

Exploring Forward-Looking Information Disclosure Practices: Insights from the Malaysian Landscape in the IFRS Era

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Abstract

The current study seeks to comprehensively explore Forward-Looking Information Disclosure (FLID) practices in Malaysian firms' annual report narratives. Using a dataset spanning nine years and comprising 1971 firm-year observations, the current study employs visual and statistical analyses to examine the trends and practices of FLID across various industries and the partitioned periods of pre, during and post-IFRS mandatory adoption. The analysis indicates a notable increase in various FLID proxies among Malaysian companies. FLID topics, excluding employee FLID, show steady increases, with a significant surge in 2016 and 2017. Operational FLID is consistently disclosed at higher levels with variations across sample years while accounting and employee FLID topics exhibit the lowest disclosure levels. The Health Care industry leads in FLID, followed by the Utilities industry, whereas Industrial Products and Property industries demonstrate the lowest levels. The RM-ANOVA test highlights significant differences in FLID measures and topics across the three IFRS periods, but no significant differences in mean values for employee FLID. These findings hold potential implications for managers, investors, and policymakers, as they can aid in improving information quality and promoting greater transparency in annual report narratives in the Malaysian context.

Keywords: Voluntary Disclosure, Annual Report Narratives, Forward-Looking Information Disclosure, IFRS, Malaysia.

Introduction

High-profile bankruptcy filings in the recent past, such as Enron, Parmalat, and WorldCom, can be attributed to a lack of effective corporate governance as well as an absence of transparency (Agyei-Mensah, 2017; Asghar et al., 2020). In Malaysia, the Securities Commission reported that 70 firms, including Transmile, Technology Resources Industries, Tat Sang, FA Peninsular, and Malaysian Airlines Systems, were implicated in fraudulent financial

reporting from 1996 to 2006 (Hasnan et al., 2013; Al-Absy et al., 2019). The lack of transparency results in increased levels of information asymmetry (Jensen and Meckling, 1976). The asymmetric information between management and stockholders is a serious issue in the firm's context, where managers obtain more information about the company's recent and projected future performance than other stakeholders (Watts and Zimmerman, 1990; Liu, 2015). To fill the gap in information between insiders (i.e., managers) and outsiders (i.e., stakeholders), annual reports with narrative disclosure can enhance financial data and provide management with a way to communicate narrative information about their businesses to market players (Merkley, 2014). Therefore, sharing this information is intended to help reduce information asymmetry and, as a result, agency costs.

One of the most substantial types of narrative disclosure is Forward-looking Information (FLI) because it provides more information than any other accounting source to investors, and it has the ability to deliver value-relevant information for external users (Beretta and Bozzolan, 2008; Beyer et al., 2010; Hassanein et al., 2019). Unlike historical information, FLI may meet the demands of shareholders and other stakeholders to assist them in making decisions in a changing business environment and boost the credibility and viability of companies (Mio et al., 2020). In certain instances, the information available from the past is unable to give stakeholders a sufficient understanding of important determining factors, risks, opportunities, and management strategies from a forward-looking perspective (Menicucci, 2018).

Forward-Looking Information Disclosure (FLID) holds particular significance among various forms of narrative disclosure. FLID is linked to increased precision in analyst forecasts (Bozanic et al., 2018), enhanced anticipation of future performance and share prices (Athanasakou and Hussainey, 2014; Muslu et al., 2015), diminished information uncertainty (Firmansyah and Irwanto, 2020), and a reduction in information asymmetry (Utami et al., 2020). It also increases firm value (Hassanein et al., 2019) and benefits lenders in debt contracts (Demerjian et al., 2020). Moreover, FLID assists shareholders and stakeholders in making decisions and enhances the credibility and viability of companies (Mio et al., 2020). However, companies are cautious about providing confidential information about their future because such disclosures could enable competitors to evaluate future industry demand and pursue operational and marketing tactics that harm the competitive edge of disclosing firms (Healy and Palepu, 2001; Li and Li, 2020).

The adoption of International Financial Reporting Standards (IFRS) constituted a massive regulatory transition affecting companies' reporting and countries around the world (De George et al., 2016). Supporters of IFRS argue that a single high-quality set of principles can facilitate global comparison, increase financial reporting quality, and significantly improve the information environment, thereby contributing to the reduction of foreign capital barriers and resulting in increased foreign investment (Landsman et al., 2012; Gordon et al., 2012; Brochet et al., 2013; Chen and Tsang, 2015; Dayanandan et al., 2016; Joshi et al., 2016; Gu et al., 2019; Kanagaretnam et al., 2020). Since mandatory and voluntary disclosures of firms are often intertwined (Dutta and Gigler, 2002; Lennox and Park, 2006; Beyer et al., 2010), the external information environment may be affected directly by the adoption of IFRS through enhanced mandatory disclosure and indirectly by enhanced voluntary disclosure (Daske and Gebhardt, 2006; Lang and Stice-Lawrence, 2015; Neel, 2017).

According to Landsman et al., 2012, implementing IFRS has resulted in an increase in the information content of earnings releases by minimizing reporting latency, improving analyst following, and increasing foreign direct investment. The incorporation of IFRS represents a

notable change in the assessment of assets and liabilities, moving away from historical cost towards fair value. This shift also broadens the scope of financial reporting to include partially completed transactions (Uzma, 2016; Bayne, 2022). As a result, the adoption of fair value accounting has brought in a more dynamic and forward-looking approach to financial reporting. Thus, existing literature suggests that the introduction of IFRS has improved the information environment, increased voluntary disclosure, and altered the disclosure incentives of companies in response to a larger demand on the capital markets. Nevertheless, scant empirical evidence on its impact on FLID exists.

Since investors and other outsiders place a higher value on a company's forward-looking projections than on its historical performance, thus it makes sense that they would find forward-looking disclosure more useful. As a result of its importance, researchers in recent years have been motivated to focus their studies on FLID (e.g., Buertey and Pae, 2020; Dey et al., 2020; Firmansyah and Irwanto, 2020; Rifai and Siregar, 2021; Abdelazim et al., 2022; Effah et al., 2022; Al Lawati and Hussainey, 2022; Al Lawati et al., 2023a; Al Lawati et al. 2023b). Malaysian regulatory authorities have been striving to improve disclosure practices as indicated by the corporate disclosure framework established under the Bursa Malaysia Listing Requirement (2004), which contained the Best Practices in Corporate Disclosure initiative. They are intended to assist companies in exceeding basic disclosure requirements (Yusoff, 2004; Ho and Taylor, 2013). In 2013, the MASB announced Management Commentary guidance (Statement of Principles 3) encouraging management to include more FLID in the narratives of their annual reports to supplement the financial statements. Studies by Ho and Taylor (2013) and Md Zaini et al. (2020) revealed that Malaysian firms exhibited a relatively lower average disclosure of FLI compared to other types of voluntary disclosures. These findings, consequently, inspired the current study to explore a comprehensive set of FLID determinants within the Malaysian context. Thus, this study is motivated to conduct an in-depth examination of FLID over various years and across different Malaysian industries to help in a better understanding of FLID practices.

The subsequent sections of this study are organized as follows: Section 2 presents institutional backgrounds. In Section 3, we review the literature on FLID and IFRS, while Section 4 delves into the study's sample, data, and methodology. Empirical results of the study are detailed in Section 5, and Section 6 concludes the study.

Institutional Backgrounds

Regulation of Forward-looking Reporting in Malaysia

In Malaysia, the choice about whether and how to publish forward-looking statements in the annual report is ultimately left to the discretion of the management. There are, however, a variety of financial reporting regulations that may affect the inclusion of future-oriented information in the annual report. As indicated by the corporate disclosure framework established under the Bursa Malaysia Listing Requirement (2004), which contained the Best Practices in Corporate Disclosure document, Malaysian regulatory authorities have been striving to improve disclosure practices. In accordance with the 2001 disclosure-based regulatory framework, the Best Practices in Corporate Disclosure Initiative (2004) urged additional disclosures. Although the Best Practices are optional, it is strongly advised that listed companies in Malaysia adopt them as part of their disclosure policy and they are intended to assist companies in exceeding basic disclosure requirements. This initiative established a unique starting point for the creation of corporate disclosure's best practices for listed Malaysian companies (Yusoff, 2004; Ho and Taylor, 2013). In February 2013, the

Malaysian Accounting Standards Board (MASB) announced Management Commentary guidance (Statement of Principles 3) encouraging management to include more FLID in the narratives of their annual reports to supplement the financial statements. Furthermore, Bursa Malaysia Securities (BMS) required the inclusion of Management Discussion and analysis (MD&A) in the annual reports for the fiscal year ending 31 December 2016 onwards. As stated by BMS, the MD&A will equip shareholders and investors with the information they need to assess the fundamental drivers of the listed company's financial and operational performance, as well as a more detailed understanding of its financial results, risk exposure, outlook, and expected future performance. Accordingly, in March 2017, BMS produced an MD&A guidance to assist publicly traded companies in preparing and presenting their MD&A disclosures, with a focus on relevant and quality material information.

