

# **VOLUNTARY DISCLOSURE OF ASSET IMPAIRMENT AND CORPORATE GOVERNANCE OF MALAYSIAN COMPANIES**

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**Abstract:** *Malaysian accounting standard on asset impairment does not require the separate disclosure of accumulated impairment of asset. In general the standard on property, plant and equipment requires companies to deduct the accumulated depreciation and impairment from the cost of assets to determine the carrying amount of fixed assets. This study examines the determinants of separate disclosure of asset impairment information by Malaysian firms. Specifically, this study examines whether the corporate governance characteristics influence the voluntary disclosure of asset impairment information. We use data from Malaysian public listed companies that disclose asset impairment information in 2013. Based on sample of 298 firm observations we finds that majority of firms choose to present the asset impairment information separately in the annual report. In regression analysis, we find that firms audited by big audit firm are more likely to disclose the asset impairment information separately. The findings suggest that big audit firms encourage better disclosure to reduce information asymmetry between firm management and shareholders. The other corporate governance characteristics are not related with the disclosure of asset impairment information.*

**Keywords:** *Asset Impairment, Voluntary Disclosure, Corporate Governance*

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## **Introduction**

The accounting standard on asset impairment, Malaysian Financial Reporting Standard (MFRS) 136 Impairment of Assets<sup>1</sup>, which is based on IAS 36 Impairment of Assets, was issued in 2011 and became effective for financial years beginning after 1 January 2012. The standard requires companies to recognise an impairment loss when the asset value decreases. In particular, the standard requires such recognition when the carrying amount of the asset is higher than its recoverable amount. The loss should be reported in income statement during the period and the line item of the income statement in which the impairment loss is included. If the loss is material, the standard also requires companies to disclose the nature of the impaired assets, the

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<sup>1</sup> Formerly known as FRS 136

factors that lead to the impairment recognition and the basis to measure recoverable amount. The standard does not describe on how to disclose the accumulated impairment information in financial statements. The accumulated impairment is the total of impairment losses recognised since the acquisition of the assets. However, as outlined in MFRS 116 Property, Plant and Equipment (PPE), paragraph 73(d), companies are required to disclose accumulated depreciation of fixed assets and should be aggregated with accumulated impairment losses. Hence, companies are not required to present the accumulated impairment of fixed assets separately in financial statements. However, KPMG Malaysia has produced illustrative annual report to assist companies in their transition to IFRS-compliant financial reporting framework. In the illustrative annual report, the accumulated impairment of PPE is separately presented in the notes to the financial statement.

Shaari (2013) examines whether the recognition of reversal on impairment losses are done for unbiased reporting or to manage earnings. In her study, she reports that some of the Malaysian firms report the accumulated impairment information for PPE in the notes to the financial statements separately. Out of 182 firms that recognised reversal of impairment loss, 155 firms disclose the accumulated impairment information and the remaining 27 firms combined the accumulated depreciation and accumulated impairment into one account. Since MFRS 136 does not require the companies to disclose the accumulated impairment separately, the firms that disclose the information voluntarily provide the information to the user of financial statements. They are not obligated to do so, but choose to disclose more than required by the standard.

Prior studies on asset impairment focus on the determinant of asset impairment decision. Francis et al. (1996) examine whether economic factors and earnings management determine the decision to report assets write-down. Shaari et al. (2017) examine the motive of impairment reversal recognition. Reidl (2004) examine the ‘big bath’ reporting behaviour in impairment recognition. Strong and Meyer (1997) test whether change in senior management associate with write-down decision. Shaari et al. (2013) study the compliance level of Malaysian companies to the disclosure requirements of MFRS 136. Studies in voluntary disclosure examine the disclosure of non-mandatory accounting and non-accounting information which are not related to an accounting standards (Al-Akra et al., 2010; Akhtaruddin et al., 2009; Wang et al., 2008; Ghazali and Weetman, 2006; Haniffa and Cooke, 2002; Meek et al., 1995; Chow and Wong-Boren, 1987). This study fills the gap by examining the determinant of voluntary disclosure of asset impairment which is related to MFRS 136. This unique disclosure may provide a useful insight to the regulatory bodies in understanding of the reporting behaviour of the Malaysian firms. Thus, this study aims to investigate the determinants of accumulated impairment disclosure by the Malaysian firms. Specifically, this study examines whether corporate governance may affect the decision to disclose the accumulated impairment information.

