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ACCOUNTING IRREGULARITIES IN FINANCIAL STATEMENTS: AN ANALYSIS OF PUBLIC REPRIMAND ANNOUNCEMENT

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ABSTRACT

The issue of accounting irregularities in corporate reporting in Malaysia has caused a great deal of concern with respect to financial statement reliability. Bursa Malaysia Securities Berhad has publicly reprimanded companies that failed to comply with the Listing Requirements of Bursa Malaysia. The main objective of this study is to document the nature and extent of accounting irregularities involving public reprimand announcements. This study focuses on Malaysian public listed companies from 2007 to 2013. This study uses the classification system and documents five categories of violation under public reprimand announcements (i.e. (1) failure to make an immediate announcement on material facts on a timely basis; (2) failure to submit annual reports or late submission of annual or quarterly reports; (3) failure to take into account the adjustments/inconsistent amount of reported profit or loss with audited amount; (4) market manipulation or insider trading, and (5) questionable corporate exercises).

Keywords: *Public reprimand announcement, Bursa Malaysia, public listed company*

INTRODUCTION

The issue of accounting irregularities in corporate reporting in Malaysia, such as the Silver Bird Group Berhad and Malaysia AE Models Holding Berhad, has caused a great deal of concern with respect to financial statement

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reliability. The market sentiment and the confidence of investors have been dampened by the exposure of such accounting irregularities (Hamid, Shafie, Othman, Hussin & Fadzil, 2013). Currently, accounting irregularities are a widely publicized public interest issue. There is a never ending list of companies accused of accounting irregularities. When the company does not comply with the Bursa Malaysia Listing Requirements, the company will be denounced in a public reprimand and will also be fined. Therefore, this study presents the nature of accounting irregularities surrounding public reprimand announcements of Malaysian public listed firms.

Public reprimands can be defined as a formal sanction in which writs, reprimands or warns are presented to the respondents who has been determined by the Ethics Committee to have violated the Code of Ethics (Wee & Lee, 2013). Liebman and Milhaupt (2007) provide some reasons for a public reprimand including disclosure of false information and misleading statements, inaccuracy of profit forecast, untimely disclosure of major corporate matters and issuance of annual reports, failure in carrying out approval procedures for the related party transaction and other legally required obligations. Consequently, failure to comply with the Listing Requirements of Bursa Malaysia Securities may cause some repercussions that include a public reprimand or a fine of up to RM1 million or both.

With the globalization of business, competition has become more intense. Due to this situation, it is highly possible that the ethical foundation of a company compromises in the face of pressure (Forcade, Groe, Keller, Lindberg, Vickers & Williams, 2006). For the past few years, professionals have believed that the trend is likely to continue to rise in accounting fraud and accounting irregularities (Modugu, Ohonba & Izedonmi, 2012). It is difficult to estimate the cost of the Listing Requirements for business violations because not all deviations or abuse can be discovered. The effect of accounting irregularities does not affect monetary figures only as it also affects prices in the stock market. In addition, accounting irregularities would erode the confidence and trust of investors in the company (AICPA, 2009).

Table 1: Accounting Irregularities in Asia-Pacific

2010 Rank	Score	Country
1	1.42	Singapore
2	2.28	Australia
3	2.67	Hong Kong
4	3.42	US
5	3.49	Japan
6	4.96	Macao
7	5.98	South Korea
8	6.28	Taiwan
9	6.47	Malaysia
10	6.52	China
11	7.18	India
12	7.60	Thailand
13	8.06	Philippines
14	8.07	Vietnam
15	9.10	Cambodia
16	9.27	Indonesia

Sources: Political and Economic Risk Consultancy (2010)

Table 1 shows the position of accounting irregularities in the Asia-Pacific region. An international study conducted by the Political and Economic Risk Consultancy (PERC) in 2010 placed Malaysia in the group of countries with the highest number of accounting irregularities. Malaysia scored 6.47 out of 10 points. This number signify Malaysia as one of the riskiest among the 16 Asia-Pacific countries. This analysis was reviewed by 2,174 middle and senior business executives in Australia, the United States, and Asia. This position is just below Taiwan as the country with the second highest number of accounting irregularities, followed by South Korea, Macao, Japan, the United States, Hong Kong, Australia, and Singapore (Jaswadi, 2013). The situation of Malaysia reflects the fact that management is less efficient and corporate governance has not yet been taken into account in the transformation of Malaysian businesses.

Financial statements are the main medium for investors to evaluate their results. The quality of financial statements is important to them (Anwar, Chairman, Malaysia Securities Commission, 2012). Accurate information is essential so that market participants can be assured that capital markets are fair and financial accounts are transparent (Hamid, Shafie, Othman, Hussin & Fadzil, 2013). In addition, market participants also need to know about issues that are released to the public such as accounting irregularities and public reprimand announcements (Elayan, Li, & Meyer, 2003).

