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Unveiling the transition: Factors influencing true and fair view reporting in the accrual-based accounting migration of Malaysian federal statutory bodies

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ABSTRACT

This study delves into the factors impacting the adoption of true and fair financial reporting during the transition to accrual accounting in Malaysian Federal Statutory Bodies (FSB). Despite administrative reforms from the 1980s to the most recent reformation, Malaysia's public sector performance has lagged, prompting this investigation into the adoption of Malaysian Public Sector Accounting Standards (MPSAS) and accrual accounting in response to the delayed performance of Malaysia's public sector. The research was based on self-administered, Five Likert-scale questionnaires distributed to all heads of public accountants in 132 FSBs. There were 99 questionnaires returned for analysis. The final analysis used 99 usable responses, and the data was analyzed using SPSS. The results indicated significant correlations between Economic Consequences, Political Interventions, and True and Fair View reporting. Economic consequences were found to have the most significant impact on true and fair reporting, supported nuanced relationships, and political interventions. The findings of the regression analysis provided evidence for intricate associations, however, it is important to realize some constraints methods were acknowledged, such as demographic limits and the reliance on quantitative methodologies. The independent Board of Directors (BOD) and the higher-level management ensure those factors, such as the impact of Political Interventions on the reporting process under their scrutiny, as well as take proactive implementation measures to prevent the escalation of the management level from worsening. Top management can ensure that, the economic decisions made have to be thorough, as they dramatically impact reporting. The study provides valuable insights into financial reporting dynamics, suggesting avenues for future research to address identified limitations and incorporate qualitative methodologies.

Contribution/ Originality: The paper contributes to policy and institutional theory on the factors influencing true and fair view reporting due to the accrual-based accounting migration of Federal Statutory Bodies in Malaysia. The paper focuses on the Malaysian Public Sector, and there is very niche empirical evidence on the subject.

1. INTRODUCTION

Johari, Mohd Shamsudin, Fee Yean, Yahya, and Adnan (2019) highlight that the Malaysian government has implemented a series of administrative reforms since the early 1980s to improve the efficiency and effectiveness of public service delivery. According to Lee (2020), institutional reforms in Malaysia occurred in reaction to the perceived deficiencies of the government led by the current coalition, "Barisan Nasional (BN)". These shortcomings were often attributed to underlying governance emphasized in the election program and campaign speeches of the "Pakatan Harapan (PH)" party, which led to pervasive corruption and financial scandals. Consequently, the recently established government, led by PH prioritized the implementation of institutional reform. Their electoral manifesto includes 19 commitments categorized as "institutional and political reform" under Pillar 2. Unlike the economic promises in Pillar 1, these obligations will be implemented within the next five years. The executive branch, particularly government administration, has emerged as a crucial focus for institutional reform. Despite these modifications, Malaysia's public sector organizations have fallen short of expectations regarding overall performance. The country's competitiveness ranking experienced a descent from 12th in 2013 to 14th in 2014, further declining to 19th in 2015, 18th in 2016, 23rd in 2017, 25th in 2018, and 27th in 2019. This standing significantly lags behind Singapore, which has consistently secured the top position worldwide, according to The Global Competitiveness Report 2010-2019 (2019) and the International Institutes of Management Development (IMD) World Competitiveness Report. Despite the issuance of Treasury Circular PS 1.2/2020 and the Finance Circular, the transition to the Malaysian Public Sector Accounting Standard (MPSAS) and accrual accounting system is still in its early stages within the public sector, including Federal Statutory Bodies (FSB).

Although both standards are based on accrual accounting, significant disparities have led to a variety of accounting challenges. The main difference comes in their respective reporting goals, with MPSAS focusing on public accountability and predominantly funded through government taxes. At the same time, the Private Entities Reporting Standard (PERS) is intended for the corporate sector, and places emphasis on investors and creditors as its primary stakeholders. Accrual accounting, as defined by the International Public Sector Accounting Standard (IPSAS), involves recording transactions and events when they happen, only when they are received, paid, or their equivalent. As a result, it is recorded in the entity's transactions in its accounting records and shown in its financial statements, which include items in the income statement, balance sheet, and cost analysis.

On the other hand, most private-sector companies have fully adopted the accrual accounting system and are now enjoying its numerous advantages. This study examines the factors that affect the implementation of accurate and transparent financial reporting when public sector entities, specifically Federal Statutory Bodies (FSB) in Malaysia, transition to accrual accounting. The New Public Financial Management (NPFM) initiative aims to replace conventional cash-based accounting systems in government entities with accrual-based IPSAS. This transition is driven by the understanding that accrual-based IPSAS offers more accurate and comprehensive data on government solvency, assets, and the expenses associated with public services. International professional accounting organisations are advocating for governments worldwide to adopt accrual-based IPSAS standards, actively participating as legitimate stakeholders and advocates for this cause.

Marzuki and Shukri (2019) posited that the predominant focus on efficiency studies pertains to listed enterprises due to market forces' demand for their effectiveness. State-owned enterprises receive less research attention, primarily due to extensive government intervention. However, bureaucratic interference, captive equity, conflicting objectives, and inadequate managerial incentives often perceive these enterprises as contributors to corporate inefficiency. The government's significant influence results in relationship-based contracts, fostering ties with critical stakeholders like governments, banks, and financial institutions, leading to governance inefficiency and suboptimal firm performance. Notably, evidence is scarce regarding Malaysia's state-owned enterprises (SOEs) performance. Existing literature on state-owned enterprises predominantly concentrates on developing nations such as China and Hong Kong, yielding diverse findings. In a parallel vein, Najaf and Najaf (2021) observe that the prevalence of politically connected businesses is increasing globally. Although numerous studies have been conducted, there is a divergence in evidence regarding the impact of political connections on corporate value. Extensive empirical research suggests that political connections play a role in cultivating valuable resources that can enhance corporate value, including increased access to loans, reduced taxation, and subsidies to affiliated corporations. Empirical evidence indicates that political ties can influence business performance through enhanced efficiency, with individuals possessing political connections shown to contribute to improvements in the quality of firm performance.

The inadequacy of robust financial disclosure laws represents a significant deficiency, further exacerbated by the dearth of experienced accountants among the Members of the Legislative Assembly (MLAs). Professional entities within the private sector, such as the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants, have displayed limited commitment to fortifying financial reporting within the public sector. Consequently, there exists a divergence in substance and format among financial reports of MLAs, compelling exploration into their disclosure procedures (Teruki, Nyamori, & Ahmed, 2019). Saleh, Isa, and Abu Hasan (2021) highlighted the Malaysian government's initiation of the New Economic Model (NEM) 2011-2020 in 2010. The overarching objective of this model is to foster the development of "high-skill human capital, efficient public services, a revitalised private sector, and fair opportunity for all Malaysians". Within the NEM, Strategic Reform Initiative 4 (SRI 4) is specifically designed to enhance the public sector through various policy measures, including implementing accrual accounting. The adoption of accrual accounting is positioned as a transformative policy initiative to facilitate the management of assets and liabilities within the public sector. Given the prolonged nature and substantial monetary involvement associated with many government assets and obligations, effective asset-liability management is critical for ensuring long-term fiscal stability. Consequently, research endeavours become imperative to ascertain the accomplishment of the objectives outlined in the NEM.