## **Review of Prior Studies and Hypotheses Development**

Disclosure has been regarded as one aspect that can increase firms’ accountability by providing investors and other stakeholder information that can help them to get closer to the company’s affairs (Akhtaruddin et al., 2009) which also can helps in minimizing the gap between management and the stakeholder. Drawing from the agency theory an increase in disclosure might indicates firms attempts to avoid potential pressures from regulatory authorities (Akhtaruddin et al., 2009). Voluntary disclosure can be defined as disclosure of non-mandatory accounting and non-accounting information (Haniffa and Cooke, 2002) or disclosure made by company in excess of requirements (Meek et al., 1995). In addition, an item of information is

considered as discretionary whenever it goes beyond the compulsory information of shareholders and it could be qualitative, financial or anything else (Depoers, 2000).

Several theories such as agency theory, signaling theory, political cost theory, capital needed theory and proprietary cost theory have been advanced to provide a framework in understanding motives behind the managers' decision in relation to voluntary disclosure practices in prior studies. Among of these theories, agency theory is the most common theory being put forward by many of previous studies in attempt to explain motives or factors that drive voluntary disclosure practices (Al-Akra et al., 2010; Akhtaruddin et al., 2009; Wang et al., 2008; Ghazali and Weetman, 2006; Haniffa and Cooke, 2002; Meek et al., 1995; Chow and Wong-Boren, 1987).

Corporate governance measures such as board composition (Fama and Jensen, 1983) and ownership structure (Jensen and Meckling, 1976) are variables that have been suggested by many of previous studies in understanding firms' voluntary disclosure decisions. Another factor that has received a great deal of attention is firm characteristics such as firm size, and profitability. These factors are as suggested by several theories which include agency theory, political theory and signalling theory. On the other hand, some argue that voluntary disclosure can only be justified, from economic standpoint, if the advantages outweigh the disadvantages. Thus, voluntary disclosure can be argued as the interplay of contradictory forces: inducements deriving principally from agency theory and limitations imposed by information costs (Depoers, 2000).

This study focuses on the influence of corporate governance mechanisms on the decision to disclose the accumulated impairment information. Six governance measures will be used to examine the influence of corporate governance mechanisms on the firm decision to disclose accumulated impairment information. These governance variables are independent non-executive directors, ownership structure, the percentage of family members on the board, audit committee, CEO duality and audit quality.

### ***Independent non-executive directors***

It has been argued that the effectiveness of the corporate governance in minimizing agency problems between management and shareholders is highly depends on the composition of the board of directors (Akhtaruddin et al., 2009) that is generally comprise of inside and outside directors. Outside directors are directors whose only affiliation with the firm is their directorship (Akhtaruddin et al., 2009). Findings of prior studies on the association between non-executive directors and voluntary disclosure are mixed. A number of previous studies found that the proportion of non-executive directors is positively associated with voluntary disclosure (Huanfang & Jianguo, 2007; Cheng & Courtenay, 2006; Adams & Hossain, 1998) although other studies observed either an opposite direction (Gul and Leung, 2004; Eng & Mak, 2003) or no association between these variables (Ghazali & Weetman, 2006; Ho & Wong, 2001). It has been argued, however, that a firm may have a higher level of disclosure if the board consist of more outside directors (Akhtaruddin et al., 2009) and there is empirical evidence which suggest that the presence of the independent non-executive directors can help to increase the comprehensiveness and quality of disclosure (Chen & Jaggi, 2000). Therefore, we hypothesise that:

*H<sub>1</sub>: Firms with higher proportion of independent non-executive directors on the board are more likely to disclose the accumulated impairment information separately.*

### ***Ownership structure***

Disclosure is likely to be greater in firms where ownership is widely dispersed (Hossain et. al, 1994). Ghazali and Weetman (2006) argue that large outside ownership plays a monitoring role and can be expected to put more pressure on management to disclose additional information. These views are in line with the efficient monitoring hypothesis which assumes an increase in outside ownership serves to monitor manager's actions and reduces the likelihood that managers will withhold information for their self-interest (Akhtaruddin et al., 2009). Chau and Gray (2002) examine the relationship between ownership structure and voluntary disclosures of listed companies in Hong Kong and Singapore. They report that the extent of outside ownership is positively associated with voluntary disclosures. In further analysis, they find that the level of information disclosure is likely to be less in family-controlled companies. Similarly, Huafang and Jianguo (2007) investigate the effect of ownership structure and board composition on corporate voluntary disclosures of 559 listed companies in China. They also provide evidence that higher blockholder ownership is associated with increased disclosure. Managerial ownership, state ownership, and legal-person ownership are not related to disclosure. They also find that the voluntary disclosure is also influenced by firm size. The following hypothesis is thus formulated:

*H<sub>2</sub>: Firms with high ownership concentration are more likely to disclose the accumulated impairment information separately.*

### ***Percentage of family members on the board***

A high proportion of family members on the board may indicate either the existence of a dominant group that could strongly influence the board's decision or the existence of a substantial shareholder who is able to nominate family members to the board to protect his interests (Ghazali & Weetman, 2006). This setting is particularly unique to Asian context as many Asian companies were initial set up as a family-owned firm with concentrated ownership. A number of prior studies found that companies with higher percentage of family member on board have less incentive to provide voluntary disclosure (Ghazali & Weetman, 2006; Haniffa & Cooke, 2002; Chau & Gray, 2002). Companies with a higher proportion of family members on the board are likely to be less diffused in terms of ownership hence may have less incentive to disclose additional information given the lower degree of conflict of interests (Ghazali & Weetman, 2006). It is also argued that as the owners are part of the board of directors they can directly access to the important information needed hence reduces the firms' incentive to provide voluntary information. These observations and arguments as a whole suggest the following hypothesis:

*H<sub>3</sub>: The proportion of family members on the board is negatively associated with the disclosure of accumulated impairment information.*

### ***Audit Committee***

The presence of audit committee has been argued to have influence over a firm's voluntary disclosure decision (Ho & Wong, 2001). Audit committee also has been regarded as an effective monitoring tool to improve disclosure and reduce agency costs (Forker, 1992 as cited in Akhtaruddin et al., 2009). This argument were empirically supported as Ho and Wong (2001) found that the presence of audit committee considerably increase the extent of firm disclosure. Since 2001 Malaysian public listed companies are required by Bursa Malaysia to have an audit committee. In line with Forker (1992 as cited in Akhtaruddin et al., 2009) Bursa Malaysia expects that the presence of audit committee may enhance corporate transparency and disclosure. It has been argued that a higher proportion of audit committee members to total members on the board will enhance the quality of information disclosed (Akhtaruddin et al., 2009). Hence, we hypothesise that:

*H<sub>4</sub>: Firms with higher proportion of audit committee members to the total members on a board are more likely to disclose the accumulated impairment information separately.*

### ***CEO duality***

CEO duality is where the same person holds the post of CEO and board chair at the same time. Empirical evidence suggests both directions between CEO duality and firm disclosure. On one hand, there are findings that suggest CEO duality reduces the company disclosure (Huafang & Jianguo, 2007; Gul & Leung, 2004) and on the other hand, there are few studies which documented the opposite direction (Cheng & Courtenay, 2006). However, draw upon the agency theory, it is expected that CEO duality may have negative influence as the CEO cum the board chairperson may influence board decision that is more likely to favour/bias towards the management of the firm. The following hypothesis is thus formulated:

*H<sub>5</sub>: There is a negative association between CEO duality and the disclosure of accumulated impairment information.*

### ***Audit Firm***

The preparation of financial statement is entirely the management responsibility. However, the external auditors play a crucial role to provide assurance to the reports. DeAngelo (1981) argues that big audit firm may influence the disclosure by firms due to their stronger reputation. He also claims that big audit firms have more incentive to maintain independence and to impose more stringent and extensive disclosure standards. This is because they are subjected to greater legal liability for making errors. However, Owusu-Ansah (1998) claims that large audit firms have many clients, and therefore, they are likely to be less dependent on individual clients, which may affect their service quality.

Evidence from prior studies suggests that there is an association between the type of audit firm and the level of disclosure (see, for example, Ahmed and Nicholls, 1994; Wallace and Nasir, 1995; Naser, 1998; Alsaeed, 2006). These studies suggest that firms which have affiliation with Big-4 audit firms tend to provide more information in their audited report compared to firms without affiliation to the Big-4. Other supporting studies are Barako (2007) and Archambault and Archambault (2003). Nor, Saleh, Jaffar and Shukor (2010) study the association between corporate governance mechanism and voluntary disclosure of research and development

activities by Malaysian MESDAQ companies. They report that auditor play an important role in encouraging good research and development disclosure in Malaysia. A study by Hashim and Mohd Saleh (2007) on voluntary disclosure of Malaysian multinational companies also provide similar results. They document that firm size and audit firm have relationship with annual report voluntary disclosure. They also report that the disclosure is differing by the types of voluntary information presented in annual reports. Thus, the following hypothesis is formulated:

*H<sub>6</sub>: Firms audited by Big-4 audit firms are more likely to disclose the accumulated impairment information separately.*

## **Research Methods and Data Description**

### *Data and sample selection*

The sample of this study includes all public companies that disclose information on accumulated depreciation and impairment in PPE for the year 2013. The year 2013 is chosen because the new MFRS 136 is issued and effective starting 2012 financial year. This study does not consider the impairment in investment because Companies Act requires public companies to disclose the accumulated impairment in financial statements. This study also does not include the impairment in investment property because the data is not available in Datastream database. The list of the companies is gathered using Datastream Advance and the annual reports of the companies are downloaded from the Bursa Malaysia (Kuala Lumpur Stock Exchange) website. The disclosure of the accumulated impairment of PPE is examined by referring to the notes to the financial statements of PPE. Firms that report the accumulated impairment in PPE separately are coded as ‘1’ and the firms that aggregated the accumulated impairment with the accumulated depreciation are coded as ‘0’. All other companies are excluded from our study. Data on corporate governance are gathered from annual reports while financial data are collected from Datastream. All banks, insurance and unit trust companies are excluded because of different statutory requirement and reporting. In addition, companies that were not listed for one full year such as delisted and companies that change the year end in 2013 were also eliminated. For the data analysis, we also winsorized the top and bottom 1% of each continuous variable to control for the potential outliers.

### *Variable measurement*

This study analyses the data using descriptive statistics and regression analysis. The variables used in this study are impairment disclosure, board independence, family firm, audit committee size, CEO duality, quality of audit, abnormal accruals, firm size, profitability and leverage. The measurements of all variables are shown in Table 1.