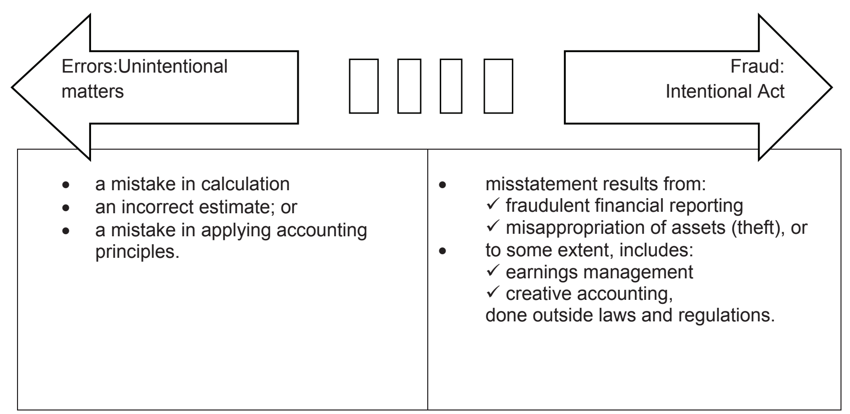
In addition, the importance of this study is to discuss the issues of accounting irregularities in public reprimand announcements. The examination of the issues of public reprimand announcements and the valuation effects of such events can contribute to more conclusive results. This study shows the importance for legislators to recognize the impact of the implementation of the law or reprimands. The reprimands can be in the form of financial penalties, corrective actions, suspension of listing, and subsequent de-listing. There are several factors that should be considered by the committee before determining the appropriate action to be taken and to ensure that violations do not occur again in the future (Bursa Malaysia, 2014). Therefore, this study can contribute as a tool for the legislator to be informed about the implementation level of public reprimand announcements.

LITERATURE REVIEW

Accounting irregularities refer to an accounting term or practice that does not comply with the normal laws, practices, and regulations of the accountancy profession, in which there is an intent to deliberately deceive or defraud (Elayan, Li, & Meyer, 2003). Based on Elayan, Li, & Meyer (2003), accounting irregularities can lead to the delivery of financial statements that are unreliable or provide false information that is used to evaluate the value of the firm.

The discovery of accounting irregularities means negative events for the company. Firms experiencing poor operating performance and structure of executive compensation are found to be involved in more significant negative events. Therefore, companies that have opportunities and greater incentives are more likely to commit accounting irregularities (Elayan, Li, & Meyer, 2008). Most investors should be interested to know the impact of corporate allegations. Negative media exposure can alter the perception of the business community in which the company operates (Kamarudin, Ismail & Mustapha, 2012). Understanding the basic conditions and motives that cause accounting irregularities is important and is necessary to effectively prevent future incidents.

On the other hand, accounting irregularities are a form of fraud. Accounting irregularities exist across the continuum of error-fraud. Misstatements in the financial statements can arise from either fraud or errors. Errors may occur in connection with the recognition, valuation, disclosure or description of the elements included in the financial statements. Meanwhile, fraud refers to an intentional act by one or more individuals among the management. Fraud may involve manipulation, falsification or alteration of records or documents; inadequate allocation of assets; avoidance or abandonment of the transaction in the record or document; recording of transactions without substance; or incorrect application of accounting policies (Bunget, 2009). At one end of the spectrum (see Figure 1), accounting irregularities are misstatements caused by unintentional mistakes or errors (Jaswadi, Billington, & Sofocleous, 2012). Figure 1 describes the meaning of accounting irregularities.



Source: Developed from APB (1995) and AICPA (2002) as cited in Jaswadi, Billington& Sofocleous, 2012)

Figure 1: Spectrum of Accounting Irregularities

The increase in fraud indicates that there is a strong need for more research. One of the main features of fraud is that it is illegal, or hidden as the concealment of crime is used in fraud attempts (Dalnial, Kamaluddin, Sanusi & Khairuddin, 2014). Financial reporting fraud is a major concern for the main regulator of the capital market, namely, the Securities Commission Malaysia (SC) and Bursa Malaysia.

Investors should be informed about how these public reprimand announcements of the Listing Requirements impact their investments. With this awareness, investors are becoming more intelligent and are able to make better decisions about their stock portfolios which improve efficiency in terms of the social and optimal market. It is important for the general public and the stakeholders to recognize the impact of the implementation of public reprimand announcements. Furthermore, it is important for companies to understand the impact that public reprimand announcements and violations of accounting irregularities have on the value and reputation of the firm. This knowledge can provide an additional incentive for companies to comply with the rules and behave socially in an optimal manner (Jaswadi, Billington & Sofocleous, 2012).

