Audit Committee: Gender and Ethnic Diversity – Evidence from Malaysia

Nik Mohamad Zaki Nik Salleh
Faculty of Management, Multimedia University (MMU), Malaysia
Mohd Hassan Che Haat
School of Maritime Business and Management, Universiti Malaysia Terengganu (UMT), Malaysia

Abstract

The purpose of this paper is to investigate whether gender and ethnic diversity in audit committees have a negative impact on the firm's earnings management based on the agency theory and resource dependency theories. The sample for this study was drawn from the 280 listed firms on Bursa Malaysia in 2009. The discretionary accrual, estimated using the Jones Model (1991), was used to proxy for earnings quality. The regression analysis indicated that the number of female on the audit committee showed positive association with earnings quality and the number of Malay directors on audit committee exhibited a significant negative association with earnings management. Overall, the results lead us to question the effectiveness of the role played by the audit committee in earnings management. The paper addresses an important dimension of financial reporting quality that may be reasonably assumed to be associated with audit committee diversity, and the tests can provide an insight into the preference of investors in making their investment decisions.

Keywords: *Audit committee, gender, ethnic diversity, earnings management*

Corresponding Author: Nik Mohamad Zaki Nik Salleh, Ph.D.,
Faculty of Management, Multimedia University, Malaysia.
Email: nik.zaki.nsalleh@mmu.edu.my

INTRODUCTION

The huge accounting scandals by so many renowned companies like Enron, WorldCom, Tyco, and Daewoo and Adelphia (Hossain, 2006) in the world have made the issue of corporate governance even more important these days than it was before. Recently, Tesco Plc has been investigated by the UK's Serious Fraud Office on their conduct in relation to accounting practices that led to a £263 million ($410.75 million) overstatement of the company's first-half profit forecast (Ruddick, 2014). Good corporate governance can ensure that the optimization of the benefits is drawn from the agency relationship between shareholder and corporate managers. Baxter and Cotter (2009) argued that to ensure good corporate governance, the effectiveness of the Board of Directors and particularly of the non-executive directors is to be enhanced by the establishment of appropriate board sub-committees. Companies establish an audit committee within the Board of Directors to take active role in overseeing the company's accounting and financial reporting policies and practices (Whittington & Pany, 2001). Improved quality of financial reporting practices, and more specifically earnings, has been widely cited as one of the major benefits of companies establishing audit committees (Blue Ribbon Committee, 1999; Ramsay, 2001).

The effectiveness of the audit committee as a monitoring mechanism depends upon several characteristics such as the qualifications, experience, independence, frequency of meetings and the share ownership of the audit committee. After the establishment of Malaysia Code on Corporate Governance (MCCG) in 2000, several studies have been conducted to

ISBN 978-602-19725-8-8

investigate the relationship between these characteristics and earnings management in Malaysia. However, there is lack of studies that have examined the association between gender and ethnic diversity in audit committee and earnings management in Malaysia.

The Malaysian Corporate Governance Blueprint 2011 states that its goal is for women participation on boards to reach thirty per cent by the year 2016 and assessment aspect should be monitored on yearly basis starting 2013 (SCM, 2011). Thus, the blueprint recommends that boards through their Nominating Committee should take steps to ensure that women candidates are sought as part of their recruitment exercise. In addition, boards should explicitly disclose in the annual report their gender diversity policies and targets, and the measures taken to meet those targets.

The purpose of this empirical study is to examine the association between the gender and ethnic minority diversity of the audit committee and earnings management of the listed firm on Bursa Malaysia. Previous studies focused on the same issue on the board of directors however this study is considered unique because it focused on the board sub-committee i.e. audit committee which has not been done before in Malaysia. This current study contributes to the existing base of knowledge specifically on determining the association between the gender and ethnics diversity in the audit committee and earnings management Malaysian firms listed on Bursa Malaysia.

The results based on the analysis of 280 listed firms on Bursa Malaysia in 2009 show that firms with Malay directors on the audit committee exhibits a significant negative association with earnings management. On the other hand, the presence of female on the audit committee is not consistent with the hypothesis.

The remainder of this paper is organized as follows. Section 2 reviews previous literature on the relation between gender and ethnics diversity with earnings management. Section 3 discusses the research methodology. Section 4 discusses the findings and the final section composed of conclusion and implications of the study.

