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THE MODERATING EFFECT OF AUDIT QUALITY ON AUDIT
COMMITTEE AND FINANCIAL REPORTING QUALITY IN
MALAYSIA



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FINANCIAL REPORTING QUALITY IN MALAYSIA



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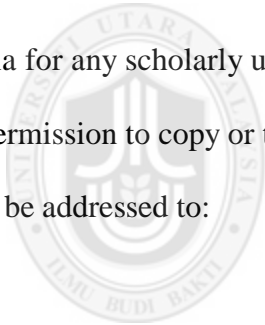
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ABSTRACT

This study aims to investigate the relationship between the audit committee and audit quality on financial reporting quality. Specifically, studies on the impact of audit quality and on audit committee financial reporting quality in Malaysia have critical implications for Malaysia and this suggests to examine the significant effect of Audit Committee on Financial Reporting Quality (Earning Management). The study used financial statements of 93 of listed trading companies from 2013 to 2015 on Bursa Malaysia. Data from the financial statements were analysed with multiple regression analytical technique. Thus, this study investigates impacts of audit quality and audit committee financial reporting quality in Malaysia. The results show that the audit committee had a significantly and no significantly relationship with financial reporting quality. Based on finding audit committee independence, audit committee financial expertise, audit committee size is not supported and no significance, just audit committee meeting have a supported and significant results. As the size of audit committee increased, financial reporting quality was improved. However, this study reveals that a decreased quality of financial reporting may be a result from arisen discretionary accruals. Finally, when Audit Quality is treated as a moderator variable, there is no significant moderating impact on the relationship between Audit Committee and Financial Reporting (EM-Discretionary Accruals). This indicates that financial reporting was prepared according to generally accepted accounting standards. Therefore, understanding moderate effect of Audit Quality on Audit Committee and Financial Reporting Quality proxy Earnings Management (Discretionary Accruals) as an intervening variable could be a valuable future research field to venture.

Keywords: audit committee, audit quality, quality of financial reporting, discretionary accruals, earnings management, Bursa Malaysia Listed Companies.

ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan antara jawatankuasa audit dan kualiti audit ke atas kualiti pelaporan kewangan. Secara khusus, kajian mengenai kesan kualiti audit dan jawatankuasa audit kualiti pelaporan kewangan di Malaysia mempunyai implikasi penting bagi Malaysia dan ini menunjukkan untuk memeriksa kesan ketara Jawatankuasa Audit Kualiti Pelaporan Kewangan (Pendapatan Management). Kajian ini menggunakan penyata kewangan 2013-2015 daripada 93 syarikat pemasaran tersenarai di Bursa Malaysia. Data daripada penyata kewangan ini telah dianalisis dengan teknik analisis regresi. Oleh itu, kajian ini menyiasat kesan kualiti audit dan jawatankuasa audit ke atas pelaporan kewangan di Malaysia. Keputusan menunjukkan bahawa jawatankuasa audit mempunyai hubungan yang pelbagai dengan kualiti pelaporan kewangan. Berdasarkan kepada mencari kebebasan jawatankuasa audit, kepakaran kewangan jawatankuasa audit, saiz jawatankuasa audit tidak disokong dan tidak penting, hanya mesyuarat jawatankuasa audit mendapat keputusan yang disokong dan penting. Kerana saiz jawatankuasa audit meningkat, kualiti laporan kewangan telah bertambah baik. Walau bagaimanapun, kajian ini mendedahkan bahawa kualiti yang menurun laporan kewangan boleh terjadi hasil daripada timbulnya akruan. Akhir sekali, apabila Kualiti Audit dianggap sebagai pembolehubah moderator, tidak ada kesan sederhana ke atas hubungan antara Jawatankuasa Audit dan Laporan Kewangan (EM-Budi Bicara Akruan). Ini menunjukkan bahawa laporan kewangan telah disediakan mengikut piawaian perakaunan yang diterima umum. Oleh itu, memahami kesan sederhana Kualiti Audit Jawatankuasa Audit dan Kualiti proksi Pengurusan Perolehan Laporan Kewangan (Budi Bicara Akruan) sebagai angkubah campur tangan boleh menjadi bidang kajian untuk diceburi pada masa hadapan.