Failure to comply with the Listing Requirement of Bursa Malaysia is also an accounting irregularity. Compliance with the Listing Requirements is compulsory for all players listed on Bursa Malaysia. The Listing Requirements were enacted to ensure compliance by the companies listed on the Bursa. Bursa Malaysia Securities Berhad has publicly reprimanded companies that failed to comply with the Listing Requirements. Enforcement and public reprimand announcement can serve as an educational tool for companies that violate the Listing Requirements (Rudzi & Embong, 2014). An investigation into the potential breaches of the Listing Requirements is performed every year and appropriate actions are taken against companies that violate these regulations (Bursa Malaysia, 2014).

Table 2: Enforcement action taken by Bursa Malaysia as at 31 December 2006

Sanction Imposed	PLCs	Directors	Total
Private reprimand	50	4	55
Public reprimand	32	29	61
Total	82	33	116
Total Fines Imposed	RM210,0000	RM170,0000	RM380,0000

Source: www.bursamalaysia.com as cited in (Mohd Sulaiman, 2008).

Failure at the board level is one of the factors that may be associated with a reprimand due to the attitude of human greed and lack of morality in business (Mohd Sulaiman, 2008). Table 2 shows the enforcement action taken by Bursa Malaysia as at 31 December 2006. The study by Mohd Sulaiman (2008) discussed the various enforcement tools available to the regulator of the securities market, which include reprimand, judicial proceedings, and lawsuits. A reprimand can lead to the offender receiving poor profits arising from incorrect behavior, in addition to a civil penalty not exceeding RM1 million which can be levied by the SC. No enforcement action or reprimand should be reported for a governance mechanism to be considered effective.

Table 3 summarizes the enforcement actions taken by Bursa Malaysia in 2014. Every year, Bursa Malaysia carries out enforcement proceedings and actions in relation to contravention of the Bursa Malaysia Rules and Bursa Malaysia Listing Requirements. As at 31 December 2014, a total of 57 enforcement actions were taken for various breaches and these actions were posted on Bursa Malaysia Website with the aim of educating market participants, informing the market of the range of action taken, instilling market confidence and ensuring transparency in Bursa Malaysia's enforcement action. At the time when the sanction imposed a public reprimand, a media release was issued and posted on the website.

Table 3: Enforcement Action Taken by Bursa Malaysia as at 31 December 2014

Sanction Imposed	PLCs	Directors	Total
Public Reprimand	32	10	42
Private Reprimand	0	15	15
Total	32	25	57
Total Fines Imposed	0	RM5,572,000	RM5,572,000

Source: http://www.bursamalaysia.com

Enforcement by the authorities could not only affect the company subject to enforcement but may also be felt by the market. This is because of investors' perception and belief in the company, and the market in general. Chen, Firth, Gao and Rui (2005) noted that making enforcement action public is a bad omen for the company. This is not only because the company bears the financial commitment to pay the fine, but also because of their loss of reputation among investors and other stakeholders.

Hashim and Ariff (2013) summarize the profile of 17 companies accounting irregularity cases in which the enforcement actions taken by Bursa Malaysia have resulted in a reprimand with fines totaling more than RM2 million for the year ended 31 December 2012. The study reported accounting irregularities have stressed the need to immediately understand the underlying conditions that give rise to these issues and the steps necessary to effectively prevent their future occurrence.

Any statements of accounting irregularities will affect the image of Malaysian companies and their stance on corporate governance. This issue has raised questions about investor confidence in the system which force regulators to take this issue more seriously (Shah, 2007). The main reason is the enforcement of public reprimand announcements to ensure that violations do not occur again in the future. This is to educate the parties involved to comply with the Listing Requirements of Bursa Malaysia (Bursa Malaysia, 2014).

There are limited studies on the impact of the information content of announcement public reprimand to the market value of the firm, e.g. Defond and Jiambalvo (1991), Anderson and Yohn (2001), and Palmrose, Richarson, and Scholz (2001). Therefore, this study presents the accounting irregularities in firms that are primarily subjected to public reprimand announcement actions by Bursa Malaysia and evidence about the penalties imposed on the director and company.

The date of public reprimand announcement may be unexpected and have harmful implications. Alternatively, it may have worn off since news of unethical behavior gradually spread to the public before the companies were charged. As we know, public reprimand announcement is a bad news disclosure to public. However, research regarding public reprimand announcement is quite minimal and limited, especially in the Malaysian stock price. The examination of the issues of public reprimand announcements and the valuation effects of such events can contribute to more informative results.

METHODOLOGY

This study focuses on Malaysian public listed companies. The sampling procedure involves collecting public reprimand announcements from 2007 to 2013, by visiting the Bursa Malaysia website (www.bursamalaysia.com) to search for public reprimand announcements. From the website, all the announcements of misconduct for listed companies in Malaysia can be identified.