The Development of Accounting Standards in Malaysia

Before achieving independence in 1957, Malaysia was ruled by the British for more than 80 years (Ball et al., 2003). Malaysia's accounting system benefited from British colonization by infusing well-developed and refined accounting bodies and shortly after independence, there was no locally organized body representing the accounting profession (Muniandy and Ali 2012). The Companies Act of 1965 is considered a legal precedent in Malaysian accounting. Following the British model, it mandates that public financial statements present a "true and fair" reflection of a company's financial situation as a prescribing of disclosure requirements (Ball et al., 2003). The Malaysian Institute of Accountants (MIA) was set up in 1967, the MIA served as Malaysia's main accounting regulator (Nasir et al., 2009; Muniandy and Ali, 2012). In the 1980s, the Malaysian Institute of Certified Public Accountants (MACPA), (in 2002 renamed as the Malaysian Institute of Certified Public Accountants (MICPA)), developed local accounting standards known as the MAS (Susela, 1999; MICPA, 2022) and in 1989, the MACPA and the MIA established the Common Working Technical Committee as a result of shared commitment to the development of accounting standards (Sood, 2006; Phang and Mahzan, 2013).

In the 1990s, regulatory bodies began to have a larger role in the development of financial reporting standards. Banks and financial institutions were among the first to implement full disclosure policies mandated by the Central Bank of Malaysia's guidelines. With the formation of the Securities Commission (SC) in 1993, public firms were obligated to comply with the SC's rules for full disclosure-based reporting (Phang and Mahzan, 2013). Additionally, Bursa Malaysia has the authority to regulate corporations that are listed on its Exchange. All listed firms must follow the Bursa Malaysia Listing Requirements, which include regulations for financial accounting and reporting (Phang and Mahzan, 2013)

A new era started for Malaysia's financial reporting regime when the government of Malaysia passed the Financial Reporting Act in 1997. As independent bodies, the Financial Reporting Foundation (FRF) and the Malaysian Accounting Standards Board (MASB) were established (Phang and Mahzan, 2013). The Act moved the duty of enforcing the issued standards from professional bodies (i.e. MACPA and the MIA) to the MASB, providing it with legitimate legal underpinning. After considering the uniqueness of local business requirements, the MASB produced its first set of accounting standards comparable to those available in common law countries (Maigoshi et al., 2018).

The wave of global IFRS adoption arrived in Malaysia in 2008 when the Malaysian Accounting Standards Board (MASB) announced its intention to fully converge with the standards of IASB

(i.e., IFRS) by the year 2012 and changed the name of the standards to the Malaysian Financial Reporting Standards (MFRS) (Maigoshi et al., 2018).

The new MFRSs from MASB are word-for-word equivalent to IFRSs from IASB, and both sets of standards came into effect on the same dates (IFRS, 2023). Malaysia's first year of full convergence with IFRS was 2012, and Malaysian firms must conform to the IFRS framework, which has been renamed and is known as MFRS in Malaysia. One exception was made for organizations that carried out operations covered by either MFRS 141 Agriculture or IC 15 Agreements for the Construction of Real Estate (including its parent, significant investors and venturers). These qualifying businesses, known as 'Transitioning Entities,' would be able to continue using FRS for an additional year (Azmi, 2012).

Literature Review on FLID and IFRS

Prior studies demonstrated that IFRS adoption leads to increased analyst following (Ashbaugh and Pincus, 2001; Landsman et al., 2012; Eng et al., 2019), higher earnings informativeness (Landsman et al., 2012), improved analyst information environment, namely, forecast accuracy (Ashbaugh and Pincus, 2001; Horton et al., 2013), reduced cost of capital as well as improved liquidity (Coller and Yohn, 1997; Daske et al., 2008; Neel, 2017). Daske et al. 2013 stated that some firms might make slight changes "more in the name" when they adopt IFRS, whereas, for other firms, the change toward IFRS is part of a strategy in order to boost their transparency. In order to validate this idea, they categorised the companies into label and serious adopters. While label adopters were not related to an increase in liquidity or a decrease in the cost of financing, serious adopters did so. Since mandatory and voluntary disclosures of firms are often intertwined (Dutta and Giger, 2002; Lennox and Park, 2006; Beyer et al., 2010), the external information environment may be affected directly by the adoption of IFRS through enhanced mandatory disclosure and indirectly by enhanced voluntary disclosure (Daske and Gebhardt, 2006; Lang and Stice-Lawrence, 2015; Li and Yang, 2016; Neel, 2017). According to Landsman et al (2012), implementing IFRS has resulted in an increase in the information content of earnings releases by minimizing reporting latency, improving analyst following, and increasing foreign direct investment.

As stated previously, existing evidence suggests that the introduction of IFRS has improved the information environment, increased voluntary disclosure, and altered the disclosure incentives of firms in response to the increasing demand in the capital market. For example, using a huge sample from 30 countries (13 of which have not adopted IFRS and the rest mandated IFRS in (2005), Gu et al (2019) found that firms from IFRS-mandating countries tended to be less likely to issue forward-looking disclosures (management earnings forecasts) before IFRS adoption, but following the adoption of IFRS voluntary disclosures (i.e. likelihood and occurrence of management forecast) for firms from countries mandated IFRS increased more than those from countries non-mandated IFRS. However, IFRS-mandating jurisdictions with concurrent enforcement amendments experienced a substantially smaller rise than those without concurrent enforcement enhancements. Lang and Stice-Lawrence (2015) conducted research to determine how IFRS adoption affects narrative disclosures. To do so, they examined a large sample of annual report text for more than 15000 companies from 42 countries during the period 1998-2011. They found that the annual report disclosure improved in terms of increased quantity of disclosure, comparability, and boilerplate was reduced for both US and non-US companies. In addition, Li and Yang (2016) examined the influence on management earnings forecasting disclosure between 2002 and 2004 pre the adoption of IFRS and 2005 and 2010 after the adoption era. Their sample covers 26 countries

where IFRS adoption was mandated in 2005, and they found that the incidence and frequency of management earnings forecasting disclosure increased dramatically after IFRS adoption became mandatory.

Furthermore, Hlel and Nafti 2019 conducted a study to determine whether the implementation of IFRS impacts disclosure quality (i.e., management earnings forecasts accuracy). To achieve this, they employed a cross-sectional sample of 45 French firms that went public during the study period (2005 to 2016). Consequently, they demonstrated that the adoption of IFRS enhanced the accuracy of management's earnings forecasts, so sending a credible signal of improved disclosure quality and diminished information asymmetry. Similarly, Daske and Gebhardt, 2006 conducted a study in three European countries, namely Austria, Swiss, and German in order to assess the quality of disclosure for firms that adopted internationally recognized accounting standards (U.S. GAAP or IFRS). Their result showed that after the implementation of IFRS in three countries, the quality of disclosure improved dramatically for both mandated and voluntary adopters.

Finally, Chen et al. 2017 studied the differences between FASB and GAAP focusing on voluntary reporting of FLI in terms of research and development cost capitalization. To achieve their objective, they used a sample of firms, some of them using IFRS and others using US-GAAP, and they documented that the forward-looking disclosures are higher and more value-relevant in relation to stock prices for firms that adopt IFRS. Moreover, it has also been found that in 16 countries where mandatory adoption of IFRS has been implemented, the content of earnings announcements has enhanced in comparison to 11 countries where domestic accounting standards have been maintained. However, this increase in content is dependent on the country's legal enforcement of IFRS adoption. In contrast, after adopting IFRS, Korean companies are less likely to share their earnings forecasts, according to (Rhee et al., 2016).

