# CHAPTER 4

# ANALYSIS OF RESULTS AND DISCUSSION OF FINDINGS

## 4.1 Introduction

This chapter's focus is to provide and go over the research's findings. With the use of frequency, descriptive statistics, correlation, and regression analysis, this chapter presents empirical findings on the use of MPERS and the quality of financial reporting by SMEs. The objective of the analysis was to determine how the study's variables related to one another.

The chapter further presents the results obtained in the analysis including interpretation of discussion of major findings covered in the sections as per study objectives. The following is a summary of the chapter's arrangement. The first part deals with analysis of frequency of background information. The next section deals with results relating to the first objective and research question (the extent MPERS have been adopted), followed by results of the second objective (assess the financial reporting quality by SMEs) and finally results of the third objective (the relationship between MPERS adoption on quality financial reporting by SMEs).

After that, it will present the regression analysis in new section. The next section reviews the overall findings of the study in order to determine the credibility of the initial analysis. A summary and conclusion are covered at the end of this chapter. This study on MPERS will be supported by IFRS framework and IFRS for SMEs studies. This is because MPERS is accordance IFRS for SMEs; there are only few studied about MPERS; and none is related to financial reporting quality studies based on MPERS.

## 4.2 Response Rate

This study used a sample of 310 accounting practitioners in Malaysia. The researcher was able to reach most of the respondents. The response rate of 81 percent was attained, and thus sufficient to provide reliable findings for the study. Yousuf (2020) stated in most circumstances about a survey response rate of 50 percent or above that should be considered excellent. A high response rate is most likely due to a strong desire to complete the survey.

## 4.3 Frequency

This section presents the frequency of demographic factors and frequency for objective one. Table 4.1 to table 4.9 represent frequency for demographic factors. Table 4.10 to 4.17 represent frequency for questionnaire of objective one.

### 4.3.1 Demographic Factors

Demographic factors covered by the study were gender, age of respondents, level of formal education, professional qualifications, work experience, position (job titles), sector, average number of employees over the past two years and annual sales turnover in the past two years.

#### 4.3.1.1 Gender

Frequency of respondents' age was showed on the Table 4.1 below. The results revealed that more than half respondent is female, represent 57.1 percent from the total of respondents and 42.9 percent represent male. Accounting practitioners are most to be female than male. In fields including medical, dentistry, law, and accounting, women outnumber men. Even though women are uninterested in math and science, the number

of women employed in the accounting practitioners says otherwise. Women are increasingly opting to work as accounting practitioners, and this is not a new trend. Between 1983 and 2012, the percentage of female accountants increased from 39 percent to 60 percent (Hub, 2017). It is consistent with the study by Ilias et al (2020), in which female accounting practitioners account for 73.17 percent of all accounting practitioners.

**Table 4.1:** Frequency of Respondents' Gender

| Gender | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 133 | 42.9 | 42.9 | 42.9 |
| | Female | 177 | 57.1 | 57.1 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

### 4.3.1.2 Age Group

In Table 4.2, the study showed the age group of 20 to 29 represented 64.2 percent of the respondents, which can be considered young practitioners, and the age group of 30 to 39 represented 26.5 percent. Ages 20 to 29 were the beginning careers for respondents, and it would imply a beginner understanding of the MPERS framework associated to the financial reporting quality. MPERS was implemented by SMEs in 2016, where the beginning of careers in the 20 to 29 age group was already exposed to the implemented of MPERS. Different respondents will give different opinions on the financial reporting quality.

**Table 4.2:** Frequency of Respondents' Age

| Age group | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-29 years | 199 | 64.2 | 64.2 | 64.2 |
| | 30-39 years | 82 | 26.5 | 26.5 | 90.6 |

| | | | | | |
|---|---|---|---|---|---|
| | 40-49 years | 24 | 7.7 | 7.7 | 98.4 |
| | 50-59 years | 5 | 1.6 | 1.6 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

#### 4.3.1.3 Level of Formal Education

Table 4.3 below shows the frequency of level of formal education. The finding shows that majority of the respondents had achieved a degree at the highest education level which is 82.6 percent. From the result, it shows that the respondent was qualified to understand the relationship between MPERS and quality of financial reporting by SMEs.

**Table 4.3:** Frequency of Level of Formal Education

| **Highest level of formal education** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Diploma | 35 | 11.3 | 11.3 | 11.3 |
| | Degree | 256 | 82.6 | 82.6 | 93.9 |
| | Postgraduate | 19 | 6.1 | 6.1 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

#### 4.3.1.4 Professional Qualification Attained

The study established the professional qualification attained by individual respondents. Table 4.4 presents the result on professional qualification attained as indicated by respondents. The result showed, more than half of respondent's 61 percent did not attain any professional qualification. There are only 39 percent of respondent had attained whether CPA, ACCA, CIMA or others. Others professional qualification attained including CFA and CFP. Even though most of respondent did not attain any professional qualification, it does not mean they do not qualify to answer the

questionnaire because most of respondent attained bachelor's degree as their higher education, so there not impact in answering the questionnaire.

**Table 4.4**: Frequency of Professional Qualification Attained

| Professional qualification attained | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | None | 189 | 61.0 | 61.0 | 61.0 |
| | CPA | 50 | 16.1 | 16.1 | 77.1 |
| | ACCA | 50 | 16.1 | 16.1 | 93.2 |
| | CIMA | 17 | 5.5 | 5.5 | 98.7 |
| | Other | 4 | 1.3 | 1.3 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

#### 4.3.1.5 Position (Job title)

The study indicates the respondent's position which is job titles. Table 4.5 below presents the frequency of position (job title). The result shows that majority (41.6 percent) of the respondents held the position as accountant and the other occupation is auditor, tax agent, and others that understand and use MPERS framework in their financial reporting. Other position who answers the questionnaire include SMEs owner, finance manager, and bankers who had accounting background. The accountant must understand the MPERS framework because they are the stewards of the accounting standard and financial reporting, which therefore made the opinions obtained to be more credible.

**Table 4.5:** Frequency of Position (Job title)

| Positions | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Accountant | 129 | 41.6 | 41.6 | 41.6 |
| | Auditor | 111 | 35.8 | 35.8 | 77.4 |
| | Tax agent | 22 | 7.1 | 7.1 | 84.5 |
| | Other | 48 | 15.5 | 15.5 | 100.0 |

| | | | | | |
|---|---|---|---|---|---|
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

### 4.3.1.6 Work Experience

The findings in Table 4.6 show that, most respondents have work experience of 1 to 3 years in the industry with a percentage of 45.2 percent. The findings of the study show that most respondents do not have much work experience in the field of accounting. 25.2 percent are represented by 11 years and above, where they have a lot of experience in the field of accounting. From professional qualification attained result show 61percent of the respondent have no professional qualification, the majority of the respondent age between 20-29 years old (64.2percent), and working experience of the majority is between 1-3 years (45.2percent), but it not has an impact on answering the questionnaire. Most of respondent also mention they attend training and class about the MPERS.

**Table 4.6:** Frequency of Work Experience

| **Work experience in the industry** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | <1 years | 70 | 22.6 | 22.6 | 22.6 |
| | 1-3 years | 140 | 45.2 | 45.2 | 67.7 |
| | 4-6 years | 15 | 4.8 | 4.8 | 72.6 |
| | 7-10 years | 7 | 2.3 | 2.3 | 74.8 |
| | 11 years or above | 78 | 25.2 | 25.2 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

### 4.3.1.7 Sector

Table 4.7 below shows the frequency on sector. The study demonstrated the sector in which respondents' business was operated. The finding from the sector

demonstrated that majority of the respondents form the financial services sector which is 40.3 percent, while ICT and others is the lowest with a percentage of 1.3 percent. The services sector has typically accounted for more than 80percent of all SMEs, with 85.5 percent of 984,643 SMEs contributing in 2020 (SME Annual Report 2019/2020).