This study uses the classification system. According to a prior study by Kamarudin, Ismail, & Mustapha (2012), there are five categories of violation under public reprimand announcements. These categories are:

Failure to make an immediate announcement on material facts on a timely basis; (2) failure to submit annual reports or late submission of annual or quarterly reports; (3) failure to take into account the adjustments/ inconsistent amount of reported profit or loss with audited amount; (4) market manipulation or insider trading, and (5) questionable corporate exercises (adapted from Kamarudin, Ismail & Mustapha, 2012).

Table 4 presents the number of public listed companies in Bursa Malaysia that received public reprimand announcements from 2007 to 2013.

Table 4: Companies Having Received Public Reprimand Announcements from 2007 to 2013

Year	Number of Firms
2007	39
2008	35
2009	26
2010	40
2011	27
2012	25
2013	19
TOTAL	**211**

RESULTS AND DISCUSSION

In establishing and carrying out actions, Bursa Malaysia and the Securities Commission have cooperated to ensure useful regulation of the capital market. This discussion is important when there is a violation of the rules of Bursa Malaysia and the law under the jurisdiction of the Securities Commission made by a firm (Securities Commission Malaysia, 2015).

Table 5 summarizes the announcements made by Bursa Malaysia regarding the public reprimand from 2007 to 2013. Today, most of the violations of the rules of Bursa Malaysia and the Securities Commission are in relation to the preparation and submission of audited financial statements (Kamarudin, Ismail & Mustapha, 2012). As a result, the loss of wealth indicates that the market has lost confidence in the firms. This might result in the loss of reputation of a company. The discussions on the nature of public reprimand announcement are adopted from a study by Kamarudin, Ismail and Mustapha (2012).

Table 5: Public Reprimand Announcements from 2007 to 2013

No.	Types of violation	2007	2008	2009	2010	2011	2012	2013	Total	Percentages
1	Failure to make an immediate announcement on material facts on a timely basis	12	7	20	18	9	10	14	90	30.82
2	Failure to submit annual reports or late submission of annual or quarterly reports	35	16	14	15	4	1	3	88	30.14
3	Failure to take into account the adjustments/ inconsistent amount of reported profit or loss with audited amount inconsistent amount of reported profit or loss with audited amount	16	17	17	14	12	6	6	88	30.14
4	Market manipulation or insider trading	0	1	1	2	2	5	4	15	5.14
5	Questionable corporate exercises	1	0	3	3	3	1	0	11	3.77
	TOTAL	**64**	**41**	**55**	**52**	**30**	**23**	**27**	**292**	**100**

Failure to Make an Immediate Announcement on Material Facts on a Timely Basis

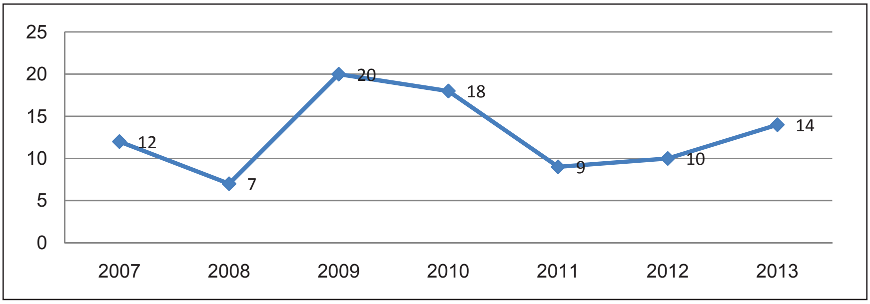


Figure 2: Failure to Make an Immediate Announcement on Material Facts on a Timely Basis

Immediate disclosure of material information on Bursa Malaysia website is in Chapter 9 part c, which consists of Paragraph 9.01 until 9.07 (Bursa Malaysia, 2015). Failure to make an immediate announcement on material facts in a timely manner is the highest ranked type of violation. Paragraph 9.03(1) and 9.04(l) of the Listing Requirements (LR) should be read together with paragraph 2.1 (d) PN1. In that paragraph, listed companies are required to make an immediate announcement to Bursa Malaysia, regardless of whether the request is made to the listed issuer, its subsidiaries or associated companies, in certain cases, fail to pay either interest or principal amount of money both in relation to the credit facility in the amount of the outstanding amount of the default creditability facilities is 5% or more of the net assets of the issuer are listed by the latest published or announced financial statements (www.bursamalaysia.com).

Referring to Figure 2, the highest ranking for this violation is 2009 and is followed by 2010, 2013, 2007, 2012, 2011 with the lowest in 2008. In 2010, there was a slight decline compared to 2009. However, it still shows the bad trend in the performance of the company regarding this violation. The analysis shows a relative decrease trend in 2008, 2011 and 2012 with 7, 9 and 10 announcements respectively, each year.