LITERATURE REVIEW

There are numerous studies that link the issues associated with the diversity of audit committee effectiveness with earnings management. These studies investigate the contribution of audit committee effectiveness in mitigating earnings management.

The previous studies on diversity are mostly focused on two distinctive general categories of diversity namely, the demographic (observable) diversity and cognitive (non-observable) diversity. Examples of demographic diversity are gender, age, race and ethnics (Brammer, Milligton and Pavelin, 2007; Abdullah et al., 2013) and the examples of cognitive diversity include knowledge, education, values, perception, affection and personality characteristics (Brammer et al., 2007).

In this study, the audit committee diversity is referred to the demographic diversity specifically on ethnic and gender differences in the audit committee. American corporations are making some progress toward the inclusion of more women and minorities on corporate

ISBN 978-602-19725-8-8

boards, albeit the extent of the progress is subject to interpretation. The survey by Catalyst (2013) found that 16.9% of all board seats were held by females, a slight increase over the 16.6% found in the previous year. The public accounting firm EY's survey of women directors found that 15% of the board of directors seats of S&P 1500 firms were held by women, an increase from the 11% observed in 2006 (EY, 2013).

Ethnics and gender diversity provide several positive impacts to the firms. Abdullah et al. (2012) report that board diversity is found to be positively associated with firm performance. In addition, Upadhyay and Zheng (2014) find that firms with socially diverse boards are more transparent. If the characteristics of board are homogenous in nature, there is likelihood that the decision making will be single-minded, predictable and inflexible (Westphal and Zajac, 1998). On the other hand, heterogeneous board has higher ability to address the challenges of uncertain and dynamic business environment (Gilbert and Ivancervich, 2000). Carter et al. (2010) argue that gender and ethnic diversity of directors results in better governance which causes the business to improve its financial performance. He further argues that women and ethnic minorities who are competent and have the required characteristics by the corporation deserve opportunities to serve on the corporate boards. In addition, Campbell et al. (2008) argue that diversity increases creativity and innovation as these characteristics are not randomly distributed in the population, but tend to vary systematically with demographic variables such as gender. Furthermore, they also state diversity also can enhance problem-solving as the variety of perspectives that emerges from a more diverse board means that more alternatives are evaluated.

GENDER AND EARNINGS MANAGEMENT

This research attempts to investigate whether there is an impact of gender diversity on earnings management. Researches on gender diversity are based largely on data from the U.S. and European countries. Gul, Srinidhi and Tsui (2007) find that there is a significantly lower earnings management and higher accruals quality in the U.S. firms that have at least one non-executive female director on the board and when at least one member of the audit committee is a female director. The findings obtained by Sheela and Huang (2011) also support the argument that gender diversity of audit committee has a significant impact on the firm's earnings management. Their study finds that the presence of a female director on the audit committee constrains earnings management by increasing negative discretionary accruals. This implies that the presence of female on audit committees could bring positive outcomes in corporate monitoring and oversight, thereby leads to better financial reporting quality.

There are also several previous researches that conducted studies on the impact of the presence of female director(s) on the board or audit committee to the firm's performance or earnings management. Shawver et al. (2006) indicate that female accountants are less likely than their male counterparts to engage in earnings management actions. Two studies document that firm with female chief financial officers show better quality of discretionary accruals (Barua et al., 2010; Peni and Va¨ha¨maa, 2010). As a result, there is a positive relationship between the presence of female on the board and firm value (Farrell & Hersch, 2005). Generally, there are more positive than negative arguments pertaining to gender diversity in the boardroom. Greater female boardroom representatives may increase firm's

ISBN 978-602-19725-8-8

value and firm's performance. In contrast, Wachudi and Mboya (2012) who conducted the study on Kenyan banks find that the proportion of female directors has a negative relationship with bank performance.

Based on the above arguments, it seems that the recent most of the literatures consistently support that greater gender diversity may likely improve or enhance the performance of the firms. Therefore, the following hypothesis is proposed:
H_1: *The firms with female directors on the board will exhibit negative association with earnings management.*

ETHNICS DIVERSITY AND EARNINGS MANAGEMENT

The resource dependence theory states that diverse directors comprised of different ethnics may produce unique information sets that are available to management for better decision making (Carter et al., 2010). As a result, great ethnic diversity on board of directors improves or enhances the firms' financial performance (Marimuthu, 2008). Furthermore, Carter et al., (2010) also find that there is a positive significant relationship between the ethnic minority diversity of the audit committee and firm's performance.

