



THE FACTORS THAT HAVE INFLUENCED THE ADOPTION OF MALAYSIAN PRIVATE ENTITIES REPORTING STANDARDS (MPERS) FOR SMEs IN MALAYSIA

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Abstract:

This study aims to explore the factors that have influenced the adoption of Malaysian Private Entities Reporting Standards (MPERS) in Malaysia since 2016, to explore the costs and benefits to Malaysian SMEs of adopting the MPERS, and also to explore challenges and expectations exploring the perception of 15 accounting professionals representing SMEs in Malaysia. Findings indicate that education and professional training are influential factors in the way participants perceive the MPERS but tensions between education and training did come to the fore in the interviews. Legal and tax factors are also influential. However, participants did not discuss the role of tax or legal factors relating to the implementation of the standard in any depth. Further, findings also indicate that cultural factors play a significant role equal to external economic factors, which heavily influenced the Malaysian standard setter to adopt MPERS. Participants suggested that the initial (short-term) costs for the adoption of the standard outweigh the benefits, but that over the long term, the benefits outweighed the costs of the adoption of the MPERS. The findings also suggest that adoption increased the reliability of financial information to users while adoption of the MPERS provides confidence to foreign investors by providing a comparable accounting framework with other countries, which was seen by participants as one of the most prominent macro effects. This thesis is the first to explore factors that drove the Malaysian authorities to adopt the MPERS and contribute to the existing body of accounting literature. We argue that this study's findings might be used as a solid basis for other similar contexts in Southeast Asia with similar cultural characteristics to Malaysia.

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1. Introduction

This article examines the practical application of International Financial Reporting Standards for Small-Medium Entities (IFRS for SMEs) as those adopted by the Malaysian standard setter in January 2016. The thesis focuses particularly on the adoption of the Malaysian Private Equity Reporting Standard (MPERS) which is a standard almost equal to the IFRS for SMEs. The intention of Malaysian public authorities was firstly to replace the previous standard (Private Entity Reporting Standard -PERS) which probably was an obstacle to all those Malaysian SMEs looking for growth and development out of the country, and secondly to harmonize their accounting framework with the global and international trends.

The rationale of the focus on Malaysia is justified by the fact that Malaysia is a country where 97,2%ⁱⁱ of the business establishments are SMEs and geographically the country is in a strategic position and considered to have an important role in the project of Maritime Silk Road (The Belt Road Initiative). Also, the rationale to concentrate on the adoption of the Malaysian Private Equity Reporting Standard is that the standard has not received the appropriate academic attention and this thesis attempts to fill this gap in the extant literature.

Small-medium entities (SMEs) in Malaysia are accountable for nearly 36% of the country's GDP, 65% of the country's employment, and nearly 18 % of Malaysia's exports. Consequently, SMEs have been at the core of Malaysia's economic transformation since the 1990s to an upper-middle-income nation and are an important driver of employment and growth. The overall vision of the country is to have globally competitive SMEs across all sectors that will increase the wealth and the socioeconomic status of the people in Malaysia. By the end of 2020, Malaysia aimed to push SMEs' contribution to GDP to 41 %, and the share of the country's exports from SMEs to 23%.

1.1 Research problem statement

The purpose of the research is to explore how Malaysia adopted the Malaysian Private Entities Reporting Standard for SMEs (MPERS), the business environment, and how social and cultural factors might have influenced stakeholders, accounting regulators, accounting institutes, users and the preparers of financial statements decision to adopt and implement the standard. This study aims to explore how the accounting standard was adopted by SMEs in Malaysia, what were specific circumstances and mechanisms in the country influenced those entities to apply the standard in their financial statements, and which factors influenced and affected the regulator to accept the standard as a permitted option for private entities.

ⁱⁱ <https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-statistics>

Malaysia remains one of the most open economies in the world and it is a dynamic country with stable economic growth, with increasing confidence in governmental policies that address the economic challenges faced by Malaysian companies. The increased consumer spending, low interest along with robust economic growth of Malaysia within Association of Southeast Asian Nations (ASEAN) are some of the main reasons that we chose to research Malaysia as a case study. Lastly, Malaysia migrated to application of MPERS in 2016 and the consequences and the impacts of this migration have yet to be fully explored.

The justification of this research is to address a gap in the literature as there is a lack of research relating to IFRS for SMEs standard worldwide. Benhayoun and Abdellatif (2017) highlight that the number of articles relating to the IFRS for SMEs is still in low compared to the full IFRS. Furthermore, Phang and Mahza (2013) also claim that there is limited discussion on the progress of the IFRS for SMEs within the research literature and suggest that more research focused on the standard is required. Similarly, in Malaysia, there seems to exist a literature gap relating to the adoption of MPERS by small to medium entities that explores and describes the influence and role that social-political factors played in the implementation of the accounting standard.

What is of paramount interest in this study is that Malaysia has a unique culture with multi-ethnic groups who reside in the country. There is a blend of three ethnic groups such as the indigenous Malaysians, Chinese, and Indians who immigrated from neighboring countries in order to look at new business opportunities in the heart of South-East Asia. Therefore, Malaysia is a country of interest for this study since there is cultural diversity and according to Rahman and Hamdan (2019) there is a scarcity of studies focused on financial reporting of Malaysian SMEs and this fact also motivates our effort to fill the literature gap in this field.

1.2 Research questions

The following research questions were derived from the above research gap and were used to drive this study.

RQ1: How do culture and other factors influence Malaysian SMEs to adopt the Malaysian Private Entities Reporting Standard (MPERS) for SMEs?

RQ2: What are the costs and benefits associated with the adoption of Malaysian Private Entities Reporting Standard (MPERS) for SMEs?

RQ3: What are the micro and macro effects associated with the adoption of Malaysian Private Entities Reporting Standard (MPERS) for SMEs?

RQ4: How do preparers and users of financial statements perceive the adoption of the standard in Malaysia?

RQ5: What are the challenges associated with the adoption of MPERS?

RQ6: What are the expectations for the Malaysian Private Entities Reporting Standard (MPERS) for SMEs in the future?

