This paper aims to examine the extent of financial ratio information communicated in the annual reports of Malaysian listed companies. The sample is selected from top 100 companies on Bursa Malaysia for year 2011. The annual reports are gathered and the data are hand collected. A regression model measures the Extent Financial Ratio Disclosure (EFRD) using 10 mostly referred and cited financial ratios. Findings reveal that on average, the sample firms disclose 18.4% of selected financial ratios in their annual reports. The Net Asset Per Share (NAPS) ratio is among the popular ratios presented in the annual reports. For the corporate governance score (CGS), almost 50% of the board of directors are independent. The average percentage of shareholding of 80.63% and this implies that Malaysian shareholding is considered to be concentrated. Corporate Governance (CG) element does have a positive relationship with EFRD. Higher numbers of independent directors increase the extent of the financial ratio disclosures. It explains that the role of independent directors as proposed in the Malaysian Code on Corporate Governance (MCCG) actually works and it helps to add value to the quality of financial reporting.

JEL Codes: M4, O1, and I2

Field of Research: Accounting

1. Introduction

Financial ratio disclosures are critically important for several reasons. First, the disclosures could serve as the crucial information for users of financial statements, including sophisticated or non-sophisticated users. Sophisticated users (management, board of directors, investors, shareholders, stakeholders) are reliant on disclosed financial ratios to assess the performance of companies. Therefore, providing a comprehensive set of financial ratios and how each was defined are crucial sources of information. For non-sophisticated users (laymen), the financial ratio disclosures will enable them to make an informed investment decision making. In addition, many ratios computed today are not standard. The lack of uniformity limits the comparability in financial statements analysis and encourage companies to disclose the most favourable ratios to their firm’s condition (Gibson and Boyer, 1980). Gibson (1982, p.18) views that “probably no tool is more effective in evaluating the financial future of a company than the proper use of financial ratios”. Thus, the financial ratio disclosures are essential to overcome these problems.

Despite their wide use and stated importance, there typically is a paucity of financial ratio information disclosed in company’s annual reports. In recent years, there has been an increasing interest in financial ratio disclosures. Gibson (1982) provides a list and description of ratios that are frequently used in annual reports.

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Watson, Shrives and Marston (2002) investigate the relationship between financial ratio disclosures and firm characteristics in U.K, while Australian companies are studied by Mitchell (2006) on their selectivity of reporting. In Malaysia, Abdullah and Ku Ismail (2008) investigate the association between accounting ratios and performance of the firms. They find low level of disclosure on financial ratios among the Malaysian companies. Ho, Aripin and Tower (2012) analyse the impact of corporate governance mechanisms and firm characteristics on financial ratios disclosure over the turbulent 2001 and 2006 periods in Malaysia. They find the highest category of financial ratio disclosures is profitability. None of corporate governance mechanisms are significantly influenced such disclosure. To date there has been little agreement on what should be disclosed due to the voluntary nature of financial ratio disclosures (with the notable exception of Earnings per Share). This highlights the requirement to understand how and why financial ratio information disclosures are made by firm management and the board of directors.

This is where the communication of financial ratios in the annual report comes into the picture. Financial ratios are among financial statement analysis tool that are widely used in communicating financial performance of the firms. For the purpose of this study, a financial ratio is defined as a mathematical relation between two quantities (Subramanyam and Wild, 2009). The communication of financial ratios is measured as pre-defined ratios provided or reported by companies in their annual reports. This study embarks on two objectives that are to examine the extent of financial ratio information communicated in the annual reports of Malaysian listed companies, and to examine the significant predictors influencing the extent of financial ratio communicated in the annual reports of Malaysian listed companies. The findings of this research are unique in the sense that it incorporates ten (10) most popular financial ratios. Also, this results show a positive influence of the independent directors on board towards the communication of financial ratios by top 100 companies in Malaysia. These findings are different from Ho, Aripin and Tower (2012).

The paper is organised as follows: Introduction section provides the background and the importance of the research, followed by review of past studies and hypotheses development in the Literature Review section. Next, Methodology section explains the sampling technique and research model utilised in this study. Finding section describes the results of analysis and discussion, while Summary and Conclusion discusses the limitations and suggest recommendation for future research.

