



Munich Personal RePEc Archive

Companies' Characteristics and the Choice of Hedge Accounting for Derivatives Reporting: Evidence from Malaysian Listed Companies

Abdullah, Azrul and Ku Ismail, Ku Nor Izah

Universiti Teknologi MARA, Perlis Branch, Arau Campus

9 June 2017

Online at <https://mpra.ub.uni-muenchen.de/90213/>
MPRA Paper No. 90213, posted 25 Nov 2018 16:37 UTC

Companies' Characteristics and the Choice of Hedge Accounting for Derivatives Reporting: Evidence from Malaysian Listed Companies

[Azrul Abdullah](#)^a

Ku Nor Izah Ku Ismail^b

^aFaculty of Accountancy, Universiti Teknologi MARA, Perlis Branch, Arau Campus, 02600, Perlis MALAYSIA

^bSchool of Accountancy, College of Business (COB), Universiti Utara Malaysia, 06010, Sintok, Kedah Malaysia

Corresponding Author: azrul229@perlis.utim.edu.my

Abstract

This paper investigates the adoption of hedge accounting by Malaysian listed companies in reporting their use of derivatives for hedging activities. Based on a sample of 300 Malaysian listed companies, we found that only 162 companies (54 percent) used derivatives to hedge their financial risks exposure and only 30 percent of the companies chose to apply hedge accounting. In addition, this study examines the relationship between the company specific characteristics and their application of hedge accounting. The logistic regression results showed that the decision to apply hedge accounting by Malaysian companies is positively influenced by the company size and leverage. The implications of the findings were discussed.

Key words: Derivatives; Financial instruments; Hedge Accounting; Company Specific Characteristics

1.0 INTRODUCTION

Large international losses from derivatives that came about over the past years have caused major concerns about financial instrument' role and adequacy of information, particularly in derivatives (Izumi, 2009; Simmons and Keehner, 2008; West, 2008). Papa and Peters (2013) reported that many large corporations use derivatives to hedge their financial risk exposure. However, the effectiveness of derivatives and hedging activities information from the users' perspectives were argued to be insufficient. One reason which explained why the information was not very effective was that the accounting standards for derivatives allowed management to use their discretion whether to apply the accounting practices or otherwise (i.e. hedge

accounting), affecting the quality of the information and leading to unfavourable investment decisions. To apply hedge accounting, there are certain standards that companies need to satisfy; otherwise, they are not qualified to do so. Due to the requirements, it was observed that companies which may otherwise be eligible to apply hedge accounting aimed at derivatives for hedging transactions may not be doing so.

Several international studies proved that many companies did not meet the objectives of the hedge accounting standards when this option was granted to them (e.g. Bamber and McMeeking, 2010; Daniel et al., 2010; Hausin, et al., 2008). Due to this reason, several studies were conducted to explain the reason behind the decision why some companies decided not to apply hedge accounting. For example, Ameer et al. (2011) explained that the lack of expertise and the cost weigh more over the benefits of using derivatives were the reasons why companies avoided complying with hedge accounting requirements.

In another study, Comiskey and Mulford (2008) discussed five reasons why companies may decide not to apply hedge accounting: (1) the substantial cost of documentation and ongoing monitoring of designated hedges; (2) the availability of natural hedges that can be highly effective; (3) a new accounting standard that broadens the applicability of natural or economic hedges; (4) qualifying hedges are not available or are too costly or the documentation is untimely, inadequate, or unavailable; and (5) the increased risk of restatement that accompanies hedge accounting.

A number of studies on derivatives disclosure practices showed that several company specific factors influenced the companies' decisions to avoid hedge accounting in reporting their use of derivatives for hedging activities (for examples, see Birt et al., 2013; Hassan et al., 2012; Wei

and Taylor, 2008). These findings were consistent with previous studies which also revealed that some companies' characteristics influenced management's discretions in choosing accounting policies (e.g. Cole et al., 2013; Gopalakrishnan, 1994; Taylor et al., 2008). It was argued that financial reporting decisions are complex. In particular, companies that are managed by groups have varying managerial philosophies that would strongly influence the discretion regarding the choice of the accounting policies and compliance with the accounting standards. Although many studies have shown that company specific factors may influence the choice of accounting policies, little is known about the choice of applying hedge accounting in derivatives reporting, particularly from the emerging markets' perspectives in Malaysia.