Kata kunci: jawatankuasa audit, kualiti audit, kualiti laporan kewangan, akruan, Syarikat pengurusan perolehan, Bursa Malaysia Tersenarai

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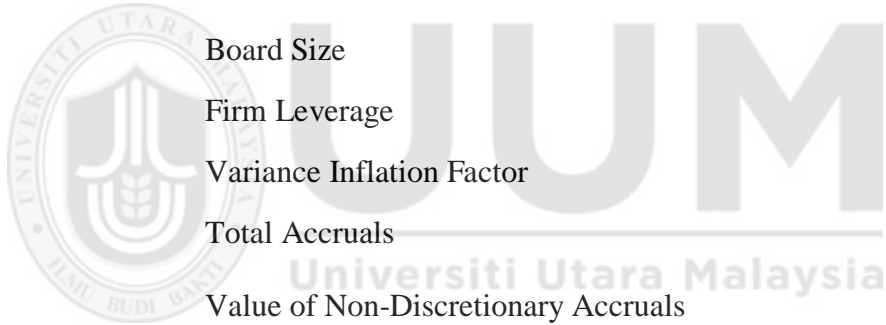
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LIST OF ABBREVIATIONS

Abbreviations	Description of Abbreviation
EM	Earning Management
FRQ	Financial Reporting Quality
CG	Corporate Governance
AC	Audit Committee
ACIND	Audit Committee Independence
ACFEX	Audit Committee Financial Expertise
ACMEET	Audit Committee Meetings
ACSIZE	Audit Committee Size
BRDSIZE	Board Size
FRMLEV	Firm Leverage
VIF	Variance Inflation Factor
TAC	Total Accruals
NDTAC	Value of Non-Discretionary Accruals
DTAC	Discretionary Accrual
PPE	Property, Plan, and Equipment



CHAPTER ONE: INTRODUCTION

1.1 Introduction

Earnings management constitutes a very important aspect of financial reporting, which reflects its integrity and quality. It further minimises asymmetry in information as well as agency conflicts among management, owners, and the majority and minority shareholders. The issue of earnings management has become an important concern of corporate governance as audit committees' (AC) effectiveness is largely assessed by their role in ensuring the quality of financial reporting. Although there is a rich body of literature on audit committee and earnings management issues in Malaysia, discussions on the relationship between audit quality and earnings quality have not been extensively explored but another country already discuss regarding this issues (Inaam Zgarni, Khmoussi Hlioui & Fatma Zehri, 2016; Zalewska, 2014; Ahmad Hussein Al- Rassas & Kamardin, 2015; Fariza Salim, Mohammad Norfien, Mohamad Sohail Tahir, 2016). According to Salleh and Haat (2014), the main aim of the audit committee is to achieve the legal responsibilities of the board of directors regarding the credibility and objectivity of the financial reports.

1.2 Background of Study

The financial report should be on time, transparent and present financial information objectively and impartially. It is a primary tool offering insight into the workings of a company and is crucial for investment decisions. It should serve as a guide to those interested in investing by detailing how a company performs and manages its resources. Behaviour management is thus essentially earnings management. Alzoubi (2012) claims that non-capital providers may also benefit from

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Appendix 1: MCCG (2012) Part C Audit Committee's Effectiveness

15.09 Composition of the audit committee

1. *A listed issuer must appoint an audit committee from among its directors who fulfil the following requirements:*
 - a. *The audit committee must be composed of not fewer than three members;*
 - b. *All the audit committee members must be non-executive directors, with a majority of them being independent directors; and*
 - c. *At least one member of the audit committee -*
 - i. *Must be a member of the Malaysian Institute of Accountants; or*
 - ii. *If he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience and -*
 - aa. *He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or*
 - bb. *He must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or*
 - iii. *Fulfil such other requirements as prescribed or approved by the Exchange.*
2. *A listed issuer must ensure that no alternate director is appointed as a member of the audit committee.*

[Cross reference: Practice Note 13]

15.10 Chairman of the audit committee

The members of an audit committee must elect a chairperson among themselves who is an independent director.

