

# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES



## Factors Influencing Voluntary Audit among SME Companies in Malaysia

Siti Aida Suman, Aida Hazlin Ismail

To Link this Article: <http://dx.doi.org/10.6007/IJARAFMS/v13-i1/15854> DOI:10.6007/IJARAFMS /v13-i1/15854

**Received:** 18 November 2022, **Revised:** 21 December 2022, **Accepted:** 06 January 2023

**Published Online:** 26 January 2023

**In-Text Citation:** (Suman & Ismail, 2023)

**To Cite this Article:** Suman, S. A., & Ismail, A. H. (2023). Factors Influencing Voluntary Audit among SME Companies in Malaysia. *International Journal of Academic Research in Accounting Finance and Management Sciences*, 13(1), 115–135.

**Copyright:** © 2023 The Author(s)

Published by Human Resource Management Academic Research Society ([www.hrmars.com](http://www.hrmars.com))

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Vol. 13, No. 1, 2023, Pg. 115 - 135

<http://hrmars.com/index.php/pages/detail/IJARAFMS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at  
<http://hrmars.com/index.php/pages/detail/publication-ethics>



## Factors Influencing Voluntary Audit among SME Companies in Malaysia

Siti Aida Suman, Aida Hazlin Ismail

Fakulti Perakaunan Kampus Puncak Alam Universiti Teknologi Mara 40170 Puncak Alam  
Selangor

Corresponding Author's Email: [aidah348@uitm.edu.my](mailto:aidah348@uitm.edu.my)

### Abstract

Small and Medium Enterprise (SME) companies in Malaysia have been given an opportunity for not having their financial statements to be audited under audit exemption regulations. However, there are companies voluntarily demanding for financial audit. Thus, this study examined the factors influencing voluntary audit among SME companies in Malaysia. Three factors were chosen namely, firm size, related stakeholder, and internal control towards voluntary audit. Using a survey questionnaire as the research instrument on 122 of SMEs, the results show that there is a significant positive relationship of related stakeholders and internal control in influencing voluntary audit among SME companies in Malaysia. Firm size however shows an adverse result by the significant negative relationship towards voluntary audit. The findings also prove that all the three factors have significant influence on SMEs in demanding for voluntary audit with related stakeholder appears as the strongest predictors in this study. This study achieved all of the three objectives. It provides further understanding from the SMEs viewpoint and the agreeableness to demand for voluntary audit despite the exemption provided by the regulators. Furthermore, the study also provides significant implications to the practical view for SME companies and accounting firms, and to academic view as the study may contribute to the researchers and educators on the view of voluntary audit after the regulation has taken place.

### Introduction

Small and Medium Enterprise (SME) companies in many countries, such as Australia, United Kingdom, Hong Kong, New Zealand, Singapore, and United States have already implemented audit exemption much earlier than Malaysia. In the United States, there is no statutory audit requirement for small companies except for listed companies and in Australia, exemption of audit was introduced since 1971. In Canada and United Kingdom audit exemption was adopted in 1994. Singapore adopted Australia's approach on audit exemption in 2003 (Suruhanjaya Syarikat Malaysia (SSM), 2017; Khairuddin et al., 2012). On August 4, 2017, Malaysia has been in line with other advanced countries when Companies Commission of Malaysia (CCM) set out the qualifying criteria for exemption of selected categories of private companies from having an audited financial statement under section 267(2) of the Companies

Act 2016 (SSM, 2017). Previously, all companies that are registered with CCM are compulsory to send their accounts to be audited before lodging to the registrar. The implementation of audit exemption has brought a significant relief to the SME companies in Malaysia since it is unnecessary for their financial statements to be audited (Ghani, Ismail Munir, and Mohd Zam, 2019). However, despite this opportunity, there are companies voluntarily demanding for financial audit. Financial audit is the examination and verification by independent parties on a company's account and financial statements as presented in the company's annual report (PricewaterhouseCoopers, 2018; Haapamäki, 2018).

SME companies in Malaysia are the focus of this study as audit exemption are eligible for dormant and small companies (The Star Online, 2017). SME companies are the backbone of the Malaysian economy as it accounts for about 98.5% which is 907,065 of the total business establishment in Malaysia. SME companies in Malaysia has contributed up to 38.3% of Malaysia's Gross Domestic Products (GDP) which is equal to Malaysian Ringgit 521.7 billion in 2018 (Department of Statistics Malaysia, 2018). Bank Islam chief economist Dr Mohd Afzanizam Abdul Rashid has pointed out that if Malaysia's GDP further expands by 4.7% in 2022, the SMEs are expected to register a growth by 5.8% (The Malaysian Reserve, 2020). Therefore, it matters for this study to learn the SMEs' viewpoint on their need for voluntary audit. This study aims to examine factors influencing voluntary audit among SME companies in Malaysia after the regulation of audit exemption has taken place in 2017. The influencing factors consist of 1) The firm size of SMEs in Malaysia; 2) The related stakeholder that has a strong impact on the need of SME's statutory accounts and; 3) The need of internal control as the management initiative to enhance the quality of financial reporting. It helps explain why companies intend to have an audited financial statement although it is just a voluntary practice. This study could provide information and contribute to the literature for voluntary audit practices in Malaysia especially after the implementation of the Companies Act 2016 and the regulation of audit exemption in 2017 as there are very few studies conducted in this area since the prior literature is mostly based on the perception if the audit exemption has been regulated.

## Literature Review

### *Voluntary Audit*

Financial auditing is seen as statutory requirements for the companies (Lakhe Shrestha and Wai, 2011). Thus, with the removal of statutory audit requirements for SMEs, new horizons have been created with a lot of debates for and against these requirements. Many countries gradually ease the audit regulations where the SMEs can choose to be audited or not. Voluntary audit is defined as the circumstances that even without any specific obligation required by the law, the companies have the necessity or opportunity to demand a qualified and independent professional judgment on their own financial reporting to be audited (Haapamäki, 2018). Voluntary audit is a matter of choice and does not stem or is bound to legal or other formal obligations that are mandatory for the companies to comply (Doxopoulou, 2016). Therefore, companies which fall under qualifying criteria on audit exemption are showing the intention to have their accounts audited on voluntary basis (Mustapha and Yaen, 2013).

Khairinuddin (2005) found that 41% of senior management of small companies persist to have their company accounts audited even if the audit was made voluntary. While 69% of SMEs are willing to continue to have their financial statements audited even if there are no

statutory requirements implemented (Othman et al., 2013). Chan (2012); Collis (2008) support this notion that most SME companies prefer to continue auditing their financial reports. In addition, 71% of the directors will continue asking for an audit even if the requirement is no longer mandatory as the majority believe that audit is necessary for companies and necessary for the audit to be made mandatory for SMEs (CLRC, 2007).

