



The Impact of Director's Training Program on Financial Reporting Quality in East

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ABSTRACT

This research provides evidence as to how training programs for directors associate with improvements in the quality of financial reporting. Director Training Programs (DTPs) are held to enable directors to better comprehend the specific context in which the business operates in, which includes: company-operations, environment, business norms, values and standards of probity, accountability, and a director's fiduciary duties as agents of the investors. In particular, this study explores the recent stipulation of director-training, and its potency on the financial-reporting quality of the companies publicly traded on the stock-market. For the purpose, data for listed firms from the countries of Australia, Malaysia, and Pakistan was taken. It was found that Australian companies with higher DTP spending and flexible development schedules (Online DTP) had an overall improved quality of financial reporting. Moreover, a well developed DTP is noted to relate positively with the overall financial-reporting quality in Malaysia. The results further indicate that, in all the three nations, firm-size negatively impacts the financial-reporting quality. However, older companies (firm-age), in the Asian economies, are accounted to have a comparatively overall lower quality of financial reporting.

Keywords: Director training, Financial reporting

Introduction

The recent surge in accounting scandals in the world-wide business community has led to a tide of criticism on the quality and efficacy of the current financial-reporting (Agrawal & Chadha, 2005; Agrawal & Cooper, 2007; Brown, Andrew & Shiva, 2010). Several prominent companies have been found to have involved in major accounting frauds and management remissness, such as: WorldCom, HIH Insurance, Enron, Parmalat, etc. Whereby the principal trust in the 'Agents' and the subsequent image of financial reporting have come to be tainted (Petra, 2007; Beekes & Brown, 2006; Firth, Fung & Rui, 2007; Brown & Caylor, 2006; and

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Karamaou & Vafeas, 2005). Today, more than ever before, directors ought to better understand their responsibilities of ethical, legal, and fiduciary oversight. Investors' confidence in corporations has reached an all-time low, and the role of directors has become even more challenging and demanding (Brown, Andrew & Shiva, 2010).

Furthermore, Sloan (2001) found that financial-statements are perhaps the primary source of factual information with regard to the performance of a company and its directors; thereby making financial reporting perhaps the main focus of management control and proficiency. However, recently, the association between the characteristics of directors and the financial reporting quality has come to be a topic of great discussion and research in the developed world; as previously, the specific governance mechanisms were emphasized upon, which include: board independency (Petra, 2007; Beekes and Brown, 2006;), the audit-firm's reputation (Agrawal & Chadha, 2005), directors' shareholding (Ballesta & Meca, 2007), and insiders' dominate share keeping (Han, 2005). Recently, however, the study of financial reporting and board attributes quality in the emerging economies has come to be of major attention, which have been rapidly growing and have come to develop rather unique features in capital allocation, regulations, and corporate governance (Firth, Fung & Rui, 2007). However, the impact of director training program on the quality of financial reporting is still quite obscure.

In particular, this study aims to answer the basic question of *whether there has been a reference of director training program in public listed companies and its impact on financial reporting quality?*. In order to address this question, a data-set was compiled by collecting data from the sources of Karachi Stock Exchange (KSE-30) [Pakistan], Australian Stock Exchange (AXS-20), and Kuala Lumpur Stock Exchange (KLSE-30) [Malaysia].

This study adds to the existing literature in three ways: firstly, by merging the standard accounting finance based and the market based indicators as the measures of financial reporting in-order to assess the fore-telling of the agency theory. Secondly, the study leads to new evidence as to direction and magnitude of the impact generated by the director training programs on a company's quality of financial reporting, while covering all the sectors of the stock market from the Asian region. Finally, the research further provides evidence on the co-relational nature director-training and the subsequent quality of financial reporting of firms from both the developed and developing countries, by using the same variables and analysis techniques.

Literature Review

Most researches investigating the quality of financial reporting has focused on the firm characteristics and other environmental factors (Dechow, Ge, & Schrand, 2009; Dechow & Dichev, 2002). On the contrary, the upper echelons theory suggested that a director's demographic characteristics and skills are associated with their unique cognitive style and values, which affect their managerial decision-making processes (Hambrick & Mason, 1984). Meanwhile, Bertrand and Schoar (2003) have documented that an executive's demographic characteristics determine their decision-making capacity and moreover impact the accounting policies. Also, Dyreng, Hanlon, & Maydew (2010) suggested that executive-specific fixed effects reflect systematic differences in the executives' disclosure style and tax avoidance.

