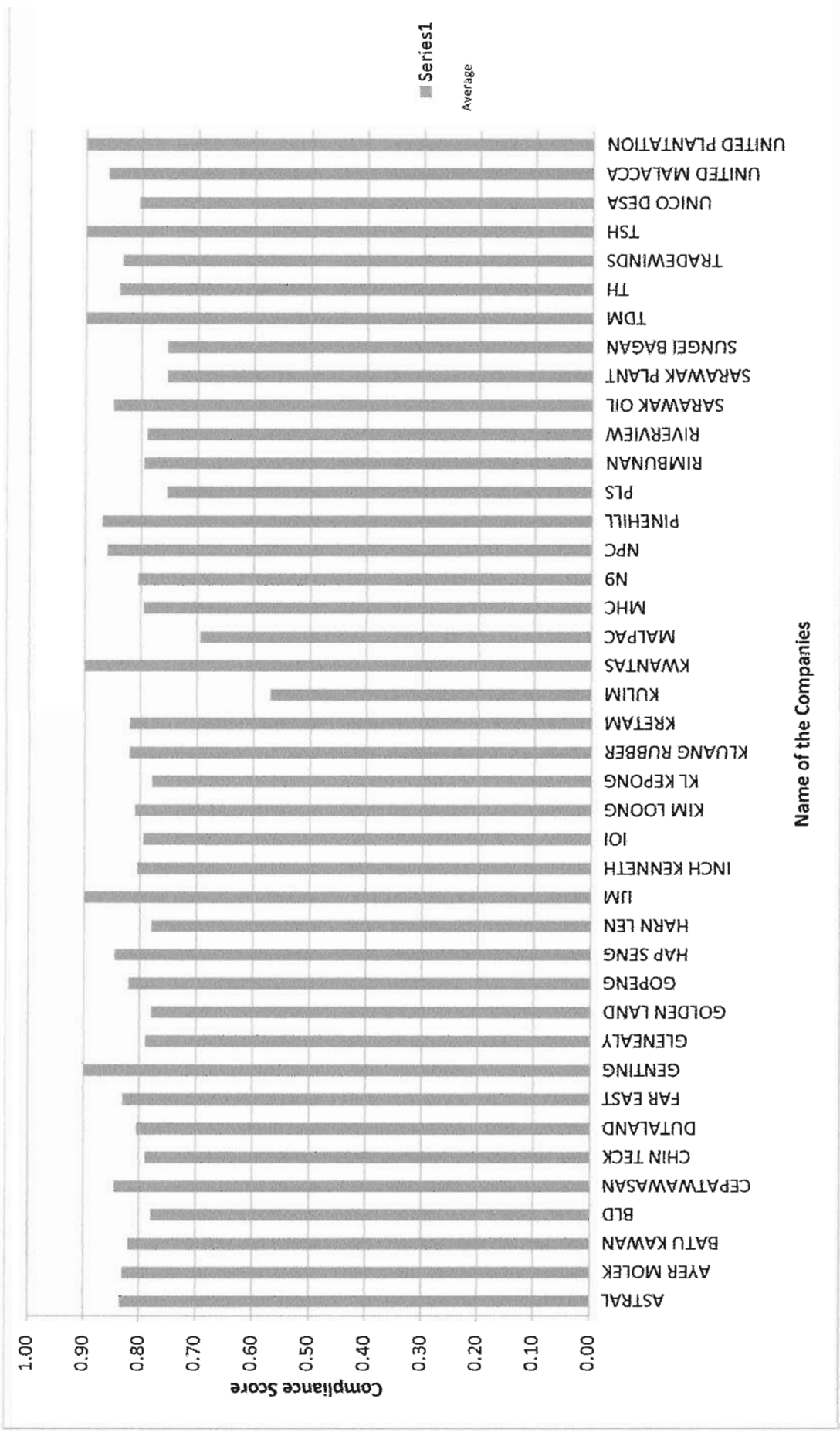
Figure 4.3: Average CScore for Both Years According to each Company