Table 6 summarizes the public reprimand announcement imposed on Petrol One Resources Berhad from 2011 to 2013. Although it is not the same violation made by the firm but repeated announcements were made in the Bursa Malaysia website. From the media release in Bursa Malaysia website, fines were not imposed on Petrol One Resources Berhad for all the violations stated below.

Table 6: Extract of Public Reprimand Announcement of Petrol One Resources Berhad from 2011 to 2013

Date	Description
19 January 2011	Failing to submit annual audited accounts for the financial year ended 30 June 2010 on or before 31 October 2010.
14 March 2012	Failing to take into account the adjustments stated in the company's announcement dated 9 November 2010 (other than the adjustments in respect of the insurance claim amounting to RM0.209 million) when it announced its fourth quarterly report for the financial period ending 30 June 2010 (QR4/2010) on 30 August.
14 May 2013	Failing to make an immediate announcement in respect of the default in payments by PETONE and its wholly-owned subsidiary.

(***Sources****: www.bursamalaysia.com)*

In several reported cases, the companies that failed to make a timely immediate announcement of a material fact are Mechmar Corporation Berhad, Mega First Corporation Berhad, JPK Holdings, M3nergy Berhad, OilorpBerhad and many more. While failure to make an immediate announcement not only results in the announcement of a public reprimand the failure can also be added to the fine imposed on the guilty parties. For example, On 28 October 2010, in respect of MechmarBerhad, six directors were fined a total of RM155,000. On the same date, Bursa Malaysia also made a public reprimand announcement to Concrete Engineering Products Berhad. The company was publicly reprimanded and its nine directors were fined a total of RM141,000.

Failure to Submit Annual Reports or Late Submission of Annual or Quarterly Reports

The second highest number of violation is the failure to submit annual reports or delayed submission of an annual or quarterly report. This category is covered by three paragraphs, namely, Paragraph 9.22(1), 9.23(a) and 9.23(b).

Paragraph 9.22 (1) Bursa Securities LR states that listed companies should give Bursa Securities interim financial statements. The statements are prepared on a quarterly basis once the figures have been agreed by the board of directors of the company, and in any case, not later than two months after the end of each financial quarter for public release. Bursa Malaysia Securities Berhad publicly reprimanded and enforced a fine of RM124,000 on SBBS for violations of paragraph 9.22 (1) Bursa Securities LR for failing to submit reports for the second quarter of the period ending 30 June 2006 on or before 31 August 2006 to Bursa Securities for public release.

Paragraph 9.23 (a) of the Bursa Securities LR states that listed companies should ensure that the annual report shall be issued to the shareholders of public companies and given to Bursa Securities within a period not exceeding six months from the closing date of the financial year the company went public.

Paragraph 9.23 (b) of Bursa Securities LR states that a listed company shall ensure that the production of audited annual accounts together with the auditors' report and the directors shall, in any case, be given to Bursa Securities for public release within a period not exceeding four months from the closing date of the financial year of the company unless the annual reports are issued within four months from the closing date of the financial year of the company.

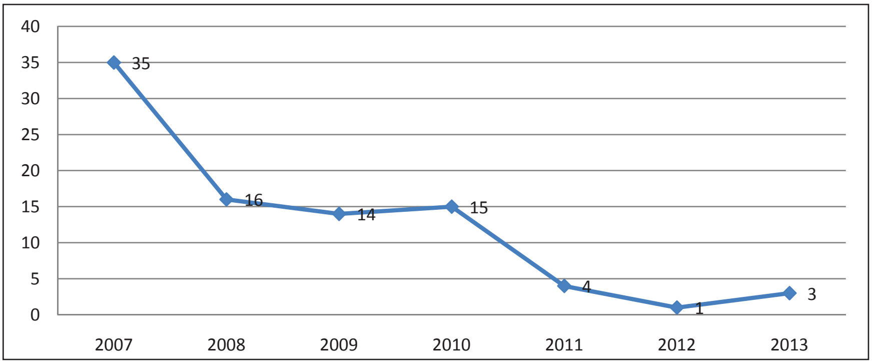


Figure 3: Failure to Submit Annual Reports or Late Submission of Annual or Quarterly Reports

Figure 3 above shows the trend analysis of failure to submit annual reports or late submission of annual or quarterly reports. Using horizontal analysis, the highest ranking for this violation is 35 cases in 2007, after which the trend showed a large decline in the failure to submit annual reports or delayed submission of an annual or quarterly report. This is a good trend in company performance as indicated by the decline in violations.

Table 7 summarizes the public reprimand announcement imposed to Datuk Keramat Holdings Berhad. Failure to submit annual reports or delayed submission of an annual or quarterly report resulted in the firms being fined.