Appendix 2: Models to Detect Earning Management

Healy's Model

Healy (1985) was the first to examine earnings management premises by using what is called Healy discretionary accrual. Healy found that accrual policy can shift the accounting policies of the coming period to the current period under certain conditions.

Healy's formula of accrual policies is as follows:

$$Tact = NDACt + DACT$$

where

Tact = Total operating accruals in year t,

NDACt = Non-discretionary accruals in year t, and

DACT = discretionary accruals in year t

The second component was not observed with careful accrual, so Healy assumes that nondiscretionary accrual is zero.

DeAngelo's Model

In this model, DeAngelo (1986) assumes that non-discretionary accruals follow a random walk pattern. It uses accrual changes aggregate of the year t-1 to year t as an optional component. Thus,

$$EDACit = TACt-1 / TAit-1$$

where

EDACit = Estimated discretionary accruals for firm i in year t,

TACt-1 = Total accrual companies in year t,

TAit-1 = Total assets of the company i at the beginning of the year t.

Similar to the Healy's model, a source of measurement error in the model is the omitted variables that affect the accruals in the current year. However, this model is expected to reduce the measurement error of the Healy model if non-discretionary accruals follow a random walk.

Jones' Model

Jones (1991) uses regression models to estimate the type of discretionary accruals. He applies the non-discretionary accruals model estimation by using the regression formula:

$$\text{Tacit/Ait-1} = \text{AI1} (1 / \text{Ait-1}) + \text{BI1} (\text{DREVit} / -\text{Ait } 1) + \text{Bi2} (\text{PPEit} / \text{Ait-1}) + \text{eit}$$

where

Tacit = Total Accruals for firm i in year t,

Ait-1 = Total assets of the company i at the beginning of the year t,

Changes in the company's revenue DREVit = i from year t-1 to year t, and

PPEit = Gross property, plant, and equipment for firm i in year t.

All variables are reduced by first i total assets to adjust heteroscedasticity. Regression is thus discretionary accruals:

$$\text{EDACit} = \text{Tacit/Ait-1} - [\text{AI1} (1/\text{Ait-1}) + \text{BI1} (\text{DREVit}/\text{Ait-1}) + \text{Bi2} (\text{PPEit}/\text{Ait-1})]$$

Where the coefficients used were those expected from the past least squares regression. Sources of measurement error in the model are derived from omitted variable is not captured by the sale and the level of Property, Plant and Equipment (PPE) such as changes in the credit standing of the client.

Modified Jones' Model

Dechow et al. (1995) recommended an amended version of the model that supports a reduction or changes in receivables from revenue to account for the manipulation of non-cash income during the period. In a previous study testing, the modified Jones model exhibited the highest power and specifications. It is one with at least a measurement error when manipulation occurs through receivables (non-cash income).

$$\text{EDACit} = \text{Tacit}/\text{Ait-1} - [\text{AI1} (1/\text{Ait-1}) + \text{BI1} ((\text{DREVit}-\text{Darit})/\text{Ait-1}) + \text{Bi2} (\text{PPEit}/ \text{Ait-1})]$$

where

EDACit = Estimated discretionary accruals for firm i in year t,

Tacit = Total Accruals for firm i in year t,

Ait-1 = Total assets of the company i at the beginning of the year t,

DREVit = Changes in company earnings i from year t-1 to year t,

Darit = Changes in receivables i from year t-1 to year t, and

PPEit = Gross property, plant, and equipment for firm i in year t.



