

The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.



**INTERNAL MONITORING MECHANISMS AND  
EARNINGS QUALITY: EMPIRICAL EVIDENCE FROM  
MALAYSIA**



**AHMED HUSSEIN AL-RASSAS**

**UUM**  
Universiti Utara Malaysia

**DOCTOR OF PHILOSOPHY  
UNIVERSITY UTARA MALAYSIA  
NOVEMBER 2015**

**INTERNAL MONITORING MECHANISMS AND EARNINGS QUALITY:  
EMPIRICAL EVIDENCE FROM MALAYSIA**

**By**

**AHMED HUSSEIN AL-RASSAS**



**UUM**  
**Universiti Utara Malaysia**

**Thesis Submitted to  
School of Accountancy,  
Universiti Utara Malaysia,  
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

**CERTIFICATION OF THE THESIS WORK**



**CERTIFICATION OF THE THESIS WORK**



## PERMISSION TO USE

In presenting this thesis in fulfilment of the requirements for a Post Graduate Degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor, Assoc. Prof. Dr. Hasnah Kamardin or in her absence, by the Dean of School of Accountancy where I did my thesis. It is understood that any copying or publication or use of this thesis or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition given to me and to the UUM in any scholarly use which may be made of any material in my thesis.

Request for permission to copy or to make other use of materials in this thesis in whole or in part should be addressed to:

Dean of School of Accountancy, College of Business  
Universiti Utara Malaysia  
06010 UUM Sintok  
Kedah Darul Aman



UUM  
Universiti Utara Malaysia

## ABSTRACT

Earnings quality reflects the integrity and quality of financial reporting which minimizes the information asymmetry and agency conflicts among management, owners, and majority and minority shareholders. The issue of earnings quality has become a concern, especially in respect of corporate governance as an internal monitoring mechanism to ensure the financial reporting quality. The objective of the study is to examine the relationship between internal monitoring mechanisms, namely, board of directors, audit committee, internal audit function, and earnings quality based on agency theory and resource dependence theory. Furthermore, this study examines the moderating effect of audit committee between the internal audit function and earnings quality. The sample of the study is 2,036 firm-year observations on the Main Market of Bursa Malaysia for the period of 2009 to 2012. Two discretionary accruals models were used to measure earnings quality. This study reveals that board size, audit committee financial expertise, investment in internal audit function, and outsourcing of internal audit function increase the quality of earnings. However, board independence, board financial expertise, audit committee's chairman audit partner, audit committee meeting, and audit committee score reduce earnings quality. The hierarchical regression results show that audit committee size, independence, meetings, and audit committee score moderate the relationship between investment in the internal audit function and earnings quality. In addition, audit committee independence, financial expertise, meetings, and audit committee score moderate the relationship between sourcing arrangements of the internal audit function and earnings quality. The results of this study have implications to investors, regulators, and market participants. Policy makers might use the findings regarding earnings quality to recognize the important roles played by both the internal audit and audit committee in enhancing the earnings quality in Malaysian companies.

**Keywords:** internal monitoring mechanisms, board of directors, audit committee, internal audit function, earnings quality

## ABSTRAK

Kualiti pendapatan mencerminkan integriti dan kualiti laporan kewangan yang mengurangkan maklumat tak simetri dan agensi konflik dalam kalangan pengurusan, pemilik, dan pemegang saham majoriti dan minoriti. Isu kualiti pendapatan telah menjadi satu kebimbangan, terutama yang berkaitan dengan tadbir urus korporat sebagai mekanisme pemantauan dalaman bagi memastikan laporan kewangan berkualiti. Objektif kajian ini adalah untuk meneliti hubungan antara mekanisme pemantauan dalaman, iaitu lembaga pengarah, jawatankuasa audit, fungsi audit dalaman, dan kualiti pendapatan berdasarkan teori agensi dan teori pergantungan sumber. Tambahan pula, kajian ini meneliti kesan penyederhana jawatankuasa audit terhadap fungsi audit dan kualiti pendapatan. Sampel kajian ini adalah 2,036 firma di Pasaran Utama Bursa Malaysia bagi tempoh 2009 hingga 2012. Dua model *discretionary accruals* digunakan untuk mengukur kualiti pendapatan. Kajian ini mendedahkan bahawa saiz lembaga, kepakaran kewangan jawatankuasa audit, pelaburan dalam fungsi audit dalaman, dan penyumberan luar fungsi audit dalaman meningkatkan kualiti pendapatan. Walau bagaimanapun, kebebasan lembaga, kepakaran kewangan lembaga, rakan kongsi audit pengerusi jawatankuasa audit, mesyuarat jawatankuasa audit, dan skor jawatankuasa audit mengurangkan kualiti pendapatan. Hasil regresi hierarki menunjukkan bahawa saiz jawatankuasa audit, kebebasan jawatankuasa audit, mesyuarat jawatankuasa audit, dan skor jawatankuasa audit menyederhana hubungan antara pelaburan dalam fungsi audit dan kualiti pendapatan. Di samping itu, kebebasan jawatankuasa audit, kepakaran kewangan jawatankuasa audit, mesyuarat jawatankuasa audit, dan skor jawatankuasa audit menyederhana hubungan antara penyumberan luar fungsi audit dalaman dan kualiti pendapatan. Hasil kajian ini mempunyai implikasi kepada pelabur, pengawal selia, dan peserta pasaran. Pembuat dasar mungkin boleh menggunakan penemuan mengenai kualiti pendapatan untuk mengiktiraf peranan penting yang dimainkan oleh kedua-dua jawatankuasa audit dan audit dalaman dalam meningkatkan kualiti pendapatan syarikat Malaysia.

**Kata kunci:** mekanisme pemantauan dalaman, lembaga pengarah, jawatankuasa audit, fungsi audit dalaman, kualiti pendapatan



## ACKNOWLEDGEMENTS

After praising Allah for the strength and endurance provided to me to complete this thesis, my untold gratefulness to my parents who bless me all the time and have worked for my best interests ever since I was born.

Firstly and foremost, I would like to render my utmost appreciation and gratitude to my supervisor, Assoc. Prof. Dr. Hasnah Kamardin, for her earnest guidance and advice in the preparation of my thesis as well as her tolerance and persistence in imparting her knowledge to her students. Without her understanding, consideration and untiring advice, this thesis would not have been completed successfully.

I wish to express my deep gratitude to my proposal defence reviewers: Dr. Rohaida Abdul Latif and Dr. Mohd‘Atef Md Yusof for their valuable comments and recommendations. Also, I am very thankful to the examiners, Assoc. Prof. Dr. Engku Ismail Engku Ali (Chairman for Viva), Assoc. Prof. Dr. Mohd Hassan Che Haat (external examiner) and Dr. Mohd‘Atef Md Yusof (internal examiner) for their expertise which has greatly improved this thesis.

I would like also to express my grateful appreciation to my UUM lecturers who have imparted valuable knowledge during the time of my Master’s programme at UUM. I acknowledge and appreciate the assistance of the UUM academic and administrative staff in completing this journey.

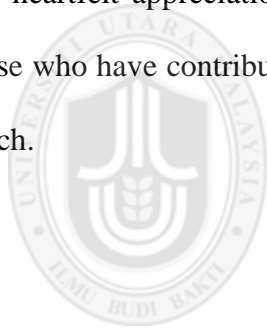
Special thanks are due to my dear friends, Dr. Hamdan Amer Ali Al-Jaifi, Dr. Abood Mohammad Salmeen Al-Ebel, Dr. Adel Ali Abdo Al-Qadasi for their support and timely advice. I would like also to express my grateful appreciation and many thanks

to my friend Mohammed Ahmed Al-Sabahi for his constant support during my PhD study.

My heartfelt and sincere appreciation and thanks are also extended to my parents who I missed so much and their unforgettable DOA'A, financial support, spirit and encouragement. I must also acknowledge and thank the continuous support that I received from my wife, brothers, sisters, my entire family, relatives and friends in completing this thesis.

Finally, my gratitude and thanks are also extended to my sponsor, the Ministry of Higher Education in Yemen for the financial support.

My heartfelt appreciation to all those involved in making this thesis a reality and those who have contributed towards this profound learning experience, thank you so much.



UUM  
Universiti Utara Malaysia

## TABLE OF CONTENTS

<b>CONTENT</b> .....	<b>PAGE</b>
<b>TITLE PAGE</b> .....	<b>i</b>
<b>CERTIFICATION OF THE THESIS WORK</b> .....	<b>iii</b>
<b>PERMISSION TO USE</b> .....	<b>v</b>
<b>ABSTRACT</b> .....	<b>vi</b>
<b>ABSTRAK</b> .....	<b>vii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>viii</b>
<b>TABLE OF CONTENTS</b> .....	<b>x</b>
<b>LIST OF TABLES</b> .....	<b>xiv</b>
<b>LIST OF FIGURES</b> .....	<b>xvi</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>xvii</b>

### **CHAPTER ONE: INTRODUCTION**

1.1 Background of the Study.....	1
1.2 Corporate Governance and Financial Reporting Quality in Malaysia.....	4
1.3 Internal Monitoring Mechanisms and Earnings Quality.....	7
1.4 Problem Statement .....	9
1.5 Research Questions .....	17
1.6 Research Objectives .....	17
1.7 Significance of the Study .....	18
1.7.1 Theoretical Significance.....	18
1.7.2 Practical Significance.....	21
1.8 Research Motivation and Scope of the Study .....	22
1.9 Organization of Thesis .....	24

### **CHAPTER TWO: LITERATURE REVIEW**

2.1 Introduction .....	25
2.2 Quality of Financial Reporting.....	25
2.3 The Importance of Financial Reporting .....	27
2.4 Financial Reporting in Malaysia .....	31
2.5 Earnings Quality.....	34
2.5.1 Earnings Quality Measurements .....	38
2.5.1.1 Persistence and Predictability .....	39
2.5.1.2 Smoothness .....	40
2.5.1.3 Value Relevance.....	42
2.5.1.4 Timeliness and Conservatism .....	43
2.5.1.5 Accruals Quality.....	44
2.6 Theoretical Framework of Earnings Quality.....	45
2.6.1 Agency Theory.....	45
2.6.2 Resource Dependence Theory .....	48
2.7 Corporate Governance and Earnings Quality .....	50
2.8 Corporate Governance in Malaysia.....	52
2.9 External Monitoring Mechanisms .....	54
2.10 Internal Monitoring Mechanisms .....	54
2.10.1 Board of Directors' Effectiveness.....	56
2.10.1.1 Board Size .....	59
2.10.1.2 Board Independence.....	62
2.10.1.3 Board Financial Expertise .....	65
2.10.1.4 Board Meeting.....	67