Table 7: Extract of Public Reprimand Announcement of Datuk Keramat Holdings Berhad in 2007

Date	Description
28 February 2007	Failure to submit its annual report for the financial year ended 31 December 2005 and quarterly report for the financial period ended 30 June 2006 within the prescribed time resulted in a fine totaling RM113,400.
04 April 2007	Failure to submit its quarterly report for the financial period ending 30 September 2006 within the prescribed time resulted in a fine totaling RM65,250.
06 July 2007	Failure to submit its quarterly report for the financial period ending 31 December 2006 within the prescribed time resulted in a fine totaling RM92,000.

(Sources: www.bursamalaysia.com)

The delay in the submission of annual reports or late submission of annual or quarterly reports may cause all directors in the company to be fined. For example, on 18 December 2007, Bursa Malaysia made a public reprimand announcement in respect of Nasioncom Holdings Berhad and fined all directors a total of RM172,900. The action taken by Bursa Malaysia is because of the delayed submission of the annual report and is in line with Zarinah Anwar, Chairman of Malaysia Securities Commission who stated that financial statements are the main medium for investors to evaluate their results. Financial statements are an essential tool for market participants to make decisions, and the actions taken by Bursa Malaysia are a good way to discipline managers or directors.

Failure to Take into Account the Adjustments/Inconsistent Amount of Reported Profit or Loss with Audited Amount

Under Paragraph 9.16(1)(a) of the Main LR, failure to take into account adjustments, this paragraph states that a listed issuer must ensure that each announcement is factual, clear, accurate, concise and contain sufficient information to enable investors to make informed investment decisions (www.bursamalaysia.com).

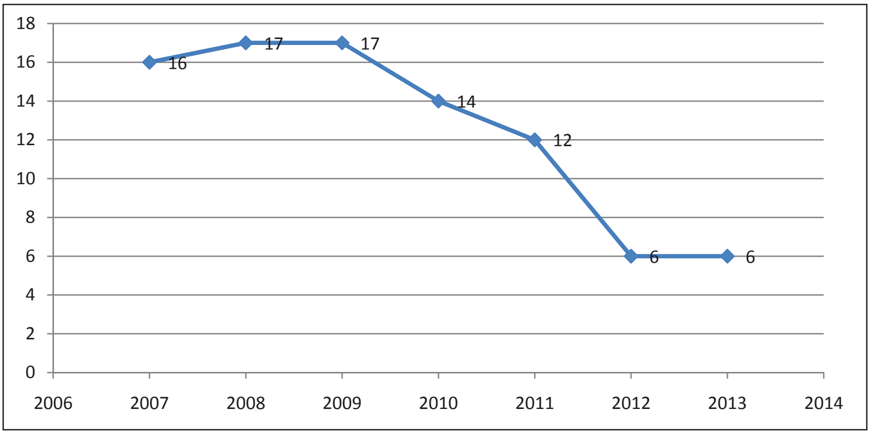


Figure 4: Failure to Take into Account the Adjustments/Inconsistent Amount of Reported Profit or Loss with Audited Amount

By using horizontal analysis, Figure 4 shows a downward trend from 2009 to 2012. This study found that in 2007, Bursa Malaysia Securities Berhad made public reprimand announcements to companies that breached paragraph 9.16(1)(a) but did not impose a fine. However, starting in 2009, Bursa Malaysia Securities Berhad made a public reprimand and fined companies that breached paragraph 9.16 (a).

Table 8 summarizes several samples that received a public reprimand announcement and were fined due to the failure to take into account the adjustments/inconsistent amount of reported profit or loss with the audited amount.

Table 8: Extract of Public Reprimand Announcement of MTD ACPI Engineering Berhad, Englotech Holding Berhad and Gold Bridge Engineering Berhad from 2008 to 2009

Date	Description
4 December 2008	Bursa Malaysia Securities Berhad, issued public reprimand to MTD ACPI Engineering Berhad because of breach of paragraph 9.16(1)(a) of the LR.
31 March 2009	Bursa Securities also imposed public reprimand to Englotech Holding Berhad in respect with of violations of paragraph 9.16 (1) (a) LR and fined five directors of the Company a total of RM150,000.
31 March 2009	Gold Bridge Engineering and Construction Berhad also received a public reprimand and its six directors were fined a total of RM160,000 because of failure to take into account the adjustments as stated in the announcement.

(***Sources***: www.bursamalaysia.com)

As reported on 5 March 2013, CarotechBerhad received a public reprimand and all five directors were fined a total of RM400,000 due to the failure to take adjustment into account. A large number of fines imposed on directors can discipline the directors in a firm. This is proven by the downward trend and the decline in the number of public reprimand announcements to firms which is an effective indicator.

Market Manipulation or Insider Trading

There are various reasons as to why managers undertake market manipulation. At the basic level, the reasons are related to the implementation of the firm with respect to several benchmarks. This level can be the implementation to show an improving trend, analysts' expectations, and the desire to meet or beat expectations (Radzi, Islam, & Ibrahim, 2011).