Sample, Data and Methodology

Sample Selection and Data

The study's initial sample consists of all firms listed on Bursa Malaysia's main board from 2009 to 2017. The COVID-19 pandemic has introduced a great deal of uncertainty and unpredictability into the corporate landscape and affected voluntary FLID in annual reports from 2019 onwards. The test period covers three years before (i.e. 2009-2010-2011), three years during (i.e. 2012-2013-2014) and three years after (i.e. 2015-2016-2017) the mandatory adoption of IFRS, which began on January 1st, 2012¹. Since we are interested in examining the impact of IFRS adoption on FLID, it makes sense to analyse a consistent time frame before, during, and after the adoption of IFRS. Overall, excluding the year 2018 from the analysis helps to ensure that the study's findings are based on a consistent and comparable time frame. The nine-year period provides the opportunity to employ dynamic panel data models and a partitioned period of three years has been employed in a considerable number of studies (e.g., Maigoshi et al., 2018; Kim and Lin, 2019). Following previous research, we

¹One exception was made for organisations that carried out operations covered by either MFRS 141 Agriculture or IC 15 Agreements for the Construction of Real Estate (including its parent, significant investors and venturers). These qualifying businesses, known as 'Transitioning Entities,' would not be able to adopt IFRS in 2012 and continue using FRS for an additional year (Azmi, 2012).

excluded from our analysis financial firms, firms with incomplete data and observations, firms that changed their fiscal year end during the study period, firms with a non-December 31st fiscal year-end, and firms that did not adopt IFRS by December 31, 2012.

Based on the aforementioned criteria, a final sample of 219 Malaysian listed firms (1971 firm-year observations) from nine. Table 1 displays the chosen sample categorized by industry.

Table 1

Presents the Selected Sample Categorized by Industry

Industry Type	No. of Firms	No. of Observations
Consumer Products	54	486
Industrial Products	83	747
Energy	13	117
Health Care	6	54
Property	20	180
Telecommunication & Media	9	81
Technology	21	189
Transportation & Logistics	9	81
Utilities	4	36
Total sample	219	1971

FLID Measurements

Hussainey et al (2003) suggest that computerised content analysis makes it easy to compare firms since keywords are unified across firm years. Hence, applying such a technique to a relatively large sample of narratives has the potential to result in significant time savings (Abed and Al-Najjar, 2016). Furthermore, computerised content analysis outperforms manual content analysis in terms of reliability, stability, and comparability of results, and is recommended to be used more in management research (Morris,1994; Al-Najjar and Abed, 2014; Abed et al., 2016). Following Hussainey et al (2003); Muslu et al (2015); Abed et al (2016) and Bozanic et al (2018), the current study used computerised content analysis to identify FLI in annual reports' narratives. To do so, the study followed Muftah and Zainuddin's (2023) to perform the coding process for the study sample using QSR-Nvivo12.

1. Determine the unit of analysis in annual reports.
2. Determine the unit of measurement.
3. Creating a preliminary list of forward-looking keywords.
4. Refining the draught list of forward-looking keywords and approving the final version.

To accomplish the above-mentioned steps, we chose randomly a pilot sample of 50 annual reports of Malaysian listed firms from different industries and years. To determine the unit of analysis, we read these annual reports and found that Malaysian firms convey FLI under narrative sections such as *the Chairman's Statement, A Word From The Chairman, A Joint Letter to Shareholders, Statement of Board Of Directors, CEO's Message, Group Chief Executive Officer's Statement, Managing Director's Review of Operations, Operational Review, Business Operations Review, Overview On Results And Achievements, Management Discussion and Analysis*. However, consistent with previous literature (e.g., Beattie et al., 2004; Al-Najjar and Abed, 2014), we found other narrative sections (e.g., *Directors' Reports, Corporate Information, Corporate Governance Report, Profile of Directors, Remuneration*

Report, Shareholder Information, and Statement of Directors' Responsibility for Preparation of Financial Statements) were highly standardized and showed less variance in the level of FLI. The units of measurement in content analysis methodology are word, text unit, sentence, paragraph, and page (Beattie et al., 2004; Campbell and Abdul Rahman, 2010). This study used the "text unit" as a measurement unit since it is thought to be a more trustworthy unit of analysis than other measurement units. A text unit is a smaller unit of analysis than a sentence, and a sentence sometimes contains more than one text unit (Al-Najjar and Abed, 2014). While an individual word is too short and meaningless on its own (Milne and Adler, 1999; Campbell and Abdul Rahman, 2010), a sentence, paragraph, or page is not an appropriate measuring unit because it may contain a mix of disclosure pieces that provide insight into the company's past results and future (Beattie et al., 2004; Beattie and Thomson, 2007). Furthermore, Menicucci (2013) observed in the context of content analysis that in the majority of management commentaries examined, a single sentence gives information about different types of information.

In order to identify Forward-Looking text units in the annual report's narratives, a list of forward-looking keywords is needed. In the current study, we used a customised FLI dictionary. To ensure the reliability of our keyword list, we constructed a preliminary list of FLI keywords based on the previous studies of FLID (i.e., Hussainey et al., 2003; Li, 2010; Muslu et al., 2015; Abed et al., 2016; Bozanic et al., 2018). The preliminary list of FLI keywords consisted of 91 keywords. Since no study used FLID keywords in the Malaysian context, to the best of our knowledge, we read 25 annual reports from the pilot annual report sample to identify if there are any new keywords not included in the previous studies. We discovered new five keywords (i.e., ensuing [financial] year (s), potential (s), year(s) to come, year(s) from now and remaining years), totalling 96 keywords in the preliminary list.

- Examples of identified new keywords in Malaysian annual reports

*"..., 2010 is largely seen as a year of steady and progressive recovery and is poised to make a comeback in the **ensuing years**, with China continuing to assume the leading role."* Sino Hua - An International Berhad, Chairman Statement, Annual report, 2010.

*"To improve packaging efficiency of our major products, "Hup Seng Cream Cracker" in the **ensuing year**, the Group plans to purchase an auto stacking system replacing current process which is laborious."* Hup Seng Industries Berhad, Management Discussion and Analysis, Annual report 2016.

*"For commercial vessels, we continue to look for **potential** market outside Malaysia especially in the Middle East, Asia Pacific and African regions."* Boustead Heavy Industries Corporation Berhad, Managing Director's Statement, Annual report, 2009.

*"Our recognition as a leader in the Halal arena can help expand market **potentials** for Halal-compliant vendors, including manufacturers, importing agents and logistics providers in making Malaysia the global leader in Halal Pharmaceuticals."* CCM Duopharma Biotech Berhad, Chairman's Statement, Annual Report 2016.

*"...to identify viable new business opportunities to strengthen the Group in **years to come**. We continue to look at technology and talent to support and expand our core business in Structural Steel Fabrication"* KKB Engineering Berhad, Chairman's Statement, Annual Report 2016.

*"Nevertheless, the move from one-off sales towards a subscription-based business model puts us in good stead to continue generating recurring revenue in the **years to come**, especially with the aggressive roll out of REV (self-ordering tablets) in our operating markets coupled*

with the strong support of our other businesses.” Cuscapi Berhad, Chairman’s Letter to Shareholders, Annual Report 2015.

*“To control this risk and minimise the impact on cost increase, the Group is seriously looking into all areas of production flow to reduce the manpower through automation where possible. However, the results can only be seen after a period of 2-3 **years from now.**”* Evergreen Fibreboard Berhad, Management’s Discussion & Analysis, Annual Report 2017.

*“..., while 65% of investors are leaning towards making an investment in a property inside of 6 months to 2 **years from now.**”* Magna Prima Berhad, Chairman’s Statement, Annual Report 2014.

*“..., we believe that there would be more contracts to be awarded over the **remaining four years.** Domestically, in Malaysia, there has been an increase among the oil majors...”* Sealink International Berhad, Chairman’s Statement, Annual Report 2011.

*“With limited land bank available for development, the Group’s policy is to extract the optimum value from Bukit Punchor in the **remaining years.**”* Mulpha Land Berhad, Chairman’s Statement, Annual Report 2011.

To approve the reliability of the final version of the keywords list, 50 sentences including each keyword were randomly extracted and read to ensure this keyword represents the future in at least 80% of the sentences (according to Hussainey et al. (2003), a keyword is regarded as futuristic if it is used in at least 20 out of 30 sentences, representing approximately 67% of cases). We further investigated the keywords that fell between 67% (i.e., Hussainey et al.’s benchmark) and 80% (i.e., the study’s benchmark) and excluded the keyword if it was combined with another future keyword in more than 50% of cases in order to reduce the noise that could be made by including such a keyword. However, some keywords were dropped from the final list due to their absence in our sample’s annual reports (e.g., following fiscal, upcoming period, upcoming quarter, subsequent period, and incoming month (s)). As a result, the final keyword list contained 54 keywords².