The main motivation for audit exemption among SMEs in Malaysia is because of audit is costly, burdensome and some perceived that audit has no value for their companies other than having audited accounts for compliance purposes (Kamarudin et al., 2012). Interestingly, there are still SME companies that are willing to have their financial statements audited voluntarily even in unregulated settings. Hence, why is there a demand for voluntary audit? Voluntary audit offers monitoring function, provides assurance to the external users, fulfils the related stakeholder requirement, and as the initiative of the management to improve the internal control and record keeping where 82% of SME companies agreed on the benefits stated (CLRC, 2007). Having the accountability and reporting of financial statements may contribute to the success and sustainability of SME businesses itself (Mohamed, Yasseen, and Omarjee, 2019). Moreover, voluntary audit will reduce the agency problem arising from separation ownership and control that leads to information asymmetries when the agents have greater information than the principals and the conflicts of interest between principals and agents (Seven Pillars Institute, 2018). Kausar et al (2016) highlights that to reduce financing friction and improve the performance of the companies in managing the resources and information, voluntary audit choice is the best possible way to convey information to capital providers. Niemi et al (2012); Chan (2012) in their findings respond that the cost of auditing such as audit fee is not considered as a burden expense when compared to the valuable benefits outweighing the costs of carrying out the financial audit. Besides that, the companies may choose for voluntary audit as the requirement to lodge a full set of unaudited financial statements to the registrar does not make much of a difference from a full audit exercise (Norhisham, 2017). Generally, SMEs believe that the financial audit is a worthwhile exercise.

#### *Firm Size and Voluntary Audit*

The size of a company is one of the main characteristics that influences the demand for auditing. Firm size is typically measured using sales turnover, total assets, balance sheet total and based on the number of workforces of the companies (Collis, Jarvis, and Skerratt, 2004; Tauringana and Clarke, 2000). SME Corporation Malaysia (2018) proposed a guideline to determine the firm size by using the sales turnover and number of full-time employees to measure the micro, small and medium size SMEs.

The relationship between the firm size and voluntary audit has been noted with several deliberations and argument. Prior studies have mentioned firm size as the dominant and common factor that influences the demand of voluntary audit among SMEs. There are two reasons why a company decides to conduct voluntary audit. First, the volume of company's transactions increases as the company grows and errors are more likely to occur in financial statements (Tauringana and Clarke, 2000). Companies may need the independent professional judgment of auditors who are competent and expert in understanding the SME businesses, their transactions and accounting systems (Porter et al., 2003). Their opinion is important for the business sustainability.

The second reason is the increased size leads to difficulty for owners to oversee the firm's entire financial operation. Companies with more staff have more levels of hierarchy, more

levels of management thus, making the process becoming more complex, and with greater possibility of loss of control (Dedman et al., 2014; Hay and Davis, 2004). Hence, there is a greater demand for voluntary auditing to overcome the loss of control and to improve the function of monitoring (Abdel-Khalik, 1993). The larger the firm size in regard to its turnover as well as the increased number of employees, the higher the demand for voluntary audit. It can be noted that both turnover and number of employees are relevant in presenting firm size as the factor in influencing voluntary audit among SME companies (Apadore et al., 2019). Audit is seen as value added and an indicator to ensure competitiveness and ability to remain in the market despite the size of the company (Montero et al., 2020).

This affirmation is supported by Collis et al (2004) found that firm size is a significant variable. Their hypothesis for the size of a company correlated positively with the demand for audit. Parallel with Mustapha et al (2015) conducted an interview with owners and partners of the businesses posit that the big firms with more than two branches, expensive inventories, and high inventory turnover have a significant need for voluntary audit. Moreover, Bulatovic and Treis (2016) study in Sweden found that firm size as proxy by turnover has a positive impact on voluntary auditing practice.

Thus, in an interesting study by Montero et al (2020) reveals that companies intending to grow will see audited financial statements as the significant valuable services. Their findings attribute that the firm size has a significant negative relationship with the demand of audit as the smaller firm size are those that are willing to request for the services. The study does not correspond with the findings by Othman et al (2013) where the companies demand for their accounts to be audited if the turnover exceeds the stated thresholds, otherwise they will choose for audit exemption.

However, the data findings by Apadore et al (2019) argued that firm size is not sufficient to determine the motivation for voluntary audit where the firm size has the least impact and insignificant negative relationship on the demand for voluntary audit. Carey, Simnett, and Tanewski (2000) surveyed for external auditing by family businesses in Australia also found there was no significant support for their hypothesis on the demand of voluntary audit will positively correlate to the size of the company. Collis (2010) even suggested that firm size alone can predict audit demand, but the results are insignificant where the motivation of the directors to demand for voluntary audit is not a complete and adequate substitute. As such, to study the actual relationship between the influence of firm size and voluntary audit, the first hypothesis was developed with the belief that:

***H1: There is a significant relationship between firm size and voluntary audit for SME companies in Malaysia.***

#### *Related Stakeholder and Voluntary Audit*

The companies voluntarily demand auditing to fulfil the requirement of the users of financial statements with perceptions that many related stakeholders will affect their companies (Ha and Nguyen, 2020). Related stakeholder of the firm are the users of the financial statements including owners, managers, shareholders, lenders, bankers, suppliers, creditors, and tax authorities who may also demand for an audited account (Weik et al., 2018).

Companies may demand for voluntary audit to maintain their relationship with the users of financial statements that have significant impact on the need of statutory accounts. This implies that demand for the audited financial statements arise both from outside and inside



the company. In circumstances, once the external and internal users of audited financial statements recognise their benefits and require the assurance that an audit brings, the demand for audits will prevail. The fundamental purpose of an audit is to inform shareholders regarding the management of the company (Haron et al., 2016). The stakeholders may request the company to provide audited financial statements if it is required (SSM, 2017). Therefore, the preparing financial reporting is extended to provide information to other users such as investors, lenders, and creditors about the company's performance and its financial position. The information contained in financial reports will be able to help the users in making economic decisions. Thus, having professional opinion on the audited reports is able to enhance the quality of financial information (Clatworthy and Peel, 2013).

The above is consistent with the study by Apadore et al (2019) that there is significant positive relationship of motivation for voluntary audit with the related stakeholder relationship which is derived from the ability of audit to provide assurance and enhance confidence level of third party. Ha and Nguyen (2020) in their study on SMEs in Vietnam also support their hypothesis on the likelihood of directors choosing a voluntary audit increase with perceptions that many related stakeholders affect them with significant positive relationship.

The related stakeholder is able to influence the companies to have their financial statements audited due to the requirement on financing evaluation, submission of tax returns, security of supply goods and services, and also to reduce uncertainty in credit decision (Mustapha et al., 2015; Mustapha and Yaen, 2013; Minnis, 2011). SMEs perceive audit plays a significant role in its relationships with principals who are distant from the actions of management. Here audit will be able to act as the tool to enhance the trust, provide assurance and confidence that the agent is performing for the best interest of the principals. This result has the significant impact between the relationship of related stakeholder and voluntary audit as supported by (Mustapha and Yaen, 2013; Ismail and Boon, 2012).

Doing auditing is adding value to the company, providing reasonable assurance of creditworthiness certainty (Lennox and Pittman, 2011). It is like creating good image and increasing goodwill of the company as well as enhance a company's ability to obtain financing and builds public confidence towards the integrity of financial statements (MIA, 2016).