The full adoption of the accounting standards on hedge accounting by the Malaysian Accounting Standard Board (MASB) took place in 2010. The relevant standards are MFRSs7 (*Financial Instruments: Disclosure*), 132 (*Financial Instruments: Presentation*) and 139 (*Financial Instruments: Recognition and Measurements*). Although a high level of compliance was reported by several studies in relation to this accounting standard (e.g. Hassan et al., 2012; Abdullah and Chen, 2010), this study argued that it did not represent the real quality of derivatives information disclosure if hedge accounting practice was avoided by a company in the first place (see Papa and Peter, 2013). Although the company was not violating the current financial reporting standards for derivatives, less information can be expected because applying hedge accounting would affect the entities' financial statement as well as performances and risks associated with the use of derivatives (see Hausin et al., 2008; Stulz 2004). Hence, an effective accounting for derivatives use in hedging activities (i.e., hedge accounting) is therefore vital to be applied and the factors which may affect the choice of hedge accounting among Malaysian listed companies are essential to be explored.

In contrast with previous Malaysian studies, this study attempts to fill the gap by examining the acceptance of hedge accounting by Malaysian listed companies. This study also examines if certain companies' specific characteristics (i.e. size, profitability, leverage, internal corporate governance mechanisms and size of audit firms) influence their choice to apply hedge accounting. The findings reported in this study may add to the literature on the quality of financial instruments and also its risk related disclosure, pertaining directly to Malaysia. This also provides new evidence for the choice of accounting policies, specifically regarding the selection of hedge accounting practices. This paper is organized as follows: in Section 2, the relevant literature is reviewed. Section 3 develops the hypotheses and Section 4 discusses the methods employed in this study. The statistical results are reported in Section 5. Lastly, Section 6 concludes the study.

2.0 LITERATURE REVIEW

Numerous studies have addressed the influence of corporate characteristics on financial reporting practices. However, studies that addressed the adoption of hedge accounting practices in reporting the use of derivatives in hedging activities are limited. Prior studies on derivatives in Malaysia were directed more towards the influence of company-specific factors on the decision to use derivatives (i.e. Ameer, 2010) and on the level of derivatives disclosure compliance (Abdullah and Chen, 2010; Adznan and Puat Nelson, 2014; Hassan et al., 2012; Ismail and Abdul Rahman, 2011). Although these studies did not directly link any companies' characteristics with the adoption of hedge accounting, they provide a basis in explaining the choice of companies to apply hedge accounting to. This is because all of these studies similarly reported that the level of compliance to the accounting standards for derivatives was relatively low. Since the level of disclosure on derivatives was unsatisfactory, companies' avoidance in applying hedge accounting was expected. This expectation was assumed valid because

companies that voluntarily comply with some of the optional criteria in the accounting standards would display high concerns about the quality of accounting information (Cole et al., 2013).

Since the full adoption of the accounting standards on the reporting for derivatives in Malaysia was fully accepted in 2010, our review shows that only one study (Adznan and Puat Nelson, 2014) on the topic has been conducted since. The study revealed that corporate governance mechanisms influenced the extent of compliance with the accounting standard on derivatives. It was also reported that there was limited information about derivatives disclosure. Although Adznan and Puat Nelson (2014) did not directly test the relationship between company characteristics and the choice of hedge accounting, it can be assumed that hedge accounting disclosure was lacking because companies did not apply the hedge accounting requirements. A number of studies outside Malaysia (e.g. Hassan et al., 2006; Lopes and Rodrigues, 2007; Birt et al., 2012; Chaudhry et al., 2014) examined the relationship between the level of accounting standard compliance, derivatives usage and company specific characteristics. The companies' specific characteristics included in the studies were the companies' size, profitability, leverage, type of industry, type of auditor, listing status, ownership, structure, and corporate governance. These studies provided mixed evidence. Cole et al. (2013), for example, indicated that the companies' size, financial leverage, international activity, market capitalisation, listing status, profitability, return on equity and type of auditor influence firms' accounting policy choice. Based on this literature, we chose six specific characteristics of companies to justify the decision to apply hedge accounting among Malaysian listed companies. These include the companies' size, profitability, leverage, audit committee independence, the existence of the risk management committee (RMC) and type of audit firms.

3.0 HYPOTHESES DEVELOPMENT

3.1 Hedge accounting and company size

Previous studies on derivatives have shown that size has persistently been found to have a positive association with the compliance of accounting standard (e.g. Ameer, 2010; Birt et al., 2012; Chalmer and Goodfrey, 2004; Hassan et al., 2012; Rahman et al., 2012; Taylor et al. 2008). Many of these studies hypothesised size to be positively associated with the level of accounting standard compliance. This was because large companies were more conscious about investors' needs. They were more likely to be in the public eye and more subjected to shareholders' and analysts' pressures. Moreover, larger companies were also expected to provide more quality information, as they incur lower costs of accumulating and disseminating detailed information. A large company was also argued to have better internal reporting and would have the information ready for management to be adequately informed as well as steering towards a higher level of accounting standard compliance. Similar to prior studies, this study expects that the size of a company influences companies to adopt hedge accounting. In applying hedge accounting, companies would incur costs associated with documentation and monitoring. Hence, this study hypothesizes that:

H1: *There is a positive association between the adoption of hedge accounting and company size*

3.2 Hedge Accounting and Company performance

Several prior studies provided evidence that a company's performance can also affect the level of accounting standard compliance on derivatives reporting (e.g. Birt et al., 2012, Chalmer and Godfrey, 2004; Hassan et al., 2012; Oliveira et al., 2011). They argued that a profitable company are most likely to follow all the requirements needed to fulfill the accounting standards for derivatives so as to communicate and present detailed information to investors in order to improve the firm's value. However, empirical evidence of the relation between

performance and accounting standard compliance on derivatives was mixed. Hassan et al. (2006) found that managers of performing firms were likely to comply with the accounting standard and provide relevant data about their current operations, or to justify the further employment of financial instruments. Birt et al. (2012), on the other hand, presented contradicting evidence by proposing that a company which was not performing well still complies with the accounting standard for derivatives in order to explain its weak performance. However, Hassan et al. (2012) noted that the level of compliance of the accounting standard for derivatives was not related to performance variability. Although mixed associations were discovered, we expect that high performance companies will choose to apply hedge accounting to provide transparency and quality reporting on the use of derivatives. Therefore, we hypothesize that:

H2: *There is a positive association between the adoption of hedge accounting and company performance*

3.3 Hedge accounting and leverage

It was believed that the closer a business is to breach an accounting-based debt constraint; the more likely it is for management to adopt accounting methods that increase income (Watts and Zimmerman, 1986). Thus, company managers are expected to use income-increasing accounting methods in order to reduce the possibility of covenant violations and avoid the possible costs of renegotiation of debt agreements (see Astami and Tower, 2006; Aledo et al., 2009). According to Comiskey and Mulford (2008) and Ameer (2010), the use of derivatives for hedging activities could increase the earnings volatility of a company. Therefore, by adopting hedge accounting, a company may reduce such earnings volatility by recording earnings at the same time period as a gain or loss on a hedged item and the loss or gain on the related hedge instruments (Hausin et al., 2008). A study by Birt et al. (2012) for example, reported that high leveraged companies tended to comply with the accounting standard for

derivatives disclosures and apply hedge accounting. In addition, Gopalakrishnan (1994) and Iatridis (2008) also revealed that high leveraged companies would tend to select applicable accounting policies to reduce the default risk. Hence, it is argued that managers may opt to apply hedge accounting to reduce default risk and earnings volatility as well as to indicate the way derivatives were utilised in order to mitigate their financial risk exposure. Hence, the following hypothesis is tested:

H3: There is a positive association between the adoption of hedge accounting and company leverage

3.4 Hedge accounting and governance committees

Little is known about the influence of corporate governance mechanism (CGM) and the choice of accounting practices, especially on the adoption of hedge accounting. Hence, this study extends prior studies by examining the influence of CGM on the adoption of hedge accounting among Malaysian companies. Agency theory explains that the choice of financial reporting practices could be monitored based on the principle-agent relationship (Jensen & Meckling, 1976). With this in view, it was perceived that the inappropriate choices of accounting practices and presentation of financial information could be alleviated through internal monitoring mechanisms such as the audit committee and risk management committee (Birt et al., 2012; Lopes and Rodrigues, 2007; Oliveira et al., 2011). This study expected companies with good CGM are associated with the practice of hedge accounting. Previous studies have tested several CGMs with similar level of accounting standards for derivatives compliance (e.g. Abdullah and Chen 2010; Adznan and Puat Nelson, 2014; Birt et al., 2013; Hassan et al., 2012). Although mixed results were reported, several studies highlighted that audit committee independence and risk management committee (RMC) had positive and significant impact (e.g. Birt et al., 2013; Adznan and Puat Nelson, 2014). Therefore, in this study, we also expect that audit

committee independence and the existence of RMC may affect the choice of applying hedge accounting among companies. The following hypotheses are proposed:

H3: *There is a positive association between the adoption of hedge accounting and audit committee independence.*

H4: *There is a positive association between the adoption of hedge accounting and the existence of risk management committee.*