2.10.2 Audit Committee Effectiveness .....	69
2.10.2.1 Audit Committee Size .....	71
2.10.2.2 Audit Committee Independence.....	72
2.10.2.3 Audit Committee’s Financial Expertise .....	75
2.10.2.4 Audit Committee Chairman Former Audit Partner.....	77
2.10.2.5 Audit Committee Meeting .....	79
2.10.3 Internal Audit Function .....	81
2.10.3.1 Investment in Internal Audit Function .....	83
2.10.3.2 Internal Audit Function Sourcing Arrangements .....	85
2.10.4 Moderating Effect of Audit Committee .....	89
2.11 Chapter Summary.....	91

### **CHAPTER THREE: RESEARCH METHODOLOGY**

3.1 Introduction .....	97
3.2 Theoretical Framework .....	97
3.3 Hypothesis Development .....	102
3.3.1 Board of Directors’ Effectiveness .....	102
3.3.1.1 Board Size and Earnings Quality .....	102
3.3.1.2 Board Independence and Earnings Quality.....	104
3.3.1.3 Board Financial Expertise and Earnings Quality .....	107
3.3.1.4 Frequency of Board Meeting and Earnings Quality .....	108
3.3.1.5 Board Score and Earnings Quality .....	109
3.3.2 Internal Audit Function and Earnings Quality .....	110
3.3.2.1 Investment in Internal Audit Function and Earnings Quality .....	111
3.3.2.2 Internal Audit Function Sourcing Arrangements and Earnings Quality.....	112
3.3.3 Audit Committee Effectiveness .....	113
3.3.3.1 Audit Committee Size and Earnings Quality .....	115
3.3.3.2 Audit Committee Independence and Earnings Quality .....	116
3.3.3.3 Audit Committee Financial Expertise and Earnings Quality.....	118
3.3.3.4 Chairman Former Audit Partner on Audit Committee and Earnings Quality.....	120
3.3.3.5 Audit Committee Meetings and Earnings Quality .....	121
3.3.3.6 Audit Committee Score and Earnings Quality.....	122
3.4 Research Method and Design.....	125
3.4.1 Sample Selection and Data Sources .....	125
3.4.2 Variables Measurements .....	127
3.4.2.1 Dependent Variable Measurement.....	127
3.4.2.2 Independent Variables Measurements .....	132
3.4.2.2.1 Board of Directors Characteristics Measurements.....	132
3.4.2.2.2 Board of Directors’ Effectiveness Measurements .....	132
3.4.2.2.3 Audit committee Characteristics Measurements.....	135
3.4.2.2.4 Audit Committee Effectiveness Measurements .....	135
3.4.2.2.5 Internal Audit Function Measurements.....	136
3.4.2.3 Control Variables Measurements .....	137
3.4.3 Data Analysis Technique .....	141
3.4.3.1 Correlations .....	142
3.4.3.2 Multiple Regression Analysis Models .....	142
3.4.3.3 Hierarchical Regression .....	144
3.5 Chapter Summary.....	147

## **CHAPTER FOUR: DATA ANALYSIS AND FINDINGS**

4.1 Introduction .....	148
4.2 Descriptive Statistics .....	148
4.2.1 Descriptive Statistics of Dependant Variables .....	148
4.2.2 Descriptive Statistics of Independent Variables .....	152
4.3 Diagnostic Test.....	157
4.3.1 Outliers Test.....	157
4.3.2 Normality Test .....	158
4.3.3 Linearity Test .....	160
4.3.4 Multicollinearity Test.....	160
4.3.5 Heteroskedasticity Test .....	166
4.3.6 Autocorrelation Test .....	167
4.4 Regression Analysis Results .....	167
4.4.1 Results of Model One.....	167
4.4.1.1 Board Size .....	170
4.4.1.2 Board Independence.....	171
4.4.1.3 Board Financial Expertise .....	172
4.4.1.4 Board Meeting.....	173
4.4.1.5 Investment in Internal Audit Function .....	173
4.4.1.6 Internal Audit Function Sourcing Arrangements .....	174
4.4.1.7 Audit Committee Size .....	175
4.4.1.8 Audit Committee Independence.....	175
4.4.1.9 Audit Committee Financial Expertise .....	176
4.4.1.10 Audit Committee's Chairman Audit Partner .....	177
4.4.1.11 Audit Committee Meetings .....	178
4.4.1.12 Control Variables .....	179
4.4.2 Results of Model Two.....	182
4.4.2.1 Board of Directors Effectiveness .....	184
4.4.2.2 Audit Committee Effectiveness .....	185
4.4.3 Hierarchical Regression Results .....	187
4.4.3.1 Audit Committee Size as a Moderator between Internal Audit Function and Earnings Quality .....	192
4.4.3.2 Audit Committee Independence as a Moderator between Internal Audit Function and Earnings Quality .....	193
4.4.3.3 Audit Committee Financial Expertise as a Moderator between Internal Audit Function and Earnings Quality .....	194
4.4.3.4 Audit Committee's Chairman Audit Partner as a Moderator between Internal Audit Function and Earnings Quality.....	195
4.4.3.5 Audit Committee Meeting as a Moderator between Internal Audit Function and Earnings Quality .....	196
4.4.3.6 Audit Committee Score as a Moderator between the Internal Audit Function and Earnings Quality .....	197
4.5 Additional Empirical Analysis .....	201
4.6 Chapter Summary .....	210

## **CHAPTER FIVE: SUMMARY AND CONCLUSIONS**

5.1 Introduction .....	211
5.2 Overview of the Study .....	211
5.3 Theoretical Implications.....	216
5.4 Practical and Policy Implications.....	219

5.5 Limitations .....	222
5.6 Recommendations for Future Research .....	223
5.7 Conclusion .....	224
<b>REFERENCES .....</b>	<b>226</b>
<b>APPENDICES .....</b>	<b>273</b>
<b>LIST OF PUBLICATIONS .....</b>	<b>278</b>



## LIST OF TABELS

<b>Table</b>		<b>Page</b>
Table 2.1	Reforms that Took Place after the 1997 Financial Crisis	53
Table 2.2	Summary of Some Empirical Studies on the Monitoring Mechanisms and Earnings Quality in Developed Countries.	92
Table 2.3	Summary of Some Empirical Studies on the Monitoring Mechanisms and Earnings Quality in Developing Countries.	93
Table 2.4	Summary of Some Empirical Studies on the Monitoring Mechanisms and Earnings Quality in Malaysia.	94
Table 3.1	Summary of Study Sample	126
Table 3.2	Sample of Study by Industries	127
Table 3.3	Constructing the Board of Directors' Effectiveness	134
Table 3.4	Constructing the Audit Committee Effectiveness	136
Table 3.5	Summary of the Dependent Variable Measurement	139
Table 3.6	Summary of Independent Variables Measurements	139
Table 3.7	Summary of Control Variables Measurements	141
Table 4.1	OLS Multiple Regression Results of Discretionary Accruals	150
Table 4.2	Descriptive Statistics of DA1 and DA2 by Industries	151
Table 4.3	Descriptive Statistics for Continuous Variables	154
Table 4.4	Descriptive Statistics of Dichotomous Variable	156
Table 4.5	The Standard Deviation of Earnings Quality Measurements and the Residuals	160
Table 4.6	Correlations Matrix of Study Variables	163
Table 4.7	Standard Tests on VIF Results	165
Table 4.8	Heteroscedasticity Test	166
Table 4.9	Model One: Multiple Regression Results	169
Table 4.10	Model Two: Multiple Regression Results	184
Table 4.11	The Moderating Effect of Audit Committee Characteristic on the Relationship between Internal Audit Function and Earnings Quality (DA1).	190
Table 4.12	The Moderating Effect of Audit Committee Characteristic on the	191

	Relationship between Internal Audit Function and Earnings Quality (DA2).	
Table 4.13	The Moderating Effect of Audit Committee Effectiveness on the Relationship between Internal Audit Function and Earnings Quality.	200
Table 4.14	Model One: Additional Multiple Regression Results by Different Independent Variables Measurements	203
Table 4.15	Model One: Additional Multiple Regression Results by Different Discretionary Accruals Measurements	206
Table 4.16	Model Two: Additional Multiple Regression Results by Different Discretionary Accruals Measurements	207
Table 4.17	Model One: Multiple Regression Results of Income Increase- Decrease	209
Table 5.1	Summary of the Results of Hypotheses Testing	213



**UUM**  
Universiti Utara Malaysia



## LIST OF FIGURES

<b>Figure</b>		<b>Page</b>
Figure 3.1	Research Framework	101
Figure 4.1	DA1 by Industry at Bursa Malaysia Main Market Companies	151
Figure 4.2	DA2 by Industry at Bursa Malaysia Main Market Companies	152
Figure 4.3	Graphical Distributions of Residuals Normality	159



## LIST OF ABBREVIATIONS

AASB	Australia Accounting Standards Board
ASB	Accounting Standards Board
AC	Audit Committee
ACSORE	Score for Effectiveness Of Audit Committee
ACCHPAR	Audit Committees Chairman Audit Partner
ACEXPERT	Audit Committee Financial Expertise
ACIND	Audit Committee Independence
ACMEET	Audit Committee Meetings
ACSIZE	Audit Committee Size
BIG4	Audit Quality
BDIND	Board Independence
BDEXPERT	Board Financial Expertise
BDSCORE	Score for Effectiveness of Board Of Directors
BDMEET	Board Meetings
BDSIZE	Board Size
BOD	Board of Directors
DA	Discretionary Accruals
EM	Earnings Management
EQ	Earnings Quality
FASB	Financial Accounting Standards Board
FCCG	Finance Committee on Corporate Governance
FRS	Financial Reporting Standards
FSIZE	Firm Size
GDP	Gross Domestic Product
IAF	Internal Audit Function
IAFINV	Investment In Internal Audit Function
IAFSOU	Internal Audit Function Sourcing Arrangement
IAS	International Accounting Standards
IIA	Institute Of Internal Auditors
IASB	International Accounting Standards Board
LEV	Leverage
LOSS	Net Loss
MASB	Malaysian Accounting Standards Board
MCCG	Malaysia Code on Corporate Governance
MIA	Malaysian Institute of Accountants
MICPA	Malaysian Institute of Certified Public Accountants
OWCO	Ownership Concentration
ROA	Return on Assets
SGROWTH	Sales Growth

# CHAPTER ONE INTRODUCTION

## 1.1 Background of the Study

In the early 2000s, the downturn in equity markets in most of the nations around the world has been linked to the lack of financial accounting information transparency and quality. A situation that has caused worry for investors over inadequate informative accounting, specifically with respect to earnings reported. The corporate scandals involving big companies, such as Enron, WorldCom and Parmalat, among others, and the collapse of financial institutions, such as Lehman Brothers, Fortis, and AIG, with the economic recession, have led to considerable loss in investors' confidence in corporate disclosure authenticity, which causes doubt regarding corporate reporting (Tasios & Bekiaris, 2012). The world financial crisis also emphasised and drew attention to the importance of transparency for promoting fair competition, investment, and improving confidence on the public and corporate sectors accountability (Nam & Nam, 2004).

