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Investigating the Early Implementation of MFRS 136 Disclosure among Top 50 Firms in Malaysia

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ABSTRACT

The highly prescriptive and technical provisions of MFRS 136 – Impairment of Assets represent a very considerable variation from past practices. This in turn raises questions about the span to which Malaysian businesses and their auditors have fared during the method of transition to a convoluted new reporting regime. Malaysia through Malaysian Accounting Standards Board (MASB) made the requirements of the MFRS 136 - Impairment of Assets mandatory progressively since 1 January 2006 for some or all listed firms in Malaysia. Since then, Malaysian companies are required to comply with the standard. The purpose of this paper is to investigate the compliance level of approved companies on the Bursa Malaysia main market towards the disclosure requirement of MFRS 136 - Impairment of Assets. This study also aims to identifying some factors associated with the level of compliance. The unweighted index was established by constructing the index checklist. The checklist was based on the requirement of disclosure of MFRS 136 (amended in 2009) and the annual reports of 50 sampled firms from 2010 to 2012 were examined. Then, we establish dependent variables and construct econometrical model to test the hypothesis in the research using Estimated Generalized Least Squares (EGLS) weights regression using cross-section weights. The result shows that 28 firms (56%), 27 firms (54%) and 24 firms (48%) out of 50 firms in 2010, 2011 and 2012 respectively failed to comply with requirement of FRS 136 pertaining to goodwill impairment. This study suggests that the performance of the top 50 listed companies should improve before Malaysian practice can attain a truly international standard. This study also found that firm size, profitability and auditor type are associated with the extent of compliance with MFRS 136. However, only firm size and profitability were positively associated with the level of compliance while auditor type were negatively associated with the level of compliance. This indicates that bigger and more profitable firms were more motivated to exhibit greater transparency of MFRS 136.

Keywords: Goodwill Impairment; Disclosure Practices; MFRS 136; Unweighted Index, Malaysia.

INTRODUCTION

Malaysian companies adopt a localized version of IFRS with effect from 1 January 2006 to engender progress on the goodwill reporting front. Under the new framework, Malaysian companies are required to implement all the Financial Reporting Standards (FRSs) issued by MASB in the preparation and presentation of financial statements. According to Choi and Meek (2004), the main purpose of issuing financial reporting standards is to increase comparability in financial reports produced by companies regardless of their country of origin. However, it difficult to practice the entire FRS requirement based on previous studies. This is because of the differences in compliance and enforcement mechanisms and different cultural and institutional contexts (Ball 2006; Nobes 2006; Nobes & Parker 2008; Soderstrom & Sun 2007; Zeff 2007).

Based on Al-Shammari (2005) quoted from FASB (1984) "disclosure refers to information about the items in financial statements and their measures that may be provided by notes", items that are disclosed are not so recognized, but usually are reported in the notes. The importance compliance of disclosure requirements in any accounting standards can lead better forecast of the firm's overall performance. Moreover, its wills keep investors as well as group users well informed of material concern of the firm itself. However, with the new standard, there is a higher degree of complexity in relation to the conceptualising, measuring and reporting on goodwill which makes the scholars of accounting concerned with the difficulties associated with (Khairi, Laili & Tran 2012). The factor contributes to failure in complying with the new standards was lack of experience since the new FRS 136 introduced a very high degree of complexity and details. Additionally, annual impairment test of goodwill is expensive and complicated to implement.

The reporting framework in Malaysia that deals with the disclosure of impairment of goodwill is prescribed through the combined effects of the new internationalized Malaysian Financial Reporting Standards (MFRS) 136 - Impairment of Assets. This standard should be applied on acquisition to goodwill acquired in business combinations. One of the main objectives of this standard was to increase transparency by ensuring that firm's financial statements reflect the true value of their intangible assets. Before 2009, the requirement that FRS 136 be adopted in Malaysia represented a substantial break from a past in which, there had been no mandatory standard framework for goodwill accounting and reporting (Carlin, Finch & Laili 2009).

Thus, this paper examines the level of systematic disclosure compliance of the goodwill reporting made by top 50 listed firms for the year ended 2010 until 2012 at Bursa Malaysia main market. The study used data drawn from the period because the amendment of MFRS 136 on impairment of assets was introduced on 1 January 2009 and was effective on 2010. This study examines the selection of 50 approved firms on the Bursa Malaysia main market that have released their 2010 until 2012 annual reports as measured by market capitalization. Market capitalization is an objective and commonly accepted criterion for size as it is based on the market value of the company (Froidevaux 2004). Malaysia through MASB made the requirements of the MFRS 136 - Impairment of Assets mandatory progressively since 1 January 2006 for some or all listed firms. It is one of the most innovative standards both in theory and in terms of impact on firm's performance making it interesting to analyse which firms were already anticipating MFRS requirements, especially with respect to goodwill impairment disclosure under MFRS 136. In order to achieve the objective of this study, the unweighted index is chosen because its ability to differentiate the quality and importance of each disclosure. However, this paper does not intend to assure financial reporting users that goodwill for impairment disclosures have superior usefulness in terms of information in investment decisions, but as alternative to provide information for better future valuation.

OVERVIEW OF MFRS 136 - *IMPAIRMENT OF ASSETS*

The reporting framework in Malaysia that deals with the disclosure of impairment of goodwill is prescribed through the combined effects of the new internationalized Malaysian financial reporting standards MFRS 136 - *Impairment of Assets*. This standard should be applied on acquisition to goodwill acquired in business combinations. One of the main objectives of this standard was to increase transparency by ensuring that firm's financial statements reflect the true value of their intangible assets. It involves many complex steps to determine cash-generating unit (CGU) to be tested for impairment as part of the impairment testing. The FRS impairment accounting requirements are among the most technically challenging standards ever to implement in practice (Hoogendoorn 2006).

The objective of FRS 136 is to ensure that assets are reflected in financial report as a value that does not exceed their recoverable amount. To achieve this objective, firms must apply the standard into their reporting statement. However, goodwill for impairment is not easy to implement since it creates enormous challenges for the financial reporting preparers as well as the financial statement users (Khairi & Laili 2008). The requirement that FRS 136 be adopted in Malaysia represented a substantial break from a past in which, there had been no mandatory standard framework for goodwill accounting and reporting (Carlin, Finch & Laili 2009). Thus, is interesting to investigate how Malaysian firms adapt to this issue in term of reporting statement.

Companies in Malaysia follow standards that been issued by MASB. The MFRS standards are the same with FRS. The requirement that this new standard be adopted as the basis for goodwill accounting and reporting represents a substantial challenge to Malaysian reporting entities and their auditors (Carlin et al. 2009). As mentioned earlier, there is a higher degree of complexity in relation to the conceptualising, measuring and reporting on goodwill. Previous studies on firms in three different geographical samples which are listed in Nasdaq Stock Market, Australia Stock Exchange (ASX) and FTSE Bursa Malaysia (BURSA) prove that firms have had difficulty in fully complying with new financial reporting standards of impairment of goodwill (Carlin & Finch 2010).