2. Literature Review

This section provides insights on the literature of management disclosure incentive using the agency theory. Further, the discussion on the advantages of disclosure within the annual report is offered. Then, hypotheses development is discussed.

2.1 Agency Theory

This research employs agency theory to assist in determining suitable factors that could influence voluntary financial ratio disclosures patterns. Agency theory is concern with the relationship between the principal (owner) and agent (manager) of the firm. The underlying basis of agency theory is that one party (the principal) assigns work to another (the agent) who performs that work. According to Jensen and Meckling (1976, p.308), agency relationship is define as “a contract under which one or more persons (the principal/s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”.
They also explain that agency theory enhances the understanding of the situation where separate ownership and control between owner and top management of the firm occurs. They also suggest that these parties have their own concerns and preferences giving rise to what is known as a ‘conflict of interest’. A conflict of interest arises from divergent goals between the principal and agent, and difficulties in monitoring agents’ actions (Eisenhardt, 1989).

According to Fama and Jensen (1983), a considerably high cost is needed to monitor the actions and decisions made by an agent. This is because full monitoring of an agent’s actions seems unlikely in any principal-agent contract especially for large firms in developed industrial societies (Scott, 1997). The agency costs may include a component of expenditures incurred by the principal to monitor the agent, the agent’s cost on bonding, and the residual loss. In addition, Healy and Palepu (2001) suggest the resolution to agency problems may require formal contracts, monitoring of management by the board of directors, information intermediaries and the market for corporate control.

2.2 Advantages of Disclosure within the Annual Report

This section provides insights into the benefits of increased disclosure quantity. It is based on the argument that firms should provide sufficient decision-useful information to their stakeholders. Knauss (1964, p.607) posits that “disclosure, however, is not a simple method of regulation having universal application and universal effectiveness. It assumes a different role and meaning depending on the information to be disclosed, and the parties for whom the information is intended”.

Botosan (2006) suggests public disclosure mitigates information asymmetry by displacing private information and concludes that greater disclosure reduces cost of equity capital. Further, Lundholm and Winkle (2006) develop and utilise the same theoretical framework in summarising the existing empirical work in the voluntary disclosure area.

Diamond and Verrecchia (1991) find that disclosure reduces information asymmetry and cost of capital. Thus, more disclosure benefits both the firm and its stakeholders. In a related study, Healy, Hutton and Palepu (1999) study the relationship between share performance and extent of voluntary disclosure. They report that an increase in disclosure is associated with an increase in stock performance, growth in institutional ownership, increased stock liquidity and higher analyst coverage.

Lang and Lundholm (1996) evidence that by disclosing more future information, it reduces uncertainty and information asymmetry, improves accuracy of users expectation and it also attract the attention of analysts. In addition, provision of forward looking information reduces the cost of capital. Thus, it implies that more disclosure of future-orientated information reduces uncertainty of users.

Evans and Sridhar (2002) investigate how disclosure may influence capital markets, product markets and shareholder litigation. They argue that favourable disclosure lead to a lower cost of capital. Graham, Harvey and Rajgopal (2005) list five factors that motivate firms to voluntary disclose information. These are information asymmetry, increase analyst coverage, corporate control test, stock compensation and management talent. On the other hand, they suggest the constraints on voluntary disclosure which are litigation risk, proprietary costs, political costs, agency cost, and limitation of mandatory disclosure precedent that may be hard to maintain.
To conclude, previous studies have reported ample evidence on the positive impact of disclosure to the firms and shareholders. Several studies have applied agency theory in explaining the choice of disclosure policy by the firms. It is suggested that voluntary disclosure, in addition to mandatory disclosure, reduces the information asymmetry problems and therefore enhances better informed decision making. This notion applies to voluntary financial ratio disclosures. Despite its obvious benefits and functions, the amount of research on voluntary disclosure of financial ratios is still low. Therefore, this study explores factors that encourage firms to voluntarily disclosed financial ratios in their annual reports. Previous research on financial ratios disclosures mainly focus on the characteristics of the firms such as firm size and profitability of the firms (Watson et al., 2002 and Mitchell, 2006). Limited research considers corporate governance mechanism in reporting financial ratios such as Ho et al. (2012), however they use 2001 and 2006 Malaysian data. The difference about this paper is that it supplies recent findings based on 2011 data of top 100 Malaysian companies that use financial ratios and corporate governance elements on voluntary disclosure.

