

# Measuring Qualitative Characteristics of Internet Financial Reporting: Evidence from Malaysia

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## **Abstract**

As the world economy undergoes a rapid digital transformation, internet financial reporting (IFR) has evolved into an important platform for the dissemination of information to investors.

It has also been a focal topic of discussion among practitioners and researchers, mainly due to the absence of strict laws governing IFR practices, resulting in disclosures of financial reports varying across listed companies. This study aims to assess the extent of compliance with the IFR's qualitative characteristics for companies listed on Bursa Malaysia. This study involves adopting 34 constructed index items based on prior literature and the use of a 5-point Likert scoring scale anchored from "very poor" (1) to "excellence" (5) to measure the fundamentals and enhance the qualitative characteristics of IFR, which is also in line with the "Revised Conceptual Framework for Financial Reporting" issued by the Malaysian Accounting Standards Board (MASB) in 2018. Non-probability purposive sampling was employed to select the companies from 11 relevant industries, consisting of 160 listed companies from Bursa Malaysia's main market. Annual reports and corporate governance statements were extracted from corporate websites for 2018. Findings suggest that most corporations that are listed in the main market of Bursa Malaysia have yet to fully comply with the MASB's financial reporting framework, notably timeliness, which requires urgent improvement. In the absence of strict IFR regulations, managers may also be free to act opportunistically by designing their IFR disclosure in a way that serves their personal interests as well as the company's reputation. This research enriches the body of literature on IFR and delivers a measuring mechanism that can gauge the extent of accordance with the qualitative characteristics of IFR. It acknowledges the importance of collective efforts from regulatory bodies to implement accounting reforms and the best IFR governance practices to harness information's usefulness in the Industrial Revolution era. 4.0.

**Keywords:** corporate internet reporting, internet financial reporting, qualitative characteristics

## 1. Introduction

The global business landscape has seen substantial changes in the 21st century due to technological breakthroughs, including the Internet of Things (IoT), blockchain technology, artificial intelligence (AI), and data analytics (Tiberius & Hirth, 2019). The emergence and advancement of technology also affected the content and communication strategy of Internet financial reporting (IFR) for key stakeholders, particularly shareholders, in dealing with the deliberation of economic decision-making (Serban, 2017; Schaller et al., 2019). However, the deficiency of rigorous procedures as well as specific accounting standards governing the practice of IFR could negatively impact IFR quality (IFRQ), preventing investors from obtaining the information necessary for making an informed economic decision (Botti et al., 2014; Sia et al., 2018). Similarly, an extensive amount of literature points to certain factors that are affecting the quality of IFR (IFRQ). For instance, Botti et al. (2014) and Keliwon et al. (2018) collaboratively contend that management now has broad discretion to manipulate the disclosure of IFR in order only to disclose positive news while omitting negative reports in an effort to attract more investors. This is due to the unregulated policy that explicitly addresses IFR disclosure. On another note, different reporting entities provide different levels of non-financial information due to the lack of accounting standards for corporate Internet reporting, according to the study by Efimova and Rozhnova (2018). This has made it difficult for users of financial reports, especially prospective investors, to make comparisons between entities for their investment portfolio purposes. Another crucial issue is that some reporting entities are not proactive enough to update their corporate information on their websites frequently. This is evident in Malaysian corporate practices, in which a study conducted in 2016 by Kamalluarifin demonstrates that most Malaysian listed companies sluggishly update their investor relations content on their websites. This can be explained by virtue of the fact that IFR's frameworks are still voluntary in nature.

