

Financial Reporting Delay and Investors Behavior: Evidence from Tunisia

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ABSTRACT: This study empirically investigates the relationship between the timeliness of the financial reporting and the corporate governance proxies for companies listed on the Tunisian stock exchange during 2009. It investigates the role of the corporate governance mechanisms on the timeliness of corporate financial reporting besides; it investigates the relationship between the company size, leverage, profitability (good news), and the timeliness of corporate financial reporting.

Using a multivariate analysis, we find evidence that ownership concentration, the CEO's duality function, and good news have some impact on the interim period between the auditors' signature dates and the publication dates, hence, on the timeliness of the release of financial statement information to the public.

Keywords: Company ownership, CEO, Financial reporting timeliness, Tunisian listed companies

INTRODUCTION

An efficient and effective capital market needs a transparent financial reporting system to boost investors' "confidence in making investment decisions". Financial information should be of higher quality before being delivered to the outside stakeholders because the users of financial information demand for complete, transparent and timely information. Singhvi and Desai (1971) suggest that the quality of reporting requires, a complete, accurate, reliable reporting prepared in a timely manner that leads to quality the decision making. Thus, timely financial reporting is considered as one of financial reporting quality as that lead to the decision making quality.

Timeliness is an important qualitative characteristic of accounting and is a fundamental element of the relevance of financial reporting information in the emerging market economies. Timeliness in reporting of, otherwise non-publicly available financial statement information, remains

in the most part, the only means by which outside shareholders and investors keep themselves informed about the firm performance.

Timeliness of financial reporting has made information available for the decision-makers before it loses its capacity to influence the decisions. Greater benefit will be derived from the timely reporting of the financial statements, which specifically refers to the shorter time between the end of the financial accounting year and the date of the independent auditor to issue an audited annual report. The delay in releasing the financial statements is most likely to boost uncertainty associated with the decisions made based on the information contained in the financial statements (Ashton et al., 1987). Therefore, timely reporting will enhance the decision making process and reduce the information asymmetry in the capital market (Owusu-Ansah and Leventis, 2006). The issue of timely reporting also affects the regulators and

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policy makers as they need to play a role in ensuring shorter financial reporting delays. Hence, exploring the determinants of timely reporting would enhance the regulators of emerging capital markets in formulating new policies to improve the allocation efficiency of their markets.

Hence, the objective of this study is to investigate the impact of corporate governance mechanisms on the financial reporting delay. This study includes the ownership structure and the board of directors' attributes, since an effective monitoring by the board strengthens the internal control and reduces the financial reporting business risk hence, it can shorten the annual reporting delay.

Development of Hypotheses and Variables

Various studies on the timeliness of corporate reporting and/or the audit delay have been undertaken in a number of countries. Most of these studies which were conducted in the US, are mainly related to issues such as the timeliness of the annual earnings announcements (Givoly and Palmon, 1982; Elliot, 1982 a,b; Bamber and Schoderbek, 1993), or the timeliness of corporate and audit reports (Krishnan, 2005). Several studies have also been carried out in Australia (Davis and Whittred, 1980), Canada (Newton and Ashton, 1989), Bahrain (Abdulla, 1996), France (Soltani, 2002), Greece (Owsu-Ansah and Leventis, 2006). The objective of this section is not to provide an extensive review of these studies, but rather to develop the hypotheses to be tested by the present study, relating to corporate governance mechanisms (ownership structure, board composition), leverage, good news (profitability) and size of the firm.

Ownership Structure

Ownership Concentration

Indeed, the interest in a rapid dissemination of financial information goes along with the importance of this information in the relations between the firm and its partners. The political theory of contract sets forth only the dissemination of quality of the financial information (audited) as an objective of minimizing the agency costs and the costs incurred by the political visibility of the firm (Watts and Zimmerman, 1986). Therefore, according to this theory, firms that do not

support square necks agency-especially with their donors, who are at low risk, generally to social and political pressure, have no interest in investing resources to shorten their time to publish the results. The agency relationship is assessed by reference to the conflicts between the shareholders interest. Regarding the maximum of the value of the equity market, firms which have a highly dispersed capital suffer greater pressure to rapidly disseminate their financial results than those which have a capital concentrated in the hands of the leaders or of few large shareholders. The informational value of accounting is indeed very limited for those who can be classified as insiders, and because of their function or their participation in the monitoring bodies have access to privileged information, (Ashton et al., 1987; Al-Jasmi, 2008).