Hambrick and Mason (1984) argued that demographic characteristics such as experience, age, gender and tenure affect the values and the cognitive bases of the top management and make them decide differently between the varying choices, especially in complex situations, thus eventually leading to different organizational outcomes. Bertrand and Schoar (2003) have developed an innovative design to provide evidence for the concept that a manager's personal characteristics influence his/her investment decisions or financial decisions, after controlling for firms and time fixed effects. This methodology is also applied

by the other studies, whereby Bamber, Jiang, and Wang (2010) demonstrated that executives' disclosure styles relate closely to their personal background. They also argue that the old executives associate with a relatively conservative disclosure style, whereas, managers from finance and accounting segments display a more precise disclosure style.

Moreover, other researches come to the conclusion that there lies a negative association amongst the two factors of equity incentives granted to the directors and the financial-reporting quality (Bergstresser & Philippon, 2006).

Furthermore, a wide stream of research has examined varying features of the board-of-directors in-order to determine an underlying association with the financial reporting quality. Whereas, Efendi, Srivastava, & Swanson(2007) and Klein(2002) have come to a conclusion that board independence associates positively with higher quality of financial reporting, while some have come to encounter very minuscule amounts of evidence for the said association (Agarawal & Chadha, 2005).

Research Methodology

Sample

The dataset constitutes of a considerably large sample, which includes companies from the sectors of: services, manufacturing, construction, and agriculture. The process employed for the sample selection is discussed in Table 1. The primary constraint of the sample-size is perhaps the use of numbers extracted exclusively from the financial years ranging from 2011 to 2013 (from the countries of Australia, Malaysia and Pakistan). Moreover, only the top indexed companies of the Karachi Stock Exchange (KSE), Australian Stock Exchange (ASX), Kuala Lumpur Stock Exchange (KLSE) and with the respective ratios of 25%, 37.5% and 37.5%, which have been included in this study to make up the total sample.

Table 1: Selection of Variables

| Country | Index | Companies | Percentage |
|--|---------------------------------------|------------------|-------------------|
| Australia | Australia Stock Exchange (ASX-20) | 60 | 25.0% |
| Malaysia | Kuala Lumpur Stock Exchange (KLSE-30) | 90 | 37.5% |
| Pakistan | Karachi Stock Exchange (KSE-30) | 90 | 37.5% |
| Total Sample Companies (Three Years – 2011 to 2013) | | 240 | 100.0% |

Multivariate Regression Models

Contrary to the researches of Francis, LaFond, Olsson, and Schipper (2005), and Dechow and Dichev (2002), employing standard-deviation of errors for the estimation of accruals as a measurement tool for the quality of accruals. The research utilizes the residue in its absolute value as resulting from the regression models; and in this multivariate analysis for the same purpose of measuring the quality of accruals. The following multivariate regression models were specified to analyze the relationship as between the DTP and the overall quality of financial reporting.

$$\text{Financial Reporting Quality} = \text{AR} + \text{PA}_{\text{accr}} + \text{TC}_{\text{accr}} + \text{AGGRE} \quad (1)$$

$$\text{Financial Reporting Quality} = \alpha + \beta_1 \text{DTP} + \beta_2 \text{Control} + \epsilon \quad (2)$$

Dependent, Explanatory and Control Variables

The variables utilized in the equations are discussed in Table 2.

Dependent Variable

DTP (DTPY) is the number of year(s) from 2011 to till the initiation of the director training program, in the sample companies. Moreover, the variable of ‘DTP expense’ (DTPX) is the amount of money spent (in millions of USD) by the company for the development of the board of directors in the sample year. Due to the busy schedules of the board members most of the companies use online DTPs, thus the variable of ‘Online DTP’ (Online) signifies the status of DTP delivery, whereby the dummy variable of “1” denotes that the DTP is offline/physical, while the value of “0” denotes an online method of delivery. Furthermore, the variable of AC indicates the scope of DTP, as to whether it is in line with the needs of the audit committee members, whereby the dummy variable of “1” is used to specify that the audit committee’s needs are cover in the DTP, whereas the value of “0” specifies otherwise.

