The Social Sciences 8 (6): 610-617, 2013
ISSN: 1818-5800

The Impact of Financial Reporting Standard 139 Financial Instruments: Recognition and Measurement on Audit Fees

[1]Boon Heng The, [2]Sin Huei Ng, [3]Tze San Ong and [3]Wei Ni Soh
[1]Faculty of Management, Multimedia University,
[2]INTI International University,
[3]Department of Accounting and Finance, Faculty of Economics and Management,
Universiti Putra Malaysia, Malaysia

Abstract: This study focuses the impact of mandatory adoption of Financial Reporting Standard (FRS) 139 financial instruments: Recognition and measurement on audit fees in Malaysia. This study examines the subjectivity and complexity of fair value adoption towards the audit fees charged by auditors among public listed companies in Malaysia. The study used the samples of 150 firms listed on the Bursa Malaysia for the financial year ending 2009 and 2010 as mandatory adoption of FRS 139 begin on or beginning of 1 January, 2010 in Malaysia. The study found that adjustment for the re-measurement of financial instruments in the beginning balance of retained earnings or equity upon adoption of FRS 139 is associated with changes in audit fees. Some new categories of financial instruments that presented in the statement of financial position were found, due to recognition of previously unrecognized financial instruments and reclassifications to the new accounts, however this study found no changes in term of audit fees. The fair value changes of financial instruments should be recognised in the profit or loss upon adoption of FRS 139, the result shown that significant relationship between the recognition of gain or loss for financial instrument and changes in audit fees.

Key words: Financial reporting, audit fee, financial instruments, recognition and measurement, Malaysia

INTRODUCTION

Audit fees charged for public listed companies: Auditing provides reasonable assurance on the financial reporting, such as valuable and independent opinion that the financial statement is presented fairly, thus internal and external users of financial statement can rely on the information in the financial statement being audited. The requirement of auditing is to ensure that the companies in Malaysia prepared financial statement which complies with the financial reporting framework set by Malaysian Accounting Standards Board (MASB, 2008). All the companies in Malaysia are required to submit their audited financial statement for filling purpose. The audit fees are charged based on the audit work performed by auditors upon completion. In Malaysia, Public Listed Companies (PLCS) are required to comply with the filing requirements which dictate public reporting of audit fees information.

The audit fees requirement is imposed by Malaysian Institute of Accountants (MIA) in which the computation of fees is based on two principles which are time-based principle and value-based principle (Malaysian Institute of Accountants (MIA) Institute's Recommended Practice Guide 7 (Revised)). However, MIA does not stipulate the mandatory method that should be used by accounting firms for determine and calculate the audit fees. According to MIA, the audit fees arrangement is a matter of commercial negotiation. The accounting firm and client are mutually agreed with the audit fees and the terms of audit fees are stated in engagement letter. Fees charged for assurance engagements should be a fair reflection of the value of audit work performed which is based on the level of training and experience of the auditors engaged on the work, the time required to perform the work, the degree of auditors' responsibilities, skill and knowledge required and urgency of audit work performed. The Malaysian Institute of Accountants (MIA) by laws (on professional ethics, conduct and practice).

The convergence of International Financial Reporting Standards (IFRSs) is an issue that rose in many countries including Malaysia. Impact of convergence of IFRSs upon audit fees have been studied by prior studies and many studies found that higher audits fees were charged to compensate the complexity of IFRSs transition (Lifschutz *et al*., 2010). This study intends to investigate the impact of convergence of IFRS specifically, the mandatory adoption of Financial Reporting Standard (FRS) 139, financial instruments: Recognition and measurement upon audit fees.

