FINANCIAL REPORTING OF GOODWILL IMPAIRMENT OF MALAYSIAN LISTED COMPANIES

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By

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Chair : Associate Professor Hashanah Binti Ismail
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The introduction of FRS 136 Impairment of Assets in Malaysia presents an opportunity for this study to examine the association between the firms’ compliance on goodwill impairment disclosure and firm characteristics. Drawing on agency theory, this study explores whether association exist between mandated disclosure for goodwill impairment test with company characteristics. In particular, the association tested between goodwill impairment disclosure and company characteristics (namely profitability, ownership, audit committee financial expertise, audit quality, size and leverage. This study measures the mandated compliance on goodwill impairment disclosure based on six categories of information required under paragraph 134 of FRS 136 Impairment of Asset. A
total disclosure score has been developed to measure the extent of goodwill impairment disclosure of each sample firm. Final sample of 116 firms listed on the Main Board of Bursa Malaysia with reported goodwill as an element of their asset in the Balance Sheet as at 31 December 2007 are used in this study. The relationship between goodwill impairment disclosure and the firm characteristics is analyzed using regression analysis. The results indicate that the companies in general do not fully disclose the requirement of paragraph 134 of FRS 136 as prescribed. On average, only 65.5% of the items required by the respective section under FRS 136 are disclosed by the companies, indicating that almost half of the required disclosures are not met.

In addition, the study finds no significant result between ownership status of the company, i.e., whether a company is Government Linked Company (GLC) or Non Government Linked Company (NGLC) and goodwill impairment disclosure. There is no significant result obtained in the presence of audit committee member with financial expertise and audit quality as Big 4 and non Big 4. However, the study finds that profitability and firm size are significantly associated with goodwill impairment disclosure. Further, the study also finds the quality of goodwill impairment disclosure among Malaysian firm is still low suggesting that compliance with goodwill impairment disclosure is problematic. The findings hope to provide some useful insights to users, preparers and standard setters into goodwill impairment disclosure in the annual reports.
Abstrak yang dikemukakan kepada Senate Universiti Putra Malaysia sebagai mematuhi sebahagian keperluan untuk Ijazah Master Sains

LAPORAN KEWANGAN TENTANG PEMEROSOTAN NILAI NAMA BAIK SYARIKAT KE ATAS SYARIKAT-SYARIKAT TERSENARAI DI MALAYSIA

Oleh

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Pengenalan kepada FRS 136 Impairment of Assets (Pemerosotan Aset) di Malaysia telah memberi peluang untuk kajian ini memeriksa penyatuan antara pempatuhan firma ke atas pendedahan pemerosotan nilai nama baik syarikat dan ciri-ciri firma. Bersandarkan kepada teori agensi, kajian ini meneroka sama ada adakah wujudnya penyatuan antara pendedahan yang diberi mandat oleh piawaian laporan kewangan untuk ujian kemerosotan nama baik dan ciri-ciri syarikat. Antara ciri-ciri syarikat yang di uji iaitu dari segi keuntungan syarikat, pemilikan syarikat berkaitan dengan kerajan, kepakaran dari segi kewangan oleh jawatankuasa audit, kualiti audit, saiz syarikat dan penuasan atau penuilan. Kajian ini mengukur pematuhan mandat bagi pendedahan kemerosotan nilai nama baik

Di samping itu, kajian mendapati tiada keputusan yang signifikan antara status pemilikan syarikat iaitu, sama ada syarikat berkaitan kerajaan (SBK) atau syarikat tidak berkaitan dengan kerajaan (SBBK) dengan pendedahan kemerosotan nama baik syarikat. Tiada hasil yang signifikan diperolehi dalam kehadiran ahli jawatankuasa audit yang mempunyai kepakaran kewangan dan juga kualiti audit sebagai 4 syarikat audit terbesar dan bukan 4 syarikat audit terbesar. Walau bagaimanapun, kajian mendapati bahawa hubungan yang signifikan di antara
pendedahan kemerosotan nilai nama baik syarikat dan keuntungan sesebuah syarikat dan saiz firma. Selain daripada itu, kajian ini juga mendapati kualiti pendedahan kemerosotan nilai nama baik syarikat di kalangan firma di Malaysia adalah masih lagi rendah, kajian mencadangkan bahawa pematuhan kepada pendedahan pematuhan kemerosotan nilai nama baik syarikat adalah bermasalah. Penemuan daripada kajian ini diharapkan dapat memberikan pandangan-pandangan yang berguna kepada pengguna laporan tahunan, penyedia laporan kewangan dan penetap standard ke atas pendedahan kemerosotan nilai nama baik syarikat di dalam laporan tahunan.
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I certify that a Thesis Examination Committee has met on 29 July 2011 to conduct the final examination of Maizatul Akhmam binti Ahmad on her Master Science thesis entitled “Financial Reporting of Goodwill Impairment of Malaysian Listed Companies” in accordance with Universities and University Colleges act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science degree. Member of the Examination Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citation, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or any other institutions.

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