Voluntary audit is providing the best assurance to the owners, managers, shareholders, lenders, bankers, suppliers, creditors, and tax authorities where it reveals positive and significant relationship with the higher demand for voluntary auditing as supported by Ojala et al (2016); Mustapha et al (2015); Dedman et al (2014); Minnis (2011); Lennox and Pittman (2011); Allee and Yohn (2009) on the requirement and needs of related stakeholder. Contradict to the study by Collis (2010) on small companies in UK and Denmark the relationship between related stakeholder and voluntary audit is not significant in the case of suppliers and creditors. Therefore, to examine the actual relationship between the two, second hypothesis was developed with the strong belief that:

***H2: There is a significant relationship between related stakeholder and voluntary audit for SME companies in Malaysia.***

#### *Internal Control and Voluntary Audit*

Internal control can be defined as the requirement and initiative of the management to ensure the quality of internal and external reporting to be produced (ACCA, 2020). It is an essential element required by an organisation where its provide an assurance that the

internal control is effective will be confirmed by audit. Knechel and Willekens (2006) also show that internal control increases the demand for audit. The company management voluntarily adopts internal control mechanism in the presence of managing risk and to reduce the agency problems.

In SME companies, the owners are the one who set the overall direction of the business but when the organisation grow, the need for internal controls increases, as the degree of specialisation increases, and it becomes impossible to remain fully aware of what is going on in every part of the business. Therefore, the company needs to apply an internal control framework. However, in small companies, it often has a limited system of internal control, which implies that there is an opportunity for management to circumvent controls (Raximova et al., 2020). The lack of internal control in SME companies results in arising of inherent risk and control risk may be high (Collis, 2010; Collis et al., 2004). Other than that, due to separation ownership and control results in information asymmetry which leads to the information risk.

To provide reasonable assurance that internal controls involved in the financial reporting process are effective, an independent check on financial accounts is required to opine on the internal controls of the company and the reliability of its financial reporting. Hence, audit is the initiative of management to reduce the chance of material error and risk as well as to improve the quality of financial reporting (Clatworthy and Peel, 2013; Varici, 2013; Niemi et al., 2012; Khairuddin et al., 2012; and Collis, 2010). In addition, an audit will assist the management to improve business processes and the system of internal controls where the auditors are the trained professionals specialising in risk assessment and evaluating internal control systems. With the help of the professional, the companies not only have extra time to generate revenue, but the management will also have peace of mind and confidence in focusing on their business because an expert is taking care of the details (MIA, 2016).

The management also perceives that internal control aids decision making and voluntary reporting motivates management to improve internal control. A study by Deumes and Knechel (2008), found a positive relation between the willingness of conducting voluntary reporting and the need of internal control which is explained by its means on reducing the risk that can be eliminated through the existence of audit (Varici, 2013). Collis et al (2004) have also studied the relationship between the audit and internal control if auditing can be used as a check on the internal control. Their findings show a positive relationship between these two factors. The requirement of internal control has compensated with the positive impact on the ability of audit in providing the quality of financial reporting with accurate and reliable information, check on accounting records and systems, reduce the chance of material error and risk, deter fault and fraud, and the credibility of financial statement in improve the decision of the management as well as the other users.

Furthermore, as accountability to the shareholders, the directors act as their agents. In turn, the directors may consider it prudent to establish a dedicated internal control function. The audit conducted represents the good practice of the company and shows the continuity of the business with the past (Mustapha and Yaen, 2013; Niemi et al., 2012; Khairuddin et al., 2012; Yusarina et al., 2012; Collis, 2010; Collis et al., 2004). Ghani et al (2019) argue that the need on improvement quality of SMEs financial statements is unable to prove that internal control will influence the demand of voluntary audit. Their findings reveal that there is no linear relationship between the two which indicates that the variable is not significant with negative relationship. Therefore, internal control plays important factors in influencing for voluntary audit where voluntary reporting also simultaneously encourages the management

to improve internal control. Thus, to identify the relationship between the influence of internal control and voluntary audit, the hypothesis was developed as follows:

**H3:** *There is a significant relationship between internal control and voluntary audit for SME companies in Malaysia.*

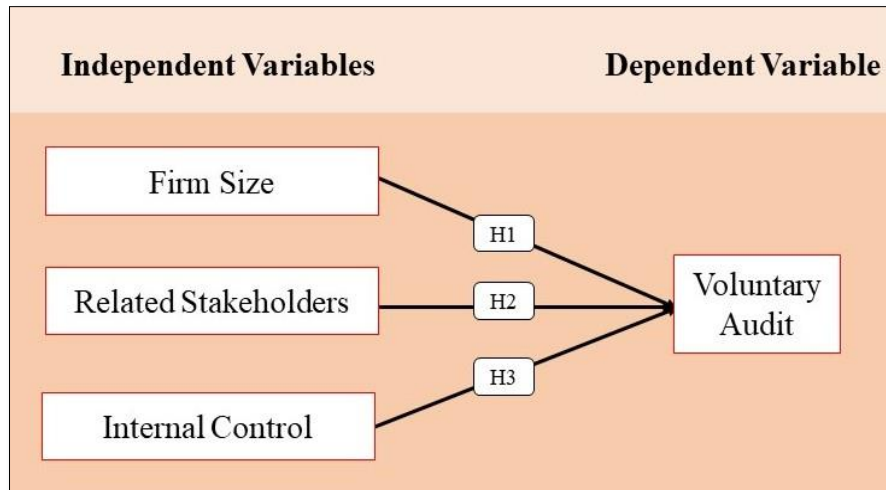


Figure 1 Factors Influencing Voluntary Audit among SME companies in Malaysia

### Methodology

SME companies were chosen for this study as the qualifying criteria for audit exemption are eligible for dormant and small companies. In addition, CCM gave the power to the companies whether to choose for the audit exemption or to have their accounts audited. The samples respondent are managerial personnel who are working in the SME companies. This study managed to distribute 200 sets of survey questionnaires to SME companies located in the region of Selangor and Federal Territory of Kuala Lumpur. In total, 122 sets of questionnaires were returned and completed representing 61% of response rate. This study has collected the data from SME companies in the Klang Valley. The choice of relying on SME companies in the Klang Valley is because the highest population of the companies are located in this area represents 34.5% from the total of SME establishment in Malaysia which registered with SME Corporation Malaysia. This study is a cross sectional study since the data collection was conducted only once within a short period of time.

The survey questionnaires consist of four (4) sections. Section A contains general information about the respondents' demographic profile. Section A also measures firm size of SMEs in Malaysia using an ordinal scale for two statements. While Section B of related stakeholder consist of eleven statements, Section C of internal control, and Section D of voluntary audit both consist of eight statements that used 5-Point Likert Scale (Likert, 1932) which indicates the extent to their agreeableness for each statement ranging [(1) = Strongly Disagree; (2) = Disagree; (3) = Neutral; (4) = Agree and (5) = Strongly Agree] response framework. In total, there are eight items for the dependent variable and 21 items for the three independent variables. Data collected were coded and analysed using Windows IBM Statistical Package for Social Sciences (SPSS) version 27 to generate the results for this study through statistical tests such as descriptive analysis, correlation, and regression analysis.