The purpose of this study is to answer six research questions, from a sample of fifteen interviews and to generate analytic generalizations that are transferable and

comparable to other similar jurisdictions. Further, this research firstly aims to explore the perceptions of various professional accountants in regard to the general concept of MPERS and as well as their expectations for the future of the standard and secondly to identify the socio-cultural and political factors that may have influenced the adoption of the MPERS.

1.3 Research objectives

The research questions of this study have scope to fill the literature gap since there are not many studies on the adoption of MPERS in Malaysia. Also, there is an intention to acquire knowledge from the implementation of the new standard (MPERS) as it is a new accounting framework that tries to respond and fill the gap from the previous standards (PERS) and to help SMEs to apply a flexible standard closer to their needs.

This study aims to:

- 1) Develop a rich picture of the perceptions of various professional accountants regarding the general concept of MPERS and as well as their expectations for the future of the standard.
- 2) Explore the factors that have influenced the adoption of the standard.
- 3) Identify the possible benefits and potential costs emergent from the implementation of MPERS.

2. Literature review

It is important to comment that accounting is a process for every company to identify, record, and finalize all the activities of the business and to communicate through the presentation of financial statements this information to the users in order to make useful decisions. As noted in the previous paragraph (1.2), International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) are accounting principles in order to guide all entities how to recognize and disclose their economic transactions in an accepted manner. The accounting principles and rules are borne by Financial Accounting Standard Board (FASB) and International Accounting Standard Board (IASB) as also highlighted in our previous paragraph. At present, SMEs represent almost more than 95% of the total number of companies worldwide and it is therefore important to understand the added value that SMEs create through contribution to job creation, technological innovation with the adoption of technological skills, as well as the economic output and wealth they offer to the global economy (Bonito, and Pais, 2018).

Chin and Lim (2018) referred in their paper that in Malaysia the government established in 2004 a National SME Development Council (NSDC) in order to form and organize the policies and performance in the country for the future of SMEs. In addition, Amirrudin et al. (2019) supported the views of Chelli et al. (2014, p.303) who claimed that *“Internationalized SMEs are able to create knowledge and technology skills, diversify resources and stimulate development, growth and success”*.

However, Bohusova and Blaskova (2011) argued that SMEs not only are different from big businesses but also are a heterogeneous group of entities with a focus on future survival rather than the maximization of profit. Bohusova and Blaskova (2011) mention that micro and small entities have restricted financial means and their first objective is to survive financially instead of adopting a philosophy of profit maximization which is not only a difficult task but it could be argued that it is a business objective usually adopted by bigger or listed entities.

Bohusova and Blaskova (2011) indicate that the definition of SMEs varies according to the context in which the SMEs operate. For instance, SMEs in Europe may have different business activities than similar SMEs in Africa or North America. There are two streams of definition of what constitutes a SME using quantitative and qualitative criteria. In practice, quantitative criteria are widely accepted since they take into account the number of employees, the annual turnover, or the annual balance sheet of each entity. In Malaysia, the prevailing criteria are the number of employees and the sales turnover. Consequently, the definition of SMEs is considered a task and the classification decision is left to the national regulatory bodies of each country depending on the needs and users' demands.

As far as professional accounting bodies are concerned, the Institute of Chartered Management Accountants (CIMA, 2015) highlighted that SMEs could "*become a global engine of growth and recovery*". The Association of Chartered Certified Accountants (ACCA), in a published research in July 2018 (ACCA, growing globally, 2018, p.10) found that 45% of SMEs have expressed their intentions to expand through the internationalization of their activities in order to grow their business capacity. Also, for the same report (ACCA, growing globally 2018), Edward Ling the Head of ACCA in Malaysia, commented that Malaysia has a small local market and as a country Malaysia has to be quite open as an economy in order to help the economic prosperity and to assist the SMEs to build a more international profile.

Before the publication of the IFRS for SMEs in July 2009, earlier studies (Baker and Barbu 2007) discussed that the accounting practice differs from country to country due to a large number of factors such as the development of the local economy, nature of the different legal systems, local and national government regulations, social climate, power of a recognized professional accounting body, and levels of education that exist in every country. Another stream of research (Dick and Walton, 2007) criticized the IASB and questioned whether they had discussed accounting matters with different types of SMEs (in terms of nature and size) in order to assess the needs of SMEs and their stakeholders. Masca et al. (2010 & 2012) pinpointed that accounting research is necessary to provide the cultural and historical context of accounting in developing economies to provide an understanding of the IFRS for SMEs. Therefore, studies of the above nature, espouse the rationale that says that the IFRS for SMEs tends to be the "*white elephant in the room*" since developed countries seem to ignore the significance of the standard and possibly there is a need to further explore the accounting phenomenon in the developing countries and jurisdictions.

Countries that used to be ex-British colonies became early adopters of IFRSs engaged in the process of harmonization such as Hong Kong and South Africa. Hong Kong used to be a British colony and after its independence in 1997, the aim of the national standard setter was to issue Hong Kong financial reporting standards identical to IFRSs and IASs, and this convergence was completed in 2005. Equally, South Africa aligned with IASs and IFRSs since 1993 and the national standard setter was quite flexible by bridging any small differences between previous local standards (Generally Accepted Accounting Principles –GAAP) and IFRSs, and in 2001 the country was fully compliant with them. Stainbank (2014, p.84) argues in his paper that *“accounting practices in most developing countries were imposed by developed countries through colonialism and the operations of multinational corporations”*. The same author (Stainbank, 2014) also supports that colonialism plays an important role in accounting practices in all countries in Africa.

It is noteworthy to say that the language of IFRS is in English and this has helped ex-British colonies to adopt the IFRS as a natural progression compared to other nations facing translation barriers. In the same vein, Malaysia adopted the Malaysian Private Equity Reporting Standard (MPERS) for accounting periods on or after 1 January 2016. Malaysia follows a common law legal framework, as an ex-British colony and continued to do so after their independence in 1957.