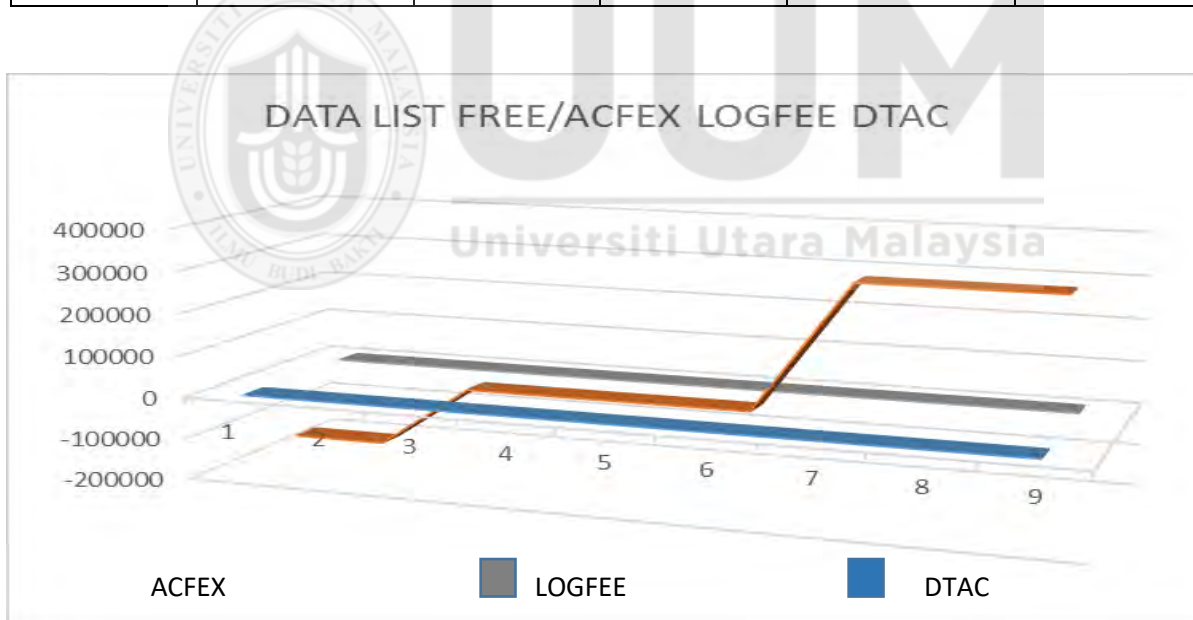
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Appendix 3: Data List Free/ACFEX LOGFEE DTAC

The relationship between ACFEX and earnings management is influenced by the level of the audit fee.

$$\text{Earning} = \alpha_0 + \text{ACFEX} + \text{LOGFEE} + (\text{ACFEX} * \text{LOGFEE}) + \varepsilon$$

Value			Percentage		
-0.8673	-151235	-0.2046	-86.73	-1.5E+07	-20.46
0	-151235	-0.2119	0	-1.5E+07	-21.19
0.8673	0.8673	-0.2192	86.73	86.73	-21.92
-0.8673	0	-0.2455	-86.73	0	-24.55
0	0	-0.2334	0	0	-23.34
0.8673	0	-0.2213	86.73	0	-22.13
-0.8673	310982.4	-0.3298	-86.73	31098237	-32.98
0	310982.4	-0.2776	0	31098237	-27.76
0.8673	310982.4	-0.2255	86.73	31098237	-22.55



Based on analysed data from audit committee independence, audit committee financial expertise, audit committee meeting and audit committee size, the result shows the relationship between audit committee financial expertise and earning management is influenced by the level of the audit fee.

Appendix 4: List of Companies in the Table (2013-2015)

NO	COMPANY
1.	AIRASIA BERHAD
2.	AIRASIA X BERHAD
3.	ALAM MARITIM RESOURCES BERHAD
4.	ASTRO MALAYSIA HOLDINGS BERHAD
5.	ATLAN HOLDINGS BHD.
6.	AXIATA GROUP BERHAD
7.	BERJAYA CORPORATION BERHAD
8.	BERJAYA LAND BERHAD
9.	BERJAYA MEDIA BERHAD
10.	BERJAYA SPORTS TOTO BERHAD
11.	BINTAI KINDEN CORPORATION BERHAD
12.	BINTULU PORT HOLDINGS BERHAD
13.	BOUSTEAD HOLDINGS BERHAD
14.	BRAHIM'S HOLDINGS BERHAD
15.	BUMI ARMADA BERHAD
16.	CHEETAH HOLDINGS BERHAD
17.	COMPUGATES HOLDINGS BERHAD
18.	CYPARK RESOURCES BERHAD
19.	DAYANG ENTERPRISE HOLDINGS BERHAD
20.	DELEUM BERHAD
21.	DKSH HOLDINGS (MALAYSIA) BERHAD
22.	EDARAN BERHAD
23.	EDEN INC. BERHAD
24.	EITA RESOURCES BERHAD
25.	ENGTEX GROUP BERHAD
26.	FIAMMA HOLDINGS BERHAD

