

**RETIREMENT BENEFIT PLANS: ACCOUNTING DISCLOSURES
AND STOCK RETURNS**

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ABSTRACT

Given that Malaysian companies have to adhere to the new standard regarding Retirement Benefit Reporting (FRS 119) for their 2003 financial statements and thereafter, this study seeks to find out the disclosure practices before and after the effective date of introducing the new standard. The findings show that 36 companies complied with FRS 119 before the effective date and 166 companies complied with the FRS 199 after the effective date. It is worth finding that the extent of disclosures of FRS 119 has improved after the effective date especially the disclosure on method of actuarial valuations, total expense recognized in the income statement and the principal actuarial assumptions. This study also finds that there is a marginally significant association between the type of retirement benefit plans and firm specific characteristics that are firm size and type of industry. On the other hand, this result reveals that the Cumulative Market Adjusted Return (CMAR) is positive and significant for both the early and non-early adopters.

ABSTRAK

Syarikat-syarikat Malaysia didapati perlu mematuhi piawaian baru berkenaan Pelaporan Faedah Persaraan (FRS 119) bagi penyata kewangan 2003 dan seterusnya, kajian ini cuba melihat sejauh mana amalan pendedahan sebelum dan selepas tarikh efektif piawaian baru diperkenalkan. Hasil kajian menunjukkan bahawa 36 syarikat mematuhi FRS 119 sebelum tarikh efektif dan 166 syarikat mematuhi FRS 199 selepas tarikh efektif. Penemuan yang bernilai ialah keluasan pendedahan terhadap FRS 119 bertambah baik selepas tarikh efektif terutama pendedahan ke atas kaedah penilaian aktuari, jumlah belanja yang diiktiraf dalam penyata pendapatan dan aktuari prinsipal andaian. Kajian ini juga menemui kaitan yang signifikan marginal antara jenis faedah persaraan dan ciri-ciri syarikat. Sebaliknya, penemuan kajian menjelaskan bahawa pulangan pasaran terlaras kumulatif “Cumulative Market Adjusted Return” (CMAR) adalah positif dan signifikan bagi syarikat yang membuat pematuhan awal dan syarikat yang tidak membuat pematuhan awal.

CHAPTER 1. INTRODUCTION

Retirement benefit plans, sometimes referred to as ‘pension schemes’, ‘superannuation schemes’ or ‘retirement benefit schemes’ have become major factors in the process of capital formation (Feldstein and Seligman, 1981). Hence, an understanding on (1) the employer’s choice between defined contribution plans and defined benefit plans, and (2) the effect of retirement benefit plans disclosure on stock return is potentially very important to financial analysts and other users of accounting information.

Financial Reporting Standards “FRS” (formerly known as Malaysian Accounting Standards Board “MASB” Standards) defines retirement benefit plans as an “arrangement whereby an enterprise provides benefits for its employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, of the employer’s contribution towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the enterprise’s practice” (FRS 126, Para 9)¹.

Retirement benefit plans can be either defined contribution (DC) plans or defined benefit (DB) plans. Defined benefit plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employee’s final salary and/or years of service. The enterprise’s obligation is to provide the agreed benefits to current and former employees under this defined benefit plans. In addition, an actuarial risk² and investment risk³ fall in substance on the enterprise. If actuarial or investment

experiences are worse than expected, the enterprise's obligation may be increased (FRS 119, Para 28).

Defined contribution plans however, are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The enterprise's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of post-employment benefits received by the employee are determined by the amount of contributions paid by an enterprise (and perhaps also by employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. As a consequence, the actuarial risk and investment risk fall on the employees (FRS 119, Para 26).

Most small and large employers favor defined benefit plans although the actuarial risk and investment risk fall on the employers (Allen, Melone, Rosenbloom and Mahoney, 2003). However, more recently, a number of employers have reevaluated the costs and benefits of these plans (Coronado and Hewitt, 2005). This could be due to the higher actuarial risk and investment risk associated with those plans. As a result, there are new trends in retirement benefit plans where more American Companies have moved towards defined contribution plans (The Economist, 2006). Similarly, Britain's Top 100 companies have taken the same step where the latest was Rentokil, a business-services firm that has become the first FTSE 100 company to close its defined benefit plans to the new and existing staff (The Economist, 2005).