In Malaysia, the existence of conventional financial reporting existed after its independence in 1957 while the Islamic Banking Act was introduced by Malaysian government in 1983. According to Kadri (2016, p59), *“financial institutions in Malaysia are subject to legal provisions of Companies Act 1965..... and Islamic banks and financial institutions are also subject to Islamic Banking Act 1983 and Islamic Financial Services (IFS) Act 2013”*. Section 72 of the IFS Act states clearly that financial statements have the same meaning as those approved by MASB and the Financial Reporting Act 1997. In other words, it is indicated that Islamic banking practices in Malaysia are walking ‘hand in hand’ with the approved International Financial Reporting Standards as adopted by MASB.

The Malaysian government tried to shape many strategies and escalated their efforts to run many business programs for small-medium entities through the Malaysian SME agency and to benefit SMEs to develop and grow their finance capacities. One of the main challenges for Malaysian government is to help the dominant sectors of the country to increase their activities through access to national and global capital and through a robust national economy.

There are two accounting frameworks in Malaysia, the Malaysian Financial Reporting Standards (MFRS), which are equivalent to International Financial Reporting Standards (IFRS), which addresses listed entities, and the Malaysian Private Equity Reporting Standard (MPERS) which addresses all the other entities without public accountability. Despite the different purposes of the two accounting frameworks, the gap between the two was shortened after the revision of MPERS in 2015, where fundamental issues were reexamined (ie. revaluation model) and gave SMEs the option to reflect them in their financial statements, assets, and liabilities with less costly choices.

3. Material and Methods

This study uses a critical realist case study method so as to describe a clearly bounded study so that the implementation of MPERS in Malaysia adopted by organizations and entities can be better explored. Critical realism resonates with the researchers' professional perspective as he believes that this is how the world is and consequently, critical realism fits the purpose of the research better than the interpretive approach in order to explore the adoption of MPERS in Malaysia.

Critical realism complements the adoption of research methods that acknowledge the contribution of understandings that are positive and interpretively acquired. On an equal basis, accounting events and phenomena occur as a result of existing mechanisms that operate in the real world in a stratified way. Also, the findings that emerge from this study act as part of knowledge, which is created through the dynamic interaction between participants' views and researchers' interpretations for the adoption of the standard (MPERS) rather than through ontological assumptions. In other words, a case study research method supports a cross-sectional approach to explore the implementation of the standard and allows for building knowledge and theory towards the application of MPERS in Malaysia.

3.1 Research methodology

The study adopts an explorative single case study design with embedded units of analysis and the purpose is to achieve in-depth knowledge from a number of participants in relation to the adoption and implementation of MPERS in Malaysia.

3.1.1 Single case study design with embedded units of analysis

The rationale for choosing the embedded unit of analysis (see Table 1) within a single case study, is to seek a "constructive approach" in order to capture the different perspectives from different groups of participants and to focus on their views for the implementation of MPERS in Malaysia. In other words, a single case study with embedded units of analysis is a case that can stand on its own and allows the researcher to answer the research questions posed in the most operational way serving the purpose of the research.

The embedded units of analysis are formed from the group of different participants. Participants were selected with the assistance of the gatekeeper (the Association of Certified Chartered Accountants in Malaysia) and a snowball sampling technique applied by the researcher.

The study sample consists of 15 participants representing 6 different units of analysis, all of whom have more than 10 years of professional experience in their field and were selected in order to explore perceptions from different users for the adoption of MPERS in Malaysia representing a different category. Table 1 outlines the sample and defines the characteristics of each unit of analysis within the exploratory single case study design.

Table 1: Participant sample and defining characteristic
 of each unit of analysis within the research design

Embedded Unit 1	Embedded Unit 2	Embedded Unit 3	Embedded Unit 4	Embedded Unit 5	Embedded Unit 6
Four participants representing the auditing sector	Six participants representing the small-medium practitioners	Two participants representing two medium size-entities	One participant representing the regulatory body of Malaysia	One participant representing one of the professional bodies in of Malaysia	One participant representing the consultation sector
Auditors' perspective	Practitioners' perspective	SMEs' perspective	MASB's Perspective	MIA's perspective	Consultant's perspective

The above units of analysis represent the different structural and social elements of the Malaysian business community for the following reasons:

- 1) There is a cross-sectional approach in order to explore the implementation of MPERS.
- 2) There is a need to understand hermeneutically the perceptions of different participants who use MPERS.
- 3) Knowledge could be acquired (closer to reality) from exploring views from different groups of users.
- 4) To explore and explain the purpose of MPERS in relation to the causal mechanisms.

Thus, the study adopts an inductive approach in order to build a theory from the analysis of the findings. Further, there is a will to fill the existing literature gap and to contribute to the development of knowledge in regard to MPERS by making analytic transferability of the theory to other similar countries and jurisdictions similar to Malaysia.

3.1.2 Semi-structured interviews

This study was challenging since the interviews were conducted by a researcher who is not Malaysian and comes from a different background and different cultural context. The use of semi-structured interviews as a method of data collection allows 'depth of meaning' to emerge. The interview schedule used open-ended questions that allowed the researcher to explore participants' views and to probe where it is necessary to perceptions of MPERS (IFRS for SMEs) implementation and adoption process while providing insights from the participants in terms of authentic knowledge and how they view the particular sections of the standards. The questions also intend to explore participants' perspectives as representatives of their organizations.

The challenge for the researcher was to design open-ended questions that paid extra attention to factors such as addressing older adults in cross-cultural contexts. This challenge was overcome, by first checking the interview schedule with the supervisory

team and by using in-country peer reviews. Both the initial interview schedule construction and the peer review of the initial interview schedule were conducted at an early stage.

This was done to test and sense check the questions so that first, the questions made professional sense in relation to the extant literature and from the perspective of a Malaysian participant if the question would make sense to them, ring true to their experience, and be useful in terms of gaining professional insights and perception. This second view was vital as there would be little point from an ethical standpoint in asking questions that made little sense and were not relevant to the participants. To this end, a professional associate from the Association of Chartered Certified Accountants (ACCA office in Malaysia) kindly agreed to peer review the interview schedule. The peer-reviewer made a number of helpful remarks regarding the quality of the interview questions and the substance of the questions.

