ABSTRACT

A rising number of cases involving ethical misconduct within firms have of late received considerable attention in Malaysia. Despite the country’s declaring having a strong corporate governance policy, strengthened through the Code of Ethics for Company Directors and Malaysia Code of Corporate Governance, the unethical practices and lack of integrity within firms remain an issue. PricewaterhouseCoopers (PwC) Malaysia conducted a survey in 2018, it was found that 41 percent of Malaysian registered companies were guilty of committing some forms of economic crimes, specifically business misconduct, asset misappropriation, bribery, and corruption. They added, the actual number may be higher due to many cases of ethical misconduct that typically go unreported. Furthermore, crimes of ethical misconduct in Malaysia have also increased by 28 percent in the last two years. It was revealed that corporate culture was the most influential element in helping detect early warning signs of ethical misconduct within a firm. A KPMG 2019 report published in the subsequent year also suggested that an unhinged desire for a wealthy lifestyle acts as a prime motivation behind many of the unethical behaviors discovered. Thus, in the light of the increasingly worsening situation of ethical misconduct in Malaysian firms, the need to explore these corporate ethical issues has never become more crucial and appropriate. The ubiquitous nature of the issue has subsequently jeopardized the financial reporting quality of Malaysia’s firms.

Keywords: Corporate Ethics, Corporate Governance, Earnings Management, Financial Reporting Quality