Pownall and Schipper (1999) refer to financial statements as being of high quality if they possess three attributes: transparency, full disclosure and comparability. Transparent financial statements are statements that "reveal the events, transactions, judgments, and estimates underlying the statements, and their implications" (Pownall & Schipper 1999). Transparency allows users to see the results and implications of the decisions, judgments and estimates of statement preparers. Full disclosure relates to the provision of all information necessary for decision-making, thereby providing reasonable assurance that investors are not misled. Therefore, standards especially MFRS 136 is to ensure transparency in financial reporting statement. In order to achieve transparency in financial reporting statement, firms must follow requirement that had been set by regulator. But, in case of impairment of goodwill, there is a change in standard over the years that make it difficult for firms to follow the standard. It will involve a lot time and cost to train practitioners to fully applied current standards (Carlin & Finch 2010; Tran, Khairi & Laili 2013. Based on Teodori and Veneziani (2007), a transition to IFRS represents a complex process and creates a considerable impact on both accounting traditions and organizational procedures and operations within the firms.

According to Carlin et al. (2008; 2009), similar results have been generated in studies of jurisdictions other than Australia such as Malaysia, Singapore and European countries undergoing the transition to IFRS-based reporting. This change gives problems for some firm to fully compliance with the standard especially with FRS 136. Malaysia firms also affected by this changed. This in turn gives rise to questions about the extent to which Malaysian companies and their auditors have fared during the process of transition to a complex new reporting regime and in consequence to the quality and consistency of reports produced pursuant to that new regime (Carlin et al. 2009). Thus, the objective of this study is to examine level of compliance among 50 Malaysian firms by using disclosure index. This method had been used by some authors to investigated level of compliance (Botosan 1997; Buzby 1974; Barrett 1977; Chow & Wong Boren 1987; Guerreiro et al. 2008; Healy & Palepu 2000; Khairi & Laili 2008; Robbins & Austin 1986; Singhvi & Desai 1971). Radebaugh et al. (2006) stress that these disclosures are intended to give shareholders and financial analysts more information about acquisitions, their benefits to the acquiring firm and the effectiveness and reasonableness of impairment reviews. It should also be noted here that any way to assign a numerical scale, weight or other symbols to individual disclosure has the potential to mislead. This is cause by the different level of importance which is attribute to a disclosure items according to the entities, transactions or events, the user, firm, industry, country and the time of the study. The underlying criterion for scoring each annual report studied was informative by which a firm which gives a group user more information on a particular disclosure item than another firm is awarded a higher score than the other. The disclosure index has provided researchers with the expected answers to their research objectives in many cases (Khairi et al. 2012)the weight- ed index is chosen because this index is able to differentiate the quality and impor- tance of each mandatory disclosure under FRS 36. The weighted index was developed by constructing a disclosure scoring sheet, obtaining annual reports of 20 sampled Singapore firms for particular year, complet- ing scoring sheet for each firms by assigned weighted for the disclosure items and calculating disclosure weighted index. The weighted index was analyzed to examine the firm\u2019s compliance with the FRS 36 disclosure requirements. The results of this study revealed that 18 out of 20 (90%. The financial disclosure level is not easily measured because the development and application of a disclosure index requires subjective assessments by the researcher applying the technique. It has been accepted that to obtain an internationally agreed perception of disclosure index as well as its item among the users and preparers of financial statements is extremely difficult (Cooke & Wallace 1989).

FACTORS AFFECTING FIRMS' COMPLIANCE WITH MFRS 136

Several studies on compliance with IFRS indicated that the level of compliance by firms in various countries was associated with firm characteristics. For example, Owusu-Ansah (2005) found that the level of compliance with IFRS by New Zealand firms was related to firm size and profitability while a study by Naser, Alkhatib, and Karbhari (2002) revealed an association of the level of compliance by Jordan firms with firm leverage ratio. Those studies found that firm size, profitability and firm leverage ratio were associated with level of compliance. On the other hand, the study by Ali, Ahmed and Henry (2004) found that the level of disclosure compliance with national accounting standards by listed companies within three major countries in South Asia, namely India, Pakistan and Bangladesh, were unrelated to leverage levels and the quality of external auditors. Besides that, study in European firms for the period 2008 until 2011 found significant differences in compliance levels across firms and time (Mazzi, André, Dionysiou & Tsalavoutas 2017)we find a median compliance level of about 83% and significant differences in compliance levels across firms and time. Non-compliance relates mostly to proprietary information and information that reveals managers\u2019 judgement and expectations. Overall, we find a statistically significant negative relationship between the ICC and compliance with mandated goodwill-related disclosure. Further, we split the sample between firms meeting (or not.

Previous research findings regarding the association of the level of compliance with firm size revealed varied results. Findings by Ballas and Tzovas (2010) on Greek firms and Owusu-Ansah (2005) on New Zealand firms gave the perception that the level of compliance was higher for large firms as they were more resourceful and were more pressured to do so by external forces. Street and Gray (2002) however, did not find firm size to be associated with the level of compliance by firms drawn from 32 countries. Bepari et al (2011) on the other hand, found that firm size was related to the compliance level by Australian firms but only when the industry variables were not controlled. Based on what has been documented in the literature this study expects a similar positive relationship to hold for 50 Malaysian companies as well. Such expectation is not unreasonable given that large firms are more capable in hiring skilled personnel and engaging services of the Big-4 audit firms. In addition, larger firms are more likely to raise or borrow money from overseas than smaller ones which further strengthens the possibility of higher level of compliance by those firms. Hence, it could be assumed that larger firms may show a higher level of compliance than smaller ones.

This study anticipates that more profitable firms in Malaysia are more motivated to demonstration better transparency as they have incentives to communicate a favourable message. Thus, this study assume that profitable firms are more likely to display high level of compliance compare to less profitable firms. Inchausti (1997) argued, profitable firms most likely exhibit greater transparency compares to less profitable firms. Previous studies by Owusu-Ansah (2005) and Bepari et al. (2011) proved that more profitable firms were positively associated with the level of compliance by New Zealand and Australian firms. However, study in Spanish and Swiss firms found more profitable firms have negative relation to the level of compliance (Dumontier & Raffournier 1998; Wallace, Naser & Mora 1994).

Highly leveraged firms are likely to reveal a higher level of compliance than firms with lower leverage ratios. Based on Jensen and Meckling (1976), they argued that the level of transparency is positively affected by the leverage ratio. They stressed that monitoring costs are higher for firms with a large volume of debt and therefore these firms have incentives to reduce these costs. However, empirical studies reveal mixed results. Bepari et al. (2011) and Alsaeed (2006) found no significant association of firm leverage ratio with the level of compliance by Australian and Saudi Arabian firms. Malone, Fries and Jones (1993) and Naser, Alkhatib and Karbhari (2002) on the other hand indicated that the leverage ratio is positively related to the level of compliance by firms listed on the US stock exchange and firms in Jordan. With regards to Malaysian firms, this factor may provide a ground to expect that highly leveraged firms would be more compliant than firms with a lower leverage ratio.

Auditors play-vital role in determining the quality of information disclosed by their clients. Thus, big audit firms are said to have an association with high quality reporting. Study by Dumontier and Raffournier (1998) showed positive influence by firm size and auditor type but found no significant relationship for leverage and profitability. DeAngelo (1981) and Fama and Jensen (1983) indicate large audit firms tend to be have many clients, and have incentives to maintain independence from their clients. Moreover, the reputations of large audit firms are diminished when their clients provide low quality annual reports (Ali et al. 2003; Chalmers & Godfrey 2004) or when they commit fraud or mislead by certifying the annual reports of their clients (Owusu-Ansah 1998).

An examination of the association of the level of compliance with firm-specific factors would explain on accounting choices made by managers of Malaysian firms. On that account, this study intends to examine the association of the level of compliance by Malaysian firms with firm size, leverage ratio, profitability and auditor type. Therefore, this paper will examine whether these factors influence the level of compliance among the selected 50 firms in Malaysia.