All of the semi-structured interviews were audio recorded and transcribed verbatim by the researcher. Immediately after the interviews took place, the researcher made field notes that contained first impressions and reflections on elements of the interview. After the interview was transcribed, the researcher sent each participant the transcriptions of their interview so that they could confirm that this was an accurate reflection of the interview and to give and provide them with an opportunity to clarify where appropriate as an approach to the principle of member checking.

3.2 Participants' profiles and demographics

Participants in this research received information about the purpose and the nature of the study by email in advance of the interview and before giving their informed consent. For all interviews, previous permission was granted and the researcher offered to send participants a copy of their interview transcript, after the interview, in order for participants to check and verify the accuracy of the data. All the participants were informed in advance of the anonymity of the interview and they received confirmation from the researcher indicating that the data would be destroyed one year after the publication of this research. Appendix A presents detailed information on participants' profiles.

3.3 Sampling strategy

The sampling strategy relies on two points of introduction. First, the Malaysian Institute of Accountants (MIA) recommended a number of individuals working within small to medium-sized enterprises to contact that might be willing to participate in the research. These individuals were approached by email and those that responded to the email were accepted through the consent process. Second, the participants were asked if they could recommend someone who would be interested in participating in the research (as part of a snowball sample technique). This was essentially a convenience sampling since it is a non-probability sampling technique.

In the current study, a sample size of fifteen interviewees was deemed large enough to build thick descriptions and gather a complex and rich data set. A variety of participants were selected using the research gatekeeper (the ACCA in Malaysia). The snowballing technique is at its core, quite a social approach and fits well with the critical realist perspective adopted by this study. Sampling took place over a four-month period between September and December 2019.

In terms of interview administration, it is important to note that the researcher before starting the interview explained to all participants the scope, the nature, the purpose, and all ethical issues of the interviews highlighting their right to withdraw at any time they wished. Also, the researcher introduced himself to all participants and explained to them that there is no 'right' or 'wrong' answer enabling them to have a sense of 'freedom'. It is also significant to note that during the interview process, the participants spoke more than the researcher who listened attentively and asked questions whenever was necessary to drill down deeper into the questions.

3.3.1 Data analysis and interpretation

This study adopts a thematic analysis aligned with the constant comparative model commonly found in grounded theory. Thematic analysis is used in qualitative research that according to Vaismoradi et al. (2013) support the view that thematic analysis "*provides core skills to researchers for conducting many forms of qualitative analysis*". The narrative sections of this study describe the perceptions of each participant from the implementation of MPERS in Malaysia and it was a tool to help the researcher to discuss the findings within the context of the case study design that this study follows. Qualitative data analysis and interpretation does not have any specific type form or pattern of analysis and it makes sense for qualitative researchers to follow a procedure that fits the needs of their study. In the present study, the researcher followed an analytical framework, a six-step process to the data analysis. Appendix B presents a 'roadmap' for the data analysis.

The six steps used in the data analysis process were as follows:

- 1) The interview transcripts were analyzed by hand. While time-consuming, this allowed the researcher to become fully emerged in the data. A one-hour interview took five hours to transcribe. This supported the emersion of the researcher within the analysis of the data and helped them gain insights into the data. The researcher reviewed the raw data, line by line, to assign codes and locate themes within the data. During the transcribing process, the researcher took notes and memos that reflected the most important factors to emerge from the participants during the interview.
- 2) The researcher read the interview transcripts carefully to gain a sense and feel for the information that lay within the transcripts. This helped them to explore how different groups of participants responded to ensure that reflect the tone and ideas within the transcripts. However, it is important to note that during this step, data

reduction did not occur rather the researcher tried to highlight all reflexive insights from the respondents and to build thick descriptions.

- 3) Coding the data was a difficult task in that the researcher had to manually organize and record the data. The current study followed a “hybrid” approach in regard to the coding process by using a combination of predetermined codes from aspects derived from the literature and codes that emerged from the interviews. In this instance, the researcher initially developed a preliminary codebook that was later refined based on redefining themes that resulted from the merging of themes into distinct entities.
- 4) In this stage, the study built seven themes for the influential factors of the MPERSs, themes for cost and benefits, for micro and macro effects in terms of short- and long-term impacts, for the perception of the users and the challenges and expectations from the standard in the future.
- 5) The description of the themes carries a narrative style within the thematic analysis and describes the various views from each group of interviewees.
- 6) The final step interprets and discusses the findings with the literature review and the researcher uses his professional skepticism and experience in order to contribute to the discussion adding knowledge for the adoption of MPERS in Malaysia.

From the data, participants of the study drew their attention to education and training as important factors to disseminate the new accounting standard to all users and preparers in Malaysia.

“Academic wise there is very little evidence as universities only teach IFRSs. However, once you become a member of professional bodies, there is lots of training in MPERS from ACCA, MIA, CPA and there is lots of demand for MPERS. There is no choice but to go to professional bodies for training”.

In other words, the majority of participants said that mainly professional training arranged by professional accounting bodies or big audit firms is considered crucial to provide competency and professional knowledge of the application of MPERS.

In regard to legal factors, participants highlighted that have little influence on the adoption of MPERS but it is essential to consider the role of the new Companies Act (2016) as a new driving force in Malaysia to facilitate foreign investors to make new start-ups and invest in Malaysian SMEs.

“The legal system does not have much impact. The concentration of legal system is focused on full IFRSs. The only regulatory institute is the Companies’ commission of Malaysia which is very active and inspecting the files”.

“The legal system in Malaysia does not have much influence on disclosure practices mainly as the financial statements have to comply with the legal system which is covered by the Companies Act 2016”.

In regard to tax factors, the majority of participants considered that the tax factors are not influential since the tax system operates under a different set of rules compared to MPERS.

“The tax system is another story. The tax system falls in a different Act. The income tax Act has different guidelines and interpretations and the way the tax system works is different from MPERSs”.

Also, participants stressed that Malaysia is a developing country, with a growing economy, and that the economy has yet to fully reach its' competitive potential in terms of how it embraces the use of foreign capital in investments in the near future.