3.5 Hedge Accounting and auditor size

Auditors play an important role in determining the quality of information disclosed by their clients. According to Jensen and Meckling (1976) and Watts and Zimmerman (1983), a high-quality audit process will reduce agency conflict between the agents and the principals. Large audit firms appear to be associated with substantial agency costs and high-quality reporting. DeAngelo (1981) and Fama and Jensen (1983) indicated that this is because large audit firms tend to have many clients and have an incentive to maintain their independence from clients. Therefore, such audit firms tend to report mis-statements, non-compliance on mandatory reporting as well as advice on the selection of accounting policies to be adopted (see Cairns et al., 2011; Birt et al., 2013; Wei and Taylor, 2008). This includes the choice to select hedge accounting towards the use of derivatives for hedging activities. Therefore, we hypothesize that:

H5: *There is a positive association between the adoption of hedge accounting and size of audit firms*

4.0 METHODOLOGY

4.1 Data and Sample

The data used in this study were collected from two separate sources. Financial data (i.e., ROA, total asset and leverage) were obtained from Data stream, while the data on corporate

governance and the adoption of hedge accounting were gathered from the annual reports downloaded from Bursa Malaysia website. The sample for this study comprised top 300 largest companies listed on the main market of Bursa Malaysia in the year 2013. The 2013 financial year was chosen because it was the third year the Malaysian Accounting Standards Board (MASB) had fully adopted the accounting standard for financial instruments and made it mandatory for all Malaysian listed companies. The three year period was considered sufficient for companies to understand and apply the reporting standard on derivatives.

Companies in the financial industry such as banking, insurance, trust, closed-end funds and securities were excluded from the sample due to the unique nature of their business (see Abdullah and Ku Ismail 2016; Abdullah and Ku Ismail, 2008; Beretta and Bozzolan, 2004), and the additional regulations that govern their operations. However, we found that not all the sampled companies used derivatives to hedge their financial risk exposure. We finally ended with 162 companies. The sample size was assumed reliable because many previous financial instrument disclosure studies indicated that the number of companies drawn as samples was not founded on any single rule (See Abdullah and Chen, 2010; Lopes and Rodrigues, 2007; Oliveira et al., 2011; Taylor et al., 2008).

4.2 Variable measurements

Our dependent variable was the adoption or practice of hedge accounting (HACC). Companies were given a score of “1” if they adopt hedge accounting, and “0” otherwise. Table 1 presents the measurement of all the variables in this study. All the measurements used were based on previous related studies on derivatives (e.g. Abdullah and Chen 2010; Adznan and Puat Nelson, 2014; Birt et al., 2012; Hassan et al., 2012; Ismail and Abdul Rahman, 2011) and the choice of

selecting accounting standard policies (e.g. Cairns et al., 2011; Cole et al., 2013; Daniel et al. 2010; Gopalakrishnan 1994; Iatridis, 2008).

Table 1

Measurement of variables

Variable Acronym	Definition	Measurements
HACC	Adoption of hedge accounting	1 if adopts, 0 otherwise
CSIZE	Company size	Natural log of Total Asset
PROF	Profitability	Return on Asset (ROA)
LEV	Leverage	Debt to total assets ratio
ACINDE	Audit committee independent	Proportion of board independent non-executives directors in the audit committee team.
REXIST	The existence of risk management committee	1 if RMC exists, 0 otherwise
AUDITOR	Type of audit firm	1 if the audited by a Big 4 auditor, 0 otherwise

4.3 Model Specification

To examine the relationship between the application of hedge accounting and company specific characteristics, this study employs a binary choice logit model (i.e. Logistic regression). The model is represented as follows:

$$HACC_i = \alpha + \beta_1 CSIZE_i + \beta_2 PROF_i + \beta_3 LEV_i + \beta_4 ACINDE_i + \beta_5 REXIST_i + \beta_6 AUDIT_i + \varepsilon_i$$

Where,

- HACC : 1 if company adopts hedge accounting, 0 otherwise.
- CSIZE : Log of total assets
- PROF : Return on assets
- LEV : Debt to total assets ratio
- ACINDE : Proportion of board independent non executives directors in the audit committee
- REXIST : 1 if RMC exists, 0 otherwise
- AUDIT : 1 if audited by Big 4, 0 otherwise
- ε : Error term