**Table 4.7:** Frequency of Sector

| Sector of the company | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Agriculture | 16 | 5.2 | 5.2 | 5.2 |
| | Manufacturing | 66 | 21.3 | 21.3 | 26.5 |
| | Education | 15 | 4.8 | 4.8 | 31.3 |
| | Health & Social Work | 14 | 4.5 | 4.5 | 35.8 |
| | Accommodation & Food Processing | 9 | 2.9 | 2.9 | 38.7 |
| | Financial Services | 125 | 40.3 | 40.3 | 79.0 |
| | Recreation & Personal Service | 12 | 3.9 | 3.9 | 82.9 |
| | Trading | 45 | 14.5 | 14.5 | 97.4 |
| | ICT | 4 | 1.3 | 1.3 | 98.7 |
| | Others | 4 | 1.3 | 1.3 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

### 4.3.1.8 Average Number of Employees over the Past Two Years

The study presents the company average number of employees. Table 4.8 below shows the frequency of average number of employees over the past two years in the business. The finding revealed that the majority of the employees in the company consisted of 5 to 20 employees, which is 46.1 percent. It seems that most of the SMEs interviewed were small enterprises.

**Table 4.8:** Frequency of Average Number of Employees over the Past Two Years

| Average number of employees over the past two years | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | >5<20 | 143 | 46.1 | 46.1 | 46.1 |
| | >20<100 | 4 | 1.3 | 1.3 | 47.4 |

| | | | | | |
|---|---|---|---|---|---|
| | >100<250 | 130 | 41.9 | 41.9 | 89.3 |
| | >250<500 | 33 | 10.7 | 10.7 | 100.0 |
| | Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

#### 4.3.1.9 Annual Sales Turnover in the Past Two Years

Table 4.9 below shows the frequency of annual sales turnover in the past two years in the business. Based on the result, 45.5 percent of the company annual sales are RM50,000 to RM300,000.

**Table 4.9:** Frequency of Annual Sales Turnover in the Past Two Years

| Annual sales turnover in the past two years | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | >RM50,000<RM300,000 | 141 | 45.5 | 45.5 | 45.5 |
| | >RM300,000<RM15,000,000 | 118 | 38.0 | 38.0 | 83.6 |
| | >RM15,000,000<RM50,000,000 | 51 | 16.5 | 16.5 | 100.0 |
| | Total | 310 | 100 | 100.0 | |
| Total | | 310 | 100.0 | | |

Source: SPSS Output

### 4.3.2 Independent Variables (MPERS Adoption for SMEs)

***Objective I: To investigate the extent MPERS have been adopted***

The results for this study were showed based on the first objective, which was to investigate the extent MPERS framework have been adopted, and the results were presents using frequency. The latest study by Jamil et al. (2020) on accounting practitioners' perceptions of MPERS implementation showed that, there are issues among practitioners, and more effort, particularly by the regulator or standard setter, is needed to reduce the conflicting judgments made by professional accountants when interpreting the MPERS. The primary objective of this research was to determine the

extent to which SMEs had adopted MPERS. This was determined by determining if the entity presented financial statements on a regular basis and, more specifically, whether the following financial statement elements were reported on: -

1. Presentation and disclosure
2. Going concern
3. Consistency
4. Information presented in the financial statements

The finding of the Objective One was presented on Table 4.10 to 4.17 Table below, based on the measurement of frequency.

### 4.3.2.1 Presentation and Disclosures

**Table 4.10:** Frequency of Presentation and Disclosure

| **Presentation and Disclosure** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Statement of Financial Position** | | | | |
| Yes | 306 | 98.7 | 98.7 | 98.7 |
| No | 4 | 1.3 | 1.3 | 100.0 |
| N/A | 0 | 0.0 | 0.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Statement of Comprehensive Income and Income Statement** | | | | |
| Yes | 268 | 86.5 | 86.5 | 86.5 |
| No | 21 | 6.8 | 6.8 | 93.2 |
| N/A | 21 | 6.8 | 6.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Or Statement of Comprehensive Income Only** | | | | |
| Yes | 180 | 58.1 | 58.1 | 58.1 |
| No | 81 | 26.1 | 26.1 | 84.2 |
| N/A | 49 | 15.8 | 15.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Or Income Statement Only** | | | | |
| Yes | 199 | 64.2 | 64.2 | 64.2 |
| No | 67 | 21.6 | 21.6 | 85.8 |
| N/A | 44 | 14.2 | 14.2 | 100.0 |
| Total | 309 | 99.7 | 100.0 | |
| **Statement of Changes in Equity** | | | | |
| Yes | 250 | 80.6 | 80.6 | 80.6 |

| | | | | |
|---|---|---|---|---|
| No | 34 | 11.0 | 11.0 | 91.6 |
| N/A | 26 | 8.4 | 8.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Statement of Income and Retained Earnings in the place of Statement of Comprehensive Income and Statement of Changes in Equity** | | | | |
| Yes | 200 | 64.5 | 64.5 | 64.5 |
| No | 57 | 18.4 | 18.4 | 82.9 |
| N/A | 53 | 17.1 | 17.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Statement of Cash flows** | | | | |
| Yes | 280 | 90.3 | 90.3 | 90.3 |
| No | 16 | 5.2 | 5.2 | 95.5 |
| N/A | 14 | 4.5 | 4.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Entity discloses comparative information in relation to the previous comparable period for all amounts presented in the financial statements of the current period** | | | | |
| Yes | 272 | 87.7 | 87.7 | 87.7 |
| No | 19 | 6.1 | 6.1 | 93.9 |
| N/A | 19 | 6.1 | 6.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

Through the various issues related to financial statements, Table 4.10 presents the result of objective one, which is to investigate the extent MPERS have been adopted. A balance must be struck between allowing entities the flexibility to provide relevant information that faithfully represents the entity's assets, liabilities, equity, income, and expenses, and requiring information that is comparable for presentation and disclosure objectives and principles, both from period to period and across entities. The ultimate financial statement assertions are presentation and disclosure. This is the statement that a company's financial statements contain all necessary information and disclosures, as well as that the data is accurate and understandable.

A major number of respondents said yes when asked if the businesses presented and disclosed financial statements on a regular basis. A frequency of 306 and a percentage of 98.7percent, majority respondents prepare statement of financial position. Most respondents also prepare statement of cash flow with the frequency of 280

(90.3percent). The least number is 199 (64.2percent) and 180 (58percent), which is respondents only prepare statement of comprehensive income and prepare income statement only. For further analysis showed, it was consistent with the study by Mwambu (2018) that, most businesses only prepared income statements and statements of financial position, and exclude the statement of changes in equity and statement of cash flow.

**Presentation of Financial Statements Financial Statements**

The purpose of MPERS framework is to create a framework for the presentation of general-purpose financial statements so that it can be compared to prior periods' financial statements as well as financial statements from other businesses. To attain this purpose, this standard lays forth the fundamental considerations for financial statement presentation, structure standards, and minimum requirements for financial statement content. Other MASB standards deal with the recognition, measurement, and disclosure of certain transactions and activities (MASB Standard 1).