According to Figure 4.3, most of the companies, approximately 35 out of 41 companies, were unable to fulfil most of the requirements paragraphs in MFRS 141. The requirements paragraph are, standard no 50 (b) rises due to purchases, (d) decline due to harvest, (f) differences on the net exchange occurring on the translation on the differences on currency presentation in the financial statements, and as well as in the translation of a presentation currency of the reporting entity in foreign currency, moreover, Paragraph no. 51 requires company to disclose the fair value deducting the selling cost of a biological asset which can transform because of the two physical changes and price changes as well in the market. In addition, the separation in disclosure of accounting tools in the price and physical changes is the cases where the production cycle happened to be more than one year. Relevant to this subject matter, the enterprise is required to disclose, by a group or vice versa on the amount of fair value change deducting with the selling cost added with the gain or loss arising from the physical changes and due to price changes as well. As such, the information is mainly not beneficial when the cycle in the production is in short term which is less than one year. The best example can be seen is when raising chickens or growing the cereal crops.

Moreover, under Paragraph 52, it requires a company to disclose the biological transformation which may result in a number of types of change in physical. The examples are the growth, degeneration, production, and procreation by which each of it is observable and measurable. For each of those physical changes has a direct linkage to economic benefits in the future. A change in the fair value of a biological asset because of the harvesting is also a physical change furthermore, according to paragraph 54 (b) which determine on the explanation of why fair value cannot be measured reliably and (c) if it is possible, estimated range within the fair value is happen to be seen to be lie. Based on the content analysis, it is discovered that all companies did not have any disclosure on paragraph 54.

Paragraph 57 requires companies to disclose any conditions that unable to be fulfilled and other contingencies matters influencing to such government grants and also happen to have significant declines which are to be expected in the level of government grants. Moreover, the companies are unable to abide with the rule which stated under paragraph of 54 which is an entity shall disclose the fair value minus the selling cost of the agricultural produce to be harvested during the period, determined at the point of harvest. Furthermore, only three

companies were unable to fulfill paragraph 41 which requires companies to provide a description of each group of biological assets.

Next is paragraph 44, approximately, 6 companies out of 41 did not abide with this paragraph. Paragraph 44 requires companies to disclose the aggregate gain and loss for all its consumable biological assets or produce arising during the period. The paragraph defines ''consumable biological assets as those that are to be harvested as agricultural produce or sold as biological assets. The examples of consumable biological assets are such as livestock held for selling purposes, the growing trees for lumber, production of meat form livestock, living animals and plants in farms and crops such as maize and wheat. In addition, the bearer of the biological assets are those who are known as other than the consumable biological assets such as the livestock by which production of milk is gathered, then, trees from which firewood is harvested while the remaining trees and vines form grapes and trees which produce fruit. As such, bearers of the biological assets are not agricultural produce but, they are self-regenerating".

Next is Paragraph of 47. This paragraph requires an entity to disclose the methods and relevant assumptions used in determining the fair value of the agriculture base company at the point of the harvesting process and add with the biological assets of such enterprise. Moreover, under the standard of 48, this standard furthermore discussed on an enterprise must disclose the fair value less costs to selling cost of production of agriculture being harvested during that time which can be best described as at the point of harvest. Furthermore, under the paragraph of 51, it mentioned about the fair value less selling cost of a biological asset which can change because of the situation such as physical changes and price changes in the market arise. In addition, the separation of the disclosure on physical and price changes is useful in raising the current period performance and future prospects, particularly when production cycle is more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally not very useful when the production cycle is in short term mainly less than one year. Base on content analysis it is found that many companies were unable to provide these disclosures which are the paragraphs of 50 until 55. These are due to the paragraphs require the preparer to be well verse with fair value measurement. Furthermore, it is unlikely to have active market for production of immature agriculture goods. In addition, all

companies did not report on the reversals of impairment losses as impairment losses for these assets are difficult to quantify.

Moreover, the next standard that most of the companies were unable to abide with is the government grants. Government grants are granted only to those selected companies only by which it will be provided by the government grants to the company which can fulfil and disclose the following information, they fulfil the nature and extent of government grants recognized in the financial statements, however, the unfulfilled conditions arise and other contingencies which influence to such government grants to be given and lastly is the significant declines are expected in the level of government grants. Approximately 36 out of 41 companies or 87 percent of the sample companies did not get government grants.