“Malaysia is engaged with international trade because of the location and economic deal with foreign companies. And from day one adopted the IASs and the move and adoption of MPERS was much easier for Malaysia”. “Yes definitely. Many foreign investors are coming to the country and there was a need to review the accounting framework, to allow and change the local requirements to suit the needs”.

Last but not least, almost all participants agreed that Malaysia is a multi-ethnic country with three main ethnicities (Malay, Chinese, and Indian) and that English is Malaysia's second language due to its past as a British Colony.

“Malaysia is an ex-British colony and this might have influenced the Malaysian's mindset on the financial reporting system..... Malaysian culture has influenced the implementation of MPERSs to a high degree. People of accounting bodies have welcomed the change of new standards... There are many races such as Malay, Indians, Chinese, and Europeans”.

As far as the costs and benefits are concerned, our data suggest that the benefits of adopting the standards outweigh the costs and our analysis suggests that twenty-eight codes out of the forty-one relate to the emerging effects from the adoption of the MPERS. Some of the benefits outlined by the study are the standardization of corporate reporting; the uniformity of the accounting reporting framework within Malaysia; recognition, simplicity, and efficiency of the standard.

“As far as the business is concerned the benefits are: better access to finance, access to business partners and associates, compliance with tax and Companies' Act and global outreach.... Our company for example due to the simplicity of the Standard needs fewer

accountants to do the financial reporting and consequently, the whole costs are less rather than to have a whole team''.

According to the data, the participants' perception is that MPERS is a good standard as it is very informative, analytical, easy to adopt due to simplified disclosure practices and the variety of qualitative characteristics. Also, participants said that different people look at different things and it all depends on the users of the financial statements and therefore it depends on who you ask.

“...it all depends on the understanding of the users and if understand the accounts then they will appreciate... Users do think that MPERS is more useful than the previous standard. Definitely, the perception is that MPERS provide useful information and there are more disclosures to all the users.... In the end, if MPERS will be like full IFRS then the standard will be a burden to SMEs.”

In terms of challenges and expectations, participants expressed their concerns about the lack of qualified accountants, compliance, the creation of the new accounting framework, and the need for a cooling-off period before any kind of improvements or changes in the standard will take place.

“The top challenges are SMEs do not employ qualified accountants and use semi-skilled accountants. Every year, MASB takes feedback from the implementation of MPERS and MASB travels to the main towns in Malaysia and brings any new issues for the standard taking feedback from SMEs and SMPs...the problem is that there are not many qualified accountants in order to apply MPERS as there are only 60k accountants in the country. The cost, to hire accountants to produce financial statements and MPERS compliance and to change the mindset of accounting and see the value of corporate reporting are the greatest challenges”

4. Results and Discussion

This study indicates that education and training are the influential factors to impact the Malaysian regulators' decision to adopt the MPERS in 2016. However, according to findings education and training operate in different knowledge areas in Malaysia. Academic education is mainly provided by universities where they offer a curriculum whose purpose is to deliver knowledge but without sufficient application to the practice field of accountancy. Research indicates that professional training has a different orientation as training is mainly offered by professional bodies such as the Malaysian Institute of Accountants (MIA), who makes a significant contribution by providing useful publications and guidance regarding the MPERS. The MIA also offers a number of workshops and training sessions to professional accountants and to academics to foster a broad culture of knowledge exchange between interested parties. This study suggests

that a recent development has occurred where collaboration between Malaysian universities, colleges, and professional bodies has emerged to promote education and training toward the MPERS. Below Figure 1 presents what participants said for professional training and education.

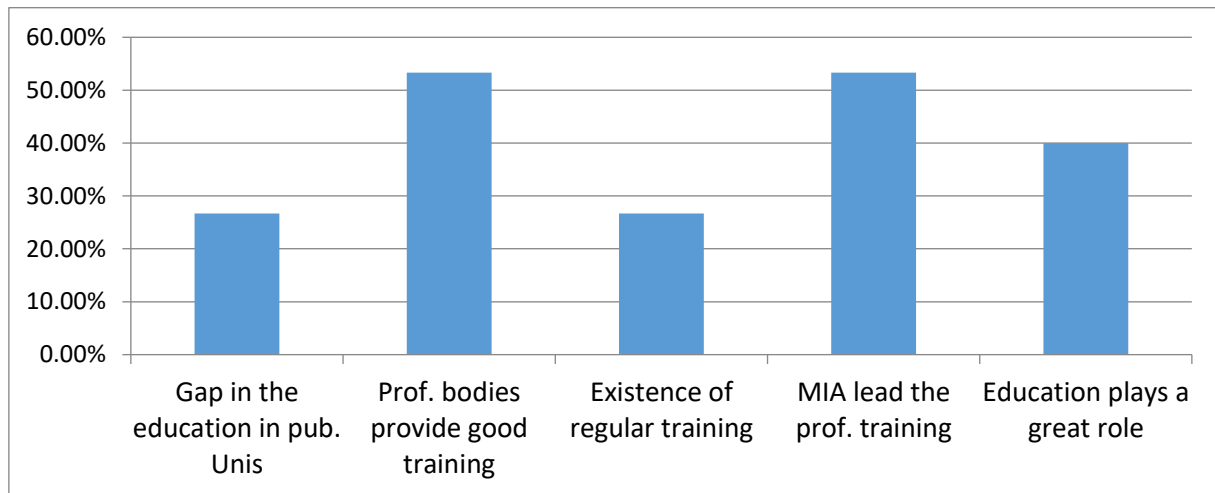


Figure 1: Educational & training factors

Another key factor for the adoption of MPERS is the Malaysian Companies Act (2016). Participants in this study indicated that the new Companies Act influences the form of disclosures in the 35 sections of the standard. Despite the fact that Malaysia is an Islamic nation and Islamic law has an important role in Malaysian corporation law, none of the participants discussed or mentioned the role of Islamic law in the new Act something which is expected to be explored by future scholars.