Further, number of previous studies in this unique reporting incentives are very limited in Malaysia (Abdullah and Ku Ismail, 2006; Ho et al., 2012). Different perspective of the usage of financial ratios were investigated such as by Tan, Yong and Tay (2012) who study the financial ratios as predictor of Malaysian stocks plantation while Ab. Halim, Jaafar, Osman and Haniff (2012) use financial ratio as determinants of construction firms’ failure. Thus, due to the limitations of previous research, this current research is carried out.

2.3 Empirical Studies and Hypotheses Development

This section provides the theoretical background utilised as a backbone for this research. Then, the hypotheses are developed based on past literature. A considerable amount of literature has been published on voluntary financial reporting (Barako, 2004; Eng, Hong and Ho, 2001; Botosan, 1997; Meek, Roberts and Gray, 1995; Hossain, Tan and Adams, 1994; Cooke, 1989; Chow and Wong-Boren, 1987; McNally, Eng and Hasseldine, 1982). Meek et al. (1995, p.555) define voluntary disclosure as “disclosure in excess of requirements – represent free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports”. This section reviews previous studies that examine the association between corporate governance, firm size, ownership concentration and extent of financial ratio disclosure.

2.4 Corporate Governance

Corporate governance factors assist to minimize agency problems between managers and shareholders. There are internal and external governance mechanisms designed to reduce agency costs. These mechanisms are essential to moderate the self-serving activities of managers. Adoption of governance attributes as recommended by the Malaysian Code on Corporate Governance (MCCG) constitutes as one of the mechanism that helps reduce agency problems arising from the separation of ownership and control (Jensen and Meckling, 1976).

In this paper, the strength of corporate governance is measure as the proportion of independent directors on the board. As proposed by Bathala and Rao (1995), composition of the board is one of several mechanisms than can mitigate agency conflicts within the firm, as outlined by agency literature. The argument of agency theory is that independent
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directors are needed on the boards to monitor and control the actions of executive directors
due to their opportunistc behaviour (Jensen and Meckling, 1976) and also to ensure that
managers are working in the best interest of the principal (Baysinger and Hoskisson, 1990).

Palmieri (1979) states that independent directors are critically important because their
extensive knowledge, experience and they are independent from management, and
therefore serve as an important role to minimise agency problems. As highlighted by John
and Senbet (1998), board composition is an important element to determine the
effectiveness of the board. Haniffa and Cooke (2002) argue that an independent board
serves as an important check and balance mechanism in enhancing boards’ effectiveness.
Support for these assertions is further provided by Fama and Jensen (1983), Pettigrew and

Cheng and Courtenay (2006) note that boards with a larger proportion of independent
directors are significantly and positively associated with higher levels of voluntary disclosure
in Singapore. This study also indicates that firms with boards that have a majority of
independent directors have higher levels of voluntary disclosure than firms with boards that
do not have a majority of independent directors. In addition, Chen and Jaggi (2000)
examine the association between independent directors and corporate disclosure. They
evidence a positive relationship between a board with a higher proportion of independent
directors and comprehensive financial disclosure. These findings are consistent with
agency theory where higher proportion of independent directors enhances voluntary
financial reporting (Barako, Hancock and Izan, 2006).

Further, the effect of good governance practices on the quality of financial reporting has
recently receive attention from researchers (Beasley, Carcello, Hermanson and Lapides,
2000; Beasley, 1996). Beasley (1996) find that no-fraud firms have boards that have a
significantly higher percentage of outside members than fraud firms. These studies
demonstrate that the inclusion of outside members on the board reduces the occurrence of
financial statement fraud, and therefore assists in the provision of reported information that
faithfully represents the value of financial statement elements. Goodwin and Seow (2002)
argue that sound governance by board of directors influence the quality of financial
reporting.

Computed financial ratios are an effective tool to evaluate firms’ operational results
(Mitchell, 2006) and deemed to be the mirror of firms’ performance where higher financial
ratios generally identify profitable firms (Horrigan, 1965). Misuse of entities’ financial
resources could be highlighted by financial ratios. Thus, the transparency of corporate
governance elements could minimise poor performance or mitigates fraudulent activity.
This ultimately will influence the financial ratio disclosure policy, where firms with effective
governance structure are expected to disclose more financial ratios as publicly available
information.

