

Ethical Dilemmas in Financial Reporting for Malaysian Corporations: Case Studies and Corporate Responses

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Abstract

Manuscript type: Case study-based qualitative research Research aims: To investigate the causes, manifestations, and responses to ethical dilemmas in financial reporting among Malaysian corporations from 2015 to 2025. Design/Methodology/Approach: A qualitative approach is applied by means of a case study, whereby twenty cases of high-profile Malaysian corporate financial scandals are studied using secondary reports from regulators, media coverage, and company disclosures. Research findings: Recurring themes of asset misappropriation, fraudulent transactions, related-party abuses, opacity of debt restructuring, and disclosure failures emerge. These were enabled by governance failures, political interference, and inadequate enforcement. Theoretical contribution/Originality: The paper attempts to bridge ethical theory in financial reporting with real-world misconduct, thus strengthening the linkage of poor ethical infrastructure with financial manipulation in emerging markets. Practitioner/Policy Implication: The results emphasize the urgency for stronger board independence, proactive protections for whistleblowers, strict enforcement of corporate governance codes, and ethical training in accounting schools. Research Limitations/Implications: The research draws greatly on secondary sources, which restrict access to confidential friends and underrepresenting significantly the realization or misbehaviour that is still unfolding. Future studies could involve interviews and internal data collection with ethical clearance.

Keywords: Financial Reporting, ETHICS, Malaysia, Corporate Governance, Fraudulent Accounting

Introduction

Financial reporting processes are those of recording, summarising, and sharing a company's financial transactions and results for a specific span of time, usually quarterly or annually (Planful, 2017). It helps businesses organise their accounting data and portray a clear image of their financial status. A good financial reporting is one that effectively brings about transparency to the company's operations, regarding revenues and expenditures. A company that maintains good financial records will reflect its performance truly, manage its debt beneficially, and identify opportunities for growth. Financial reporting also ensures that companies comply with the complex accounting standards. Proper and consistent reporting eases the process for tax filing and audits, reduces the likelihood of legal ramifications, and builds affinity with regulators and stakeholders (Planful, 2017).

Financial reports are the most crucial analytics channels that provide important data to many stakeholders. These financial reports are the primary sources of information used by shareholders, management, and regulators to evaluate a company's financial performance and decide how to invest in, drive its corporate direction, or regulate it. Nonetheless, these financial statements lay the framework for comprehensive financial analysis and decision-making. The ability to anticipate potential future developments is a vital strategic competency that allows an organisation to foresee changes and take decisions with a long-term (Peter & Jarratt, 2015). According to this, even financial reporting is beyond just a simple bookkeeping process since it is a very basic operation that encourages openness, accountability, and empowers educated decision-making.

Ethical dilemmas in accounting often arise when there is a conflict between business objectives and ethical standards. These situations manifest mostly as fraud, earnings manipulation, and false disclosures, each of which poses a distinct danger to the system's integrity.

Fraudulent acts including purposeful distortion of financial statements are a fundamental violation of honest representation. These activities might be conducted for personal gain or to project a sense of financial strength. Such fraudulent operations confuse stakeholders and affect market perceptions Association of Certified Fraud Examiners (2023). Profits manipulation, on the other hand, influences profits results by manipulating accounting data through income smoothing or incorrect revenue recognition. Misleading financial disclosures, by the omission and/or distortion of key information, are actively misleading stakeholders about the organization's real financial state and inherent risks. Companies can create a distorted perception of their performance by withholding or obscuring data that may have been relevant and material, thus creating a barrier to informed investing or lending decisions. With such unethical financial reporting in Malaysia, the consequences are widespread and affect not only individual companies but also the whole economy. Whereas companies themselves suffer the immediate consequences of nonethical financial reporting, including legal sanctions, financial penalties, and damage to reputation, which tends to weaken investor confidence and may lead to bankruptcy, this loss of trust is also experienced by employees, suppliers, and customers, ultimately causing local distress. For investors, the

misrepresented financial statements mean loss of savings and a present-day strike on confidence in the financial markets that reduces capital inflow and lessens market liquidity to the impair of the business. On a broad scale, widespread unethical reporting jeopardizes the existence of financial institutions, promotes corruption, and triggers economic troubles, such as currency devaluation and inflation. Ethical financial reporting must therefore be the axis that will ensure stability in the economic environment, a safe harbour for both businesses and investors, and the key to sustainable growth in Malaysia.

Problem Statement

Given the recent case of financial-reporting ethics violations in Malaysia, an in-depth investigation is required to determine what caused the incident and what incentives were involved. The analysis of this particular case will provide useful insights into the variables that contributed to such unethical behaviour in the corporate environment. This investigation seeks to expose vulnerabilities in internal control, regulatory oversight, and the ethical environment, so establishing a foundation for governance change and preventing future incidents.

According to CPA Credits (2024), in the world of business and finance, ethics are critical for preserving integrity, trust, and responsibility. The principles of accounting are an essential part in effective financial management. Although laws and rules such as Malaysian Financial Reporting Standards (MFRS), the Companies Act 2016, or the Malaysian Code of Corporate Governance exist, individuals continue to violate ethical practices that harm investors' confidence, corporate image, and economic stability in financial reporting.

Research Objectives

The main objective of this paper is to investigate the most recent case of financial-reporting ethics violations in Malaysia to learn about the causes and motivations behind such unethical behaviour.