Control Variable

Motivated by the previous empirical studies, the firm-size and firm-age has been added as control variables (Owolabi, Obiakor & Okwu, 2011). The research includes the variables total assets in their natural logarithmic form (FSIZE), as a control for the variable of firm-size. Whereby, the number of years since a company’s incorporation and IPO, in the natural logarithmic form; employed as the variable of firm-age helped control for the factor of firm-maturity (Matta & Beamish, 2008). Due to this methodology heteroscedasticity could be maintained and subdued (Finkelstein & D’Aveni, 1994).

Table 2: Definition of Variables

| Sr. # | Abbre. | Description | |
|-----------------------------|--------|--|---|
| Independent Variable | | | |
| (A) | DTPY | DTP Started (Year) | Number of year(s) from DTP launched first time. |
| (B) | DTPX | DTP Expenses | The amount of DTP expenditure. |
| (C) | SPAC | Specific Audit Committee Training | Dummy variable ‘1’ if there is specific DTP for Audit Committee members, ‘0’ otherwise. |
| (D) | Online | Training Status | Dummy variable ‘1’ if offline DTP, ‘0’ otherwise. |
| Dependent Variable | | | |
| (E) | PAaccr | Performance Adjusted Discretionary Accrual | Total accruals, measured as the change in non-cash current assets minus the change in current non-interest bearing liabilities, minus depreciation and amortization expense, scaled by lagged total assets. |
| (F) | AR | Discretionary Revenue | The annual change in revenues, and scaled by lagged total assets. |
| (G) | TCaccr | Total Current Accrual | Total current accruals, measured as the change in non-cash current assets minus the change in current non-interest bearing liabilities, scaled by lagged total assets. |
| (H) | Aggre. | Aggregate Accrual | The average of the PAaccr, AR and TCaccr. |

| Control Variables | | | |
|-------------------|-------|-----------|--------------------------------------|
| (I) | FSIZE | Firm Size | The log of total assets |
| (J) | FAGE | Firm Age | Number of years since incorporation. |

Proxies for Financial Reporting Quality

There is no solitary universally recognized measure of the financial reporting quality (Dechow, Ge, & Schrand, 2009). This study exploits three measures that have been used in prior presumed researches, and also utilizes an aggregate measure for the following reasons. Firstly, the construct we are interested in that of financial reporting quality, which clearly is multi-dimensional. Thus, a single proxy is dubious to cover all facets of the financial reporting quality. Secondly, the use of multiple proxies increases the adequacy of our results. Thirdly, using alternative measures mitigates the possibility of the derived results capturing some factor other rather than the factor of financial reporting quality, which is probable of an occurrence if solely a single proxy is used.

The first measure is that of performance-adjusted discretionary accruals as developed by Ashbaugh, LaFond, and Mayhew (2003); Kothari, Leone, and Wasley (2005) & Chen, Hope, Li, and Wang (2011):

$$PAaccr_{i,t} = \alpha_0 + \alpha_1 \left(\frac{1}{Assets_{i,t-1}} \right) + \alpha_2 \Delta Rev_{i,t} + \alpha_3 PPE_{i,t} + \alpha_4 ROA_{i,t} + \epsilon_{i,t} \quad (1)$$

Where $PAaccr_{i,t}$ is the total accruals, measured as the change in non-cash current assets minus the change in current non-interest bearing liabilities, minus depreciation and amortization expense for firm i at year t , scaled by the lagged total assets ($Assets_{i,t}$); $\Delta Rev_{i,t}$ is the annual change in revenues scaled by the lagged total assets; $PPE_{i,t}$ is property, plant, and equipment for a firm i at year t , scaled by the lagged total assets; $ROA_{i,t}$ is return on assets for firm i at year t . Whereby, the residuals from the regression model are discretionary accruals. In our tests, we use the absolute values of discretionary accruals as a proxy for financial reporting quality. We multiply the absolute values of discretionary accruals by -1. Thus, higher values of $PAaccr$ represent a higher financial-reporting quality. To calculate the second proxy, we follow Chen, Hope, Li, & Wang (2011) and estimate discretionary revenues. Specifically, we use the following regression:

$$\Delta AR_{i,t} = \alpha_0 + \alpha_1 \Delta Rev_{i,t} + \epsilon_{i,t} \quad (2)$$

Where, $\Delta AR_{i,t}$ represents the annual change in accounts receivable and, $\Delta Rev_{i,t}$ is the annual change in revenues, each scaled by the lagged total assets. Discretionary revenues are the residuals from Equation (2), which is estimated separately for each industry-country group. We multiply the absolute values of discretionary revenues by -1. Thus, higher values of $\Delta AR_{i,t}$ represent a higher financial reporting quality.