In other words, the dispersion of share ownership should encourage firms to distribute their financial results more quickly to urge their auditors to issue their opinion earlier. Conversely, there should exist a positive relationship between ownership concentration and the time of the publication of the annual reports. Thus, the following hypothesis is formulated:

H1: There is a positive relationship between ownership concentration and financial reporting delay.

Institutional Ownership

These investors share their experience and the leaders can uphold and apply the principles of "corporate governance" to protect the shareholders rights. They want a more transparent communication, by showing firms risks and the key success factors to better evaluate and estimate the distribution of the future cash flows. Sharing blocks, the institutional investors can force the managers to improve the quality of their publication. Mitra and Cready (2005) provide evidence that active monitoring from the institutional investors also helps prevent the managerial opportunistic reporting behavior and improve the quality of governance in the financial reporting process. They find that institutional shareholders intervene and mitigate the self-serving behavior of corporate managers in financial reporting based on a sample of 136 companies belonging to the S&P 500 group and 237 to the non-S&P

500 category over a period of eight years (1991-1998).

The results of the empirical tests on the influence of ownership held by institutional investors on the practice of voluntary disclosure are contradictory. Indeed, Bushee and Noe (2000) show that levels of institutional ownership are significantly and positively associated with quality of disclosure. The rationale behind this hypothesis is that a greater disclosure attracts investors and a more monitoring of professional investors encourages managers to provide more information, Elgazzar (1998) shows that the presence of institutional investors is positively associated with the premature publication of results through studying 1262 firms. Healy et al. (1999) and Bushee and Noe (2000) consider institutional investors as agents of the most demanding in terms of regular financial information and publications in due course. Thus, the following hypothesis is set forward:

H2: There is a negative relationship between the presence of institutional investors and the financial reporting delay.

Board Composition

The Proportion of Outside Directors

Fama and Jensen (1983) explained that the outside directors could strengthen the firm value by lending experienced and monitoring services which are supposed to be guardians of the shareholders' interests via monitoring and control. O'Sullivan (2000) and Sallehet al., (2006) found that the proportion of the board independence had a significant and a positive impact on the audit quality. The larger the proportion of the independent directors on the board, the more effective it will be in monitoring the management behavior and thus, reduce the nature of inherent risk which at the end reduce the financial reporting lag. Cohen et al. (2002) argued that when a client's governance structure has effectively implemented a strong monitoring as well as a strong strategic perspective, there is the potential for a more efficient audit work which leads to a low extent of tests of details and a greater assurance of the integrity of the financial statements. This could then affect the assessed level of inherent and control risks, thereby affecting the nature, the timing and the

extent of the financial reporting delay. Thus, H3 is as follows:

H3: There is a relationship between the proportion of the outside directors and the financial reporting delay.

The Duality of the CEO

Ho and Wong (2001) suggest that a unit structure of leadership adversely affects the quality of information as the person who acts as the CEO will tend to conceal unfavorable information. Forker (1992) shows that the person holding the position of chairman and CEO represents a threat for the quality of the disclosed information. Indeed, the CEO and Chairman have different roles. The combination of these two roles is a high concentration of power that may jeopardize the independence of the board which will have a negative impact on the shareholders' wealth. Jensen (1993) recommends separating the functions of the Chairman from that of the Chief Executive officer as well as reducing the discretion of the manager to ensure the effectiveness of the Board of Directors. Forker (1992) shows that separating the roles of the president and the CEO enhances the quality monitoring officer and lower margins of withholding information, which will consequently improve the quality of disclosure.

Cooke and Haniffa (2002) reject the case on the assumption that the appointment of a non-executive director to the post of Chairman of the Board would result in a greater disclosure of information.

The relationship between the two variables is negative and significant at 1%. Asteriou (2009), Acray and Vazquez (2002) do not find a significant difference in the index of disclosure by companies. Thus, H4 is as follows:

H4: There is a relationship between the function duality of the CEO and the financial reporting delay.

The Size of the Board

The size of the board of directors has also questions were asked. How many members should serve on the board? Should we limit the number of directors? Is there a lack of consistency in the councils composed of too

many administrators? The relationship between the size of the board and the voluntary decision to publish was first studied by Ho and Wong (2001). The authors find, however, a non significant relationship between the size of the board and the voluntary publication. We conclude that insofar as the size is small, the control is more effective, and officers act in the interests of shareholders. The favorable effect on the control of the leaders leads to a positive influence on the information policy of the company. Thus, we set the following hypothesis.

