

**THE IMPACT OF MANDATORY IFRS ADOPTION ON
EARNINGS MANAGEMENT IN MALAYSIA**

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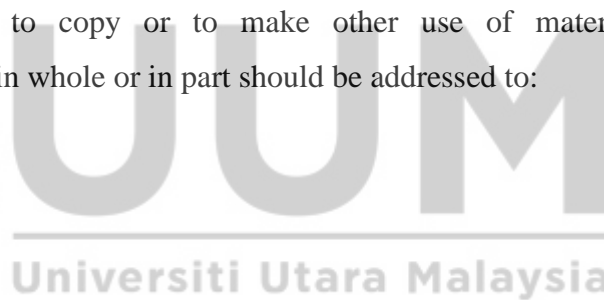
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ABSTRACT

This study investigates whether the impact of mandatory adoption of international accounting standards, IFRS, by Malaysian listed companies is associated with lower earnings management from 2009 to 2014. Earnings management is identified using absolute value of abnormal accruals, measured by ABACDEC and ABACKAS. By using Ordinary Least Squares Regression (OLS) and fixed effects estimation, the result of this study concludes that Malaysian listed companies engage in more earnings management after IFRS adoption. This study also investigates whether size (ASSET), profitability (ROA) and leverage (LDEBTA) influence the level of earnings management in Malaysian listed companies. The result shows that ASSET has a negative relationship with ABACDEC and ABACKAS, implying that larger companies engage in less earnings management as compared to smaller companies. In the aspect of leverage, the results indicate that LDEBTA has a positive relationship with the ABACDEC and ABACKAS, demonstrating that high leverage companies engage in more earnings managements. Finally, ROA has a positive relationship with ABACDEC and ABACKAS, demonstrating that in Malaysia, more profitable companies involve in more earnings management.

KEY WORDS: Earnings management, IFRS, Malaysia

ABSTRAK

Kajian ini mengkaji kesan penggunaan mandatori piawaian perakaunan antarabangsa, IFRS, ke atas pengurusan perolehan terhadap syarikat-syarikat yang tersenarai di Malaysia dari tahun 2009 hingga 2014. Pengurusan Perolehan diukur dengan menggunakan nilai mutlak akruan yang tidak normal, yang dilabelkan sebagai ABACDEC dan ABACKAS. Dengan menggunakan teknik *Ordinary least squares regression (OLS)* dan *fixed effects estimation*, hasil daripada kajian ini menyimpulkan bahawa syarikat-syarikat tersenarai di Malaysia semakin melibatkan diri dalam pengurusan perolehan selepas penggunaan mandatori IFRS. Kajian ini juga menyiasat sama ada saiz (ASSET), keuntungan (ROA) dan keumpilan (LDEBTA) mempengaruhi tahap pengurusan pendapatan terhadap syarikat-syarikat tersenarai di Malaysia. Hasilnya menunjukkan bahawa ASET mempunyai hubungan yang negatif dengan ABACDEC dan ABACKAS, menjelaskan bahawa syarikat-syarikat yang lebih besar kurang melibatkan diri dalam pengurusan perolehan berbanding dengan syarikat-syarikat yang lebih kecil. Dalam aspek keumpilan, hasil menunjukkan bahawa LDEBTA mempunyai hubungan yang positif dengan ABACDEC dan ABACKAS, menjelaskan bahawa syarikat-syarikat yang mempunyai keumpilan yang tinggi lebih melibatkan diri dalam pengurusan pendapatan. Akhir sekali, ROA juga mempunyai hubungan yang positif dengan ABACDEC dan ABACKAS, menunjukkan bahawa di Malaysia, syarikat-syarikat yang lebih menguntungkan lebih terlibat dalam pengurusan pendapatan.

PERKATAAN PENTING: Pengurusan Perolehan, IFRS, Malaysia

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TABLE OF CONTENTS

DESCRIPTION	PAGE
TITTLE PAGE	i
CERTIFICATION OF THESIS WORK	ii
PERMISSION TO USE	iii
ABSTRACT	iv
ABSTRAK	v
ACKNOWLEDGEMENT	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	ix
CHAPTER 1: INTRODUCTION	1
1.1 Background of study	1
1.2 Overview of Malaysian Accounting System	3
1.3 Differences between FRS and MFRS (IFRS equivalent)	4
1.4 Research problem	8
1.5 Research objectives	10
1.6 Significant of study	10
CHAPTER 2: LITERATURE REVIEW	12
2.1 Introduction	12
2.2 Earnings management review	12
2.3 IFRS adoption in E.U countries	14
2.4 IFRS adoption in emerging market	21
2.5 Hypothesis development	25

CHAPTER 3: METHODOLOGY	27
3.1 Introduction	27
3.2 Data	27
3.3 Sample	28
3.4 Variable measurement	28
3.4.1 Dependent variable	28
3.4.2 Independent variable	29
3.4.3 Control variable	31
3.5 Models	34
3.6 Analysis technique	36
CHAPTER 4: RESULTS AND DISCUSSION	37
4.1 Introduction	37
4.2 Descriptive Statistics	37
4.3 Correlation matrix of variables	39
4.5 Regression analysis	40
CHAPTER 5: CONCLUSION	47
5.1 Introduction	47
5.2 Summary of Findings	47
5.3 Implications of Study	49
5.4 Limitations of the Study	50
5.5 Recommendation for Future Research	50
REFERENCES	51
APPENDICES	60

LIST OF TABLES

TABLES	PAGE
Table 1.1 Differences between FRS and IFRS	4
Table 3.1 Dependent variables	29
Table 3.2 Independent variables	31
Table 3.3 Control variables	33
Table 4.1 Descriptive statistics	38
Table 4.2 Correlation matrix of variables	39
Table 4.3 Regression analysis	43



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CHAPTER ONE

INTRODUCTION

1.1 Background of study

International Financial Reporting Standards (IFRS) was first introduced in 2005. The European listed companies in European Union (EU) are among the earliest in preparing financial statement in accordance with the IFRS. The objectives of IFRS are to promote the transparency and comparability of financial statements, improve access to international capital markets, develop the quality of financial reporting, and increase the disclosure of financial information. Since its inception, many countries around the world require their domestically listed companies to prepare their financial reports in accordance with the IFRS. European Union (EU) countries make up the largest countries to fully comply with the IFRS since 2005, and for the Asia Pacific, Australia and Hong Kong were among the first countries to comply with the IFRS.

Nowadays, most of the countries are changing their accounting standards in accordance with the IFRS. According to Chebaane and Othman (2014), more than 115 countries around the world have adopted IFRS. For countries in emerging markets, Brazil, Canada, China, India and Japan are the earliest countries to adopt the IFRS in 2011 (Jeanjean and Stolowy, 2008). In Malaysia, the accounting standard setting body which is Malaysian Accounting Standard Board (MASB) had announced

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