Our third proxy is based on the cross-sectional Dechow & Dichev (2002) model, as modified by McNichols (2002), Francis et al. (2005), and Chen, Hope, Li, Wang (2011):

$$TCaccr_{i,t} = \alpha_0 + \alpha_1 OCF_{i,t-1} + \alpha_2 OCF_{i,t} + \alpha_3 OCF_{i,t+1} + \alpha_4 \Delta Rev_{i,t} + \alpha_5 PPE_{i,t} + \epsilon_{i,t} \quad (3)$$

Where, $TCaccr$ is total current accruals, measured as the change in non-cash current assets minus the change in current non-interest bearing liabilities, scaled by lagged total assets; OCF is cash flow from operations, measured as the sum of net income, depreciation, and amortization, and the changes in current liabilities, minus changes in current assets,

scaled by lagged total assets; $\Delta Rev_{i,t}$ is the annual change in revenues scaled by lagged total assets; $PPE_{i,t}$ is property, plant, and equipment, scaled by lagged total assets. The residuals from Equation (3) represents the estimation errors in the current accruals that are not associated with operating cash flows, and that cannot be explained by the change in revenue and the level of property, plant, and equipment. Given the short longitudinal time frame in our study, we follow Srinidhi & Gul (2007) and Chen, Hope, Li, & Wang (2011), and use the absolute value of this residual as a proxy for financial reporting quality. We multiply the absolute values by -1.

Thus, higher values of TCaccr represent higher financial reporting quality. Besides, to tone down measurement error in the financial-reporting quality mechanism, and to present evidence based on the general financial reporting metric, we aggregate these proxies into one aggregate score. Particularly, we first normalize all the proxies and then take an average of the three measures as our summary financial reporting quality statistic (AGGRE) (Biddle, Hilary, & Verdi, 2009).

Empirical Results

Descriptive Statistics

The descriptive statistics for the variables used are provided in Table 3 used. As with the selection of dependent variables and data availability, it was aimed to make use of all the available observations, thereby the number of observations vary accordingly.

The results indicate that the mean value of ‘DTP Start’ is the lowest in Pakistan with 6 years, instead of 12 years in Malaysia, and 24 Years in Australia. However, the DTP expenditures are highest in Malaysia, with a mean value of 30 million USD instead of 24.53 million USD in Pakistan, and 27 million USD in Australia; with minimum expenses of 0.20, 2.8, and 10 million in Pakistan, Malaysia and Australia respectively.

Table 3 also indicates that firms with specific audit committee training and development are the lowest in Pakistan with a mean value of 0.66; which the trend for online DTP is also the lowest in Pakistan with a mean value of 0.83. The highest firm age is that of 196 years (AUS), among all the three countries; while the highest firm-age in Malaysia is that of 72 years.