Ethnic diversity for this research is referred to ethnic difference that comprises Malay, Chinese, Indian and others in audit committee. In the context of Malaysia, race is considered an important demographic factor in determining its impact on firms' performance. Haniffa and Cooke (2005) have made a classification for Malays (Bumiputra) and Chinese based on cultural/societal values suggested by Hofstede (1991). They classified Malays and Chinese as having high power distance and low masculinity. However, the Malays are low on individualism but for the Chinese, they are only low on individualism at the ethnic level but high at the national level. In addition, the Malays are said to have high uncertainty avoidance and are often perceived as focusing on the short-term while the Chinese are characterized as having low uncertainty avoidance and long-term orientation.

In Malaysia, the 2007 statistics (Department of Statistics 2007) reveals that the population of Malaysia comprises predominantly of three main ethnic groups; Malays, Chinese and Indians. The native Malays, who accounted for 52 percent of the population, dominated politics, but were relatively poor, and involved mostly in low-productive agricultural activities. On the other hand, the ethnic Chinese (37 percent of the population) enjoyed greater economic power and dominated most of the modern-sector activities. Based on their statement, it is assumed that since ethnic Chinese dominates the economic activities therefore, majority of the directors also are also from ethnic Chinese. Therefore, in this study ethnic diversity is measured as the proportion of Malay and other ethnics in the audit committee.

So far, the contemporary studies evolved on examining the relationship between ethnic diversity on boards of directors with firm financial performance (Marimuthu, 2008; Abdullah et al., (2013). They find that there is a significant positive impact by ethnic diversity on firm performance. Another study conducted by Carter et al. (2010) investigates the relationship between the ethnic minority diversity of board committees and the financial performance of the firm. Their finding shows that the relationship between ethnic minority diversity of the

ISBN 978-602-17725-8-8

audit committee is positive and significant with firm's performance. They argue that ethnic minority directors who serve on important board committees such as audit committee and nomination committee are more likely to significantly influence decisions of the board and management.

This study is considered unique because the composition of ethnic used in this study refers to the domination in the economy and not based on the population. The reason is the ethnic Chinese who accounted for only 37 per cent of the population enjoy greater economic power and dominate the Malaysian economic activities. Therefore, it can be said that majority of the directors are also from ethnic Chinese while ethnic Malay and others are considered as minority. Therefore, the following hypotheses are proposed:
H_2: *The firms with Malay directors in the audit committee will exhibit negative association with earnings management.*

METHODOLOGY

Sample selection

The sample for this study is based on 280 companies listed on the Bursa Malaysia in 2009. Financial data for the study are obtained from the Emerging Market Information Service (EMIS) database, whereas non-financial data such as gender and ethnics diversity etc. are extracted manually from the respective annual report. In consistence with Hashim and Devi (2008), Jaggi et al. (2007) and Baxter and Cotter (2009) industries such as infrastructure (7 firms), hotels (5 firms) and mining (1 firm) which consisted of less than 10 firms were also eliminated. This is because the use of the modified Jones (1995) model in a cross sectional setting requires at least 8 to 10 firms in the same industry.

Regression Model

The following regression equations are adopted to test the hypotheses.

$$EMJONES = \alpha + \beta_1 ACSIZE + \beta_2 ACIND + \beta_3 ACEXPT + \beta_4 ACFEM + \beta_5 ACMALAY + \beta_6 BRDSIZE + \beta_7 ACBRDSIZE + \beta_8 LNFIRMSIZE + \beta_9 LEV + \varepsilon$$

Where:

EMJONES	=	The discretionary accruals estimated using the Modified Jones Model
ACSIZE	=	The number of directors on the audit committee
ACIND	=	Proportion of independent directors on audit committee
ACEXPT	=	Proportion of directors on audit committee with accounting and finance knowledge
ACFEM	=	The number of female directors on audit committee
ACMALAY	=	The number of Malay directors on audit committee
BRDSIZE	=	The number of directors on the board
LNFIRMSIZE	=	Log of assets at the beginning of the year
LEV	=	Ratio of total liabilities to total assets

ISBN 978-602-19725-8-8

Measurement of the variables

Dependent variable

Earnings management

There are various methods that have been developed by researchers to test for earnings management. For examples, the assessment of accounting policy changes (Healy, 1985; Sweeney, 1994), specific accounting transactions (McNichols and Wilson, 1988), discretionary accruals (Jones, 1991) and small profits or small changes in earnings (Holland and Ramsay, 2003).

