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## **Corporate Governance and Earnings Conservatism in Malaysia**

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### **ABSTRACT**

The objective of this paper is to examine whether earning conservatism is enhanced after the amendment of corporate governance code in 2007 (MCCG 2007). We hypothesized that earnings conservatism increase after the amendment of MCCG 2007. Based on conservatism model by Basu (1997) we find that MCCG 2007 enhance earning conservatism and among the corporate governance variables that contribute to the enhancement are board accounting qualification, audit committee expertise and number of audit committee meetings. Nevertheless, board independence provides no support that it enhances earning conservatism even though there is an increment in percentage of non-executive directors as well as independent non-executive directors after MCCG 2007. Our result concludes that earning conservatism enhancement is influenced by Malaysia's institutional setting.

**Keywords:** Earning conservatism, Malaysia, corporate governance, institutional culture