Enhancements are necessary to improve the quality and relevance of reporting, thus increasing transparency and accountability (Abdulkarim, Umlai, & Al-Saudi, 2020). Nevertheless, Abdulkarim et al. (2020) highlight the possible difficulties linked to adopting accrual-based accounting standards, pointing out the significant expenses involved in implementation, discrepancies in accounting systems, and the necessity to enhance the skills of public sector employees. The intricacy is exacerbated by the widespread utilisation of cash-based or modified cash-based budgeting methods in numerous countries. Notably, accounting transparency is of the utmost importance to users, professionals, and the general public. The current environment has increased the importance placed on the public sector or government disclosure of financial statements and performance. The scarcity of scholarly investigations in public sector accounting is especially alarming in light of the heightened interest and consciousness of stakeholders, such as taxpayers and the general public, concerning the use of public funds.

For research gaps, according to Rautiainen and Luoma-aho (2021), there may be entities with vested interests in the data and financial condition, despite the incongruence of the new public management trend with the public sector's unique circumstances. Consequently, plethora of research has been conducted on a multitude of studies, predominantly concentrating on the private sector and encompassing diverse facts. The deficiency of scholarly investigations in the public sector constitutes a noteworthy research gap that merits further examination and discussion to yield valuable insights. Research on the audit expectations gap has predominantly focused on the commercial industry, leaving the public sector relatively unexplored (Parker, Jacobs, & Schmitz, 2019). A public expectation exists for increased government accountability to ensure the judicious utilisation of taxpayers' funds. The researcher can evaluate the effectiveness and transparency of accounting communication based on the information, the timeliness of information, and the practical utility of the data. While Institutional Theory has been extensively employed in social science perspectives, its application in political science remains relatively understudied (Mahmud, 2017).

Concerning the abovementioned issues, it is imperative to critically examine the research on the public sector, particularly in light of how political intervention and economic repercussions impact the accuracy and impartiality of reporting by Federal Statutory Bodies. To increase accountability, Malaysia has implemented public sector reforms since the 1980s, including the New Public Management (NPM) phase (1981-2005) and the Government Transformation Programme (GTP) since 2009. The public sector in Malaysia exhibits a lack of progress in performance, as evidenced by its declining competitiveness ranking. The public sector has yet to fully embrace accrual accounting, which has led to an inquiry into the various factors that may influence the provision of accurate and fair financial information during the transition, focusing on Federal Statutory Bodies (FSB) in Malaysia. This study would help boost performance and accountability in the public sector, especially when the government initiates a migration to accrual accounting standards. Adhikari, Kuruppu, Ouda, Grossi, and Ambalangodage (2021) mentioned that the existing accounting practices in emerging economies, typically based on the cash principle, have been criticised for being inadequate. The World Bank and other international organisations have been pushing to adopt International Public Sector Accounting Standards to improve public sector governance and accountability. However, the reforms have faced resistance, internal conflicts, and unintended consequences, including the fabrication of results.

Besides that, due to market demands, less research primarily focuses on the efficiency of listed enterprises, while State-owned enterprises receive less attention due to government intervention. Bureaucratic interference and inadequate incentives are perceived State-owned enterprises as contributors to inefficiency. Government influence results in relationship-based contracts, causing governance inefficiency. Limited evidence exists on Malaysia's state-owned enterprises, and global studies show a rise in politically connected businesses. Divergent evidence exists on the impact of political connections on corporate value, with research suggesting positive effects, including enhanced access to resources and improved business performance. Other than that, there is a lack of experienced accountants in legislative assemblies and the inadequacy of financial disclosure. Private-sector professional organizations are limited to fortifying financial reporting in the public sector. This leads to divergent financial reports among legislative members, prompting an exploration of their disclosure procedures. Saleh et al. (2021) highlight Malaysia's New Economic Model (NEM) 2011-2020, aiming for skill development, efficient public services, private sector revitalization, and fair opportunities. Strategic Reform Initiative 4 (SRI 4) within NEM advocates accrual accounting implementation for enhanced public sector management, which is crucial for long-term fiscal stability. Research is essential to assessing NEM objectives. Therefore, the study has to rigorously look at political intervention and economic consequences, as both will significantly impact true and fair reporting.

Research frameworks are based on the research questions and research objectives. Specifically, this article intends to find answers to the following research questions: (1) Does Political Interventions influence the true and fair view reporting of Federal Statutory Bodies? and (2) Does Economic Consequences influence the true and fair view reporting of Federal Statutory Bodies?

Therefore, the articles aim to achieve the following research objectives: (1) To assess the influence of Political Interventions on the true and fair view reporting of Federal Statutory Bodies and (2) To evaluate the influence of Economic Consequences on the true and fair view reporting of Federal Statutory Bodies.

In conclusion, the survey questionnaires have been emailed to the heads of accountants, as they are responsible for completing the financial statement's reporting part. Ninety-nine heads of accountants were chosen randomly to be the sample respondents out of 132 populations. Ninety-nine questionnaire surveys were sent to 99 heads of public accountants at 99 FSBs. The study received 99 responses, and all responses met the standard set in terms of completeness and were used for final analysis. The data was then analyzed using SPSS to find the reliability test (Cronbach Alpha) and Multiple Linear Regression.

2. OVERVIEW OF THE LITERATURE

2.1. True and Fair View Reporting

The term "true and fair" originated in the United Kingdom in 1948, portraying a concept that demands the exercise of judgment by accountants and auditors (Stacy, 1997). To ascertain whether a set of financial records provides a "true and fair" evaluation of a situation, both accountants and auditors must apply their discernment, expertise, and professional judgment. The UK Companies Act explicitly defines the concept of "True and Fair View" (TFV) in Section 226(2), requiring that the balance sheet and profit and loss account faithfully represent a company's financial position and performance. The balance sheet should accurately portray the company's financial standing at the end of the fiscal year. At the same time, the profit and loss account must faithfully reflect its profit or loss during that period. Professionals in accounting and auditing are well-acquainted with the principles of "true and fair view" (TFV), which serve as the foundational principle for audited financial statements. The mandate to present a True and Fair View (TFV) originated in the 1948 Companies Act in the United Kingdom, coinciding with the establishment of accounting standards (Jayalakshmy, Seetharaman, & Khong, 2005).