The issue underlying the financial reporting quality is not only a main concern to the financial users but also to society as a whole, as it impacts on economic decisions (Tasios & Bekiaris, 2012). Since, outside financial reporting users are unable to directly view the actual firm earnings, they are highly dependent on reported accounting numbers (Norwani, Mohamad & Chek, 2011). The quality of financial reporting in the company's annual report provides useful information to help users in making well-informed decisions about the company based on the information in the annual report, which should reflect the real financial and commercial position of the company.

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

- Abbott, L. J., Park, Y., & Parker, S. (2000). The effects of audit committee activity and independence on corporate fraud. *Managerial Finance*, 26(11), 55-68.
- Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. *Auditing: A Journal of Practice & Theory*, 23(1), 69-87.
- Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A Journal of Practice & Theory*, 22(2), 17-32.
- Abdul Latiff, R., & Taib, F. (2011). The effects of ownership structure and monitoring mechanisms on earnings quality and cost of equity. Retrieved from SSRN website: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1767655](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1767655)
- Abdul Rahman, R. A., & Ali, F. H. M. (2006). Board, audit committee, culture and earnings management: Malaysian evidence. *Managerial Auditing Journal*, 21(7), 783-804.
- Abdullah, S. N. (1999). *The role of corporate governance and ownership structure on accounting earnings quality* (Unpublished doctoral Dissertation), Universiti Utara Malaysia, Kedah, Malaysia.
- Abdullah, S. N. (2006). Directors' remuneration, firm's performance and corporate governance in Malaysia among distressed companies. *Corporate Governance*, 6(2), 162-174.

- Abdullah, S. N., & Nasir, N. M. (2004). Accrual management and the independence of the boards of directors and audit committees. *International Journal of Economics, Management and Accounting*, 12(1), 49-80.
- Abdullah, S. N., Halim, N. F. C. A., & Nelson, S. P. (2014). The impact of new regulations on earnings quality among Malaysian firms. *International Journal of Economics, Management and Accounting*, 22(2), 21-68.
- Abdullah, S.N., Yusof, N. M., & Nor, N. M. (2010). Financial restatements and corporate governance among Malaysian listed companies. *Managerial Auditing Journal*, 25(6), 526-552.
- Aboody, D., Hughes, J., & Liu, J. (2005). Earnings quality, insider trading, and cost of capital. *Journal of Accounting Research*, 43(5), 651-673.
- Adams, R. (2005). What do boards do? Evidence from board committee and director compensation data. EFA 2005 Moscow Meetings Paper. Available at SSRN: <http://dx.doi.org/10.2139/ssrn.397401>
- Adams, R., Hermalin, B. E., & Weisbach, M. S. (2008). The role of boards of directors in corporate governance: A conceptual framework and survey: Retrieved from the International Bureal of Economic Research website: <http://www.nber.org/papers/w14486>
- Adibah Wan Ismail, W., Anuar Kamarudin, K., Van Zijl, T., & Dunstan, K. (2013). Earnings quality and the adoption of IFRS-based accounting standards: Evidence from an emerging market. *Asian Review of Accounting*, 21(1), 53-73.

- Adiguzel, H. (2013). Corporate governance, family ownership and earnings management: emerging market evidence. *Accounting and Finance Research*, 2(4), p17-33.
- Agrawal, A., & Chadha, S. (2005). Corporate governance and accounting scandals. *Journal of Law and Economics*, 48(2), 371-406.
- Agrawal, A., & Knoeber, C. R. (1996). Firm performance and mechanisms to control agency problems between managers and shareholders. *Journal of Financial and Quantitative Analysis*, 31(03), 377-397.
- Aguinis, H. (1995). Statistical power with moderated multiple regression in management research. *Journal of Management*, 21(6), 1141-1158.
- Ahlawat, S. S., & Lowe, D. J. (2004). An examination of internal auditor objectivity: In-house versus outsourcing. *Auditing: A Journal of Practice & Theory*, 23(2), 147-158.
- Ahmad-Zaluki, N. A., & Wan-Hussin, W. N. (2010). Corporate governance and earnings forecasts accuracy. *Asian Review of Accounting*, 18(1), 50-67.
- Ahmed, K., & Henry, D. (2012). Accounting conservatism and voluntary corporate governance mechanisms by Australian firms. *Accounting & Finance*, 52(3), 631-662.
- Ahmed, K., Hossain, M., & Adams, M. B. (2006). The effects of board composition and board size on the informativeness of annual accounting earnings. *Corporate Governance: An International Review*, 14(5), 418-431.

- AL-Dhamari, R. A., & Ismail, K. N. I. B. K. (2012). Governance structure, surplus free cash flow (SFCF), and earnings quality: Evidence from Malaysia. *Journal of Modern Accounting and Auditing*, 8(10), 1437-1452.
- Ali Shah, S., Butt, S., & Hassan, A. (2009). Corporate governance and earnings management an empirical evidence form Pakistani listed companies. *European Journal of Scientific Research*, 26(4), 624-638.
- Ali, R., Ahmad, Z., & Anusakumar, S. V. (2011). Stock market overreaction and trading volume: evidence from Malaysia. *Asian Academy of Management Journal of Accounting and Finance*, 7(2), 103-119.
- Al-Shetwi, M., Ramadili, S. M., Chowdury, T. H. S., & Sori, Z. M. (2011). Impact of internal audit function (IAF) on financial reporting quality (FRQ): Evidence from Saudi Arabia. *African Journal of Business Management*, 5(27), 11189-11198.
- Alves, S. (2012). Ownership structure and earnings management: Evidence from Portugal. *Australasian Accounting Business and Finance Journal*, 6(1), 57-74.
- Alves, S. (2013). The impact of audit committee existence and external audit on earnings management: Evidence from Portugal. *Journal of Financial Reporting & Accounting*, 11(2), 143-165.
- Alzoubi, E. S. S. (2012). Board characteristics and financial reporting quality among Jordanian Listed Companies: Proposing conceptual framework. *Asian Journal of Finance & Accounting*, 4(1), 245-258.



- Ameer, R., Ramli, F., & Zakaria, H. (2010). A new perspective on board composition and firm performance in an emerging market. *Corporate Governance*, 10(5), 647-661.
- Aminul Islam, M. A., Ali, R., & Ahmad, Z. (2011). Is modified Jones model effective in detecting earnings management? Evidence from a developing economy. *International Journal of Economics and Finance*, 3(2), 116-125.
- Ardekani, A. M., Younesi, N., & Hashemijoo, M. (2012). Acquisition, earnings management and firm's performance: Evidence from Malaysia. *Journal of Business*, 4(1), 91-110.
- Ashbaugh, H., LaFond, R., & Mayhew, B. W. (2003). Do nonaudit services compromise auditor independence? Further evidence. *The Accounting Review*, 78(3), 611-639.
- Auh, S., & Menguc, B. (2005). Balancing exploration and exploitation: The moderating role of competitive intensity. *Journal of Business Research*, 58(12), 1652-1661.
- Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics*, 58(2-3), 208-230
- Ball, R., & Brown, P. (1968). An empirical evaluation of accounting income numbers. *Journal of Accounting Research*, 6(2), 159-178.
- Ball, R., & Shivakumar, L. (2005). Earnings quality in UK private firms: comparative loss recognition timeliness. *Journal of Accounting and Economics*, 39(1), 83-128.

- Ball, R., Kothari, S., & Robin, A. (2000). The effect of international institutional factors on properties of accounting earnings. *Journal of Accounting and Economics*, 29(1), 1-52.
- Ball, R., Robin, A., & Wu, J. S. (2003). Incentives versus standards: properties of accounting income in four East Asian countries. *Journal of Accounting and Economics*, 36(1-3), 235-270.
- Ballesta, J. P. S., & Garcia-Meca, E. (2005). Audit qualifications and corporate governance in Spanish listed firms. *Managerial Auditing Journal*, 20(7), 725-738.
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173.
- Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, 46(3), 467-498.
- Barua, A., Rama, D. V., & Sharma, V. (2010). Audit committee characteristics and investment in internal auditing. *Journal of Accounting and Public Policy*, 29(5), 503-513.
- Basu, S. (1997). The conservatism principle and the asymmetric timeliness of earnings<sup>1</sup>. *Journal of Accounting and Economics*, 24(1), 3-37.
- Baum, C. F. (2001). Residual diagnostics for cross-section time series regression models. *The Stata Journal*, 1(1), 101-104.

- Baxter, P., & Cotter, J. (2009). Audit committees and earnings quality. *Accounting & Finance*, 49(2), 267-290.
- Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *Accounting Review*, 71(4), 443-465.
- Beasley, M. S., & Salterio, S. E. (2001). The relationship between board characteristics and voluntary improvements in audit committee composition and experience. *Contemporary Accounting Research*, 18(4), 539-570.
- Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Lapides, P. D. (2000). Fraudulent financial reporting: Consideration of industry traits and corporate governance mechanisms. *Accounting Horizons*, 14(4), 441-454.
- Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Neal, T. L. (2009). The audit committee oversight process. *Contemporary Accounting Research*, 26(1), 65-122.
- Becker, C. L., DeFond, M. L., Jiambalvo, J., & Subramanyam, K. R. (1998). The effect of audit quality on earnings management. *Contemporary Accounting Research*, 15(1), 1-24.
- Bedard, J. C., & Johnstone, K. M. (2004). Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. *The Accounting Review*, 79(2), 277-304.
- Beekes, W., Pope, P., & Young, S. (2004). The link between earnings timeliness, earnings conservatism and board composition: evidence from the UK. *Corporate Governance: An International Review*, 12(1), 47-59.

- Bekiris, F. V., & Doukakis, L. C. (2011). Corporate governance and accruals earnings management. *Managerial and Decision Economics*, 32(7), 439-456.
- Benkraiem, R. (2009). Does the presence of independent directors influence accruals management? *Journal of Applied Business Research*, 25(6), 77-86.
- Beuselinck, C., & Manigart, S. (2007). Financial reporting quality in private equity backed companies: The impact of ownership concentration. *Small Business Economics*, 29(3), 261-274.
- Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of Corporate Finance*, 14(3), 257-273.
- Bierstaker, J., Chen, L., Christ, M. H., Ege, M., & Mintchik, N. (2012). Obtaining assurance for financial statement audits and control audits when aspects of the financial reporting process are outsourced. *Auditing: A Journal of Practice & Theory*, 32(sp1), 209-250.
- Bin-Zulkafli, A., Adul Samad, M., & Ismail, M. (2007). Corporate Governance in Malaysia. *Malaysian Institute of Corporate Governance*.1, 18.
- Blue Ribbon Committee Report (1999) available at:  
<http://www.cov.com/files/Publication/e8454dae-13d1-46dc-9ffd-dafc448dc40b/Presentation/PublicationAttachment/48b0bb8a-5870-497f-88ee-deabb8725bce/oid6400.PDF>.
- Bonn, I., Yoshikawa, T., & Phan, P. H. (2004). Effects of board structure on firm performance: A comparison between Japan and Australia. *Asian Business & Management*, 3(1), 105-125.