In Malaysia, apart from the mandatory contribution by employers and employees to the Employees Provident Fund (EPF), few companies have separately administered defined benefit plans (Tan Liong Tong, 2000). A study done by Shahrir, Atef and Sharofi (2004) using 2001 data finds that 31 companies report defined benefit plans, 10 companies report both defined benefit plans and defined contribution plans and 11 companies have defined contribution plans. On the other hand, Watson Wyatt Worldwide's (2003) survey using 2003 data finds that defined contribution plans appear to be the dominant plan format among the companies surveyed in Malaysia. Given the preponderance of difference types of retirement plans, this study seeks to find out whether is there an association between companies' specific characteristics and type of retirement plans?

Prior to the issuance of FRS 119 and FRS 126, studies have shown that there are diverse accounting practices for retirement benefit plans among the companies in Malaysia. Tan, Veerinderjeet, Barjoyai, Loo, Unvar, and Mahfudzah (1998) examine the disclosure by the listed companies on KLSE (now Bursa Malaysia) for the year 1990 and find that most companies did not comply with the original IAS 19. In addition, Shahrir et al. (2004) also find that the disclosures of retirement benefits in Malaysia are still inadequate prior to FRS 119. In addition, this study also documents corporate disclosure practices regarding retirement benefit plans in Malaysia. It will alert and update information to academicians and users of accounting information of current corporate disclosure practices.

Feldstein and Seligman (1981) examine the effect of unfunded pension obligations on share prices and find an evidence that unfunded pension liabilities is a

contributor to the poor performance of share prices relative to book values and earnings. Furthermore, Amir and Ziv (1997) find that early adopters of Statement of Financial Accounting Standards “SFAS” No. 106 “Employers’ Accounting for Post-Retirement Benefits other than Pensions” have significantly higher cumulative market-adjusted return (CMAR) than non-early adopters. Finally, this study documents the cumulative market-adjusted return (CMAR) for the early adopters and non-early adopters of FRS 119 .

Specifically, the objectives of this study are as follows:

1. to investigate the extent of retirement benefit plans disclosure in the annual reports before and after the effective date of FRS 119;
2. to explore the association between the type of retirement benefit plans (DC and DB) and firm specific characteristics (firm size, number of employees, EPS, industry); and
3. to determine the cumulative market-adjusted return (CMAR) for early adopters and non-early adopters of FRS 119.

From 1 January 2000, the original International Accounting Standards “IAS” 19 was the approved accounting standard that Malaysian companies have to adhere in relation with retirement benefits (Tan Liong Tong, 2000). Subsequently the Malaysian Accounting Standard Board (MASB) issued FRS 119 and FRS 126, which become operative for financial statements covering periods beginning on or after 1 January 2003. FRS 119 “Employee Benefit” which supersedes the original IAS 19, “Accounting for Retirement Benefits in the Financial Statement of Employers” caters for disclosure by employer. On the other hand, FRS 126 “Accounting and Reporting

by Retirement Benefit Plans”, which supersedes Approved Accounting Standard IAS 26 “Accounting and Reporting by Retirement Benefit Plans” caters for disclosure by fund providers.

The most significant feature in the FRS 119 or revised IAS 19 is the adoption of a fair value approach for the measurement of assets and liabilities under defined benefit plans. For actuarial valuation, the original IAS 19 requires the use of the Accrued Benefit Valuation Method⁴ whereas FRS 119 requires the use of Projected Unit Credit Method⁵ (PUCM). The FRS 119 prescribes that an enterprise should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date. There is also varying accounting disclosure for defined contribution plans as required by FRS 119. The new standard requires the enterprise to disclose the expense item relating to retirement benefit in the income statement.

CHAPTER 2. HYPOTHESES DEVELOPMENT

2.1. Association between firm characteristics and type of plan

Crasswell and Taylor (1992) find that to minimize the political attacks and reduce the political costs, large companies can enhance their corporate image through comprehensive disclosure of information. Thus, the retirement benefit plans disclosure could create an image of a good employer and reduce the political costs for larger companies. The latest study done by Shahrir et al. (2004) shows that companies with defined contribution plans are significantly larger in size. Thus, this study would expect an association between firm size and type of retirement benefit plans. The following hypothesis is formulated as below:

H1: The type of retirement benefit plans is related to the firm size

Shahrir et al. (2004) also find that the companies with defined contribution plans have more employees. The results are based on 52 companies on Kuala Lumpur Composite Index (KLCI) in 2001 and not based on KLSE companies. In addition this study would also expect that there is an association between number of employees and retirement benefit plans. Thus, the hypothesis is postulated as follows:

H2: The type of retirement benefit plans is related to the number of employees

Tan et al. (1998) examine the accounting practices for retirement benefit plans among the listed companies on KLSE (now Bursa Malaysia) in 1990. They find that the most popular retirement benefit plan is defined contribution, followed by unfunded plans and plans based on contractual agreement. This result could be due to the higher administrative costs of defined benefit plans (Allen et al. 2003). Therefore this study would expect an association between earnings per share (EPS) and retirement benefit plans. Therefore, the hypothesis is stated as follows:

H3: The type of retirement benefit plans is related to EPS

Studies done by Tan et al. (1998) and Shahrir et al. (2004) investigate on the compliance of the accounting disclosures among companies in Malaysia. They examine the accounting practices for retirement benefit plans among the listed companies in KLSE (now Bursa Malaysia) prior to FRS 119. They find that most companies do not disclose the valuation methods used and some of them used other valuation methods that are not in compliance with IAS 19.

In the United States, good-producing industries have offered DB plans more than in services-producing industries and report shows that 33 % of all employers in good-producing industries and 19% in the services-producing industries were offered DB plans respectively (Costo, 2006). Therefore, this study would also expect that there is an association between type of industry and retirement benefit plans. Thus, the hypothesis is formulated as:

H4: The type of retirement benefit plans is related to industry

2.2 Market reaction to early and non-early reporting of information

Furthermore, Amir and Ziv (1997) investigate the timing and method of adoption of SFAS No. 106⁶ “Employers’ Accounting for Post-Retirement Benefits other than Pensions”. They consider the trade-offs between early and non-early reporting of information to be released under new accounting standards and predict that discretionary revelation of private information constitutes good news. The study assumes that managers have private information about the accounting standard’s valuation effect and use the adoption timing choices to convey this information to the market.

Amir and Ziv (1997) find that the market-adjusted return on a portfolio of 1991 adopters was significantly larger than the market-adjusted return on a portfolio of 1993 adopters. This result could suggest that companies with relatively unfavorable information are more likely to wait until the mandatory adoption date. Therefore, this study anticipates that the market-adjusted return of early adopters and non-early adopters of FRS 119.

H5: The cumulative market-adjusted return for early adopters is larger than the market-adjusted return for non-early adopters of FRS 119.

CHAPTER 3. RESEARCH METHODOLOGY

Firstly, lists of items that need to be disclosed according to FRS 119 are identified to determine the extent of disclosure. The scoring sheets on retirement benefit plans disclosure used in this study. Annual reports from all listed companies (banks and financial institutions will be excluded because they are subject to a different legal requirement) on the Main Board for the years 2002 and 2003 are collected either through mail or library search. The companies with the financial years ended 31 December 2002 and financial years between 31 January 2003 and before 31 December 2003 are examined to determine adopters before and after effective date of FRS 119.

Companies that disclose retirement expense in the income statement as for DC plans and adopting PUCM under DB plans are categorized as early adopters. In contrast, non-early adopters do not disclose the expense item although they have DC plans and non-early adopters for DB plans disclose other methods than PUCM for the actuarial valuation. In addition, all companies with financial year ended on 31 December 2003 that disclose retirement benefit plans are categorized as normal adopters. In addition, share prices and other relevant data for the sample are extracted from DataStream database and Investors Digest.

Multivariate tests are conducted to determine the level of association between firm specific characteristics as the independent variables and type of the retirement benefit plans as dependent variable as follows:

$$RB = f(\text{SIZE}, \text{EMP}, \text{EPS}, \text{IND}) \quad (1)$$

where RB denotes type of retirement plans; DC plans, DB plans of both plans; SIZE represents company size and natural log of total assets is used; EMP is number of employees; EPS is earnings per share and IND represents industry.

In equation (1), the dependent variable is trichotomous and takes the value of 0 (companies with DC plans), 1 (companies with DC and DB plans) and 2 (companies with DB plans). Thus, multinomial logistic regression is estimated to test for the first four hypotheses.