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Results

Table 2 shows the descriptive statistics of the dependent and independent variables. Panel A presents the descriptive statistics of the categorical variables. It can be observed that the majority of the sampled companies have established a risk management committee (i.e. 71.6 percent). Consistent with Hassan et al. (2012), the finding is not really surprising because the establishment of risk management committee is still voluntary in Malaysia. However, it can be noted that many Malaysian companies are concerned about having a risk management committee as part of their internal control mechanisms. It is also indicated that 74.7 percent of the sampled companies are audited by Big 4 auditors. With regard to the selection of hedge accounting practices among sampled companies, it was found that only 29.6 percent of the sampled companies choose to apply hedge accounting to report their use of derivatives for hedging activities. Many of the companies are not forthcoming to fulfil the requirements needed to apply hedge accounting. The argument that the strict requirements of the accounting standards seem to encourage these companies to ignore hedge accounting might bear some truth (see Abdullah, Ku Ismail and Mat Isa 2015; Bamber and McMeeking, 2010; Comiskey and Mulford, 2008; Hausin et al., 2008). Although the companies are not violating the accounting standard requirements about reporting the use of derivatives, the effectiveness of the information seems to not fulfil the needs of expected users (especially investors). With reference to previous studies pertaining to Malaysia (e.g. Abdullah and Chen, 2010; Adznan and Puat Nelson, 2014; Hassan et al., 2012), this finding may also explain the low level of financial instruments disclosure particularly information regarding hedging activities. *Panel B* exhibits the descriptive statistics of CSIZE, PROF, LEV and ACINED. On average, the total asset (i.e. CSIZE) of sampled companies is about RM 14 million with a maximum score of RM 18.41 million. The mean leverage (LEV) is 4.7 percent and mean profitability (PROF) is 2.49

percent. Finally, the mean of audit committees' independence is 0.87 which indicates that the majority of audit committee members are independent.

Table 2

Summary of descriptive results

Panel A: Descriptive statistics on categorical variables (N=162)			
Variable	Frequency	No of Companies	Percentage (%)
REXIST	Yes	117	71.6
	No	45	28.4
AUDITOR	Yes	121	74.7
	No	41	25.3
HACC	Yes	48	29.6
	No	114	70.4

Panel B: Descriptive Statistics on Continuous variables

Variable	Mean	Median	SD	Min.	Max.
CSIZE	14.5456	14.2607	1.41529	12.43	18.41
PROF	2.4904	2.4576	1.07581	.50	7.76
LEV	4.7880	5.0339	1.75123	.10	7.87
ACINED	0.8757	1.0000	0.15010	0.60	1.00

4.2. Regression Results

In order to assess the influence of company characteristics on the choice of hedge accounting selection, a binary choice logit regression with a dummy dependent variable (HACC) was performed. It is observed in Table 3 that the model is significant at predicting the adoption of hedge accounting ($\chi^2 = 28.97$, $df = 4$, $N = 162$, $p < .001$). No association between the financial performance (PROF) and the adoption of hedge accounting was found. However, we discovered that highly leveraged firms are more likely to adopt hedge accounting in reporting the use of derivative for hedging activities (i.e. $p < 0.05$). Consistent with some previous derivatives studies (see Ameer, 2010; Birt et al., 2013; Heaney and Winata, 2005; Iatridis, 2008) the adoption of hedge accounting among Malaysian companies can be perceived to

reduce the companies' default risks as well as to manage earnings volatility. Moreover, we also found that company size (CSIZE) significantly and positively influences the choice to apply hedge accounting at $p < 0.01$. The odds ratios indicate that companies prefer to apply hedge accounting, which improves by 68 percent when they are large. Consistent with prior research on derivatives (e.g. Ameer, 2010; Birt et al., 2013; Hassan et al., 2012), this study supports the notion that large companies tend to provide more quality information, as they incur lower costs of accumulating and disseminating detailed information.

Furthermore, we found that audit committee independence (ACINED) and the existence of risk management committees (REXIST) did not influence firms' choice to apply hedge accounting. H3 and H4 are thus, not supported. This suggests audit committee independence and the establishment of RMCs do not influence the choice of applying hedge accounting. One possible reason could be explained in terms of the effectiveness of the governance committee (see Abdullah & Chen, 2010; Ismail & Abdul Rahman, 2011). The higher composition of independent directors of audit committees is not enough to explain the effectiveness of audit committees (see Abdullah and Ku Ismail, 1999; Kalber and Fogarty, 1993; Rahman et al., 2012). Moreover, according to Birt et al. (2013), RMCs through the audit committees (i.e. sub-committee) are not related to the level of accounting standard compliance because such committee seems to perform a similar function. Since RMCs in Malaysia are still voluntary (i.e. non-financial companies) and many sampled companies are likely to establish RMC through audit committees, its existence can be presumed to not have much effect on the choice to apply hedge accounting. With regard to the audit firm's size (i.e. AUDITOR) our finding shows that the reputation of audit firms does not have significant influence on the choice to apply hedge accounting.