After determining the final version of the FLID keywords list, we followed Abed et al (2016) and Muftah and Zainuddin’s (2023) methodology to identify forward-looking text units using QSR-Nvivo12 by classifying the keyword list into four groups (i.e., singular or plural, phrase, verbs, and year number) (see Abed et al (2016) for more explanation). Each group of keywords requires special procedures to capture the forward-looking text units.

In the current study, we use four proxies of FLID namely, actual quantity, relative quantity, spread, and multi-dimension. The Actual Quantity of Forward-looking Information Disclosure (AQFLID) is measured as the actual number of future-oriented text units disclosed by firm *i* in year *t*. The Relative Quantity of Forward-looking Information Disclosure (RQFLID) is calculated as the standardised relative amount of forward-looking text units. Beattie et al (2004) stated that “Companies that say relatively more can be expected to provide disclosure of higher quality”. They contended that the quality of disclosure is very likely the observed disclosure amount, relative to the predicted amount given the size of the company and complexity. In other words, firms that disclose more FLI than expected could be seen as having high-quality disclosure compared to other firms of the same size and degree of complexity. Beretta and Bozzolan (2008) argued that the main things that drive disclosure are the size of the firm and the type of industry it is in. The size of a firm is a good proxy for its complexity, and the type of industry is a significant factor in what drives disclosure. Thus, we used the standardised

² The final list of keywords is provided in the appendix in Table A1

residuals from an Ordinary Least Squares (OLS) regression of the number of forward-looking text units on size and industry to measure the level of FLID, the higher the standardised residual, the higher the level of FLID. Accordingly, the relative quantity of FLID is calculated as follows:

1- Estimating the relative amount of FLID

$$NFLID_{i,t} = \beta_0 + \beta_1 \ln FSize_{i,t} + \beta_2 Industry_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where,

$NFLID_{i,t}$ = the number of FLI text units for firm i in year t .

$\ln FSize_{i,t}$ = size of firms measured by the natural logarithm of total assets for firm i in year t .

$Industry_{i,t}$ = the type of industry based on Bursa Malaysia.

$\varepsilon_{i,t}$ = the estimated relative amount of FLID (i.e. residual for each firm i in year t).

2- Standardising the relative amount of FLID

The estimated relative amount of FLID ($RQFLID$) is standardised by using the maximum and the minimum of the relative amount of disclosure for analysed firms.

$$RQFLID_i = \frac{\max RQ - RQ_i}{\max RQ - \min RQ} \quad (2)$$

Moreover, the Spread of Forward-looking Information Disclosure ($SPREAD$) represents the coverage (where the presence or absence of a topic is recorded) and the dispersion (where disclosure is dispersed across different topics). the spread of FLID allows us to figure out if the FLI disclosed meets the needs of a wide range of stakeholders or just focuses on a few.

We selected FLI topic keywords based on the previous textual content analysis studies of Muslu et al. (2015) and Abed et al. (2016). This resulted in a modified list of keywords which classified into eight topics (i.e., performance, operation, investment, finance, employee, macro economy, accounting, and strategy)³. Similar to the procedures conducted by Abed et al. (2016), we used an advanced search query feature in NVivo software to identify the intersection between FLI nodes and topic nodes.

After determining the FLID topics, we follow Beattie et al. (2004) and the coverage and dispersion are measured by the following equations:

$$Cover_i = \frac{1}{st} \sum_{j=1}^s INF \quad (3)$$

$$DISP_i = \frac{-\sum_{j=1}^s P_{ij} \ln P_{ij}}{\ln st} \quad (4)$$

Where:

$INF = 1$: if firm i discloses FLI about the topic j and 0 : otherwise

p_{ij} = the number of disclosed information in topic j divided by total disclosure of firm i

st = the number of topics

By averaging coverage and dispersion, we calculated the spread dimension ($SPREAD$). The combination of $Cover$ and $DISP$ facilitates understanding of the $SPREAD$ of the disclosure. the greater the $Cover$ and $DISP$ scores, The greater the $SPREAD$.

$$SPREAD_i = \frac{1}{2} (Cover + DISP) \quad (5)$$

Although disclosure quantity is widely used in the literature as a proxy for disclosure quality, this method has been criticised because quality is inherently complicated and adopting a quantity measure alone may be unsuitable (Beattie et al., 2004; Cerbioni and Parbonetti, 2007). Using a one-dimensional measurement for the quality of FLI may produce inappropriate results. Thus, following Beattie et al. (2004), we use a multi-dimensional

³ The list of topics and topic keywords are provided in the appendix in Table A 2.

measurement that considers the quantity of disclosed FLI and the spread of that disclosed information across different topics.

Finally, we obtained the overall Multi-dimensional measure of Forward-looking Information Disclosure (Multi_FLID) by averaging the *AQFLID* and the *SPREAD* as follows:

$$\text{Multi_FLID}_i = \frac{1}{2} (\text{AQFLID} + \text{SPREAD}) \quad (6)$$

Empirical Results

FLID Practices and Trends over the Years and among Industries

This section aims to comprehensively explore the FLID practices in Malaysian firms' annual report narratives over the years and among the industries around the IFRS adoption era. The study developed different proxies of FLID considering a singular measure of FLID i.e., actual quantity, relative quantity, as well as a multi-dimensional measure of FLID.

FLID over Nine Years (2009-2017)

Table 2 presents the mean values of FLID, while Figure 1 illustrates the trends observed over the study period. These representations notably reveal the consistent upward movement in trends and mean values of FLID across its proxies over time. The lowest mean values of actual quantity, relative quantity, and multi-dimensional measure of FLID are in 2009 (i.e., 13.479, -0.283, and 0.152 respectively) whereas the highest values are in 2017 (i.e., 27.438, 0.545, and 0.677 respectively). In addition, it shows the lowest mean value of the spread of FLID in 2012 which is 0.563, while the highest is 0.810 in 2017. These increases in FLID trends show that Malaysian companies became more willing to share future information over the study periods arriving to a higher extent in 2017. These increasing trends of FLID may be attributed to the increasing demand for such information by investors and the encouragement of regulatory bodies for Malaysian companies to include future-oriented information in their annual report narratives. Furthermore, the mandatory adoption of IFRS in 2012 and the strengthening of the Malaysian corporate governance structure by providing several codes (e.g., MCCG, 2007; MCCG, 2012; MCCG, 2017) may have contributed to this information environment enhancement.

Table 2

Represents the Mean Values of FLID over the Study Period

	AQFLID	RQFLID	SPREAD	Multi-FLID
2009	13.479	-.283	0.582	.152
2010	15.292	-.181	0.572	.195
2011	15.845	-.152	0.607	.227
2012	16.644	-.101	0.563	.231
2013	18.215	-.007	0.685	.339
2014	17.023	-.086	0.699	.306
2015	18.877	.018	0.704	.361
2016	25.616	.426	0.780	.603
2017	27.438	.545	0.810	.677
Overall	18.714	0.020	0.6665	0.343

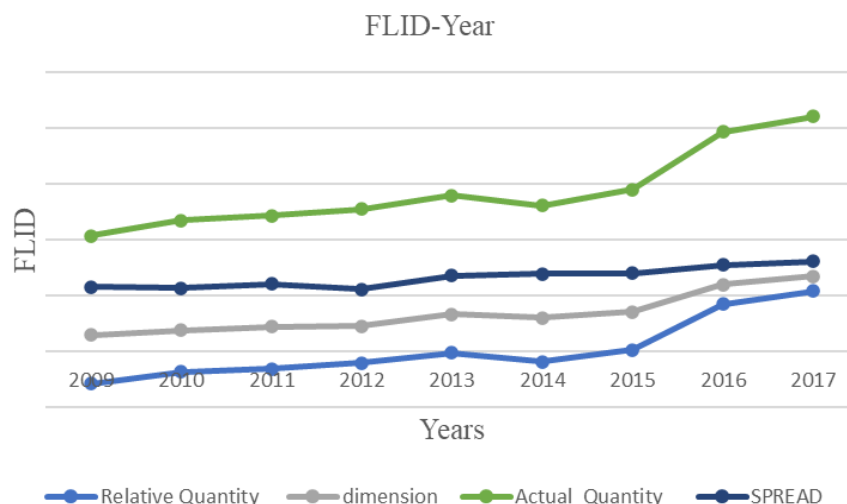


Figure 1: FLID Trends over the Study Period

FLID Topics over Nine Years (2009-2017)