27.	FITTERS DIVERSIFIED BERHAD
28.	FREIGHT MANAGEMENT HOLDINGS BERHAD
29.	FRONTKEN CORPORATION BERHAD
30.	GD EXPRESS CARRIER BERHAD
31.	GENTING BERHAD
32.	GEORGE KENT (MALAYSIA) BERHAD
33.	HAI-O ENTERPRISE BERHAD
34.	HARRISONS HOLDINGS (MALAYSIA) BERHAD
35.	IHH HEALTHCARE BERHAD
36.	IPMUDA BERHAD
37.	KEJURUTERAAN SAMUDRA TIMUR BERHAD
38.	KPJ HEALTHCARE BERHAD
39.	KUB MALAYSIA BERHAD
40.	KUMPULAN FIMA BERHAD
41.	KUMPULAN PERANGSANG SELANGOR BERHAD
42.	MAGNUM BERHAD
43.	MALAYSIA AIRPORTS HOLDINGS BERHAD
44.	MALAYSIAN BULK CARRIERS BERHAD
45.	MAXIS BERHAD
46.	MBM RESOURCES BHD
47.	MEDIA PRIMA BERHAD
48.	MEGA FIRST CORPORATION BERHAD
49.	MISC BERHAD
50.	MMC CORPORATION BERHAD
51.	M-MODE BERHAD
52.	MULPHA INTERNATIONAL BERHAD
53.	NAIM INDAH CORPORATION BERHAD
54.	NATIONWIDE EXPRESS COURIER SERVICES BERHAD
55.	OCC GROUP BERHAD

56.	PANSAR BERHAD
57.	PANTECH GROUP HOLDINGS BERHAD
58.	PARKSON HOLDINGS BERHAD
59.	PBA HOLDINGS BHD
60.	PDZ HOLDINGS BHD
61.	PERAK CORPORATION BERHAD
62.	PERDANA PETROLEUM BERHAD
63.	PERISAI PETROLEUM TEKNOLOGI BHD
64.	PETRA ENERGY BERHAD
65.	PETRONAS DAGANGAN BHD
66.	PHARMANIAGA BERHAD
67.	POS MALAYSIA BERHAD
68.	PRESTARIANG BERHAD
69.	PROGRESSIVE IMPACT CORPORATION BERHAD
70.	RELIANCE PACIFIC BERHAD
71.	SALCON BERHAD
72.	SAPURAKENCANA PETROLEUM BERHAD
73.	SCOMI ENERGY SERVICES BHD
74.	SCOMI GROUP BERHAD
75.	SEE HUP CONSOLIDATED BERHAD
76.	SEG INTERNATIONAL BHD
77.	SHIN YANG SHIPPING CORPORATION BERHAD
78.	SIME DARBY BERHAD
79.	SUIWAH CORPORATION BERHAD
80.	SUMATEC RESOURCES BERHAD
81.	SURIA CAPITAL HOLDINGS BERHAD
82.	TALIWORKS CORPORATION BERHAD
83.	TELEKOM MALAYSIA BERHAD
84.	TENAGA NASIONAL BHD

85.	TH HEAVY ENGINEERING BERHAD
86.	TIONG NAM LOGISTICS HOLDINGS BERHAD
87.	TMC LIFE SCIENCES BERHAD
88.	UMS HOLDINGS BERHAD
89.	UMW OIL & GAS CORPORATION BERHAD
90.	UNIMECH GROUP BERHAD
91.	UTUSAN MELAYU (MALAYSIA) BERHAD
92.	VOIR HOLDINGS BERHAD
93.	WESTPORTS HOLDINGS BERHAD



APPENDIX 5: SUMMARY OF STUDY RELATING TO THE MODERATING EFFECT OF AUDIT QUALITY ON AUDIT COMMITTEE AND FINANCIAL REPORTING QUALITY IN MALAYSIA.