In general, companies which have improved their Cscore level from 2009 to 2012 are BLD Berhad, 69% to 87%, Golden Land Berhad, 74% to 82%, Kuala Lumpur Kepong Berhad, 69% to 87% and MALPAC Berhad 62% to 77%. Kulim Plantation company has significantly worsen its compliance score from achieving 64% compliance score in 2009 to just about 50% complied in 2012. Based on the information gathered, it is difficult to establish whether the lowered compliance score was a result of inefficient management or lack of understanding on the standard requirements.

In order to use logit model, CSore is converted to CSore level having a value of 1 for Cscore of more than median and having a value of 0 otherwise. The median score for CScore for sample firms is 0.82. Median is the midpoint which separates the amount equally. The second research objective is to examine whether there is significant different on compliance level as prescribed by MFRS141 between transitory and mandatory years, 2009 and 2012 respectively. According to Table 4.1, it shows that 41 companies able to comply which is stated as 1 and 41 companies as well indicates as not complying represent as 0. As for Table 4.2, it shows a significant value of 0.760 which means that using difference of two means tests by which it is found that the compliance score for both years are not statistically different. This is not significant due to one tailed test the amount is more than 0.05.

D4YEAR	N	Mean	Std. Deviation	Std. Error Mean
CScore 1: 2012	41	0.8259	0.07117	0.01111
CScore 0: 2009	41	0.8041	0.06866	0.01072

Table 4.1: Group Statistics

	Equality of Variances		t-test for Equality of Means					
	F	Sig	T	df	Sig. (2-tailed)	Std. Error Diff	Of the diff	
							Lower	Upper
CScore 1	0.094	0.760	1.406	80	0.164	0.02171	-0.0903	0.05244
CScore 2			1.406	79.898	0.164	0.02171	-0.0903	0.05244

CScore 1 assume equal variance, CScore 2 equal variance not assumed

Table 4.2: Independent Samples Test

4.2 Descriptive Statistics

According to Sekaran (2003), descriptive analysis refers to transformation of raw information into a form that will make them easy to understand and interpret. By calculating averages, frequency distributions and percentage distribution are the most common ways of summarizing data. Hence, the result for descriptive analysis is summarized in Table 4.3 and Table 4.4.

Reported result in Table 4.3 includes the mean, median, standard deviation, minimum and maximum value for each of the variables involved in this study. As explained in Chapter 2, the independent variables are divided into three categories mainly, financial variables, corporate governance variables and control variables.

	Mean	Median	Std. Deviation	Minimum	Maximum
D4YEAR	0.5	0.5	0.503076952	0	1
Cscore	0.8150	0.8200	0.0703	0.5000	0.9000
PROFITABILITY	0.2634	0.1381	0.3676	-0.2270	1.6500
LEVERAGE	1.6099	0.2229	10.0153	0.0015	88.0237
SIZE	20.1711	20.1315	1.5341	16.8112	24.2260
GROWTH	1.5700	1.0000	3.2432	0.3800	28.9000
AGE	3.2813	3.3316	0.9519	0.0000	4.8520
AUDITOR	0.9024	1.0000	0.2985	0.0000	1.0000
DIRECTOWN	0.4040	0.3896	0.1458	0.1308	0.6988
FOREIGNOWN	0.0497	0.0297	0.0527	0.0000	0.1887

Table 4.3: Descriptive Statistics

Table 4.3 indicates that the CScore for sample firms has a mean of 81.5%, a median of 82%, a standard deviation of 7% while the minimum amount of 50% and the maximum amount of 90%. The CScore represent the compliance level of the company according to MFRS 141. Profitability as measured by Earnings per share (EPS) has a mean of 0.26, the median is 0.138, standard deviation is 0.367 and the minimum value is -0.227 while the maximum value is 1.65. The other component of financial variables is leverage. On average the sample firms has leverage ratio of 1.6 percent which is very low and a maximum leverage ratio of 88 percent. DataStream regarded debt as interest bearing debts only. Therefore it can be said that most of these companies have very low level of interest bearing debts.

Next component are corporate governance variables. This study utilizes ownership structures and auditor's quality (Big4) as proxies for corporate governance variables. Ownership structures can be divided into two which are the directors' and foreign ownerships. The reported results on Table 4.3 showed that on average, the directors' ownerships for the sample is 40% with minimum and maximum ownerships of 13% and 70% respectively. While the average and maximum value for foreign ownership for the sample firms are 5%and 19 % respectively.