The following are the study's research objective:

1. To study the causes of ethical misconduct in financial reporting and its impact on the stakeholders, among which businesses, investors, and the economy are at the forefront.
2. To investigate and evaluate the different courses of action taken and reforms made by corporations along with their effectiveness in the long run against further violations in ethical matters of financial reporting.
3. To investigate and assess how much awareness and understanding stakeholders have of ethical financial reporting practices and the relation between such awareness and good corporate governance.

Literature Review

Ethical Dilemma in Financial Reporting

Financial reporting is a vital part of accounting that requires strong ethical standards. Maintaining integrity and objectivity is critical in financial reporting. Professional accountants should be able to recognize ethical issues and apply moral judgment to a situation before commencing any task, ensuring that their intentions and actions conform to ethical principles and accepted professional standards (Ishwara P & Mekonnen, 2024). While ethical problems associated with financial reporting arise out of the conflicting situations in which people or

companies find themselves, they also tend to test the integrity of people when put under pressure to meet financial targets or keep an investor's belief in them.

These ethical problems may range from earnings management, misrepresentation of assets and liabilities, or intentional omission in disclosures. Tae Hee Choi and Jinhan Pae (2011) researched the intersection between company adherence to business ethics and the quality of its financial reporting. In effect, companies that practise higher ethical behaviour follow less fiscal oversight and disclose earnings more responsibly.

Corporate Governance and Its Role in Ethics

According to study (Santa Clara University, 2022), corporate governance refers to the rules, policies, and processes that drive and regulate a company, frequently overseen by its board of directors. Corporate governance principles define a company's ethical beliefs and guide its activities. Corporate governance concepts assist organisations balance the needs of their stakeholders, including financiers, the community, employees, shareholders, suppliers, customers, and senior executives.

The Malaysian Code of Corporate Governance (MCCG) is a comprehensive code of principles for enhancing the functioning of boards, risk management, and stakeholder engagement within the context of doing business in Malaysia (Securities Commission Malaysia, 2021). It strongly recommends the setting-up of independent audit committees that shall review financial statements prior to their issuance. Despite the strong frameworks, Malaysian corporations continue to face ethical misconduct.

The more the independent directors are uplifted in companies, the more it will ensure proper financial disclosure, and the lesser the chance of manipulation, according to Haniffa and Hudaib (2006). However, the serious misconduct exhibited in the 1MDB, and Serba Dinamik cases exposes some immense weaknesses of the Malaysian government, particularly with respect to boards' ability or mandate to challenge the dawn of executive managers or appoint experts to matters of financial significance. In such situations, financial reporting issues are rarely, if at all, ever addressed.

Financial Reporting Standards and Compliance

Financial reporting standards specify how organisations should generate, present, and disclose financial statements. These standards ensure that financial reporting is uniform, clear, and accurate, enabling stakeholders like investors, creditors, and regulators to make well-informed decisions. The two most extensively used financial reporting standards globally are Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). This disclosure and transparency in financial reporting are important for the trustworthiness of financial information and enhancing the trust of other stakeholders (Nurunnabi, 2021). Listed firms in Malaysia are required to comply to the Malaysian Financial Reporting Standards (MFRS), which are closely related to the IFRS.

Not adhering to accounting standards, however, means you will also not be reporting in an ethical manner. It is in the display of manipulated earnings that ethical constraints come from when companies tinker with standards by showing hidden financial risks. As an example, under MFRS 136 (Impairment of Assets), management is required to estimate values of assets. However, impairment losses could be postponed pending an overly positive position

on the financial report due to skewed estimates. One such instance is Sapura Energy Berhad, which has been speculated to defer recognition of impairment losses; thus, the general timing and transparency of reporting is suspect (Jose Barrock & Kamarul Azhar, 2025).

Salleh & Othman (2021) state that compliance boundaries allow companies the opportunity of management through manipulating earnings: the strategic application of accounting options to affect reported earnings. This is more apparent in long project cycles with complex contracts, such as construction, oil, and gas. The earnings recognition of MFRS 15 could be manipulated from under such cases.

Whistleblowing and Ethical Accountability

The Whistleblower Protection Act 2010, in the context of Malaysia, provides a framework for inducing parties like employees, auditors, or suppliers to report possibly perceived misconduct. Unfortunately, however, the limitations of the Act itself have caused negligence and under-reporting of such cases in practice. Most whistleblowers fear retaliation or threats to their lives or jobs, especially in financially impacting fraud cases.

There exists an academic literature that suggests several factors such as an ethical corporate culture; and strong protections are responsible for empowering whistleblowers (Ahmad et al. 2014). A case we familiar with is 1MDB scandal, some internal red flags were ignored or suppressed. Whereas most of the Malaysian public listed companies disclose some mention of whistleblowing policies in their annual reports, very few of them disclose fully how are the reports acted upon or whether there exists an independent channel for making these complaints.

Fraud Detection Mechanisms in Malaysian Firms

Fraud charges in Malaysia have increased significantly in recent years, raising grave concerns about the country's financial and economic well-being. Understanding the underlying causes and types of fraud is crucial for developing efficient prevention and detection strategies. Furthermore, the consequence of fraud has negative impacts on firms and stakeholders alike, calling for enhanced patterns of fraud risk management to save the economy and uphold market integrity (Madah Marzuki et al., 2025).