## Results and Discussion of Findings

### *Demographic Profile*

This study found that out of 122 respondents, 60.7% of the respondents were male while female is 39.3%. The finding of this study relatively shows that 50.8% of the managerial personnel in SME companies are dominated by the middle-aged generation between 31 to 40 years old and those with bachelor's degrees represents 67.2% as their highest education level who are smart and intelligent. Majority of the respondents' current job position are Director of SME companies where about 64.7% participated in this study. This indicates that the respondents who participated in this study are knowledgeable to answer the questions accordingly and have general knowledge on audit purposes. Collectively 85.3% of the respondents' employed with the company is between 1 to 10 years' period which is relevant number of services employed over a considerable period of time. Comparatively, the finding found majority age of the firm have been established between 1 to 10 years with 64.8% consist of a beginner to a stable company are in a position to provide reliable information necessary for this study and their viewpoint is significant to examine the objective of this study.

SMEs can be categorised into services, manufacturing, construction, agriculture, and mining and quarrying and based on the results, most of the respondents are from the service sector with 46.8%. The results are consistent with the information provided by SME Corporation Malaysia where the service sector dominates SME companies in Malaysia. The type of SME business registration in this study reveals that most of SME companies in Malaysia are dominated by private limited at 91.8%, the result is parallel with current job position where the directors represent the majority of the respondents who participated in this study also consistent with the definition where all SMEs must be entities registered with SSM or other equivalent bodies such as sole proprietor, partnership and private limited.

### *Descriptive Statistics of Firm Size*

Table 4.2.1

#### *Mean Score and Standard Deviation Value of Firm Size*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
Total sales turnover in your latest annual financial year end	2.11	1.450
Total number of full-time employees in your company	1.70	1.323
All Statements	1.91	1.232

Firm size for this study was determined based on the total of sales turnover and number of full-time employees to measure the micro, small and medium size of companies. Table 4.2.1 presents the mean scores and standard deviation value of firm size and the results on average show a mean and standard deviation for overall statements are 1.91 and 1.232 with coefficient of variation,  $CV = 0.645$  (64.5%)  $< 1$  implies that the mean score represented by majority of the respondents shows that there is high variance on similar condition from each other as the frequency shows that the lowest sales turnover and number of employees represent the higher respondent data participating in this study. The majority of the respondents by 48.4% who participated in this study are employed in companies that generate total sales turnover for latest annual financial year between RM 0 to RM 250,000 and total number of full-time employees is between 1 to 10 employees with 72.1% of the respondents.

*Descriptive Statistics of Related Stakeholder*

Table 4.2.2

*Mean Score and Standard Deviation Value of Related Stakeholder*

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Audit is able to reduce agency problem when the majority of the company owned by external parties.	4.67	0.661
Audit is able to provide assurance to shareholders.	4.72	0.534
Audit is able to provide assurance to bank and lenders.	4.79	0.468
Audit is able to provide assurance to suppliers and trade creditors.	4.63	0.645
My company accounts were audited due to requests from shareholders, investor, creditors, Inland Revenue Board, and customers.	4.78	0.473
Apart from being invested by shareholders, my company is financed by bank loan, personal loan, leasing or hire purchase which requires audited account.	4.70	0.612
Stakeholders would likely depend on my company audited accounts to make their decisions.	4.57	0.716
The audit has a positive effect on my company credit rating score.	4.73	0.515
The audit has improved my company ability to raise funds.	4.66	0.651
The audit has improved the image of my company.	4.68	0.593
The audit has improved people's positive perception of my company.	4.68	0.593
All Statements	4.69	0.447

Table 4.2.2 show a high mean score for overall statements constituting 4.69 with lower standard deviation value at 0.447, indicating that 44.7% of all respondent data lie within 1.0 standard deviation from the mean score range between 4.57 to 4.79 and coefficient of variation,  $CV = 0.095$  (9.5%)  $< 1$  implies that the respondents strongly agreed with the statements of related stakeholder which captures that the users of financial statements have strong impact on the need of statutory accounts. The highest mean score is for the statement: Audit is able to provide assurance to bank and lenders (Mean = 4.79, SD = 0.468). Most of the finance provider such banks and lenders may require an audited account as the indicator for financing evaluation as they will not give any funding without reasonable assurance. The lowest mean score was implying that the majority of the respondent disagreed with the statement on Stakeholders would likely depend on my company audited accounts to make their decisions with (Mean = 4.57, SD = 0.716). This may be due to the respondents not having or possessing direct access to the basic analysis or the decision made by the stakeholders on how audited accounts will directly influence their decision making since the audit report is presented to the external stakeholder when it is required.

*Descriptive Statistics of Internal Control*

Table 4.2.3

*Mean Score and Standard Deviation Value of Internal Control*

Statement	Mean	Std. Deviation
The audit has improved my company internal control.	4.71	0.582
The audit has improved my company system of record keeping and accounting.	4.82	0.407
The audit has helped to deter misappropriation of funds or fraud.	4.76	0.515
Audit provides a check on accounting records and systems.	4.81	0.451
Audit improves the quality of financial information.	4.81	0.451
The audit has increased the credibility of my company financial information.	4.81	0.413
The audit has increased my confidence on the reported figures in the financial statements.	4.78	0.522
The audit has increased my confidence to make company decision.	4.76	0.499
All Statements	4.78	0.424

Table 4.2.3 reflects a high mean score for overall statements constituting 4.78 with lower standard deviation for all statements was 0.424, indicating that 42.4% of all respondents data lie within 1.0 standard deviation of the mean score range between 4.71 to 4.82 and coefficient of variation,  $CV = 0.088$  (8.8%)  $< 1$  implies that the respondents strongly agreed with the statements for internal control which represent the requirement and initiative of the management to ensure the quality of internal and external reporting, which in turn requires the maintenance of proper records, managing risk, and reduce the occurrence of fraud. The results displaying the highest mean score is for statement: The audit has improved my company system of record keeping and accounting with (Mean = 4.82, SD = 0.407). The internal control has influenced the company to ensure their accounts, internal and external reporting in the proper record. An organisation cannot produce accurate financial statements if its financial records are unreliable. The systems should be capable of recording transactions so that the nature of business transacted is properly reflected in the financial accounts. The lowest mean score was implying that the majority of the respondents disagreed with the statement: The audit has improved my company internal control with (Mean = 4.71, SD = 0.582). This is indicating that the company may not only see that audit will improve the internal control by itself if the management does not have any initiative to encourage its company to have proper records and simultaneously having reliable and high quality of financial statements. Therefore, setting an ethical tone at the top will ensure the successful of internal control. Even though, this statement represents the lowest mean score, this study found that the scoring is relatively high from the overall respondents.

