

Empirical Analysis of the Relationship between Voluntary Accounting Disclosures and Mongolian Stock Exchange Listed Companies' Characteristics

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Abstract : Mongolia has made giant strides in the development of its auditing and accounting system from Soviet-style to a market-oriented system. High levels of domestic and foreign investment desired by the Mongolian government require that better and improved quality of corporate information and disclosure consistent with international standards be made available to investors. However, the Mongolian Certified Public Accountants (CPA) profession is still developing, and the quality of services provided by accounting firms in most cases do not comply with International Financial Reporting Standards (IFRS) framework approved by the government for use in financial reporting. Against this backdrop, Accounting and audit reforms, liberalization and deregulation, establishment of an efficient and effective professional monitoring and supervision regime are policy necessities. These will further enhance the Mongolian business environment, eliminate incompetence in the system, make the economy more attractive to investors and ultimately lift reporting standards and bring about improved accounting, auditing and disclosure practices among Mongolian firms. This paper examines the fundamental issues in the accounting and auditing environment in Mongolia and investigates the relationship between selected characteristics of Mongolian Stock Exchange (MSE) listed firms (profitability, leverage, firm size, firm auditor size, firm listing age, board size and proportion of independent directors) and voluntary accounting disclosures in their annual reports and accounts. The selected sample of firms for the research purpose consists of the top 20 indexes of the MSE, representing over 95% of the market capitalization. An empirical analysis of the hypothesized relationship was carried out using multiple regression in EViews analytical software. Research results lend credence to the fact that only a few of the company attributes positively impact voluntary accounting disclosures in Mongolian Stock Exchange-listed firms. The research is motivated by the absence of empirical evidence on the correlation between the quality of voluntary accounting disclosures made by listed companies in Mongolia and company characteristics and the findings thereof significantly useful to both firms and regulatory authorities. The concluding part of the paper precisely consists of useful research-based recommendations for listed firms and regulatory agencies on measures to put in place in order to enhance the quality of corporate financial reporting and disclosures in Mongolia.

Keywords : accounting, auditing, corporate disclosure, listed firms

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