Consistent with this rationale, it is expected that the extent of financial ratio information
disclosed will be positively related to the strength of corporate governance attributes of the
firm. The reason for this is that the presence of independent directors makes the release of
voluntary information less costly because insiders have less to hide (Patelli and Prencipe,
2007). This leads to a hypothesis that underlines the link between a firm’s governance
structure and their disclosure of financial ratio information. The requirement to disclose
corporate governance attributes will facilitate a comparison between a firm’s corporate
governance characteristics and financial ratio disclosures. To formally test the influence of
corporate governance on financial ratio disclosures, the following hypothesis is proposed:
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\( H_1: \) The extent of financial ratio disclosures is positively associated with a stronger corporate governance structure.

2.5 Ownership Structure

Ownership structure is another mechanism that aligns the interest of shareholders and managers (Eng and Mak, 2003; Haniffa and Cooke, 2002; Chau and Gray, 2002; Hossain et al., 1994). It is believed that agency problems (Jensen and Meckling, 1976) will be higher in the widely held companies because of the diverse interests between contracting parties (Mohd Ghazali and Weetman, 2006). By utilizing voluntary disclosure, managers provide more information to signal that they work in the best interests of shareholders.

In this study, ownership structure is a proxy by ownership concentration. By using agency theory tenets, it is argued that firms with higher concentration of ownership structure may disclose less information to shareholders through discretionary disclosure. In Australia, McKinnon and Dalimunthe (1993) note highly diversified companies disclose more voluntary information. A sample of 65 listed diversified companies is selected based on voluntary disclosure of segment information. Hossain et al. (1994) report a negative association between ownership structure concentration (measured by top 10 shareholders) and the level of voluntary disclosure by Malaysian listed firms. Mohd Ghazali and Weetman (2006) posit that the companies with higher ownership concentration disclose less voluntary information. They find that director ownership is significantly associated with the extent of voluntary disclosure. Lakhal (2005) specifies that share ownership concentration is statistically and negatively associated with voluntary earnings disclosures. Oliveira et al. (2006) also document that firms with a lower shareholder concentration voluntarily disclose more information about intangibles in Portugal.


Previous literatures clearly evident that information asymmetry between managers and shareholders can be mitigated by disclosure strategies (Healy and Palepu, 2001). For this particular research, it is expected that ownership structure may influence the voluntary disclosure of financial ratio. Therefore, the next hypothesis to be tested is:

\( H_2: \) The extent of financial ratio disclosures is negatively associated with higher ownership concentration.

2.6 Firm Size

Firm size is another factor that may potentially influence financial ratio disclosure practices. A large and growing body of literature has investigated the impact of firm size to the disclosure practices of firms (Hossain et al., 1994; Wallace et al., 1994; Chow and Wong-Boren, 1987; Buzby 1975; Singhvi and Desai, 1971). Most of these studies found that size does affect the level of financial reporting of companies.

Further, Watson et al. (2002) investigate the voluntary disclosure of accounting ratios in UK. Their result suggests that large companies are more likely to disclose ratios than small
companies. Barako et al. (2006) study the factors influencing voluntary corporate disclosure by Kenyan companies and found that size is one of the factors that encourage the firm to disclose more information. In another voluntary environmental disclosure study by large UK companies, Brammer and Pavelin (2006) also note that the larger the firm, the more likely they will make voluntary disclosures of environmental issues.

In addition, Singhvi and Desai (1971) outline several reasons for a positive relationship between size of company and quality of disclosure. They argue that larger firms tend to provide a better quality of disclosure because the lower cost of accumulating detailed information. The other reasons are managers of larger company are more likely to realise the possible benefits of better disclosure and small companies are more likely to feel that full disclosure of information could endanger their competitive position. It can be concluded that firm size does matter to the voluntary financial reporting practices of companies. Thus, the impact of firm size is also expected to be in the same direction for financial ratio disclosures. Hypothesis designed to test this assertion is formally stated as:

\[ H_3: \text{The extent of financial ratio disclosures is positively associated with firm size.} \]