Based on the Bursa Malaysia website, Rules 401.1(3), 404.3(1)(a) and (c) and 1302.1(1)(a) and (g) of the Rules of Bursa Securities (the Rules) state, amongst others, that Dealer Representative (DRs) shall keep away any act or practice that might lead to a false or misleading appearance of active trading in any securities exchange or market shares. In addition, DRs should avoid any act that might directly or indirectly be the same as stock market manipulation, and not take part in any work by others who may have similar results. In addition, DRs should comply with the professional standards of integrity and fair dealing and conduct their business in a way that contributes to the maintenance of fair and orderly markets at all times. DRs should not violate or infringe any rules and perform their duties efficiently, honestly and fairly.

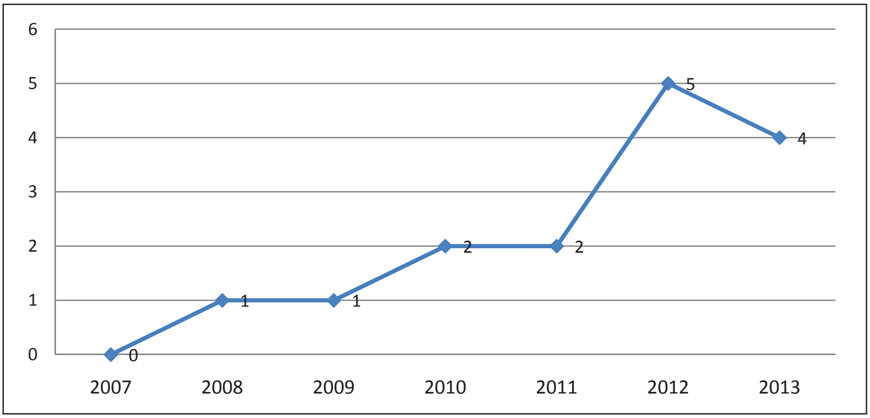


Figure 5: Market Manipulation or Insider Trading

Market manipulation or insider trading figures was a constant trend from 2008 to 2009 and from 2010 to 2011. During this period, public reprimand announcements regarding market manipulation or insider trading were still small in number. However, this trend changed in 2011 and 2012 when Bursa Malaysia announced public reprimands of between two and five each year. As announced by the Malaysian government, the main objective of curtailing insider trading and other regulatory practices prohibited in Malaysia was to maintain the integrity and the protection of the interests of investors in securities markets (Yeon, 2013).

Table 9: Extract of Public Reprimand Announcements of Kenmark Industrial Co Bhd and Ideal Jacobs Corporation Berhad in 2012

Date	Description
19 January 2012	Kenmark Industrial Co. (M) Bhd (Kenmark), engaged in false or unethical trading activities involving the securities of Kenmark Industrial Co. (M) Bhd.
25 May 2012	Ideal Jacobs (Malaysia) Corporation Berhad (IJACOBS-Engaged in manipulative dealing activities in the securities of and several other counters. Irregular dealing activities in the shares of IJACOBS on 18 May 2011 and it was also found that Anthony Lam Kwee Shin (Lam), Lim Ying (Lim) and Wong Chin Soon (Wong) had engaged in unlawful and false trading activities in the shares of IJACOBS. In the course of the investigation, two of the three individuals were also found to have engaged in unlawful and false trading activities in other counters.

(***Sources***: www.bursamalaysia.com)

Based on the trend in Figure 5, even though market manipulation was not the highest category under public reprimand announcements, the trend shows that the situation is quite worrying in light of the upward trend from 2011 to 2012. Bursa Malaysia imposed public reprimands on the Progressive Impact Corporation Bhd, as well as a fine and ordered that it be struck off the Dealer's Representative (DR) because it had engaged in manipulative trading activities.

Questionable Corporate Exercises

Some of the reasons for failure are lack of systematic corporate oversight functions by the board of directors, board of release control to corporate managers who pursue their own interests, and the board was negligent in accountability to stakeholders. The Malaysian Code on Corporate Governance and the requirements of Bursa Malaysia are considered to be related to long-term corporate performance (Abidin, Kamal & Jusoff, 2009).