**Table 4.11:** Frequency of Information Presented in the Statement of Financial Position

| **Statement of Financial Position** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **a) Cash and cash equivalents** | | | | |
| Yes | 277 | 89.4 | 89.4 | 89.4 |
| No | 7 | 2.3 | 2.3 | 91.6 |
| N/A | 26 | 8.4 | 8.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **b) Financial assets (Except for the amounts shown under (a), (h) and (i))** | | | | |
| Yes | 257 | 82.9 | 82.9 | 82.9 |
| No | 20 | 6.5 | 6.5 | 89.4 |
| N/A | 33 | 10.6 | 10.6 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **c) Inventories** | | | | |
| Yes | 245 | 79.0 | 79.0 | 79.0 |

| | | | | |
|---|---|---|---|---|
| No | 27 | 8.7 | 8.7 | 87.7 |
| N/A | 38 | 12.3 | 12.3 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **d) Property, plant and equipment** | | | | |
| Yes | 270 | 87.1 | 87.1 | 87.1 |
| No | 21 | 6.8 | 6.8 | 93.9 |
| N/A | 19 | 6.1 | 6.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **e) Investment property carried at fair value through profit or loss** | | | | |
| Yes | 225 | 72.6 | 72.6 | 72.6 |
| No | 28 | 9.0 | 9.0 | 81.6 |
| N/A | 57 | 18.4 | 18.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **f) Intangible assets** | | | | |
| Yes | 211 | 68.1 | 68.1 | 68.1 |
| No | 46 | 14.8 | 14.8 | 82.9 |
| N/A | 53 | 17.1 | 17.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **g) Biological assets carried at cost less accumulated depreciation and impairment** | | | | |
| Yes | 198 | 63.9 | 63.9 | 63.9 |
| No | 42 | 13.5 | 13.5 | 77.4 |
| N/A | 70 | 22.6 | 22.6 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **h) Investments in associates** | | | | |
| Yes | 203 | 65.5 | 65.5 | 65.5 |
| No | 32 | 10.3 | 10.3 | 75.6 |
| N/A | 75 | 24.2 | 24.2 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **i) Investments in jointly controlled entities** | | | | |
| Yes | 209 | 67.4 | 67.4 | 67.4 |
| No | 32 | 10.3 | 10.3 | 77.7 |
| N/A | 69 | 22.3 | 22.3 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **j) Financial liabilities (Except for the amounts shown under (m))** | | | | |
| Yes | 243 | 78.4 | 78.4 | 78.4 |
| No | 33 | 10.6 | 10.6 | 89.0 |
| N/A | 34 | 11.0 | 11.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **k) Liabilities and assets for current tax** | | | | |
| Yes | 258 | 83.2 | 83.2 | 83.2 |
| No | 11 | 3.5 | 3.5 | 86.8 |
| N/A | 41 | 13.2 | 13.2 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **l) Deferred tax liabilities and deferred tax assets (classified as non-current)** | | | | |
| Yes | 237 | 76.5 | 76.5 | 76.5 |

| | | | | |
|---|---|---|---|---|
| No | 27 | 8.7 | 8.7 | 85.2 |
| N/A | 46 | 14.8 | 14.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **m) Provisions** | | | | |
| Yes | 242 | 78.1 | 78.1 | 78.1 |
| No | 38 | 12.3 | 12.3 | 90.3 |
| N/A | 30 | 9.7 | 9.7 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **n) Non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent** | | | | |
| Yes | 208 | 67.1 | 67.1 | 67.1 |
| No | 28 | 9.0 | 9.0 | 76.1 |
| N/A | 74 | 23.9 | 23.9 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

In accordance with the finding on Table 4.11 above, most respondent entities disclosed cash and cash equivalents and property, plant, and equipment, with a frequency of 277 (89.4percent) and 270 (87.1percent). Most presented financial assets, liabilities and assets for current tax with a frequency ranging from 258 (83.2percent) and 257 (82.9percent). The least number of accounts given had a frequency of 203, 198 and a percentage of 65.5percent, 63.9percent whereas biological assets and investments were in associates.

**Information Presented in the Statement of Comprehensive Income**

The comprehensive income statement comprises the specifics of the business's revenue, income, expenses, or loss that is not recognised when the company prepares the financial statements for the accounting period, and it is provided after net income on the income statement.

The MPERS includes a statement of comprehensive income, which summarises all items of income and expense recorded during a period, including profit or loss items and other comprehensive income items. Other comprehensive income, gains, and losses

arising from the translation of financial statements of international operations, including actuarial gains and losses, changes in fair values of hedging instruments, and changes in revaluation excess for property, plant, and equipment under MPERS, are included in other similar items (MASB, 2015). Table 4.12 below presented the findings of the study.

**Table 4.12:** Frequency of Information Presented in the Statement of Comprehensive Income

| **Information Presented in the Statement of Comprehensive Income** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Revenue** | | | | |
| Yes | 281 | 90.6 | 90.6 | 90.6 |
| No | 7 | 2.3 | 2.3 | 92.9 |
| N/A | 22 | 7.1 | 7.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Share of investment profit and losses in associates and jointly controlled entities accounted for using the equity approach** | | | | |
| Yes | 217 | 70.0 | 70.0 | 70.0 |
| No | 35 | 11.3 | 11.3 | 81.3 |
| N/A | 58 | 18.7 | 18.7 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Tax expense except post-tax and share of the other comprehensive income** | | | | |
| Yes | 251 | 81.0 | 81.0 | 81.0 |
| No | 17 | 5.5 | 5.5 | 86.5 |
| N/A | 42 | 13.5 | 13.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The profit or loss post-tax of a discontinued operation** | | | | |
| Yes | 245 | 79.0 | 79.0 | 79.0 |
| No | 16 | 5.2 | 5.2 | 84.2 |
| N/A | 49 | 15.8 | 15.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The gain or loss post-tax recognised on the fair value measurement less costs to selling or disposing of the net assets constituted by the discontinued operation** | | | | |
| Yes | 217 | 70.0 | 70.0 | 70.0 |
| No | 24 | 7.7 | 7.7 | 77.7 |
| N/A | 69 | 22.3 | 22.3 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Profit or loss for the period attributable to non-controlling interest** | | | | |
| Yes | 200 | 64.5 | 64.5 | 64.5 |
| No | 34 | 11.0 | 11.0 | 75.5 |
| N/A | 76 | 24.5 | 24.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

| | | | | |
|---|---|---|---|---|
| **Profit or loss for the period attributable to owners of the parent** | | | | |
| Yes | 214 | 69.0 | 69.0 | 69.0 |
| No | 34 | 11.0 | 11.0 | 80.0 |
| N/A | 62 | 20.0 | 20.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Total comprehensive income for the period attributable to non-controlling interest** | | | | |
| Yes | 239 | 77.1 | 77.1 | 77.1 |
| No | 23 | 7.4 | 7.4 | 84.5 |
| N/A | 48 | 15.5 | 15.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Total comprehensive income for the period attributable to owners of the parent** | | | | |
| Yes | 206 | 66.5 | 66.5 | 66.5 |
| No | 20 | 6.5 | 6.5 | 72.9 |
| N/A | 84 | 27.1 | 27.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

Table 4.12 above shows the findings that the majority of respondent business disclosed revenue as their top line with a frequency of 218 and percentage of 90.6percent. The most presented in the statement of comprehensive income is total comprehensive income for tax expense except post-tax, discontinued operation of profit and loss, and non-controlling interest of comprehensive income with a frequency of 251, 245, 239, and a percentage of 81percent, 79percent and 77.1percent. Meanwhile, the lowest number presented in total comprehensive income for the profit and loss for the period attributable to non-controlling interest, as well as the total comprehensive income for the period attributable to owners of the parent marked with a frequency of 206 and 200 and percentage of 66.5percent and 64.5percent respectively.