However, the difficulty of assessing the content of information used for economic decision-making is further exacerbated by the scarcity of a reliable measurement device that can evaluate the usefulness of information, which corresponds to the qualitative characteristics of financial reporting. Multiple previous studies show that index-based measuring mechanisms have been widely used to assess IFRQ. These mechanisms include indirect proxies, such as financial ratios, financial statement restatements, earnings management, etc. Consequently, only qualitative characteristics that can be measured directly are included as part of the criteria for assessment (e.g., the existence of specific details or disclosure in the corporate reports), while the criteria of information usefulness, which is crucial for investment decision-making, are given less attention (Kelton & Yang, 2008; Mbobo & Ekpo, 2016; Efimova & Rozhnova, 2018). In a similar vein, Hanafi et al. (2009) argue that the index-based measuring tools do not comply with International Financial Reporting Standards (IFRS) regulations on the basis that these tools emphasise assessing financial data more than non-financial information. The study also demonstrates that most measurement tools used to gauge IFRQ are inadequate in considering the value of technological components, which are also vital in enhancing the quality of corporate data published on corporate websites. The arguments highlighted above imply the need to evaluate

IFRQ thoroughly in order to accommodate the needs of investors for information usefulness to maintain market efficiency (Braam & Van Beest, 2013; Mbobbo & Ekpo, 2016; Al-Dmour et al., 2017; MASB, 2018). Hence, the objective of this research is to establish a set of qualitative characteristics elements through an adopt and adapt methodology, primarily obtained from the prior studies of Braam and Beest (2013), Nel (2016), and Al-Dmour et al. (2017). This will enable the operationalization of the qualitative characteristics in IFR. The information in annual reports and investor relations materials published on company websites is also being evaluated in accordance with the research objectives to ascertain the level of compliance with regard to the qualitative characteristics incorporated in "The Revised Conceptual Framework for Financial Reporting" published in 2018 by Malaysian Accounting Standards Board (MASB) across 160 listed companies in Bursa Malaysia's main market. This study contributes to the body of literature with its findings.

The remaining section of this study is organised into the following structure: Section 2 deliberates on the literature review and analysis of literature. Section 3 explains the methods, and Section 4 explains the results. Meanwhile, Section 5 elaborates on the discussions, Section 6 reveals this study's conclusion and future research, while Section 7 provides the limitations.

## **2. Literature Review**

The Internet has become prevalent as a means of communication in recent years, particularly in the digital business environment, where it has expanded its IFR functions. Ashbaugh et al. (1999) define IFR as the use of Internet technology to disseminate financial data and the performance of businesses. Internet-based communications and technological features such as online tool analysis and multimedia convey the idea of financial reporting dissemination (Lymer et al., 1999; Lizzcharly et al., 2013). Nevertheless, the concept of IFR has been broadened to include the notion of "complete disclosure" of material information to facilitate shareholders and potential investors in making the best economic judgement (Ojah & Mokoaleli-Mokoteli, 2012). Companies globally are increasingly using IFR for disseminating company information to interested stakeholders, notably shareholders, via web-based financial and business reporting (Garca Sánchez et al., 2011; Valentinetti & Rea, 2013; Keliwon et al., 2018; Kaur & Singh, 2019).

Despite IFR's extensive use in the 21st century, concerns regarding its transparency and reliability are intensifying, which requires actions to address them (Almilia, 2015; Efimova & Rohnova, 2018; Sia et al., 2018). Similarly, a stream of past literature has also documented that the integrity of IFR has been jeopardized by the emergence of advanced technology in the digital era. For example, according to studies by Kelton and Yang (2008) and Sherman and Young (2016), the poor governance of IFR frameworks has given space for management to misrepresent information for personal interest at the expense of shareholders. On another note, because IFR relies heavily on hyperlinks to connect to other sources of information, management can easily mislead investors into believing that the financial reports have been audited when, in fact, they have not (Amin & Mohamed, 2016; Fisher Naylor, 2016).

Meanwhile, other empirical studies assert that cyberattacks have been considered one of the major threats to IFR's trustworthiness. This mainly points to the flexibility of IFR's technical frameworks, which have provided an avenue for intruders to access confidential data, thereby allowing them to manipulate data and disrupt operations (Cumming et al., 2017; Efimova & Rozhnova, 2018).