As stated by Normah Omar and Katerina Maria Abu Bakar (2012), fraud detection is an ethical responsibility within the regulatory framework. Current methods include data analytics, surprise audits, and ongoing transaction monitoring, which have become even more indispensable in spotting irregular patterns. Malaysia's compliance requirements with listing requirements covering controls at Paragraph 15.26(b) of Bursa Malaysia are compulsory; however, the level and quality of such disclosures across firms may vary considerably.

Board Composition and Ethical Oversight

In the digital age, organisations must prioritise ethical governance and board supervision. These principles establish a framework for responsible decision-making, accountability, and transparency. They help to create stakeholder trust and maintain long-term viability. Boards of directors act a critical role in overseeing management and ethical behaviour. They must deal with issues like conflicts of interest, compensation for executives, and balancing stakeholder interests. Studies have shown (Abdul Rahman & Ali, 2006) a clear connection

between board independence and the level of revenue manipulation in Malaysian public-listed corporations.

However, in numerous companies, the independence of the board was compromised, probably by long employment, cross-directorships with other institutions, or by personal relationships with shareholders owning majority interests. For example, in a high-profile case like *Serba Dinamik*, although audit concerns were growing, the board members failed to act in all matters concerning the board, raising questions about the effectiveness of the board with financial integrity overseeing.

Technological Advancements and Ethical Reporting

Transformations in financial data recording, reporting, and monitoring by technology implies extreme coming changes in its ethics in reporting as e-invoices advocate for the future digital compliance framework actively promoted by the Inland Revenue Board (LHDN) in Malaysia. E-invoicing improves traceability and accuracy of revenue transactions instead of false invoices or tax-evasive transactions.

They also complement AI-powered audit tools to enhance the ability for businesses and auditors to decipher fraud by detecting anomalies or patterns. Blockchain technology, albeit still emerging in Malaysia along with its several interpretations, has no doubt changed the paradigm of creating unalterable records in accounting that accentuate the transparency factor. As suggested by literature by Yermack (2017), the adoption of technology in financial operations strengthens financial integrity by minimizing human error and managerial manipulation. Despite this, the ethical consideration regarding the application of technology comes in as new ethical dilemmas can be raised out of misuse like data analytics and privacy or even biases in AI algorithms.

Research Methodology

Introduction

Research methodology is a way for a researcher to describe how they plan to perform their research. It is a logical, methodical approach to a research problem. A methodology describes how a researcher intends to perform the study in order to obtain accurate, reliable results that fulfil their goals and objectives. It contains what information they intend to obtain, where they will obtain it, and how it will be obtained and handled (Sreekumar, 2023). The primary objective of this methodology is to outline the mode of research against the Malaysian companies about scandals associated with financial reporting. The broad intent of investigation is to find out the underlying facilitators and patterns in the behavior of misdeed as well as the strength of the regulatory reactions against such cases.

Research Design

This study adopts the qualitative analysis approach, particularly case study-based research. By examining multiple instances of financial-reporting-related scandals in Malaysian companies, this research aims to identify commonalities and themes and certain factors that contribute to financial misconduct. The qualitative research methodology examines individuals' ideas, activities, and experiences. It captures and evaluates written material information and words (Sreekumar, 2023).

The qualitative research methodology examines individuals' ideas, activities, and experiences. It captures and evaluates written material information and words (Sreekumar, 2023).

The case study technique involves studying one or more "cases," which are instances, examples, or circumstances that might evaluate a problem or occurrence. A case study strategy involves collecting and analysing data using specific methodologies. Case study research is widely used in social science fields such as business, education, sociology, and psychology (Salmons, 2021). The research has been initiated in order to examine ten Malaysian companies whose financial reporting disputes or irregularities are publicly known.

Data Collection Methods

Data is a compilation of information from numerous sources, including facts, figures, items, characters, and actions (Bhat, 2020).

The study will include data collected from secondary sources, such as Bursa Malaysia reports. These are important market responses to the crises as they are regulatory information. Next, reports from the Securities Commission Malaysia illustrate the authorities' response to the cases of incidents. A similar study on fraudulent financial reporting: evidence from Malaysia by Lau and Ooi (2016) stated financial disclosures and company announcements taken from Bursa Malaysia are essential for comprehending the wider effects of financial misconduct on investor confidence and regulatory compliance since they show market-level responses. Because they show listed companies' official reactions to financial irregularities, suspensions, and enforcement actions, Bursa disclosures are especially valuable. The study also thoroughly examines enforcement action releases (EARs) that the Securities Commission Malaysia (SC) publishes. The type of misstatements, legal actions taken under the Capital Markets and Services Act (CMSA), and penalties imposed are all described in these documents, which offer authoritative accounts of regulatory responses to detected FFR cases. Financial Statements and Audit Reports, particularly, of those corporations that have been affected by scandal to look into any irregularities or procedures followed in the reporting. Finally, newspaper articles and business publications will provide reports from the media which document how the public views them.