3. The Methodology and Model

The companies are selected from top 100 companies listed on Bursa Malaysia in 2011. These 100 samples are selected based on their market capitalisation. Based on previous studies, it is suggested that large companies would provide more information to fulfil the requirement of their stakeholders. The annual reports were gathered and the data were hand collected. In terms of regression model, the dependent variable is Extent Financial Ratio Disclosure (EFRD). EFRD Index is the proxy to measure the extensiveness of financial ratios disclosure. This variable captures the voluntary disclosure practice of financial ratios in the annual reports. A disclosure index comprising list of ratios commonly discussed by seminal authors is developed. Based on Ho, et al. (2012), 43 financial ratios categorised into five categories were used. However, their findings show moderately low level of overall disclosure (12.21% for 2001 and 14.98% for 2006). Further, there were extremely low level of disclosures for certain categories of ratios such as capital structure category (1.43% in 2001 and 2.5% in 2006) and liquidity category (1.07% in 2001 and 7.72% in 2006). To investigate the disclosure level of most popular ratios, this study narrow down the list to 10 mostly referred and cited financial ratios. They are Net Assets Per Share (NAPS), Return On Equity (ROE), Return On Assets (ROA), Gearing (GEA), Dividend Payout (DP), Dividend Yield (DY), Return On Shareholder (RS), Price to Earnings (PE), Gross Profit Margin (GPM) and Debt to Equity (DE).

Each voluntary ratio is coded as 1 if the item is presented in the annual report for each company and (0) otherwise. The EFRD score is computed by summing up all items disclosed divided by 10. The EFRD score can be mathematically represented as follows:

\[ \text{EFRD}_j = \frac{\text{Total number of financial ratios disclosed}}{10} \]

The independent variables tested are corporate governance, ownership concentration and firm size. Corporate Governance Score (CGS) is a measure of the percentage of independent directors to total number of directors on the board of directors. Ownership Concentration Score (OCS) is the number of shares owned by top thirty shareholders
divided by the total number of shares issued. *Firm Size (FSIZE)* is measured as the natural logarithm of total assets. In order to control for other effects on the dependent variables, two control variables are used. These are Profit/ Loss Firm (PLF) and and Big4 audit firm (BIG4). Profit firm is assigned a score of 1, and 0 for loss firm. Similarly, Big4 audit firm is assigned a score of 1, otherwise zero (0). Data is analysed using SPSS software for descriptive, uni-variate and regression.

**4. The Findings**

**4.1 Descriptive Analysis**

Table 1 displays the descriptive statistics for the dependent and independent variables. On average, the sample firms disclose 18.4% of the selected financial ratios in their annual reports. This Extent of Financial Ratio Disclosure (EFRD) percentage is considered moderate as compare to previous studies by Ho, Aripin and Tower (2012). There are companies which do not provide the selected financial ratios at all. However, the maximum percentage of the disclosure is 60% of the selected financial ratios.

For the corporate governance score (CGS), almost half of the board of directors are independent. This is in line with Malaysian Code of Corporate Governance (MCCG) recommendation where majority of the directors sit on the boardroom should be independence. The maximum proportion of independent directors on the board is 75%, which is beyond the recommendation by MCCG. Firm size (FSIZE) is measure as natural logarithm of total assets of the sample firms. The transformation is done to ensure the distribution of the data is normal. On average, the FSIZE is 9.51, with minimum and maximum score of 7.3 and 11.47 respectively.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EFRD (%)</strong></td>
<td>100</td>
<td>0</td>
<td>60%</td>
<td>18.4%</td>
<td>13.61%</td>
</tr>
<tr>
<td><strong>Corporate Governance (CGS) (%)</strong></td>
<td>100</td>
<td>23%</td>
<td>75%</td>
<td>45.37%</td>
<td>11.97%</td>
</tr>
<tr>
<td><strong>Firm Size (FSIZE)</strong></td>
<td>100</td>
<td>7.30</td>
<td>11.47</td>
<td>9.51</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Ownership Concentration Score (OCS) (%)</strong></td>
<td>100</td>
<td>26%</td>
<td>96%</td>
<td>80.63%</td>
<td>11.16%</td>
</tr>
<tr>
<td><strong>Profit loss Firm (PLF)</strong></td>
<td>100</td>
<td>0</td>
<td>1</td>
<td>95%</td>
<td>21.9%</td>
</tr>
<tr>
<td><strong>Big4 (BIG4)</strong></td>
<td>100</td>
<td>0</td>
<td>1</td>
<td>94%</td>
<td>23.9%</td>
</tr>
</tbody>
</table>

Further, the ownership concentration score (OCS) is measure as the percentage of shareholding of top 30 shareholders. As reported in Table 1, the minimum percentage of top 30 shareholders is 26%, while the maximum percentage is 96%, with average percentage of shareholding of 80.63%. This shows that Malaysian shareholding is consider as concentrated ownership.