In this study, Ullah, Hazelton, and Nelson (2021) seek to assess the quality of financial reporting by applying established accounting concepts widely utilised in previous scholarly investigations. The operationalisation of "quality" financial reporting aligns with the criteria delineated in the Characteristics of Accounting Information by the Financial Accounting Standards Board (FASB) and the Australian Accounting Standards Board, both extensively documented and formally recognised within the sustainability reporting domain. The qualitative attributes utilised for evaluating reporting quality include understanding, completeness, correctness, verifiability, comparability, and timeliness, as the Australian Accounting Standards Board (AASB) specified. Teruki et al. (2019) define financial disclosure as the intentional release of financial information, whether numerical or qualitative, through mandatory or voluntary means and via formal or informal channels. Various studies exploring disclosure practices in the public sector have focused on the benefits of presenting financial information and scrutinised the quality of disclosure.

Muraina and Dandago (2020) state that in light of the global financial crisis in the previous decade, several governments worldwide have taken significant steps to improve the supervision of their public finances. Public sector organisations worldwide are adopting different managerial accounting strategies to enhance accountability and transparency and minimise financial inefficiencies, following the guidance of the International Federation of Accountants. This entails the adoption of accrual-based International Public Sector Accounting Standards (IPSAS). The implementation of accrual-based IPSAS significantly improves the adoption and management of government money, leading to more efficient financial management. Saleh et al. (2021) emphasised that the International Public Sector Accounting Standards Board (IPSASB) has developed and distributed IPSAS, including cash-basis and accrual-basis standards. The objective is to improve the integrity of financial reporting and provide uniform accounting procedures for government entities. A considerable element of IPSAS derived from International Financial Reporting Standards (IFRS), developed expilicitly for the private sector, guaranteed uniformity in financial reporting. When IFRS does not cover financial reporting difficulties or is irrelevant to it, a new set of standards has been created. The current endeavour undertaken by IPSASB aims to promote the widespread use of IPSAS by governments worldwide. This involves actively creating and updating IPSAS standards and offering comprehensive financial reporting guidelines tailored explicitly for the public sector. This undertaking also includes raising knowledge of IPSAS and the benefits of implementing accrual accounting, as outlined on the IPSASB website.

2.2. Political Interventions

Corporations with significant political influence wield an imbalanced level of power compared to other companies. Companies involved in auditing face substantial risk (Bliss & Gul, 2012). Political firms exhibit inferior financial performance relative to their non-political counterparts (Khelil, Khlif, & Amara, 2022). A thorough investigation uncovers the mechanisms and reasons behind the impact of political relations on economic development. In emerging nations, the prevalence of political connections is heightened due to lax legislation. Politically affiliated firms face the issue of agency due to a lack of both external and internal controls. Monitoring and controlling shareholders makes them more likely to engage in conflicts. In their research, Najaf and Najaf (2021) discovered that enterprises with political connections experience substantial agency costs, and financial incentives drive the top management. Consequently, it has the most harmful impact on a company's value. Due to their political influence, politically connected boards are more prone to creating conflict between owners and employees.

Magro and Klann (2021) said the influence of political affiliations plays a pivotal role in shaping the level of transparency and can potentially amplify corruption, particularly in developing economies. There is the potential for politicians to manipulate the information that corporations release to the public. Political associations could indicate inferior accounting quality in nations characterized by deficient legal principles, heightened corruption, diminished transparency, and reduced judicial autonomy—such as the prevailing conditions in Brazil's business landscape. Politicians participating in the practice of Board of Directors (BOD) involvement support adopting opportunistic accounting techniques to mask deficient resource management within private enterprises. This behaviour gives rise to information asymmetry and a consequent deterioration in the quality of accounting information. According to Harun, Van Peursem, and Eggleton (2012), changes in political power movements and political dynamics can impact public sector management and accountability systems in economically challenged countries. The national modifications provide opportunities for technocrats working at the Ministry of Finance and other relevant organizations to convert creative ideas into accrual accounting rules and practices.

According to Yudhanti and Tjahjadi (2021), politically connected entities are perceived as lacking in social responsibility and have a lower level of transparency in their stakeholder engagement. Based on the latest research, it has been found that organizations with political affiliations do not play a role in strengthening the overall size of a company or in promoting social responsibility declarations. Companies that are politically connected typically disclose information to the public less transparently, mainly when the information is provided willingly. According to Liljeblom, Maury, and Hörhammer (2020), majority state control in China is linked to more significant political advantages than minority ownership, resulting in better performance. Abdallah and Ismail (2017) found that the positive impact of corporate governance on performance is most pronounced in Gulf Cooperation Council (GCC) states where the government or local enterprises hold majority ownership. Nirwana and Haliah (2018) found that political concerns influence the quality of financial accounts. The influential political factors will impact the quality of the financial statements. Formal or informal interactions between top company executives and municipal authorities might develop political linkages. It is said that developing a close political partnership with China offers a chance to accomplish two essential globalisation goals: obtaining technology from developed nations and securing investments in the actual economies of emerging economies. Additionally, voluntary disclosure can be viewed as a workable policy choice by some political factions. Political connections may cause serious agency issues, resulting in worse profit quality and unclear financial reporting (Yudhanti & Tjahjadi, 2021).

Nwobu and Ngwakwe (2020) found a relationship between political regimes and corporate responsibility reporting in African nations. It finds that fully democratic countries demonstrate greater transparency in corporate disclosures than those under full autocracy, attributing this to the influence of pressure groups. Autocratic nations, characterised by concentrated governance under a single leader, show contrasting dynamics. Political intervention by the regime types significantly shapes corporate responsibility reporting. The research emphasises the importance of control variables like government effectiveness and regulatory quality in assessing governance. It argues that a government's ability to formulate effective policies and stakeholder perceptions of societal rules have an impact on corporate reporting. Furthermore, the study asserts that a country's political regime influences corporate financial reporting through pressure group influence. In conclusion, it underscores the substantial impact of government effectiveness and political regime on corporate responsibility reporting, shaping organisational behaviour and report prevalence.

The previous conversation laid the groundwork for the idea that political action and the expression of honest and impartial opinions are significantly correlated. The first hypothesis statement of the investigation is as follows:

H_1: Political intervention positively correlates with 'true and fair view' reporting.

2.3. Economic Consequences

Malaysia has restated its dedication to combating corruption and fostering effective governance to guarantee sustained economic growth and prosperity. Malaysia has faced criticism for its corruption, but it is also projected to be making progress towards its goals, especially given the challenging economic circumstances. According to a recent poll done by Ernst & Young, the government's Performance Management and Delivery Unit (Pemandu) did not succeed in ensuring economic growth (Johari, Alam, & Said, 2021). Previous research has shown that transparency lowers the costs of equity and debt, improves the stock market's liquidity, reduces the risk of estimates, and decreases bid-ask spreads. Our analysis has confirmed these findings (Wardhani, 2019). The annual report's trustworthiness directly influences how much the disclosed information affects the company's financial performance. Makhaiel and Sherer (2018) discovered that the quality of financial reporting in Egypt has been significantly influenced by political-economic reforms, particularly those associated with privatisation. This transformation has been facilitated by various means, including revitalising the Stock Exchange, implementing new regulatory laws governing the stock exchange, and heightened competitive pressures aimed at fundraising activities.