This study uses discretionary accruals which was developed by Jones (1991) and later being modified by Dechow, Sloan and Sweeney (1995) which is known as modified Jones model. The model partitioned accruals into a discretionary component and nondiscretionary component form total accruals.

$$TAC_{it}/A_{it-1} = \alpha_i[1/A_{it-1}] + \beta_{1i}[(\Delta REV_{it} - \Delta AR_{it})]/ A_{it-1} + \beta_{2i} [PPE_{it}/ A_{it-1}] + \varepsilon_{it} \qquad (1)$$

Where :

TAC	=	total accruals for firm j in year t;
ΔREV	=	Change in the revenues (sales) or the revenue in year t less revenue in year t-1 for firm j;
ΔAR	=	Change in accounts receivables or the receivable in year t less receivable in year t-1 for firm j;
PPE	=	the gross properties, plants and equipments in year t for firm j;
A	=	total assets in year t-1 for firm j.
j	=	1,2,…, N – firm index
t	=	1,2,…, T – year index for the years included in the estimation periods for firm j

The modified Jones model is run cross-sectionally based on the industry-year combinations to estimate non-discretionary and discretionary accruals. The estimated coefficients α_j, β_{1j}, β_{2j} and β_{3j} are firm specific parameters from (1) are then used to estimate non-discretionary accruals:

$$NDAC_{it} = a_i[1/A_{it-1}] + b_{1i}[\Delta REV_{it} - \Delta AR_{it} /A_{it-1}] + b_{2i}[PPE_{it}/A_{it-1}] \qquad (2)$$

Where:

$NDAC_{it}$	=	Nondiscretionary accruals in year *t* for firm *i*;
ΔREV_{it}	=	Revenues in year t less revenues in year *t*-1 for firm *i*;
ΔAR_{it}	=	Net receivables in year *t* less net receivables in year *t*-1 for firm *i*;
PPE_{it}	=	Gross property, plant and equipment in year *t* for firm *i*;
A_{it-1}	=	Total assets in year *t*-1 for firm *i*;

ISBN 978-602-17225-8-8

The discretionary accruals are then obtained by:

$DAC_{it} = TAC_{it}/A_{it-1} – NDAC_{it}$ (3)

Where:

DAC_{it}	=	Discretionary accruals in year t for firm i;
TAC_{it}	=	Total accruals in year t for firm i;
A_{it-1}	=	Total assets in year t-1 for firm i;
$NDAC_{it}$	=	Nondiscretionary accruals in year t for firm i

While discretionary accruals are considered in signed value as a proxy for earnings' management, the study also performs empirical tests using absolute value to measure the overall propensity to earnings management.

RESULTS AND DISCUSSION

Descriptive statistics

Table 1: Descriptive statistics for dependent and independent variables (N=280)

Variables	Mean	Std. Dev.	Minimum	Maximum
EMJONES	0.355	0.300	0.001	2.627
ACSIZE	3.190	0.470	2.000	5.000
ACIND	0.858	0.164	0.020	1.000
ACEXPT	1.280	0.695	0.000	4.000
ACFEM	0.071	0.159	0.000	1.000
ACMALAY	1.414	1.019	0.000	4.000
BRDSIZE	7.450	1.898	4.000	17.000
LNFIRMSIZE	12.827	1.305	10.040	17.470
LEV	0.394	0.234	0.0100	2.020

As shown in Table 1 above, the mean value of discretionary accruals -0.355. The maximum number of female director in the audit committee is 1 person while the minimum and the maximum of Malay director in the audit committee is 1 and 4 persons respectively. The results show that the involvement of female and Malay directors in the audit committee is still not at an encouraging rate.

ISBN 978-602-19725-8-8

Table 2: Correlation statistics for all variables for fiscal year 2009 (N=280)