**Statement of Changes in Equity and Statement of Income and Retained Earnings**

The profit or loss of an entity for a reporting period, items of income and expense recognised in other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognised in the period, and the amounts

of investments by equity investors, as well as dividends and other distributions to equity investors during the period are all presented in the statement of changes in equity (MASB, 2016).

The profit or loss of an entity, as well as changes in retained earnings, are shown on the statement of income and retained profits for a certain reporting period. MPERS paragraph 3.18 allows an entity to present a statement of income and retained earnings instead of a statement of comprehensive income and a statement of changes in equity if the only changes in an entity's equity during the periods are covered by the financial statements with profit or loss, dividend payments, corrections of prior period errors, and changes in accounting policy (MASB, 2016).

**Table 4.13:** Frequency of Statement of Changes in Equity and Statement of Income and Retained Earnings

| **Changes in Equity and Statement of Income and Retained Earnings** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest.** | | | | |
| Yes | 200 | 64.5 | 64.5 | 64.5 |
| No | 33 | 10.6 | 10.6 | 75.2 |
| N/A | 77 | 24.8 | 24.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **For each component of equity, the effects of retrospective application or retrospective restatement.** | | | | |
| Yes | 239 | 77.1 | 77.1 | 77.1 |
| No | 31 | 10.0 | 10.0 | 87.1 |
| N/A | 40 | 12.9 | 12.9 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Entity shall present a statement of changes in equity showing in the statement profit or loss.** | | | | |
| Yes | 241 | 77.7 | 77.7 | 77.7 |
| No | 25 | 8.1 | 8.1 | 85.8 |
| N/A | 44 | 14.2 | 14.2 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Entity shall present a statement of changes in equity showing in the statement each item of other comprehensive income.** | | | | |
| Yes | 269 | 86.8 | 86.8 | 86.8 |

| | | | | |
|---|---|---|---|---|
| No | 11 | 3.5 | 3.5 | 90.3 |
| N/A | 30 | 9.7 | 9.7 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Entity shall present a statement of changes in equity showing in the statement the amounts of investments by, and dividends and other distributions to, owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.** | | | | |
| Yes | 258 | 83.2 | 83.2 | 83.2 |
| No | 22 | 7.1 | 7.1 | 90.3 |
| N/A | 30 | 9.7 | 9.7 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Retained earnings at the beginning of the reporting period.** | | | | |
| Yes | 249 | 80.3 | 80.3 | 80.3 |
| No | 13 | 4.2 | 4.2 | 84.5 |
| N/A | 48 | 15.5 | 15.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Dividends declared and paid or payable during the period.** | | | | |
| Yes | 256 | 82.6 | 82.6 | 82.6 |
| No | 15 | 4.8 | 4.8 | 87.4 |
| N/A | 39 | 12.6 | 12.6 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Restatements of retained earnings for corrections of prior period errors.** | | | | |
| Yes | 240 | 77.4 | 77.4 | 77.4 |
| No | 28 | 9.0 | 9.0 | 86.5 |
| N/A | 42 | 13.5 | 13.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Restatements of retained earnings for changes in accounting policy.** | | | | |
| Yes | 239 | 77.1 | 77.1 | 77.1 |
| No | 23 | 7.4 | 7.4 | 84.5 |
| N/A | 48 | 15.5 | 15.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Retained earnings at the end of the reporting period.** | | | | |
| Yes | 224 | 72.3 | 72.3 | 72.3 |
| No | 34 | 11.0 | 11.0 | 83.2 |
| N/A | 52 | 16.8 | 16.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

With a frequency of 269 (86.8percent), the data revealed that the majority of respondent entities must give a statement of changes in equity that includes each item of other comprehensive income. The most recently presented entity shall present a

statement of changes in equity, showing separately issues of shares, treasury share transactions, dividends, and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control, as well as dividends, declared and paid or payable during the period, with frequency of 258 (83.3percent) and 256 (82.6percent). With a frequency of 200 (64.5percent), respectively, the least number presented non-controlling interest, and retained earnings at the end of the reporting period and total comprehensive income for the period, showing the total amounts attributable separately to the parent's owners.

**Statement of Cash Flow**

The statement of cash flows shows how an entity's cash and cash equivalents have changed over time by distinguishing the changes in operating activities, investing activities, and financing activities (MASB, 2016). The cash flow statement (CFS), also known as the statement of cash flows, is a financial statement that shows how much cash and cash equivalents enter and leave a company. However, it, like the income statement, measures a company's performance over time.

**Table 4.14:** Frequency of Statement of Cash Flow

| **Statement of Cash Flow** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **An indirect process by which profit, or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future cash receipts or payments in operation, and items of income or expenditure associated with cash flow investments or financing.** | | | | |
| Yes | 258 | 83.2 | 83.2 | 83.2 |
| No | 18 | 5.8 | 5.8 | 89.0 |
| N/A | 34 | 11.0 | 11.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The direct method of disclosure of major classes of gross cash receipts and gross cash payments.** | | | | |
| Yes | 256 | 82.6 | 82.6 | 82.6 |

| | | | | |
|---|---|---|---|---|
| No | 12 | 3.9 | 3.9 | 86.5 |
| N/A | 42 | 13.5 | 13.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Entity presents separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.** | | | | |
| Yes | 271 | 87.4 | 87.4 | 87.4 |
| No | 16 | 5.2 | 5.2 | 92.6 |
| N/A | 23 | 7.4 | 7.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

At a frequency of 271, the findings revealed that the majority of respondent entities separately shows the major classes of gross cash receipts and gross cash payments arising from investing and financing activities. With a frequency of 258, most present an indirect process in which profit or loss is adjusted for the effects of non-cash transactions; any deferrals or accruals of past or future cash receipts or payments in operation; and items of income or expenditure associated with cash flow investments or financing, while the least number presented a direct method of disclosure of major classes of gross cash receipts and gross cash payments with a frequency of 256.

**Accounting Policies, Estimates, and Errors**

Accounting policies are the principles, principles, conventions, regulations, and practises that a company employs while preparing and reporting financial statements. A change in accounting estimate is a change in an asset's carrying amount or the amount of periodic consumption of an asset as a result of an assessment of the current status of assets and liabilities, as well as anticipated future benefits and responsibilities. Accounting estimations that change as a result of new information or developments are not considered errors (MASB, 2016).

**Table 4.15:** Frequency of Accounting Policies, Estimates, and Error

| Accounting Policies, Estimates, and Error | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Relevant to the economic decision-making needs of users.** | | | | |
| Yes | 271 | 87.4 | 87.4 | 87.4 |
| No | 23 | 7.4 | 7.4 | 94.8 |
| N/A | 16 | 5.2 | 5.2 | 100.0 |
| Total | 310 | 100.0 | | |
| **Represent faithfully the financial position, financial performance and cash flows of the entity.** | | | | |
| Yes | 278 | 89.7 | 89.7 | 89.7 |
| No | 21 | 6.8 | 6.8 | 96.5 |
| N/A | 11 | 3.5 | 3.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Reflect the economic substance of transactions, other events and conditions, and no merely the legal form** | | | | |
| Yes | 273 | 88.1 | 88.1 | 88.1 |
| No | 19 | 6.1 | 6.1 | 94.2 |
| N/A | 18 | 5.8 | 5.8 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Are neutral.** | | | | |
| Yes | 267 | 86.1 | 86.1 | 86.1 |
| No | 17 | 5.5 | 5.5 | 91.6 |
| N/A | 26 | 8.4 | 8.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Are prudent.** | | | | |
| Yes | 256 | 82.6 | 82.6 | 82.6 |
| No | 26 | 8.4 | 8.4 | 91.0 |
| N/A | 28 | 9.0 | 9.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Are complete in all material respects.** | | | | |
| Yes | 264 | 85.2 | 85.2 | 85.2 |
| No | 20 | 6.4 | 6.4 | 91.6 |
| N/A | 26 | 8.4 | 8.4 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

The findings revealed that with a frequency of 278 the majority of respondents faithfully represent the entity's financial position, financial performance, and cash flows; most presented reflect the economic substance of transactions, other events and conditions, and not just the legal form with frequency 273; and the least number presented is prudent with a frequency of 256.