H5: There is a relationship between the size of the board and the financial reporting delay.

Alternative Hypotheses

Leverage

There are two competing theories that might explain the association between the firm's capital structure and timeliness. Each theory suggests a different direction of the relationship. One view is based on the agency theory. It has been proposed that a capital structure is associated with the agency costs (Jensen and Meckling, 1976; Smith and Warner, 1979). Agency costs are expected to increase with leverage, which transfers wealth from debt-holders to managers and shareholders because high-leveraged firms have the incentives to invest in riskier projects than originally planned ones. Thus, highly geared companies might demand a high quality of financial reporting service to satisfy the needs of long-term creditors and also to remove the suspicions of debt-holders about wealth transfer (Chow, 1982; Ashbaugh and Warfield, 2003).

The expectation is that the higher the gearing, is the higher the quality of the assurance service will be. (Carey et al., 2001). Moreover, the higher the gearing is, the riskier a company becomes, which increases the possibility of failure. This has various adverse consequences on external auditors. Therefore, the auditors might be less prone to compromise the quality of their audit as the gearing increases. In addition, the Tunisian banks continue to be a major provider of capital, which enables them to monitor the companies' affair. This, in turn, would imply a lower demand for the audit as a monitoring mechanism. Abdulla (1996) and Conover et al. (2007), found a negative

relationship between the leverage and the reporting lag in four countries out of the twenty-two studied. The other view assumes that highly geared companies are expected to delay the announcement of their corporate reports. Carslaw and Kaplan (1991) and Owusu-Ansah (2000) believe that a high debt-to-asset ratio increases the probability of default and ultimately bankruptcy, especially during an economic downturn. Several empirical studies reported a positive relationship between the leverage and timeliness. Among these are those of Carslaw and Kaplan (1991), Owusu-Ansah (2000), Boonlert-U-Thai et al., (2002) and Conover et al. (2007), in New Zealand, Zimbabwe, Thailand, and in eight countries of the studied 22 countries, respectively. The following hypothesis in the alternative form is developed:

H6: The financial reporting delay is a function of company leverage.

Firm's Size

It is reasonable to expect that the larger the company is, the higher the demand for a high quality of financial reporting will be. The size has been associated with higher agency costs (Chow, 1982), which are mitigated by high audit quality. As a company grows larger, the delegation of duties becomes necessary and reduced observability gives rise to moral risk and opportunistic behavior. Krishnan, J. (2005) hypothesizes that a high quality audit is associated with the company's size, as a compensating control system for the organizational loss of control in hierarchical organizations. Moreover, he argues that the size of a company is also relevant because it indicates the maximum amount of wealth at risk. Large companies are more dependent on external finance and therefore they may be more sensitive to the needs of existing and potential investors who might demand adequate audit procedures. Besides, large companies have a greater following analysis, which might influence a number of audit decisions. Additionally, large companies are more visible than smaller ones and, in turn, are more likely to adopt strategies to reduce potential regulatory intervention. Finally, large firms possess greater resources to pay the higher audit fees charged by

the big four and to get the audit done within a shorter period. However, it could also be argued that the larger the audited, the easier it is for the auditor to achieve economies of scale when conducting an audit (Firth, 1985), and that any savings may be passed to the client. Previous empirical studies have found an inverse relationship between timeliness and the size of the company (Dyer and McHugh, 1975; Davis and Whittred, 1980; Givoly and Palmon, 1982; Owusu-Ansah, 2000). In contrast, Curtis (1976), Ashton et al.(1987), Bamber et al.(1993), Simnett et al.(1995), Abdulla(1996), Leventis and Weetman (2004), and Owusu-Ansah and Leventis(2006) find an insignificant association between timeliness and the auditee's size. These results suggest that superior financial resources are not sufficient to process information faster as the amount of information that they have to gather is vast and may come from numerous divisions, branches, and subsidiaries. Consequently, and based on the theorization posted earlier and the results of the majority of the empirical studies, the following hypothesis is developed in the alternative:

H7: The financial reporting delay is positively associated with the company's size.