- Bradbury, M., Mak, Y. T., & Tan, S. (2006). Board characteristics, audit committee characteristics and abnormal accruals. *Pacific Accounting Review*, 18(2), 47-68.
- Brown, L. D., & Caylor, M. L. (2006). Corporate governance and firm valuation. *Journal of Accounting and Public Policy*, 25(4), 409-434.
- Buchalter, S. D., & Yokomoto, K. L. (2003). Audit committees' responsibilities and liability. *CPA journal*, 73(3), 18-23.
- Bujaki, M., & McConomy, B. J. (2002). Corporate governance: Factors influencing voluntary disclosure by publicly traded Canadian firms. *Canadian Accounting Perspectives*, 1(2), 105-139.
- Buniamin, S., Johari, N. H., Rahman, N. R. A., & Rauf, F. H. A. (2012). Board diversity and discretionary accruals of the Top 100 Malaysia corporate governance (MCG) index company. *African Journal of Business Management*, 6(29), 8496-8503.
- Burak Guner, A., Malmendier, U., & Tate, G. (2008). Financial expertise of directors. *Journal of Financial Economics*, 88(2), 323-354.
- Burkart, M., Gromb, D., & Panunzi, F. (1997). Large shareholders, monitoring, and the value of the firm. *The Quarterly Journal of Economics*, 112(3), 693-728.
- Burrowes, A., & Hendricks, A. (2005). Independent financial experts: From wished for to wistful thinking. *Managerial Finance*, 31(9), 52-62.
- Bursa delists 95 firms for financial problems', New Straits Times, July 21, 2010, available at:

<http://www.mia.org.my/new/downloads/circularsandresources/resource/newspaper/2010/07/week03.pdf>.

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. *Journal of accounting research*, 171-202.

Bushman, R. M., & Smith, A. J. (2001). Financial accounting information and corporate governance. *Journal of Accounting and Economics*, 32(1), 237-333.

Cadbury A. (1992) Report of the Committee on the Financial Aspect of Corporate Governance, London, U.K: Gee & Co. Limited

Caplan, D. H., & Kirschenheiter, M. (2000). Outsourcing and audit risk for internal audit services. *Contemporary Accounting Research*, 17(3), 387-428.

Carcello, J. V., Hermanson, D. R., & Raghunandan, K. (2005). Factors associated with US public companies' investment in internal auditing. *Accounting Horizons*, 19(2), 69-84.

Carcello, J. V., Hermanson, D. R., Neal, T. L., & Riley, R. A. (2002). Board characteristics and audit fees. *Contemporary Accounting Research*, 19(3), 365-384.

Carey, P., Subramaniam, N., & Ching, K. C. W. (2006). Internal audit outsourcing in Australia. *Accounting & Finance*, 46(1), 11-30.

Carpenter, M. A., Geletkanycz, M. A., & Sanders, W. G. (2004). Upper echelons research revisited: Antecedents, elements, and consequences of top management team composition. *Journal of Management*, 30(6), 749-778.

- Cassell, C. A., Giroux, G. A., Myers, L. A., & Omer, T. C. (2012). The effect of corporate governance on auditor-client realignments. *Auditing: A Journal of Practice & Theory*, 31(2), 167-188.
- Chadwick, W. E. (2000). Keeping internal auditing in-house. *Internal Auditor* 57(3): 88.
- Chaney, P. K., & Lewis, C. M. (1995). Earnings management and firm valuation under asymmetric information. *Journal of Corporate Finance*, 1(3), 319-345.
- Che Haat, M. H. (2006). The effect of corporate governance on transparency and performance of Malaysian companies. *Unpublished PhD Dissertation. Universiti Teknologi Mara, Malaysia.*
- Chen, C. Y., Lin, C. J., & Lin, Y. C. (2008). Audit partner tenure, audit firm tenure, and discretionary accruals: does long auditor tenure impair earnings quality? *Contemporary Accounting Research*, 25(2), 415-445.
- Chen, H., Tang, Q., Jiang, Y., & Lin, Z. (2010). The role of international financial reporting standards in accounting quality: Evidence from the European Union. *Journal of International Financial Management & Accounting*, 21(3), 220-278.
- Chen, K. Y., & Zhou, J. (2007). Audit committee, board characteristics, and auditor switch decisions by Andersen's clients. *Contemporary Accounting Research*, 24(4), 1085-1117.
- Chen, K. Y., Elder, R. J., & Hsieh, Y.-M. (2007). Corporate governance and earnings management: The implications of corporate governance best-practice principles for Taiwanese listed companies. *Journal of Contemporary Accounting & Economics*, 3(2), 73-105.

- Chen, V. Z., Li, J., M, D., & Shapiro. (2011). Are OECD-prescribed “good corporate governance practices” really good in an emerging economy? *Asia Pacific Journal of Management*, 28(1), 115-138.
- Cheng, E., & Courtenay, S. M. (2006). Board composition, regulatory regime and voluntary disclosure. *The International Journal of Accounting*, 41(3), 262-289.
- Cheng, S. (2008). Board size and the variability of corporate performance. *Journal of Financial Economics*, 87(1), 157-176.
- Chobpichien, J., Haron, H., & Ibrahim, D. (2008). The quality of board of directors, ownership structure and level of voluntary disclosure of listed companies in Thailand. *Euro Asia Journal of Management*, 3(17), 3-39.
- Chung, K. H., & Zhang, H. (2011). Corporate governance and institutional ownership. *Journal of Financial and Quantitative Analysis*, 46(01), 247-273.
- Claessens, S., & Fan, J. P. (2003). Corporate governance in Asia: A survey. *International Review of Finance*, 3(2), 71-103.
- Claessens, S., Djankov, S., & Lang, L. H. (2000). The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, 58(1), 81-112.
- Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre-and post-Sarbanes-Oxley periods. *The Accounting Review*, 83(3), 757-787.
- Cohen, J., & Cohen, P. (1983). *Applied multiple regression/correlation analysis for the behavioral sciences* (2nd Ed.). Hillsdale, NJ. Lawrence Erlbaum.



- Cohen, J., Krishnamoorthy, G., & Wright, A. (2004). The corporate governance mosaic and financial reporting quality. *Journal of Accounting Literature*, 87-152.
- Coles, J. L., Daniel, N. D., & Naveen, L. (2008). Boards: Does one size fit all? *Journal of Financial Economics*, 87(2), 329-356.
- Collier, P., & Gregory, A. (1996). Audit committee effectiveness and the audit fee. *European Accounting Review*, 5(2), 177-198.
- Collins, D. W., Maydew, E. L., & Weiss, I. S. (1997). Changes in the value-relevance of earnings and book values over the past forty years. *Journal of Accounting and Economics*, 24(1), 39-67.
- Cooper, B. J. (1993). The audit committee and internal audit. *Managerial Auditing Journal*, 8(3).
- Coram, P., Ferguson, C., & Moroney, R. (2008). Internal audit, alternative internal audit structures and the level of misappropriation of assets fraud. *Accounting & Finance*, 48(4), 543-559.
- Dahya, J., Dimitrov, O., & McConnell, J. J. (2008). Dominant shareholders, corporate boards, and corporate value: A cross-country analysis. *Journal of Financial Economics*, 87(1), 73-100.
- Daily, C. M., Dalton, D. R., & Cannella, A. A. (2003). Corporate governance: Decades of dialogue and data. *Academy of Management Review*, 28(3), 371-382.

- Dalton, C. M., & Dalton, D. R. (2005). Boards of directors: Utilizing empirical evidence in developing practical prescriptions. *British Journal of Management*, 16(s1), S91-S97.
- Dalton, D. R., Daily, C. M., Johnson, J. L., & Ellstrand, A. E. (1999). Number of directors and financial performance: A meta-analysis. *Academy of Management Journal*, 42(6), 674-686.
- Davidson, R., Goodwin-Stewart, J., & Kent, P. (2005). Internal governance structures and earnings management. *Accounting & Finance*, 45(2), 241-267.
- Davis, G. F., & Useem, M. (2002). *Top management, company directors, and corporate control. Handbook of Strategy and Management*, 233-59.
- De Miguel, A., Pindado, J., & De La Torre, C. (2004). Ownership structure and firm value: New evidence from Spain. *Strategic Management Journal*, 25(12), 1199-1207.
- Dechow, P. M. (1994). Accounting earnings and cash flows as measures of firm performance: The role of accounting accruals. *Journal of Accounting and Economics*, 18(1), 3-42.
- Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, 77(s-1), 35-59.
- Dechow, P. M., Hutton, A. P., Kim, J. H., & Sloan, R. G. (2012). Detecting earnings management: A new approach. *Journal of Accounting Research*, 50(2), 275-334.
- Dechow, P. M., Kothari, S. P., & Watts, R. L. (1998). The relation between earnings

and cash flows. *Journal of Accounting and Economics*, 25(2), 133-168.

Dechow, P. M., Richardson, S. A., & Tuna, I. (2003). Why are earnings kinky? An examination of the earnings management explanation. *Review of Accounting Studies*, 8(2-3), 355-384.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *Accounting Review*, 70(2), 193-225.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1996). Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the sec. *Contemporary Accounting Research*, 13(1), 1-36.

Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, 50(2), 344-401.

DeFond, M. L., & Jiambalvo, J. (1994). Debt covenant violation and manipulation of accruals. *Journal of Accounting and Economics*, 17(1), 145-176.

DeFond, M. L., Hann, R. N., & Hu, X. (2005). Does the market value financial expertise on audit committees of boards of directors? *Journal of Accounting Research*, 43(2), 153-193.

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of Corporate Finance*, 7(3), 209-233.

Desai, N. K., Gerard, G. J., & Tripathy, A. (2011). Internal audit sourcing arrangements and reliance by external auditors. *Auditing: A Journal of Practice & Theory*, 30(1), 149-171.