#### 4.3.2.2 Going Concern

Table 4.16 below shows the measurement of going concerned using frequency. The going concern approach is a financial reporting accounting concept. It is expected that the company will continue for the foreseeable future under the going concern concept and there is no desire or necessity to liquidate or discontinue operations. Businesses are required to prepare financial statements on a going concern basis, which requires a periodic assessment of the business's ability to continue as a going concern. When creating financial statements under the MPERS standard, the entity's management must assess the entity's ability to continue as a going concern. Unless management intends to liquidate or cease operations, or there is no viable alternative, an entity is considered as a going concern. Management examines all relevant future information, but not limited to twelve months from the reporting date, in determining whether the going concern assumption is reasonable (MASB, 2016).

**Table 4.16:** Frequency of Going Concern

| **Going Concern** | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Management determines the ability of an entity to continue as a going concern while preparing financial statements** | | | | |
| Yes | 270 | 87.1 | 87.1 | 87.1 |
| No | 15 | 4.8 | 4.8 | 91.9 |
| N/A | 25 | 8.1 | 8.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The entity prepares financial statements on the basis of an ongoing concern unless management either wants to liquidate the entity or to stop trading or does it have no realistic alternative but to do so** | | | | |
| Yes | 243 | 78.4 | 78.4 | 78.4 |
| No | 23 | 7.4 | 7.4 | 85.8 |
| N/A | 44 | 14.2 | 14.2 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Sources: SPSS Output

It is known that the majority of respondents confirmed that management evaluates the business's potential to continue its ongoing concern or prepare financial statements based on ongoing concerns in some way. Table 4.16 shows the results, where the frequency of 270 (87.1percent), that entity to continue as a going concern while preparing financial statements. 243 respondents also agree that unless management wants to liquidate the entity, stops trade, or has no realistic choice but to do so, the entity prepares financial statements on the basis of an ongoing concern. Most of the respondents produce financial statements on going concern, as shown by accrual accounting and carry balances from previous periods in compiling the statement of financial position, in line with further analysis. This is in compliance with the MASB (2016), which requires an entity to prepare financial statements on a going concern basis, and there is evidence to support this in this context.

#### 4.3.2.3 Consistency

The use of accounting principles by a business over time is referred to as consistency. When accounting principles allow a business to choose between various ways, it should use the same approach over time or disclose the change in accounting method in the financial statements' footnotes.

Although consistency and comparability are associated, they are not the same. Comparability is one of the qualitative characteristics of financial reporting quality. Within a reporting entity or among entities in a single period, consistency refers to the act of applying the same approaches for the same things from one period to the next. Comparability is the goal, and consistency assists in achieving that goal (MASB, 2015).

**Table 4.17:** Frequency of Consistency

| Consistency | | | | |
|---|---|---|---|---|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| **The entity retains from one period to the next the presentation and classification of items in the financial statements** | | | | |
| Yes | 251 | 81.0 | 81.0 | 81.0 |
| No | 31 | 10.0 | 10.0 | 91.0 |
| N/A | 28 | 9.0 | 9.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The name of and any change in the name of the reporting entity since the end of the preceding reporting period** | | | | |
| Yes | 248 | 80.0 | 80.0 | 80.0 |
| No | 29 | 9.4 | 9.4 | 89.4 |
| N/A | 33 | 10.6 | 10.6 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **Whether individual entities or groups of entities are covered in financial statements** | | | | |
| Yes | 256 | 82.6 | 82.6 | 82.6 |
| No | 26 | 8.4 | 8.4 | 91.0 |
| N/A | 28 | 9.0 | 9.0 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The date on which the reporting period ends and the period covered by the statements** | | | | |
| Yes | 264 | 85.2 | 85.2 | 85.2 |
| No | 24 | 7.7 | 7.7 | 92.9 |
| N/A | 22 | 7.1 | 7.1 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The presentation currency, as specified in Foreign Currency Translation, as required** | | | | |
| Yes | 236 | 76.1 | 76.1 | 76.1 |
| No | 23 | 7.4 | 7.4 | 83.5 |
| N/A | 51 | 16.5 | 16.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |
| **The rounding level used, if any, in the presentation of amounts in the financial statements** | | | | |
| Yes | 249 | 80.3 | 80.3 | 80.3 |
| No | 19 | 6.1 | 6.1 | 86.5 |
| N/A | 42 | 13.5 | 13.5 | 100.0 |
| Total | 310 | 100.0 | 100.0 | |

Source: SPSS Output

Table 4.17 above shows the measurement of consistency by frequency. When asked about consistency in term of the date on which the reporting period ends and the period covered by the statements, majority of respondents replied yes with the frequency of 264. This was supported by a mean of 2.6989 and a standard deviation of 0.51325. The

finding about the statement of consistency, majority of respondent agree with all the statement which resulted more than 76.1percent. Further inquiry revealed that the business kept track of the reporting firm, the end of the reporting period's date, and the period covered by the financial statements. They do not, however, represent the level of rounding of values used in financial statements or the currency presentation necessary in foreign currency translation. This is in accordance with MASB (2016) in which there is evidence to support the requirements for business to prepare financial statements in a consistent way. In another major study, Jamil et al. (2020) found that, there have been several challenges with the MPERS implementation, including a lack of consistency, a lack of understandability, a lack of guidance, a vagueness, and other issues linked to professional judgement using the MPERS.

### 4.4 Descriptive Statistics

The results of descriptive statistics for all variables investigated in this study are presented in this section. Descriptive statistics will be used to show the finding for Objective Two.

#### 4.4.1 Dependent Variables (Financial Reporting Quality)

***Objective II: To Access the Financial Reporting Quality by SMEs***

This section will focus on Objective Two of the study, which is to access the financial reporting quality by SMEs. The financial reporting quality will determine the value of accounting reporting. Financial reporting is importance for the financial information disclosure and other activities of the business to users such as investors, banks, creditors, governments, and others to know and get an idea of the actual financial position of the entities at any time. The primary purpose of financial reporting for any

business is to convey the necessary information about the firm's financial position, cash flow position, and other obligations to its users for tracking business performance, analysing financial health, and making an informed decision.

The main purpose of financial reporting is to generate significant financial reports that able to increase investors' confidence, creditors' confidence, and other stakeholders' confidence, as well as providing favourable conditions for investors and economic activity in general. Measuring qualitative characteristic have been used to access the financial reporting quality.