Article	Introduction/ Background	Issue	Theory/Variable		Method	Main Finding
			Independent	Dependent		
<p>The Effect of Board Independence on the Earnings Quality: Evidence from Portuguese Listed Companies</p> <p>Alves (2014)</p>	<p>Agency theory suggests that independent outside board members may have an important monitoring function of the financial reporting process. As a result, boards with more independent directors have a tendency for increased monitoring and are therefore expected to insist on better earnings quality.</p>	<p>Examines whether board independence improves earnings quality by reducing earnings management in Portugal, a country with significantly different institutional and legal characteristics from the anglo-saxon Countries.</p>	<p>Board Independence</p>	<p>Earning Quality: Ordinary least square (OLS) and two stage least squares (2SLS) techniques; discretionary accruals using the modified Jones model</p>	<p>Earnings management for a sample of Portuguese listed firms: Board independence and earnings quality on a sample of 33 Euronext Lisbon non-financial firms over a period of 8 years (2003 to 2010),</p>	<p>The findings of this study make the following contributions. First, the results indicate that, on average, independent members improve earnings quality by providing effective monitoring of earnings management in Portuguese listed firms. This result is interesting given the scrutiny of corporate governance mechanisms and the state of the financial reporting system.</p>
<p>Audit Committee and Earnings Management: Pre and Post MCGG</p> <p>Salleh, N., & Haat, M. (2014).</p>	<p>The purpose of this study is to examine the effectiveness of audit committee in constraining earnings management after the revised MCGG among listed firms on Bursa Malaysia.</p>	<p>How audit committee impacted earnings management before and after the revision of MCGG in 2007.</p>	<p>The audit committee characteristics include size, independence, expertise, frequency of meetings and activity disclosure</p>	<p>The discretionary accrual was estimated using the Modified Jones Model (1995) which was used to proxy for earnings management.</p>	<p>The sample for this study was drawn from 280 companies listed on Bursa Malaysia in 2005, 2006, 2008 and 2009</p>	<p>The empirical results on audit committees play an important and effective role in reducing earnings management after the revision of MCGG. After controlling for firm size, board size and leverage, the study found that audit committee size and audit committee that had meetings with external auditor without the presence of executive directors at least twice a year showed a significant association with earnings management. Overall, these findings called for further examination into the roles of audit committee in mitigating earnings management.</p>

<p>Board of Director Characteristics and Earnings Management in Malaysia</p> <p>Sohail Ahmed. (2014).</p>	<p>This paper seeks to study the relation between board of director characteristics as a corporate governance mechanism and earnings management in the Malaysian scenario.</p>	<p>No doubt the advent of joint-stock companies in the industrial world is one of the biggest economic Developments and probably the most important factor of industrial development.</p>	<p>Board of directors' characteristics includes number of meetings, existence of outside directors, financial expertise and separation of the roles of chair and CEO</p>	<p>Earnings management is measured by discretionary accruals and for estimating Discretionary accruals, Modified Jones Model is used.</p>	<p>Cross-sectional and pooled data of 71 companies listed In bursa Malaysia from 2001 to 2005</p> <p>Multiple linear Regressions</p>	<p>The results demonstrate that financial expertise are positively related to earnings management in the Malaysian scenario.</p>
<p>Audit Committee Composition and Auditor Reporting: A Malaysian Case.</p> <p>Ali. R, Shuhidan. S. H, Adnan. N. L (2015)</p>	<p>This study is conducted to examine the relationship between the composition of financially distressed firm's audit committees and the likelihood of receiving going-concern report in Malaysian context by examining published information for the year 2002</p>	<p>In the wake of corporate failures following economic crisis, the role of audit committees as corporate governance mechanism has become more important to regulators, the accounting profession and the business community</p>	<p>Audit Committee Composition</p>	<p>Auditor Reporting Behaviour</p>	<p>The sample of the study involves public companies listed on Bursa Malaysia which are classified as PN4 companies for the year 2002. The primary sample of this study contains 97 PN4 status companies listed on Bursa.</p>	<p>Consistent with [13] it is found that the lower the percentage of Affiliated directors on audit committee, the higher the tendency of receiving a going concern report. However, based on 95 percent confidence level, the relationship exist is not significant. The result of the study however inconsistent with [51] which found positive relationship between percentage of affiliated directors on audit committee and the tendency of receiving going concern report. It is This finding can imply that in the Malaysian environment, the attitude of affiliated directors is very positive and the Degree of professionalism among external auditors is very high that they could not easily influenced by the pressure given by affiliated directors in the audit committee also found in the study that majority of the company fulfilled the requirement to have at least three members in an audit committee or more. Future research to utilize latest data and using [28] financial condition index to recognize the distressed companies.</p>