- DeZoort, F. T., & Salterio, S. E. (2001). The effects of corporate governance experience and financial-reporting and audit knowledge on audit committee members' judgments. *Auditing: A Journal of Practice & Theory*, 20(2), 31-47.
- DeZoort, F. T., D. R., Hermanson, D., Archambeault, & Reed, S. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. *Journal of Accounting Literature* 21, 38-75.
- Di Pietra, R., Grambovas, C. A., Raonic, I., & Riccaboni, A. (2008). The effects of board size and 'busy' directors on the market value of Italian companies. *Journal of Management & Governance*, 12(1), 73-91.
- Dietrich, J. R., Muller III, K. A., & Riedl, E. J. (2007). Asymmetric timeliness tests of accounting conservatism. *Review of Accounting Studies*, 12(1), 95-124.
- Dimitropoulos, P. E., & Asteriou, D. (2010). The effect of board composition on the informativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance*, 24(2), 190-205.
- Doyle, J. T., Ge, W., & McVay, S. (2007). Accruals quality and internal control over financial reporting. *The Accounting Review*, 82(5), 1141-1170.
- Ewert, R., & Wagenhofer, A. (2011). Earnings quality metrics and what they measure. Retrieved from SSRN website: <https://mitsloan.mit.edu/groups/template/pdf/Ewart-Wagenhofer.pdf>
- Ewert, R., & Wagenhofer, A. (2013). Accounting standards, earnings management, and earnings quality. Retrieved from SSRN website: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2068134](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2068134)

- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325.
- Fan, J. P., & Wong, T. J. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of Accounting and Economics*, 33(3), 401-425.
- Financial Accounting Standards Board (FASB). (1980). Concepts Statement No. (2). Qualitative Characteristics of Accounting Information. Norwalk, CT: FASB.
- Financial Reporting Council, the Smith Guidance on Audit Committees, (January 2003) available at: <http://www.icaew.com/en/library/subject-gateways/corporate-governance/codes-and-reports/smith-report>.
- Fischel, D. R. (1982). Corporate governance movement. *Vanderbilt Law Review*, 35(11), 1259-1292.
- Florackis, C. (2008). Agency costs and corporate governance mechanisms: evidence for UK firms. *International Journal of Managerial Finance*, 4(1), 37-59.
- Flynn, R. S. (2011). Do affiliated former audit partners need to "cool-off" before joining an audit committee? nonprofessional investors speak. *Journal of the Academy of Business & Economics*, 11(3).
- Forbes, D. P., & Milliken, F. J. (1999). Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of Management Review*, 24(3), 489-505.
- Francis, J., & Schipper, K. (1999). Have financial statements lost their relevance? *Journal of Accounting Research*, 37(2), 319-352.

- Francis, J., LaFond, R., Olsson, P. M., & Schipper, K. (2004). Costs of equity and earnings attributes. *The Accounting Review*, 79(4), 967-1010.
- Francis, J., LaFond, R., Olsson, P., & Schipper, K. (2005). The market pricing of accruals quality. *Journal of Accounting and Economics*, 39(2), 295-327.
- Francis, J., Nanda, D., & Olsson, P. (2008). Voluntary disclosure, earnings quality, and cost of capital. *Journal of Accounting Research*, 46(1), 53-99.
- Frankel, R. M., Johnson, M. F., & Nelson, K. K. (2002). The relation between auditors' fees for nonaudit services and earnings management. *The Accounting Review*, 77(s-1), 71-105.
- Frazier, P. A., Tix, A. P., & Barron, K. E. (2004). Testing moderator and mediator effects in counseling psychology research. *Journal of Counseling Psychology*, 51(1), 115.
- Gaio, C. (2010). The relative importance of firm and country characteristics for earnings quality around the world. *European Accounting Review*, 19(4), 693-738.
- Gao, P. (2013). A measurement approach to conservatism and earnings management. *Journal of Accounting and Economics*, 55(2), 251-268.
- Garcia, L. S., Barbadillo, E. R., & Perez, M. O. (2010). Audit committee and internal audit and the quality of earnings: empirical evidence from Spanish companies. *Journal of Management & Governance*, 16(2), 305-331.

- Garcia, L. S., Barbadillo, E. R., & Perez, M. O. (2012). Audit committee and internal audit and the quality of earnings: empirical evidence from Spanish companies. *Journal of Management & Governance*, 16(2), 305-331.
- Ge, W., & McVay, S. (2005). The disclosure of material weaknesses in internal control after the Sarbanes-Oxley Act. *Accounting Horizons*, 19(3), 137-158.
- Gedajlovic, E., & Shapiro, D. M. (2002). Ownership structure and firm profitability in Japan. *Academy of Management Journal*, 45(3), 565-575.
- Gendron, Y., & Bedard, J. (2006). On the constitution of audit committee effectiveness. *Accounting, Organizations and Society*, 31(3), 211-239.
- George, N. (2003). Audit committees: The solution to quality financial reporting. *The CPA Journal*, 73(12), 6-9.
- Glover, S. M., Prawitt, D. F., & Wood, D. A. (2008). Internal audit sourcing arrangement and the external auditor's reliance decision. *Contemporary Accounting Research*, 25(1), 193-213.
- Goh, B. W. (2009). Audit committees, boards of directors, and remediation of material weaknesses in internal control. *Contemporary Accounting Research*, 26(2), 549-579.
- Gonzalez, J. S., & Garcia-Meca, E. (2014). Does corporate governance influence earnings management in Latin American markets? *Journal of Business Ethics*, 121(3), 419-440.
- Goodstein, J., Gautam, K., & Boeker, W. (1994). The effects of board size and diversity on strategic change. *Strategic Management Journal*, 15(3), 241-250.

- Goodwin-Stewart, J., & Kent, P. (2006). Relation between external audit fees, audit committee characteristics and internal audit. *Accounting & Finance*, 46(3), 387-404.
- Gorgieva-Trajkovska, O., & Kostadinovski, A. (2012). Financial reporting quality and investment efficiency. *Challenges in Contemporary Economy*, IBS Press 2012.
- Gramling, A. A., & Hermanson, D. R. (2006). What role is your internal audit function playing in corporate governance? *Internal Auditing-Boston-Warren Gorham and Lamont Incorporated*, 21(6), 37.
- Gramling, A. A., Maletta, M. J., Schneider, A., & Church, B. K. (2004). The role of the internal audit function in corporate governance: A synthesis of the extant internal auditing literature and directions for future research. *Journal of Accounting Literature*, 23(1), 194-244.
- Guest, P. M. (2009). The impact of board size on firm performance: evidence from the UK. *The European Journal of Finance*, 15(4), 385-404.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (6th ed.). Upper Saddle River, N.J.: Pearson Education Inc.
- Hair, J.F., Anderson, R.E., Tatham, R.L., and Black, W.C. (1998). *Multivariate Data Analysis*. Engelwood Cliffs, NJ: Prentice-Hall.
- Hanlon, M., Rajgopal, S., & Shevlin, T. (2003). Are executive stock options associated with future earnings? *Journal of Accounting and Economics*, 36(1), 3-43.



- Haron, H., Jantan, M., & Pheng, E. G. (2005). Audit committee compliance with Kuala Lumpur Stock Exchange listing requirements. *International Journal of Auditing*, 9(3), 187-200.
- Haron, H., Jeyaraman, K., & Chye, O. H. (2010). Determinants of internal control characteristics influencing voluntary and mandatory disclosures: A Malaysian perspective. *Managerial Auditing Journal*, 25(2), 140-159.
- Hashim, H. A. (2009). *Board of directors, ownership structure, ethnicity and earnings quality: Malaysian evidence*. (Doctoral dissertation, University of Malaya). Retrieved from: <http://dspace.fsktm.um.edu.my/handle/1812/742>
- Hashim, H. A., & Devi, S. S. (2007). Corporate governance, ownership structure and earnings quality: Malaysian evidence. *Research in Accounting and Emerging Economies*, 8, 97-123.
- Hassan, M.-H., Moyes, G. D., Mohd-Sanusi, Z., & Iskandar, T. M. (2010). The enforcement role of the companies' commission of Malaysia. *International Business & Economics Research Journal*, 9(2), 135-148.
- Hawley, J. P., & Williams, A. T. (2000). *The rise of fiduciary capitalism: How institutional investors can make corporate America more democratic*. University of Pennsylvania Press.
- He, L., & Yang, R. (2014). Does industry regulation matter? New evidence on audit committees and earnings management. *Journal of Business Ethics*, 123(4), 573-589.

- Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics*, 31(1), 405-440.
- Heath, J., & Norman, W. (2004). Stakeholder theory, corporate governance and public management: what can the history of state-run enterprises teach us in the post-Enron era? *Journal of Business Ethics*, 53(3), 247-265.
- Hepworth, S. R. (1953). Smoothing periodic income. *The Accounting Review*, 28(1), 32-39.
- Hermalin, B. E., & Weisbach, M. S. (1991). The effects of board composition and direct incentives on firm performance. *Financial Management*, 20(4), 101-112.
- Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *The Academy of Management Review*, 28(3), 383-396.
- Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of Management*, 35(6), 1404-1427.
- Ho, S. S., & Shun Wong, K. (2001). A study of the relationship between corporate governance structures and the extent of voluntary disclosure. *Journal of International Accounting, Auditing and Taxation*, 10(2), 139-156.
- Hoitash, R., & Hoitash, U. (2009). The role of audit committees in managing relationships with external auditors after SOX: Evidence from the USA. *Managerial Auditing Journal*, 24(4), 368-397.

- Holder-Webb, L., & Sharma, D. S. (2010). The effect of governance on credit decisions and perceptions of reporting reliability. *Behavioral Research in Accounting*, 22(1), 1-20.
- Hu, H. W., Tam, O. K., & Tan, M. G. S. (2010). Internal governance mechanisms and firm performance in China. *Asia Pacific Journal of Management*, 27(4), 727-749.
- Hunton, J. E., Hoitash, R., & Thibodeau, J. C. (2011). The relationship between perceived tone at the top and earnings quality. *Contemporary Accounting Research*, 28(4), 1190-1224.
- Hwang, L.-S., & Lee, W.-J. (2012). Do takeover defenses impair equity investors' perception of "higher quality" earnings? *Journal of Accounting, Auditing & Finance*, 27(3), 325-358.
- IIA (2010), Standards for the Professional Practice of Internal Auditing, The Institute of Internal Auditors Homepage, Institute of Internal Auditors, Kuala Lumpur, available at: [www.theiia.org/guidance/standards-and-practices/professional-practices-framework/standards/](http://www.theiia.org/guidance/standards-and-practices/professional-practices-framework/standards/)
- Ika, S. R., & Ghazali, N. A. M. (2012). Audit committee effectiveness and timeliness of reporting: Indonesian evidence. *Managerial Auditing Journal*, 27(4), 403-424.
- Institute of Internal Auditors (IIA). (1999). Definition of internal audit function. Altamonte Springs, Florida: The Institute of Internal Auditors.
- International Accounting and Reporting Issues: 2003 Review, available at: [http://unctad.org/en/docs/iteteb20039\\_en.pdf](http://unctad.org/en/docs/iteteb20039_en.pdf).