Corresponding Author: Ong Tze San, Department of Accounting and Finance, Faculty of Economics and Management, Universiti Putra Malaysia, 43300 UPM Serdang, Selangor, Malaysia

ADOPTION OF FRS 139 IN MALAYSIA

Financial instruments and derivatives accounting requirements in Malaysia moves in 3 stages:

- When there is no guideline from a standard prior to year 2001
- When requirements on disclosure are provided by MASB 24 financial instruments: Disclosure and presentation in year 2001-2005 and marginally improved by FRS 132 financial instruments: Disclosure and presentation in year 2006-2009 and finally stage
- When a standard on the recognition and measurement of financial instruments which is FRS 139 are adopted in year 2010 onwards

MASB announced that Financial Reporting Standard (FRS) 139, financial instruments: Recognition and measurement are effective for financial periods beginning on or after 1 January, 2010. According to Fahnestock and Bostwick (2011), recognition has to do with when an item should be reported in the financial statements and measurement has to do with how much or at what value an item should be reported in the financial statements. The objective of this standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. FRS 139 requires financial assets to be categorised into financial assets at Fair Value Through Profit or Loss (FVTPL) Available-For-Sale (AFS) financial assets, loans and receivables and Held-To-Maturity (HTM) investments. FRS 139 requires financial liabilities to be categorised into financial liabilities at Fair Value Through Profit or Loss (FVTPL) and other liabilities.

Mandatory adoption of FRS 139 on or beginning of 1 January, 2010 brought Malaysia a step closer to the full convergence plan of IFRS on year 2012. However, mandatory adoption of FRS 139 in Malaysia created uncertainty and subjectivity in financial reporting due to the shift from historical cost approach to fair value applications and increased the auditing risk of financial statements (Akgun *et al*., 2011). As surveys done by Larson and Street (2004) and Jermakowicz and Gornik-Tomaszewski (2006) show that in Europe, IAS 32 and 39 were complicated and complex in actual implementation which is a significant barrier to IFRS convergence. Fair value estimation is complex and associated with risks of possibility of using irrelevant data and subjectivity due to judgment, it might be overcome by professional elaboration from auditor. Therefore, increase in audit risks requiring additional effort and cost relating to audit of fair value balances (Ettredge *et al*., 2011). There is not much study found in Malaysia in examining the impact of adoption of FRS 139 on audit fees charged by auditors. In addition, prior studies focused and tested the determinants upon audit fees such as:

- Company size (Lifschutz *et al*., 2010)
- Complexity as reflected by the number of activity segments and the weight of audit-intensive items in term of inventories and receivables (Soltani and Rekik, 2011)
- External directors on the board of directors
- Number of audit committee meetings on audit fees, effect of internal audit (Ho and Hutchinson, 2010; Felix *et al*., 2001)
- Higher free cash flows to reduce the inherent risk (Gul and Tsui, 1997)
- Perceived business risk (Bell *et al*., 2001)

This study aims to address the question of whether adoption of FRS 139 has given impact to the audit fees after mandatory adoption of FRS 139. In order to answer the research question 3 specific objectives were developed as follow:

- To examine the association between adjustments made for financial instrument upon adoption of FRS 139 in year 2010 and changes in audit fees
- To examine the association between new categories of financial 139 in year 2010 and changes in audit fees
- To examine the association between gain and loss arising from change of fair value on financial instruments upon adoption of FRS 139 in year 2010 and changes in audit fees

LITERATURE REVIEW

Adoption of fair value in financial instruments: Prior studies show that the adoption of IFRSs would lead to more volatile income statement figures following the fair value approach of IFRS, such as volatility in book values and reported earnings (Barth *et al*., 2005; Goodwin and Ahmed, 2006; Hung and Subramanyam, 2007). High debt firms would be expected to display more volatile profitability and leverage measures (Iatridis, 2010). According to Ball (2006), the fair value model that used to estimate fair value of financial instruments when market price are not available in the market and it is not the actual arm's length market prices, it may lead to substantial alterations of income, therefore fair values can be unreliable because of the intrinsic error in the measurement tool. Al-Khadash and Abdullatif (2009) also