Profit or loss firm (PLF) and type of auditor (BIG4) are measured using categorical dummy measure. From the analysis, it shows that 95% of the sample firms are profit-making firms.
and 94% of them are audited by BIG4 audit firms. The result is consistent with the selected sample firms, which are top 100 firms that normally earned significant profit and they are clients of big audit firms.

Table 2: Frequency of individual ratio

<table>
<thead>
<tr>
<th>Ratio</th>
<th>N</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets per share (NAPS)</td>
<td>73</td>
<td>73%</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>33</td>
<td>33%</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>19</td>
<td>19%</td>
</tr>
<tr>
<td>Gearing (GEA)</td>
<td>16</td>
<td>16%</td>
</tr>
<tr>
<td>Dividend payout (DP)</td>
<td>14</td>
<td>14%</td>
</tr>
<tr>
<td>Dividend yield (DY)</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>Return on shareholder (RS)</td>
<td>7</td>
<td>7%</td>
</tr>
<tr>
<td>Price to earnings ratio (PE)</td>
<td>6</td>
<td>6%</td>
</tr>
<tr>
<td>Gross profit margin (GPM)</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Debt to equity</td>
<td>1</td>
<td>1%</td>
</tr>
</tbody>
</table>

Table 2 illustrates the frequency of selected ratios communicated by the firms in their annual reports. Based on Table 2, the net assets per share ratio is among the popular ratios presented in the annual reports, where 73% of the sample firms provided this ratio. This ratio can be classified as share market measure ratio. This ratio is an indicator about the firm’s value per share. In order to attract investor or potential investors’ attention, providing this ratio could be helpful.

The next most commonly presented financial ratio is return on equity (ROE) where 33 firms reported this ratio. This is a profitability ratio, where investors can have clues about how much profit a company generates with the money shareholders have invested. Providing this ratio to investors also potentially would enhance the understanding of investors about firms’ performance. Further, return on assets (ROA) is communicated by 19 companies. This ratio provides an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient the management is at using its assets to generate earnings. Similarly, this ratio indicates the profitability of the firms.

Another category of ratios reported by the sample firms is gearing. 16% of the firms provide this ratio in their annual report. Gearing is a measure of a company’s financial leverage and shows the extent to which its operations are funded by lenders versus shareholders. The appropriate level of gearing for a company depends on its sector, as well as the degree of leverage employed by its peers. The next two ratios communicated by the firms are dividend payout and dividend yield, where 14 and 10 firms respectively communicated these ratios. The payout ratio provides an idea of how well earnings support the dividend payments. A stable dividend payout ratio indicates a solid dividend policy by the company’s board of directors.
4.2 Univariate Analysis

Table 3: T-test EFRD with profit/loss firms and type of audit firm

<table>
<thead>
<tr>
<th></th>
<th>EFRD</th>
<th>n</th>
<th>Mean (%)</th>
<th>Mean Difference (%)</th>
<th>t-stats</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/loss firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss firms</td>
<td></td>
<td>5</td>
<td>0.200</td>
<td>0.17</td>
<td>-0.268</td>
<td>0.789</td>
</tr>
<tr>
<td>Profit firms</td>
<td></td>
<td>95</td>
<td>0.183</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of audit firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Big4</td>
<td></td>
<td>6</td>
<td>0.217</td>
<td>0.035</td>
<td>-0.604</td>
<td>0.547</td>
</tr>
<tr>
<td>Big4</td>
<td></td>
<td>94</td>
<td>0.182</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on Table 3 above, there are 95 profits firms, and only five are loss firms. The mean value for loss firms is 0.2, while for profit a firm is 0.183. However, there is no significant difference between profit or loss firms. This implies that whether the profit or loss firms do not actually find that the extent of financial ratio disclosures is that important for their companies. Next, finding reveals that based on type of audit firm, comparison is made between companies audited by Big4 and Non-Big4 audit firms. The mean value for Non-Big 4 is 0.217 and mean for Big4 is 0.182. The t-test fails to show any differences between these two categories. Thus, whether companies are being audited by Big4 or Non-Big4, the extent of financial reporting disclosures has no difference.