RESEARCH FRAMEWORK AND DATA COLLECTION

The research framework adopted for the study is as follows: -

$$DI_{it} = \beta_0 + \beta_1 \log(S)_{it} + \beta_2 \log(TA)_{it} + \beta_3 ROE_{it} + \beta_4 EPS_{it} + \beta_5 Lev_{it} + \beta_6 Aud_{it} + \varepsilon_{it} \quad (1)$$

where:

- DI = Disclosure index, as defined in Equation 2;
- S = Total sales;
- TA = Total assets;
- ROE = Return on equity (a measure of profitability);
- EPS = Earnings per share (another measure of profitability);
- Lev = Leverage (debt to equity ratio);
- Aud = Auditor type; a dummy variable, being 1 if the auditor is a Big 4+2 companies and 0 otherwise.

The sample and data used in this paper are obtained primarily from the Worldscope DataStream Database and annual report of the firms from Bursa Malaysia website. This study examines the selection of 50 listed firms on the Bursa Malaysia main market that have released their 2010 until 2012 annual reports as measured by market capitalization. The study period for this study allows examination be done on the changes made by the firms after the amendment of reporting standards. We start with all firms with a goodwill balance. Market capitalization is an objective and a commonly accepted criterion for size as it is based on the market value of the company (Froidevaux 2004). The selected firms cover a range of 10 sectors comprising: communications; consumer discretionary; consumer staples; energy; financials; health care; industrials; materials; real estate operations & services; and utilities.

Although the number of sample is small compared to 822 firms in Bursa Malaysia, these 50 firms within the sample represent 50% of the total market capitalization of the Bursa Malaysia main market at 2012. Thus, this sample is valuable because the value coverage achieved by concentrating on these leading stocks is high. Details of the final research sample, value of their goodwill balances and market capitalization are set out in Appendix A. The sample of study represents 49.64% of total main market Bursa Malaysia firm's market capitalization as at the end of 2012.

INSTRUMENTS TO MEASURE COMPLIANCE: THE DISCLOSURE INDEX (UNWEIGHTED INDEX)

The study constructed disclosure index to measure the compliance level and disclosure based on the amount of requirements disclosure provided by firms in their annual reports. Then, we selected the items based on disclosure requirement of MFRS 136. Self-constructed compliance index been used to examine the level of compliance with MFRS 136 with consistent with previous studies (e.g. Bradbury & Hooks 2005; Cheung et al. 2010; Hooke et al. 2002; Khairi & Laili 2008; Kang & Gray 2011; Khokan Bepari, F. Rahman & Taher Mollik 2014; Naser & Nuseibah 2003; Pivac, Vuko & Cular 2017; Tran et al. 2013; Wallace & Naser 1995).

Then, after constructing the index, we construct a checklist based on disclosure requirement of MFRS 136. After that, we review the annual report of firms and the assessment of the amount of disclosure is recorded using simple binary (0 and 1) score based on the importance of the disclosure. The approach very essential to measure on importance of disclosure than simple binary.

The unweighted index had been applied by various researchers before in order to measure the level of compliance of other accounting standards (Barrett 1977; Botosan 1997; Buzby 1974; Chow & Wong Boren 1987; Guerreiro et al. 2008; Healy & Palepu 2000; Khairi & Laili 2008; Robbins & Austin 1986; Singhvi & Desai 1971). This study also applies the disclosure index to measure the compliance level and disclosure quality of Malaysia listed firms with the requirements of goodwill impairment. The purpose of developing disclosure index is to produce a ranking among the firms on compliance level and disclosure quality of MFRS 136. The underlying criterion for scoring each annual report studied was truly informative by which a firm giving user more information on a particular disclosure item is awarded a higher score. Through this method, the firms studied are ranked according to the aggregate score. The procedure to measure the extent of disclosure (i.e. to create disclosure index) is summarized as follows:

i. Developing of a disclosure-scoring sheet

The important step in the developing of a disclosure index is the selection of items to be included on a disclosure scoring sheet. As this study concerns with the measurement of the firms' level of compliance and disclosure quality with the goodwill impairment requirements, the disclosure scoring sheet was designed based on a review of the requirements of MFRS 136. We examine the notes to the accounts of firm's annual report for developing this index. Appendix B provides an example of the disclosures required by MFRS 136. To achieve the objective of this study, there are four important paragraphs in the MFRS 136 that this study interested to explore. First, disclosure requirement under paragraph 134 (a) of FRS 136 requires entity to disclose the carrying amount of goodwill allocated to the cash generating units (CGUs) to which goodwill acquired in a business combination is allocated and test for impairment. Second, Paragraph 80 (a) (b) of MFRS 136 requires that cash-generating units (CGUs) represent 'the lowest level within the entity at which the goodwill is monitored for internal management purpose and that the CGU should not be larger than a primary or secondary segment defined for the purpose of segment reporting. This will tend to lessen the burden in preparing the financial reporting under the new regime. However, to avoid against inappropriate aggregation, Paragraph 80 (a) (b) of MFRS 136 states that the CGU should not be larger than a primary or secondary segment defined for the purpose of segment reporting. Third, Paragraph 134 (c), under Paragraph 134 (c) of FRS 136, an entity shall disclose the basis on which the CGUs' recoverable amount has been determined (i.e. value in use or fair value less costs to sell). Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or a CGU in an arm's length transaction between knowledgeable, willing parties less the costs of disposal. That is, market value less selling costs. On the other hand, Paragraph 6 of MFRS 136 defines value in use as the present value of the future cash flows expected to be derived from an asset or CGU.

Lastly, under Paragraph 134 (d) of MFRS 136, states that if the unit's (group of units') recoverable amount is based on value in use, an entity shall disclose the following:

a) *A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.* (MFRS 136, Paragraph 134 d (i))
b) *a description of management's approach to determine the value(s) assigned to each key assumption, whether those value(s) reflect past experiences or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experiences or external sources of information.* (MFRS 136, Paragraph 134 d (ii))
c) *the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.* (MFRS 136, Paragraph 134 d (iii))
d) *the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.* (MFRS 136, Paragraph 134 d (iv))
e) *the discount rate(s) applied to the cash flow projections.* (MFRS 136, Paragraph 134 d (v))

ii. Scoring the disclosure items

This study employs the disclosure unweighted index as an effective measure of the level of compliance and disclosure quality among the top 50 listed firms in Malaysia. If a company discloses an item in accordance with FRS 136 in its annual report it will be awarded (1) and if not, it will be awarded (0). As this study is concerns with the measurement of the firms' level of compliance and disclosure quality with the goodwill impairment requirements, the disclosure scoring sheet was designed based on a review of the requirements of MFRS 136. The unweighted index for a particular firm was calculated by summing the disclosure item for each standard and then dividing the total by number of required disclosed through the MFRS 136. For example, MFRS 136 Para 134 (a) requires entity to disclose the carrying amount of goodwill allocated to the CGUs to which goodwill acquired in a business combination is allocated and test for impairment. If a particular firm allocated the carrying amount of goodwill to the CGUs, it will be awarded (1), otherwise it will be awarded (0). Same goes to other requirements of MFRS 136.

iii. Creation of disclosure index

The disclosure index is a ratio computed by dividing the total actual score for each firm by the total maximum score that a particular firm is expected to earn. However, firms are not penalized for not disclosing the information as required in the standard. The design of the disclosure index was proposed by (Buzby 1975; Cooke 1998; Pivac et al. 2017). The disclosure index score is measured using the equation below:

$$DI = \frac{\sum_{i=1}^{m} d_i}{\sum_{i=1}^{n} d_i}$$

Where:-

DI = disclosure index;
d_i = index item i, 1 if the information (item) is disclosed and 0 otherwise;
m = number of items actually presented;
n = number of total possible items that apply.

iv. Criteria for grading compliance with the requirement of MFRS 136.