This study will be demonstrated by determining whether the qualitative characteristic of financial reporting quality will present an element of higher quality financial reporting. This study will focus on the following quantitative characteristic of financial reporting:

1. Relevance
2. Timeliness
3. Comparability
4. Understandability
5. Reliability

The finding will be showed on Table 4.18:

**Table 4.18:** Descriptive Statistics of Dependent Variables

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Relevance | 310 | 2.00 | 5.00 | 4.2723 | 0.67804 |
| Timeliness | 310 | 3.00 | 5.00 | 4.1803 | 0.61473 |
| Comparability | 310 | 2.00 | 5.00 | 4.1697 | 0.63815 |
| Understandability | 310 | 3.00 | 5.00 | 4.2652 | 0.63756 |
| Reliability | 310 | 2.00 | 5.00 | 4.2484 | 0.69607 |
| Valid N (listwise) | 310 | | | | |

Source: SPSS Output

#### 4.4.1.1 Relevance

Users' ability to make decisions is represented by relevance. When financial report information influences users' economic decisions, it is unfortunate when this information lacks of relevance. Table 4.18 shows that, with a mean of 4.2723 and a standard deviation of 0.67804, the study's findings reveal the significant number of respondents as to have a relation with the relevance of financial information. The Annual Report was the most relevance piece of information as it included forward-looking information.

The most important and determinative of content in financial reporting is relevance, which is one of the most fundamental qualitative characteristics, according to a study by Herath, S., and Albarqi, N. (2017). Annual reports are important in establishing the level of relevance since it provides forward-looking information, entities opportunities and risks, and feedback on how big market events and significant transactions affected companies (Beest et al., 2009).

#### 4.4.1.2 Timeliness

Timeliness illustrates the importance of making information accessible to making decision before it loses its powerful and beneficial impacts. When assessing the quality of reporting in an annual report, the period between year-end and the date the auditor's report was released, as well as the number of days the auditor took to sign the report after the financial year ended, are taken into account (Beest et al., 2009). As shown in Table 4.18, with a mean of 4.1803 and a standard deviation of 0.61473, the majority of respondents strongly agreed that their financial information was timely. Most of the respondents strongly agreed that annual reports must be made available to

decision makers prior to the loss of power and its effects, and that annual reports must be prepared within the decision time period.

The term timeliness refers to delivering information within the decision-making period. As described in the MASB (2014), accounting information that is prepared on a timely basis is highly desirable since timely information is more relevant to users, whereas delayed information is less relevant to users' decision-making needs.

#### 4.4.1.3 Comparability

The ability for users to compare financial statements for determining an entity's financial position, cash flow, and performance is referred to as comparability. Users can compare businesses over time and within the same timeframe using this comparison. Table 4.18 shows most respondents agreed that, financial information greatly improved financial statement comparability, with a mean of 4.1697 and a standard deviation of 0.63815. The majority of respondents strongly agreed for the current accounting results to be compared to previous accounting results.

As a result, the current accounting period's results may be simply compared to those of prior accounting periods. This complied with the MPERS' requirements, which require entities to present two sets of comparative figures; one for the prior year and the other for the current period (MASB, 2014).

#### 4.4.1.4 Understandability

One of the most crucial qualities of financial reports information is its understandability. Effective communication is the key to achieve a high level of understandability. Consequently, the higher the quality attained, the better the users' understanding of the information (Cheung et al., 2010). Table 4.18 shows the study's

findings. With a mean of 4.2652 and a standard deviation of 0.63756, the majority of respondents strongly agreed that financial information was understandable to a significant extent. The notes to the financial position statement, the profit or loss statement, and other comprehensive income statements were generally considered to be appropriately clear.

Financial statement users must be able to effectively interpret the information. This means that information must be provided in a clear manner, with supporting footnotes provide additional information as needed for clarification. Understandability refers to the idea of presenting financial information in a way that a reader may readily comprehend. This idea presupposes that the reader has a fundamental knowledge of business, but it does not require significant business knowledge to achieve a high degree of comprehension. When information is provided and classified certainly and sufficiently, one of the enhancing qualitative traits will improve its understandability. These results are in line with those of Beest et al. (2009)., who discovered that when annual reports are well-organised, users can easily understand what they need.

#### 4.4.1.5 Reliability

In order to be applicable in financial reporting, information must have a high level of reliability. This level of quality is obtained when the information that users depend on is devoid of prejudice and material errors. The attributes of faithful, verifiable, and neutral information are used to assess the reliability (Cheung et al., 2010). The majority of respondents agreed that financial information was reliable, as shown in Table 4.18, with a mean of 4.2484 and a standard deviation of 0.69607. This meant that information on revenue and expenditures were collected and documented on a regular basis.

Material errors and bias must be avoided, and the information must not be misleading. As a result, the information should adequately explain the transactions and other events, reflect the underlying substance of those events, and represent estimates and uncertainties in a prudent manner through proper disclosure. Financial reporting reliability, according to Tontiset and Kaiwinit (2015), refers to the accuracy with which financial statements are generated to prepare users with valuable and useful information for making economic decisions.

### 4.5 Correlation Analysis

A correlation analysis will be applied to analyse the third objective of the study. Table 4.19 below presents the correlations matrix of the study.

***Objective III: To Ascertain the Relationship Between MPERS Adoption and Financial Reporting Quality by SMEs***

The third objective was to investigate the relationship between MPERS adoption and the quality financial reporting of SMEs. The degree, strength, and direction of the relationship between MPERS adoption and quality of financial reporting by SMEs were determined using correlation analysis. The relationship between the variables was determined using Karl-coefficient Pearson's of correlation method. The findings are showed in Table 4.19 below.

**Table 4.19:** Correlation Matrix

| | MPERS | Relevance | Timeliness | Comparability | Understandability | Reliability |
|---|---|---|---|---|---|---|
| Pearson Correlation | 1 | 0.745 | 0.552 | 0.626 | 0.694 | 0.822 |
| Sig. (2-tailed) | | 0.000 | 0.000 | 0.003 | 0.007 | 0.000 |
| N | 310 | 310 | 310 | 310 | 310 | 310 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |

Source: SPSS Output

### 4.5.1 The relationship between MPERS adoption and Relevance

The study's finding on the relationship between MPERS acceptance and relevance as a measure of financial reporting quality found that both were positively correlated, with a positive correlation of 0.000 was less than 0.745 at the 1 percent significance level. On the scale of (< 0 to +ve 1), 0.745 is a high positive correlation. This means that, the use of MPERS is directly tied to the presentation of financial information in a way that makes it more relevant to users. This is in accordance with the study by Herath, S., and Albarqi, N. (2017), which indicated that relevance is one of the fundamental qualitative characteristics, and that it is the most crucial and determinant of content in financial reporting.

### 4.5.2 The relationship between MPERS adoption and Timeliness

The findings of the study on the relationship between MPERS adoption and timeliness as a measure of financial reporting quality found these two as positively correlated, but with a modest positive correlation that is P value of 0.000 is less than 0.552 at 1 percent level of significance. This means that, the use of MPERS is closely tied to the presentation of financial information in a manner that improves users' timeliness.

This research differs significantly with one by Yacoob and Ahmad (2011), who found that timeliness declined following the introduction of the IFRS in Malaysia, implying that companies issued their financial statements late. As a result, companies were burdened with increased disclosure and reporting requirements, delaying the production of a high-quality financial report.

### 4.5.3 The relationship between MPERS adoption and Comparability

The outcomes of the study demonstrated that MPERS adoption and comparability as a measure of financial reporting quality are positively correlated, in particular the P value of 0.000 is less than 0.626 at 1 percent level of significance. This confirms that MPERS adoption has an impact on financial statement comparability as a measure of financial reporting quality.

The accounting standard states that a company's financial information should be comparable to other similar businesses. One of the most crucial characteristics of practical financial information is its comparability. This finding was in line with Albu, N., and Albu, C.N., (2012), who stated that the main benefit as perceived by their interviewees was improved comparability and quality of financial reporting.