conclude that when management estimate fair value in the absence of active markets for financial instruments, there will be subject to discretion or manipulation. Khurana and Kim (2003) indicate that fair values of available for-sale securities are more informative than those of their book values. However, they found that fair value accounting measures for loans and deposits are less informative than those of their historical cost accounting measures. This is because loans and deposits are not actively traded and may in many cases include more subjectivity in estimating fair values. Hague (2004) argues that the cost of a derivative is often very small relative to the benefit it creates, yet a derivative generally can be settled or sold at any time for its fair value. Without measuring derivatives at fair value they are invisible on the balance sheet and gains and losses which may change disproportionately in response to market movements would be reported only when the derivative is settled or sold rather than in the period in which the change in fair value occurred (Farcane *et al*., 2011). In the opinion of Hernandez (2004), the same financial instrument could be measured at fair value or amortized cost according to its classification.

Adoption of fair value in financial instruments and auditors and audit fees: Ettredge *et al*. (2011) address the research question about whether audit fees increase as proportions of fair valued assets increase. Their study found evidence that audit fees increase in the amounts of fair valued assets and liabilities. If fair values potentially are subjected to managerial discretion, it can increase the difficulty of verification and the auditor's potential liability from misstated financial statements, thereby increasing audit efforts and audit fees. Fair value input hierarchy is ranked from most to least reliable inputs, it is suggested that level 1 is observable inputs from quoted prices in active markets, level 2 is indirectly observable inputs from quoted prices of comparable items in active markets, identical items in inactive markets or other market-related information and level 3 is unobservable and manager-generated inputs.

Arya and Reinstein (2010) also question the wisdom fair values measurement specially when the market for the asset is inactive. According to Fahnestock and Bostwick (2011), wider use of fair value accounting poses an additional obstacle for auditors and noted that although fair value accounting promising financial statement. Users with more relevant information, however it results in a new area of audit risk. Kumarasiri and Fisher (2011) suggest that audit effort should be made by auditor to assess the risks of material misstatement associated with fair value estimates, therefore auditors are required to perform the tasks to consider relevant internal controls of the companies, valuation models employed, management's use of experts and assumptions underlying the estimation for the fair value of financial instruments. Based on a survey of 156 practising auditors in Sri Lanka, the study found that auditors were perceived specific auditing issues with the implementation of fair value and it is included lack of technical knowledge, the prevalence of inactive markets in developing countries, difficulties associated with the variation in techniques used to ascertain fair values across different industries, general complexities in ascertaining fair values and the incorporation of future events and conditions into valuations.

In Pawsey (2010) study, 83.05% respondents agreed with IFRS adoption would result in an ongoing increase fees paid to external auditors and other external specialists and 76.27% respondents agreed with IFRS adoption would result in complexity of financial reporting practices. It also found that criticisms of financial instrument accounting related to the reliance on fair values or mark-to-market measures. According to Farcane *et al*. (2011), the degree to which a fair value measurement is likely to be misstated is an inherent risk. The auditor considers the inherent limitations of control by assessing the risk of material misstatement. Consequently, the nature, duration and extent of further audit procedures will depend on the susceptibility of misstatement of a fair value measurement and whether the fair value measurement process is simple or complex.

Metzger (2010) recommended that management uses significant judgment in the valuation process, particularly for level 3 estimates. Management bias whether intentional or unintentional may result in inappropriate fair value measurements and misstatements of earnings and equity capital. Significant write-downs of overstated asset valuations have resulted in the failure of a number of finance companies and depository institutions. Similar problems have occurred due to overvaluations in nonbank trading portfolios that resulted in overstatements of income and equity. Besides, mark-to-market reporting has its drawbacks, especially for derivatives where fair value based on market prices are difficult to be determined. These types of derivatives are the level 3 type and these derivatives are usually measured using a mark-to-model process which can be lead to arbitrary.