- Ismail, T. H., & Elbolok, R. (2011). Do conditional and unconditional conservatism impact earnings quality and stock prices in Egypt?. *Research Journal of Finance and Accounting*, 2(12), 7-22.
- Ismail, W. A. W., Dunstan, K. L., & Van Zijl, T. (2010). Earnings quality and corporate governance following the implementation of Malaysian code of corporate governance. Available at SSRN. [http://www.researchgate.net/profile/Wan\\_Adibah\\_Wan\\_Ismail/publication/228121833\\_Earnings\\_Quality\\_and\\_Corporate\\_Governance\\_Following\\_the\\_Implementation\\_of\\_Malaysian\\_Code\\_of\\_Corporate\\_Governance/links/0deec52d24feac7bff000000.pdf](http://www.researchgate.net/profile/Wan_Adibah_Wan_Ismail/publication/228121833_Earnings_Quality_and_Corporate_Governance_Following_the_Implementation_of_Malaysian_Code_of_Corporate_Governance/links/0deec52d24feac7bff000000.pdf)
- Jaggi, B., & Leung, S. (2007). Impact of family dominance on monitoring of earnings management by audit committees: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 16(1), 27-50.
- James, K. L. (2003). The effects of internal audit structure on perceived financial statement fraud prevention. *Accounting Horizons*, 17(4), 315-327.
- Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance*, 48(3), 831-880.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Johari, N. H., Mohd Saleh, N., Jaffar, R., & Sabri Hassan, M. (2008). The influence of board independence, competency and ownership on earnings management in

- Malaysia. *International Journal of Economics and Management*, 2(2), 281-306.
- Johl, S. K., Johl, S. K., Subramaniam, N., & Cooper, B. (2013). Internal audit function, board quality and financial reporting quality: evidence from Malaysia. *Managerial Auditing Journal*, 28(9), 780-814.
- Johl, S. K., Kaur, S., & Cooper, B. J. (2015). Board characteristics and firm performance: evidence from Malaysian public listed firms. *Journal of Economics, Business and Management*, 3(2), 239-243.
- Johnson, J. L., Daily, C. M., & Ellstrand, A. E. (1996). Boards of directors: A review and research agenda. *Journal of Management*, 22(3), 409-438.
- Jonas, G. J., & Blanchet, J. (2000). Assessing quality of financial reporting. *Accounting Horizons*, 14(3), 353-363.
- Jones, J. J. (1991). Earnings management during import relief investigations. *Journal of Accounting Research*, 29(2), 193-228.
- Jouber, H., & Fakhfakh, H. (2012). Earnings management and board oversight: an international comparison. *Managerial Auditing Journal*, 27(1), 66-86.
- Judge, W. Q., & Zeithaml, C. P. (1992). Institutional and strategic choice perspectives on board involvement in the strategic decision process. *Academy of Management Journal*, 35(4), 766-794.
- Kalbers, L. P. (1992). Audit committees and internal auditors. *Internal Auditor*, 49, 37-37.

- Kalbers, L. P., & Fogarty, T. J. (1993). Audit committee effectiveness: An empirical investigation of the contribution of power. *Auditing*, 12, 24-24.
- Kallunki, J. P., Sahlstrom, P., & Zerni, M. (2007). Propensity to switch auditors and strictness of legal liability environment: the role of audit mispricing. *International Journal of Auditing*, 11(3), 165-185.
- Kamardin, H., & Haron, H. (2011). Internal corporate governance and board performance in monitoring roles: evidence from Malaysia. *Journal of Financial Reporting and Accounting*, 9(2), 119-140.
- Kang, H., Leung, S., Morris, R.D., & Gray, S.J. (2013). Corporate governance and earnings management: An Australian perspective. *Corporate Ownership and Control*, 10(3 A), 95-113.
- Kang, S. A., & Kim, Y. S. (2012). Effect of corporate governance on real activity-based earnings management: Evidence from Korea. *Journal of Business Economics and Management*, 13(1), 29-52.
- Kao, L., & Chen, A. (2004). The effects of board characteristics on earnings management. *Corporate Ownership & Control*, 1(3), 96-107.
- Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting Research*, 43(3), 453-486.
- Kaszniak, R. (1999). On the association between voluntary disclosure and earnings management. *Journal of Accounting Research*, 37(1), 57-81.
- Katmon, N., & Al Farooque, O. (2015). Exploring the Impact of Internal Corporate Governance on the Relation Between Disclosure Quality and Earnings

- Management in the UK Listed Companies. *Journal of Business Ethics*, 1-23.
- Kazmier, L. (1996). *Schaum's Outline of Theory and Problems of Business Statistics*. McGraw-Hill, 1996-Business and Economics-410 pages.
- Kazmier, L. J. (2003). *Schaum's Outline of Business Statistics* Schaum. Pub Co.
- Keasey, K., & Wright, M. (1993). Issues in corporate accountability and governance: An editorial. *Accounting and Business Research*, 23(sup1), 291-303.
- Kesner, I. F., & Johnson, R. B. (1990). An investigation of the relationship between board composition and stockholder suits. *Strategic Management Journal*, 11(4), 327-336.
- Kim, J. (2008). A forensic study of Daewoo's corporate governance: Does responsibility for its Meltdown Lie solely with the Chaebol and Korea? *Northwestern Journal of International Law and Business*, 28(2), 273-340.
- Kinney, W. R., Palmrose, Z. V., & Scholz, S. (2004). Auditor independence, non-audit services, and restatements: was the us government right? *Journal of Accounting Research*, 42(3), 561-588.
- Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics*, 33(3), 375-400.
- Kline, R. B., & Santor, D. A. (1999). Principles & practice of structural equation modelling. *Canadian Psychology*, 40(4), 381.
- Koh, P. S., Laplante, S. K., & Tong, Y. H. (2007). Accountability and value enhancement roles of corporate governance. *Accounting & Finance*, 47(2), 305-333.

- Kor, Y. Y. (2003). Experience-based top management team competence and sustained growth. *Organization Science*, 14(6), 707-719.
- Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, 39(1), 163-197.
- KPMG Malaysia Fraud Survey Report (2009) available at: <http://www.kpmg.com/MY/en/IssuesAndInsights/ArticlesPublications/Documents/2010/KPMG-Malaysia-Fraud-Survey-Report-2009.pdf>.
- Kraft, A., Lee, B. S., & Lopatta, K. (2014). Management earnings forecasts, insider trading, and information asymmetry. *Journal of Corporate Finance*, 26, 96-123.
- Krishnamoorthy, G., Wright, A., & Cohen, J. (2002). Audit committee effectiveness and financial reporting quality: Implications for auditor independence. *Australian Accounting Review*, 12(28), 3-13.
- Krishnan, J., & Lee, J. E. (2009). Audit committee financial expertise, litigation risk, and corporate governance. *Auditing: A Journal of Practice & Theory*, 28(1), 241-261.
- Krishnan, J., Wen, Y., & Zhao, W. (2011). Legal expertise on corporate audit committees and financial reporting quality. *The Accounting Review*, 86(6), 2099-2130.
- Lambert, R. A. (1984). Income smoothing as rational equilibrium behavior. *Accounting Review*, LIX(4), 604-618.



- Lanfranconi, C., & Robertson, D. (2002). Corporate financial reporting: The role of the board of directors. *Ivey Business Journal*, 67(1), 1-3.
- Larmou, S., & Vafeas, N. (2010). The relation between board size and firm performance in firms with a history of poor operating performance. *Journal of Management & Governance*, 14(1), 61-85.
- Lefort, F., & Urzua, F. (2008). Board independence, firm performance and ownership concentration: Evidence from Chile. *Journal of Business Research*, 61(6), 615-622.
- Leng, A. C. A. (2004). The impact of corporate governance practices on firms' financial performance: Evidence from Malaysian companies. *ASEAN Economic Bulletin*, 21(3), 308-318.
- Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: an international comparison. *Journal of Financial Economics*, 69(3), 505-527.
- Lev, B. (1989). On the usefulness of earnings and earnings research: Lessons and directions from two decades of empirical research. *Journal of Accounting Research*, 27, 153-192.
- Lev, B., & Zarowin, P. (1999). The boundaries of financial reporting and how to extend them. *Journal of Accounting Research*, 37(2), 353-385.
- Leys, C., Ley, C., Klein, O., Bernard, P., & Licata, L. (2013). Detecting outliers: Do not use standard deviation around the mean, use absolute deviation around the median. *Journal of Experimental Social Psychology*, 49(4), 764-766.

- Lin, J. W., Li, J. F., & Yang, J. S. (2006). The effect of audit committee performance on earnings quality. *Managerial Auditing Journal*, 21(9), 921-933.
- Lin, S., Pizzini, M., Vargus, M., & Bardhan, I. R. (2011). The role of the internal audit function in the disclosure of material weaknesses. *The Accounting Review*, 86(1), 287-323.
- Lin, Z., Jiang, Y., Tang, Q., & He, X. (2015). Does high-quality financial reporting mitigate the negative impact of global financial crises on firm performance? Evidence from the United Kingdom. *Australasian Accounting, Business and Finance Journal*, 8(5), 19-46.
- Lipe, R. (1990). The relation between stock returns and accounting earnings given alternative information. *Accounting Review*, 65(1), 49-71.
- Lipton, M., & Lorsch, J. (2002). A modest proposal for dealing with the Enron crisis. *Corporate Governance Advisor*, 10(3), 1-4.
- Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The Business Lawyer*, 48(1), 59-77.
- Liu, Q., & Lu, Z. J. (2007). Corporate governance and earnings management in the Chinese listed companies: A tunneling perspective. *Journal of Corporate Finance*, 13(5), 881-906.
- Lu, Y., & Chang, S. (2009). Corporate governance and quality of financial information on the prediction power of financial distress of listed companies in Taiwan. *International Research Journal of Finance and Economics*, 32, 114-138.

- Lubatkin, M. H., Schulze, W. S., Ling, Y., & Dino, R. N. (2005). The effects of parental altruism on the governance of family-managed firms. *Journal of Organizational Behavior*, 26(3), 313-330.
- Mak, Y. T., & Li, Y. (2001). Determinants of corporate ownership and board structure: evidence from Singapore. *Journal of Corporate Finance*, 7(3), 235-256.
- Malaysian Code on Corporate Governance (2000). Finance Committee on Corporate Governance, Securities Commission, Kuala Lumpur. Available at: <http://www.google.com>
- Malaysian Code on Corporate Governance (2012). Finance Committee on Corporate Governance, Securities Commission, Kuala Lumpur. Available at: <http://www.google.com>
- Mansor, N., Che-Ahmad, A., Ahmad-Zaluki, N. A., & Osman, A. H. (2013). Corporate governance and earnings management: A Study on the Malaysian family and non-family owned PLCs. *Procedia Economics and Finance*, 7, 221-229.
- Marra, A., Mazzola, P., & Prencipe, A. (2011). Board monitoring and earnings management pre-and post-IFRS. *The International Journal of Accounting*, 46(2), 205-230.
- McMullen, D. A., & Raghunandan, K. (1996). Enhancing audit committee effectiveness. *Journal of Accountancy*, 18(2), 79-81.
- McNichols, M., & Wilson, G. P. (1988). Evidence of earnings management from the provision for bad debts. *Journal of Accounting Research*, 26, 1-31.