The decision criteria adopted in the study is contained in Table 1. This table was taken according to Kantudu (2005). The variables ordinarily ranked, will be used in our qualitative judgement of assessing the degree of compliance with the requirements of MFRS 136 by 50 listed firms in Malaysia. The range is between 0% - 100%. That is, any of the requirements disclosed by company in its annual accounts and reports attract between 0 – 100%. 50 listed companies are therefore graded on the number of items observed as per the requirements of standard. Alternatively, a company that scored zero (0) will be graded as having an extreme poor compliance with the requirements.

RESULTS OF THE STUDY

The results of the study are presented in three sections. The first section discussed the range of firm distribution between the years ended 2010 until 2012. The degree of compliance and the extent of firm disclosure will be used as a proxy of quality. The second section focussed on top and lowest ranked selected firms in Malaysia for the year 2010 until 2012. This ranking was in order of percentage of unweighted index obtained by each firm. With higher degree of compliance and more firm disclosure of requirements in the standard is significantly viewed as better quality and provides more information usefulness to users. Then, the last section discussed on overall results of the firms studied and then identified and comment on the main elements of requirements of MFRS 136 at analytical level which differentiate the compliance level among the firms.

This section focussed on the range of firm distribution of compliance level between the year ended 2010, 2011 and 2012. The range distribution of firms is demonstrated in Table 2.

Table 2 shows the distribution of compliance level among 50 listed firms for the year 2010, 2011 and 2012. The first and second column indicated the letter grade and unweighted index range presented by percentage followed by the number of firm between 2010 until 2012. Firms that achieved level of compliance between 80 to 100 per cent (%) can be assumed as strongly complied. As we can see from the table there is a slight increase of firms achieving strongly complied category. For instance, in 2010, there were 22 firms (44%) categorised in strongly complied category, while, there were 26 firms (52%) in 2012, an increase of 8 %. It indicates a positive move by the firms in anticipating requirement of FRS 136 towards achieving high level of compliance. But, all firms were mandatory to

TABLE 1. Range of firm distribution

Letter Grade	Percentage	Form	General Remarks
A	80% - 100%	Strongly complied	Excellent
B	60% - 79%	Semi-strongly complied	Good
C	40% - 59%	Weakly complied	Poor
D	0% - 39%	Non-compliance	Extremely poor

Source: Kantudu 2005

TABLE 2. Range of firm distribution

Letter Grade	Unweighted Index - Range (%)	No. of Firm			Percentage (%)			Form	General Remarks
		2010	2011	2012	2010	2011	2012		
A	80% - 100%	22	23	26	44	46	52	Strongly complied	Excellent
B	60% - 79%	15	14	15	30	28	30	Semi-strongly complied	Good
C	40% - 59%	2	2	1	4	4	2	Weakly complied	Poor
D	0% - 39%	11	11	8	22	22	16	Non-compliance	Extremely poor
Total		50	50	50	100	100	100		

follow the requirement of MFRS 136. As we can see from the table, in 2012, 8 firms (16%) still have not followed or were marked as non-compliance as required by MFRS 136. The overall result shows that 28 firms (56%), 27 firms (54%) and 24 firms (48%) out of 50 firms in 2010, 2011 and 2012 respectively failed to comply with the requirement. Factor that may contribute to the failure in complying with the new standards was lack of experience since the new MFRS 136 was introduced with a very high degree of complexity and details. However, there is a hope that this circumstance will improve over the time.

The sample companies were ranked on the basis of the percentage of the disclosure for each of the companies. Table 3 and 4 show the top and bottom of the selected companies ranked by the percentage of the disclosure unweighted index. This list provides insights about which firms are disclosing more according to requirement of MFRS 136.

Table 3 shows that the highest disclosure index in Malaysia listed firms were Affin Holdings Berhad, Axiata Group Berhad, Hong Leong Financial Group Berhad, Media Prima Berhad, RHB Capital Berhad, and Telekom Malaysia Berhad and were ranked number 1 for the year 2010 until 2012 with 100% of unweighted index. Table 3 also shows that Nestlé (Malaysia) Berhad, Berjaya Land Berhad, Fraser & Neave Holding Berhad, Hong Leong Bank Berhad and Malaysian Resources Corporation Berhad had improved their reporting statement toward the requirement of MFRS 136. However, Parkson Holdings Berhad seemed to have decreased their reporting statement toward requirement of MFRS 136.

Table 4 presents the lowest ranked of nine selected companies in Bursa Malaysia using the unweighted disclosure index as the basis of the rankings. Bintulu Port Holdings Berhad, IJM Corporation Berhad, and Sarawak Oil Palms Berhad were at the bottom ranked for the year 2010 until 2012 with 0% of unweighted index. It is interesting to note that Airasia Berhad showed a decreasing mode in term of disclosure level based on the table shown. Note that these three lowest ranked Malaysia listed companies are from the industrials and consumer staples sector. All the 50 listed firms were ranked according to percentage of unweighted index for the year 2010, 2011 and 2012 and will be presented in Appendix D, E and F respectively.

This study intends to provide the overall results of the firm's understudy and later analyse the results based on the main elements of requirements of MFRS 136, hence be able to differentiate the compliance level among the firms. From the results documented in this study, six firms in 2010 and 2011 and seven firms in 2012 which are Affin Holdings

TABLE 3. Top ranking companies based on percentage of unweighted index

Name of listed firm	Unweighted Index (%)			Ranking		
	2010	2011	2012	2010	2011	2012
Affin Holdings Bhd.	100.00	100.00	100.00	1	1	1
Axiata Group Bhd.	100.00	100.00	100.00	1	1	1
Hong Leong Financial Group Bhd.	100.00	100.00	100.00	1	1	1
Media Prima Bhd.	100.00	100.00	100.00	1	1	1
Nestlé (Malaysia) Bhd.	75.00	75.00	100.00	23	25	1
RHB Capital Bhd.	100.00	100.00	100.00	1	1	1
Telekom Malaysia Bhd.	100.00	100.00	100.00	1	1	1
Alliance Financial Group Bhd.	87.50	87.50	87.50	7	7	8
AMMB Holdings Bhd.	87.50	87.50	87.50	7	7	8
Batu Kawan Bhd.	87.50	87.50	87.50	7	7	8
Berjaya Land Bhd.	75.00	75.00	87.50	23	25	8
Bursa Malaysia Bhd.	87.50	87.50	87.50	7	7	8
Fraser & Neave Holding Bhd.	62.50	87.50	87.50	35	7	8
Hong Leong Bank Bhd.	0.00	37.50	87.50	45	40	8
Jaya Tiasa Holdings Bhd.	87.50	87.50	87.50	7	7	8
KPJ Healthcare Bhd.	87.50	87.50	87.50	7	7	8
Kuala Lumpur Kepong Bhd.	87.50	87.50	87.50	7	7	8
Malayan Banking Bhd.	87.50	87.50	87.50	7	7	8
Malaysian Resources Corporation Bhd.	0.00	0.00	87.50	45	46	8
Maxis Bhd.	87.50	87.50	87.50	7	7	8
MISC Bhd.	87.50	87.50	87.50	7	7	8
MMC Corporation Bhd.	87.50	87.50	87.50	7	7	8
Top Glove Corporation Bhd.	87.50	87.50	87.50	7	7	8
TSH Resources Bhd.	87.50	87.50	87.50	7	7	8
UEM Sunrise Bhd.	87.50	87.50	87.50	7	7	8
YTL Corporation Bhd.	87.50	87.50	87.50	7	7	8
Parkson Holdings Bhd.	87.50	87.50	75.00	7	7	27

Berhad, Axiata Group Berhad, Hong Leong Financial Group Berhad, Media Prima Berhad, RHB Capital Berhad, Telekom Malaysia Berhad, and Nestlé (Malaysia) Berhad appeared to comply fully with the disclosure requirements under MFRS 136. This implies that those firms disclosed all the information required in their annual reports which eases user groups to assess the firm's performance. The management of those firms seemed to be transparent and fair in providing detail information at each level of their operations. For example, the details description on key assumptions employed in estimating the recoverable amount is clearly stated at each CGU level which represents the operation of the firms.