As for hypothesis 5, the methodology adopted by Amir and Ziv (1997) is replicated in this study. Sixty (60) days of cumulative market-adjusted return (CMAR) prior to the date of adoption and ending 60 trading days after this date for each firm is computed. The date when the annual report is released to the public is used as the date of adoption of the standard. This is due to lack of information on the adoption of FRS 119 on filing date of the first quarterly report.

The CMAR will be calculated as follows:

$$CMAR_i = \left[\prod_{t=-60}^{60} (1 + RET_{it} - \text{KLSE Index}_t) \right] - 1,$$

RET_{it} = firm i 's daily return at time t

KLSE Index $_t$ = the daily return on the KLSE index at time t and day 0 is day of adoption.

3.1. Sample Characteristics

A summary of the characteristics of sample companies is reported in Table 1. There are about 580 companies in the Main Board that are scrutinized and 246 companies which disclose retirement benefit plans in their financial statements for years 2002 and 2003. Panel A shows the characteristics of sample based on sectors. Nearly 75 percent of the sample companies come from sectors, namely, trading, industrial products, consumer products and properties. Panel B displays that 16 companies adopting FRS 119 before the effective date of the standard (i.e. early adopters) for their financial year ended 31 December 2002 and 20 companies for financial years ended between 31 January 2003 and before 31 December 2003. On the other hand, there are 44 companies that are categorized as non-early adopters in this study.

As shown in Panel B, 166 companies are adopters after the effective date of FRS 119 or classified as normal adopters of the standard with financial year end 31 December 2003. Panel C indicates that there are 71 percent of normal adopters with DC plans as compared to only 31 percent for early adopters with DC plans. It also worth noting that 58 percent of companies with DB plans is higher before the effective date of FRS 119 as compared to companies with DB plans after the effective date of FRS 119, which is merely 1.2 percent.

Table 1: Sample Characteristics

	<i>Early adopters</i>	<i>Non-early adopters</i>	<i>Normal Adopters</i>	<i>Total</i>
Panel A: By Sector				
Construction (IND1)	1	3	16	20
Consumer products (IND2)	7	9	25	41
Industrial products (IND3)	7	10	35	52
Plantation (IND4)	4	7	15	26
Properties (IND5)	3	2	24	29
Technology (IND6)	1	1	5	7
Trading/services (IND7)	11	10	41	62
Infrastructure (IND8)	2	-	2	4
Hotel (IND9)	0	2	3	5
Panel B: By Year				
2002	16	30	-	46
2003	20	14	166	200
Panel C: By Type of Retirement Plans				
Defined Contribution Only	11	3	118	132
Defined Benefit Only	21	29	2	52
Both	4	12	46	62

CHAPTER 4. RESULTS

4.1. The Extent of Disclosure

This study also highlights information about companies and their compliance with FRS 119 before and after the effective date of the standard. There are 36 companies, which adopt with FRS 119 before the effective date. All companies (100 percent) with DB plans report the method for actuarial valuation and general description of the plans. However, only 81 percent of early adopters report a reconciliation showing the movements during the period in the net liability or asset recognized in the balance sheet.

It is also found that all early adopters of FRS 119 with DB plans do not disclose the items as required by the standard that is the present value of defined obligation at the balance sheet date. Merely 28 percent of early adopters disclose the principal actuarial assumptions used as at the balance sheet date including the discount rates and the expected rates of salary increases. Furthermore, all companies except one company, that is, Konsortium Logistic Bhd reports actuarial valuation method that is Projected Unit Credit Method (PUCM). It is worth noting that the companies with defined benefit plans are mostly early adopters of FRS 119 as compared to companies that report defined contribution plans. In addition, all the early companies with DC plans comply with the standard of FRS 119.

On the other hand the results illustrate that there are only 166 companies disclosing their retirement benefit plans after the effective date of FRS 119. Among

these companies, there are 69 percent companies with DB plans adopting PUCM as required by FRS 119 for the actuarial valuation. While other companies such as IOI Corporation Bhd adopts Accrued Benefit Valuation Method (ABVM), Shell Refining adopts Projected Benefit Valuation Method, Perak Corporation adopts Average Cost Method (ACM) and I-Berhad adopts Attained Age Method (AAM) while a few companies (i.e. Chemical Company of Malaysia Berhad, Choo Bee Metal Industries, KFC Holdings, Mechmar Corporation Bhd, Muda Bhd, Pilecon Engineering Bhd, Riverview Rubber Estate Bhd, Sin Heng Chan, Star Publication (M) and Warisan TC Holdings Bhd) do not mention their actuarial valuation method.

