

**Corporate Governance Mechanism to Improve Disclosure Quality
of the Firms:**

**A Comparative Analysis Of
One-Tier and Two-Tier Board Structures
– Evidence from ASEAN Countries**

University of Management and Technology (UMT), Lahore

Submitted to

School of Business and Economics (SBE)

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE IN

FINANCE (MS-FINANCE)

By

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March, 2018

Dedication

This Thesis work is dedicated to my

Parents and all other family members,

Who always has been a source of inspiration,

Encouragement to undertake my higher studies and

To face the eventualities of life

With zeal, enthusiasm and fear of GOD.

I pray that GOD Blesses us with the strength we need to get through each day.

Acknowledgements

In the name of Allah, the Most Beneficial and the Most Merciful and the Most Compassionate. First and foremost, I would like to express my gratitude to the most beneficial Allah Almighty for his blessings and honouring me in order to complete my research work successfully.

I am indebted to many peoples who supported me to complete my thesis work. First I would like to express my gratitude and heartfelt thanks to my distinguished supervisor, Dr Safia Nosheen and Co-supervisor, Sir Tahseen Mohsin Khan for their guidance, knowledge, patience and time and time and support at every stage of my thesis.

Second, my sincere gratitude goes to all members of my family, my father, mother, uncle Mumtaz Ul Haq and especially Manona Mumtaz for helping and supporting me to successfully complete my thesis. However, I also apologize to my family for being so busy with my studies.

Dated

Naveed Ul Haq

Abstract

The empirical investigations report twelve closely related and important corporate governance mechanisms that are related to the increased disclosure quality of financial statements with respect to the corporate governance board structures in ASEAN countries. This thesis investigates the determinants of the disclosure quality of financial statements with respect to the corporate governance board structures in ASEAN countries. Using a sample of top 50 companies from Malaysia, Indonesia, Thailand, and Singapore for the period of 2011-2015, this thesis provides evidence that two board structures are different in terms of disclosure quality of financial statements.

level of the disclosure quality of financial statements. Some CG mechanism is same for one-tier and two-tier boards, and some are different. The board size, board expertise, board meetings, board diversity, timeline, young CEO and audit expertise are associated with increased disclosure quality of both types of board structures. The female board members, free cash flows, and audit committee size are positively related to disclosure quality of one-tier while board power and block holders have a positive impact on the disclosure quality of two-tier boards only. The dual role of CEO is associated with a decrease of disclosure quality of both board structures, while older age CEO's have a negative impact on the disclosure quality of two-tier boards only. Moreover, the study finds no relationship between board independence, CEO tenure, audit committee independence, audit quality and the disclosure quality of both types of board structures.

Keywords: Disclosure Quality, Board structures, One-tier boards, Two-tier boards, ASEAN countries, determinants of disclosure quality

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List of Abbreviations

Abbreviations	Full Name
CG	Corporate governance
ASEAN	Association of South East Asian Nations
OLS	Ordinary Least Squares
CEO	Chief Executive Officer
SCORE	Disclosure Quality Score
DQ	Disclosure Quality
PCAOB	Public Company Accounting Oversight Board
S&P	Standard and Poor's
CGS	Corporate governance score
BS	Board size
BIND	Board independence
B_EXP	Board expertise
B_DIV	Board diversity
B_MEET	Board meetings
TLINE	Time line for authorization of annual reports
LN_SIZE	Natural logarithm of firms size
LEV	Leverage
F_AGE	Firm age
CEODU	CEO duality

CEO_AGE	CEO age
CEO_TENURE	CEO tenure
B_POWER	Board power
BLOCK_HOLDERS	Block holders
F_COMPLEX	Firms complexity and private benefit
AUSIZE	Audit committee size
AUIND	Audit committee independence
AU_EXP	Audit committee expertise
AQ	Audit quality

Chapter 1

Introduction

1.1 Background of the Study

Corporate governance (CG) defines the relationship between the management of a company, its stakeholders, and shareholders. CG provides the mechanisms through which companies objective are set and also provides the means of achieving those objectives and monitoring its performance. These mechanisms include board of directors, the operation of the market for corporate control and institutional investors and shareholders. CG practices are basically concerned with the use of

best management practices, compliance with law practices, and observance of ethical standards for the fulfilment of the social responsibility of the stakeholders of the organizations.