Data Analysis

Through qualitative analysis, financial misconduct behaviors will be more apparent across the case studies. The following twenty companies were identified through thorough media searches as being charged of ethical misconduct:

Table 1

List of Companies Being Charged for Ethical Misconduct

No.	Company	Sources
1.	1Malaysia Development Berhad (1MDB)	Ellis-Petersen, H. (2020, July 28). 1MDB scandal explained: a tale of Malaysia's missing billions. The Guardian. https://www.theguardian.com/world/2018/oct/25/1mdb-scandal-explained-a-tale-of-malaysias-missing-billions Jones, D. S. (2020). 1MDB corruption scandal in Malaysia: a study of failings in control and accountability. <i>Public Administration and Policy</i> , 23(1), 59–72. https://doi.org/10.1108/pap-11-2019-0032
2.	Serba Dinamik Holdings Berhad (Serba Dinamik)	Lee, W. K. (2024, June 18). From rising O&G star to two-sen stock: Serba Dinamik's short seven-year Bursa journey. The Edge Malaysia. https://theedgemaalaysia.com/node/714826 Securities Commission Malaysia. (2021, December 28). SC Charges Serba Dinamik, its Director and Officers for False Information in its Financial Statement - Media Releases Securities Commission Malaysia. https://www.sc.com.my/resources/media/media-release/sc-charges-serba-dinamik-its-director-and-officers-for-false-information-in-its-financial-statement
3.	Felda Global Ventures Holdings Bhd (FELDA)	earthsight. (2018, March 1). Analysis: Scandal-ridden Malaysian plantation firm is the cause of smallholders' problems, not the EU. https://www.earthsight.org.uk/news/analysis/scandal-ridden-malaysian-plantation-firm-cause-smallholders-problem Isa Samad's Arrest – Let Justice Take Its Course. (2017). Transparency.org.my. https://transparency.org.my/pages/news-and-events/press-releases/isa-samad-s-arrest-let-justice-take-its-course
4.	Sapura Energy Berhad	Jose Barrock, & Kamarul Azhar. (2025, March 27). Cover Story: Is the worst really over for Sapura Energy? The Edge Malaysia. https://theedgemaalaysia.com/node/748392
5.	Maxis Bhd	From. (2017, February 3). Aircel Maxis case: Enforcement Directorate moves Supreme Court against discharge of Maran brothers. The New Indian Express. https://www.newindianexpress.com/nation/2017/Feb/03/aircel-maxis-case-enforcement-directorate-moves-supreme-court-against-discharge-of-maran-brothers-1566549.html
6.	AirAsia X Berhad (AAX)	Kang, S. L., & Kamarul Azhar. (2020, February 21). Cover Story: AirAsia, Airbus & a failed F1 Racing Team. The Edge Malaysia. https://theedgemaalaysia.com/article/cover-story-airasia-airbus-failed-f1-racing-team
7.	MISC Berhad (MISC)	Malaysia Starts Probe into Alleged Bribery at MISC. (2018, March 6). Offshore Energy. https://www.offshore-energy.biz/malaysia-starts-probe-into-alleged-bribery-at-misc/
8.	UEM Group	Syafiqah Salim. (2025). UEM Edgenta unit faces lawsuit over alleged failure to complete MRT2 sub-contract. The Edge Malaysia. https://theedgemaalaysia.com/article/uem-edgenta-unit-faces-lawsuit-over-alleged-failure-complete-mrt2-subcontract
9.	Malaysia Building	Zaki, M. (2024, June 27). <i>MBSB Bank says cooperated with authorities over RM24.2m fraud, all funds refunded</i> . Malay Mail ; Malay Mail.

	Society Berhad (MBSB)	https://www.malaymail.com/news/malaysia/2024/06/27/mbsb-bank-says-cooperated-with-authorities-over-rm242m-fraud-all-funds-refunded/141804
10.	Boustead Holdings	<p>Syafiqah Salim. (2025a). Rafizi: Offshore firm siphoned RM192 mil from LCS project, modus operandi same like 1MDB. The Edge Malaysia. https://theedgemalaysia.com/article/rafizi-offshore-firm-siphoned-rm192-mil-lcs-project-modus-operandi-same-1mdb</p> <p>WE. (2022, August 10). MACC directed to speed up LSC probe, audit report will be made public – PM, Weekly-Echo. Weekly-Echo. https://www.weekly-echo.com/macc-directed-to-speed-up-lsc-probe-audit-report-will-be-made-public-pm/</p>
11.	Sarawak Consolidated Industries Bhd (SCIB)	<p>Bursa Malaysia. (2023). BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS AND/OR FINES SARAWAK CONSOLIDATED INDUSTRIES BERHAD AND TWO (2) DIRECTORS. Bursamalaysia.com. https://www.bursamalaysia.com/bm/about_bursa/media_centre/bursa-malaysia-securities-publicly-reprimands-and-slash-or-fines-sarawak-consolidated-industries-berhad-and-two-2-directors</p>
12.	Eksons Corporation Bhd	<p>Azman, S. (2025). Bursa publicly reprimands Eksons for errors in financial results. The Edge Malaysia. https://theedgemalaysia.com/article/bursa-publicly-reprimands-eksons-errors-financial-results</p>
13.	Dataprep Holdings Bhd	<p>Anis Hazim. (2023, September 19). Bursa reprimands Dataprep, fines five directors over inaccurate reply to UMA query. The Edge Malaysia. https://theedgemalaysia.com/node/683161</p>
14.	Pasdec Holdings Bhd	<p>Wall, S. (2024, September 5). We Think That There Are Issues Underlying Pasdec Holdings Berhad's (KLSE: PASDEC) Earnings. Yahoo Finance. https://finance.yahoo.com/news/think-issues-underlying-pasdec-holdings-222945090.html</p>
15.	CN Asia Corporation Bhd	<p>Editor. (2024, February 19). Breadcrumb. BusinessToday. https://www.businesstoday.com.my/2024/02/19/cnasia-corp-and-directors-fined-for-breach-of-bursa-requirements/</p>
16.	Silver Ridge Holdings Bhd	<p>BERNAMABIZ. (2023). <i>Bursa Malaysia Securities Reprimands Silver Ridge, Fines Directors.</i> BERNAMABIZ. https://www.bernamabiz.com/news.php?id=2184139/</p>
17.	Top Builders Capital Bhd	<p>Emir Zainul. (2024, June 7). <i>Bursa reprimands Top Builders, fines eight directors over late issuance of annual report, quarterly reports.</i> The Edge Malaysia. https://theedgemalaysia.com/node/714651</p>
18.	Asia Media Group Bhd	<p>Khalid, S. (2025). SC charges former group accountant of Asia Media Group. The Edge Malaysia. https://theedgemalaysia.com/article/sc-charges-former-group-accountant-asia-media-group</p> <p>Pickastock. (2025). Bursa Malaysia reprimands Asia Media, fines four ex-directors for breaching listing rules. Pick a Stock. https://www.pickastock.info/news?id=93860&title=Bursa-Malaysia-reprimands-Asia-Media-fines-four-ex-directors-for-breaching-listing-rules</p> <p>The Star Online. (2021, June). Bursa Malaysia publicly reprimands Asia Media, four former directors. The Star.</p>