Age is a control variable in this study. The age represents the companies' years in operation. As such, the mean gathered in this result is 38.87 years while the median is 28 years followed by the standard deviation of 32.566 years and minimum age is 1 and the maximum age

is 128 years. As the result gathered, it showed that the companies were able to survive until 2012.

Next is the size of the sample companies which is measured as the natural log of market value. Size is measured using natural log of market value of equities On average, the sizes of the companies are RM2,435,842,350 and the maximum value of RM33,210,000. Growth is measured using markets to book value provided by DataStream database. On average samples firms' growth ratio is above 1 indicating that all these firms have good growth opportunities with a maximum value of 28.9 times.

4.3 Correlation Matrix

	PROFITABILITY	LEVERAGE	SIZE	GROWTH	AUDITOR	AGE	DIRECT OWN	FOREIGN OWN
PROFITA BILITY	1							
LEV	.054	1						
SIZE	.281*	.159	1					
GROWTH	.004	-.014	.055	1				
AUDITOR	.065	.046	-.164	.007	1			
AGE	.301	.036	.227	.060	-.095	1		
DIRECT OWN	.026	-.087	.033	.151	-.067	-.052	1	
FOREIGN OWN	.248	-.065	.304	-.030	.202	.328	-.319	1

*, denotes significant at 5% level.

Table 4.4: Correlation Matrix

Table 4.4 presents the pairwise correlation matrix between variables included in the logistic regression analysis. There is a positively relationship between profitability with the CScore Level and the control variable which is the size also shows positive relationships.

However, there are negatively relationship between leverage, ownership (i) director, (ii) foreign, auditors, age and growth towards the CScore. Base on the correlation matrix, none of the independent variable is more than 50% (Gujarati, 2003) Hence the model does not suffer from severe multicollinearity problems.

4.4 Regression Analysis

The results of logit regression model are shown in table 4.4 below. The table shows that, using one- tailed test, the only statistically significant coefficients are the following variables; profitability with ($\beta 1 = 0.0405$, $p < 0.05$) and size ($\beta 2 = 0.0375$, $p < 0.05$).

	Coef.	Std. Err.	z	P value
PROFITABILITY	1.3368	0.7666	1.74	0.0405**
LEVERAGE	0.0126	0.0295	0.43	0.3350
AUDITOR	0.9860	0.9805	1.01	0.1575
DIRECTOWN	-0.5937	1.873	-0.32	0.3755
FOREIGNOWN	0.4333	5.6279	0.08	0.4695
SIZE	0.3310	0.1861	1.78	0.0375**
GROWTH	-0.0274	0.1015	-0.27	0.3935
AGE	0.0576	0.2824	0.20	0.4190
cons	-8.3508	4.0788	-2.05	0.0205

**Significant at 5% (one-tailed test)

Table 4.4: Regression result

Based on the regression analysis, the result supports H1 which states that there is significant positive relationship between profitability and the compliance level. The profitability showed that the amount of 0.0405 which is less than 0.05. The amount of less than 0.05 of one tailed-test is significant. The result showed that as profitability increased, so will be the compliance level. In other words, companies with high profitability or earnings per share were more likely to have higher compliance score (CScore). The result is consistent with a prior empirical study which has shown that profitability influences the extent of disclosure in annual reports (Wallace and Naser, 1995; Inchausti, 1997; Owusu-Ansah, 1998). Moreover, according to Inchausti (1997), from the perspective of agency theory, profitability of a company is a

yardstick to be effective and efficient in the management control by which it will use all the information in order to obtain self needs. Therefore, they will disclose detailed information as a means of justifying their position and compensation package. In conclusion, it can be said that the higher the profitability of a company, the higher will be the disclosure levels.

The results on table 4.4 support the control variable which is the size of companies will significantly affect the disclosure level of plantation companies in Malaysian. Size of the company that has been presented in the table is representing the market value of the company. Previous studies found that the size of the company was a very important determinant of disclosure levels. According to Belkaoui-Riahi, 2001; Chow and Wong-Boren, 1987; Lang and Lundholm, 1993; Owusu-Ansah, 1998; Firth, 1979; Wallace and Naser, 1995; Depoers, 2000; Juhmani, 2006; Hossain and Reaz's, 2007; and Barako, 2007, gave evidenced that there was a positive relationship between the size of a firm with the extent of disclosure level. Similar to previous studies, this study found that the larger is the firm, the higher will be CScore level.