Based on the preceding occurrence, Keliwon et al. (2018) argue that management can decide how much information to reveal and publish on corporate websites. Consequently, IFR disclosure varies across firms globally, particularly on non-financial information, because of its voluntary nature. This further complicates investors' ability to compare companies' performance for investment purposes (Efimova & Rozhnova, 2018). Furthermore, unauthorized access from within or outside the company provides the space to manipulate confidential data on the company's websites. Based on these arguments, it can be concluded that all the articulated issues can have an adverse effect on IFRQ, which will engender negative consequences for the users of financial reports. Hence, establishing a measurement mechanism that can reliably assess the quality of information incorporated in IFR is considered necessary. Nevertheless, the virtuosity of assessing IFRQ is relatively complex, which may lead to conflicting results (Ali et al., 2011; Efimova & Rohznova, 2018; Alebrahim, 2018). Most of the past researchers collectively contend that this is because the concept, characteristics, and dimensions of IFR are broad, and assessing its quality is somewhat complex and subjective. Hence, past literature review shows that many researchers have used various measuring mechanisms to determine the quality of IFR disclosures, for example, checklists, disclosure indexes, and qualitative measurement instruments (Khadaroo, 2005; Ali et al., 2011). Table 1 shows some of the measurement tools widely used over the years.

Table 1. Measurement Tools for Internet Financial Reporting Quality

| Researchers            | Method                  | Scopes  | Contribution in Measurement                                  | Limitations   |
|------------------------|-------------------------|---|--|---|
| Kelton and Yang (2008) | Disclosure Index        | Disclosure Index—content, format and Corporate Governance Statement | Improves content, format and corporate governance statement. | Overly focus on the existence of specific details on the annual report rather than the quality of financial and non-financial data (usefulness of information for decision-making). |
| Hanafi et al.          | Development of an index | Website   | Development of the latest index                              | A larger statistical sample   |

| Researchers                | Method  | Scopes  | Contribution in Measurement   | Limitations   |
|----------------------------|---|---|---|---|
| (2009)                     | on Internet Business Reporting Quality (IBRQ) | design:<br>Usability and accessibility (40%),<br>navigation (30%),<br>timeliness (30%),<br>Website content:<br>financial data (60%) and non-financial data (40%). | on IBRQ.  | is required to test the validity and reliability of the newly developed index.  |
| Alali and Romero (2012)    | Internet corporate reporting (ICR)            | Buenos Aires Stock Exchange, financial and non-financial information, and website.  | Developed internet disclosure index based on an index developed by Bonsón and Escobar (2006) measuring 53 criteria comprising financial and non-financial data. | Study discounted assessment of the quality of financial and non-financial information published on corporate websites and the value of relevance of this information available on websites. |
| Ali Khan and Ismail (2012) | Indexes of IFR, Malaysia                      | IFR Disclosure checklist  | Evaluate 87 checklists to determine the level of IFR disclosure in the Malaysian context encompassing two dimensions:   | The limited scope of assessment-checklist is concerned more with the existence of items rather than the quality of information.   |

| Researchers       | Method   | Scopes   | Contribution in Measurement  | Limitations  |
|-------------------|--|--|--|--|
|                   |  |  | content and presentation.  |  |
| Dyczkowska (2014) | Assessment of IFRQ disclosures using a scoring system.                                       | Financial statements and financial ratios                                    | Measuring IFR disclosure - completeness, accuracy, relevance, and transparency with the application of the scoring method and use of appropriate weights according to a ranking of stock issuers.  | Assessment is confined to financial information, with less concern for non-financial information.  |
| Almilia (2015)    | Corporate Internet reporting (CIR) quality, Indonesia, Malaysia, Japan, Singapore, Australia | IFR disclosure encompasses content, timeliness, technology, and user support | Conduct comparative testing of website quality on Asia Pacific Economic Cooperation (APEC) member countries using the IFR index was developed by basing closely on the work of Cheng et al. (2000) to assess content (40%), timeliness (20%), technology (20%) and user support (20%). | Overly focus on content, timeliness, technology, and user support.<br><br>The study acknowledges the importance of assessing qualitative forms of financial reporting. |
| Amin and Mohamed  | IFRQ   | Financial statements   | IFR quality was measured using four proxies:   | Assessment is confined to only three qualitative   |