The Twelfth Plan 2021-2025 incorporates strategies and initiatives to safeguard national security and sovereignty to achieve sustainable socioeconomic development in the long run. The government will prioritise digitalisation, citizen participation in decision-making, project implementation, and coordination among the three levels of government. Integrity and transparency, along with a comprehension of the existing deficiencies in skills, governance structure, and programme administration, can facilitate the advancement and enhancement of the public sector. The key objectives for implementing the Twelfth Plan are establishing an efficient and effective civil service, advancing a comprehensive government strategy, and enhancing budgeting and management capabilities. According to their research, Wu, Gao, Chen, and Li (2016) said that economic repercussions may make a company's future operations riskier and more uncertain. Consequently, restatements are commonplace, preceding financial difficulties. Additionally, restating financial statistics could be detrimental to the reputation and image of the company. This could potentially escalate the risk associated with the organization's data and erode investor confidence in the company, potentially culminating in financial challenges. Following restatements, an organization may encounter several adverse financial consequences, including substantial fluctuations in stock prices, alterations in management staff, terminations of auditors, an increased vulnerability to information leaks, legal proceedings, and other outcomes (Gao & Jia, 2021). Promoting integrity has become a crucial component of government innovation in most nations.

The empirical research demonstrates a substantial and positive association between foreign direct investment (FDI) and economic growth. Given these discoveries, the government must give precedence to monitoring the influence of foreign direct investment on economic growth. FDI can drive economic growth by creating extra employment opportunities, contributing to an increase in the gross domestic product (GDP). The Malaysian Investment Development Authority (MIDA) has recognised a significant shortfall in FDI in the country. Prior to 2021, the present Malaysian administration must enhance its endeavours to attract foreign investment, considering its substantial ramifications. One possible approach could involve creating a conducive climate to attract more FDI. The administration can use the current circumstances by issuing new economic reform packages and adopting more effective economic policies. Therefore, it becomes evident that there is a risk of compromising the accuracy and integrity of financial reporting, which requires closer scrutiny in these investigations. The preceding discussion aims to formulate a robust hypothesis positing a positive correlation between economic outcomes and financial information's accurate and unbiased presentation. The second hypothesis statement of the investigation is as follows:

H_2: Economic consequences positively relate to the 'true and fair view' reporting.

2.4. Underpinning Theory: Institutional Theory

Baker, Bédard, and Prat Dit Hauret (2014) argue that neo-institutional theory, initially introduced through Weber's metaphorical depiction of bureaucracy as an "iron cage" in 1947, has transformed into a research paradigm with substantial influence across a range of social science disciplines. Originating in sociology, neo-institutional theory has transcended into academic domains such as political science, organizational behaviour, and strategic management. Its significance in accounting research is notable, extending to examinations of the accounting profession, accounting regulation, and the regulatory role of the Securities and Exchange Commission (SEC). Grounded in institutional theory, it recognises the enduring impact of institutional forces throughout various processes. The Customs administration remains vulnerable to coercive, mimetic, and normative influences from its organizational environment, including suppliers, customers, professional networks, and government authorities. The inherent uncertainties and complexities associated with Risk Management projects contribute to this susceptibility (Alsharari, 2022). Institutional theory underscores the pivotal role of political and institutional achievements in cultivating public trust. It posits that these accomplishments stem from confidence in social structures and the endorsement of government institutions. Furthermore, according to institutional theory, the efficacy of government can swiftly bolster public confidence, underscoring the criticality of political institutions in fostering trust. A well-functioning system is posited to elevate levels of trust, emphasising the significance of establishing equitable and unbiased political procedures and institutions in promoting confidence (Yoon, 2020).

According to Bell and Lundblad (2011), Institutional Theory primarily examines alterations in organisational policy to evaluate the influence of external pressure on the choice to reveal the truth. Institutions enact policies that encompass deep legal, economic, and social intricacies, particularly the external pressures put on businesses by local-level legal mandates, regulations, and customary norms. Organisations maintain their "status and legitimacy" by adhering to formalised sets of agreements, rules, conventions, and traditions that entities and individuals are expected to abide by, as proposed by the institutional theory by Bruton, Peng, Ahlstrom, Stan, and Xu (2015). According to Dacin, Goodstein, and Scott (2002), institutional pressure—which they classify as "functional pressure," "political pressure," and "social pressure"—may arise from the coexistence of disparate and contradictory ideas and behaviours. Thus, institutional theory fits well with the study's theoretical framework, which traces the development of accounting standards, examines government efforts to improve regulation and accountability, and concludes with shifts caused by institutional pressure. This study effectively shows how the organisational structure incorporates institutional theory, which is corroborated by Haladu and Salim (2016).

Rana, Ahmed, Narayan, and Zheng (2021) describe neo-institutionalism as a socio-political philosophy that centres on institutionalising structures, including schemas, rules, norms, and routines, within political, social, and economic practices. Global attempts at New Public Management (NPM) reforms, emphasising performance and accountability, have significantly influenced the organisation and execution of labour, service supply, and conduct. Moreover, based on new institutional theory, Polzer and Reichard (2020) argued that laws, procedures, prevailing accounting traditions, and past government reform experiences are all examples of institutional contexts that significantly impact socioeconomic aspects of life. Accounting professionals' responses to factors affecting "true and fair view" reporting in light of implementing harmonised accounting standards through MPSAS is an essential example of the fundamental question of institutional analysis. De Silva Lokuwaduge and De Silva (2020) highlight that institutional theory and new institutional sociology have become well-recognised in public accounting. As per institutional theory, organisations strive to embrace the social norms, processes, practices, and structures that are considered socially acceptable. As per Alsharari (2020) the study highlights the interconnectedness of social and economic issues, the susceptibility of public organisations to institutional limitations, and the significance of external competition and innovative communication in budgetary reform processes. These findings can be confirmed by doing further case studies that examine the relationship between macro- and micro-levels of institutional restructuring. Hence, institutional theory is the optimal theoretical framework to utilise in policymaking. Institutional theory, also called institutionalism, examines how institutions influence and facilitate human behaviour. It recognises that institutions operate within a broader societal framework that includes various institutions. The Malaysian government implemented the accrual accounting system as a replacement for the modified cash-based accounting system to enhance accountability and transparency (Ahmad, Abul Hassan, & Ismail, 2023). For elucidating the framework, Institutional Theory emerges as the most fitting option, exerting influence on both the framers of the framework and the regulators and standard-setters. According to Polzer and Reichard (2020), this change prompted Malaysian government agencies and other organisations to adopt a more unified accounting system, significantly impacting financial statement reporting.