Table 3

Logistic Regression Predicting the Choice to Apply Hedge Accounting

Model	Predicted sign	B	SE	Wald	Sign	Odds Ratio
Constant		-9.275	2.684	11.945	.001	.000
CSIZE	+	.520	.150	12.013	.001**	1.681
PROF	+	.024	.025	.960	.327	1.024
LEV	+	.025	.013	4.057	.044**	1.026
ACINED	+	.054	1.336	.002	.967	1.056
REXIST	+	-.499	.509	.961	.327	.607
AUDITOR	+	-.268	.489	.299	.584	.765

Chi Square : 28.973

Log likelihood : 167.920

Cox & Snell R² : .164

Nagelkerke R² : .233

Note. *CSIZE* = Ln (total assets); *PROF* = return on asset (ROA); *LEV* = total debt outstanding/total assets; *ACINED* = Proportion of independent directors in audit committee team; *REXIST* = 1 if a company establish risk management committee, 0 otherwise; *AUDITOR* = 1 if firms are audited by a big 4 auditor, 0 otherwise

5.0 CONCLUSION

This study examines the influence of companies' specific characteristics in explaining the choice to apply hedge accounting on the use of derivatives for hedging activities by Malaysian companies. Our initial analysis reveals that the choice to use hedge accounting among Malaysian listed companies is unsatisfactory. With reference to the entire sample, the descriptive statistics shows that only 30 percent of the companies prefer to apply hedge accounting. Although previous studies reported that companies were not violating the accounting standards' requirements (e.g. Ameer et al., 2011; Hassan et al., 2012; Abdullah and Chen, 2010; Adznan and Puat Nelson, 2014), the strict requirements that needed to be fulfilled by the companies before they can apply hedge accounting seem to discourage them from applying hedge accounting reporting practices. As a result, this can weaken the quality of the derivatives information. Based on the logistic regression analysis, our study reveals that company size (i.e. CSIZE) and leverage (i.e. LEV) are factors that explain the probability to

practice hedge accounting as proposed by the Malaysian Financial Accounting Standard (MFRS). However, we do not discover any significant relationships between each of the governance committee and auditor size, and also the choice to apply hedge accounting. The findings might provide useful insight for legislators, accounting standard setters and other researchers who are concerned about enhancing the quality of disclosure of financial instruments, particularly the use of derivatives for hedging activities. In addition, the findings may also enrich the current literature and provide some significant insight about the effects of company specific characteristics on the choice of accounting policies in Malaysia.

However, it should be noted that these results may not be generalized to all Malaysian listed companies as empirical analysis is limited to only those listed on the Main Market of Bursa Malaysia. It is worthwhile to note that further studies should consider examining some other company specific factors that may influence the choice of hedge accounting.

References

- Abdullah, A., Ismail, K. N. I. K., & Isa, N. M. (2015). Risk Management Committee and Disclosure of Hedging Activities Information among Malaysian Listed Companies. *Advanced Science Letters*, 21(6), 1871-1874.
- Abdullah, A., and Ku Ismail, K. N. I. (2008). Disclosure of voluntary ratios by Malaysian Listed Companies. *Journal of Financial Reporting & Accounting*, Vol. 6 No.1, pp.1-20.
- Abdullah, A., & Ismail, K. N. I. K. (2016). The Effectiveness of Risk Management Committee and Hedge Accounting Practices in Malaysia. *International Information Institute (Tokyo). Information*, 19(7B), 2971.
- Abdullah, M., and Chen, L. (2010). *The Association between Committees Responsible for Risk Management and the Disclosure Level of Financial Instruments Information among Listed Companies in Malaysia*. Unpublished Master Thesis, University of Gothenburg. http://gupea.ub.gu.se/bitstream/2077/22589/1/gupea_2077_22589_1.pdf (Accessed 1 February 2014)