Table 3: Descriptive Statistics

| | Australia | | | | Malaysia | | | | Pakistan | | | |
|--------------------|-----------|------|-------|-------|----------|------|-------|-------|----------|-------|-------|-------|
| | Min. | Max. | Mean | SD | Min. | Max. | Mean | SD | Min. | Max. | Mean | SD |
| DTP Start | 9.0 | 36.0 | 23.85 | 8.15 | 3.0 | 24.0 | 12.23 | 4.13 | 1.0 | 15.0 | 5.87 | 3.71 |
| DTP Expense | 10.0 | 43.0 | 26.90 | 6.81 | 2.8 | 58.0 | 29.61 | 12.11 | 0.20 | 170.8 | 24.53 | 81.9 |
| Specific AC | 0.0 | 1.0 | 0.87 | 0.34 | 0.0 | 1.0 | 0.87 | 0.34 | 0.0 | 1.0 | 0.66 | 0.48 |
| Online DTP | 0.0 | 1.0 | 0.88 | 0.32 | 0.0 | 1.0 | 0.88 | 0.33 | 0.0 | 1.0 | 0.83 | 0.37 |
| Firm Age | 11 | 196 | 93.70 | 53.11 | 3 | 72 | 34.13 | 14.88 | 1.0 | 106 | 40 | 25.81 |
| Firm Size | 3.70 | 5.91 | 4.81 | 0.59 | 3.14 | 5.72 | 4.55 | 0.63 | 3.77 | 6.23 | 5.03 | 0.59 |
| AR | 0.71 | 1.10 | 0.87 | 0.11 | 0.86 | 1.47 | 1.14 | 0.15 | 0.84 | 1.38 | 1.07 | 0.12 |
| PAaccr | 1.29 | 2.31 | 1.79 | 0.31 | 1.37 | 2.75 | 1.94 | 0.32 | 1.48 | 2.52 | 2.02 | 0.24 |
| TCaccr | 1.46 | 2.77 | 2.19 | 0.37 | 1.73 | 2.86 | 2.35 | 0.28 | 1.83 | 3.47 | 2.54 | 0.29 |
| AGGRE | 3.65 | 6.12 | 4.85 | 0.76 | 4.58 | 6.40 | 5.43 | 0.44 | 4.48 | 6.76 | 5.63 | 0.42 |

The correction of the variables is also presented in Table 4. For Australian data the ‘DTP Expenses’ and the ‘Online DTP’ are significantly positive with all the financial reporting quality measures, while the ‘DTP Start’ positively correlates with the AR alone. However, ‘Specific AC’ does not hold any correlation with any of the financial reporting measures. However, in Malaysia, ‘DTP Start’ correlates positively with all the financial

reporting measures, except 'AR'. While the other DTP variables did not correlate with any of the financial reporting measures. Table 3 also indicates that 'DTP Start' is positively correlates with the 'AR', while 'Specific AC' holds a positive correlation with 'AGGRE'. Besides, the 'Online DTP' shows positive correlation with 'PAaccr' in Table 4.

Table 4: Pearson Correlation

| | DTPY | DTPX | SAC | Online | AR | PAaccr | TCaccr |
|--------------------------|---------|---------|---------|---------|----------|---------|---------|
| Australia | | | | | | | |
| DTP Expense | -0.175 | | | | | | |
| Specific Audit Committee | -0.126 | 0.335** | | | | | |
| Online DTP | -0.070 | 0.432** | 0.612** | | | | |
| AR | 0.309** | 0.448** | 0.217 | 0.429** | | | |
| PAaccr | 0.151 | 0.429** | 0.130 | 0.457** | 0.795** | | |
| TCaccr | 0.065 | 0.391** | 0.234 | 0.520** | 0.718** | 0.909** | |
| AGGRE | 0.134 | 0.432** | 0.203 | 0.508** | 0.820** | 0.973** | 0.975** |
| Malaysia | | | | | | | |
| DTP Expense | 0.014 | | | | | | |
| Specific Audit Committee | 0.117 | 0.225** | | | | | |
| Online DTP | -0.070 | 0.123 | 0.357** | | | | |
| AR | -0.202 | -0.078 | -0.080 | -0.038 | | | |
| PAaccr | 0.216** | 0.090 | 0.069 | -0.019 | -0.879** | | |
| TCaccr | 0.318** | 0.128 | 0.094 | -0.034 | -0.680** | 0.780** | |
| AGGRE | 0.290** | 0.120 | 0.083 | -0.046 | -0.715** | 0.895** | 0.963** |
| Pakistan | | | | | | | |
| DTP Expense | 0.131 | | | | | | |
| Specific Audit Committee | 0.387** | -0.102 | | | | | |
| Online DTP | 0.047 | 0.038 | 0.037 | | | | |
| AR | 0.225** | 0.009 | 0.045 | 0.092 | | | |
| PAaccr | -0.043 | 0.086 | 0.135 | 0.212** | -0.623** | | |
| TCaccr | 0.041 | -0.012 | 0.186 | 0.028 | -0.614** | 0.798** | |
| AGGRE | 0.074 | 0.041 | 0.216** | 0.163 | -0.456** | 0.905** | 0.937** |

Regression Results

Tables 5 to 8 report the impact of Director Training Program (DTP) on the financial reporting quality in Australia, Malaysia and Pakistan.