In contrast, three firms (refer Table 4) did not comply with any requirements of the standard for the year 2010 until 2012. Although they have stated goodwill balance in their statements of financial position, a detail on impairment testing process were not provided in any paragraph of their notes to the account. Therefore, the level of compliance pertaining to MFRS 136 of those firms was viewed to be very poor. The results signal the difficulties in adopting the new requirements of the standard. The management of those firms refused to have disclosure of transparency and information usefulness in the impairment testing process that will benefit group users in future investment decision. Next, we analyse the selected element of requirements standard of MFRS 136. The first elements that most firms seemed fail to achieve is the requirement of the standard in paragraph 134 (d) (ii) (refer Appendix B). These firms failed to give meaningful information related to this element. Based on the analysis on this standard (refer to Appendix C), there were 36 firms (72%) in 2010 and 2011, and 35 firms (70%) in 2012 failed to fulfil the requirement of this. The second element is the allocation of goodwill into CGU (paragraph 80 (a) (b)). The goodwill allocation is a difficult and complex process in the impairment testing. Again, these firms failed to give meaningful information related to basic allocation of goodwill into CGU. For example, based on Appendix C there were 16 out of 50 firms (32%) in 2010 and 15 firms out of 50 firms (30%) in 2011 and 2012 failed to achieve the requirement of the standard in paragraph 80 (a) (b) (refer Appendix B). The results for the whole sample corresponded with previous study studies by Khairi et al. (2012); Carlin et al. (2008); Khairi and Laili (2008)the weight- ed index is chosen because this index is able to differentiate the quality and impor- tance of each mandatory disclosure under FRS 36. The weighted index was developed by constructing a disclosure scoring sheet, obtaining annual reports of 20 sampled Singapore firms for particular year, complet- ing scoring sheet for each firms by assigned weighted for the disclosure items and calculating disclosure weighted index. The weighted index was analyzed to examine the firm\u2019s compliance with the FRS 36 disclosure requirements. The results of this study revealed that 18 out of 20 (90%; Lonergan (2007); Carlin et al. (2007); and Cearns (1999) where they discovered this requirement pertaining to allocation of goodwill is complex and difficult to applied.

Lastly, the element in standard of MFRS 136 interesting to discuss is on the assumptions used in determining the recoverable amount especially when firms used 'value in use' method. As discussed in early section, three key assumptions play an important role in estimating the recoverable amount of CGUs: discount rate, growth rate and period for projected cash flow. These factors correlate positively with the discounted cash flow model in valuing firm's performance. Most of the firms especially firms with multiple numbers of CGUs failed to provide enough information related to paragraph 134 (d) (iv) thus created a high degree of difficulties for financial report users to assess the current as well as potential performance of those firms. For instance, 26 firms out of 50 firms (52%) in 2010, 25 firms (50%) in 2011 and 20 firms (40%) in 2012 failed to comply with this standard (refer to Appendix C). This situation occurs because the management of these firms failed to disclose the growth rate and forecast period for all CGUs which we believed is a key factor that have a huge impact in discounted cash flow modelling.

TABLE 4. Bottom ranking companies based on percentage of unweighted index

Name of listed firm	Unweighted Index (%)			Ranking		
	2010	2011	2012	2010	2011	2012
NCB Holdings Bhd.	50.00	50.00	62.50	38	38	39
Sime Darby Bhd.	62.50	62.50	62.50	35	36	39
UMW Holdings Bhd.	62.50	62.50	62.50	35	36	39
DRB-Hicom Bhd.	50.00	50.00	50.00	38	38	42
Airasia Bhd.	37.50	37.50	25.00	40	40	45
Lafarge Malayan Cement Bhd.	37.50	37.50	37.50	40	40	43
OL Resources Bhd.	37.50	37.50	37.50	40	40	43
Amway (Malaysia) Holdings Bhd.	25.00	25.00	25.00	43	44	45
Hap Seng Consolidated Bhd.	12.50	12.50	12.50	44	45	47
Bintulu Port Holdings Bhd.	0.00	0.00	0.00	45	46	48
IJM Corporation Bhd.	0.00	0.00	0.00	45	46	48
Sarawak Oil Palms Bhd.	0.00	0.00	0.00	45	46	48

A summary of statistical description as well as of the correlation matrix of the variables are presented in Table 5 and 6, respectively.

As our coefficient correlation analysis shows that multicollinearity problem is not serious in the model, we proceed to the panel regression analysis using the Estimated Generalized Least Squares (EGLS) weights regression using cross-section weights.[1] As can been seen in Table 7, the result of regression using EGLS method suggests that *Log(TA), EPS* and *Aud* were statistically significant at 5% level. The relationship between other variables was found to be not significant. Thus, this suggests that only assets, earning per share and auditor type are statically significant with the level of compliance. Therefore, firm size, profitability and auditor type significantly influence the extent of compliance with FRS 136 with firm size and profitability positively associated with the level of compliance meanwhile auditor type negatively associated with the level of compliance. Hence, only *H1* and *H2* can be accepted.

The adjusted R^2 of 0.7046 indicates that the model is capable of explaining 71.66% of the variability of the disclosure index through the independent variables. The significant determinants for the disclosure index are firm size, profitability and auditor type. While both size and profitability positively influence the disclosure index, auditor type shows a negative association. Our findings for size and profitability support prior studies by Owusu-Ansah (2005) and Bepari et al. (2011), on New Zealand and Australian firms, respectively. This study found that the more profitable the firms, which are normally larger firms, the more incentives they have to signal 'good news'; hence, they become more transparent in reporting. For the auditor type, if the auditors are from a Big 4+2 companies, then the tendency to disclose is lower. It can be indirectly presumed that smaller auditing companies are afraid of not being fully compliant to the MFRS as they need to play safe to sustain in the market.

CONCLUSION

In this paper, we examined the compliance level of listed companies on the Bursa Malaysia main market towards the disclosure requirement of MFRS 136 - *Impairment of Assets*. The unweighted index was established by constructing the index checklist. The checklist was based on the requirement of disclosure of MFRS 136 and the annual reports of 50 sampled firms from 2010 to 2012 were examined. The unweighted disclosure index was established and ranked to analyse the data in determining the level of compliance among 50 listed Malaysia firms. Then we analyzed the factors affecting the determinants of the disclosure index using EGLS panel regression technique.