		https://www.thestar.com.my/business/business-news/2021/06/01/bursa-malaysia-publicly-reprimands-asia-media-four-former-directors
19.	Petrol One Resources Bhd	Bursa Malaysia Securities Publicly Reprimands Petrol One Resources Berhad and Its 2 Executive Directors. (2025). Mondovisione.com. https://mondovisione.com/media-and-resources/news/bursa-malaysia-securities-publicly-reprimands-petrol-one-resources-berhad-and-it-201465/
20.	Kanger International Berhad	Lim, J. (2025). Bursa queries Kanger over drop in share price. The Edge Malaysia. https://theedgemaalaysia.com/article/bursa-queries-kanger-over-drop-share-price

Particularly, the accusations made against the selected companies concerned ethical issues such as asset misappropriation, fraudulent transactions, tax evasion, debt restructuring opacity, related party ship leases, kickbacks, overpricing projects, and data breaches. A significant amount of the above companies are government-linked corporations (GLCs), raising concerns about potential political meddling and inadequate governance systems in public-sector organisations. To encourage responsibility and restore public trust in Malaysia's corporate sector, these developments require for stronger ethical frameworks, more regulatory monitoring, and a solid system for internal control.

Table 2

Time Period of Analysis

	Company under Investigation	Reported in
	Petrol One Resources Bhd	2015
1MDB		2015
	MISC	2015
	Exons Corporation Bhd	2015
	FELDA	2016
	Maxis Bhd	2018
	Boustead Holdings	2019
	Pasdec Holdings Bhd	2020
	UEM Group	2020
	Kanger International Berhad	2021
	Asia Media Group Bhd	2021
	CN Asia Corporation Bhd	2021
	AAX	2021
	Silver Ridge Holdings Bhd	2021
	Dataprep Holdings Bhd	2021
	Serba Dinamik	2021
	SCIB	2021

Top Builders Capital Bhd	2022
Sapura Energy Berhad	2022
MBSB	2024

Often considered synonymous with one of the largest financial scandals in the world, 1MDB was the subject of many reports between 2015 and 2019 illustrating how billions were drained from the fund through fraudulent bonds issued by shell companies and for related-party transactions, inflated project valuations, and multi-jurisdictional layers of finance. The deep nature of the scandal revealed how issues on enforcement, political interference, and absence of an independent oversight can make the system vulnerable. Whilst the investigation is still open to several cases, some have already concluded. The active files require some degree of investigation as compared to those already closed as particular arrangements have been put in place for their resolution.

This study takes into consideration the larger socio-political context that affects corporate misconduct in Malaysia in addition to examining corporate documents and regulatory responses. According to recent studies, regulatory capture, influence by politicians, and insufficient institutional governance remain threats to the integrity of financial reporting and enforcement systems, especially in GLCs (Salleh & Ahmad, 2021). These circumstances foster an atmosphere in which ethical breaches might go unnoticed or be handled insufficiently, particularly when politically connected people or organisations are involved.

Findings and Discussion

The period from 2015 to 2024 (Table 2) appears to have been a sequel wave of Financial Fraudulent Reporting (FFR), similar to those detected post-Asian financial crisis and post-Enron (Ball, 2009). Thus, one can enumerate several turning points across the globe that would have been germane to waves of unethical violations led by governance contagion, particularly in 2015, 2018, and 2021.

Case Overview

Table 2 summarises key FFR cases across twenty Malaysian companies. The nature of fraudulent activities varies widely, yet thematic patterns emerge.

Table 3

Overview of Fraudulent Financial Reporting Cases in Malaysia

Companies	Findings
1MDB	Over USD 4.5 billion misappropriated from a sovereign fund through shell companies, suggesting systemic siphoning via bond sales and diversion into personal accounts.
Boustead Holdings	RM192 million allegedly siphoned to offshore companies for non-existent work. RM400 million used to repay unrelated debts, showing clear asset diversion.
Asia Media Group Bhd	Company funds misused by executives, which coupled with missing financials, resulted in delisting.
Petrol One	Used offshore vehicles lacking business substance; indicators of embezzlement and asset concealment.