| Researchers                          | Method                             | Scopes   | Contribution in Measurement  | Limitations  |
|--------------------------------------|------------------------------------|--|--|--|
| (2016)                               |                                    |  | understandability, relevance, timeliness, reliability, and comparability.  | characteristics of financial reports (e.g., relevance, reliability, and comparability).  |
| Ahmed et al. (2017)                  | CIR                                | CIR practices on Internet infrastructure   | Employing qualitative method, interviewing 13 users and five preparers to examine their perception of CIR practices  | Doubt on data obtained as the interviewees may have been influenced by events even before the interview proceeded.   |
| Dolinšek and Lutar-Skerbinjek (2018) | IFR Index                          | Voluntary disclosure of financial information (F.S.) on the Internet and listed companies. | Assess IFR content (Financial et al., interim reports, financial ratios etc.) and non-financial (sustainable development, corporate governance, Operations Report, etc.) and IFR presentation offered by the World Wide Web. | Using a dichotomic way of evaluation (IFR-index).<br>Disclosure of F.S. on the Internet should be attributed to qualitative characteristics useful for economic decision-making. |
| Alebrahim (2018)                     | CIR disclosure index, Saudi Arabia | Voluntary disclosure of CIR on Saudi-listed companies                                      | Employing a self-constructed disclosure index (includes 196 items) to measure the CIR of 170 Saudi-listed  | The assessment did not cover other vital dimensions of CIR disclosure, such as forward-looking   |



| Researchers             | Method               | Scopes   | Contribution in Measurement  | Limitations   |
|-------------------------|----------------------|--|--|---|
|                         |                      |  | companies  | financial disclosure or risk management.  |
| Sandhu and Singh (2019) | CIR disclosure index | Voluntary disclosure of CIR on Indian-listed companies | Employing CIR index disclosure to measure content (83 items) and presentation (53 items) | The assessment did not cover other important variables, such as the relationship between board structure and CIR. |

### 2.1 Analysis of Literature

Past literature reviews, exhibited in Table 1, show that numerous scholars have employed index methods that use indirect proxies (e.g., ratios, a restatement of financial statements, earnings management, etc.) to assess IFRQ (Almilia, 2015; Abraham, 2018). However, since index-based measuring instruments predominantly use indirect proxies, it was suggested that the results generated through this method cannot assess IFRQ reliably (Mbobbo & Ekpo, 2016). Meanwhile, Kelton and Yang (2008) explain that indexed-based measurement mechanisms overly emphasise the details in the financial report rather than the quality of the information, which is essential in making better economic decisions. Similarly, Hanafi et al. (2009) contend that assessment index-based instruments stress more financial than non-financial data. This can harm investors and businesses, as non-financial information has been increasingly considered an important substance for market efficiency and survival (Arvidsson, 2011). Hanafi et al. (2009) also assert that, given the nature of index measurement mechanisms that are more financial data-oriented, the assessed attributes (e.g., unit analysis) are still not in line with the provisions recommended by International Accounting Standards 1. (IAS 1). It also notes that only a few researchers (e.g., Dyezkowska, 2014; Amin & Mohamed, 2016) have examined the qualitative characteristics of IFRQ. Nevertheless, their studies were bound by several constraints in such a way that the unit analysis used in the study was confined to financial information rather than non-financial information (Dyezkowska, 2014) and incomplete qualitative characteristics for assessment (Amin & Mohamed, 2016). The analysis above also notes that the use of a qualitative approach has been undertaken by Ahmed et al. (2018), which is considered vital as it allows the gathering of in-depth information directly from interviewees. Nevertheless, it creates caution for researchers and users of the data in the sense that the reliability of the data may be questionable as the interviewees may have been influenced by events even before the interview session began.