*Descriptive Statistics of Voluntary Audit*

Table 4.2.4

*Mean Score and Standard Deviation Value of Voluntary Audit*

<b>Statements</b>	<b>Mean</b>	<b>Std. Deviation</b>
Audit is very beneficial to my company.	4.82	0.427
I would continue to choose for voluntary audit although my company is not legally required to do so.	4.57	0.813
It is necessary to make the audit mandatory for a company like mine.	4.70	0.544
The audit exercise for my company is worth it.	4.76	0.515
The value derived from audit is more than the fees paid to get the audit done.	4.60	0.757
I would continue to choose for voluntary audit because the cost of audit is not relatively too high for a company like mine.	4.53	0.815
I would continue to choose for voluntary audit because the time and staff resources required to prepare for audit is not too high for a company like mine.	4.52	0.805
My company chooses for voluntary audit because the process of submitting unaudited financial statement does not differ much from a full audit exercise.	4.59	0.747
All Statements	4.64	0.549

The results of Table 4.2.4 on average show a high mean score for overall statements constituting 4.64 with lower standard deviation for all statements is 0.549, indicating that 54.9% of all respondents data lie within 1.0 standard deviation of the mean score range between 4.52 to 4.82 and coefficient of variation,  $CV = 0.118$  (11.80%)  $< 1$  implies that the respondents strongly agreed with the statements related to voluntary audit and believe that the benefits of audit derived outweigh the cost incurred for the audit. Therefore, the company shows higher preferable demand for voluntary audit although it is not necessary to do it. In supporting those results, the highest mean score for statement in measuring voluntary audit by SMEs is Audit is very beneficial to my company with (Mean = 4.82, SD = 0.427). The lowest mean score was the statement: I would continue to choose for voluntary audit because the time and staff resources required to prepare for audit is not too high for a company like mine with (Mean = 4.52, SD = 0.805). The respondent may perceive that the time and staff required is not a primary concern as it can be manageable based on the requirement of that process. In addition, the companies may be more likely to have voluntary audit from their existing auditors if the firms also offer other essential and useful services such as tax and secretarial assistance. Therefore, staff resources required to handle the accounting function will be manageable and minimised. While examining the respondents' opinion: I would continue to choose for voluntary audit although my company is not legally required to do so, this study found most of the respondents agreed to the statement by choosing for voluntary audit (Mean = 4.57, SD = 0.813) representing 86 (70.5%) out of 122 respondents strongly agreed to demand for voluntary audit.

*Reliability Test*

Table 4.3

*Reliability Statistics*

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Number of Items</b>
Voluntary Audit	.915	8
Firm Size	.731	2
Related Stakeholder	.924	11
Internal Control	.957	8
Overall	.902	29

Table 4.3 of reliability statistics describes the Cronbach's Alpha outcome for this study that used several statements to measure the respondents' opinion of the variables. The result of the Cronbach's Alpha for Voluntary Audit is .915, Related Stakeholder is .924 and for Internal Control is .957 while for Firm Size is .725. The Alpha value for overall scale is .902. This indicates that the internal consistency of reliability for all 29 scaled items is acceptable. Hence, all the statements used to measure the variables have passed the reliability test and proven appropriate for this study. Alpha score of .90 above implies as excellent reliability (Tavakol and Dennick, 2011) and Nunnally (1978) suggested reliabilities of .70 or more for basic research is acceptable.

*Normality Test*

Table 4.4

*Skewness and Kurtosis*

<b>Variables</b>	<b>Mean</b>	<b>Skewness</b>	<b>Kurtosis</b>
Voluntary Audit	4.64	-1.456	1.078
Firm Size	1.91	1.407	0.757
Related Stakeholder	4.69	-1.460	1.152
Internal Control	4.78	-1.959	3.049

Table 4.4 illustrates the skewness and kurtosis values of all constructs of this study. Skewness focuses on assessing the symmetry of the distribution data, where the curve can be skewed either to the left (positive value) or right (negative value). The skewness value of the data is between -1.959 to 1.407. Kurtosis measures the sharpness and the highest of central peak relatively to a normal distribution curve. The result for value of the kurtosis value of the data is between 0.757 to 3.049. The result for value of skewness and kurtosis for all the variables are in the range of -1.959 to 3.049 with N = 122, normality test shows that 29 items are normally distributed. Thus, the findings of this study indicate that all variables are normally distributed as both values of Skewness and Kurtosis are within the range of -3.00 and +3.00 (Hair et al., 2010; Kline, 2005).



Correlation Coefficient Analysis

Table 4.2.7

Correlation Coefficients

		Voluntary Audit	Firm Size	Related Stakeholder	Internal Control
Voluntary Audit	Pearson Correlation	1	-.630**	.737**	.686**
	Sig. (2-tailed)		.000	.000	.000
	N	122	122	122	122
Firm Size	Pearson Correlation	-.630**	1	-.482**	-.503**
	Sig. (2-tailed)	.000		.000	.000
	N	122	122	122	122
Related Stakeholder	Pearson Correlation	.737**	-.482**	1	.739**
	Sig. (2-tailed)	.000	.000		.000
	N	122	122	122	122
Internal Control	Pearson Correlation	.686**	-.503**	.739**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	122	122	122	122

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

Table 4.5 presented the correlations between voluntary audit, firm size, related stakeholder, and internal control. The correlation coefficient between firm size and voluntary audit was a significant moderate negative correlation between the two ( $r = -.630$ ,  $p < .05$ ). The result indicates that the smaller firms have also demanding for voluntary audit. Thus, there is a negative relationship between Firm Size and Voluntary Audit. The correlation coefficient between related stakeholder and voluntary audit shows the results that there was a significant high positive correlation between the two with ( $r = .737$ ,  $p < .05$ ). The result indicates that when the requirement by related stakeholder increases, the demand for voluntary audit among SME companies also increases. Thus, there is a positive relationship between Related Stakeholder and Voluntary Audit. Lastly, correlation coefficient between internal control and voluntary audit shows that there is a significant moderate positive correlation between the two with ( $r = .686$ ,  $p < .05$ ). The result indicates that when the need of internal control increases, the demand for voluntary audit among SME companies also increases. Thus, there is a positive relationship between Internal Control and Voluntary Audit. The overall results show that the Pearson's correlation coefficient,  $r$ , value was between  $-.630$  to  $.737$  with all  $p$ -value less than  $.05$ . To sum up, the three influencing factors have significant association with the demand for voluntary audit. The results also imply that there is no multicollinearity issue since no pair of independent variables with correlation coefficient value is greater than  $.80$  or  $.90$  or less than  $-.80$  or  $-.90$  which is considered highly correlating to each other (Hinkle, Wiersma, and Jurs, 1998) thus, the value should not be greater than  $.90$  to avoid multicollinearity problem (Hair et al., 2010).

Multiple Linear Regression Analysis

Table 4.6

Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
		B	Std. Error	Beta ( $\beta$ )			Tolerance	VIF	
1	(Constant)	1.133	.439		2.583	.011			
	Firm Size	-.142	.028	-.318	-5.030	.000	.720	1.388	
	Related Stakeholder	.529	.100	.430	5.301	.000	.437	2.287	
	Internal Control	.270	.106	.209	2.537	.012	.426	2.350	
	R Square	.661							
	F	76.529					.000b		

a. Dependent Variable: Voluntary Audit

b. Predictors: (Constant), Firm Size, Related Stakeholder, Internal Control

The results of regression coefficient in Table 4.6 interpret the multiple regression of equation model for this study as follows.

$$\text{Voluntary Audit} = 1.133 - .142 (\text{Firm Size}) + .529 (\text{Related Stakeholder}) + .270 (\text{Internal Control})$$

Multiple regression of equation model shows that voluntary audit holding all other factors constant is 1.133. While the outcome of firm size indicates that for every one-unit decrease in the firm size value, it is predicted to decrease a .142 unit (14.2%) in average value of the respondents on voluntary audit demand. In contrast, for every one-unit increase in the related stakeholder value, it is predicted to increase a .529 unit (52.9%) in average value of the respondents on voluntary audit demand. Similarly, for every one-unit increase in the internal control value, it is predicted to increase a .270 unit (27.0%) in average value of the respondents on voluntary audit demand among SME companies in Malaysia.