Kanger International	Raised substantial funds without delivery on projects; potential misuse of proceeds.
Serba Dinamik	RM3.54 billion worth of unverified transactions including fictitious sales and questionable trade payables.
MISC Berhad	Fictitious ship maintenance services invoiced fraudulently totaling over USD 27.8 million.
SCIB	RM748 million in revenue adjustments due to reclassification of construction work; auditors found lack of evidence.
Silver Ridge	Revenue jumped significantly but net losses persisted, raising suspicion over revenue authenticity.
AAX	Airbus paid US\$50 million in disguised kickbacks (sports team sponsorship) to secure aircraft deals.
Maxis Bhd	₹742 crores routed through various entities linked to political figures, suggesting bribes/kickbacks.
Sapura Energy	RM4 billion rights issue and RM6.24 billion in losses masked under failed acquisitions; financial distress was under-disclosed.
Top Builders	Failed to file audited accounts while restructuring under Section 366; persistent debt crisis concealed true insolvency risk.
Dataprep	Questionable appointment without proper tender; lack of healthcare background; board approved deals despite UMA (unusual market activity).
CN Asia	Entered money-lending business without shareholder approval; indicative of unchecked board powers.
FELDA	Paid inflated price for Eagle High Plantations; suspicions of political motives and poor due diligence.
Eksons Corporation	RM11.84 million discrepancy between audited and unaudited earnings.
UEM Group	Faced litigation over a RM87 million subcontracting dispute in the MRT2 project, with claims of project delays and cost mismanagement.
Pasdec	Failed to disclose material info (late financial reporting, liquidity issues concealed).
MBSB	RM24.2 million was withdrawn using forged MyKad documents. Internal controls failed to detect fraudulent withdrawal of fixed deposits.

Fraudulent Financial Reporting Methods

FFR has risen in prominence within corporate Malaysia, indicative of deeper systemic and ethical weaknesses in governance, regulation, and accountability. Table 3 distinguishes between different fraud methods which are asset misappropriation, fraudulent transactions, debt restructuring opacity, related-party ship leases, kickbacks, overpricing, and IFRS disclosure failures. Through case study examples, the study then helps build an empirical and thematic understanding of the occurrences of these fraudulent acts, the perpetration of these acts, and his or her consequent systemic conditions that enable the occurrence of the act.

Table 4

Methods of fraudulent financial reporting

No.	Companies	Categories of Methods					
		Asset Miss-appropriation	Fraudulent Transactions	Debt Restructuring Opacity	Kickbacks and Overpricing	Related-Party Transactions (RPTs) and Abuses	Disclosure Failures and IFRS Violations
1.	Petrol One		X		X	X	
2.	Kanger		X				X
3.	1MDB	X	X	X	X	X	X
4.	Eksos						X
5.	FELDA	X		X	X	X	X
6.	UEM Group		X		X	X	
7.	Boustead	X	X		X		X
8.	MISC				X	X	
9.	Asia Media		X				X
10.	Pasdec				X		X
11.	Maxis Bhd						X
12.	Top Builders	X	X		X		
13.	CN Asia						X
14.	AAX		X	X			X
15.	Silver Ridge						X
16.	Dataprep		X				X
17.	SerbaDinamik	X	X				X
18.	SCIB		X				X
19.	Sapura Energy			X			X
20.	MBSB		X				X

Asset Misappropriation

Table 3 shows that five companies misappropriate their asset in financial reporting. Executives at 1MDB, FELDA, and Serba Dinamik were found to have used shell corporations and overpricing schemes to drain off funds. The audit trail was obscured intentionally, violating principles in MFRS 101: Presentation of Financial Statements on faithful representation and MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors. These practices made it possible for the businesses to drain off assets for their own benefit, frequently passing off the stolen money as justifiable investments or expenses. When executives manipulate company assets for their own gain, such schemes reduce stakeholder

trust and compromise the integrity of financial statements. According to Jones (2020), high-profile firms like 1MDB scandal stands as a significant example of large-scale asset misappropriation, involving the diversion of approximately \$4.5 billion from Malaysia's sovereign wealth fund between 2009 and 2014.

Fraudulent Transactions

The study revealed that companies such as SCIB, Dataprep, and Asia Media engaged in fraudulent transactions including fake or unverifiable sales and costs. These companies inflated their income figures without any real economic activity by using fake sales records, violating MFRS 15: Revenue from Contracts with Customers, which requires recognition only when control of goods or services is transferred. For instance, in order to reach financial goals, some businesses create fictitious receivables or prematurely recognise revenue from sales from fictitious customers. Serba Dinamik's inflated contract revenues in international markets violated this principle (Securities Commission Malaysia, 2021). Similarly, Asia Media exhibited sudden spikes in revenue without adequate disclosures, raising red flags for investors and regulators (The Star Online, 2021). This manipulation can inflate stock prices or borrowing capacity based on fictitious figures, mislead investors, and distort the companies' actual financial health. The results highlight how crucial thorough auditing and internal control systems are to identifying and stopping these kinds of fraudulent transactions.

