

## **Disclosure choices, corporate characteristics and compliance with IFRS Practice Statement Management Commentary: an empirical study of Malaysian listed companies**

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### **Abstract**

The purpose of this study is to investigate the extent to which Management Commentary section in the annual reports of listed companies in Malaysian Stock Exchange fulfil compliance requirements of IFRSs Practice Statement of 2010. A total of 100 companies whose market capitalization was approximately 85% of the market by the end of 2012 were chosen for the analysis. A Disclosure Index containing 25 items, using the annual reports of the selected companies for 2012, was developed to investigate the compliance level and determinants of Management Commentary in Malaysia. A multiple regression was used to analyse the data. The adjusted R square is 37% that provides the explanatory power of the model. The results indicate that there is a low tendency to comply with the Practice Statement as the compliance levels range from the low of 22% to the high of 67% with an average disclosure of 47.4%. The compliance pattern suggests that most firms, on average, place greater emphasis on disclosures regarding the internal workings of the firm but less so on the external factors and influences. We also report that firm profitability, institutional ownership, age of the firm, and consumer industry are the main determinants of Management Commentary disclosures in the Malaysian context. We also discuss the implications of the results for the standard-setters and users.