Table 5 indicates that the dependent variable AR is associates positively with the early start of the DTP in Pakistan and Australia while the DTP expenditures in Australia associates positively with the AR. From the results of the coefficient analysis, the study model was found to be at a level of 5% ($p < 0.05$), and hence is statistically significant. In this study, the R²s for AR dependent variables of the model were 65.9%, 56.7% and 38.7 for the countries of Australia, Malaysia and Pakistan respectively; which were adjusted to fit the population in the model better and the final adjusted R²s came to be 62%, 53% and 34.3%. The results also indicate that firm-size is significantly negative with the financial reporting measure 'AR' in Australia, Malaysia, and Pakistan. However, firm-age is also negatively associated with financial reporting quality in Malaysia, and high trend of online DTP is positively associated with 'AR' in Australia.

Table 5: AR as Dependent Variable

| | Australia | Malaysia | Pakistan |
|---------------------------|------------------|-----------------|-----------------|
| DTP Start | 3.70** | -1.72 | 2.11** |
| DTP Expenses | 3.93** | -0.65 | -0.29 |
| Specific AC | -0.49 | -0.23 | -0.49 |
| Online DTP | 2.34** | -0.28 | 0.78 |
| Firm Age | -1.08 | -3.59** | -1.57 |
| Firm Size | -7.08** | -7.66** | -6.63** |
| R² | 65.9% | 56.7% | 38.7% |
| Adj. R² | 62.0% | 53.0% | 34.3% |
| F | 17.03 | 15.34 | 8.75 |
| Prob. | 0.000 | 0.000 | 0.000 |

Table 6 indicates that the dependent variable PAaccr associates positively with the DTP expenditures and the Online DTP in Australia. Furthermore, the online DTP also associates positively with the quality of financial reporting in Pakistan, while firm-size (FSIZE) associates negatively in all the three countries. Moreover, the model of the study was found to be statistically significant at a level of 5% ($p < 0.05$), based on the results of the coefficient analysis. In this study, the R²s for the AR dependent variable of the model were 61.5%, 57.1% and 51.7% for the countries of Australia, Malaysia and Pakistan respectively; which were adjusted to fit the population in the model better and the final adjusted R²s came to be 57.2%, 53.4% and 48.2% for Australia, Malaysia and Pakistan respectively.

Table 6: PAaccr as Dependent Variable

| | Australia | Malaysia | Pakistan |
|---------------------------|------------------|-----------------|-----------------|
| DTP Start | 1.911 | 1.799 | -1.233 |
| DTP Expenses | 2.79** | 0.83 | 1.08 |
| Specific AC | -1.78 | 0.27 | 1.68 |
| Online DTP | 3.27** | -0.24 | 1.97** |
| Firm Age | 1.167 | -2.44 | 0.53 |
| Firm Size | -6.43** | -8.25** | -8.91** |
| R² | 61.5% | 57.1% | 51.7% |
| Adj. R² | 57.2% | 53.4% | 48.2% |
| F | 14.13 | 15.57 | 14.78 |
| Prob. | 0.000 | 0.000 | 0.000 |

Table 7 indicates that the dependent variable of TCaccr associates positively with the early start of DTP in Malaysia; while online DTP associates positively with the quality of financial-reporting in Australia. Moreover, the R²s for the TCaccr dependent variable of the model were 46.3%, 42.3% and 40.6% for the countries of Australia, Malaysia and Pakistan, respectively; which were adjusted to fit the population in the model better and the final adjusted R²s came to be 40.2%, 37.4% and 36.3% for Australia, Malaysia and Pakistan respectively. The results also indicate that firm size is negatively associated with financial reporting measure ‘TCaccr’ in Australia, Malaysia and Pakistan. However, Firm age is negatively associated with financial reporting quality in Malaysia.