This subsection illustrates the FLID topics over the study period. Table 3 reports the average number of FLID text units and Figure 2 illustrates the trend for each topic over nine years. As seen in Table 3 and Figure 2, it indicates that Malaysian firms disclose operational FLID more frequently than other topics, with an overall average of 10.14 text units. The minimum average was 7.288 in 2009, and the maximum average was in 2017, reaching 15.333 text units. However, as shown in Table 3 and Figure 2, the amount of FLI disclosed by Malaysian firms in the accounting domain is comparatively the lowest. The accounting FLID steadily increased, starting at 0.128 text units in 2009 and reaching approximately 0.338 text units by 2017. As shown in Table 3 and Figure 2, Malaysian companies refrained from disclosing performance FLID before 2013, with less than one text unit per company per year, and it was close to zero in 2010. The withholding of future performance information by Malaysian companies could be attributed to two reasons. First, the uncertainty that surrounded the business environment after the 2008 financial crisis, may affect the predictability of a firm's future performance (Krause et al., 2017). Second, the mandatory adoption of IFRS in Malaysia may have enhanced the information environment and, as a result, increased the disclosure of future performance information after 2012 (Mohammadrezaei et al., 2015; Li and Yang 2016). With regard to employee FLID, Table 3 shows a slight increase between 2011 and 2013. However, this increase softly declined after 2014, reaching less than one text unit in the years 2016 and 2017, with values of 0.877 and 0.922, respectively. Overall, as shown in Table 3 and in Figure 2, all FLID topics, except for employee FLID, exhibited steady increases over the study period, with the most pronounced increase occurring in 2016 and 2017. However, Malaysian firms disclosed relatively few text units related to accounting and employee topics, with averages of 0.162 and 0.978 text units per company, respectively, over the nine-year period.

Table 3

Illustrates the Mean Values of FLID Topics over the Study Period

Topics	Accounting	Employee	Finance	Macro economy	Operation	Performance	Strategy	Investment
2009	0.128	0.890	1.374	2.100	7.288	.037	2.402	1.516
2010	0.105	0.872	1.416	2.205	8.032	.005	2.886	1.703
2011	0.169	1.059	1.68	2.279	8.32	.068	3.059	1.826
2012	0.087	1.050	1.584	2.219	8.913	.050	3.055	1.749
2013	0.091	1.059	1.753	2.274	9.68	3.183	3.210	1.991
2014	0.164	1.032	1.689	2.347	9.215	3.370	2.808	2.082
2015	0.183	1.041	1.740	2.648	10.324	3.274	3.42	2.178
2016	0.196	0.877	3.050	2.995	14.164	5.219	5.256	3.356
2017	0.338	0.922	3.288	3.192	15.333	5.872	5.452	3.406
Overall	0.162	0.978	1.953	2.473	10.141	2.342	3.505	2.201

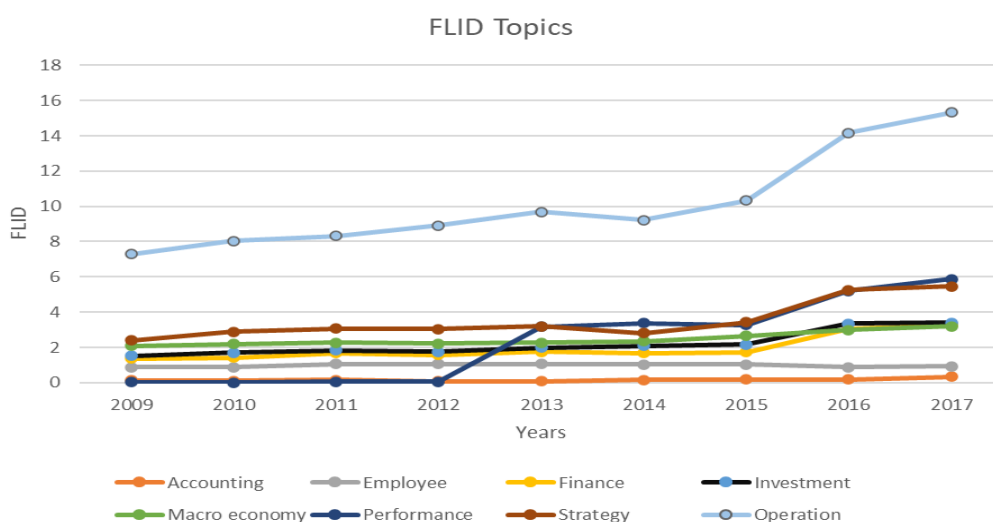


Figure 2: Shows the Trends of FLID Topics over the Study Period

FLID by Industries

Table 4 and Figures 3 and 4 show the mean values and trends of different proxies for FLID in Malaysia over the sample period. In terms of the actual quantity of FLID, Table 4 and Figures 3 and 4 indicate that the Health Care industry has the highest amount of disclosure with a mean of 44.889 text units, followed by the Utilities industry with a mean value of 40.139 text units. However, the Industrial Products industry exhibits the lowest level of actual quantity with an average value of 14.197 text units. Similarly, the relative quantity dimension of FLID in Table 4 and Figures 3 and 4 demonstrates that the Health Care industry has the highest amount of relative quantity with a mean value of 1.255. However, unlike the actual quantity measure, the Property industry documented the lowest mean value, which is -0.233. This finding contradicts the research conducted by Haniffa and Cooke (2002), which identified that the Property industry in Malaysia had revealed a higher level of overall disclosure. Similarly,

both the Industrial Products and Technology industries display mean values with a negative sign, i.e. -0.195 and -0.170, respectively, indicating that companies in these industries report FLID less than expected relative to their size and complexity. Additionally, Table 4 and Figure 4 illustrate that the Utilities industry reports the highest level of the spread dimension, followed by the Health Care industry, averaging 0.755 and 0.751, respectively. The Industrial products sector, however, indicates the lowest level, with a mean of 0.646. When considering the two dimensions of relative quantity and spread, the multi-dimensional proxy of FLID shows that the Health Care sector has the highest level of disclosure, with a mean value of 1.003, followed by the Utilities sector with a mean value of 0.859. Conversely, the Property sector reported the lowest level of FLID with an average value of 0.221. In summary, as inferred from Table 4 and Figures 3 and 4, the Health Care and Utilities sectors appear to offer more transparent and future-oriented information compared to other sectors. On the contrary, the Industrial Products, Property, and Technology sectors documented the lowest levels of transparency in terms of FLID.

Table 4
Illustrates the Mean Values of FLID by Industries

	Obs	AQFLID	RQFLID	SPREAD	Multi-FLID
Consumer products	486	16.603	0.166	0.655	0.41
Energy	117	24.496	0.512	0.705	0.609
Health care	54	44.889	1.255	0.751	1.003
Industrial products	747	14.197	-0.195	0.646	.225
Property	180	18.5	-0.233	0.676	0.221
Technology	189	16.388	-0.170	0.650	0.240
Telecommunication & Media	81	37.827	0.152	0.737	0.449
Transportation & logistics	81	24.556	0.005	0.725	0.365
Utilities	36	40.139	0.964	0.755	0.859
Overall	1971	26.399	0.273	0.700	0.487