Debt Restructuring Opacity

Four companies were founded to engage in debt restructuring opacity. Companies that obstructed debt restructuring activities included AirAsia X and Sapura Energy. In particular, there was intentional misrepresentation of debt obligations or withholding of debt terms from stakeholders in order to manipulate the company's leverage ratios and perceived financial stability. Investors, creditors, and regulators are misled by opaque debt restructuring, which may result in ill-informed choices and higher risk exposure for all parties involved. Organisations that used transparent debt restructuring plans to hide liabilities from stakeholders, such as FELDA, came under investigation (The Edge Markets, 2022). Financial liabilities and their fair value must be reported transparently in accordance with FRS 139 Financial Instruments: Recognition and Measurement, which was frequently not the case.

Kickbacks and Overpricing

Situations of procurement and project costs being purposefully inflated to benefit insiders through kickbacks or personal gains include 1MDB, Boustead, and Pasdec. Such overpricing diverts company resources and raises project costs. Additionally, it affects financial statements by either overstating asset values or understating costs, making it more difficult for stakeholders to evaluate corporate performance and governance quality. FRS 101 Presentation of Financial Statements, which stipulates that financial statements give a true and fair picture, is gravely violated by kickback schemes. Boustead Holdings was the subject of an investigation by the Malaysian Anti-Corruption Commission (MACC) regarding allegations of procurement kickbacks (Wells, 2020).

Related-Party Abuses

It was clear that businesses like 1MDB, UEM Group, and MISC were involved in related-party transactions. These transactions frequently benefited insiders without full disclosure and were not at arm's length. Related-party transactions' lack of transparency raises questions

about corruption and conflicts of interest, which could result in asset misallocation and a drop in shareholder value. Without providing minority shareholders with complete disclosure, UEM engaged in intercompany financing agreements and real estate purchases among affiliated government-affiliated companies (The Edge Markets, 2019). Companies must reveal the nature of related-party relationships, the kinds of transactions involved, and the amounts required for users to comprehend the possible effects on financial statements under FRS 124 Related Party Disclosures (equivalent to IAS 24). To guarantee that RPTs are revealed completely, understandably, and in good faith, it requires transparency.

Disclosure Failures and IFRS Violations

The findings have illuminated existing problems with delayed, withheld, or misstated disclosures. Entities such as SCIB, Pasdec Holdings, and Top Builders routinely failed to file audited financial statements within prescribed timelines or completely withheld material facts concerning nebulous financial affairs or matters concerning diversification of their business interests. Asia Media Group and Eksons also attempted to mislead investors by way of delayed disclosures and material discrepancies in earnings. Market transparency is negatively impacted by noncompliance with FRS 134 Interim Financial Reporting and FRS 101 disclosure requirements. Dataprep Holdings and Petrol One Resources were among the companies that violated Bursa Malaysia's disclosure rules by failing to provide timely and accurate notes on related-party transactions and contingent liabilities (Bursa Malaysia, 2022). The very nature of this pattern exudes systemic weaknesses permeating enforcement and regulatory oversight, wherein on purpose, non-disclosure and delayed reporting were used to mask financial risks or poor performance. This destroys market transparency and dents investor confidence.

Corporate Responses and Governance Reforms

Board Restructuring and Leadership Changes

With greater scrutiny and public outcry, companies such as 1MDB, Serba Dinamik, and FELDA underwent a major bolt from above as their top leadership changes. At 1MDB, for example, various board members resigned or were removed as part of efforts to distance the entity from allegations of misappropriation and mismanagement of its affairs. Serba Dinamik then proceeded to make changes in its board and management, although the half-hearted cooperation with regulators and auditors did little to convince anyone of the sincerity of those changes. FELDA, on the other hand, dismissed directors implicated in asset misappropriation scandals and amended its board charter. While these can be seen as initial attempts at reform, the measures are mostly reactive rather than preventive.

Enhanced Audit and Oversight Mechanisms

When the integrity of the financials came seriously into question, audit functions were restored, and forensic audits conducted externally. For example, SCIB reappointed external auditors and launched into a forensic review of detecting any instances of revenue misrecognition. In a similar vein, Sapura Energy established an audit risk committee and started to disclose asset impairment in greater detail. These initiatives, however, while admirable, are heavily contingent on having independent and empowered audit committees. Attributes often absent in Malaysian corporate environments with concentrated ownership or political affiliations.

Policy Revisions and Disclosure Improvements

After its monitoring by Bursa Malaysia, Top Builders Capital introduced corporate disclosure rules and whistleblowing frameworks. Likewise, Pasdec Holdings improved its quarterly financial reporting after receiving regulatory reprimands. This suggests a shift toward transparency, although such improvements are more often forced by external agents rather than being driven by internal consideration of ethics.

Whistleblower Engagement and Ethics Committees

UEM Edgenta, for example, instituted an integrity and governance unit to review complaints and offer guidance in ethical decision-making, while FGV established a whistleblower hotline after widespread criticism following earlier scandals. Although these reforms may strengthen internal oversight, the real concern lies with their effectiveness, which depends greatly on employee trust, operational independence, and legal protection which all are commonly absent.

Regulatory-Driven Reform Initiatives

The Securities Commission (SC) and Bursa Malaysia, in a number of high-profile instances, censured and suspended trading or imposed corrective disclosures. Administrative actions taken against and forced restructurings for, Serba Dinamik, 1MDB, and Asia Media eventually led to delisting. Subsequently, some companies have improved their compliance with Malaysian Code on Corporate Governance (MCCG 2021), which includes increased requirements related to board independence, sustainability reporting, and internal control evaluations.