**Table 1: Description of Variables, and Expected Signs**

<b>Variable Label</b>	<b>Description of variables</b>	<b>Expected sign</b>
DIS_IMP	Disclosure of the accumulated impairment of PPE. Equals 1 if firm reports the accumulated impairment of PPE separately and 0 otherwise.	
B_IND	Proportion of independent non-executive directors indicates the percentage of independent non-executive directors to total directors on board.	(+)
OWN	Proportion of ordinary shares owned by substantial shareholders (with equity of 5 percent or more).	(+)

FAMILY	Ratio of family members on the board to total directors.	(-)
A_CMT	Percentage of audit committee members on the board.	(+)
C_DUAL	Equals 1 if the roles of chairman and CEO are combined, and 0 otherwise.	(-)
A_FIR	Equals 1 if audit firm is big 4 and 0 otherwise.	(+)
AWCA	Abnormal accruals measured using DeFond and Park 2001 model.	(-)
LOSS	Equals 1 if the net income is negative and 0 otherwise.	(-)
SIZE	Size of the firms measured in log of total sales.	(+)
PROFIT	Firm profitability measured as net income divided by total equity.	(+)
LEV	Leverage measured as the ratio of total liabilities to total equity.	(+)

### **Research model**

To test our hypothesis, we develop a model to empirically test whether good corporate governance influences the decision to disclose asset impairment information. We employ logistic regression analysis as our dependent variable is a dummy variable. The estimated model is presented below:

$$DIS\_IMP = \alpha + \beta_1 B\_IND + \beta_2 OWN + \beta_3 FAMILY + \beta_4 A\_CMT + \beta_5 C\_DUAL + \beta_6 A\_FIRM + \beta_7 AWCA + \beta_8 LOSS + \beta_9 SIZE + \beta_{10} PROFIT + \beta_{11} LEV + \varepsilon \quad (1)$$

Where,

DIS_IMP	= Equals 1 if firm reports the accumulated impairment of PPE separately and 0 otherwise,
B_IND	= Proportion of independent non-executive directors,
OWN	= Proportion of ordinary shares owned by substantial shareholders (with equity of 5 percent or more),
FAMILY	= Ratio of family members on the board to total directors,
A_CMT	= Percentage of audit committee members on the board,
C_DUAL	= Equals 1 if the roles of chairman and CEO are combined and 0 otherwise,
A_FIRM	= Equals 1 if audit firm is big 4 and 0 otherwise,
AWCA	= Abnormal accruals measured using DeFond and Park (2001) model,
LOSS	= Equals 1 if the net income in year t is negative and 0 otherwise,
SIZE	= The natural log of total sales at end of year t,
PROFIT	= Net income in year t divided by total assets at end of year t,
LEV	= Total liabilities divided by to total assets at end of year t.

### **Results and Discussion**

Table 2 presents the sample of this study. In 2013, there were 814 companies listed on Bursa Malaysia. We identify 298 companies that disclose accumulated depreciation and impairment in annual reports where 101 firms choose to combine accumulated depreciation and accumulated impairment information while 197 firms disclose both information separately. In percentage, 66 percent which is the majority of the disclosing firms voluntarily provide the information on asset impairment while only 34 percent follows the minimum requirement of the MFRS 116.

**Table 2: Sample**

Total companies listed at Bursa Malaysia	814
Companies without accumulated impairment	516
<b>Final sample</b>	<b>298</b>
Companies that disclose accumulated impairment separately	197
Companies that combine accumulated impairment and depreciation	101
<b>Percentage of companies with separate disclosure</b>	<b>66%</b>
<b>Percentage of companies with combined disclosure</b>	<b>34%</b>

Table 3 summarises descriptive statistics of all variables of the study. It provides information about the mean, median, standard deviation, minimum, maximum and the skewness and kurtosis for the dependents, independents and control variables. As shown in Table 3, on average, there is 66.1% of sample companies that reports the accumulated impairment of PPE separately (DIS\_IMP) with 47.4% standard deviation. The table also indicates that the average percentage of independent non-executive directors (B\_IND) is 48.4 with a minimum of two and maximum of nine independent non-executive directors in the board of the sample companies. Meanwhile, the mean of substantial shareholders (OWN) is quite high in Malaysia at 47%. This indicates that the share ownership in Malaysia is considerably concentrated. This result is consistent with Ishak et al. (2012).