The preceding analysis also highlights the importance of assessing IFRQ in qualitative characteristics, as explained by several scholars (e.g., Alali and Romero, 2012; Almilia, 2015; Dolinek & Lutar-Skerbinjek, 2018). The studies by Braam and Van Beest (2013) and Al-Dmour et al. (2017) articulate the importance of evaluating any source of financial reporting in compliance with the approved accounting framework, such as "The Revised Conceptual Framework for Financial Reporting," which was issued by IFRS. This ensures that the crucial substances of financial reporting are applied and assessed, encompassing fundamental qualitative characteristics such as relevance and faithful representation and enhancing qualitative attributes such as verifiability, understandability, comparability, and timeliness. Several studies have found that evaluating the qualitative qualities of any form of financial report is critical to maintaining the usefulness of information, which not only allows investors to make the best economic decisions but also helps to preserve market efficiency given that it provides both historical and forward-looking information for investment purposes (Braam & Van Beest, 2013; Mbobo & Ekpo, 2016; Al-Dmour et al., 2017). In a similar vein, measuring the qualitative characteristics of IFRQ also provides a more balanced report because all the assessed items under the financial framework are embodied with financial and non-financial attributes (MASB, 2018). This is important because non-financial information influences stock market prices (Arvidsson, 2011) and serves as vital support for businesses' longevity (WBCSD and PWC, 2018). In order to attune with the IFR good practices, this research adopts the critical dimension of timeliness adopted from the study by Nel (2016), which refers to information on investor relations published on corporate websites. According to Nel (2016), technological attributes should be considered part of the IFR dimension because they can enhance the corporate disclosure published on websites, notably in delivering real-time information to investors.

Malaysia was chosen as the subject of this study because it is a thriving, developing nation that welcomes international trade and investment. Its economy is currently dominated by the manufacturing and service sectors, which have been the backbone of the country's economic growth and employment generation (World Bank, 2019). Malaysia's government recently approved the Industry 4.0 strategy as part of its action plan to encourage Malaysian businesses to employ emerging technology to boost productivity and competitiveness across industries (MITI, 2020). This study also investigates the effects of MASB's requirement that Malaysian reporting businesses prepare statutory financial reports under IFRS. This is done to ensure that the financial reports produced are of high quality, allowing them to be recognised and appreciated by domestic and global market players (MASB, 2018). The above deliberations have prompted researchers to look at the extent of compliance with the MASB's 2018 "The Revised Conceptual Framework for Financial Reporting" across companies listed in Malaysia's main market, Bursa Malaysia. This research adopts and adapts the assessed items that were constructed in the studies by Braam and Van Beest (2013), Nel (2016), and Al-Dmour et al. (2017). The dimensions measured in this research encompass financial and non-financial information derived from annual reports, including investor relations information published on corporate websites. Table 2 illustrates the measured qualitative characteristics used in this study.