R-squared value is .661 which indicates that about 66.1% of variation in the voluntary audit is explained by the variation of all three independent variables while the remaining 33.9% of the variation in the voluntary audit is unexplained in this study as it is explained by the other predictors which are not tested in the study. R-squared value of this study shows is higher, strong, and the variance is consistent. The larger the R-squared the better the regression model for this study (Frost et al., 2017).

The Analysis on Variance (ANOVA) portrays the significant value ( $p$ -value) is less than .05. The results above stands that the overall model is significant where  $F = 76.529$ ,  $p$ -value  $< .05$ . Value of  $F$  test statistic with the  $F$  critical value obtained from  $F$  distribution table also shows the

results of F-statistics = 76.529 > F-critical = 2.76 parallel with above findings. Hence, the null hypothesis is rejected. Thus, this study has proven there is significant linear relationship between firm size, related stakeholder, and internal control towards voluntary audit where at least one of the three independent variables could affect the dependent variable. The regression stands statistically at 5% which the alpha value,  $\alpha$  is less than  $p$  value ( $p < .05$ ) indicating the probability of rejecting the null hypothesis when it is true.

The overall result reveals that all variables do not have multicollinearity problem in this study. It shows the values of tolerance statistics for all independent variables are  $1.583 > 0.1$  and the values of variance inflation are  $6.025 < 10$  for all independent variables. Thus, the assumption of Multiple Linear Regression is fulfilled.

Table 4.6 also presents the results of hypotheses testing. Firstly, the Firm Size shows  $p$ -value = .000 is less than .05, the Related Stakeholder shows  $p$ -value = .000 is less than .05, meanwhile Internal Control shows  $p$ -value = .012 is less than .05. Throughout this study, the findings shows that there is substantial relationship between firm size, related stakeholder, and internal control as the significant factors in influencing the demand of voluntary audit among SME companies in Malaysia. The analysis shows that all of the research objectives are achieved, and hypotheses are accepted.

### **Discussion of the Findings**

#### *Firm Size and Voluntary Audit*

Table 4.6 shows a statistically significant negative relationship between firm size and voluntary audit with (coefficient  $\beta = -.318$ ,  $t(122) = -5.030$ ,  $p < .05$ ). The  $p$ -value is less than alpha value .05, thus hypothesis 1 (H1) is accepted. Firm size is the significant factor influencing the demand for voluntary audit among SME companies in Malaysia although the results showed an adverse relationship where the smaller firm is the highest category tends to demand for voluntary audit as they perceive audit may encourage for monitoring purposes. This were supported with the data collected in this study, the majority of the respondents consist of private limited companies that naturally have a separation ownership and control between owners and managers. The findings are parallel with the study by Montero et al (2020) attributes that when the companies intend to grow, audited financial statements are seen as the significant valuable services. Small firms tend to demand for audit services as they see the cost-benefit analysis in expanding their business especially in collateral manner as it may provide the accessibility of financial assistance, training, and advice as well as to remain competitive and sustainable in the industry. SME companies in Malaysia agree that audit is the motivation for the competitiveness and sustainability of the businesses. This affirmation is in line with the studies by Bulatovic and Treis (2016); Mustapha et al (2015); Collis et al (2004) that as the businesses increase, the demand and need for audit would also increase. However, this study has rejected the opine of Apadore et al (2019); Collis (2010); Carey et al (2000) where their results are insignificant as they found that smaller firms have no impact on the demand of voluntary audit. This study observes that despite the size, there is a greater willingness to voluntarily demand for financial audit. Even with the exemption given, the smaller firms prefer to choose for voluntary practice.

#### *Related Stakeholder and Voluntary Audit*

Table 4.6 shows a statistically significant positive relationship between related stakeholder and voluntary audit with (coefficient  $\beta = .430$ ,  $t(122) = 5.301$ ,  $p < .05$ ). The  $p$ -value is less than

alpha value .05, thus hypothesis 2 (H2) is accepted. This study proven that related stakeholder is the significant factor influencing the demand for voluntary audit among SME companies in Malaysia. The demand for voluntary audit increases when the need to fulfil the related stakeholder requirement also increases. These results were consistent and supported with the studies by Ha and Nguyen (2020); Apadore et al (2019); Ojala et al (2016); Mustapha, et al (2015); Dedman et al (2014); Mustapha and Yaen (2013) where the ability of audit to provide assurance and to enhance confidence level of third party. Meanwhile, study by Collis (2010) was rejected as the results is not significant to support this study. The fundamental purpose of financial reporting has been extended to the intended users who have significant impact from it and audited report may be presented when it is require. Audited financial information is useful for investment evaluation, the assurance in creditworthiness and lending decision, security of supply goods and services also tax reporting credibility, and as the information tools between the management and shareholders where its presented as reliable supporting document as well as to reduce the information uncertainty. Having voluntary audit as their practices sends a positive signal to the public and create a good image that the company's ethical values is in good portrait. Thus, this study concluded that the influence of related stakeholder on statutory accounts give positive impact on the decision of voluntary audit among SME companies in Malaysia. In addition, this study also found the Unstandardized Coefficient, B for related stakeholder shown as the highest values with .529 (52.9%) indicates it as the strongest predictor in influencing voluntary audit among SME companies in Malaysia for this study compared to other predictors.

#### **Internal Control and Voluntary Audit**

Table 4.6 shows a statistically significant positive relationship between internal control and voluntary audit with (coefficient  $\beta = .209$ ,  $t(122) = 2.537$ ,  $p = .012$ ). The  $p$ -value is less than alpha value .05, thus hypothesis 3 (H3) is accepted. The results presented that internal control is the significant factor influencing the demand for voluntary audit among SME companies in Malaysia. Internal control is the essential elements that the organisation should establish in order to achieve its objectives. This study has proven that audit is the relevant and appropriate initiative taken by the management to improve the quality of financial reporting by reduce the chance of material error and uncertainty of financial information. This study emphasised the need of accurate and reliable financial reporting as the objectives of management internal control have driven the SMEs to choose the statutory requirement even, they are not regulated to do so. These results correspond and are supported with the studies by (Deumes and Knechel, 2008 Knechel and Willekens, 2006; Clatworthy and Peel, 2013; Varici, 2013; Niemi et al., 2012; Khairuddin et al., 2012; Collis, 2010; Collis et al., 2004). Internal control aids decision making, and voluntary reporting motivates management to improve internal control as the reporting is capable of recording transactions so that the nature of business transacted is properly reflected in the financial accounts. In addition, with the help of the professionals specialising in risk assessment and evaluating internal control systems, the management are not only able to focus on their business operations efficiently, but they will also gain more confidence and provides assurance that internal controls involved in the financial reporting process are operating effectively. Hence, this study has rejected the results found by Ghani et al (2019) where the need on improvement quality of SMEs financial statements is unable to proven that the internal control will influence the demand of voluntary audit. This study also learns the respondents' opinion on statement: I would continue to choose for voluntary audit although my company is not legally required to do so

is strongly agreed by majority of the respondents in their decision for voluntary audit which represent 86 (70.5%) out of 122 respondents.