<p>Challenges of corporate governance: Twenty years after Cadbury, ten years after Sarbanes-Oxley</p> <p>Zalewska, A. (2014).</p>	<p>This paper sets the background to the Special Issue of the Journal of Empirical Finance on Challenges of Corporate Governance. It identifies the alternative approaches that can be taken to solve agency problems stemming from asymmetries of information: (i) ex-post monitoring through audit and information provision, (ii) ex-ante monitoring through boards, and (iii) incentivisation through the alignment of managerial incentives with shareholders.</p>	<p>It discusses how the UK and the US have responded to corporate failures and relates the Development of regulation in these countries to the three alternative approaches.</p>	<p>Corporate Governance</p>	<p>Audit Committee</p>	<p>Annual Report</p>	<p>This is achieved through an imposition of ‘strict’ independence of non-executive directors, creation of various committees consisting entirely of non-executive directors or their majority, having a senior non-executive member of a board to whom all enquiries can be directed, and also That non-executive directors are at least as numerous as executive ones.</p> <p>The monitoring is also conducted at higher than annual Frequency, as boards, unlike annual reports, meet several times a year. In these conditions Auditing is another supporting mechanism, rather than the main mechanism of monitoring.</p>
<p>Activating the Role of Audit Committees and Boards of Directors in Restricting Earnings Management Practices: A Perspective of Auditors in Jordan</p> <p>Al Momani, A. M., & Obeidat, I. M. (2013).</p>	<p>Since the advent of the current century, the term of corporate governance acquired the attention of different interested groups of people such as academics, accountants, auditors, investors, and creditors. This attention was mainly attributed to the scandals of several corporations all around the world, especially in US, where large corporations such as WorldCom and Enron collapsed</p>	<p>The study objects for investigating the possibility of activating both audit committee and board of Directors for restricting the practices of earnings management phenomenon.</p>	<p>Audit Committees and Boards of Directors</p>	<p>Earnings Management</p>	<p>Questionnaire had been developed and self-administered for a selected sample consists of 123 auditors working in Jordan based on the simple random sampling method.</p>	<p>Earnings management phenomenon can be more restricted through activating both of audit committee and board of directors, based on the corporate governance rules. Earnings management practices can be reduced more if co-ordination and co-operation exists between audit committee and board of directors.</p>