### 4.5.4 The relationship between MPERS adoption and Understandability

The study found a positive correlation between MPERS acceptance and comprehension as a measure financial reporting quality, with a P value of 0.000 was lower than 0.694 at the 1 percent significance level. This means that, the implementation of MPERS is inextricably linked to the presentation of financial information in a way that improves users understanding. In order to analyse financial statements, users must be able to understand them.

One of the most crucial qualities of information in financial reports is its understandability. Effective communication is the key to achieve a high level of understandability. Thus, the findings are consistent with the findings of Cheung et al. (2010), who claimed that the better the users' understanding of the information, the higher the quality that may be achieved.

### 4.5.5 The relationship between MPERS adoption and Reliability

The outcomes of the study demonstrated that MPERS adoption and reliability as a measure of financial reporting quality are statistically correlated, with a 1percent level of significance, and a P value of 0.000 which is less than 0.822. This indicates that, as a result of MPERS adoption, the indicator reliability as a measure of quality financial reporting reflected in the financial statements stands out.

On a scale of <0 to +ve 1, 0.822 indicates a high positive correlation. This means that, as a result of MPERS adoption, the indicator reliability as a measure quality financial reporting reflected in the financial statements stands out. Reliability is one of another crucial components of financial reporting quality. In order to be useful in financial reporting, information must have a high level of reliability. The qualities of faithful, verifiable, and neutral information are vital to assess reliability (Cheung et al., 2010).

## 4.6 Regression Analysis

The third objective was about ascertain the relationship between MPERS adoption and quality financial reporting by SMEs. The findings of the study are discussed in the sections below. The results of the study are explained below, along with a comprehensive analysis of the findings.

### 4.6.1 Regression Test Result

Study findings for regression test results include model summary, ANOVA and coefficients on all indicator financial reporting quality, particularly relevance, timeline, comparability, understandability, and reliability are shown in Table 4.20, 4.21, and 4.22 below:

**Table 4.20:** Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .474[a] | 0.408 | 0.393 | 0.62602 |

Source: SPSS Output

The MPERS's implementation has a correlation coefficient of 0.474. This value of R, which is positive and ranges from 0 to 1, denotes a positive linear correlation.

R Square means indicate that the use of MPERS explains 40.8 percent of the variation in the quality of financial reporting (square of the correlation coefficient).

**Table 4.21:** ANOVA[a]

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 3.571 | 1 | 3.571 | 38.401 | .000[b] |
| | Residual | 10.7416 | 309 | 0.093 | | |
| | Total | 14.3126 | 310 | | | |
| a. Dependent Variable: Financial reporting quality | | | | | | |
| b. Predictors: (Constant), MPERS Adoption | | | | | | |

Source: SPSS Output

Table 4.21 demonstrate the findings of the F-test, with F= 38.401 and a p-value of 0.000.

**Table 4.22:** Coefficients[a]

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.202 | 0.576 | | 2.473 | 0.000 |
| | R | 2.178 | 0.417 | 0.333 | 6.197 | 0.000 |
| a. Dependent Variable: Financial reporting quality | | | | | | |

Source: SPSS Output

From the table above and by using the T-test method, T= 6.197, p-value=0.000

Financial reporting quality = 1.202+2.178 MPERS adoption + ε.

The dependent variable represented by the following indicators: relevance, timeliness, comparability, understandability and reliability. According to the results, MPERS adoption has a significant relationship with financial reporting quality, with a Beta-correlation coefficient of 0.333.

Given the regression equation Y= a + bx, X is the MPERS adoption or independent variable, whereas Y is the dependent variable or predictor or financial reporting quality, b represents the slope of the line, and a is the intercept (the value of y when x=0). The equation showed as Financial Reporting Quality = 1.202+2.178X.

The study's findings indicate a positive linear relationship between MPERS adoption and financial reporting quality, which means that the quality of financial reporting improves accordingly to an increase in MPERS implementation. However, the quality of financial reporting decreases with each decrease in MPERS implementation. When the MPERS acceptance represented by X is 0, then there is no effect on the financial reporting quality. Without MPERS adoption, it still shows the signs of quality. A positive Y shortcut value of 1.202 for the financial reporting quality of entities that did not receive MPERS also indicates that they are not worse, but the financial reporting quality will not improve.

### 4.6.2 Multivariate Regression Analysis

Multivariate regression analysis method helps in establishing correlation between the independent and dependent variables. This analysis to see the result between MPERS (independent variable) with every component of financial reporting quality one by one including the control variable. This analysis different from regression test result above that show the result as the whole indicator of quality financial reporting with MPERS. The aim of this study was to ascertain the relationship between MPERS

implementation affected financial reporting quality in SMEs, as defined by relevance, timeliness, comparability, understandability, and reliability. The regression test results are listed below. Table 4.23 summarises the findings of the study.

**Table 4.23:** Multivariate Regression Analysis

| Measure of Financial Reporting Quality (Dependent Variables) | Model (Independent Variables) | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std Error | Beta | | |
| Relevance | MPERS adoption | 2.170 | 0.205 | 0.745 | 5.408 | 0.000 |
| Timeliness | MPERS adoption | 2.174 | 0.190 | 0.552 | 4.305 | 0.000 |
| Comparability | MPERS adoption | 2.245 | 0.194 | 0.626 | 5.256 | 0.003 |
| Understandability | MPERS adoption | 2.144 | 0.195 | 0.694 | 5.168 | 0.007 |
| Reliability | MPERS adoption | 2.157 | 0.209 | 0.822 | 5.921 | 0.000 |
| Control Variables | | | | | | |
| Industry specialisation | MPERS adoption | -0.608 | 0.281 | -0.123 | -0.217 | 0.008 |
| Firm size | MPERS adoption | 0.293 | 0.337 | 0.199 | 1.746 | 0.001 |

Source: SPSS Output

Based on Table 4.23 above and by using the T-test method, T= (Relevance 5.408, *p*-value=0.000), (Timeliness 4.305, *p*-value=0.000), (Comparability 5.256, *p*-value=0.003), (Understandability 5.168, *p*-value=0.007) and (Reliability 5.921, *p*-value=0.000).

Since MPERS is based on the IFRS framework, it is important for this study to be related to the international standard IFRS framework. Malaysia's implementation of MPERS improved financial reporting quality and, therefore, resulted in the entity's good performance. From the finding, it shows that every indicator of financial reporting quality has the relationship with MPERS with the beta of 0.745, 0.552, 0.626, 0.694, and 0.822. This study agreed with a study by Yurisandi, T., and Puspitasari, E. (2015),

which found that accounting or quality financial reporting has enhanced and also improved with the adoption of the IFRS framework.

Table 4.23 shows the correlation analysis, and the results show the MPERS independent variable has a significant negative correlation with industry specialisation of -0.123. This shows that industry specialisation indicates a negative association with the MPERS framework. There is one study by Havasi and Darabi (2016) stated that the auditor's industry specialization has a significant impact on financial reporting quality in listed companies. But it only indicates about auditor's industry specialization in listed companies. SMEs use financial statements for a narrow set of decisions than listed businesses since they have less complex transactions and hence require less sophisticated financial statement analysis (AICPA, 2020). It seems that industry specialisation SMEs financial reporting did not have an additional or complicated transaction that gives impacted their presenting and disclosing business financial reporting which would result in not relevance for users' decision making and not understandable by users. In conclusion, it seems that the industry of SMEs did not give an impact on the SME's financial reporting.