- Menon, K., & Williams, D. D. (2004). Former audit partners and abnormal accruals. *The Accounting Review*, 79(4), 1095-1118.
- Miettinen, J. (2008). *The effect of audit quality on the relationship between audit committee effectiveness and financial reporting quality*. University of Vaasa.
- Mohamad, M. H. S., Rashid, H. M. A., & Shawtari, F. A. M. (2012). Corporate governance and earnings management in Malaysian government linked companies: The impact of GLCs' transformation policy. *Asian Review of Accounting*, 20(3), 241-258.
- Mohamed, Z., Mat Zain, M., Subramaniam, N., Yusoff, W., & Fadzilah, W. (2012). Internal audit attributes and external audit's reliance on internal audit: implications for audit fees. *International Journal of Auditing*, 16(3), 268-285.
- Mohammady, A. (2010). Earnings quality constructs and measures. *The Business Review, Cambridge*, 16(1), 277-283.
- Mojtahedi, P. (2013). The impact of intellectual capital on earning quality: evidence from Malaysian firms. *Australian Journal of Basic and Applied Sciences*, 7(2), 535-540.
- Morgan, I. (2010). A formalised performance assessment process to improve audit committee performance in South Africa: a conceptual exploration. *Southern African Business Review*, 14(2), 89-117.
- Munro, L., & Stewart, J. (2010). External auditors' reliance on internal audit: the impact of sourcing arrangements and consulting activities. *Accounting & Finance*, 50(2), 371-387.

- Mustafa, S. T., & Youssef, N. B. (2010). Audit committee financial expertise and misappropriation of assets. *Managerial Auditing Journal*, 25(3), 208-225.
- Nagy, A. L., & Cenker, W. J. (2002). An assessment of the newly defined internal audit function. *Managerial Auditing Journal*, 17(3), 130-137.
- Nahandi, Y. B., Baghbani, S. M., & Bolouri, A. (2012). Earnings management and accounting conservatism: The case of Iran. *African Journal of Business Management*, 6(19), 6005-6013.
- Naiker, V., & Sharma, D. S. (2009). Former audit partners on the audit committee and internal control deficiencies. *The Accounting Review*, 84(2), 559-587.
- Naiker, V., Sharma, D. S., & Sharma, V. D. (2013). Do former audit firm partners on audit committees procure greater nonaudit services from the auditor? *The Accounting Review*, 88(1), 297-326.
- Nam, S. W., & Nam, I. C. (2004). Corporate Governance in Asia: Recent Evidence from Indonesia, Republic of Korea, Malaysia and Thailand. *Asian Development Bank Institute, Tokyo*. 1-211
- Nekhili, M., Fakhfakh, I., Chtioui, T., & Lakhali, F. (2015). Free cash flow and earnings management: The moderating role of governance and ownership. Research Gate, [http://www.researchgate.net/profile/Faten\\_Lakhali/publications](http://www.researchgate.net/profile/Faten_Lakhali/publications)
- Nichols, D. C., & Wahlen, J. M. (2004). How do earnings numbers relate to stock returns? A review of classic accounting research with updated evidence. *Accounting Horizons*, 18(4), 263-286.

- Nicholson, G. J., & Kiel, G. C. (2007). Can directors impact performance? A case-based test of three theories of corporate governance. *Corporate Governance: An International Review*, 15(4), 585-608.
- Norwani, N. M., Mohamad, Z. Z., & Chek, I. T. (2011). Corporate governance failure and its impact on financial reporting within selected companies. *International Journal of Business & Social Science*, 21(21), 205-214.
- O'Sullivan, M., Percy, M., & Stewart, J. (2008). Australian evidence on corporate governance attributes and their association with forward-looking information in the annual report. *Journal of Management & Governance*, 12(1), 5-35.
- Owens-Jackson, L. A., Robinson, D., & Shelton, S. W. (2009). The association between audit committee characteristics, the contracting process and fraudulent financial reporting. *American Journal of Business*, 24(1), 57-66.
- Ow-Yong, K., & Kooi Guan, C. (2000). Corporate governance codes: A comparison between Malaysia and the UK. *Corporate Governance: An International Review*, 8(2), 125-132.
- Pae, J. (2005). Expected accrual models: the impact of operating cash flows and reversals of accruals. *Review of Quantitative Finance and Accounting*, 24(1), 5-22.
- Park, Y. W., & Shin, H.-H.(2004). Board composition and earnings management in Canada. *Journal of Corporate Finance*, 10(3), 431-457.
- Patro, B., & Pattanayak, J. K. (2014). Detecting earnings management using accrual-based models: An empirical study with reference to Coal India Ltd. *The IUP Journal of Accounting Research & Audit Practices*, 13(2), 53-64.

- Peasnell, K. V., Pope, P. F., & Young, S. (2000). Detecting earnings management using cross-sectional abnormal accruals models. *Accounting and Business Research*, 30(4), 313-326.
- Peasnell, K. V., Pope, P. F., & Young, S. (2005). Board monitoring and earnings management: do outside directors influence abnormal accruals? *Journal of Business Finance & Accounting*, 32(7-8), 1311-1346.
- Penman, S. H., & Zhang, X.-J. (2002). Accounting conservatism, the quality of earnings, and stock returns. *The Accounting Review*, 77(2), 237-264.
- Petra, S. T. (2007). The effects of corporate governance on the informativeness of earnings. *Economics of Governance*, 8(2), 129-152.
- Pfeffer, J. (1972). Size and composition of corporate boards of directors: The organization and its environment. *Administrative Science Quarterly*, 17(2), 218-228.
- Pfeffer, J. (1973). Size, composition, and function of hospital boards of directors: A study of organization-environment linkage. *Administrative Science Quarterly*, 18(3), 349-364.
- Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective*: Stanford University Press.
- Pomeroy, B., & Thornton, D. B. (2008). Meta-analysis and the accounting literature: The case of audit committee independence and financial reporting quality. *European Accounting Review*, 17(2), 305-330.

- Porta, R., Lopez-De-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *The Journal of Finance*, 54(2), 471-517.
- Prawitt, D. F., Sharp, N. Y., & Wood, D. A. (2012). Internal audit outsourcing and the risk of misleading or fraudulent financial reporting: Did Sarbanes-Oxley Get It Wrong? *Contemporary Accounting Research*, 29(4), 1109-1136.
- Prawitt, D. F., Smith, J. L., & Wood, D. A. (2009). Internal audit quality and earnings management. *The Accounting Review*, 84(4), 1255-1280.
- Puat Nelson, S., & Devi, S. (2013). Audit committee experts and earnings quality. *Corporate Governance: The International Journal of Business in Society*, 13(4), 335-351.
- Pucheta-Martínez, M. C., & De Fuentes, C. (2007). The impact of audit committee characteristics on the enhancement of the quality of financial reporting: An empirical study in the Spanish context. *Corporate Governance: An International Review*, 15(6), 1394-1412.
- Qin, B. (2007). The influence of audit committee financial expertise on earnings quality: US evidence. *The Icfai Journal of Audit Practice*, 4(3), 8-28.
- Radzi, S. N. J. M., Islam, M. A., & Ibrahim, S. (2011). Earning quality in public listed companies: a study on Malaysia exchange for securities dealing and automated quotation. *International Journal of Economics and Finance*, 3(2), 233-244.
- Raghunandan, K., Rama, D. V., & Read, W. J. (2001). Audit committee composition, "gray directors," and interaction with internal auditing. *Accounting Horizons*, 15(2), 105-118.



- Rahmat, M. M., Iskandar, T. M., & Saleh, N. M. (2009). Audit committee characteristics in financially distressed and non-distressed companies. *Managerial Auditing Journal*, 24(7), 624-638.
- Rashid, A., De Zoysa, A., Lodh, S., & Rudkin, K. (2010). Board composition and firm performance: evidence from Bangladesh. *Australasian Accounting Business and Finance Journal*, 4(1), 76-95.
- Rayburn, J. (1986). The association of operating cash flow and accruals with security returns. *Journal of Accounting Research*, 24, 112-133.
- Razak, N. H., & Palahuddin, S. H. (2014). Corporate governance and earning management: Evidence from 200 Malaysian listed firms from the period of 2007 to 2011. *Corporate Board: Role, Duties and Composition*, 10(1), 6-17.
- Rediker, K. J., & Seth, A. (1995). Boards of directors and substitution effects of alternative governance mechanisms. *Strategic Management Journal*, 16(2), 85-99.
- Report on Corporate Governance. (1999). Finance Committee on Corporate Governance. Securities Commission, Kuala Lumpur.
- Revised Malaysian Code on Corporate Governance (2007). Available online at: <http://www.micg.net/brochure/cg2007.pdf>
- Richardson, S. (2003). Earnings quality and short sellers. *Accounting Horizons*, 17(s-1), 49-62.

- Rittenberg, L. E. (1999). The effects of internal audit outsourcing on perceived external audit independence. *Auditing: A Journal of Practice & Theory*, 18(s-1), 27-35.
- Ronen, J., & Yaari, V. (2008). *Earnings management: emerging insights in theory, practice, and research* (Vol. 3): Springer.
- Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335-370.
- Rusmin, R., W. Astami, E., & Hartadi, B. (2014). The impact of surplus free cash flow and audit quality on earnings management: The case of growth triangle countries. *Asian Review of Accounting*, 22(3), 217-232.
- Sadique, R. B. M., Clark, M. B., Alias, N., & Roudaki, J. (2010). Corporate fraud: an analysis of Malaysian securities commission enforcement releases. *World Academy of Science*, 66(November 2005), 1213-1222.
- Saleh, N. M., Iskandar, T. M., & Rahmat, M. M. (2005). Earnings management and board characteristics: Evidence from Malaysia. *Jurnal Pengurusan*, 24(4), 77-103.
- Saleh, N. M., Iskandar, T. M., & Rahmat, M. M. (2007). Audit committee characteristics and earnings management: evidence from Malaysia. *Asian Review of Accounting*, 15(2), 147-163.
- Saleh, N. M., Jaffar, R., & Yatim, P. (2013). Family ownership, related-party transactions and earnings quality. *Asian Academy of Management Journal of Accounting and Finance*, 9(1), 129-153.

- Salleh, N. M. Z. N., & Haat, M. H. C (2014). Audit committee and earnings management: Pre and Post MCCG. *International Review of Management and Business Research*, 3 (1), 307-318
- Salleh, Z., Stewart, J., & Manson, S. (2006). The impact of board composition and ethnicity on audit quality: Evidence from Malaysian companies. *Malaysian Accounting Review*, 5(2), 61-83.
- Sanders, W. G., & Carpenter, M. A. (1998). Internationalization and firm governance: The roles of CEO compensation, top team composition, and board structure. *Academy of Management Journal*, 41(2), 158-178.
- Sarbanes-Oxley Act (2002) available at: <http://www.soxlaw.com/index.htm>.
- Sarkar, J., Sarkar, S., & Sen, K. (2008). Board of directors and opportunistic earnings management: evidence from India. *Journal of Accounting, Auditing & Finance*, 23(4), 517-551.
- Scarbrough, D. P., Rama, D. V., & Raghunandan, K. (1998). Audit committee composition and interaction with internal auditing: Canadian Evidence. *Accounting Horizons*, 12, 51-62.
- Schipper, K., & Vincent, L. (2003). Earnings Quality. *Accounting Horizons*, 17(s-1), 97-110.
- Sejati, Y. A. (2009). *Political Connections and Earnings Quality: Evidence from Malaysia*. E-theses, Oklahoma State University.
- Sekaran, U. (2000). *Research methods for business: A skill building approach*. (3th Ed.). USA: John Wiley & Sons Inc.