Figure 3: Shows the Trends of Actual FLID Quantity over the Study Period

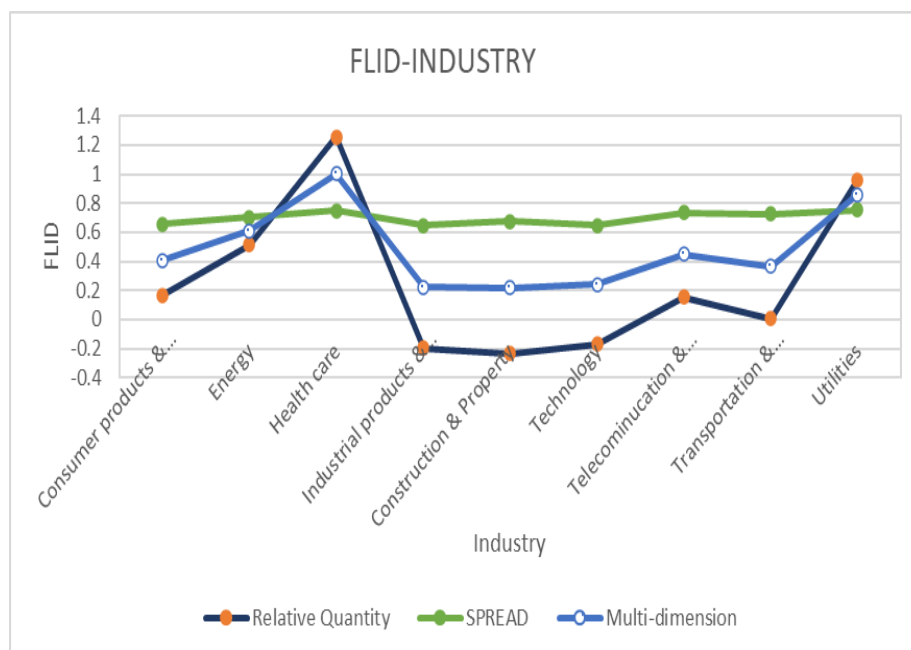


Figure 4: Shows the Trends of FLID by Industries

FLID Topics by Industries

Table 5 and Figure 5 illustrate the mean values of FLID topics across industries over the sample period. Considering the accounting FLID topic, they reveal that the Utilities industry documents the highest level of disclosure, with a mean value of 0.583 text units per company yearly, followed by the Energy sector averaging 0.342 firm-year text units. Conversely, the Industrial Products sector exhibits the lowest level of accounting FLID, averaging 0.116 firm-year text units. Furthermore, the Health Care sector reveals the highest level of employee FLID topic, recording a mean value of 3.778 text units per firm yearly. It is followed by the Telecommunication and media sector, documenting a mean value of 2.358 firm-year text units. On the contrary, the Industrial Products sector recorded the lowest average for the employee FLID topic, i.e. 1.106 firm-year text units. Observing both Table 5 and Figure 5, the Utilities sector exhibits the highest amount of finance topic disclosure, followed by the Telecommunication and media sector, with mean values of 3.306 and 2.704 per company yearly, respectively. However, the lowest mean is documented by the Technology sector, averaging 1.513 firm-year text units. Regarding macro-economy, operation, performance and investment FLID topics, as observed in Table 5 and Figure 5, the Health Care industry documented the highest disclosure levels for these topics per firm yearly (i.e., 7.704, 21.463, 4.056, and 6.741 respectively), followed by the Utilities industry (i.e., 7.722, 19.139, 3.917, and 4.583 firm-year text units, respectively). However, the Industrial Products sector documented the lowest levels for these topics (i.e., macro-economy, operation, performance and investment) averaging 3.094, 6.669, 1.977, and 1.973 firm-year text units, respectively. Finally, the Health Care sector records the highest amount of strategy FLID, followed by the Telecommunication & Media sector, with mean values of 9.833 and 8.099 firm-year text units, respectively. In contrast, the Industrial Products sector documents the lowest level of strategy FLID, averaging 2.459 text units per firm yearly.

Table 5
 Illustrates the Mean Values of FLID Topics by Industries

	Observations	Accounting	Employee	Finance	Macro-economy	Operation	Performance	Strategy	Investment
Consumer products	486	.142	1.208	1.730	3.307	7.553	2.309	3.276	2.374
Energy	117	.342	1.778	1.863	4.077	12.325	2.359	4.538	3.333
Health care	54	.296	3.722	2.685	7.704	21.463	4.056	9.833	6.741
Industrial products	747	.116	1.106	1.892	3.094	6.669	1.977	2.459	1.973
Property	180	.211	1.644	2.206	3.867	8.833	2.7	3.75	2.472
Technology	189	.106	1.212	1.513	3.101	8.868	2.116	2.847	2.175
Telecommunication & media	81	.210	2.358	2.704	6.79	17.358	3.284	8.099	4.321
Transportation & logistics	81	.148	1.642	2.605	4.938	11.444	2.827	3.79	4.296
Utilities	36	.583	2.167	3.306	7.722	19.139	3.917	6.722	4.583
Overall	1971	0.239	1.871	2.278	4.956	12.628	2.838	5.035	3.585

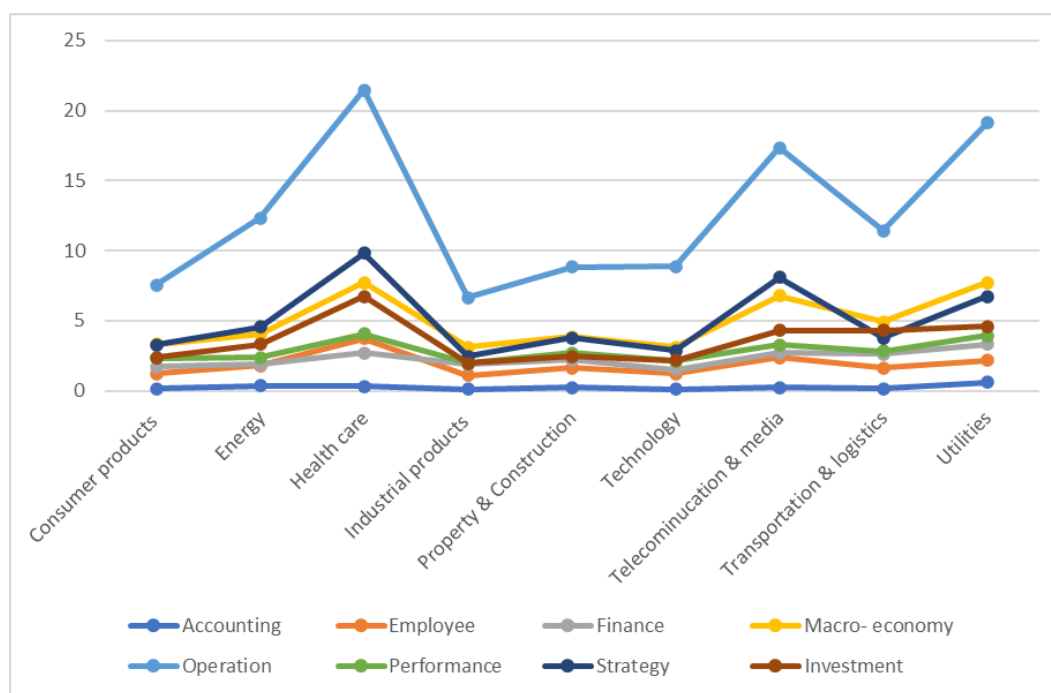


Figure 5: Shows the Trends of FLID Topics by Industries

IFRS and FLID

This section explores the variations in FLID during different periods of IFRS mandatory adoption, namely pre-, during-, and post-IFRS. The objective is twofold: firstly, to visually analyse the trends of FLID over the IFRS mandatory adoption periods using graphs and secondly, to statistically examine potential significant differences in FLID means across the IFRS mandatory adoption periods using a one-way repeated measures ANOVA test (RM-ANOVA). A repeated measures design refers to a research design where multiple measurements of a variable are taken on the same or matched individuals. These

measurements are collected either under different conditions or across more than two time periods (Mishra et al., 2019).

To ensure a comprehensive understanding of how the mandatory adoption of IFRS impacts FLID, we utilize various measures of FLID, including quantity and a multi-dimensional measure. The actual quantity measure reflects the number of forward-looking text units disclosed by Malaysian firms. Additionally, the multi-dimensional measure encompasses two FLID dimensions: relative quantity and spread. The relative quantity assesses the level of disclosure, with a zero-value indicating a normal level of disclosure based on the company's size and complexity. Values lower than zero suggest low-quality disclosure, where companies provide less information than expected, while values higher than zero indicate higher-quality disclosure. The spread dimension considers the different topics of FLID. It represents the coverage (where the presence or absence of a topic is recorded) and the dispersion (where disclosure is dispersed across different topics).

Trends and Test of Mean Values of FLID over IFRS Periods

Figure 6 shows the trends of FLID across the three periods of mandatory adoption of IFRS in Malaysia. It depicts that the trends of FLID increased over the three periods among Malaysian firms.