	EMJONES	ACSIZE	ACIND	ACEXPT	MEET	ACFEM	ACMALAY	BSIZE	LNFIRMSIZE	LEV
EMJONES	1	.011	-.040	-.021	.035	.010	-.035	.013	-.075	.109
		.849	.505	.722	.560	.868	.565	.823	.210	.068
ACSIZE		1	-.155**	.140*	.024	.024	.394**	.228**	.138*	-.063
			.009	.019	.690	.687	.000	.000	.021	.296
ACIND			1	-.027	.043	-.134*	-.109	.132*	.054	.060
				.652	.477	.025	.068	.027	.371	.318
				280	280	280	280	280	280	280
ACEXPT				1	-.045	.051	-.024	-.072	-.044	.020
					.455	.398	.690	.229	.466	.743
MEET					1	-.049	.031	.060	.099	-.006
						.416	.606	.313	.100	.923
ACFEM						1	.049	-.014	-.055	-.141*
							.417	.819	.360	.018
ACMALAY							1	.033	.277**	.080
								.583	.000	.181
								280	280	280
BSIZE								1	.326**	.156**
									.000	.009
									280	280
LNFIRMSIZE									1	.191**
										.001
LEV										1

*, ** = Significant at the 5% and 1% level respectively using a 2-tailed test.

ISBN 978-602-17225-8-8

Multivariate analysis

Table 3: Multiple Regression results (N=280)

	Exp Sign	Model 1	Model 2	Model 3	Model 4
(Constant)		0.616***	0.608***	0.579**	0.177***
		2.679	2.623	2.436	.706
BSIZE	-ve	.004	.004	.003	.001
		.384	.388	.301	.139
LNFIRMSIZE	-ve	-0.027*	-0.025*	-.023*	.010*
		-1.797	-1.728	-1.524	.595
LEV	+ve	0.170**	0.171**	0.172**	0.206***
		2.148	2.148	2.174	2.644
ACSIZE	-ve	.017	.017	.028	.032
		.411	.427	.623	.758
ACIND	-ve	-.080	-.073	-.081	-.034
		-.712	-.638	-.714	-.313
ACEXPT	-ve	-.493	-.014	-.015	-.023
			-.538	-.576	-.912
ACFEM	-ve		.035		.014
			.307		.125
ACMALAY	-ve			-.012*	-.013*
				-.594	-.660
Consumer					.013
					.158
Industrial					.031
					.385
Construction					-0.210**
					-2.370
Trading/services					-.020
					-.234
Properties					-0.285***
					-3.103
Plantation					-.140
					-1.502
AdjustedR^2		0.090	0.100	0.120	0.130
F-Stat		1.112	1.042	1.080	3.209***

*, **, *** = Significant at the 10%, 5% and 1% level respectively.

ISBN 978-602-19725-8-8

Table 3 presents the results from multiple regression analysis for the four regression models. In model 1, discretionary accrual as the dependent variable is employed in order to test the relationship between earnings management and control variables used in this study. As shown in the table, the LNFIRMSIZE and LEV have the expected signs and significant at the 5% and 10% level respectively. Both variables show the consistent results in other models as well. In Model 4, the adjusted R^2 has increased to 13% and the F-Stat is significant at 1% level after the industries being included in the analysis.

Despite the notion that audit committee diversity would influence the decision-making process and positively contribute to firm performance (Hambrick and Mason, 1984), the study finds that there is no association between the number of female and Malay directors in the audit committee with earnings management for all three models (Model 1,2 and 3). The results are in contradiction with the view of prior researches (e.g. Klenke; 2003; Trinidad and Normore, 2005) that female board members would improve board monitoring and prevent earnings management which in turn enhance the quality financial reporting. The study finds that the number of women directors in the audit committee is positively associated with earnings management. In addition, no significant relationship is found in this result. In contrast, the number of Malay directors in audit committee shows a negative relationship with earnings management and is significant at 10% level in the fourth model.

The above findings question the role of female in audit committees to mitigate earnings management in Malaysian public listed firms. The possible reason is may be due to a small number of female directors being appointed as audit committee members. The descriptive table show that the mean of female director in the audit committee is only 0.071. This is consistent with the report reveal by the Minority Shareholders Watchdog Group Corporate Governance 2010 that only 44 percent of listed companies have at least one female director and only 36 percent of these companies had female on the board as independent directors. The result in this study does not support the agency theory in the sense that greater gender diversity may improve the board as one of the internal governance mechanisms to monitor the managers' activities. The result is also inconsistent with several findings from the previous empirical studies. Gul, Srinidhi and Tsui (2007) found that there was a significantly lower earnings management and higher accruals quality in the U.S. firms when there is at least one member of the audit committee who is a female director. They argued that the presence of at least one female director on the audit committee gives the director further control over the execution of the audit and an enhanced ability to require higher audit effort.