### **Implications and contribution of Study**

This study is able to give the significant implications for both practical and academic view. This study may provide information for practical view especially to SME companies and, Small and Medium Accounting firms. Basically, in any business or organisation, the decision is made based on the cost benefits analysis where the benefit should surpass the cost. SME companies may learn as this study provides significant information for voluntary audit decision that may contribute for the growth and development of their business. Secondly, this study has proven audit is perceived as valuable service since it signifies the quality of the process as it is conducted in a professional manner and the need of the company to have fair judgments by a trustworthy person thus, contribute to the demand of SME companies for voluntary audits. Therefore, this study provides insights for small and medium accounting firms to develops marketing strategies in attracting clients by sharing the importance to govern the financial reports. In addition, taking this opportunity to provide better services to the clients as their professional judgment is crucial important for the encouragement of SME businesses.

The significant implications for academic where the findings and discussion for each of the factors are useful for the researchers to add the information gathered from this study into their body of knowledge and to synthesise their literature with this study where the three factors significantly influence SME companies' decision to demand for voluntary audit for future research as the study provides in-depth analysis. Moreover, variables name of internal control and related stakeholder which used as the predictors for this study is clearer, understandable, and straight to the means of the definition in examining the objectives of this study. There are very few studies conducted in this area since the prior literature is mostly based on the perception if the audit exemption is regulated. In addition, this study also gives positive implications to educators where the findings help them to update their input in sharing the knowledge with the students. Since it is newly introduced, it is still causing confusion among SME companies, auditors, and students in related fields.

Contributions of this study shows that SME companies may learn to provides significant information to help them to decide whether they should demand for voluntary audit or take the opportunity of an audit exemption as offered by the regulators. SMEs may be able to make the best decision for their companies and take any opportunity that may contribute for the growth and development of their business. Secondly, this study has proven audit is perceived as valuable service since it signifies the quality of the process as it is conducted in a professional manner and the need of the company to have fair judgments by a trustworthy person thus, contribute to

the demand of SME companies for voluntary audits (Lee and Ali, 2008). Therefore, this study provides insights for small and medium accounting firms to develops marketing strategies in attracting clients by sharing the importance to govern the financial reports. In addition, taking this opportunity to provide better services to the clients as their professional judgment is crucial important for the encouragement of SME businesses.

### **References**

- Abdel-Khalik, A. R. (1993). Why do private companies demand audit? A case for organizational loss of control. *Journal of accounting, auditing & finance*, 8(1), 31-52.
- ACCA. (2020). Internal Control. Available at:



- <https://www.accaglobal.com/ca/en/student/exam-support-resources/fundamentals-exams-study-resources/f1/technical-articles/internal-controls.html>
- Allee, K. D., & Yohn, T. L. (2009). The demand for financial statements in an unregulated environment: An examination of the production and use of financial statements by privately held small businesses. *The accounting review*, 84(1), 1-25.
- Bulatovic, M., & Treis, O. (2016). The impact of firm characteristics on voluntary auditing in Sweden.
- Cheng, W. K., Beh, C. W., Lim, S. M., Teoh, Y. Y., & Thong, J. M. (2019). *Reasons against audit exemption among SME companies in Malaysia* (Doctoral dissertation, UTAR).
- Carey, P., Simnett, R., & Tanewski, G. (2000). Voluntary demand for internal and external auditing by family businesses. *Auditing: a journal of practice & theory*, 19(s-1), 37-51.
- Chan, W. M. (2012). Exemption of annual audit for small companies: A review. *Pertanika Journal of Social Sciences & Humanities (JSSH)*, 20(1), 1-10
- Clatworthy, M. A., & Peel, M. J. (2013). The impact of voluntary audit and governance characteristics on accounting errors in private companies. *Journal of Accounting and public policy*, 32(3), 1-25.
- Collis, J. (2008). Directors' views on accounting and auditing requirements for SMEs. *Londres: Department of Business, Enterprise and Regulatory Reform*.
- Collis, J. (2010). Audit exemption and the demand for voluntary audit: A comparative study of the UK and Denmark. *International journal of auditing*, 14(2), 211-231.
- Collis, J., Jarvis, R., & Skerratt, L. (2004). The demand for the audit in small companies in the UK. *Accounting and business research*, 34(2), 87-100.
- Corporate Law Reform Committee. (2007). A consultative document on creating a conducive legal and regulatory framework for businesses. Available at: [https://www.ssm.com.my/files/clrc/consultation\\_documents/cd7.pdf](https://www.ssm.com.my/files/clrc/consultation_documents/cd7.pdf)
- Dedman, E., Kausar, A., & Lennox, C. (2014). The demand for audit in private firms: recent large-sample evidence from the UK. *European Accounting Review*, 23(1), 1-23.
- Department of Statistics Malaysia (2018). Small and medium enterprises (SMEs) performance 2017. Available at: [https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=159&bul\\_id=cE10bklpZHJaTlhRNDB3d2ozbnFIUT09&menu\\_id=TE5CRUZCbIh4ZTZMODZlBmk2aWRRQT09](https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=159&bul_id=cE10bklpZHJaTlhRNDB3d2ozbnFIUT09&menu_id=TE5CRUZCbIh4ZTZMODZlBmk2aWRRQT09)
- Deumes, R., & Knechel, W. R. (2008). Economic incentives for voluntary reporting on internal risk management and control systems. *Auditing: A Journal of Practice & Theory*, 27(1), 35-66.
- Doxopoulou, K. (2016). Voluntary Audit. School of Economics, Business Administration & Legal Studies. Available at: <https://repository.ihu.edu.gr//xmlui/handle/11544/14536>
- Frost, J. (2017). How to interpret R-squared in regression analysis? *Statistics by Jim*.
- Ghani, E. K., Munir, S. M. I., Zam, Z. M., & Sukmadillaga, C. (2020). Factors influencing voluntary audit among small and medium enterprises: The Malaysian evidence. *Humanities and Social Sciences Letters*, 8(1), 23-35.
- Ha, H. H., & Nguyen, A. H. (2020). Determinants of Voluntary Audit of Small and Medium Sized Enterprises: Evidence from Vietnam. *The Journal of Asian Finance, Economics, and Business*, 7(5), 41-50.
- Haapamaki, E. (2018). Voluntary auditing: A synthesis of the literature. *Accounting in Europe*, 15(1), 81-104