Table 2. The Internet Financial Reporting Quality Measures

| No. | Qualitative Characteristics | Measured Items | Scope of Focus   | Main Sources   |
|-----|-----------------------------|----------------|--|--|
| 1.  | Relevance                   | 7              | Use of fair value to quantify assets and liabilities (R1), assessing businesses' profitability levels (R2), Financial report presented annually (R3), timely issuance of annual reports (R4), annual report discloses forward-looking information (R5), annual report discloses opportunity and risks (R6) and annual provide feedback information how various market event transaction affected the company (R7). | Braam and Van Beest (2013); FASB (2013); Al-Dmour et al. (2017); MASB (2018) |
| 2.  | Faithful representation     | 3              | The annual report explains the choice of accounting principles clearly (F1); the annual report highlights the positive and negative events in a balanced way when discussing the annual results (F2), and the annual report extensively discloses information on corporate governance issues (F3).   | Braam and Van Beest (2013); Al-Dmour et al. (2017), MASB (2018)              |
| 3.  | Verifiability               | 1              | The annual report explains the assumptions and estimates made clearly; valid arguments are provided to support the decision for certain assumptions and estimates in the annual report (V1).   | Jonas and Blanchet (2000); Braam and Van Beest (2013); MASB (2018)           |
| 4.  | Understandability           | 7              | Financial statements provided in annual reports are well-organised and clear (U1),   | Braam and Van Beest (2013); Al-Dmour et al.                                  |

|    |               |    |  |   |
|----|---------------|----|--|---|
|    |               |    | <p>the notes to the balance sheet and income statements are sufficiently clear (U2), sources and level of expenditure can be easily understood (U3), Business assets are accessible to know in terms of value and nature (U4), the existence of graphs and tables to explain information presented (U5), The use of language and technical jargon is easy to follow in the annual report (U6), The annual report included a comprehensive glossary (U7).</p>   | <p>(2017); MASB (2018)</p>                                  |
| 5. | Comparability | 6  | <p>Notes to financial statements explain changes in accounting policies (C1), the notes to revisions in accounting estimates and judgments explain the implications of the revision (C2), the company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates (C3), the results of current accounting period are compared with results in previous accounting periods (C4), information in the annual report is comparable to information provided by other organizations (C5), the annual report presents financial index numbers and ratios (C6).</p> | <p>Braam and Van Beest (2013); IASB (2010); MASB (2018)</p> |
| 6. | Timeliness    | 10 | <p>The company provides the year of last website update (T1), the company provide the year (copyright date at the bottom of the page) of the last website</p>  | <p>Pircheggar and Wagenhofer (1999); Nel (2016)</p>         |

|  |  |                     |   |  |
|--|--|---------------------|---|--|
|  |  |                     | <p>update (T2), the company provides latest stock price data (T3), company disclose the specific update time for stock price data (T4), the company provides a recent interim financial report on the website (T5), quarterly interim report/semi-annually on a timely manner (T6), existence on calendar of future financial events (T7), option register for future email alerts (T8), press release news (T9) and news including information on when the user is expected to receive a response (T10).</p> |  |
|  |  | Total=34 attributes |   |  |

### 3. Methods

In line with studies by Braam and Van Beest (2013) and Nel (2016), as well as the financial framework published by IFRS in 2010, this study uses a 5-point Likert scoring scale centred from "very poor" (1) to "excellence" (5). However, the most recent edition of "The Revised Conceptual Framework for Financial Reporting," released by IFRS in 2018 and converged by MASB in the same year, updated the dimensions in the context of this study. Before gathering the real data, a validity and reliability pre-test procedure was also carried out on the instrument.

Expert review, that is, academics from foreign and domestic higher education institutions chosen for their expertise in IFR and financial reporting, is an essential step in this procedure to get their constructive assessments and suggestions that will improve the instrument used for measuring. In addition, a set of standards for measuring the IFRQ will be adopted as part of this research and will be derived from the research of Braam and Van Beest (2013), Nel (2016), and MASB (2018). An impartial certified accountant then reviews the scoring to support the precision and consistency of the findings. 160 listed companies from 11 relevant industries—construction, consumer goods and services, energy, health care, industrial goods and services, plantation, property, technology, telecommunication and media, transportation and logistics, and utilities were chosen through non-probability purposive sampling from Bursa Malaysia's main market. The sample did not include the banking and financial sectors

because of their distinct regulatory systems. The data extraction process comprises the extraction of annual reports and corporate governance from the websites of Malaysian listed firms and Bursa Malaysia for 2018. The year 2018 was selected because the researchers expected that firms would have published their most current financial reports using the financial framework provided by MASB (2018) on their websites. The annual reports and investor relations information of the corresponding sample firms were compared against the set of criteria, requiring the researchers to assign scores to determine the IFRQ. However, as Braam and Van Beest (2013) noted, because the qualities are conceptually based and distinct from one another, it is difficult to understand and quantify the assessed dimension of qualitative characteristics. They were, therefore, going to be measured item by item. The mean and standard deviation of the scoring results were calculated in the last stage and shown in Table 3.