3. METHODOLOGY

3.1. Research Design

The data will be gathered and examined solely from a single source, specifically the primary data collection. The main method of gathering data will involve distributing self-administered questionnaires that consist of closed-ended questions presented in a Likert-Scale format with five items. The questionnaires will be given to Accounting Personnel, specifically the Chief Financial Officer (CFO) or the head of the accounting department, who possess a minimum of 3 years of experience or hold a position comparable to Grade 41 or above in the Federal Statutory Bodies. These individuals should have an extensive understanding of reporting. The questionnaire was segmented into several sections, including Section A (10 items), Section B (10 items), Section C (10 items), and Section D (10 items). Section A includes the respondents' personal information, and the items were developed based on the studies by Abdulkarim et al. (2020) and Naysary, Salleh, and Abdullah (2020). Section B comprises Questions 1 to 10, which pertain to a "True and fair view." These questions draw from the works of Cheung, Evans, and Wright (2010), Tarr and Mack (2013), Jayalakshmy et al. (2005), Ullah et al. (2021), and Puroila and Mäkelä (2019). Questions 11 to 20 in Section C focus on the topic of "Political interventions" and are based on the works of Najaf and Najaf (2021), Yudhanti and Tjahjadi (2021), and Magro and Klann (2021). Questions 21 to 30 in Section D are about "Economic consequences" and are adapted from the studies of Wu et al. (2016), Wardhani (2019), and Ahmad et al. (2023). Beyond the visual format of the questionnaires, the inquiries are articulated in a bilingual manner, encompassing Malay and English. This strategy is implemented to avoid misinterpreting question meanings and mitigate potential language barriers. The translation of the original English measures into Malay was undertaken to enhance the accessibility of the questionnaire, considering the national language is Malay and the predominant ethnic background of Public Sector Employees in Malaysia (Johari et al., 2019).

3.2. Population and Sampling

There are 132 FSBs in Malaysia. Based on Krejcie and Morgan (1970), the minimum required sample size is 97. According to Gpower, the study requires distributing questionnaires to 75 respondents. All the remaining respondents were assigned equal importance. This technique was deemed the most cost-effective and straightforward for the populace. Therefore, the sample gathered will consist of 99 respondents. The data was obtained through an online methodology. Initially, appointments will be arranged beforehand with all respondents via telephone or email to prevent any delay in obtaining a reply. The email will adhere to a specific structure, with the questionnaire attached either as an electronic survey or in Google Forms. Additionally, contact details will be provided for any issues or concerns. The respondents need to click on the hyperlink. If the connection is unresponsive, they can promptly contact the provided information to resolve the issue expeditiously. The primary advantage of electronic surveys is the significant time savings for researchers, as they are no longer required to gather data physically. Importing data into specialised statistical tools or spreadsheets for thorough analysis is straightforward.

3.3. Validity and Reliability

The constructed questionnaires have been undergoing pre-testing to ensure validity and reliability. In this study, two validity measures have been employed: face validity and content validity. Face validity involved the pre-testing phase of the questionnaire, wherein the final questionnaire was sent to three academicians or subject matter experts in public sector accounting to verify that the questions aligned with the research objectives. Content Validity entailed expert review conducted by Chief Finance Officers or heads of Federal Statutory Bodies' accountants to ensure the government context's suitability. To prevent conflicts of interest, content validity testing involved two academicians, one internal and one external, along with two industry experts—one currently practising in a significant Federal Statutory Body as an accountant and one who was previously a practitioner in the Federal Statutory Body and is now an academician. The diversity of validators ensures the robustness of the questionnaire content. The feedback from the validators was considered seriously for any necessary amendments, although no significant comments were received.

Nunnally (1994) and Lavrakas (2008) provided insights into Cronbach's alpha, also referred to as the coefficient alpha, introduced by Cronbach (1951) as a tool to assess the reliability or internal consistency of a scale or test. The term "reliability" is often used interchangeably with "consistency." Cronbach's alpha assessments evaluate the reliability of surveys that employ Likert-scale formats with multiple questions. Many inquiries focus on latent variables, representing concealed or inherently unknown attributes like an individual's conscientiousness, neuroticism, or openness. The accurate measurement of these variables presents significant challenges in practical scenarios. Cronbach's alpha functions as a statistical measure to gauge the degree of correlation among a set of examined items. Commonly, Cronbach's alpha used to assess internal consistency, is mainly applied when a survey or questionnaire includes multiple Likert items forming a scale, aiming to evaluate the scale's reliability. A comprehensive guide to Cohen's kappa is available for those dealing with inter-rater reliability and may prove beneficial. As a statistical measure, Cronbach's alpha evaluates the internal consistency of a set of items, indicating the extent of their interdependence and serving as an indicator of measurement scale reliability. It is crucial to note that a high alpha value does not inherently imply a unidimensional metric.

Furthermore, further inquiries may be conducted to prove the one-dimensional nature of the gauge in question and confirm its internal coherence. A high alpha coefficient indicates a significant correlation between the test items. Nevertheless, the number of test items also influences it. A rise in the number of factors could lead to a proportional increase, while a decrease in the number of factors could potentially result in a decrease. If the alpha value is high, the questions are likely redundant. Tests with low alpha values may be insufficient regarding the number of questions. Incorporating additional pertinent elements to enhance the alpha into the test. Inadequate interrelatedness among test items or assessing several latent variables can lead to low results. People are frequently misunderstandd the elements that contribute to higher and lower alpha scores. As a result, exams may be incorrectly ignored or labelled as lacking reliability. Tavakol and Dennick (2011), psychometrics professors, suggest that a deeper understanding of internal consistency and one-dimensionality is crucial for accurately using Cronbach's alpha. Cronbach's alpha assumes the questions assess a single latent variable or dimension. Suppose the measurement includes multiple dimensions, whether intentionally or unintentionally, and the test result may become devoid of significance. The examination can be divided into segments, each evaluating an underlying characteristic or dimension. Conduct a Factor Analysis to determine the existence of dimensions inside the test, especially if its unidimensional nature is questionable.

3.4. Data Analysis

The study employed frequency and descriptive analysis, correlation analysis, and multiple regression analysis. We conducted all analyses using SPSS. Frequency and descriptive analysis aim to predict how often specific values of a variable phenomenon may occur in order to assess the prediction's reliability, draw a conclusion about the distribution of the data, and aid in detecting errors and outliers. Correlation analysis intends to check the bivariate relationship between political intervention and economic consequences, public intervention to true and Fair View, and economic consequences to True and Fair View. We then employed multiple regression analysis to verify the formulated hypotheses.

The analysis statements simultaneously ascertained the influence of Political Interventions and Economic Consequences on True and Fair View. To determine response rates, divide the aggregate count of valid responses received by the number of eligible participants in the sample. The response rate of a study holds significant importance, as it directly impacts the study's credibility. A decrease in response rate can potentially reduce the collected data's statistical power and undermine the dependability assessment.