Conclusion

The study states that ethics in management of financial reporting are an acute problem in Malaysian corporations and that the time span of concern is about from 2015-2025. Case-based evidence from twenty corporations reveals unethical behaviors varying from asset misappropriation and fraudulent transactions to lack of transparency in debt restructuring, misuse of related parties, and nondisclosure in financial matters. These findings further supplement the theoretical basis presented in the literature review where deficient corporate governance structures, lack of true board independence (Haniffa & Hudaib, 2006), and insufficient enforcement of reporting standards (Salleh & Othman, 2021) were underscored as precipitating factors for the malpractices that we observe.

The 1MDB, FELDA, and Serba Dinamik cases particularly serve as detailed embodiments of the manner in which supreme corruption perpetrated by executives, lax board oversight, and lack of regulatory effectiveness create the perfect atmosphere for massive-scale ethical violations. Indeed, as Choi & Pae (2011) pointed out, companies with lesser ethical commitment conduct earnings management practices more aggressively, a pattern clearly emerging from Malaysia's financial terrain.

Importantly, this finding highlights towards the reactive nature of corporate reforms. Even though forensic audits are initiated, hotels implemented whistleblower frameworks, and policies amended, many of them, being externally driven, lacked the structural depth. They serve the optics of compliance, merely adhering but do not bring any serious effect in transforming corporate cultures of ethics.

Emerging technologies, including AI, blockchain, and e-invoicing, have been recognized by Yermack (2017) as aiding in fraud detection. This, however, is a moral dilemma about data misuse and algorithmic bias, thereby necessitating the very application of proactive ethical governance frameworks within the digital financial ecosystem.

To rebuild public trust and ensure sustainable economic development, Malaysia will need to pursue a multi-pronged approach such as the protection of whistleblowers should be strengthened, independent oversight mechanisms should be further improved, accounting education must have ethics training as a compulsory module (Tyson, 2024) and the Malaysian Code on Corporate Governance (Securities Commission Malaysia, 2021) must be enforced with greater consistency. Ethical reporting must be embedded in policy and in corporate culture and accepted as one of the key pillars on which sustainability and financial integrity rest.

In the end, addressing ethical issues in financial reporting calls for mutual responsibility from investors, auditors, educators, and corporate executives as well as regulators. Malaysia can only hope to create a secure and trustworthy business environment by maintaining a consistent commitment to honesty and responsibility.

Future Research

The outlook for ethical challenges in the accounting profession is concerning; 55% of accountants have noted that they have seen unethical behavior in their profession (Tyson, 2024). There should be stiffer punitive measures to address such misconduct if it is to curb unethical practices and charge people with accountability for their actions. Continued training on ethics is also vital for these professionals as they would be able to recognize ethical dilemmas and make principled decisions. According to ICAEW (2017), as AI becomes more integrated with financial systems, frameworks for good governance would be set up, ensuring transparency and accountability in AI-based decision-making as relates to accounting.

Furthermore, efforts would include protection of whistleblowers, a cultural change in the organizations favoring integrity, and use of technology for compliance monitoring. If combined, these could prove proactive to dealing with a tough ethical landscape in accounting.

The future seems bleak regarding the ethical challenges in the accounting profession. For 55% of accountants, they are unfortunate to witness unethical behavior during their careers. More so, sanctioning very heavy penalties for misconduct has been placed into belief that it would discourage unethical practices while also promoting accountability. It is also significant for them to continue consistently learning about ethics to help professionals recognize situations when ethical dilemmas arise and help them understand how to approach principled decision-making.

Research Limitation

Despite the much-widely informed issues of study relating to the violations of financial reporting ethics by Malaysian corporations, certain limitations were brought to bear on this research. First, much of the analysis makes great use of information made available to the

public, such as annual reports, media coverage, release of enforcement action, and regulatory filings. Internal communications, boardroom deliberations, or testimonies by whistleblowers were not accessible owing to confidentiality and legal constraints. This would have allowed a thorough analysis of managerial intent and decision-making at the time.

Also, the research was based on secondary sources, which are always a concern of bias, selective disclosures, or incomplete information. A regulator's office or corporate disclosure may do nominal justice to the real severity of ethical violations, while news below the line could lean towards sensationalism or less in-depth technical accounting; the present research considers events retrospectively from 2015-2025. Some of the financial scandals evaluated are currently under investigation or litigation, which could mean that the findings are subject to change, while some facts remain unelucidated or unverified as of this writing.

Qualitative research, by its very nature, involves subjectivity. Judgment calls exist on what amounts to an ethical breach as defined by the related governance code, with one analyst giving one weight to a set of facts and another analyst entirely ignoring those same circumstances, particularly in borderline and disputed cases. Moreover, the Malaysian regulatory and governance arena is dynamic and evolving with reforms. Several companies under study had initiated some degree of change operation during or even after the period involving analyzed data. Hence, the snapshot this research may provide does not quite fully encompass ongoing and prospective improvements bearing on ethical practices and compliance culture.

Such limitations suggest that a few extensions could include interviews, access to confidential internal records under ethical approval, or comparative country studies to make greater generalizability of the studies while providing for more immediate analyses of cases of financial misconduct.

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