- Setia-Atmaja, L. Y. (2009). Governance mechanisms and firm value: The impact of ownership concentration and dividends. *Corporate Governance: An International Review*, 17(6), 694-709.
- Sharma, V. D., & Kuang, C. (2014). Voluntary audit committee characteristics, incentives, and aggressive earnings management: Evidence from New Zealand. *International Journal of Auditing*, 18(1), 76-89.
- Sharma, V. D., Sharma, D. S., & Ananthanarayanan, U. (2011). Client importance and earnings management: the moderating role of audit committees. *Auditing: A Journal of Practice & Theory*, 30(3), 125-156.
- Shawtari, F. A., Mohammed, M. H. S., & Abdul, H. M. (2015). Corporate Governance Mechanisms and Unmanaged Earnings: Empirical Evidence from Malaysian Government Linked Companies. *Corporate Board: Role, Duties & Composition*, 11, (2), 98-111.
- Shiri, M. M., Vaghfi, S. H., Soltani, J., & Esmaeli, M. (2012). Corporate governance and earning quality: Evidence from Iran. *Middle-East Journal of Scientific Research*, 11(6), 702-708.
- Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. *The Journal of Political Economy*, 94(3), 461-488.
- Siagian, F. T., & Tresnaningsih, E. (2011). The impact of independent directors and independent audit committees on earnings quality reported by Indonesian firms. *Asian Review of Accounting*, 19(3), 192-207.

- Simon, J. (2001). Ethical perceptions of earnings management in Malaysia, Singapore, Hong Kong, Thailand, and the UK. *Asian Review of Accounting*, 9(1), 1-28.
- Siregar, S. V., & Utama, S. (2008). Type of earnings management and the effect of ownership structure, firm size, and corporate-governance practices: Evidence from Indonesia. *The International Journal of Accounting*, 43(1), 1-27.
- Soliman, M. M., & Ragab, A. A. (2014). Audit committee effectiveness, audit quality and earnings management: An empirical study of the listed companies in Egypt. *Research Journal of Finance and Accounting*, 5(2), 155-166.
- Spekle, R. F., van Elten, H. J., & Kruis, A.-M. (2007). Sourcing of internal auditing: An empirical study. *Management Accounting Research*, 18(1), 102-124.
- Strawser, J., O'Shaughnessy, J., & Siegel, P. (1995). Reducing the incidence of fraudulent financial reporting: Evaluating the Treadway Commission recommendations and potential legislation. *Research in Accounting Regulation*, 9(1), 83-104.
- Sun, J. (2005). *Financial reporting quality, capital allocation efficiency, and financing structure: An international study*. Unpublished Ph.D., University of Colorado at Boulder, United States - Colorado.
- Sun, L. (2012). Executive compensation and contract-driven earnings management. *Asian Academy of Management Journal of Accounting & Finance*, 8(2), 111-127.
- Tabachnick, B. G., and L. S. Fidell. 2007. *Using Multivariate Statistics* (5th ed.). USA: Pearson Education Inc.

- Tasios, S., & Bekiaris, M. (2012). Auditor's perceptions of financial reporting quality: the case of Greece. *International Journal of Accounting and Financial Reporting*, 2(1), 57-74.
- Teoh, S. H., Welch, I., & Wong, T. J. (1998). Earnings management and the underperformance of seasoned equity offerings. *Journal of Financial Economics*, 50(1), 63-99.
- The Central Bank and the Financial System in Malaysia (1999) Report. (online)  
Available: <http://www.bnm.gov.my>
- The World Bank Report (2005) available: <http://web.worldbank.org>
- Thillainathan, R. (1999). A review of corporate governance in Malaysia with special reference to shareholders and creditor rights. *Malaysian Journal of Economic Studies*, 35(1/2), 161-198.
- Thomsen, S., & Pedersen, T. (2000). Ownership structure and economic performance in the largest European companies. *Strategic Management Journal*, 21(6), 689-705.
- Trueman, B., & Titman, S. (1988). An explanation for accounting income smoothing. *Journal of Accounting Research*, 26, 127-139.
- Turley, S., & Zaman, M. (2004). The corporate governance effects of audit committees. *Journal of Management and Governance*, 8(3), 305-332.
- Uwuigbe, U., Peter, D. S., & Oyeniya, A. (2014). The effects of corporate governance mechanisms on earnings management of listed firms in Nigeria. *Journal of Accounting and Management Information Systems*, 13(1), 159-174.

- Uzun, H., Szewczyk, S. H., & Varma, R. (2004). Board composition and corporate fraud. *Financial Analysts Journal*, 60(3), 33-43.
- Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, 53(1), 113-142.
- Vafeas, N. (2000). Board structure and the informativeness of earnings. *Journal of Accounting and Public Policy*, 19(2), 139-160.
- Vafeas, N. (2005). Audit committees, boards, and the quality of reported earnings. *Contemporary Accounting Research*, 22(4), 1093-1122.
- Valipour, H., Talebnia, G., & Javanmard, S. A. (2011). The interaction of income smoothing and conditional accounting conservatism: Empirical evidence from Iran. *African Journal of Business Management*, 5(34), 13302-13308.
- Vecchio, S. C., & Clinton, B. D. (2003). Co-sourcing and other alternatives in acquiring internal auditing services. *Internal Auditing-Boston-Warren Gorham and Lamont Incorporated-*, 18(3), 33-39.
- Veronica, S., & Bachtiar, Y. (2005). Corporate governance, information asymmetry, and earnings management. *Jurnal Akuntansi dan Keuangan Indonesia*, 2(1), 77-106.
- Volpe, R., & Woodlock, P. (2008). A survey of board financial literacy. *Corporate Finance Review*, 12(5), 16-21.
- Walker, R. (2004). Gaps in guidelines on audit committees. *Abacus*, 40(2), 157-192.
- Wang, D. (2006). Founding family ownership and earnings quality. *Journal of Accounting Research*, 44(3), 619-656.

- Wan-Hussin, W. N., & Bamahros, H. M. (2013). Do investment in and the sourcing arrangement of the internal audit function affect audit delay?. *Journal of Contemporary Accounting & Economics*, 9(1), 19-32.
- Ward, A. J., Brown, J. A., & Rodriguez, D. (2009). Governance bundles, firm performance, and the substitutability and complementarity of governance mechanisms. *Corporate Governance: An International Review*, 17(5), 646-660.
- Warfield, T. D., Wild, J. J., & Wild, K. L. (1995). Managerial ownership, accounting choices, and informativeness of earnings. *Journal of Accounting and Economics*, 20(1), 61-91.
- Watts, R. L. (2003). Conservatism in accounting part I: Explanations and implications. *Accounting Horizons*, 17(3), 207-221.
- West, S. G., Aiken, L. S., & Krull, J. L. (1996). Experimental personality designs: Analyzing categorical by continuous variable interactions. *Journal of personality*, 64, 1-48.
- Xie, B., Davidson, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of Corporate Finance*, 9(3), 295-316.
- Xu, Z., Taylor, G., & Dugan, M. (2007). Review of real earnings management literature. *Journal of Accounting Literature*, 26, 195-228.
- Yang, J. S., & Krishnan, J. (2005). Audit committees and quarterly earnings management. *International Journal of Auditing*, 9(3), 201-219.



- Yassin, F. M., & Nelson, S. P. (2012). Audit committee and internal audit: implication on audit quality. *International Journal of Economics, Management and Accounting*, 20(2), 187-218.
- Yatim, P., Kent, P., & Clarkson, P. (2006). Governance structures, ethnicity, and audit fees of Malaysian listed firms. *Managerial Auditing Journal*, 21(7), 757-782.
- Ye, K. (2014). Independent director cash compensation and earnings management. *Journal of Accounting and Public Policy*, 33(4), 391-400.
- Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*, 40(2), 185-211.
- Ying, Kuek Chee. "Shareholder Activism through Exit and Voice Mechanisms in Malaysia: A Comparison with the Australian Experience." *Bond L. Rev.* 26 (2014): 87.
- Yoon, S. S., & Miller, G. (2002). Earnings management of seasoned equity offering firms in Korea. *The international journal of accounting*, 37(1), 57-78.
- Yoon, S. S., Miller, G., & Jiraporn, P. (2006). Earnings management vehicles for Korean firms. *Journal of International Financial Management & Accounting*, 17(2), 85-109.
- Yu, F. F. (2008). Analyst coverage and earnings management. *Journal of Financial Economics*, 88(2), 245-271.
- Yunos, R. M. (2011). *The effect of ownership concentration, Board of Directors, Audit Committee and ethnicity on conservative accounting: Malaysian*

*evidence* (Doctoral dissertation, Edith Cowan University). Retrieved from:  
<http://ro.ecu.edu.au/theses/155>

Yunos, R. M., Smith, M., & Ismail, Z. (2010). Accounting conservatism and ownership concentration: Evidence from Malaysia. *Journal of Business and Policy Research*, 5(2), 1-15.

Yusof, M. (2010). Does audit committee constraint discretionary accruals in MESDAQ Listed Companies? *International Journal of Business and Social Science* 1(3), 124-136

Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of Management*, 15(2), 291-334.

Zain, M. M., & Subramaniam, N. (2007). Internal auditor perceptions on audit committee interactions: a qualitative study in Malaysian public corporations. *Corporate Governance: An International Review*, 15(5), 894-908.

Zaman, M., Hudaib, M., & Haniffa, R. (2011). Corporate governance quality, audit fees and non-audit services fees. *Journal of Business Finance & Accounting*, 38(1-2), 165-197.

Zeng, T. (2014). Earnings management around tax rate reduction: evidence from China's 2007 corporate tax reform. *Asian Review of Accounting*, 22(3), 304-317.

Zhang, Y., Zhou, J., & Zhou, N. (2007). Audit committee quality, auditor independence, and internal control weaknesses. *Journal of Accounting and Public Policy*, 26(3), 300-327.

Zhou, J. (2008). *Earnings quality, analysts, institutional investors and stock price synchronicity* (Doctoral dissertation, The Hong Kong Polytechnic University).

Available at: <http://repository.lib.polyu.edu.hk/jspui/handle/10397/3692>.

Zou, K. H., Tuncali, K., & Silverman, S. G. (2003). Correlation and simple linear regression 1. *Radiology*, 227(3), 617-628.