#### 4. Results

Table 3 shows the descriptive analysis generated by the scoring method.

Table 3 Descriptive Analysis of Internet Financial Reporting Quality

| Qualitative Characteristics | Means score | Standard Deviation |
|-----------------------------|-------------|--------------------|
| Relevance                   |             |                    |
| R1                          | 5.000       | 0.000              |
| R2                          | 3.869       | 0.719              |
| R3                          | 4.988       | 0.112              |
| R4                          | 3.894       | 0.650              |
| R5                          | 3.625       | 0.591              |
| R6                          | 3.781       | 0.750              |
| R7                          | 3.569       | 0.533              |
| Faithful Representation     |             |                    |
| F1                          | 5.000       | 0.000              |
| F2                          | 3.969       | 0.175              |
| F3                          | 3.556       | 0.558              |

## Verifiability

|    |       |       |
|----|-------|-------|
| V1 | 5.000 | 0.000 |
|----|-------|-------|

## Understandability

|    |       |       |
|----|-------|-------|
| U1 | 3.619 | 0.592 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U2 | 3.644 | 0.565 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U3 | 3.606 | 0.527 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U4 | 3.525 | 0.593 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U5 | 3.775 | 0.824 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U6 | 3.513 | 0.572 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| U7 | 2.738 | 0.805 |
|----|-------|-------|

## Comparability

|    |       |       |
|----|-------|-------|
| C1 | 3.456 | 0.559 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| C2 | 3.575 | 0.544 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| C3 | 3.675 | 0.567 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| C4 | 5.000 | 0.000 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| C5 | 3.619 | 0.500 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| C6 | 2.938 | 0.814 |
|----|-------|-------|

## Timeliness

|    |       |       |
|----|-------|-------|
| T1 | 1.169 | 0.529 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| T2 | 3.531 | 1.513 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| T3 | 2.531 | 1.719 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| T4 | 2.244 | 1.524 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| T5 | 2.763 | 1.673 |
|----|-------|-------|

|    |       |       |
|----|-------|-------|
| T6 | 2.750 | 1.641 |
|----|-------|-------|

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|     |       |       |
|-----|-------|-------|
| T7  | 2.738 | 1.179 |
| T8  | 2.169 | 1.497 |
| T9  | 3.856 | 0.924 |
| T10 | 2.825 | 0.805 |

## 5. Discussion

Table 3 indicates that the annual report's justification for the choice of accounting principles (Faithful representation 1) and based on the computed analysis of the above, particular qualities related to the application of fair value (Relevance 1) obtained the highest mean score for essential qualitative features, both with a mean score of 5.0. A mean score of 4.99, 3.99, and 3.89 was also assigned to the following highly rated attributes: the auditor's report (Relevance 4), the annual report providing balanced information explaining yearly performance (Faithful representation 2), and the attributes of financial reports that are presented annually (Relevance 3). Meanwhile, verifiability 1 had the highest mean score of 5.0 in improving qualitative characteristics, meaning that all organizations provide reliable information supporting the accounting judgment option. With a mean score of 5.0, Comparability 4, which shows how the results of the current accounting period compare to previous accounting, also obtained the highest rating. The company's previous accounting period's figures adjusted for policy changes or revisions in accounting estimates (Comparability 3), the presentation of graphs and tables (Understandability 5), and the sufficiency of the notes to the balance sheet and income statements (Understandability 2) were all highly rated, with mean scores of 3.78, 3.68, and 3.64, respectively. Timeliness, however, received the lowest mean score of all the criteria combined. This includes the business's decision to provide the most recent stock price information (Timeliness 4) and offering the opportunity to subscribe for future email notifications for press releases and newsletters (Timeliness 8), which resulted in mean scores of 1.16, 2.16, and 2.24 respectively.