The 50 listed Malaysia firms were also categorized according to percentage of unweighted index for year ended 2010 until 2012. The result shows that 28 firms (56%), 27 firms (54%) and 24 firms (48%) out of 50 firms in 2010, 2011 and 2012 respectively failed to comply with requirement of MFRS 136 pertaining to goodwill impairment testing. This indicates difficulties for some firms in implementing the new requirement. Notwithstanding, improvements were also detected toward the standard over the year. The number of firms categorised in non-compliance decreased by 3 firms (6 %) between the year 2011 and 2012 and the number of firms categorised in strongly complied increased by 3 firms (6%) between

TABLE 5. Descriptive statistics of variables

	Disclosure Index	Total Sales	Total Assets	ROE	EPS	Leverage	Auditor type
Mean	0.6917	6.5266	6.9820	0.1975	0.4207	2.8886	0.98
Median	0.75	6.5559	6.9439	0.1770	0.3230	1.0387	1
Minimum	0	5.3511	5.4857	-0.0628	-0.3190	0.0222	0
Maximum	1	7.6776	8.6945	0.8715	2.1600	19.4593	1
Standard Error	0.0243	0.0418	0.0574	0.0109	0.0318	0.3427	0.0115
Standard Deviation	0.2981	0.5124	0.7032	0.1339	0.3893	4.1974	0.1405

TABLE 6. Correlation coefficient Matrix

	Disclosure Index	Total Sales	Total Assets	ROE	EPS	Leverage	Auditor Type
Disclosure Index	1						
Total Sales	0.2719	1					
Total Assets	0.3017	0.7300	1				
ROE	-0.0711	0.0622	-0.2265	1			
EPS	0.1151	0.0584	0.0896	0.4978	1		
Leverage	0.2082	0.2835	0.7265	-0.0125	0.2582	1	
Auditor Type	-0.0881	-0.2057	-0.1436	0.0113	0.1157	-0.0155	1

Notes: Correlation Matrix is based on common sample

TABLE 7. Results for EGLS Panel Regression Analysis
(Dependent variable: Disclosure Index)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.4190	0.1276	3.2823	0.0013
Total Sales	-0.0301	0.0354	-0.8497	0.3969
Total Assets	0.0898**	0.0365	2.4635	0.0149
ROE	-0.1177	0.0841	-1.4003	0.1636
EPS	0.1029***	0.0231	4.4644	0.0000
Leverage	-0.0015	0.0042	-0.3615	0.7182
Auditor type	-0.1199***	0.0097	-12.3499	0.0000
R-squared	0.7166	F-statistic		60.2400
Adjusted R-squared	0.7046	Prob (F-statistic)		0.0000
S.E. of regression	0.2542			

Note: Regressions are based on White cross-section standard errors and covariance (d.f. corrected).
***, **, * denote significant at 1%, 5% and 10% confidence level, respectively.

the year 2011 and 2012. A slight increase in the number of firms in strongly complied category was recorded every year. Overall, we can state that there are efforts made by Malaysian firms to improve the compliance level toward requirement of MFRS 136. Nevertheless, more rooms still need to be improved.

This study documented that firm's size, profitability and auditor type significantly influenced the disclosure index. Firm size and profitability were positively associated; meanwhile auditor type was negatively associated with the level of compliance. Our findings are in line with previous findings where large firms are more capable in hiring skilled accountants. Besides, it indicates that big firms are more likely to raise or borrow money from overseas than their smaller counterparts; hence causing larger firms to strengthen their compliant level. In term of profitability, our results suggest that the more profitable the firms in Malaysia the more motivated they were to exhibit greater transparency as they had incentives to communicate a favourable message. Meanwhile, auditor type was recorded to be negatively associated with the level of compliance indicating that non-Big 4+2 companies were likely to create a higher compliant level, a strategy played by smaller auditing companies to sustain in the business. Furthermore, end route this study it is noticed that there were no enforcements made by Bursa Malaysia especially Security Commission (SC) that had been appointed to monitor firms financial reporting to penalize firms that do not comply with requirement of MFRS 136. We believe this firm must improve their compliance level toward MFRS 136 standards in order to meet the requirements set by accounting boards.

Based on the results, we acknowledged that the requirements of MFRS 136 are highly complex and problematic for firms to implement. The non-compliance firms indicate lack of transparency and consistency in relation to the treatment of goodwill and the nature of any impairment testing processes undertaken towards the standard. This may be because of lack of experience since the new standard of MFRS 136 requires a very high degree of complexity and details. For this reason, we believe that there is plenty of scope for improvement in this area in order to make the standard related to the goodwill impairment testing useful for all external users, the investors in particular and also for accounting standards setters.

The finding in this study is anticipated to shed some insights to policymakers, regulatory bodies, reporting entities, preparers, auditors, regulators and standard setter, as well as the market players regarding the disclosure of assets impairment. Our findings on only around 50% of the current practice have shown a strong compliance with MFRS 136. It is about time for the responsible bodies to revisit the enforcement of the MFRS 136 implementation as to improve the reporting disclosure. At the same time, our findings on the factors affecting the disclosure can also convince the firms to comply with MFRS 136 if the investors' reaction towards the non-compliant companies plays a role in the performance of the stock price.

NOTES

[1] Gujarati (2003) set a cut-off point of 0.8. He mentions that the variables are highly correlated if the coefficient matrix exceeded 0.8. If this scenario happens, either one of them must be excluded to avoid multicollinearity problem.

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APPENDIX A. Overview of Research Sample

No.	Company Name	Sector	Total Goodwill (RM million)	Market Capitalization (RM million)
1	Malayan Banking Bhd.	Financials	81,015	77,648,430
2	Sime Darby Bhd.	Consumer Staples	52,700	59,433,955
3	CIMB Group Holdings Bhd.	Financials	8,180,586	56,712,049
4	Axiata Group Bhd.	Communications	7,452,633	56,069,097
5	Maxis Bhd.	Communications	219,087	49,878,810
6	IOI Corp Bhd	Consumer Staples	511,994	33,207,230
7	Kuala Lumpur Kepong Bhd.	Consumer Staples	285,675	23,493,143
8	Hong Leong Bank Bhd.	Financials	1,831,312	21,780,079
9	Telekom Malaysia Bhd.	Communications	309600	21,607,496
10	YTL Corporation Bhd.	Utilities	4,717,126	19,549,936
11	MISC Bhd.	Industrials	760,677	19,194,314
12	RHB Capital Bhd.	Financials	3,806,860	19,180,458
13	AMMB Holdings Bhd.	Financials	1,734,365	19,019,506
14	Nestlé (Malaysia) Bhd.	Consumer Staples	61,024	14,735,980
15	UMW Holdings Bhd.	Consumer Discretionary	167,125	13,949,430
16	YTL Power International Bhd.	Utilities	6,633,773	12,797,896
17	Hong Leong Financial Group Bhd.	Financials	2,410,644	12,766,875
18	UEM Sunrise Bhd.	Real Estate Oper. & Srvcs.	621,409	9,088,838
19	Lafarge Malayan Cement Bhd.	Materials	1,205,889	8,174,070
20	MMC Corporation Bhd.	Utilities	2,043,263	8,008,504
21	IJM Corporation Bhd.	Industrials	69,369	7,778,360
22	Airasia Bhd.	Consumer Discretionary	7,334	7,616,948
23	Batu Kawan Bhd.	Materials	12,005	7,489,078
24	Gamuda Bhd.	Industrials	41,396	7,298,740
25	Fraser & Neave Holding Bhd.	Consumer Discretionary	45,929	6,610,986
26	Kulim (Malaysia) Bhd.	Consumer Staples	17,178	6,236,078
27	Alliance Financial Group Bhd.	Financials	302,065	6,022,132
28	Dialog Group Bhd.	Energy	22,950	5,600,757
29	Oriental Holdings Bhd.	Consumer Discretionary	50,674	5,397,148
30	Boustead Holdings Bhd.	Materials	1,182,800	5,377,840
31	Affin Holdings Bhd.	Financials	989,741	5,141,341
32	Parkson Holdings Bhd.	Consumer Discretionary	1,301,214	4,967,463
33	DRB-Hicom Bhd.	Consumer Discretionary	60,371	4,871,757
34	Berjaya Land Bhd.	Consumer Discretionary	808,715	4,180,092
35	KPJ Healthcare Bhd.	Health Care	165,231	3,709,027
36	Hap Seng Consolidated Bhd.	Consumer Staples	36,736	3,676,807
37	Bursa Malaysia Bhd.	Financials	42,957	3,309,189
38	Top Glove Corporation Bhd.	Health Care	20,113	3,273,875
39	Tan Chong Motor Holdings Bhd.	Consumer Discretionary	13,944	3,022,533
40	Bintulu Port Holdings Bhd.	Industrials	24,531	2,800,000
41	OL Resources Bhd.	Consumer Staples	6,396	2,704,007
42	Media Prima Bhd.	Communications	128,170	2,526,479
43	Sarawak Oil Palms Bhd.	Consumer Staples	5,182	2,514,298
44	Jaya Tiasa Holdings Bhd.	Materials	62,337	2,444,175
45	Malaysian Resources Corporation Bhd.	Industrials	56,871	2,151,107
46	NCB Holdings Bhd.	Industrials	1,286	2,073,814
47	Time Dotcom Bhd.	Communications	213,959	1,999,312
48	Amway (Malaysia) Holdings Bhd.	Consumer Discretionary	4,782	1,972,628
49	Star Publications (Malaysia) Bhd.	Communications	102,140	1,904,990
50	TSH Resources Bhd.	Consumer Staples	50,235	1,810,573
	TOTAL		48,933,368	682,777,630