Table 7: TCaccr as Dependent Variable

| | Australia | Malaysia | Pakistan |
|---------------------------|------------------|-----------------|-----------------|
| DTP Start | 1.09 | 3.05** | -0.34 |
| DTP Expenses | 1.89 | 0.82 | 0.12 |
| Specific AC | -1.02 | 0.48 | 1.71 |
| Online DTP | 3.46** | -0.38 | 0.21 |
| Firm Age | 0.98 | -4.19** | -0.78 |
| Firm Size | -3.24** | -3.88** | -6.83** |
| R² | 46.3% | 42.3% | 40.6% |
| Adj. R² | 40.2% | 37.4% | 36.3% |
| F | 7.616 | 8.597 | 9.450 |
| Prob. | 0.000 | 0.000 | 0.000 |

Table 8 indicates that the dependent variable AGGRE is associates positively with the early start of DTP in Malaysia, while DTP expenditures in Australia associate positively with the quality of financial-reporting (AGGRE). The study-model is determined to be statistically significant at a level of 5% ($p < 0.05$), based on the obtained results of the coefficient analysis.. In this study, the R² for AR dependent variable the model was 57.1%, 47.1% and 45.6%, for the countries of Australia, Malaysia and Pakistan respectively; which were adjusted to fit the population in the model better and the final adjusted R²s came to be 52.3%, 42.6% and 41.6% for the countries of Australia, Malaysia and Pakistan respectively.

The results also indicate that firm size is associates negatively with the financial-reporting measure 'AGGRE' in Australia, Malaysia and Pakistan. However, the firm-age is associates negatively with the quality of financial-reporting in Malaysia.

Table 8: AGGRE as Dependent Variable

| | Australia | Malaysia | Pakistan |
|---------------------------|------------------|-----------------|-----------------|
| DTP Start | 1.82 | 2.66** | -0.25 |
| DTP Expenses | 2.56** | 0.88 | 0.58 |
| Specific AC | -1.32 | 0.42 | 1.96 |
| Online DTP | 3.47** | -0.49 | 1.45 |
| Firm Age | 0.86 | -3.27** | -0.75 |
| Firm Size | -5.20** | -5.57** | -7.58** |
| R² | 57.1% | 47.1% | 45.6% |
| Adj. R² | 52.3% | 42.6% | 41.6% |
| F | 11.76 | 10.42 | 11.57 |
| Prob. | 0.000 | 0.000 | 0.000 |

One of the most surprising findings is that of the negative significant impact of firm-size with financial-reporting.

Vijayakumar and Tamizhselvan (2010) stated that firm size is related to the transparency and firm-value; known as the economies of scale, in the neoclassical view-point. Economies of scale come about for varying reasons, such as: organizational (division of labor and specialization), financial (a large firm has more resources to hire top professional and consultancy with the most advance expertise), and technical (spread of fixed costs over numerous of units). Complementing this concept, firm age and size are expect to have a positive relationship with quality financial-reporting However, a negative correlation between transparency and firm size is also determined by alternative theories of the firm, whereby it is

suggested that firms often are controlled by the self-interest pursuing managers and their goals, where managerial utility maximization takes precedence over the maximization of the profits.

Summary and Conclusion

This research provides conclusive evidence, which identifies a relation between the investments in Director's Training Program and the quality of a firm's financials. While the previous studies have come up with contradictory results on the subject of audit fees being associated with the quality of accounting and finance practices (high or low accounting fees) identify quite reliably as to how much of an investment will be made in the auditing function, yet how the board of directors impact the financial reporting has been generally looked over. This research argues that the association between the quality of accounting measures and that of the audit fees (within/based on a single period) are one dimension of an interpretation of the agency theory. The result indicates that companies with higher DTP spending and flexible development schedules (Online DTPs) lead to improvements in the financial reporting quality in Australia. However, a grown-up director training program compels positively on the financial reporting quality. The findings remain relevant given that the market participants and regulators emphasize upon the role and importance of the Director's Training Program, and quality improvements in the organizational governance aspect of the business. The results and the conclusions reached may interest the academia, market participants (for investment decision making), and the regulators (due to policy implications).

The results lead to the conclusion that firm age and size have a negative impact on the financial-reporting quality. Since, large firms are better able to set higher prices due to their market experience and established market dominance, which gets cashed out in terms of higher profits. Not only those, when it comes to the supply-chain and manufacturing aspect, these firms hold a stronger power of negotiation and experience large economies of scale, and thus enjoy favorable conditions for financing. Moreover, an organizational structure inflexible in nature and the employed technology are the factors, which determine a firm's strategic stance (during the economic and financial crises it is rather important to make it safe and survive although the pressure might be to continuously thrive and grow).

Declarations

Competing Interests

The author has not submitted "Competing Interests".

Authors' Contribution

The author has not submitted "Authors' Contribution".

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