The average percentage of family members on the board (FAMILY) is 30.8 with a maximum of 0.44. Meanwhile, the average percentage audit committee members on the board (A\_CMT) is quite high at 46.6%. With regard to CEO duality (C\_DUAL), on average, there is 10.4% of the sample companies which have the same person as both CEO and chairman of the board. In our sample, the average percentage of firms audited by Big 4 auditors (A\_FIRM) is 60.7 suggesting that majority of our sample firm's financial statements are audited by big audit firm. The mean of abnormal accruals (AWCA) as measured by using DeFond and Park (2001) model is -0.009 with the minimum of -0.737 and maximum of 0.441. On average 25.5% of our sample companies incurred loss in financial year 2013.

**Table 3: Descriptive Statistics for Regression Variables**

Variables	Mean	Median	SD	Min	Max	Skew	Kurtos
<b>Dependent variables</b>							
DIS_IMP	0.661	1.000	0.474	0.000	1.000	-0.680	1.463
<b>Independent variables</b>							
B_IND	0.484	0.440	0.157	0.200	0.909	0.583	3.010
OWN	0.470	0.480	0.184	0.000	0.810	-0.359	2.434
FAMILY	0.308	0.000	0.462	0.000	0.440	0.828	1.685
A_CMT	0.466	0.430	0.130	0.250	1.000	1.130	5.035
C_DUAL	0.104	0.000	0.305	0.000	1.000	2.594	7.729
A_FIRM	0.607	1.000	0.489	0.000	1.000	-0.439	1.193
AWCA	-0.009	-0.003	0.142	-0.737	0.441	-1.417	12.455
LOSS	0.255	0.000	0.436	0.000	1.000	1.124	2.263
SIZE	12.741	12.615	1.793	7.440	17.660	0.163	2.891
PROFIT	0.021	0.030	0.107	-0.523	0.605	-1.216	14.824
LEV	0.420	0.411	0.214	0.014	0.983	0.512	2.994

**Variable definitions:**

DIS\_IMP = Equals 1 if firm reports the accumulated impairment of PPE separately and 0 otherwise,

B\_IND = Proportion of independent non-executive directors,

OWN = Proportion of ordinary shares owned by substantial shareholders (with equity of 5 percent or more)

FAMILY	= Ratio of family members on the board to total directors,
A_CMT	= Percentage of audit committee members on the board,
C_DUAL	= Equals 1 if the roles of chairman and CEO are combined and 0 otherwise,
A_FIRM	= Equals 1 if audit firm is big 4 and 0 otherwise,
AWCA	= Abnormal accruals measured using DeFond and Park (2001) model.
LOSS	= Equals 1 if the net income in year t is negative and 0 otherwise,
SIZE	= The natural log of total sales at end of year t,
PROFIT	= Net income in year t divided by total assets at end of year t,
LEV	= Total liabilities divided by to total assets at end of year t.

For the first control variables, firm size that was measured using the natural log of sales has a mean value of 12.741. It's minimum and maximum values are 7.44 and 17.66 respectively. The standard deviation is 1.793. Meanwhile, the mean of the net income (PROFIT) is 0.021 with a minimum value of -0.523 and maximum value of 0.605. Leverage (LEV) is the third control variable and it measured by dividing total liabilities with total assets. It has a mean value of 42% with a minimum of 1.4% and maximum of 98.3%. The standard deviation is 21.4%. The study also considers skewness (values of symmetry distribution) and kurtosis (peakness of distribution) to test for the normality of the original data. Klien (2011) explains that the data is normally distributed if the value of skewness is +- 3 and kurtosis does not exceed +-10. The finding of the skewness is within the range of -1.417 to 2.594. This means that, the data are within the range of normal data. Meanwhile the kurtosis is within the range of 1.193 to 14.824. While there are few data that exceeded the maximum threshold, majority of the data is within the expected range of normality as revealed by the kurtosis. The correlation between the independent variables and control variables (not tabulated) also reports that multi-collinearity is not a problem in this study.