Good News

Prior research has found that firms that experience losses for the period would result in longer financial reporting lag (Givoly and Palmon, 1982; Ashton et al., 1989; Ismail and Chandler, 2004). Prior studies also reported that firms experiencing losses for the periods are expected to have a longer reporting delay compared to the ones reporting a profit. There are some underlying reasons to the expectation of the firm's performance with financial reporting lag. Firms that have bad news, which is losses, tend to delay their financial statement release because they are avoiding reporting the bad news to their shareholders and investors and might jeopardize their firm reputation and performance. However, besides in firm, that experiences a profit, the management wants the auditor's to complete its annual report in a short time because they want to report the good news to their shareholders. Moreover, the auditors may take longer time to audit firms that incur

losses because of the associated auditor business risk (Afify, 2009). Hence, the expected relationship between the firm's performance and the audit reporting lag is as follows:

H8: There is a negative relationship between financial reporting delay and firm performance.

Research Design Sample

This study used secondary data as the main source of information. The information relating to the proportion of the board independence and to ownership structure attributes are collected from the company's annual reports. Only listed companies are selected to be included in the sample (33 companies). The sample selection process does not consider the finance-related companies. Finance-related companies are excluded from the sample because they have significantly different requirements, rules and regulations with respect to financial reporting. The sample selection covers only audited annual reports for the year 2009 which is considered as the current sample size in this study. All corporate annual reports were downloaded from the Tunisian Stock Exchange website and collected by hand.

Measuring Timeliness

Here, timeliness is measured in terms of the lapse of time between a company's year –end and the date when the financial information is released to the public, which in turn is related to the quality of the information reported. This period is divided into two sub-periods. In determining the timeliness of the annual reports, first, this study determines whether a company complies with the listing requirement by announcing its annual report within the three-month allowable period. Second, the actual number of days a company takes to announce the annual report is taken into account. It is judged that the greater the number of days a company takes to make the announcement, the lower the quality of reports will be, and vice versa. Currently, the date of the financial year end and the announcement date for each company's annual report are available from the annual reports posted on the website of the Tunisian Stock Exchange. In line with the

previous researches, two measures of the reporting' lag are used as dependent variables in the present study.

The interim period (INTERIM) is defined as the number of days from the opinion signature date on the auditors' reports and the publication date, that is, the date on which the annual reports appeared in the newspapers, or the date the reports are published on website of the TSE, which come first.

The total period (TPERIOD) is defined as the number of days between the financial year-end and the earlier of the newspaper publication date or the date of posting the reports on the website of the TSE.

Operationalization of Variables

The study used multiple regression analysis by modeling a delay and Interim period as a function of explanatory variables. Corporate governance characteristics are modeled as independent variable and other control variables

consistent with prior studies. Specifically, the model used in this study is consistent from prior studies (Aljasmi, 2008; Che-Ahmad and Abidin, 2008; Afify, 2009; MohdNaimi et al., 2010). Determinants of the interim period and the total period are the interest to the present study. The following models are used to test the hypotheses:

$$TPERIOD = \beta_0 + \beta_1 \text{concent} + \beta_2 \text{insinvest} + \beta_3 \text{lev} + \beta_4 \text{gnews} + \beta_5 \text{lsiz} + \varepsilon \quad (1)$$

$$TPERIOD = \beta_0 + \beta_1 \text{outdir} + \beta_2 \text{CEO} + \beta_3 \text{bsize} + \beta_4 \text{lev} + \beta_5 \text{gnews} + \beta_6 \text{lsiz} + \varepsilon \quad (2)$$

$$INTERIM = \beta_0 + \beta_1 \text{concent} + \beta_2 \text{insinvest} + \beta_3 \text{lev} + \beta_4 \text{gnews} + \beta_5 \text{lsiz} + \varepsilon \quad (3)$$

$$INTERIM = \beta_0 + \beta_1 \text{outdir} + \beta_2 \text{CEO} + \beta_3 \text{bsize} + \beta_4 \text{lev} + \beta_5 \text{gnews} + \beta_6 \text{lsiz} + \varepsilon \quad (4)$$

Table 1 presents the dependent and independents variables, definitions of these variables and the expected signs.

Table1: Summary of operationalization of variables

Variable names	Operational Measures
Total period (Ldelay)	number of days between the financial year-end and the publication date(logarithmic)
Interim period (interim)	Number of days from the opinion signature date on the auditors' reports and the publication date
CONCENT(-)	Proportions of shares held by the majority share holder of the company
INSINVS(-)	Proportions of equity held by institutional investors
OUTDIR (?)	Number of outside directors on the board
CEO(+)	binary variable coded 1 if there is duality function of the CEO, 0 otherwise
BSIZE(?)	Number of directors on the board.
LSIZE(-)	Log of firm's total assets
Good news(-)	Net income to equity
LEV(?)	Total liabilities to total assets

RESULTS AND DISCUSSION

Descriptive Analysis

Table 2 reports the descriptive statistics of all the variables investigated in this study. The table shows the descriptive of a minimum, maximum, mean and standard deviation. Using data from 33 observations of annual reports from the TSE for a year period of 2007, it was found that the average financial reporting lag was 150 days with a standard deviation of 24.51 days. The analysis of the sample study also shows that majority of the companies (27) were found to have financial reporting lag of more than 120 days and violated the Tunisian Stock Exchange requirements on the minimum submission period of four months. However, only six companies in the sample complied with the financial reporting requirements on financial reports as required.