3.4.1. Correlation

Link analysis is a statistical tool to assess potential connections between two variables or datasets. Examining survey and poll data may involve using correlation analysis to identify significant patterns, trends, or associations. Correlation analysis is a widely employed statistical technique in research for measuring the linear correlation between two variables and determining the strength and direction of their association. It involves evaluating the extent to which changes in one variable correspond to changes in another. A robust correlation indicates a strong association, whereas a weak correlation signifies a feebler relationship. In scholarly investigation, quantitative data from surveys and live polls undergo correlation analysis to explore relationships, patterns, and significant connections between variables or datasets. As Johari et al. (2021) noted, applying correlation analysis aids in detecting multicollinearity, defined as substantial intercorrelations among two or more independent variables in a multiple regression model are strongly related to each other. This phenomenon poses a challenge, leading to instability in regression coefficients and hindering their interpretability. Multicollinearity can be detected through a regression model equation and the computation of Tolerance and Variance Inflation Factors (VIF). The Tolerance value can be obtained by subtracting the coefficient of determination (R^2) from 1, denoted as $T=1-R^2$. If the Tolerance value is less than 0.1, it indicates the presence of multicollinearity. Similarly, the VIF can be calculated as the reciprocal of 1 minus the coefficient of determination, denoted as $VIF=1/(1-R^2)$. If the VIF exceeds 10, it signifies the existence of multicollinearity.

A positive correlation signifies a direct association between two variables, indicating that an increase in one variable corresponds to a comparable increase in the other. Conversely, a negative correlation implies that an upward trend in one variable coincides with a downward trend in the other variable, and vice versa. The application of correlation analysis proves valuable in examining practical scenarios, especially when the researcher cannot manipulate certain variables. In this specific context, correlation analysis is employed to identify factors influencing the delivery of precise and impartial reporting by the federal statutory authorities in Malaysia. The researchers will conduct a correlation analysis of the variables. On the other hand, regression analysis encompasses a set of statistical procedures aimed at estimating associations between a dependent variable and one or more independent variables. Beyond assessing the strength of correlations between variables, this method holds promise for forecasting future relationships among them. According to John L.'s model, the rule of thumb for correlation is as follows: The correlation is considered perfect when the perpetual is 1. If it is 0.90 to 0.99, it is a robust correlation, 0.70 to 0.89 is a strong correlation, 0.50 to 0.69 is a moderate correlation, 0.30 to 0.49 is a weak correlation, 0.00 to 0.29 is a very weak correlation; and below 0 has no correlation. Table 1 presents the correlational association.

Table 1. Correlation association.

Perpetual X-axis	Conclusion of the correlation
$X=1$	Perfect correlation
$0.9\leq X$	Robust correlation
$0.7\leq X0.9$	Strong correlation
$0.5\leq X\leq 0.7$	Moderate correlation
$0.3\leq X\leq 0.5$	Weak correlation
$0<X<0.3$	Very weak correlation
$X=0$	No correlation

3.4.2. Multiple Linear Regression

Regression analysis can determine the presence of linearity, multiple linearity, or nonlinearity, with linear and multiple linear models being the most common choices. Analysts commonly use nonlinear regression to examine intricate datasets that involve nonlinear relationships between dependent and independent variables. This study will use multiple regression analysis because there is more than one predictor variable—specifically, eight predictors.

Consequently, we can represent the regression model as follows: In Malaysia, federal statutory bodies use correlation analysis to identify factors that influence precise and impartial reporting. The researchers will explore the correlation between these factors. Regression analysis comprises a set of statistical methods aimed at improving estimated relationships between one or more predictor variables and a response variable. Beyond assessing the extent of the relationship between variables, it can also serve as a means of predicting potential connections between them.

This study has the potential to employ multiple regression analysis to investigate the potential influence of various factors, including political interventions and economic consequences, on true and fair view reporting. The use of multiple regression analysis allows for evaluation of the model's overall adequacy in explaining observed variation and assessing the individual contributions of each predictor variable to the overall explained variance. The research examines the impact of political interventions and economic implications on the heterogeneity in True and Fair View (TFV) reporting. Furthermore, the research aims to ascertain the comparative impact of each independent variable in elucidating the observed variability.

4. EMPIRICAL RESULTS

4.1. Descriptive Analysis

Determining response rates will entail dividing the aggregate count of valid responses received by the number of eligible participants included in the sample. The response rate of a study holds significant importance, as it directly impacts the study's credibility. A decrease in response rate can potentially reduce the collected data's statistical power and undermine the dependability assessment. As a result, the implications of this will be reflected in the study's lack of reliability, thereby constraining the extent to which the research outputs can be applied to a broader population. Therefore, the likelihood of obtaining a high response rate is contingent upon the accessibility and availability of the target population. In cases where accessibility and availability are limited, the response rate is expected to be correspondingly low. Conversely, where accessibility and availability are great, the response rate is also anticipated to be high.

Hence, researchers must allocate additional time and effort towards examining the research subject, aims, inquiry, and target demographic. This will result in heightened response rates, consequently enhancing the credibility and publishability of their study. The questionnaires utilised in this study were disseminated electronically through Email and WhatsApp. Thus, the overall response rate is illustrated in Table 2.

Table 2. Sample descriptions and response rate.

Questionnaire (Google-form)	Number of questionnaires (Google-form)	Percentage (%)
Distributed	132	100
Valid returned	99	75
Invalid returned	0	0
Not return	33	25

Based on the data presented in Table 2, 132 questionnaires were distributed, accounting for 100 per cent of all disseminated questionnaires. Furthermore, among the 132 questionnaires, the researchers successfully retrieved all 99 completed questionnaires, resulting in a response rate of 75%. As a result, no incorrect responses were received, and 33 surveys were distributed but not returned. The researchers successfully gathered the number of questionnaires disseminated and achieved a response rate of seventy-five per cent, surpassing the seventy per cent recommended by Thomas, Utley, Hong, Korkmaz, and Nugent (2020).

Short summaries of the sample and measures of the data are provided as part of descriptive analysis. Table 3 displays the mean and standard deviation of the dependent and independent variables derived from the survey.

Table 3. Descriptive analysis.

Descriptive analysis of the variable		
Variable	**Mean**	**Standard deviation**
True and fair view	4.081	0.429
Political intervention	2.814	0.699
Economic consequences	3.660	0.570

The evaluation of all the items in the variables was conducted using a 5-point Likert scale. The descriptive analysis of all variables found that the mean value for the variable "true and fair view" is 4.081. Economic consequences between the independent variable factors show a higher mean at 3.660 than political intervention, which is 2.814. The standard deviation for a true and fair view is 0.430. Between the independent factors, the standard deviation of the economic consequences is 0.570, and the highest standard deviation goes to political intervention, which is 0.699. The economic effects exhibit the lowest standard deviation, while political actions display the most significant standard variance.