However, the result gathered from table 4.4 failed to support H2 until H4 where the relationship between leverage, ownerships which are the director and foreign ownership towards the compliance are not met. Moreover, the age and growth which are known as control variable and as well as the auditors' quality towards the compliance level of MFRS 141 were not met.

Basically, H2 hypothesised that there is a likelihood of positive relationship between leverage and compliance level (CScore). However, the result in table 4.4 proved that there is no positive relationship between leverage and the agriculture accounting disclosure. The result on leverage did not support the hypothesis H2. Based on the previous studies on the relationship between standards compliance level and leverage have provided mixed results. Some studies have reported a positive association such as the study done by Bradbury, 1992; Naser, 1998; Al-Shammari et al. 2008 while other studies reported on a negative relationship are Meek et al, 1995; and Juhmani, 2006. However, most of the previous studies found out that, there are no significant relationship between leverage and the level of information disclosure. Insignificant relationships between leverage and compliance levels were evidenced by Ahmad and Nicholls, (1994) and Hossain et al., (1994).

Moreover, the H3 as well presented the same outcome. The H3 in the previous study mentioned out that there is a positive relationship between ownership concentrations towards the level of disclosure but the outcome gathered reverse situation where the director as well as the foreign ownership gave negative relationship towards the level of disclosure. Furthermore, the age and growth which represent the control variables gave a reverse outcome. Previous study depicted that there is positive outcome from these both control variables but the outcome tested in this study shown negative relationship towards the level of disclosure in the agriculture accounting. As for the age as the control variable, the empirical evidence on the relationship between information disclosure and age of firms has provided mixed results. The result of this study for age is in line with previous findings. Bukh et al. (2005) and Hossain and Reaz's (2007) reported that there were no association between company's age and the level of information disclosure. Akhtaruddin and Hossain (2008) found that firm's growth firm play significant role in voluntary disclosure of companies. They reported that the higher is the growth of a company, the more likely that the company will disclose voluntary information. As such, the growth plays important role in determining the level of compliance on disclosure in the annual report. However result tested in this study does not support the hypothesis that growth level has any influence on the level of MFRS 141 disclosure.

Hypothesis 5 predicted that there will be a positive association between auditor's quality and the extent of MFRS 141 reporting disclosure. Previous researchers found that better quality auditors or reputational auditors (Big 4)would lead to are higher levels of disclosure reported. This study found that there was an insignificant positive relationship between auditors' quality as proxies by Big4 accounting firms and compliance level. In general it can be said that the higher the reputation of the auditor being selected; the higher will be the disclosure levels by plantation companies in Malaysia. However, the relationship is not statistically significant.

CHAPTER 5
CONCLUSION AND RECOMMENDATIONS

This chapter consists of two sections. The first section reviews the objective of the study and provides summary of findings. Section 2 explains some limitations of the study and provides some suggestions for future study.

5.1 Summary and Conclusion of the Study

The objective of this study is to examine the extent of compliance of agriculture accounting standard disclosure among Malaysian listed companies for the years 2009 and 2012. The variables tested which are independent and control variables in this study are (1) age (2) size (3) leverage (4) profit (5) ownership (6) growth and (7) auditor's quality. All of 41 plantation companies listed on Bursa Malaysia main market were selected. Content analysis, descriptive statistics, correlation matrix and regression analysis for the model were performed to analyse the data.

It can be concluded that the extent of the agriculture accounting disclosure among Malaysian companies is still below 90%. The compliance score indicates that on average, the compliance level for year 2009 is only 80% while in the year of 2012; the percentage has slightly increased by 3% to be 83%. It is rather new to expect that all plantation companies were able to fully comply with MFRS 141 given that many of the paragraphs are difficult to fulfill as these paragraphs require good understanding on fair value measurement. In addition, MFRS 141 is considered new in Malaysia as its effective date begins on or after 1 January 2012.