Correlation Analysis

The objective of the test is to see if there are any multicollinearity problems among the variables and association among variables. The problem exists if independent variables are highly correlated at each other with correlation values exceeding 0.9 according to Tabachnick and Fidell (2007). However, none of the variables found to be more than 0.5. The highest

correlation is between the two control variables which are the audit opinion and the firm's performance (profitability) that is 0.284 which suggests that multicollinearity is not a serious problem that would jeopardize the regression results, Tabachnick and Fidell (2007).

The correlation coefficients between the dependent and independent variables are shown in table 3.

The figures show that the correlation coefficients between (ldelay) and between (concent) might indicate a possible multicollinearity between each set of the variables, because the coefficients exceed 0.5. To ensure that the regression models used do not suffer from a serious multicollinearity problem, for each model tolerance and variance inflation factor (VIF) are calculated. According to Menard (1995), tolerance statistics below 0.2 indicate a potential multicollinearity problem. Bowerman and O'connell (1990) and Myers (1990) state that vif values in excess of 10 gives reason for concern. Studemmund (2001) states that vif values in excess of five suggest a multicollinearity problem. The actual minimum tolerance of independent variables included in the models is 0.512 (VIF=1.95).

Table 2: Descriptive statistics (excluding dummy variables)

variable	Min	Max	Mean	Std dev
Delay	100	194	150	24.51
Interim	1	111	41.81	27.69
Concent	18.4	88.81	46.23	18.85
Insinves	7.07	89.27	56.34	25.54
Outdir	0	11	1.57	2.55
Bsize	5	12	8.24	1.93
Leverage	0	54.58	12.90	14.52
Tactif	1.68 e+07	1.48e+09	1.07 e +08	2.51 e+08
Roe	(-51.46)	136 .60	21.23	34.26

Variable definitions are provided in table 1

Table 3: Correlation coefficients of dependent and independent variables excluding dummy variables

variables	ldelay	Interimperiod	concent	insinves	outdir	bsize	leverage	ltactif	roe
Ldelay	1								
Interimperiod	0.607	1							
Concent	0.627	0.516	1						
Insinves	0.602	0.243	0.519	1					
Outdir	-0.040	0.245	0.022	-0.152	1				
Bsize	0.077	0.099	0.056	0.232	0.135	1			
Levergae	0.109	0.023	0.295	0.044	0.443	0.153	1		
Ltactif	-0.131	-0.143	-0.158	0.143	0.088	0.152	-0.046	1	
roe	-0.574	-0.253	-0.334	0.443	0.164	-0.114	-0.220	0.228	1

Variable definitions are provided in Table 1

Multivariate Analysis

Table 4 and 5 show the regression analysis for 33 companies in this study.

The results support the proposition that corporate governance factors have an important influence on the financial reporting timeliness. Results show that *concent*, *CEO* and good news are significantly associated with the total period and the interim period.

To further examine the timeliness of the annual reports, 2 regression models were adopted to examine the determinants of the total period, the period between the submission of the annual reports and the financial year end. The results are shown in table (4, 5).

Adjusted R-squared values of the models range between 59% and 59.01%. The models indicate that the coefficients of ownership concentration (*concent*) and duality of CEO are positive and significant at 1%. This indicates that ownership concentration and duality of CEO probably underwent financial reporting delay than other firms.

The determinants of the interim period are shown in tables (4 and 5).

Adjusted R-squared of the models range from 30.68% to 32.08%. Ownership concentration and the duality function of the CEO and good news are significant at less than a significant level of 5%. The length of the period, depend largely on

the board decisions, to release the annual reports. The regression results reveal that both governance proxies (*concent*, *CEO*), are significant, but the coefficient of the institutional ownership is not.

The coefficients of the variables representing the board size, the out directors and the firm's size are insignificant. The insignificance of these coefficients should be seen as evidence against the effect of the variables on the timeliness of the annual reports, because some of these effects have already played a role in determining the audit lag period.