Other finding regarding the impact of fair value on audit fees is Goncharov *et al*. (2011) who found firms reporting property assets at fair value charged lower audit fees than those of firms employing amortized cost because greater exposure to assets reported at fair value can lower contracting costs, such as audit fees. On

the other hand, audit fees are increased due the complexity of the fair value estimation and higher audit effort is expected.

Research framework and hypothesis development: Based on paragraph 103 AA (c) of FRS 139, a company is required to recognise the difference between previous carrying amount and fair value of financial instrument and the adjustment of the re-measurement is made in the balance of retained earnings at the beginning of the financial year in which the standard is initially applied. In the study of Salazar (2006), it is found that mark to market, adjustments that resulted from financial assets at FVTPL and available-for-sale securities are affecting opening retained earnings through re-measurement adjustments. There is high risk for the management to make the adjustments subjectively for fair value of financial instruments and therefore lead to increase in audit fees (Ettredge *et al*., 2011).

H_1: Adjustments made for financial instrument in beginning retained earnings or equity upon adoption of FRS 139 in year 2010 is associated with changes in audit fees.

Salazar (2006) stated that there is main adjustments to the financial condition and results of operations upon adoption of FRS 139. This adjustments or changes in the companies' financial condition are due to the recognition of previously unrecognized assets and liabilities which is mainly for derivative instruments and reclassifications within asset accounts in the statement of financial position. It is presented as new categories of financial instruments in statement of financial position upon adoption of FRS 139 in year 2010. Therefore, it is an issue that whether auditors will perceive it as a risk and increases their work to audit the accounts. In this study, it will examine whether the new categories of financial instruments that presented in statement of financial position will lead to change in audit fees in order to capture what is the impact of this new categories of financial instruments on audit fees.

H_2: New categories of financial instruments that recognised in statement of financial position upon adoption of FRS 139 in year 2010 is associated with changes in audit fees.

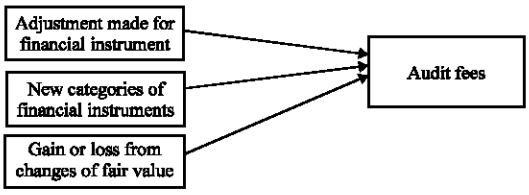

Fig. 1: Conceptual framework

Based on the requirement from paragraph 55 (b) in FRS 139 which stated that a gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income and paragraph 46 in FRS 139 stated that derivative is measured at fair values with the gain or loss that recognised in the profit or loss. Therefore, gain or loss arising from change of fair value for this instrument will only started to be recognised in year 2010 as it is the initial year for this standard to be applied. The study of Ernst and Young (2005) and Dunne *et al*. (2008) found that the accounting for financial instruments has affect the reported profit of companies, thus it is a question that whether it is affect the changes of audit fees as arising from the recognition of the gain or loss that in the statement of comprehensive income or profit before tax upon adoption FRS 139 in year 2010.

H_3: Gain and loss arising from changes of fair value on financial instruments upon adoption of FRS 139 in 2010 is associated with changes in audit fees. Figure 1 shows the conceptual framework of this study.

RESULTS AND DISCUSSION

Data are collected from 150 listed companies on main board for financial year ended 2009 and 2010. Listed companies are mandatory to adopt FRS 139 financial instruments: Recognition and measurement for financial periods beginning on or after 1 January, 2010. Therefore, listed companies that selected in year ended 2009 is considered as pre-adoption of FRS 139 while data from listed companies that selected in year ended 2010 is represent the year of adoption of FRS 139. The distribution of sample companies by industries is shown in Table 1.