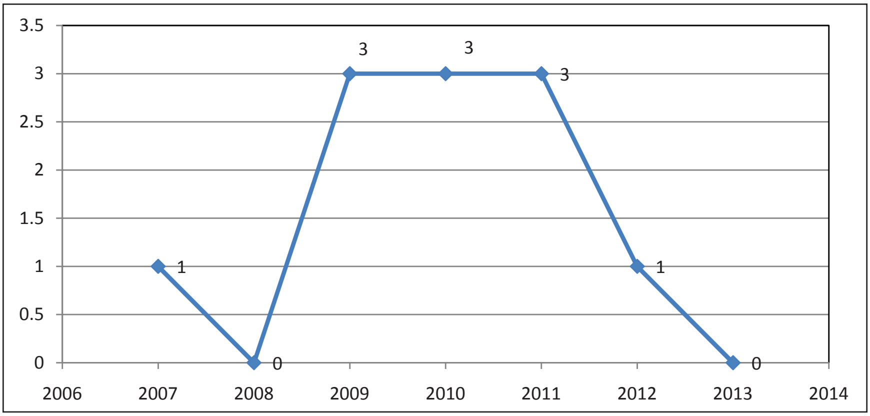


Figure 6: Questionable Corporate Exercises

Questionable corporate exercises show a constant trend from 2009 to 2011. During that period, public reprimand announcements regarding questionable corporate exercises showed a high number compared to the other years. However, there was a downward trend from 2011 to 2013, when questionable corporate exercises showed zero or no violation reported by Bursa Malaysia. Table 9 below summarizes several samples that received public reprimand announcements due to questionable corporate exercises.

Table 9: Extract of Public Reprimand Announcements of Ekran Berhad and Rhythm Consolidated Berhad from 2009 to 2010

Date	Description
24 October 2009	Bursa Malaysia Securities Berhad publicly reprimanded EkranBerhad for breach of paragraphs 8.22A(1), 10.08(1), 10.08(2), 1.03(1), 10.08(3) and 10.08(4)(a) of the LR. Paragraph 10.08 (4) (a) of the LR for failing to appoint a chief adviser before conditions agreed Fourth Supplemental Agreement; and Paragraph 10.08 (2) (a) and (b) read together with paragraph 1.03 (1) of the LR and paragraph 8.22 (1) of the LR for failing to issue a circular and obtain prior approval of shareholders in respect of the Fourth Supplementary Agreement.
23 March 2010	Rhythm Consolidated Berhad was publicly reprimanded and imposed a fine of RM205,800 on 6 directors for breach of paragraphs 9.23 and 9.22 (1) LR. The company was not discharging its duties as directors pursuant to paragraph 16.11 (b) LR concerning compliance with the Company from its obligations under the LR.

(***Source***: www.bursamalaysia.com).

Questionable corporate exercises show a downward trend. This trend is an indication that reflects good corporate training in a firm. In 2013, no announcement was reported by Bursa Malaysia for this violation, which shows an enhancement in the board effectiveness and role of effective corporate monitors in a firm.

CONCLUSION

This study documents the nature and extent of accounting irregularities involving public reprimand announcements. The sampling procedure was conducted by visiting Bursa Malaysia website (www.bursamalaysia.com). This study covers the reasons and suggestions for every type of restriction under public reprimand announcements. Based on all the announcements of misconduct for listed companies in Malaysia, it can be reported that the highest type of violation is failure to make an immediate announcement on material facts on a timely basis. The second common violation is failure to submit annual reports or late submission of annual or quarterly reports; and also failure to take adjustments into account. The fourth ranked violation is market manipulation or insider trading. Lastly, questionable corporate exercises are the lowest ranking violation for which public reprimand announcements were posted on the Bursa Malaysia website.

In order to prevent public companies violating the Listing Requirements of Bursa Malaysia, the management or directors need to support the model of ethical behavior in the firm. The director shall supervise and maintain accurate records of all the important information disclosed by the company to the investment community. Consistent communications must come from the top level management. Therefore, regulation through proper enforcement rules from the top level management is very helpful to a firm or organization.

The findings of this study are important since they provide an awareness of the nature of public reprimand announcements. Collier (2002) stated that the enforcement action can also educate the corporate community in general to adhere to the regulations set by the authorities. Gunningham and Kangan (2005) agreed that enforcement action can raise awareness in other companies that any violation will be followed up with enforcement action. Accordingly, enforcement action is said to have a positive effect in changing the behavior of people who commit an offence (Rudzi & Embong, 2014).

The reason why this study was done was to promote and maintain a culture of strong corporate governance. Various initiatives including the issue of the Corporate Governance Code (Code) in 2000 was to strengthen the framework of corporate governance (Anwar, 2012). Therefore, policy makers need to focus their attention to improve corporate governance standards.

This study shows the importance of legislators to recognize the impact of reprimands of the law or implementation. The reprimands can be in the form of financial penalties, corrective actions, suspension of listing, and subsequent de-listing. As mentioned earlier, the same companies repeatedly committed accounting irregularities. Thus, Board of Bursa Securities Berhad was established to monitor and gradually reduce the repetition of violations (Bursa Malaysia, 2014). There are several factors that should be considered by the committee before determining the appropriate action to be taken and to ensure that violations do not occur again in the future (Bursa Malaysia, 2014). Therefore, this study can contribute as a tool for the legislator to know about the implementation level of public reprimand announcements.

The results from this study are valuable to investors in deciding whether or not to invest in a company that has been the object of a public reprimand announcement. Academics can also use this study to conduct more in-depth research or further the debate regarding the issue of public reprimand announcements.

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