- Pre-print: Abdullah, A., & Ismail, K. N. I. K. (2017). Company-specific characteristics and the choice of hedge accounting for derivatives reporting: Malaysian case. *International Journal of Accounting, Auditing and Performance Evaluation*, 13(3), 280-292. doi: <https://doi.org/10.1504/IJAAPE.2017.085183>
- Abdullah, S. N., and Ku Ismail, K. N. I. (1999). Audit committee effectiveness among Malaysian Listed companies. *The Malaysian Management Journal*, Vol. 3 No.2, pp.1-13.
- Adznan, S., and Nelson, S. P. (2014, 18-19 August 2014). *Financial Instruments Disclosure Practices: Evidence from Malaysia Listed Firms*. Proceeding of International Conference on Accounting Studies, Putra World Trade Centre, Kuala Lumpur, Malaysia. Vol. 164, pp.62-67.
- Ameer, R. (2010). Determinants of Corporate Hedging Practices in Malaysia. *International Business Research*, Vol. 3 No.2, pp.120-130.
- Ameer, R., Mohd Isa, R., and Abdullah, A. (2011). A survey on usage of derivatives and their effect on cost of equity capital. *The Journal of Derivatives*, Vol. 19 No. 1, pp.56-71.
- Astami, E. W., and Tower, G. (2006). Accounting-policy choice and firm characteristics in the Asia Pacific region: An international empirical test of Costly Contracting Theory. *The International Journal of Accounting*, Vol. 41 No. 1, pp.1-21.
- Bamber, M., and McMeeking, K. (2010). An examination of voluntary financial instruments disclosures in excess of mandatory requirements by UK FTSE 100 non-financial firms. *Journal of Applied Accounting Research*, Vol.11 No.2, pp.133-153.
- Beretta, S., and Bozzolan. S. (2004). A framework for the analysis of firm risk communication. *The International Journal of Accounting*, Vol. 39 No.3, pp.265-288.
- Birt, J., Rankin, M., and Song, C. L. (2013). Derivatives use and financial instrument disclosure in the extractives industry. *Accounting & Finance*, Vol. 53 No.1, pp.55-83.
- Cairns, D., Massoudi, D., Taplin, R., and Tarca, A. (2011). IFRS fair value measurement and Accounting policy choice in the United Kingdom and Australia. *The British Accounting Review*, Vol. 43 No. 1, pp.1-21.
- Chalmers, K., and Godfrey, J. M. (2004). Reputation costs: the impetus for voluntary derivative financial instrument reporting. *Accounting, Organizations and Society*, Vol. 29 No. 2, pp.95-125.
- Chaudhry, N. I., Mehmood, M. S., and Mehmood, A. (2014). Determinants of Corporate Hedging Policies and Derivatives Usage in Risk. *Wulfenia Journal*, Vol. 21 No. 7, pp.293-310.
- Cole, V., Branson, J., and Breesch, D. (2013). Determinants influencing the IFRS Accounting Policy Choices of European Listed Companies. <http://ssrn.com/abstract=2217498> (Accessed 26 August 2014).
- Comiskey, E. E., and Mulford, C. W. (2008). The non-designation of derivatives as hedges for accounting purposes. *Journal of Applied Research in Accounting and Finance*, Vol. 3 No. 2, pp.3-15.

Pre-print: Abdullah, A., & Ismail, K. N. I. K. (2017). Company-specific characteristics and the choice of hedge accounting for derivatives reporting: Malaysian case. *International Journal of Accounting, Auditing and Performance Evaluation*, 13(3), 280-292. doi: <https://doi.org/10.1504/IJAAPE.2017.085183>

Cuijpers, R., and Buijink, W. (2005). Voluntary Adoption of Non-Local GAAP in the European Union: A Study of Determinants and Consequences. *European Accounting Review*, Vol 14, pp.487-524.

Daniel, J. S., Boochun, J., Pourjalali, H. and Wen, E. (2010). Firm Characteristics influencing Responses Towards Adoption of the Fair Value Accounting option: A Survey of Chief Financial Officers of U.S. <http://ssrn.com/abstract=1579326> (Accessed 4 september 2014).

DeAngelo, L. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, Vol.3 No. 3, pp.183-199.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law & Economics*, Vol. 26 No. 2, pp.301-325.

Gopalakrishnan, V. (1994). Accounting choice decisions and unlevered firms: Further evidence on debt/equity hypothesis. *Journal of Financial and Strategic Decisions*, Vol.7 No. 3, pp.33-47.

Hassan, M. S., Percy, M., and Stewart, J. (2006). The Transparency of Derivative Disclosures by Australian Firms in the Extractive Industries. *Corporate Governance and Control*, Vol. 4 No. 2, pp.257-270.

Hassan, M. S., Saleh, N. M., Yatim, P., and Rahman, M. R. C. A. (2012). Risk Management Committee and Financial Instrument Disclosure. *Asian Journal of Accounting and Governance*, Vol. 3, pp.13-28.

Hausin, M., Hemmingsson, C., and Johansson, J. (2008). How to hedge disclosures? IFRS 7 and Hedge Accounting - A first stocktaking. Retrieved from [https:// gupea.ub.gu.se/handle / 2077 / 10191](https://gupea.ub.gu.se/handle/2077/10191) (accessed 30 April 2014)

Heaney, R., and Winata, H. (2005). Use of derivatives by Australian companies, *Pacific-Basin Finance Journal*, Vol. 13, pp.411–430.

Iatridis, G. (2008). Accounting disclosure and firms' financial attributes: Evidence from the UK stock market. *International Review of Financial Analysis*, Vol. 17 No. 2, pp.219-241.

Ismail, R., and Rahman, R. A. (2011). Institutional Investors and Board of Directors' Monitoring Role on Risk Management Disclosure Level in Malaysia. *The IUP Journal of Corporate Governance*, Vol. X No.2, pp. 37-60.