<p>Audit committee and earnings management: Pre and post MCCG..</p> <p>Salleh, N., & Haat, M. (2014).</p>	<p>The purpose of this study is to examine the effectiveness of audit committee in constraining earnings management after the revised MCCG among listed firms on Bursa Malaysia. Specifically, the study explores how audit committee impacted earnings management before and after the revision of MCCG in 2007.</p>	<p>How audit committee impacted earnings management before and after the revision of MCCG in 2007.</p>	<p>The audit committee characteristics include size, independence, expertise, frequency of meetings and activity disclosure</p>	<p>The discretionary accrual was estimated using the Modified Jones Model (1995) which was used to proxy for earnings management.</p>	<p>The sample for this study was drawn from 280 companies listed on Bursa Malaysia in 2005, 2006, 2008 and 2009</p> <p>The discretionary accrual was estimated using the Modified Jones Model (1995) which was used to proxy for earnings management.</p>	<p>The empirical results on audit committees play an important and effective role in reducing earnings management after the revision of MCCG. After controlling for firm size, board size and leverage, the study found that audit committee size and audit committee that had meetings with external auditor without the presence of executive directors at least twice a year showed a significant association with earnings management. Overall, these findings called for further examination into the roles of audit committee in mitigating earnings management.</p>
<p>Audit Committee Effectiveness, Audit Quality and Earning Management: An Empirical Study of the Listed Companies in 5(2), 155-166.</p> <p>Soliman, M. M., & Ragab, A. A. (2014).</p>	<p>The role of audit committees and audit quality in ensuring the quality of corporate financial reporting has come under considerable scrutiny due to recent high-profile earnings management cases in the world</p>	<p>The purpose of this paper is to examine the association between the audit committee effectiveness, audit quality and earnings management practices of more active 50 Egyptian companies listed on the Egyptian Stock Exchange of the non-financial sector during the period 2007-2010.</p>	<p>Audit committees independence</p>	<p>Earning Management</p>	<p>The Egyptian companies from amongst the top 50 most active-traded companies listed in the Egyptian Stock Exchange over the period 2007-2010.</p> <p>Financial companies; e.g. Banks, insurance companies, and leasing companies; were excluded from the sample due to the different requirements of disclosure and corporate governance.</p>	<p>After controlling for size, leverage and cash flow from operation activities, the results of univariate and multivariate analyses indicated that audit committees independence; experience of audit committee members; audit committee meetings; and audit quality have significant negative association with discretionary accruals as a proxy for earnings management. On the other hand, no significant relationship is found between audit committees size and the level of discretionary accruals. This paper is important because it offers useful information that is of great value to policy makers, academics and other stakeholders.</p>
<p>The Effectiveness of Monitoring Mechanisms for Constraining Earnings Management: A Literature Survey for a Conceptual Framework</p>	<p>This paper proposes a conceptual framework to investigate the role of regulatory mechanisms concentrating on corporate governance and external audit for mitigating earnings</p>	<p>The main issue involves manipulation of accounting data which lose investor confidence and</p>	<p>Corporate governance And external audit attributes</p>	<p>Earnings management</p>	<p>A Literature Survey for a Conceptual Framework</p>	<p>Earnings management area has gained considerable attention in the accounting literature after large global corporate and financial collapse. Particularly, these scandals reduce investor confidence and trust in the financial reports. Therefore,</p>

<p>Faiza Saleem, Mohd Norfian Alifiah, Muhammad Sohail Tahir (2016)</p>	<p>management. Evidence from previous studies supports the proposed model. Hence, the extant study argues that firms with effective monitoring mechanisms in the form of corporate governance and external audit are less likely to allow earnings management because opportunistic earning's cause uncertainty about the economic value of a firm</p>	<p>trust in the financial reports.</p>				<p>corporate governance and external audit as controlling mechanisms play an important role for improving the quality of financial reporting process. Previous studies suggested that boards of directors with smaller size, having more independent directors and high frequency of meetings are effective in their monitoring role. Specifically, this paper intends to investigate the role of monitoring mechanisms by proposing a conceptual framework in line with previous research. More significantly, this study proposed prominent factors to overcome the earnings management issues.</p>
<p>Directors' Independence, Internal Audit Function, Ownership Concentration and Earnings Quality in Malaysia Ahmed Hussein Al-Rassas, Hasnah Kamardin (2015)</p>	<p>Concentration of ownership in Malaysian public listed companies contributes to agency conflict between majority and minority shareholders. An effective monitoring mechanism is critical to mitigate this conflict</p>	<p>The study aims to examine the influence of board and audit committee independence, internal audit function and ownership concentration on earnings quality proxies by discretionary accruals.</p>	<p>Directors' Independence, Internal Audit Function, Ownership Concentration</p>	<p>Earnings Quality</p>	<p>The sample of the study 508 companies listed on the Bursa Malaysia Main Market from 2009 to 2012. Two measures of discretionary accruals are used: Modified Jones model (Dechow et al., 1995); and extended Modified Jones Model (Yoon et al., 2006). Using OLS regression,</p>	<p>However, board of directors' independence and ownership concentration are associated with lower earnings quality. The finding indicates the importance of audit committee independence in producing quality financial reporting. Consistent findings are found for most variables in both models. The findings of the study have implication on the use of measurement of discretionary accruals in earnings quality studies and corporate governance practices in Malaysia.</p>