Categories of changes in audit fees: Based on Table 2, >70% of the total companies increased the audit fees in 2010 as compared to 2009 followed by 18.7% decreased the audit fees and only 8% remained constant. Further investigation revealed that most of the companies that increased the audit fees were experiencing higher profit in year 2010 as compared to 2009. According to Joshi and

Table 1: Distribution of samples by industries

Industries	Samples	Percentage
Consumer products	40	26.7
Industrial products	41	27.3
Trading and services	39	26.0
Properties	30	20.0
Total	150	100.0

Table 2: Categories of changes in audit fees and factors affecting the changes

Categories of changes in audit fees	No. of company (%)	Adjustment made in financial instruments		New categories of financial instruments added		Gain or loss from changes of fair value	
		Yes	No	Yes	No	Yes	No
Decrease	28 (18.7)	14	14	4	24	10	18
No change	12 (8.0)	3	9	4	8	1	11
Increase	110 (73.3)	46	64	22	88	44	66
Total	150 (100.0)	63 (42%)	87 (58%)	30 (20%)	120 (80%)	55 (36.7%)	95 (63.3%)
Total	-	150 (100%)	-	150 (100%)	150 (100%)	-	-

Table 3: Adjustments made in retained earnings or categories of equity and changes in audit fees

Adjustments made in retained earnings or categories of equity	Total	Percentage
Retained earnings only	41	65.1
Fair value adjustment reserve only	4	6.0
Other reserve only	2	3.0
Combination of retained earnings and other categories of equity	16	25.0
Total	63	100.0

Al-Bastaki (2000), company reported high levels of profits will be subjected to rigorous audit testing to revenues and expenses and this entails more audit fees.

Upon adoption of FRS 139, 42% of the total companies have made adjustment in their fiancial instruments, only 20% of the total companies have added new categories of financial instruments and 36.7% of the total companies obtained either gain or loss resulting from changes of fair value (Table 2).

The observation of the statement of changes in equity in the annual report for financial year ended 2010 reveals that 63 (42%) companies have made the adjustment in beginning retained earnings and equity which are recognised in statement of change in equity. The adjustments include retained earnings, fair value adjustment reserve, investment revaluation reserve, hedge reserve, available-for-sale reserve, currency translation reserve, cash flow hedge reserve, reserve on exchange differences and other reserve. Table 3 shows the adjustments made in retained earnings and few categories of equity and its changes in audit fees for 63 companies. This retained earnings and categories of equity are affected by the adoption of FRS 139 in year 2010 and in turn affect the equities of the companies which shown in statement of changes in equity.

Correlation: According to Table 4, all independent variables have a correlation of <0.7 (Hair *et al*., 1998) consequently, all variables are being considered for regression analysis.

Regression model: The regression model to test the association between the independent and dependent variable:

$$AF = \beta_0 + \beta_1.Adjust + \beta_2.New + \beta_3.G/L + \varepsilon(t)$$

Table 4: Correlation matrix

Variables	AF	Adjust	New	G/L
AF				
Pearson correlation	1.000	0.344	0.026	0.373
Sig. (2-tailed)	-	0.002	0.825	0.001
Adjust				
Pearson correlation	0.344	1.000	0.113	0.431
Sig. (2-tailed)	0.002	-	0.334	0.000
New				
Pearson correlation	0.026	0.113	1.000	0.185
Sig. (2-tailed)	0.825	0.334	-	0.111
G/L				
Pearson correlation	0.373	0.431	0.185	1.000
Sig. (2-tailed)	0.001	0.000	0.111	-

Table 5: Regression model summary

Model	R	R^2	Adjusted R^2	SE of the estimate
1	0.456	0.208	0.163	0.1471652

Table 6: ANOVA table

Model	Sum of squares	Mean square	F	Sig.
1 regression	0.398	0.099	4.592	0.002
Residual	1.516	0.022	-	-
Total	1.914	-	-	-

Where:

AF = Changes in Audit Fees
Adjust = Adjustment made for financial instruments
New = New categories of financial instruments
G/L = Gain or loss from change of fair value
β = Parameter which is estimated by procedure
ε = The error term

Table 5 displays the regression analysis summary. The adjusted R^2 is 0.163 that indicates 16.8% of the alteration in audit fees could be described by the alteration in independent variables, including adjust, new and G/L.