Looking more critically at the role of the new Companies Act, we need to stress that participants did not discuss this in-depth as the new Companies Act has only recently replaced an older Act and possibly it was not perceived by participants on an equal basis. Notwithstanding, the new Companies Act seems to influence the formation of a new corporate landscape for entities by introducing key changes in the Law and offering motivation to foreign investors to make new start-ups easier than the previous Act.

Another influential factor in the adoption of the MPERS is tax, in that the tax laws have indirectly influenced the standard setter in Malaysia in order to adopt MPERS. Surprisingly, the main omission from the emergent data from participants was that they had not responded to three major elements for the role of tax factors.

The fourth influential factor to emerge from our analysis is that the majority of participants suggested that no other factors exist as influential factors for MPERS. However, the role of integrated reporting (IR) as a new reporting tool for SMEs and the sustainable and economic development of these entities is emerging as an important theme that was not discussed by the participants.

In terms of the country's level, cultural factors play an influential role as Malaysia is an ex-British colony and is greatly influenced by Anglo-Saxon culture which is more

favorable to IFRS adoption. In terms of companies' level, Malaysia is an Islamic country but Indians and Chinese are the main owners of the business activities adding a different dimension and character to Malaysian society. The below Figure 2 indicates that Malaysia is a multi-cultural society where culture has influenced the Malaysian Accounting Standard Board and it is noteworthy that compliance matters are a major feature of Malaysian culture.

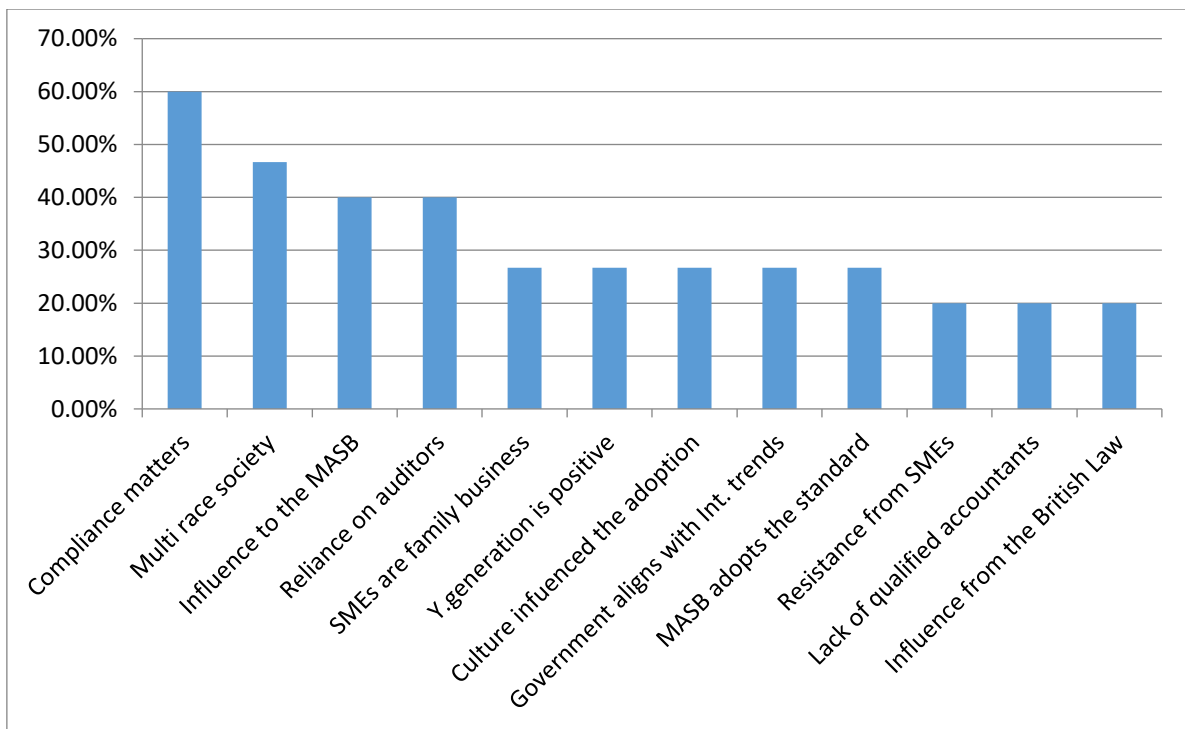


Figure 2: Cultural factors

Further, this research indicates that despite economic factors not being considered as influential, they are of major significance to the adoption of the MPERS. Looking more critically at the role economic factors play, this research suggests that economic factors are important for the adoption of the MPERS since SMEs need access to foreign funds with lower borrowing costs and better allocation of their financial resources in order to expand and grow their activities. The evidence from this study supports the conclusion that external factors such as the globalization of markets and the need for SMEs to access direct foreign investments heavily influence the national standard setter to adopt a standard with global recognition.

Also, this study highlights the fact that political factors are not as significant despite the fact that the adoption of the MPERS was part of a political process, reflecting the power of public authorities in the country to introduce, modify and-or replace their accounting frameworks.

In terms of a cost-benefit analysis relating to the adoption of the MEPRS, this research suggests that the potential benefits of adopting the MPERS outweigh the overall costs. While we accept that, there are additional expenses to Malaysian SMEs of adoption of the MPERS in the short term, our analysis shows that the long-term benefits should

outweigh any potential barrier from the implementation costs. According to the findings, among the benefits of adopting the MPERS are the introduction of qualitative elements, financial elements, internationalization, and standardization of financial reporting in Malaysia. This study suggests that transparency, simplicity, and disclosure of financial information are some of the qualitative elements from the adoption of the MPERS along with the positive contribution of financial elements that the accounting sections offer as a piece of additional information to users, and in particular to the foreign investors. On the other hand, the findings also indicate that initially, the costs outweigh the benefits. However, we note the fact that the quantification of costs and benefits is not an easy task and this research does not attempt to measure and quantify them since it is outside of the objectives of this article. Appendix B presents a list of benefits and costs of the adoption of MPERS.