Furthermore, nearly 70 percent companies that have DB plans disclose the items of accounting policy for recognizing actuarial gains and losses, general description of the type of plan, present value of the defined obligations (wholly or partly) funded, reconciliation of the assets and liabilities recognized in the balance sheet. In addition, approximately 50 percent of normal adopters with DB plans do not report the principal actuarial assumptions used as at the balance sheet date including the discount rates and the expected rates of salary increases. There are also about 80 percent of the companies with DB plans that do not disclose the items of the income statements as required by the standard including current service cost, interest cost, expected return on plan assets, actuarial gains and past service cost.

As for companies with DC plans, 72 percent of normal adopters comply with FRS 119 which they disclose retirement expenses in the income statement. On the other hand, 22 percent of normal adopters disclose neither liability nor as expense in the financial statement. It seems that not all companies fully comply with FRS 119 for

their financial statements ending 31 December 2003. In other words, this study finds that the disclosures of retirement benefit plans among listed companies are still inadequate after the effective date of implementing FRS 119.

Nevertheless, the extent of disclosures after the effective date of FRS 119 has improved as compared to disclosures before the effective date of the standard among listed companies in Malaysia.

4.2. Univariate Analysis

Table 2 shows the descriptive statistics of the independent variables included in this study partitioned by companies with defined contribution plans, companies with defined benefit plans and companies with both plans. Firm size is almost similar among companies with DC plans, DB plans and both plans. This study finds that the firm size for companies with both plans is marginally significantly higher than companies with DC plans only.

Earnings per share (EPS) for companies with DB plans only are higher than companies with DC plans or both plans. In addition, the number of employees for companies with DB plans only is also higher than companies with DC plans only. To summarize the univariate analysis, the only significant difference is the difference in size between companies adopting DC plans and companies adopting both plans.

Table 2: Descriptive Statistics of Continuous Independent Variables

	<i>Mean</i>	<i>Min.</i>	<i>Max.</i>	<i>T-Statistic DC vsDB DB vs Both DC vs Both</i>
Total Asset (LNtaRM million):				
Defined Contribution	20.1462	16.81	24.31	-1.300
Defined Benefit	20.4092	17.65	23.65	0.358
Both	20.4932	17.64	24.82	-1.785*
EPS (cents):				
Defined Contribution	17.6230	-63.70	201.60	-1.313
Defined Benefit	38.1193	-42.00	781.90	-0.938
Both	22.7908	-34.90	265.50	-0.881
Number of employees:				
Defined Contribution	2094.67	17	33726	-1.054
Defined Benefit	3327.83	38	56143	0.032
Both	3372.44	132	27484	-1.420

* significant at 10% level

4.3. Multivariate Analysis

The Pearson correlations between the continuous variables were carried out to determine whether multicollinearity problems existed. It is worth noting that not all variables are associated among them. Ordinary regression was also run using all the independent variables and the result shows that none of the variance inflation factors (VIF) are greater than 2. This indicates that multicollinearity is not a concern in this study.

Table 3 presents parameter estimates of multinomial models with corresponding coefficient values and standard errors. The parameters are interpreted as indicating the probability of an event either being companies with DC plans or both plans relative to the probability of being companies with DB plans only. The results

show that the likelihood ratio is 454.98 with 22 degree of freedom and significant at one percent level. The Nagelkerke of 0.181 indicates a mild relationship between dependent variables and independent variables. The percentage of correct classification for this model is 54.5%.

This study also finds that the company with DB plans only is significantly larger than companies with DC plans only. Furthermore, the result illustrates that companies in sectors such as construction, properties and trading/services are marginally significantly to be associated with retirement benefit plans. Thus, it is more likely that the above-mentioned industries adopt DC plans than DB plans. To summarize, the result reveals that there is an association between the type of retirement benefit plans and firm size and also type of industry.