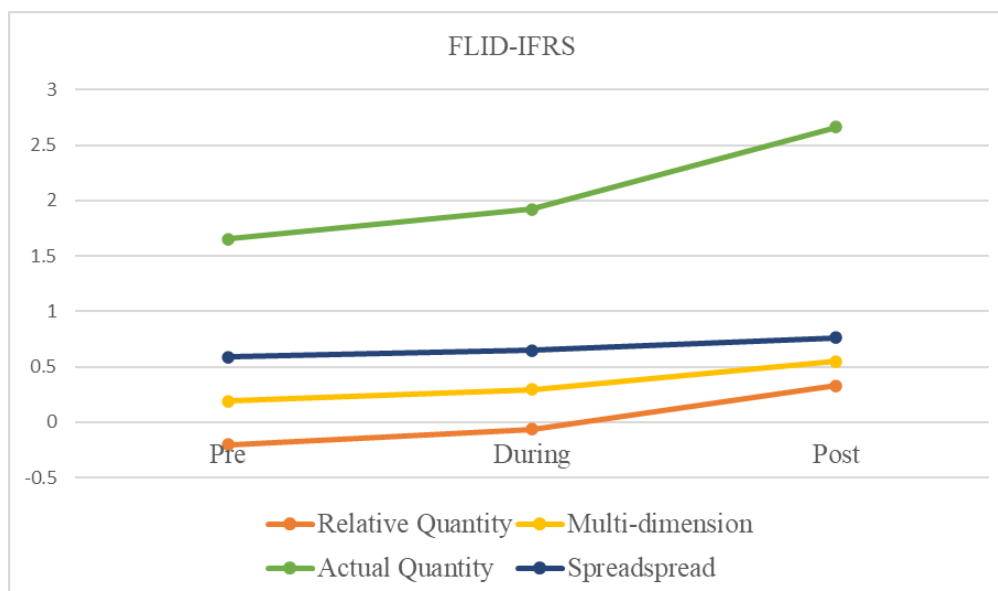


Figure 6: Shows the Trends of FLID over IFRS Periods

Table 6 displays the mean values for each FLID measure over IFRS periods by industries. It is evident that the level of FLID increases throughout the IFRS periods across all measures. Prior to mandatory adoption, Malaysian firms disclosed an average of 14.876 forward-looking text units. However, during the mandatory adoption period, the average number of forward-looking text units increased to 17.294, and it further rose to 23.977 after the mandatory period. Furthermore, Table 6 reveals that Malaysian companies disclosed less than expected before (i.e., -0.205) and during (i.e., -0.065) the mandatory adoption periods. However, the quality of FLID improved after the mandatory periods, reaching 0.328. Similarly, Table 6 demonstrates a soft increase in the spread of FLID over the three periods, indicating that IFRS has a positive impact on FLID quality. As shown in Table 6, the multi-dimensional measure clearly illustrates that the quality of FLID increased from 0.191 to 0.292 during the IFRS

mandatory period and experienced a significant rise to 0.546 after the adoption of IFRS became mandatory.

Table 6

Results of the RM-ANOVA Test of Mean Values of FLID over IFRS Periods

	AQFLID	RQFLID	SPREAD	Multi-FLID
Pre-IFRS	14.876	-0.205	0.587	0.191
During-IFRS	17.294	-0.065	0.649	0.292
Post-IFRS	23.977	0.328	0.765	0.546
Overall	18.714	0.020	0.667	0.343
Repeated Measures ANOVA	***	***	***	***

Statically, the results of RM-ANOVA, reported in Table 6, show that the mean values of each FLID measure significantly differ in the three periods of IFRS at a 1% level of significance. Since significant differences are found using the RM-ANOVA test, the post-hoc test should be conducted to determine the significant pairs. Accordingly, the study conducted multiple comparisons using the Bonferroni test. The results are reported in Table 7 and show that all pairs are significantly different i.e., Post-Pre, Post -During and During-Pre at a 1% level.

Table 7

Results of the Bonferroni Test of Significance Pairs of FLID over IFRS Periods

IFRS	AQFLID		RQFLID		SPREAD		Multi-FLID	
	Mean Diff	Sig	Mean Diff	Sig	Mean Diff	Sig	Mean Diff	Sig
Post-Pre	9.111	***	0.528	***	0.178	***	0.347	***
Post -During	6.683	***	0.388	***	0.116	***	0.249	***
During-Pre	2.428	***	0.140	***	0.062	***	0.098	***

Trends and Test of Mean Values of FLID Topics over IFRS Periods

Figure 7 visually illustrates the trends in FLID topics across the IFRS periods. It indicates a gradual upward trend in the during-IFRS period, with a more significant rise in the post-IFRS period, particularly in terms of investment, operation, performance, and strategy FLID topics. However, the increasing trend is not as pronounced in the case of the employee FLID topic.

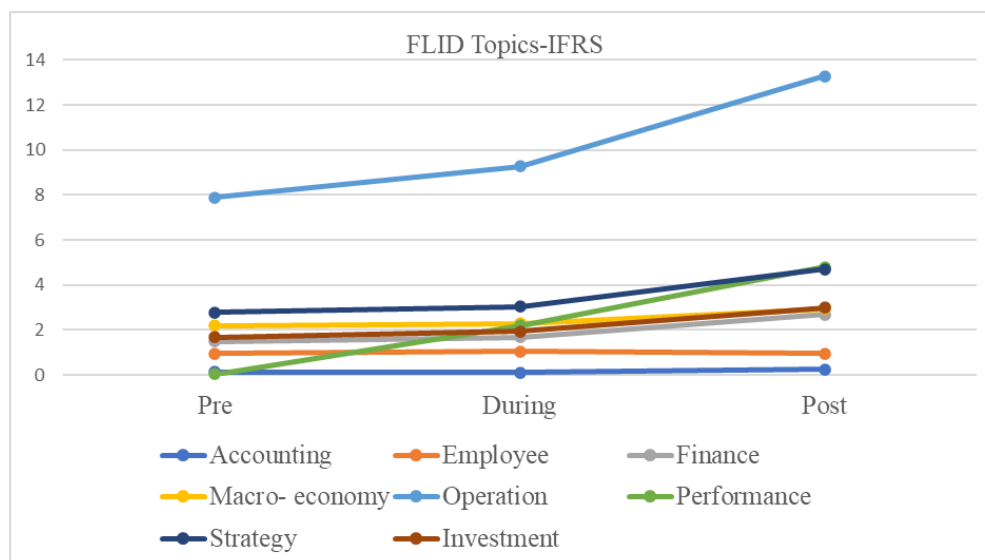


Figure 7: Shows the Trends of FLID over IFRS Periods

Table 8 provides a representation of the mean values of FLID topics throughout the various IFRS periods. It demonstrates a clear upward trend in FLID topic levels over the three periods. However, it is worth noting a slight decline in accounting FLID in the During-IFRS period (i.e. 0.114) compared to the pre-IFRS period (0.134). This slight increase in the pre-adoption period can be attributed to the change in accounting standards that took place in subsequent years. Regarding the employee FLID topic, Table 8 indicates a slight increase during the During-IFRS period from 0.941 text units to 1.047 text units. Surprisingly, the mean value declined to 0.947 in the post-IFRS period. Furthermore, Table 8 indicates that during the pre-IFRS period (i.e., 2009, 2010, and 2011), Malaysian companies disclosed limited information regarding the future, particularly in terms of future performance. This could be attributed to the uncertainties surrounding future performance following the 2008 financial crisis. Additionally, approximately half of the forward-looking statements (i.e., 46%) made during the pre-IFRS period pertained to operational matters, with a mean value of 7.88 statements. This implies that Malaysian firms were more transparent about their operational future than other themes. In the During-IFRS period, the lowest amount of disclosed future-oriented information was related to accounting, with a mean value of 0.114, while the highest was related to operation, with a mean value of 9.269. Notably, Table 8 reveals a significant increase in future-oriented performance information in the during-IFRS period, with an average of 2.201 text units. Similarly, in the post-IFRS period, the highest average value of FLID topics pertained to operations (13.274), while the lowest was in accounting (0.239). Lastly, the RM-ANOVA results, presented in the bottom row of Table 8, demonstrate that there are statistically significant differences in at least one mean value of most FLID topics across the three IFRS periods, at a significance level of 1%. However, the RM-ANOVA test shows no significant differences in mean values of the employee FLID topic.

Table 8

Results of the RM-ANOVA Test of Mean Values of FLID Topics over IFRS Periods

	Accounting	Employee	Finance	Investment	Macro-economy	Operation	Performance	Strategy
Pre-IFRS	0.134	0.941	1.49	1.682	2.195	7.88	0.037	2.782
During-IFRS	0.114	1.047	1.676	1.941	2.28	9.269	2.201	3.024
Post-IFRS	0.239	0.947	2.693	2.980	2.945	13.274	4.788	4.709
Overall Mean	0.162	0.978	1.953	2.201	2.473	10.141	2.342	3.505
RM-ANOVA	***	---	***	***	***	***	***	***

Due to notable variations in means across the three periods of IFRS adoption, further examination is necessary to identify noteworthy discrepancies in mean values among different pairs. The Bonferroni test was employed to perform multiple comparisons, and the outcomes are presented in Table 9. According to Table 9, most of the pairs, except for employee FLID topic pair, exhibit significant differences in means at the 1% significance level in the Post-Pre IFRS and Post-During IFRS pairs. However, in the During-Pre IFRS pairs, there are only significant mean differences for operation and performance topics, while the remaining mean differences are not statistically significant. This indicates that most FLID topics experienced a slight increase during the IFRS adoption period, but these increases were not statistically significant. However, this increase was more pronounced in the post-IFRS period.