Looking more specifically at the micro and macro effects, the study found that the micro effects are flexibility, simplicity, and compliance increasing the trustworthiness of financial information to the users of the standard. The standardization and efficiency of the accounting framework along with the better understanding of financial statements is also part of the micro effects from the adoption of MPERS. Also, among the macro effects, this research suggests that the MPERS plays a pivotal role in supporting the economic development of SMEs in terms of access to foreign capital as the standard also provides confidence to foreign investors and offers a comparable framework similar to other jurisdictions. Appendix C presents a list of micro and macro effects of the adoption of MPERS.

In addition, the research also suggests that the MPERS are analytical, promote simplicity, and offer relevance and understandability to all users and readers of financial statements. The findings also support that MPERS is a standard with different objectives and is simpler in comparison with MFRS and that with some minor amendments and revisions will fit the needs of the existing accounting frameworks. Notwithstanding this, the findings indicate that the MPERS has weaknesses in particular the sections for investment property (S16), property plant and equipment (S17), and related party transactions (S33) which we suggest need further improvement in terms of more technical guidance which will cover technical jargons within the sections. Our findings suggest the perception of users towards the MPERS depends on factors perspective they adopt when reading financial statements (i.e., suppliers, bankers, clients, investors, public authorities, etc.) and their knowledge of the MPERS.

Key areas for development to emerge from this study are the number of challenges associated with the adoption of the MPERS. With challenges being (1) there is a lack of qualified professional accountants in Malaysia to cover the needs of more than one million SMEs; (2) a need for more educational and training programs; (3) the need to increase the power of the MIA, to provide more technical guidance; (4) the need to develop a positive accounting mindset among the owners of SMEs by providing more information to them for the advantages of the implementation of the standard for their businesses; and (5) the need to adopt the MPERS across the 13 states with consistency.

This research suggests that in order to face the challenges there is a pressing need for all the SMEs to apply the Companies Act 2016 under the supervision of Government authorities.

An interesting point emerged from our findings which suggest that there is a need within Malaysia to make a distinction between roles and responsibilities of accountants and external auditors. In addition, there needs to be a formal programme of dissemination and training relating to the MPERS and a campaign across the country to support wider and sustained cooperation between the government and the public authorities to fill some technical gaps in the accounting treatments of 35 sections of the MPERS by providing financial assistance to SMEs.

In terms of expectations from the standard, this research study proposes that a detailed evaluation exercise of the MPERS should take place after five years to allow the MPERS to bed in, and to allow adoption and implementation impacts to develop. Despite the initial aim of IASB to review the standard every three years, participants in this study suggest that the standard needs more time to bed into the business environment before any subsequent evaluation and or revision occurs and that the MASB should be the body that evaluates the application of the MPERS across the country and to critically assess feedback from both users and preparers.

5. Recommendations

This study suggests that there are some implications regarding the application of the MPERS in Malaysia and for the role of MASB in particular. The recommendations from this research include several propositions as follows:

Firstly, in the Malaysian context, the need for revision of the MPERS will involve a lengthy process of consultation and discussion in order to give priority to those SMEs that are directly affected by any amendment. Our findings indicate that participants agree that there is a need for SMEs to have a “bedding” period after adoption of the MPERS as frequent early revisions would be costly increasing the workload for SMEs and would reduce the likelihood of adoption in the longer term. For instance, some sections of MPERS were identified from the findings that need improvement, clarification, and more technical guidance that have to be modified and amended in the next revision of the standard implemented by the MASB in the future. As a result of the above, we suggest that the Malaysian Accounting Standard Board should conduct the evaluation and elicit feedback from a broad range of SMEs relating to the implementation of the MPERS and to explore the various experiences not only by preparers but also from a wide range of users of financial statements of SMEs.

Secondly, the MIA should develop and implement awareness programs to support, education and training and should facilitate the coordination, with the support of Malaysian government, a national-level campaign to help encourage greater familiarization of Malaysian SMEs with the benefits of the standard and to provide solutions to perceived barriers that might exist among the main users and owners of

SMEs. It is believed that if workshops and seminars are provided for free (i.e., online sessions) this would might motivate and help users and preparers of financial statements to become more familiar with the standard, and maybe more technical weaknesses of MPERS will come to the front.

Thirdly, by acknowledging that the needs of preparers' and users' of micro-entities vary from other entities due to different objectives, the MASB should consider a three-tier approach with the creation of a third accounting framework for micro-entities. In Malaysia, there is a diverse range of entities covering highly diversified business sectors across large geographical areas which have an array of different needs, strategies, capital intensity, and size. This is similar to the situation in developed countries such as the UK where standard setters have adopted a range of accounting frameworks for minor entities (FRS 105). The Malaysian Accounting Standard Board should examine the case of adopting a standard exclusively for micro entities in Malaysia.

Fourthly, as is already identified in the key challenges of this study, there is a need to release more power from MASB or to extend the collaboration with all professional bodies in Malaysia and in particular with MIA, in order for the dissemination pipes of the standard to be multiplied and to increase the awareness to the preparers and users across the 13 states of Malaysia for the benefits of the implementation of the standard. For instance, there are states in Malaysia where their local economy relies on the tourism industry, and owners, preparers, and users of SMEs should understand the benefits of applying a standard with international recognition that will help their entities expand their activities by having access to international funds or to be a financial target for foreign investors.

Fifthly, Malaysian Ministry of Education along with all relevant institutes and authorities in the country should develop plans of action on how to support the accounting profession and how the younger generation will be attracted to follow the accounting professional route in the future. As indicated in our findings, the lack of qualified accountants remains a thorn for Malaysia since the number of SMEs in the country is increasing rapidly and there is a great need for professional qualified accountants who can cover this gap in the country. Possibly, a coordinated plan between Malaysia government and all professional bodies in the country to address this issue will assist in overcoming the lack of accredited accountants in Malaysia and will cover the gap in the future.

Last but not least, there is a need to develop a positive mindset for the benefits that provide the application of MPERS. The key is how to convince the owners of SMEs to adopt the standard despite the initial implementation costs. For instance, since the majority of owners of SMEs are Chinese and Indians, those owners could be approached by the Chamber of Commerce or the SME Corporation of Malaysia which are coordinating agents in the country in order to develop awareness programs for the benefit of the standard. Also, the Malaysian government might consider to finance partly the implementation costs of the standard and to motivate owners to adopt it and therefore overcome this challenge in due course.