Overall, the results indicate that most reporting entities have not fully complied with MASB's "The Conceptual Framework for Financial Reporting," except for the Relevance, Faithful representation, and Verifiability components. On the other hand, the analysis shows that the majority of the reporting entities performed poorly in the aspect of timeliness. This specific attribute requires improvement, particularly regarding updating investor relations content on company websites. The results also appear to be in line with the findings of past researchers (Khan, 2007; Kelton & Yang, 2008; Ali Khan, 2016), citing that IFR information is still voluntary and that there are currently no specific accounting rules defining the types of dimensions that IFR can operationalize. In addition, the absence of robust IFR frameworks allows managers to act opportunistically by taking advantage of the reporting flexibility to



arrange their IFR disclosure in a way that serves their personal interests as well as the reputation of the business itself (Williams, 2008; Keliwon et al., 2017).

In this regard, national regulatory organizations like the Malaysia Institute of Accountants (MIA), the Security Commission, and Bursa Malaysia are urged to work collectively more to push Malaysian listed companies to adopt the revised conceptual framework MASB (2018) to improve IFRQ. Similarly, international regulatory agencies, trade associations, and large multinational firms must collaborate with national regulators to ensure a more standardized disclosure of IFR.

## **6. Conclusion**

This research was conducted mainly to bridge the gaps through processes involving the adoption of a specific attribute or item that was developed and expanded in the previous studies, according to the revised "Conceptual Framework for Financial Reporting" issued by MASB in 2018. The adopted measuring instruments are then tested for their applicability and adaptability through pre-test and pilot tests, which involve obtaining expert views and expert feedback. The scores were then verified by an independent accountant, who confirmed the validity and reliability of the results. Previous studies collectively note that assessing the qualitative characteristics of financial reporting is vital to generating more reliable results because it operationalises all the critical attributes recognised by MASB (2018) in IFR. Besides that, the research also involves assessing timeliness, which is connected to investor-related information published on corporate websites.

Nevertheless, this research is considered significant because, apart from enriching the body of literature on the assessment of IFR, the study also offers a measuring mechanism that can assess the level of compliance on qualitative characteristics of IFR. In the age of business digitalization, where the process of generating business information has been rapidly impacted by technological advancement, this study further fosters the understanding of IFRQ, which has become a concern for those involved in preparing financial reports, auditors, investors, and other key stakeholders. As a result, understanding the importance of comprehending IFRQ enables regulatory bodies to implement accounting reforms that improve the quality of IFR and to harness the best practices of IFR governance, which is vital for preserving market efficiency in the age of the 4.0 Industrial Revolution.

## **7. Limitation**

The research somehow comes with several limitations. The scope of the study, which refers to the collection of secondary data, only covers 2018. This is due to the data source obtained from Bursa Malaysia and the company's websites. This also aligns with the study's objectives, requiring researchers to examine the association between the latest financial reports and "The Conceptual Framework for Financial Reporting" issued by MASB (2018). Thus, the study's findings may not be readily generalisable to correspond to other reporting periods. Another limitation is that the sample used in the research is confined to listed companies registered on

the main market of Bursa Malaysia. This is under the perception that these companies have adequate resources to use and maintain IFR as a platform to disseminate corporate disclosure. Future research should consider having a more comprehensive measuring mechanism for IFR, possessing the right balance between financial disclosure and technology dimensions (e.g., usability and accessibility, navigation, and user support). Since this research involves a one-year cross-sectional study, the longitudinal analysis should be carried out for better comparability and generalizability of the results.

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