Table 9

Results of the Bonferroni Test of Significance pairs of FLID Topics over IFRS Periods

	Accounting		Employee		Finance		Investment		Macro-economy		Operation		Performance		Strategy	
	Diff	Sig	Diff	Sig	Diff	Sig	Diff	Sig	Diff	Sig	Diff	Sig	Diff	Sig	Diff	Sig
IFRS																
Post-Pre	0.105	***	0.006	---	1.202	***	1.298	***	4.473	***	1.671	***	4.752	***	1.927	***
Post -During	0.125	***	-0.100	---	1.017	***	1.040	***	4.388	***	0.282	***	2.588	***	1.685	***
During-Pre	-0.020	---	0.107	---	0.186	---	0.259	---	0.085	---	1.390	***	2.164	***	0.242	---

Conclusion

The aim of the current study is to address the initial study question: 'What are the FLID practices around the IFRS era in the Malaysian context?'. Based on nine-year and 1971 firm-year observations data, the current study uses visual and statistical analysis to analyse the trends and practices of FLID over the sample years, industries and the partitioned periods' pre, during and post-IFRS mandatory adoption. This analysis suggests that various proxies of FLID display significant increases in trends and mean values, indicating a heightened willingness among Malaysian companies to share future information over the study periods arriving to a higher extent in 2017. Furthermore, FLID topics, except for employee FLID, exhibit steady increases over the study period, with the most pronounced increase occurring in 2016 and 2017. Malaysian firms tend to disclose operational FLID at higher levels and with

variations in averages across the sample years. Conversely, accounting and employee FLID topics exhibit comparatively the lowest levels of disclosure. The Health Care industry demonstrates the highest level of future-oriented disclosure, followed by the Utilities industry, however, the Industrial Products and Property industries exhibit the lowest levels. Finally, to examine potential significant differences in FLID proxies and topic means across the partitioned periods of mandatory IFRS adoption, the study utilizes the RM-ANOVA test. The results indicate that the mean values of each FLID measure significantly differ across the three periods of IFRS at a 1% significance level. Moreover, all pairs—Post-Pre, Post-During, and During-Pre—exhibit significant differences at the 1% level. Concerning FLID topics, the RM-ANOVA test reveals statistically significant differences in at least one mean value of most FLID topics across the three IFRS periods at a 1% significance level. However, the test indicates no significant differences in mean values for the employee FLID topic.

This research enhances the comprehension of established theories and makes a contribution to agency theory by pinpointing factors that can be employed to alleviate agency costs in emerging markets. The study's findings indicate that superior accounting standards, such as IFRS, can be employed to reduce information asymmetries. This is achieved through enhancing the voluntary FLID, consequently mitigating agency costs.

This study holds practical and policy implications for managers, policymakers, investors, and analysts. For managers and corporate boards, the study's findings provide an opportunity to enhance their understanding of the practices of FLID. The study reveals variations in transparency levels among different industries. Therefore, managers and corporate boards in industries with low levels of FLID should consider improving their openness in sharing information about their future. This, in turn, could enable these industries to reap the benefits derived from disclosing such valuable information to other parties. Given the public visibility of FLID, the outcomes of this study carry practical implications for managers, prompting them to assess their transparency and accountability. The results can also be utilised by company boards to evaluate the overall quality of their financial reporting.

This study holds practical implications for investors and analysts. The information received by investors and analysts plays a crucial role in influencing their behaviour. Previous literature documented that investors rely on FLID to forecasts future earnings and they make a strong reaction towards the disclosed FLI by managers in annual report narratives (Athanasakou and Hussainey, 2014; Bozanic et al., 2018). Furthermore, FLI assists analysts in making investment decisions, and they place greater emphasis on its disclosure (Flöstrand and Ström, 2006; Mohamed et al., 2019). Therefore, for investors and analysts seeking a deeper understanding of FLID, the current study provides them with comprehensive evidence on the practices of FLID in the Malaysian context.

As accounting policymakers are focused on ensuring faithful representation and understanding the economic consequences of accounting reporting, the current study holds relevance for them. Additionally, regulators responsible for investor protection, along with stock exchanges seeking transparency and accountability in the activities of listed companies, should find the results of this study noteworthy. The study findings reveal that some industries such as industrial products and technology have low levels of FLID compared to others such as the health care industry. In industries where competitiveness or litigation risk is high, managers may find it challenging to disclose FLI. Thus, regulators should grasp the concerns of managers regarding the content and consequences of FLID in annual report narratives. As a result, the study findings might serve as a catalyst to encourage regulatory bodies in Malaysia to implement guidelines that assist and protect FLID issuers in enhancing

their communication with stakeholders. Furthermore, this study observes that FLID is not uniformly distributed across topics in Malaysian firms, with certain topics significantly surpassing others. Consequently, the study's findings provide valuable insights for policymakers to reassess guidelines related to FLID reporting in annual report narratives. A well-defined policy could incentivize the preparers of a company's annual report to opt for comprehensive disclosure rather than partial disclosure.

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Appendix

Table A1

Final list of FLID keywords

No.	Keywords	No.	Keywords	No.	Keywords
1	Accelerate	19	following year (s)	37	Scope for + Scope to
2	Anticipate	20	Hope	38	Seek
3	Aim	21	Intend	39	Shall
4	Await	22	Intention	40	Soon
5	Coming [period(s)] [quarter(s)] [months] [fiscal]	23	Likely, Unlikely	41	Subsequent year
6	Coming [financial] year(s)	24	Look ahead	42	Target
7	Commit	25	Look forward	43	Upcoming months
8	Confident	26	Might	44	Upcoming year (s)
9	Convince	27	Next	45	Will
10	Could	28	Near term, medium term	46	Well placed
11	Envisage	29	Optimistic	47	Well positioned
12	Estimate	30	Outlook	48	Year(s)ahead
13	Expect	31	Planned, Planning	49	2009, 2010, 2011...
14	Forecast	32	Predict	50	Ensuing [financial] year [s]
15	Forthcoming	33	Project	51	Potential
16	Foresee	34	Prospect	52	Year (s)to come
17	Future	35	Remain	53	Year(s)from now
18	Following months	36	Renew	54	Remaining years

Table A2

List of topic keywords

Topic	Keywords
Performance	performance, perform, sales, revenue, earnings, income, profit, loss, expense, EBT, EBIT, EBITDA, depreciation, amortization, administrative, research, develop, R&D, "cost of sales", "cost of goods", "cost of goods sold", COGS, tax, impairment, margin, goodwill, "working capital", receivable, payable, inventory, materials, supplies, "bad debt", "doubtful account", allowance, collect, accrual, "operating cash flow", "cash flow from operations", "cash flow from operating", "free cash flow", bankruptcy.
Operation	Operations, operating, operational, product, service, technology, project, contract, overhead, vendor, supplier, consumer, customer, client, marketing, order, backlog, advertising, commission, import, export, freight, transportation, utilities, energy, power, compete, competitive, demand, supply, market, business, segment, unit, subsidy, industry, license, patent, outsource, promotion.
Investment	Invest, expand, dispose, "asset sale", "asset purchase", spend, "capital expenditure", acquire, develop, construct, install, capacity, relocate,

Topic	Keywords
	remodel, refresh, overhaul, upgrade, maintain, repair, open, close, "write-off", PP&E, "property, plant and equipment" subsidiary, joint, venture, JV, partner.
Finance	Finance, financing, financial, liquid, borrow, covenant, debt, debenture, principal, creditor, liability, equity, "capital resource", loan, "line of credit", leverage, fund, repurchase, "stock purchase", "share purchase", "commercial paper", "bank credit", "pay interest", principal, swap, lease, hedge, dividend, interest.
Employee	Compensation, salary, bonus, grant, award, pension, retirement, health, care, employee, labor, labour, union, director, chairman, president, director, CEO, CFO, COO, CIO, manager, executive, worker.
Macro economy	Economic, world, country, population, environment, government, inflation, ASEAN, "Central Asia", " Southeast Asia ", " South East Asia", "East Asia", "per capita", GDP.
accounting	Accounting, GAAP, FAS, FASB, SC, contingency, record, "impairment test", "financial statement", FRS, MFRS, IAS, IFRS, MASB.
Strategy	Mission, vision, strategy, policy, goal, proposal, target, programme, plan, objective.