Izumi, S. (2009). Japan's Softbank Faces \$748mln Derivatives Loss, Reuters UK. Available at: <http://uk.reuters.com/article/rbssTechMediaTelecomNewsidUKT926520090410?pageNumber=2&virtualBrandChannel=0> (Accessed 30 July 2013).

Jensen, M. C., and Meckling, W. H. T. (1976). heory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, Vol. 3 No.4, pp.305-360.

Pre-print: Abdullah, A., & Ismail, K. N. I. K. (2017). Company-specific characteristics and the choice of hedge accounting for derivatives reporting: Malaysian case. *International Journal of Accounting, Auditing and Performance Evaluation*, 13(3), 280-292. doi: <https://doi.org/10.1504/IJAAPE.2017.085183>

Kalbers, L., and Fogarty, T. (1993). Audit committee effectiveness: an empirical investigation of the contribution of power. *Auditing: A Journal of Practice and Theory*, Vol. 12, pp.24-49.

Lopes, P. T., and Rodrigues, L. L. (2007). Accounting for financial instruments: An analysis of the determinants of disclosure in the Portuguese stock exchange. *The International Journal of Accounting*, Vol. 42 No.1, pp.25-56.

Aledo, J., García-Martínez, F., and Diazaraque, J., M. (2009). Firm Specific Factor Influencing the Selection of Accounting Options Provided by the IFRS: Empirical Evidence from Spanish Market (December 10, 2009). Banco de Espana Working Paper No. 0926. <http://ssrn.com/abstract=1521474> (Accessed 20 April 2014)

Oliveira, J., Rodrigues, L. L., and Craig, R. (2011). Risk-related disclosures by non- finance companies: Portuguese practices and disclosure characteristics. *Managerial Auditing Journal*, Vol. 26 No.9, pp.817-839.

Papa, V. T., and Peters, S. J. (2013). *User Perspectives on Financial Instrument Risk Disclosures under Derivatives and Hedging Activities Disclosures*. [online] CFA Institute report Vol. 2. http://www.cfainstitute.org/ethics/Documents/cfa_institute_user_perspectives_on_financial_instruments_under_ifrs. Pdf (Accessed 19 January 2014)

Rahman, A. A., Lode, N. A., and Othman, O. (2012). *The Extent of Compliance With FRS 101 Standard Among Malaysian Listed Companies*. Paper presented at the International Conference on Management, Economics and Finance. 15th-16th October 2012. Hilton Hotel Kuching, Sarawak Malaysia.

Shaheen, M. A. (2012). The Choice of Accounting Policy in Developing Countries: Case of the State of Kuwait (An Empirical Investigation of the Validity of the Positive Theory). Available at SSRN: <http://ssrn.com/abstract=1983417> (Accessed 8 September 2014)

Simmons, J., and Keehner, J. (2008). Deutsche Bank derivatives loss may top \$400 million (Update2), Bloomberg. Available at: <http://www.bloomberg.com/apps/news?pid=20601087&sid=a8zYbqrxQTn8&refer=home> (Accessed 30 July 2013).

Stulz, R. M. (2004). Should We Fear Derivatives? *Journal of Economic Perspectives*, Vol. 18 No.3, pp. 173-192.

Taylor, G., Tower, G., Zahn, M. V. D., and Neilson, J. (2008). Corporate governance determinants on Australian resource companies' financial instrument disclosure practices. *Asian Review of Accounting*, Vol. 16 No.1, pp.56-73.

Watts, R. L., and Zimmerman, J. L. (1983). Agency problems, auditing, and the theory of the firm: some evidence, *Journal of Law and Economics*, Vol. 26b No.3, pp.613–633.

Watts, R. L., and Zimmerman, J. L. (1986). *Positive Accounting Theory*, New Jersey: Prentice Hall.

Pre-print: Abdullah, A., & Ismail, K. N. I. K. (2017). Company-specific characteristics and the choice of hedge accounting for derivatives reporting: Malaysian case. *International Journal of Accounting, Auditing and Performance Evaluation*, 13(3), 280-292. doi: <https://doi.org/10.1504/IJAAPE.2017.085183>

Wei, M., and Taylor, G. (2009). Determinants of Fair Value Financial Instrument and Share-Based Payment Disclosure Patterns of Australian Listed Firms. *Journal of Contemporary Issues in Business and Government*, Vol.15 No. 2, pp.73-94.

West, M. (2008). NAB's Ugly Surprise, Business Day. Available at: <http://www.businessday.com.au/business/nabs-ugly-surprise-20080725-3kt6.html> (Accessed 30 July 2013).