Source: Worldscope DataStream Database (Total market capitalization in Bursa Malaysia RM 1,375,540,999 million)

APPENDIX B. Disclosure Index and Unweighting Contents

Contents	References
An entity shall disclose the carrying amount of goodwill allocated to the unit (group of units).	Para 134 (a)
Cash-generating units represent 'the lowest level within the entity at which the goodwill is monitored for internal management purpose and that the CGU should not be larger than a primary or secondary segment defined for the purpose of segment reporting.	Para 80 (a) (b)
An entity shall disclose the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell).	Para 134 (c)
A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.	Para 134 (d)(i)
A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.	Para 134 (d)(ii)
The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.	Para 134 (d)(iii)
The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.	Para 134 (d)(iv)
The discount rate(s) applied to the cash flow projections.	Para 134 (d)(v)

APPENDIX C. Elements of MFRS 136 Disclosed By Firms

No.	Contents	References	2010		2011		2012	
			Disclosed	Not Disclosed	Disclosed	Not Disclosed	Disclosed	Not Disclosed
1	An entity shall disclose the carrying amount of goodwill allocated to the unit (group of units).	Para 134 (a)	42	8	43	7	45	5
2	Cash-generating units represent 'the lowest level within the entity at which the goodwill is monitored for internal management purpose and that the CGU should not be larger than a primary or secondary segment defined for the purpose of segment reporting.	Para 80 (a) (b)	34	16	35	15	35	15
3	An entity shall disclose the basis on which the unit's (group of units') recoverable amount has been determined (ie value in use or fair value less costs to sell).	Para 134 (c)	44	6	45	5	47	3
4	A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.	Para 134 (d)(i)	40	10	40	10	43	7
5	A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.	Para 134 (d)(ii)	14	36	14	36	15	35
6	The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified	Para 134 (d)(iii)	36	14	36	14	39	11
7	The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.	Para 134 (d)(iv)	24	26	25	25	30	20
8	The discount rate(s) applied to the cash flow projections.	Para 134 (d)(v)	33	17	34	16	37	13

APPENDIX D. Unweighted Index for 50 Listed Companies in 2010

No.	Name of listed firm	Sector	Unweighted Index (%)	Ranking
1	Affin Holdings Bhd.	Financials	100.00	1
2	Axiata Group Bhd.	Communications	100.00	1
3	Hong Leong Financial Group Bhd.	Financials	100.00	1
4	Media Prima Bhd.	Communications	100.00	1
5	RHB Capital Bhd.	Financials	100.00	1
6	Telekom Malaysia Bhd.	Communications	100.00	1
7	Alliance Financial Group Bhd.	Financials	87.50	7
8	AMMB Holdings Bhd.	Financials	87.50	7
9	Batu Kawan Bhd.	Materials	87.50	7
10	Bursa Malaysia Bhd.	Financials	87.50	7
11	Jaya Tiasa Holdings Bhd.	Materials	87.50	7
12	KPJ Healthcare Bhd.	Health Care	87.50	7
13	Kuala Lumpur Kepong Bhd.	Consumer Staples	87.50	7
14	Malayan Banking Bhd.	Financials	87.50	7
15	Maxis Bhd.	Communications	87.50	7
16	MISC Bhd.	Industrials	87.50	7
17	MMC Corporation Bhd.	Utilities	87.50	7
18	Parkson Holdings Bhd.	Consumer Discretionary	87.50	7
19	Top Glove Corporation Bhd.	Health Care	87.50	7
20	TSH Resources Bhd.	Consumer Staples	87.50	7
21	UEM Sunrise Bhd.	Real Estate Oper. & Srvcs.	87.50	7
22	YTL Corporation Bhd.	Utilities	87.50	7
23	Berjaya Land Bhd.	Consumer Discretionary	75.00	23
24	Boustead Holdings Bhd.	Materials	75.00	23
25	CIMB Group Holdings Bhd.	Financials	75.00	23
26	Dialog Group Bhd.	Energy	75.00	23
27	Gamuda Bhd.	Industrials	75.00	23
28	IOI Corp Bhd.	Consumer Staples	75.00	23
29	Kulim (Malaysia) Bhd.	Consumer Staples	75.00	23
30	Nestlé (Malaysia) Bhd.	Consumer Staples	75.00	23
31	Oriental Holdings Bhd.	Consumer Discretionary	75.00	23
32	Star Publications (Malaysia) Bhd.	Communications	75.00	23
33	Tan Chong Motor Holdings Bhd.	Consumer Discretionary	75.00	23
34	YTL Power International Bhd.	Utilities	75.00	23
35	Fraser & Neave Holding Bhd.	Consumer Discretionary	62.50	35
36	Sime Darby Bhd.	Consumer Staples	62.50	35
37	UMW Holdings Bhd.	Consumer Discretionary	62.50	35
38	DRB-Hicom Bhd.	Consumer Discretionary	50.00	38
39	NCB Holdings Bhd.	Industrials	50.00	38
40	Airasia Bhd.	Consumer Discretionary	37.50	40
41	Lafarge Malayan Cement Bhd.	Materials	37.50	40
42	OL Resources Bhd.	Consumer Staples	37.50	40
43	Amway (Malaysia) Holdings Bhd.	Consumer Discretionary	25.00	43
44	Hap Seng Consolidated Bhd.	Consumer Staples	12.50	44
45	Bintulu Port Holdings Bhd.	Industrials	0.00	45
46	Hong Leong Bank Bhd.	Financials	0.00	45
47	IJM Corporation Bhd.	Industrials	0.00	45
48	Malaysian Resources Corporation Bhd.	Industrials	0.00	45
49	Sarawak Oil Palms Bhd.	Consumer Staples	0.00	45
50	Time Dotcom Bhd.	Communications	0.00	45