Table 4 presents regression results testing the relationship between corporate governance and disclosure of asset impairment. The Wald chi-square statistic is significant (p-value of 0.049) with a value 18.83 percent, suggesting that there are other related variables ignored in our model. As shown in the table, only A\_FIRM is significantly associated with the disclosure of asset impairment. The coefficient is 1.069 and the p-value is 0.001. Thus H<sub>6</sub> is supported. This result indicates that firms audited by big audit firm are more likely to disclose asset impairment information. The finding is consistent with meta-analysis provided by Khlif and Souissi (2010) who find that size of audit firm influences the voluntary corporate disclosure. The other aspect of corporate governance – board independence, ownership concentration, family firm, proportion of audit committee, CEO duality and also earnings management are not significantly related to voluntary disclosure of asset impairment. Thus, H<sub>1</sub> – H<sub>5</sub> and H<sub>7</sub> are not supported. This result could be due of the specific nature of the financial information which is not mandatorily required by the MFRS 136.

**Table 4: Logistic Regression Testing the Relationship Between Corporate Governance and Disclosure of Asset Impairment Information**

Variable	Predicted sign	Coefficient	z-Statistic	p-value
Intercept		-0.865	-0.64	0.524
B_IND	+	1.038	0.99	0.324
OWN	+	0.390	0.56	0.574
FAMILY	-	0.224	0.78	0.433
A_CMT	+	0.891	0.70	0.481
C_DUAL	-	0.010	0.03	0.980
A_FIRM	+	1.069	3.47	0.001***
AWCA	-	1.080	1.17	0.240

LOSS	0.372	0.95	0.342
SIZE	0.0977	1.03	0.302
PROFIT	1.6332	1.03	0.303
LEV	-0.7197	-1.07	0.286
Wald chi2	18.83		
p-value (chi2)	0.049		

\*\*\* Significant at 1% level.

**Variable definitions:**

- DIS\_IMP = Equals 1 if firm reports the accumulated impairment of PPE separately and 0 otherwise,
- B\_IND = Proportion of independent non-executive directors,
- OWN = Proportion of ordinary shares owned by substantial shareholders (with equity of 5 percent or more)
- FAMILY = Ratio of family members on the board to total directors,
- A\_CMT = Percentage of audit committee members on the board,
- C\_DUAL = Equals 1 if the roles of chairman and CEO are combined and 0 otherwise,
- A\_FIRM = Equals 1 if audit firm is big 4 and 0 otherwise,
- AWCA = Abnormal accruals measured using DeFond and Park (2001) model.
- LOSS = Equals 1 if the net income in year t is negative and 0 otherwise,
- SIZE = The natural log of total sales at end of year t,
- PROFIT = Net income in year t divided by total assets at end of year t,
- LEV = Total liabilities divided by to total assets at end of year t.

**Conclusion**

Malaysian accounting standard does not require public listed companies to disclose accumulated impairment information separately. Thus, companies that choose to provide the information to the stakeholders are voluntarily disclosing the information. This study examines whether corporate governance influence the decision to disclose the impairment information. The study uses a sample of 298 public listed companies that disclose asset impairment information in year 2013. The results obtained indicate that majority of the sample firms choose to disclose asset impairment information separately indicating that Malaysian companies are more likely to disclose the information as a separate item. As expected, the study finds that firms that audited by big firm are more likely to disclose the asset impairment information separately. The results support the notion that big audit firm promotes good corporate disclosure practices. Our study provides empirical evidence to the policy makers and accounting regulators on the characteristics of firms that provide greater information to stakeholders on asset impairment. The limitation of our study is that the analysis covers information for one year. Future studies should use data that cover more than one year to provide stronger and better results.

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