4.2. Reliability and Correlation Analysis

According to Table 4, Cronbach's Alpha is 0.73, indicating that 73% of the questions measuring the dependent variables in the research have a reliable, acceptable strength. The Cronbach's Alpha coefficient is 0.73, indicating a high level of internal consistency among the ten items used to measure the true and fair view effectively. The Cronbach's Alpha coefficient is 0.83, indicating that 83% of the questions measuring the independent variables in the research exhibit strong reliability. The Cronbach's Alpha coefficient of 0.83, obtained from a scale of 10 items indicating political involvement, suggests high internal consistency and reliability. Furthermore, Cronbach's Alpha coefficient is 0.84, indicating that 84% of the questions used to test the research's independent variables have a high-reliability level. The Cronbach's Alpha coefficient for the scale evaluating economic effects is 0.84, indicating a high level of internal consistency. The scale consists of a total of 10 items.

Table 4. Reliability statistic table.

Reliability statistic table		
Variable	**Number of items**	**Cronbach's alpha value**
True and fair view	10	0.73
Political intervention	10	0.83
Economic consequences	10	0.84

Table 5 presents the correlation between true and fair view reporting about political interventions and economic consequences among the heads of public accountants in Malaysia Federal Statutory Bodies. Referring to the table above, the Pearson Correlations between honest and fair perspective reporting and political interventions are -0.072, indicating a significantly weak negative link. Additionally, the analysis revealed a non-significant correlation with a p-value of 0.481, exceeding the threshold of 0.05. Hence, reporting a true and accurate representation does not align with political interference.

Referring to the data above, the Pearson Correlations indicate a connection of 0.368 between honest and fair view reporting and economic effects, demonstrating a somewhat low association. Additionally, it possesses a noteworthy level of 0.000, below the threshold of 0.05. Therefore, it may be illustrated that economic outcomes are associated with the true and fair view reporting.

Table 5. Correlation of the variable.

Correlation of the variable			
Variable	**TFV**	**PI**	**EC**
TFV	1	-0.072	0.368**
PI	-0.072	1	0.383**
EC	0.368**	0.383**	1

Note: **. Correlation is significant at the 0.01 level (2-tailed).

4.3. Regression Analysis

Based on Table 6, the Adjusted R-square value of 0.189 suggests a noteworthy finding, as it signifies that 18.9% of the variability in accurate and transparent reporting can be explained by taking into account political interventions, economic consequences, and the careful consideration of cost-benefit concerns, while also considering the sample size and number of predictors. Despite the coefficient's modest magnitude of 0.5, indicating a relatively weak model, it is worth noting that about 19% of the variance in the dependent variable can be explained by fluctuations in the independent variables. This finding offers valuable insights into the model's intricate dynamics.

Table 6. Model summary.

Model	R	R square	Adjusted R square
Model 1	0.463	0.214	0.189

Note: Model 1: Predictors: (Constant), EC scale avg, PI scale avg.

According to Table 7, political intervention and economic consequences, are accepted, and within the order are the significant predictors falling within this order. The significant value for political intervention is 0.050, and the economic consequences are 0.010. All of the significant values are below the p-value.

Table 7. Significant value for the independent variable.

Independent variables		
Variables	**t**	**Sig.**
Political interventions	-1.986	0.050
Economic consequences	2.622	0.010

The results of the hypothesis are as follows;

Hypothesis 1 (H_1): Political intervention's positive relationship with true and fair view reporting is not supported, as the actual result is that political intervention has a negative relationship with true and fair view reporting but is significant.

Hypothesis 2 (H_2): Economic consequences have a positive relationship with the true and fair view reporting, which is supported by the actual analysis and is significant.

Table 8 presents the analysis of the ANOVA table, which shows that regression model 1 has a significant value.

Significance of model:

H_0: The model is not significant.

H_1: The model is significant

The parameter is as per below:

If P-value is < α [1%, 5% and 10%], reject H_0, means H_0 is false, accept H_1.

If P-value is > α [1%, 5% and 10%], do not reject H_0, means H_0 is true, accept H_0.

The P-value for model 1 = (0.000) < 0.05; hence the result has Reject H_0. Therefore, model 1 is significant and can be used for the data analysis.

Table 8. ANOVA table.

ANOVA table for model 1:					
	Sum of squares	df	Mean square	F	Significant
Regression	3.854	3	1.285	8.619	0.000[d]

Note: d. Predictors: (Constant), PIScaleAvg, ECScaleAvg.

4.3.1. Normality Test Checking

Table 9 presents the Normality Test Checking analysis result on the Kolmogorov-Smirnov and Shapiro-Wilk.

Table 9. Normality test (Part 1).

Normality test:		
	Kolmogorov-Smirnov sig.	Shapiro-Wilk sig.
Standardised residual	0.013	0.001

H_0: The residual is Normally distributed.

H_1: The residual is not Normally distributed.

The P-value of the standardised residual according to both Kolmogorov-Smirnov and Shapiro-Wilk are above the α values of = 0.013 or 0.001 > 0.001 → do not reject H0. Hence, the residuals are Normally distributed.

4.3.2. Residual Statistics

Table 10 presents the analysis result of the Normality Test Checking on Mahal Distance and Cook's Distance.

Table 10. Normality test (Part 2).

	Mahal. distance	Cook's distance
Residual statistic	12.132	0.439

The maximum Mahal distance = 12.132 < 13.82 (critical value for 2 Independent Variables); hence, no outlier was detected.

The maximum Cook's distance = 0.439 < 1; hence, no unusual or extreme case was detected.

4.3.3. Multicollinearity Screening

The degree of multicollinearity in a regression model is measured by the Variance Inflation Factor (VIF), as shown in Table 11. In the context of a multivariate regression model, multicollinearity refers to the presence of a correlation among multiple independent variables in a multivariate regression model.

The VIF for economic consequences is 1.727, and for political intervention, it is 1.254. All VIFs are less than 10, hence no multicollinearity issue was detected for this model analysis.

Table 11. Coefficient table.

Dependent variable	Unstandardised coefficients		Standardised coefficients	t	Sig.	VIF
	B	Std. error	Beta			
(Constant)	2.949	0.308		9.565	<0.001	
Economic consequences	0.260	0.090	0.345	2.886	0.005	1.727
Political interventions	-0.125	0.062	-0.203	-1.997	0.049	1.254

4.3.4. The Model

General multiplication model: $Dependent\ Variable = \beta o + \beta 1\ IV1 + \beta 2\ IV2 + \cdots,$

4.3.5. Final Regression Equation Model

True and fair view reporting = 2.949 + $0.260X_1$ (Economic consequences) - $0.125X_2$ (Political intervention) + $\sum$.

According to the standardised coefficients, economic consequences in the Federal Statutory Bodies significantly impact true and fair view reporting, followed by economic consequences and political intervention.