The presence of Malay directors in the audit committee is negatively associated with earnings management when the variable was run using multiple regressions for third and fourth model. This indicates that the audit committee with ethnic diversity has a great power to influence the decision-making of organization and positively contribute to good earnings quality. The result obtained in this study supports the resource dependence theory which states that diverse directors comprised of different ethnics may produce unique information sets that are available to management for better decision making (Carter et al., 2010).

ISBN 978-602-17225-8-8

CONCLUSION

This study examines the effect of gender and ethnic diversity in the audit committee on earnings quality which is proxied by earnings management in Malaysian listed firms on Bursa Malaysia. The study covers 280 firms in 2009. Since most empirical research on the audit committee diversity has been restricted to data in developed nations, the generalizability of such findings may not extend across national boundaries due to different regulatory and economic environments, the size of capital markets and cultural differences. The scarcity of empirical research on the gender and ethnic diversity in the audit committee in a developing nation like Malaysia provides the opportunity for this study to narrow the gap in the earnings management literature. The findings of the study indicate that the number of female directors in the audit committee shows no significant association with earnings management after controlling for board size, leverage, and audit committee variables. However, the result of the ethnic diversity variable measured by the number of Malay directors in the audit committee is consistent with the hypothesis. The results in this study present one of the first empirical evidences to examine the association between gender and ethnic diversity and quality of financial reporting. The findings of the study will certainly make a significant contribution towards an understanding of the audit committees' effects to financial reporting quality thus provide insight into the preference of investors in making their investment decisions. These empirical findings could be extended, for instance, by examining the biographies of each of the female and Malay directors in the audit committee. The examination also could involve an interview with these groups of directors in order to have a greater understanding about the roles of gender and ethnic diversity on corporate audit committees.

REFERENCES

Barua, A., Davidson, L.F., Rama, D.V. and Thiruvadi, S. (2010), "CFO gender and accruals quality", *Accounting Horizons*, Vol. 24 No. 1, pp. 25-39.

Baxter, P. and Cotter, J. (2009). **Audit committees and earnings quality,** *Accounting & Finance*, 49 (2), 267-290.

Bilimoria, D. and Wheeler, J. V. (2000). Women corporate directors: current research and future directions. In R. J. Burke and M. C. Mattis (eds) *Women in Management: Current research issues* , Vol. II. The Netherlands: Kluwer Academic Publishers, 138–163.

Blue Ribbon Committee. (1999). 'Report and recommendations of the Blue Ribbon Committee on improving the effectiveness of corporate audit committees', *The Business Lawyer*, 54 (2), 1067-1095.

Brammer, S., Millington, A., and Pavelin, S., (2007). "Gender and ethnic diversity among UK corporate boards". *Corporate Governance: An International Review* 15(2), 393-403.

Campbell, K., Minguez-Vera, A. (2008). Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83, 435-451.

ISBN 978-602-19725-8-8

Carter, D. A., D'Souza, F., Simkins, B. J. and Simpson, W. G. (2010). The gender and ethnic diversity of us boards and board committees and firm financial performance. *Corporate Governance: An International Review*, 18, 396–414.

Catalyst (2013). 2013 Catalyst census: Fortune 500 women board directors. Retrieved February 7, 2014 from http://www.catalyst.org/knowledge/2013-catalyst-census-fortune-500-women-board-directors.

Conyon, M. J. and Mallin, C. (1997). Women in the Boardroom: Evidence from large UK companies, *Corporate Governance: An International Review* , 5, 112–117.

Dechow, P.M., Sloan, R.G., Sweeney, A.P., (1995). Detecting earnings management. *The Accounting Review*, 70 (2), 193-225.

Department of Statistics. (2007). *Time Series Data Population and Housing Census*. Kuala Lumpur: Department of Statistics Malaysia.

EY (2013). Diversity drives diversity: From the boardroom to the C-suite. Retrieved February 7, 2014 from http://www.ey.com/US/en/Issues/Governance-and-reporting/Diversity-drives-diversity.

Fairfax, Lisa M, (2005). Some Reflections on the Diversity of Corporate Boards: Women, People of Color, and the Unique Issues Associated with Women of Color. *St. John's Law Review*, Vol. 79, p. 1105; U of Maryland Legal Studies Research Paper No. 921037. Available at SSRN: http://ssrn.com/abstract=921037

Farrell, K. and Hersch, P. (2005). Additions to corporate boards: the effect of gender. *Journal of Corporate Finance*, 11, 85-106.