Based on the compliance score results, it can be said that Malaysian companies are unable to adequately being to be known about the agriculture accounting disclosure, however, they are not self-regulated on by which they are trying to learn on how to measure, report and disclose agriculture specifically information in their annual report. It is possible to imply that due to lack of expertise and understanding in applying fair value: is the reason for low level of compliance for paragraph 47 to 54 of MFRS 141.

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Consistent with the conclusion made by Argiles (2001) which indicated that Agriculture Accounting has not received much attention from accounting researchers, practitioners or standard setters, and in spite of its potential usefulness for farmers and external stakeholders. Furthermore, it was argued that accounting standards are very technical and highly conceptual thus requires higher level of understanding to prepare and disclose application of accounting standards. The researcher argued that the standard could be used to deliver practical guidance, in spite of the fact that it was not initially set up for this purpose.

Overall, this study examines the relationships between the variables which are the financial, governance and control variables towards the compliance level on MFRS 141. This study evidenced that profitability as proxy by EPS can affect positively and significantly companies' compliance level on MFRS 141. This study also found that control variable which is the size of companies as measured by natural log of market value of companies' equity to be very significant in explaining companies' compliance level by examining the result in regression result by applying the one tailed test which it will be lower than 0.05 to be significant and positive outcome.

Furthermore, there are three proxies of governance mechanism examined in this study. Firstly is the ownership pattern. It is measured by percentage shares owned by the directors and foreign investors. On the average, it is found that agriculture companies in Malaysia are highly owned by managing directors. About forty percent of the shares equity is in the hands of the directors. However, it was found that ownership patterns specifically the foreign ownership did not influence the level of compliance by the plantation companies in Malaysia at all.

5.2 Limitations of the study and Suggestion for further Research

It must be noted that this study do have limitations. First and foremost, the study is done in a limited time and had to complete within a period of three months.

Next, the references on this area are very limited due to lack of study being done on the area of agriculture accounting. Based on the arguments from the previous researchers, they mentioned out that fair value is difficult to be measured and the new implementation of this standard is hardly to be achieved as well as abide with.

Besides that, the study was done in the year of 2009 and 2012. As for the year of 2012, it represents the first year of the mandatory adoption. As such, it is expected that during this early stage, few companies are capable of applying the standards or have the technical expertise to comply with the standard hence total compliance is unachievable.

Moreover, the study should be improved in the future by several ways. As this study has been conducted using a small sample size which is only 41 listed companies in Malaysia due to only that portion of numbers exist and as well as the two years data because of the time constrains and to make it more reliable, a larger sample size could be undertaken in the future by determining all agriculture companies in Malaysia. In addition, future researchers may venture into different methods of research such as through interview of the financial statements' preparer, questionnaire and survey as to have richer information on their perception of the standard, their level of understanding on the standard, or their level of training received on the standard.

Consequences to the new mandatory of the standard, it is hope that the expertise on this area will be increased. One should know how to deal with new treatment of the agriculture accounting due to changes that being made. The best example of changes that can be determined

are, perishable or livestock inventory must be tracked within agricultural accounting packages, including weaning weights, birth weights, births and deaths. All can be done in this special software. Furthermore, it should also be able to keep align of the stock in multiple units of measurement depending on the type of crop or the size of commodity. Moreover, multiple farms can often be tracked within the same solutions package for larger-scale operations which will cover the functionality important software to those in the agriculture industry on how to measure the software of the agriculture accounting and also how to examine the type of software in accounting which can be best suits to the type of the operation of the company.

Lastly, it is suggested that Malaysian companies must be more precise in abiding the regulation stated in the MFRS141. The regulations that must be more focused are paragraph of no 50 (b) rises due to purchases, (d) decline due to harvest, (f) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity. Moreover, Paragraph no. 51 requires company to disclose the fair value minus the costs to sell of a biological asset can change due to both physical changes and price changes in the market. In addition, the separation of disclosure in physical and price changes is the benefit in increasing the current period performance and future prospects, particularly when there is a production cycle in medium term which is more than one year. In such cases, an entity is enhanced to disclose, by a group or otherwise, the amount of change in fair value minus the costs to sell added in with the profit or loss due to physical changes and due to price changes due to this is the important point that each and every companies must abide with due to this is the point where agriculture accounting is measured and derived.

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