APPENDIX E. Unweighted Index for 50 Listed Companies in 2011

No.	Name of listed firm	Sector	Unweighted Index (%)	Ranking
1	Affin Holdings Bhd.	Financials	100.00	1
2	Axiata Group Bhd.	Communications	100.00	1
3	Hong Leong Financial Group Bhd.	Financials	100.00	1
4	Media Prima Bhd.	Communications	100.00	1
5	RHB Capital Bhd.	Financials	100.00	1
6	Telekom Malaysia Bhd.	Communications	100.00	1
7	Alliance Financial Group Bhd.	Financials	87.50	7
8	AMMB Holdings Bhd.	Financials	87.50	7
9	Batu Kawan Bhd.	Materials	87.50	7
10	Bursa Malaysia Bhd.	Financials	87.50	7
11	Fraser & Neave Holding Bhd.	Consumer Discretionary	87.50	7
12	Jaya Tiasa Holdings Bhd.	Materials	87.50	7
13	KPJ Healthcare Bhd.	Health Care	87.50	7
14	Kuala Lumpur Kepong Bhd.	Consumer Staples	87.50	7
15	Malayan Banking Bhd.	Financials	87.50	7
16	Maxis Bhd.	Communications	87.50	7
17	MISC Bhd.	Industrials	87.50	7
18	MMC Corporation Bhd.	Utilities	87.50	7
19	Parkson Holdings Bhd.	Consumer Discretionary	87.50	7
20	Top Glove Corporation Bhd.	Health Care	87.50	7
21	TSH Resources Bhd.	Consumer Staples	87.50	7
22	UEM Sunrise Bhd.	Real Estate Oper. & Srvcs.	87.50	7
23	YTL Corporation Bhd.	Utilities	87.50	7
24	Berjaya Land Bhd.	Consumer Discretionary	75.00	25
25	Boustead Holdings Bhd.	Materials	75.00	25
26	CIMB Group Holdings Bhd.	Financials	75.00	25
27	Dialog Group Bhd.	Energy	75.00	25
28	Gamuda Bhd.	Industrials	75.00	25
29	IOI Corp Bhd.	Consumer Staples	75.00	25
30	Kulim (Malaysia) Bhd.	Consumer Staples	75.00	25
31	Nestlé (Malaysia) Bhd.	Consumer Staples	75.00	25
32	Oriental Holdings Bhd.	Consumer Discretionary	75.00	25
33	Star Publications (Malaysia) Bhd.	Communications	75.00	25
34	Tan Chong Motor Holdings Bhd.	Consumer Discretionary	75.00	25
35	YTL Power International Bhd.	Utilities	75.00	25
36	Sime Darby Bhd.	Consumer Staples	62.50	36
37	UMW Holdings Bhd.	Consumer Discretionary	62.50	36
38	DRB-Hicom Bhd.	Consumer Discretionary	50.00	38
39	NCB Holdings Bhd.	Industrials	50.00	38
40	Airasia Bhd.	Consumer Discretionary	37.50	40
41	Hong Leong Bank Bhd.	Financials	37.50	40
42	Lafarge Malayan Cement Bhd.	Materials	37.50	40
43	OL Resources Bhd.	Consumer Staples	37.50	40
44	Amway (Malaysia) Holdings Bhd.	Consumer Discretionary	25.00	44
45	Hap Seng Consolidated Bhd.	Consumer Staples	12.50	45
46	Bintulu Port Holdings Bhd.	Industrials	0.00	46
47	IJM Corporation Bhd.	Industrials	0.00	46
48	Malaysian Resources Corporation Bhd.	Industrials	0.00	46
49	Sarawak Oil Palms Bhd.	Consumer Staples	0.00	46
50	Time Dotcom Bhd.	Communications	0.00	46

APPENDIX F. Unweighted Index for 50 Listed Companies in 2012

No.	Name of listed firm	Sector	Unweighted Index (%)	Ranking
1	Affin Holdings Bhd.	Financials	100.00	1
2	Axiata Group Bhd.	Communications	100.00	1
3	Hong Leong Financial Group Bhd.	Financials	100.00	1
4	Media Prima Bhd.	Communications	100.00	1
5	Nestlé (Malaysia) Bhd.	Consumer Staples	100.00	1
6	RHB Capital Bhd.	Financials	100.00	1
7	Telekom Malaysia Bhd.	Communications	100.00	1
8	Alliance Financial Group Bhd.	Financials	87.50	8
9	AMMB Holdings Bhd.	Financials	87.50	8
10	Batu Kawan Bhd.	Materials	87.50	8
11	Berjaya Land Bhd.	Consumer Discretionary	87.50	8
12	Bursa Malaysia Bhd.	Financials	87.50	8
13	Fraser & Neave Holding Bhd.	Consumer Discretionary	87.50	8
14	Hong Leong Bank Bhd.	Financials	87.50	8
15	Jaya Tiasa Holdings Bhd.	Materials	87.50	8
16	KPJ Healthcare Bhd.	Health Care	87.50	8
17	Kuala Lumpur Kepong Bhd.	Consumer Staples	87.50	8
18	Malayan Banking Bhd.	Financials	87.50	8
19	Malaysian Resources Corporation Bhd.	Industrials	87.50	8
20	Maxis Bhd.	Communications	87.50	8
21	MISC Bhd.	Industrials	87.50	8
22	MMC Corporation Bhd.	Utilities	87.50	8
23	Top Glove Corporation Bhd.	Health Care	87.50	8
24	TSH Resources Bhd.	Consumer Staples	87.50	8
25	UEM Sunrise Bhd.	Real Estate Oper. & Srvcs.	87.50	8
26	YTL Corporation Bhd.	Utilities	87.50	8
27	Boustead Holdings Bhd.	Materials	75.00	27
28	CIMB Group Holdings Bhd.	Financials	75.00	27
29	Dialog Group Bhd.	Energy	75.00	27
30	Gamuda Bhd.	Industrials	75.00	27
31	IOI Corp Bhd.	Consumer Staples	75.00	27
32	Kulim (Malaysia) Bhd.	Consumer Staples	75.00	27
33	Oriental Holdings Bhd.	Consumer Discretionary	75.00	27
34	Parkson Holdings Bhd.	Consumer Discretionary	75.00	27
35	Star Publications (Malaysia) Bhd.	Communications	75.00	27
36	Tan Chong Motor Holdings Bhd.	Consumer Discretionary	75.00	27
37	Time Dotcom Bhd.	Communications	75.00	27
38	YTL Power International Bhd.	Utilities	75.00	27
39	NCB Holdings Bhd.	Industrials	62.50	39
40	Sime Darby Bhd.	Consumer Staples	62.50	39
41	UMW Holdings Bhd.	Consumer Discretionary	62.50	39
42	DRB-Hicom Bhd.	Consumer Discretionary	50.00	42
43	Lafarge Malayan Cement Bhd.	Materials	37.50	43
44	OL Resources Bhd.	Consumer Staples	37.50	43
45	Airasia Bhd.	Consumer Discretionary	25.00	45
46	Amway (Malaysia) Holdings Bhd.	Consumer Discretionary	25.00	45
47	Hap Seng Consolidated Bhd.	Consumer Staples	12.50	47
48	Bintulu Port Holdings Bhd.	Industrials	0.00	48
49	IJM Corporation Bhd.	Industrials	0.00	48
50	Sarawak Oil Palms Bhd.	Consumer Staples	0.00	48