The results of these two regress models show that the coefficient of good news (profitability) is negative and significant. The positive sign of the coefficient of good news indicates that companies with good news are eager to release their firm results early (Haw, 2000), whereas those with bad news tend to delay the reporting of their results to the public, Kross (1982). These results lend further support to the stakeholders' theory and to the internal reporting hypothesis theorized by Watts and Zimmerman (1990), Lurie and Pastena (1975), respectively to the results of a large number of empirical studies, including Abdulla (1996) and Wang and Song (2006). Additionally, good and bad news are factors that determine both the interim lag period

and the publication period.

As a result, this information probably adds value to the investors, who can incorporate it in their investment decision process. Early publication will signal positive news about the companies' performance, and vice versa. It was found that the interim period is determined largely by the firm's corporate governance,

measured by the ownership concentration, duality function of the CEO. The results show that the more ownership is dispersed, the shorter the interim period will be. Furthermore, when the chairman is not the president of the board of directors, the interim period gets shorter.

Leverage is found to play an insignificant role in determining the two reporting lags.

Table 4: Iteration1 (ownership structure variables)

Variables	Model 1			Model 3		
	Coefficients β	t-value	p	Coefficients β	t-value	p
concent	0.003	2.74**	0.011	0.83	2.79***	0.009
Insinves	0.001	1.40	0.172	-0.10	-0.47	0.641
Leverage	(-0.001)	(-0.79)	0.436	-0.32	-0.97	0.342
ltactif	1.34e-11	0.15	0.879	-5.46e-09	-0.29	0.771
roe	(-0.001)	(-2.51)**	0.018	-0.11	-0.76	0.452
	R ² =0.59		F= 9.91	R ² =0.3068		F= 2.38
	P= 0.000		N= 33	P= 0.0643		N= 33

** Significant at 5%; *** significant at 1% Variable definitions are provided in Table 1

Table 5: Iteration 2 (board composition variables)

Variables	Model 2			Model 4		
	Coefficients β	t-value	p	Coefficients β	t-value	p
CEO	0.18	4.04***	0.000	19.85	4.04***	0.000
Outdir	-0.004	-0.45	0.657	3.03	-0.45	0.657
bsize	-0.001	-0.16	0.872	0.20	-0.16	0.872
Leverage	0.0011	0.06	0.949	-0.35	0.06	0.949
ltactif	-3.74e -11	-0.43	0.670	-1.76e -08	-1.84*	0.078
roe	-0.002	-3.99***	0.000	-0.261	-1.84*	0.078
	R ² =0.59		F= 7.54	R ² =0.3208		F= 2.04
	P= 0.0002		N= 33	P= 0.0951		N= 33

* Significant at 10%; *** significant at 1% Variable definitions are provided in Table 1

CONCLUSION

One measure of financial reporting quality is the timeliness of the annual financial reporting. Thus, this study provides recent empirical evidence relating to the financial reporting lag of 33 companies listed on Tunisian Stock Exchange in 2009, using cross section data. In identifying the factors affecting the financial reporting lag, the findings show that the mean of delay is 150 days (which is still above the maximum period of four months as stipulated by the Tunisian Stock Exchange). As hypothesized and consistent with prior studies carried out in the developed country context, we find a strong evidence, by using emerging country data, that the institutional ownership is found to play an insignificant role in determining the two reporting lags. Furthermore, it is found that firms highly ownership concentration tend to delay the publication of their annual reports as well as have a longer interim period. It was also found that the duality function of the CEO has a positive and significant role in delaying the financial reporting period.

Taken together, these results clearly illustrate, the role played by the ownership concentration and the duality of the CEO in determining the financial reporting delay. These companies should establish an appropriate corporate governance system to limit the opportunistic behavior of managers and ensure the decision to publish the annual financial reports within the statutory deadlines.

Nevertheless, the study is not without some limitations. Since the study is based on cross-sectional study with small sample size, the trend of the financial lags and long term effects of board composition and ownership structure on timeliness of the financial reporting lag could not be examined. Furthermore, the exclusion of companies from the financial sector, due to the different regulations of financial institutions, may also be a pushed factor from generalization.

However, the study may be extended and modified in a number of ways. Firstly, in order to enhance the explanatory power of the financial reporting lags, future studies may consider other mechanisms such as the board meetings, the compensation committee and the proportion of the board ownership to examine the whole influence on financial reporting

timeliness. Future studies may include more variables to give a broader view of other mechanisms on financial reporting timeliness.

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