Table 3: Parameter Estimates of Multinomial Models

<i>Variables</i>	<i>Multinomial</i>			
	<i>DC (n=132)</i>		<i>Both (n=62)</i>	
	Coefficient	<i>Standard error</i>	Coefficient	<i>Standard error</i>
Constant	6.095	4.081	1.478	3.522
LNASSET	-0.326*	0.190	-0.070	0.175
EPS	-0.003	0.003	-0.002	0.003
EMP	0.000	0.000	0.000	0.000
IND1	2.640*	1.449	0.422	1.356
IND5	2.666*	1.376	-0.433	1.356
IND7	2.539*	1.313	1.400	1.107

* indicates significant at 10% level or better.

Likelihood Ratio 454.98 (df = 22)
 Nagelkerke R² 0.181
 McFadden R² 0.084
 Percentage Correct 54.5%

In this model, the dependent variable is trichotomous and takes the value of 0 (companies with DC plans), 1 (companies with DC and DB plans) and 2 (companies with DB plans).

4.4. Cumulative Market Adjusted Return (CMAR)

There are a total of 36 early adopters with either DC plans or DB plans that have adopted FRS 119 for their financial years ended 31 December 2002 and financial years ended between 31 January 2003 and before 31 December 2003. On the other hand, there are 44 non-early adopters of FRS 119 which have the same financial years with early adopters having DC plans or DB plans but do not disclose their retirement benefit plans as required by FRS 119. In other words, these companies do not disclose retirement expense in the income statement for DC plans or do not adopt PUCM method for actuarial valuation as for DB plans.

Table 4: Descriptive Statistics of CMAR

	<i>Mean</i>	<i>Min.</i>	<i>Max.</i>	<i>T-Statistic</i>
CMAR				
Early Adopter	0.098	0.167	0.69	2.648**
Non-early Adopter	0.075	0.169	0.61	3.051**

**significant at 1 percent level

Table 4 illustrates the descriptive statistics for CMAR. This study finds that CMAR for early adopters and non-early adopters is significant at 1 percent level. In other words no matter when the companies adopt FRS 119, CMAR is positive and significant for both groups. Table 4 shows that the CMAR for early adopters and non-early adopters of FRS 119 is 9.8 percent and 7.5 percent respectively. The CMAR for early adopters is higher than non-early adopters.

However the T-test and Mann-Whitney Test gave the same result as there is no significant difference of CMAR between early adopters and non-early adopters. Thus, this finding is not consistent with the findings of Amir and Ziv (1997) who

document that market-adjusted return on a portfolio of 1991 adopters was significantly larger than the market-adjusted return on a portfolio of 1993 adopters. Therefore, there could be other reasons or variables that cause the association of CMAR and early adopters and/or non-early adopters.

A further test was conducted to determine whether CMAR is associated with announcements of earnings whereby EPS is used as an additional variable in this test. The result reveals a lack of significant association between CMAR and EPS among companies, which are categorized as early adopters and non-early adopters of FRS 119. Therefore a further research could be conducted to find other reasons or variables that could be associated with CMAR.

CHAPTER 5. CONCLUSIONS AND LIMITATIONS

This study finds that the disclosures of retirement benefit plans as required by FRS 119 have improved after the implementation date of the standard. More DC plans are reported after the effective date in 2003. Comparatively there are more DB plans reported before the effective date of FRS. The study finds that companies adopting DB plans only is significantly larger than companies with DC plans only. Furthermore, the companies with DC plans are more likely to be from sectors or industries such as construction, properties and trading/services. It is also worth noting that CMAR of early adopters are larger than non-early adopters although the difference is not significant.

However, there is a limitation of method employed in determining the adoption date of the FRS 119 that could result other findings. In addition, the current requirement on the retirement benefit disclosures by MASB ED 49 as an amendment to FRS 119 is not taken into consideration that might have an effect on the findings in this study.

End Notes

1. FRS 126 was formerly known as MASB 30.
2. Benefit will cost more than expected (FRS 119, Para 28).
3. Assets invested will be insufficient to meet expected benefits (FRS 119, Para 28)
4. Under this method, current service cost is the present value of benefits payable in the future in respect of service in the current period. Past service cost is the present value on the introduction of a retirement benefit plan and accrued actuarial liability is the present value of benefits payable in the future in respect of service to date (Appendix, IAS 19).
5. This method is pro-rated on service or as the benefit or years of service sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (FRS 119, Para 66).
6. The standard was effective for fiscal year starting December 15, (Amir and Ziv, 1997).

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