A positive correlation is between MPERS and firm size, 0.199, indicating that MPERS is closely related to firm size. Dechow and Ge (2006) demonstrated that the size of a company has an impact on the quality of financial reporting. Large companies can hire one of the big auditing firms to audit their financial statements, which is intended to improve financial reporting quality (Thoopsamut and Jaikengkit, 2009). Firm size is crucial because if a business does not have enough income, the business might be presenting and disclosing financial reporting without following the MPERS framework, resulted not being relevant to the decision-making needs of users. A large

number of small and micro-businesses operate in the informal sector and have no accounting records. As a result, SMEs have a high rate of early-stage disappearance (UNCTAD, 2016). These results indicate that firm size influences the use and understanding of MPERS for financial reporting.

### 4.6.3 Hypothesis Results

From Table 4.24 below, it shows that the p-value for each variable is between 0.000 to 0.007. A p-value between 0 and 1 is commonly used to represent the level of statistical significance. The smaller the p-value, the more evidence that the null hypothesis should be rejected. A statistically significant p-value is less than 0.05 (usually $\leq 0.05$). If the P-value meets the significance level requirements, the alternative hypothesis is acceptable and the null hypothesis may be rejected. The results demonstrate that all of the hypothesis p-values are less than the significance level 0.05, with p-values of 0.000, 0.003 and 0.007. This means that, the study can reject the null hypothesis while accepting all alternatives hypothesis.

**Table 4.24:** Hypothesis Results

| | Hypothesis | Results |
|---|---|---|
| **H1** | There is a relationship between MPERS with relevance of financial reporting quality. | *p*-value=0.000, less than 0.05 Accepted |
| **H2** | There is a relationship between MPERS with timeliness of financial reporting quality. | *p*-value=0.000, less than 0.05 Accepted |
| **H3** | There is a relationship between MPERS with understandability of financial reporting quality. | *p*-value=0.003, less than 0.05 Accepted |
| **H4** | There is a relationship between MPERS with comparability of financial reporting quality. | *p*-value=0.007, less than 0.05 Accepted |
| **H5** | There is a relationship between MPERS with reliability of financial reporting quality. | *p*-value=0.000, less than 0.05 Accepted |
| **H6** | There is a relationship between MPERS with all components of financial reporting quality (relevance, timeline, understandability, comparability, reliability). | *p*-value=0.000, less than 0.05 Accepted |

Hypothesis 1 to 5 (H1, H2, H3, H4, H5) proposed that there is a link between MPERS with relevance, MPERS with timeliness, MPERS with understandability, MPERS with comparability, and MPERS with reliability of financial reporting quality. All indicators of the quality of financial reporting have a favourable and significant link with the adoption of MPERS, according to the study's results from the correlation analysis. The outcome supports MASB's (2014) classification that MPERS will enhance the quality of financial reporting. H1, H2, H3, H4, and H5 are therefore supported.

Hypothesis 6 (H6) that expect a positive relationship between MPERS with all components of financial reporting quality (relevance, timeline, understandability, comparability, reliability) was supported. The result consistent with prior studies such as Mwambu (2018) where quality financial reporting has a positive IFRS foe SMEs adoption. In a nutshell, all hypotheses were accepted and supported.

### 4.7 Discussion of Research Findings

According objective one regarding MPERS adoption in SMEs, the preparation of financial statements by the entity was the sole factor. Even though there are key impacts of changes arising from MPERS adoption, it not gives any impact on the MPERS adoption by SMEs. The results of the study showed that the majority of respondents gave an affirmative response, indicating that they prepared a significant number of financial statements or the full range. Additionally, it demonstrates how consistently and, on a going concern basis the firms prepare their financial statements.

The findings from objective two showed that all quality financial reporting indicator present an element of high financial reporting quality. On the whole, it was found in the study that relevance, reliability and understandability where the most pronounced indicators of quality financial reporting.

According to the study's findings for objective three, all financial reporting quality indicators have a positive linear relationship with MPERS adoption, indicating that for every unit increase in MPERS adoption, the indicator of quality financial reporting improves the relationship between MPERS framework and quality financial reporting. By adopting MPERS, entities can reduce costs. It is common for individuals to think that low cost has a low impact on quality. From the finding, it can refute the statement that, although the cost of adopting MPERS is low, the quality of financial reporting still increases. In terms of PERS not being updated and replaced by MPERS is the right decision because it gave a positive effect on improving the quality of financial reporting.

The equity theory and enterprise theory predict a positive relationship between MPERS adoption and quality of financial reporting and this study finds a positive correlation between the MPERS framework and quality financial reporting. Accordingly, equity theory and enterprise theory appear in explaining the relationship between MPERS adoption and the financial reporting quality by SMEs, based on the findings. According to equity theory, the aim of general-purpose financial reporting is to give financial information about the reporting entity that users can use to make decisions about in case or not to provide resources to the entity (Mwambu, 2014). By adopting MPERS, information in the financial reporting about the distribution and resources is fair and justice, it will provide the information relevance to user's decision making. The information provided will be reliable because there are free from material error and information inaccuracies. Based to the findings, there is a positive linear correlation between MPERS implementation and quality of financial reporting. MPERS is used to provide financial reporting for users that produces high-quality financial reporting results.

Meanwhile, enterprise theory anticipates a positive correlation between MPERS implementation and SMEs' financial reporting quality. From an accounting perspective, this indicates that proper reporting is not only the responsibility of shareholders and creditors but also of many other groups including the general public (Nandwani, 2016). This means that, accurate reporting is crucial for users, with the results of high-quality financial reporting increasing users' trust in financial reporting. The MPERS framework for SMEs and component quality financial reporting were found to have a positive connection in this study. Enterprise theory, on the other hand, is the most applicable legal doctrine to large businesses that able to examine the influence of their actions on numerous groups and society. Enterprise theory explain about responsibility of proper reporting. By adopting MPERS, financial reporting will result the proper reporting because the information providing in financial reporting relevance to user's decision making, presenting within time frame, and reliable. The information also presented in a way users can understand and financial reporting can be compared. The findings demonstrate that the financial reporting quality and the MPERS implementation are positively correlated. MPERS is utilised to provide users with financial reporting that provides accurate financial reporting outcomes.

The successful operation of the business was probably influenced by the implementation of MPERS in SMEs, which improved the quality of financial reporting. The results of the study also revealed a positive linear association between MPERS adoption and all indicators of high-quality financial reporting, indicating that the indicator of quality financial reporting gets better with each additional unit of MPERS adoption. In fact, the indication of high-quality financial reporting decreases whenever MPERS use decreases. However, with scores of 0.822, 0.745, and 0.694, respectively,

reliability, relevance, and understandability stood out as indicators of high-quality financial reporting.

Relevance, timeliness, understandability, comparability, and reliability are aspects of quality financial reporting that have an impact on how it is developed. It is also crucial to remember that reliability and relevance had seen the biggest improvements following the adoption of MPERS. In this study, relevance, reliability, and understandability all shown better correlation coefficients, demonstrating a greater quality attribute for MPERS. This is further supported by a study conducted by Khuthair and Al-Kafaji (2018), which discovered that the adoption of IFRS for SMEs improves the quality of financial reporting.

### 4.8 Conclusion

The empirical findings and discussions of the analysis of the relationship between implementation of MPERS by SMEs and financial reporting quality in Malaysia are presented in this chapter. Firstly, the frequency explained the result from background information questions and provided the finding of the first objective related to independent variable. Secondly, the descriptive statistics explained the details of the data and provided the finding of the second objectives of this study that related to dependent variables.

The findings of the correlation and regression analysis are highlighted in the next section of the chapter, which represents the third objective of this study. The implementation of MPERS was positively correlated with all financial reporting quality measures and had a positive linear association with it, according to the results of both

correlation and regression analysis. With higher correlation coefficients, reliability, relevance, and understandability stood out.