

The role of corporate governance in preventing mistated financial statement

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Abstrak

ABSTRAK

The purpose of our study is to empirically investigate the relation between certain corporate governance mechanisms and the likelihood of a company having accounting problem, as evidenced by a misstatement of its earnings. We use public listed firms in JSE as our sample, with total samples of 160 firms-years. Our study finds that proportion of independent board, proportion of institutional ownership, and audit quality is significantly have negative relationship with the probability of restatement. These results suggest that those governOJtce mechanisms are able to prevent misstated financial misstatement. But, we find that three governance mechanisms board size, existence of audit committee, and block holders - do not have significant relationship with the probability of restatement.

Keywords: restatement, corporate governance, independent board, board size, audit committee, institutional ownership, block holders, audit quality.