Gul F.A., Srinidhi, B., and Tsui, T. (2007). Do female directors enhance corporate board monitoring? Some evidence from earnings quality. http://www.isb.edu/AccountingResearchConference/schedule.shtml. Accessed on 4 January 2010.

Haniffa, R.M. and Cooke, T.E. (2005). The impact of culture and governance on corporate social responsibility. *Journal of Accounting and Public Policy*, 24, 391-430.

Hashim, H.A, Devi, S.S. (2008). Board independence, expertise and earnings quality: Malaysian evidence. Retrieved May 5, 2010, from **http://www.afaanz.org/ openconf-faanz2008/modules/request.php?module=oc_proceedings&action= view.php&a=Accept as Forum&id=382**

Healy, P.M. (1985). The effect of bonus schemes on accounting decision. *Journal of Accounting and Economics 7*, 85-107.

Hofstede, G. H. (1980), *Culture's consequences: international differences in work related values*, Sage Publications, Beverly Hills, CA.

Holland, D., and A. Ramsay. (2003). Do Australian companies manage earnings to meet simple earnings benchmarks? *Accounting and Finance* 43, 41-62.

Hossain, D.M., Khan, A. R. (2006). Audit committee: a summary of the findings of some existing literature. *The Cost and Management*, 34 (5), 40-57.

Jaggi, B., Leung, S. and Gul., F.A. (2007). Board independence and earnings management in Hong Kong firms: Some evidence on the role of family ownership and family board

ISBN 978-602-17225-8-8

control. Working paper (Department of Accounting and Information System, Rutgers University, USA).

Jones, J. (1991). Earnings management during import relief investigations. *Journal of Accounting Research* , Autumn, Vol 29, Issue 2, : 193-228.

Klenke, K. 2003. Gender influences in decision-making processes in top management teams. *Management Decision* 41 (10):1024-1034.

Marimuthu, M. (2008). Ethnic Diversity on Boards of Directors and Its Implications on Firm Financial Performance. T*he Journal of International Social Research*, Volume ¼ Summer, 431-445

McNichols, M., and P. Wilson. (1988). Evidence of earnings management from the provision for debts. *Journal of Accounting Research* 26 (Suppl), 1-31.

Peni, E. and Va¨ha¨maa, S. (2010), "Female executives and earnings management", *Managerial Finance*, Patrington, Vol. 36 No. 7, pp. 629-45.

RUDDICK, G. (2014, OCTTOBER 29). TESCO TO BE INVESTIGATED BY SERIOUS FRAUD OFFICE. *THE TELEGRAPH*.

Retrived from http://www.telegraph.co.uk/finance/newsbysector/epic/tsco/11195376/Tesco-to-be-investigated-by-Serious-Fraud-Office.html

Securities Commission Malaysia (SCM). 2011. Corporate Governance Blueprint 2011.

Shawver, T.J., Bancroft, P.C. and Sennetti, J.T. (2006), "Can the clan effect reduce the gender sensitivity to fraud? The case of the IPO environment", Journal of Forensic Accounting, Vol. 7 No. 1, pp. 185-208.

Sheela Thiruvadi, Hua-Wei Huang. (2011). Audit committee gender differences and earnings management. *Gender in Management: An International Journal*, 26 (7), 483 - 498

Shrader, C. B., V. B. Blackburn and J. P. Iles. (1997). Women in Management and Firm Financial Value: An Exploratory Study. *Journal of Managerial Issues*, 9, 355–372.

Sweeney, A.P. (1994). Debt covenant violations and managers' accounting responses. *Journal of Accounting and Economics,* 17, 281-308.

Trinidad, C., and A. Normore, H. (2005). Leadership and gender: a dangerous liaison? *Leadership & Organization Development Journal* 26 (7):574-590.

Upadhyay, A., & Zeng, H. (2014). Gender and ethnic diversity on boards and corporate information environment. *Journal of Business Research*, *67*(11), 2456-2463.

Wachudi, E. J., & Mboya, J. (2012). Effect of board gender diversity on the performance of commercial banks in Kenya. *European Scientific Journal*, *8*(7).

Westphal, J.D. and Zajac, E.J. (1998). The symbolic management of stockholders: Corporate governance reform and shareholder reactions. *Administrative Science Quarterly*, 43 (1), pp 127-153.

Whittington, O.R. and K. Pany. (2001). *Principles on auditing and other assurance services.* (Boston: Irwin McGraw-Hill).

ISBN 978-602-19725-8-8