6. Conclusion

It is important that we draw attention to the fact that a country such as Malaysia should not be regarded as monolithic. The role of international trade places pressure on companies to adopt a common accounting language and a clear set of financial statements from these entities, in order to develop and build business transactions around the world. The role of SMEs in the Malaysia economy is an important economic driver and the requirements of the global markets to have access to companies' financial statements and to deliver and disclose to the investors and other stakeholders confident, reliable, and transparent financial information should not be underestimated.

We suggest that this study sheds light as is the first to explore the factors influencing Malaysian authorities' drive to adopt the standard (MPERS). We believe that this study makes a contribution to the existing body of accounting literature by offering evidence from different groups of professional accountants. Furthermore, the results of this study are of interest to national and international accounting standard setters in Malaysia as a case study relying on Malaysian professionals representing different groups of professional accountants in the country but leaving outside the owners who run micro entities totally unexplored.

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Conflict of Interest Statement

As far as the author is concerned, there is no conflict of interest linked with this research, and there has been no sponsorship regarding this study, authorship, and publication that could have influenced its outcomes. As the researcher of this study, the author confirms its originality and that has not been published anywhere, affirming that it is not presently being considered for publication elsewhere.

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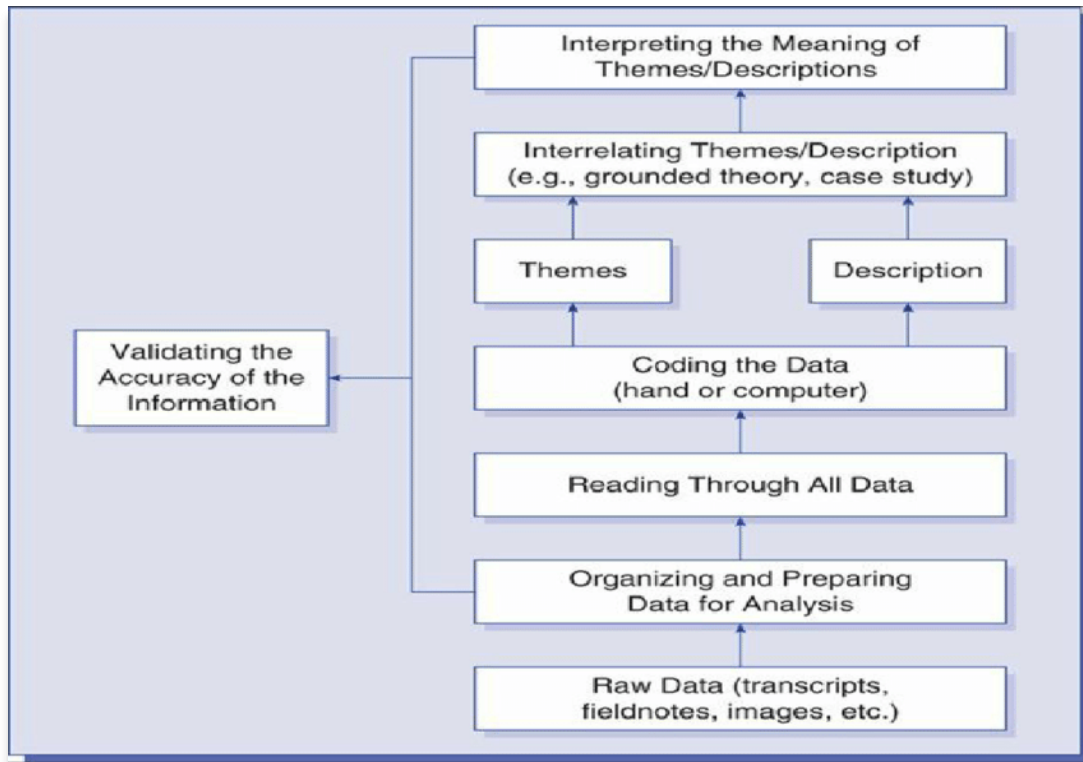
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Appendix A: Participants' profiles

Table 3.3.1							
Participants Small-medium Practitioners							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
SMP1	Medium	Accounting and auditing services	RM 0.5m	No	25	Man.Partner	29
SMP2	Small	Accounting and tax services	N/A	No	8	Man.Partner	27
SMP3	Medium	Accounting and auditing services	N/A	No	60	Audit Partner	40
SMP4	Medium	Accounting and auditing services	RM 1.2m	No	31	Junior Partner	32
SMP5	Small	Audit and tax services	RM 0.5m	No	20	Man.Partner	30
SMP6	Small	Accounting and auditing services	N/A	No	5	Man.Partner	23
Participants- Auditors							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
A1	Big	Audit and consulting services	RM 15m	N/A	300	Audit Partner	12
A2	Medium	Audit and consulting services	N/A	N/A	100	Audit Director	13
A3	Medium	Accounting and auditing services	N/A	N/A	100	Audit Partner	10
A4	Big	Accounting and auditing services	RM 50 m	N/A	800	Audit Partner	16
Participants- Representatives of SMEs-Preparers							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
P1	Medium	Manufacturing Industry	RM 3m	No	4500	Financial reporting Acc.	13
P2	Medium	Media and Entertainment Industry	RM 24m	No	75	Chief Financial	17
Participants- Regulatory body							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
RB1	Big	Regulatory body in Malaysia	N/A	N/A	N/A	Technical Director	30
Participants- Professional body							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
PB1	Big	Professional body in Malaysia	N/A	N/A	180	Technical Director	16
Participants-Consultant - freelancer trainer							
Participants' code	Size	Activity	Annual Turnover	Consolidation Accounts	No of employees	Job Responsibility	Years of Work.experience
C1	Small	Professional and consulting services	N/A	N/A	N/A	Owner	20

Appendix B: Data 'Roadmap' and analysis



Note: The above figure is from John Creswell, Research Design, fourth edition, 2014.

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