- Hair, J. F., Jr., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis: A Global Perspective* (7th ed.). Upper Saddle River: Prentice Hall.
- Haron, H., Ismail, I., Ganesan, Y., & Hamzah, Z. (2016). Audit exemption for small and medium enterprises: Perceptions of Malaysian auditors. *Asian Academy of Management Journal*, 21(2), 153.
- Hay, D., & Davis, D. (2004). The voluntary choice of an auditor of any level of quality. *Auditing: A journal of practice & theory*, 23(2), 37-53.
- Hinkle, D. E., Wiersma, W., & Jurs, S. G. (1998). *Applied statistics for the behavioral sciences* (4th Ed.). Boston, MS: Houghton Mifflin.
- Ismail, H., & Boon, L. L. (2012). Mandatory Audit of Small Business in Malaysia: Owners' Perspective. In *3rd International Conference on Business and Economic Research (3rd ICBER 2012) Proceeding, Bandung, Indonesia*. Retrieved from <https://core.ac.uk/download/pdf/153804406.pdf>
- Kamarudin, N., Abidin, Z. Z., & Smith, M. (2012). Audit exemption among SMEs in Malaysia. *Asian review of accounting*.
- Kausar, A., Shroff, N., & White, H. (2016). Real effects of the audit choice. *Journal of Accounting and Economics*, 62(1), 157-181.
- Khairinuddin, E. A. (2005). *Audit Exemption of Small Private Limited Companies: A Malaysian Perspective from the Small and Medium Enterprises Viewpoint* (Doctoral dissertation, Fakulti Perniagaan dan Perakaunan, Universiti Malaya).
- Khairuddin, E. A., Devi, S. S., & Chan, W. M. (2012). Audit exemption for Malaysian SMEs: Does ownership matter? *Journal of Accounting Perspectives*, 5, 1-22.
- Kline, R. B. (2005). *Principles and Practice of Structural Equation Modeling*. (2nd ed.). New York, NY: Guilford Press.
- Knechel, W. R., & Willekens, M. (2006). The role of risk management and governance in determining audit demand. *Journal of Business Finance & Accounting*, 33(9-10), 1344-1367.
- Shrestha, L. B. K., & Wai, H. H. (2011). Audit from Audit Exempted Small and Medium-sized Entities (SMEs) in Sweden.
- Lennox, C. S., & Pittman, J. A. (2011). Voluntary audits versus mandatory audits. *The accounting review*, 86(5), 1655-1678.
- Likert, R. (1932). The likert-type scale. *Archives of Psychology*, 140(55), 1-55.
- Malaysian Institute of Accountants. (2016). *Why Audit Matters to SMEs*. Available at: [https://www.mia.org.my/v2/downloads/resources/publications/smp/2016/12/14/MI\\_A\\_Why\\_Audit\\_Matters\\_to\\_SMEs.pdf](https://www.mia.org.my/v2/downloads/resources/publications/smp/2016/12/14/MI_A_Why_Audit_Matters_to_SMEs.pdf)
- Minnis, M. (2011). The value of financial statement verification in debt financing: Evidence from private US firms. *Journal of accounting research*, 49(2), 457-506.
- Mohamed, W., Yasseen, Y., & Omarjee, F. Z. (2019). The perceptions of South African accounting practitioners on the post-implementation of IFRS for SMEs in an institutionalised environment. *Journal of Economic and Financial Sciences*, 12(1), 1-11.
- Montero, E. L., Lopez, R. G., & Guzman, S. M. A. (2020). Financial auditing benefits: Perspective of the SME in Celaya, Guanajuato. *Acta Universitaria*, 30(1), 1-15.
- Mustapha, M., & Yaen, C. H. (2013). Demand for voluntary audit by small companies in Malaysia. *Management and Accounting Review (MAR)*, 12(2), 73-88.
- Mustapha, M., Yaen, C. H., & Ismail, H. (2015). Agency theory and demand for audit by small businesses. *Sains Humanika*, 5(2).

- Niemi, L., Kinnunen, J., Ojala, H., & Troberg, P. (2012). Drivers of voluntary audit in Finland: to be or not to be audited? *Accounting and business research*, 42(2), 169-196.
- Norhisham, B. A. (2017). Malaysia introduces audit exemption for certain private companies. 267(1), 2016–2018. Available at: <https://www.inhousecommunity.com/article/malaysia-introduces-audit-exemption-certain-private-companies/>
- Nunnally, J. C. (1978). *Psychometric theory*. 2nd edn: McGraw-Hill: New York.
- Ojala, H., Collis, J., Kinnunen, J., Niemi, L., & Troberg, P. (2016). The demand for voluntary audit in micro-companies: Evidence from Finland. *International Journal of Auditing*, 20, 267-277.
- Othman, R., Abidin, Z. Z., & Thirumanickam, N. (2013). Directors' View on Exemption from Statutory Audit. *Asian Journal of Empirical Research*, 3(10), 1277-1290
- Porter, B., Simon, J., & Hatherly, D. (2003). *Principles of external auditing*. John Wiley & Sons.
- PricewaterhouseCoopers. (2018). What is an audit? Available at: <https://www.pwc.com/m1/en/services/assurance/what-is-an-audit.html>
- Raximova, G. M., Abdulkayeva, S., & Pirimkulov, O. M. (2020). Features of Audit of Small and Medium-Sized Enterprises. *Theoretical & Applied Science*, (6), 101-105.
- Seven Pillars Institute. (2018). Agency Theory. Available at: <https://sevenpillarsinstitute.org/ethics-101/agency-theory-2/>
- SME Corporation Malaysia. (2018). Annual Report 2018/2019. Available at: <https://www.smeCorp.gov.my/index.php/en/resources/2015-12-21-11-07-06/sme-corp-malaysia-annual-report>
- Suruhanjaya Syarikat Malaysia. (2017). Audit Exemption For Selected Categories of Private Companies, Available at: [https://www.ssm.com.my/Pages/Publication/Press\\_Release/2017/Audit-Exemption-For-Selected-Categories-Of-Private-Companies.aspx](https://www.ssm.com.my/Pages/Publication/Press_Release/2017/Audit-Exemption-For-Selected-Categories-Of-Private-Companies.aspx)
- Tauringana, V., & Clarke, S. (2000). The demand for external auditing: managerial share ownership, size, gearing and liquidity influences. *Managerial Auditing Journal*.
- Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha. *International journal of medical education*, 2, 53.
- The Malaysian Reserve. (2020). SMEs' contribution to GDP to fall in 2020. Available at: <https://themalaysianreserve.com/2020/07/24/smes-contribution-to-gdp-to-fall-in-2020/>
- The Star Online. (2017). Who needs to be audited? Available at: <https://www.thestar.com.my/business/business-news/2017/01/14/who-needs-to-be-audited>
- Varici, I. (2013). The relationship between information asymmetry and the quality of audit: An empirical study in Istanbul Stock Exchange. *International Business Research*, 6(10), 132.
- Weik, A., Eierle, B., & Ojala, H. (2018). What drives voluntary audit adoption in small German companies? *International Journal of Auditing*, 22(3), 503-521.
- Yusarina, M. I., Zuraidah, M. S., Lee, T. H., & Mazurai, M. (2012, November 9-12). Audit exemption in Malaysia: A study on the clients' level of acceptance. *13th Annual Conference of Asian Academic Accounting Association, Kyoto, Japan*.