4.4. Discussion of Findings

This study reveals a notable inverse relationship between political involvement and the achievement of accurate and unbiased reporting, especially noticeable in the public sector and federal statutory bodies. The findings significantly affect governmental institutions, politicians, and financial report preparers. They highlight the negative repercussions of political involvement on the objectivity and impartiality of financial reporting. The coefficient connection is statistically significant, as indicated by a p-value of 0.049, and has a negative t-value of -0.203. These findings emphasise the negative effect of political involvement on reporting quality. This discovery is substantiated by Magro and Klann (2021), who indicate that politicians serving on the Board of Directors tend to endorse opportunistic accounting practices, leading to information asymmetry and declining accounting information quality. The impact of politics, especially political will and competitiveness, on financial disclosure is acknowledged by Teruki et al. (2019). Empirical investigations by Khelil et al. (2022), reveal a negative correlation between political affiliations and financial reporting quality, with lower financial transparency attributed in politically affiliated entities to corruption scandals involving business entities and politicians (Najaf & Najaf, 2021). However, prior research suggests potential improvements in accounting practices with political connections, contributing to increased visibility and fraud detection (Yudhanti & Tjahjadi, 2021). Additionally, Keerasuntonpong, Dunstan, and Khanna (2015) find that public sector entities with political affiliations are more inclined to disclose additional information voluntarily to mitigate public scrutiny. Ongoing examination within federal statutory bodies in Malaysia aims to solicit accountants' perspectives on the detrimental impact of political activities on objective and impartial reporting, reinforcing participants' joint expression of the negative influence of political activities within their respective organisations.

This research underscores the positive influence of economic consequences, particularly digitalisation, on reporting true and fair views within federal statutory bodies in Malaysia. Digitalisation, as evidenced in the Twelfth Economic Plan and National Budget, has been endorsed for its efficacy by respondents and reputable sources like the IMB World Competitive magazine and The Malaysia Digital Economy Blueprint. Digitalisation is expected to enhance government efficiency, performance, and overall service quality, particularly in reporting. The privatisation of government organisations, while constituting a significant economic outcome, does not guarantee improved reporting quality due to instances of government involvement in resource allocation in transitioning economies (Wang & Judge, 2012). Government subsidies to federal statutory bodies as preferential treatment for government entities have noteworthy economic implications, particularly from their financial perspective. Improved financial performance and reporting, emphasised by Wang and Judge (2012), are considered advantageous for organisations. Moreover, the study addresses the government's Performance Management and Delivery Unit's failure to ensure economic growth, as indicated in a recent Ernst & Young poll (Johari et al., 2021). Transparency, as established in previous research, lowers equity and debt costs, improves stock market liquidity, reduces estimate risk, and narrows bid-ask spreads, findings confirmed in the analysis (Wardhani, 2019). Political-economic reforms facilitating privatisation significantly impact the quality of financial reporting (Makhaiel & Sherer, 2018), contributing to understanding economic ramifications influencing financial statement disclosure within the public sector by federal statutory entities. The research advocates for developing and implementing additional economic strategies and policies by governments to enhance financial reporting based on empirical research. The study provides valuable insights for governmental entities and accountants, emphasizing their crucial roles in ensuring policy feasibility and goal achievement through accurate and fair financial reporting. The robustness of the discovery is supported by a moderate correlation coefficient of 0.345, indicating a statistically significant association (p-value of 0.000), further reinforced by a statistically significant coefficient with a significance level of 0.005, demonstrating a more vital link than the predetermined threshold of 0.05.

5. CONCLUSION

5.1. Theoretical Implication

This study identifies a significant correlation between economic consequences, emphasising the paramount influence of economic factors among federal statutory entities in Malaysia. Moreover, these entities observe a pronounced inverse correlation between political interventions and the true and fair view reporting. The study extends the Institutional Theory by introducing new variables—political interventions, economic consequences, and concerns in governmental accountancy reporting—contributing to the theory's versatility across contexts. Focusing on Malaysian and federal statutory bodies, the study explores factors influencing true and fair view reporting, highlighting the preeminent roles of economic consequences and political interventions during reporting preparation. Theoretical contributions encompass the innovative conceptualisation testing economic consequences and political interventions—a unique analysis with significant results. Methodologically, the study adopts a quantitative approach, sending adapted questions to head accountants of federal statutory bodies, presenting a recent and noteworthy contribution to the Institutional Theory's research methodology.

5.2. Practical Implication

This study underscores the significance of economic consequences as positive factors influencing true and fair view reporting within federal statutory bodies (FSBs), while political interventions exert a negative impact. The findings provide valuable insights for policymakers, suggesting the need for robust regulations within Malaysia's FSBs to mitigate adverse influences on financial reporting. Policies addressing economic consequences and political interventions should be formulated and implemented to enhance reporting quality. The study emphasises the manageable transition to MPSAS 1, reducing misreporting due to preparers' familiarity and compliance. Role of the Independent Board of Directors and top management in ensuring minimal influence from factors like political interventions and addressing potential economic consequences in the reporting process. Successful initiatives, such as New Public Management Reforms and the National Anti-Corruption Plan, demonstrate the efficacy of addressing transparency and institutional issues in FSBs. The study calls for updated statutory regulations, rules, and training programs to elevate the skills and efficiency of accountants, aligning with the evolving landscape of financial reporting.

5.3. Limitations and Recommendations

This study faced several notable limitations. Firstly, the data relied on respondents' perspectives, or the researcher's interpretation of their responses. The research was conducted during the challenging COVID-19 pandemic, introducing limitations related to movement restrictions, work-from-home arrangements, and altered job routines. These factors complicated and prolonged the data collection process. The questionnaires were distributed during the peak reporting period for Federal Statutory Bodies (FSBs), further impeding response rates despite follow-up emails. Although, the respondents answered the questionnaires beyond the designated timeline, the slow response rate was managed. Moreover, external factors beyond the researcher's control posed additional constraints. Natural disasters, changes in data-sharing policies by some organisations, and the 15th General Election with multiple government administrations introduced unexpected delays and obstacles throughout the research. Despite these limitations, the study comprehensively explains the relationships between independent variables (political interventions, economic consequences, and balancing cost-benefit concerns) and the dependent variable (true and fair view). The research contributes valuable insights into the intricacies of financial reporting in FSBs, acknowledging the contextual challenges faced during data collection. It provides a foundation for future research and has practical implications for researchers and practitioners navigating similar environments. Recommendations for future research involve addressing identified constraints and incorporating qualitative methodologies to enhance the depth of research findings.

5.4. Concluding Remark

In summary, this investigation sought to comprehensively explore the determinants influencing the reporting of true and fair views by federal statutory bodies in Malaysia. By examining the impact of political interventions and economic consequences, the study has contributed valuable insights into the intricacies of financial reporting in this context. Employing a quantitative methodology with a cross-sectional research design, the study surveyed 99 accountants from W41 federal statutory bodies in Malaysia. The results revealed significant associations by employing various statistical techniques, such as reliability analysis, descriptive analysis, Pearson correlation analysis, and multiple regression analysis. Notably, robust positive correlations were identified between economic effects and true and fair view reporting, while political interventions exhibited a negative association. The regression analysis supported two hypotheses, highlighting a nuanced relationship between the examined factors. However, the study acknowledged limitations, including demographic constraints and reliance on quantitative methodology. In conclusion, this research successfully achieved its objectives by shedding light on the influences of political interventions and economic consequences on true and fair view reporting.

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