Table 4: Pearson Correlations

<table>
<thead>
<tr>
<th></th>
<th>EFRD</th>
<th>CGS</th>
<th>FSIZE</th>
<th>OCS</th>
<th>PLF</th>
<th>BIG4</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFRD</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CGS</td>
<td>.302</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSIZE</td>
<td>.168</td>
<td>.170</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCS</td>
<td>-.102</td>
<td>-.094</td>
<td>-.106</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLF</td>
<td>-.027</td>
<td>.069</td>
<td>-.111</td>
<td>-.092</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>BIG4</td>
<td>-.061</td>
<td>.093</td>
<td>-.037</td>
<td>-.090</td>
<td>-.058</td>
<td>1</td>
</tr>
</tbody>
</table>

EFRD= Extent of Financial Ratio Disclosures, CGS= Corporate Governance Score, FSIZE= Firm Size, OCS= Ownership Concentration Score, PLF=Profit or Loss Firm, BIG4= Big Four Audit Firms.**Correlation is significant at the 0.01 level (2-tailed),* Correlation is significant at the 0.05 level (2-tailed). Down-left= Pearson.

With reference to Table 4 above, there is a correlation between EFRD with CGS, and CGS and OCS. EFRD and CGS is significant at 99% with the value of correlation is 0.265. It indicates that when more CGS variable is included by companies, higher EFRD is disclosed. While CGS and OCS is significant at 95% level with the value of -0.218. This means that higher ownership concentration is related with lower level of corporate governance.
4.3 Multiple Regression Analysis

Table 5: Multiple Regressions

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-stat</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFRD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F statistics</td>
<td>2.587</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significance</td>
<td>0.031</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Predictor variables

| Intercept | -0.019 | -0.075 | 0.940 |
| CGS       | 0.328  | 2.912  | 0.006** |
| FSIZE     | 0.022  | 1.100  | 0.274 |
| OCS       | -0.094 | -0.784 | 0.435 |
| PLF       | -0.030 | -0.486 | 0.628 |
| BIG4      | -0.058 | -1.038 | 0.302 |

EFRD= Extent of Financial Ratio Disclosures, CGS= Corporate Governance Score, FSIZE= Firm Size, OCS= Ownership Concentration Score, PLF=Profit or Loss Firm, BIG4= Big Four Audit Firms. **Correlation is significant at the 0.01 level (2-tailed), * Correlation is significant at the 0.05 level (2-tailed).

Based on the analysis, Table 5 reveals that CGS variable does have a positive relationship with EFRD with the coefficient of 0.328 (p value = 0.01). This explains that higher number of independent directors increase the extent of the financial ratio disclosures. Further, this result explains that the role of independent directors as proposed in the MCCG actually works and it helps to add value to the quality of financial reporting. Thus, this finding is also consistent with previous studies (Cheng and Courtenay, 2006; Chen and Jaggi, 2000; Barako et al., 2006). However, this study does not support hypothesis 2 and hypothesis 3. Other variables such as ownership structure and firm size also do not influence the disclosure of financial ratios.

5. Summary and Conclusions

In summary, annual reports and financial ratios do play a significant role in conveying the financial information to the users in making wise decision. Interestingly, this study supports the agency theory where the independent directors are needed on the boards to monitor and control the actions of executive directors due to their opportunistic behaviour. Higher number of independent directors enhanced the extent of the financial ratio disclosures. Moreover, this shows that the roles of independent directors as proposed in the MCCG is meaningful and add value to the quality of financial reporting in Malaysian companies. The findings from this research also provide additional knowledge to be shared especially with investors, government and especially regulators on the current status of top 100 Malaysian Public Listed Companies.

In terms of the limitation, this study only considers ten (10) elements in the extent of financial ratio disclosures and only top 100 Malaysian Public Listed Companies. Future research may increase the sample size to include Government-Linked Companies and Family Companies. More elements of corporate governance can be tested further such as duality leadership, board size and board quality. In terms of year, this study only consider
one year (2011) as the period of study. In future, a trend analysis may give more meaningful results.

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