From Table 6, the p-value is 0.002<0.05. This specifies that minimum one of the three independent variables could be implemented to estimate the dependent variable which is the audit fees.

According to Table 7, the p-values for the independent variables including adjustment made for financial instruments (adjust) and gain or loss from changes of fair value (G/L) are 0.048 and 0.025, respectively which are <0.05. This demonstrates that in 95% of confidence level, there is a significant relationship

Table 7: Coefficients table

Model	Unstandardized coefficients		Standardized coefficients (β)	t	Sig.	Collinearity statistics	
	β	SE				Tolerance	VIF
1 (constant)	0.666	0.233	-	2.863	0.006	-	-
Adjust	0.351	0.174	0.238	2.010	0.048	0.810	1.234
New	-0.141	0.116	-0.135	-1.215	0.228	0.921	1.085
G/L	0.500	0.218	0.275	2.290	0.025	0.783	1.277

between the AF with adjust and G/L. Adjustment made for financial instruments is found to be statistically significant and positively associated with audit fees. One possible explanation could be that with the first time adoption of FRS 139 in 2010, effects of the re-measurement of existing assets and liabilities (Salazar, 2006) consumed considerable resources from auditors, so they are more likely to increase the audit fees.

On the other hand, there is no significant relationship between the audit fees and new categories of financial instruments added. This study is in line with the study by Ettredge *et al*. (2011) that no relationship was found between recognition of previously unrecognized derivatives with changes in audit fees. This could also due to the fact that only 20% of the total sample added new categories for their financial instruments.

In terms of gain or loss form changes of fair values, it is found to be significantly and positively correlated to changes in audit fees. The gain or loss for the financial instruments that recognised in other comprehensive income consist of fair value changes on available-for-sale financial assets and gain on cash flow hedge. In line with the paragraph 55 (b) FRS 139 which stated that a gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Besides, the companies also recognised the gain or loss for the financial instruments in profit before tax which is consist of fair value gain or loss on financial asset designated, as Fair Value Through Profit or Loss (FVTPL) net fair value gain on derivatives, impairment loss on available-for-sale investments, fair value loss adjustment on investment held for trading for quoted shares, amortised cost adjustments for trade and other receivables, trade and other payables, long-term and deferred payables. The recognition of the gain or loss of fair value changes in financial instruments are expected to affect the profitability of the companies (Ernst and Young, 2005), thus effect the audit fees.

CONCLUSION

Malaysia will undergo full convergence of IFRSs by 1 January, 2012. However Financial Reporting Standard, FRS 139, financial instruments: Recognition and measurement is effective for financial periods beginning on or after 1 January, 2010. All the public listed companies are required to comply with this standard. The fair value adoption is mainly used in the FRS 139 and involving subjectivity and complexity, this issue is not only related to the preparer of the financial statement and it is a critical issue for auditor as well. Therefore, this study uses the changes of audit fees to capture whether the adoption of FRS 139 is affecting the auditors' ways to charge their clients in auditing the accounts. This study shown that change of audit fees have been fall into 3 categories which are increase, decrease and no changes between year 2009 and 2010.

After adoption of FRS 139, public listed companies are required to make adjustment for the re-measurement of financial instruments in the beginning balance of retained earnings or equity at the beginning of the financial year in which the standard is initially applied. The findings indicate that adjustment made for financial instruments and gain or loss from changes of fair value are found to be positively and significant correlated to changes in audit fees. It seen that the new adoption of FRS 139 demanded more works from auditors and increased the audit fees.

On the other hand, there are new categories of financial instruments that presented in the statement of financial position due to the recognition of previously unrecognized assets or liabilities and reclassifications within the assets or liabilities accounts that mandatory required by FRS 139, however the study found that there is no association between new categories of financial instruments with changes in audit fees. Moreover, FRS 139 is using the fair value to measure its financial instruments and any changes of fair value will be recognised in profit or loss as required by FRS 139 and this adoption of new standard obviously will be affect the profit or loss in the companies.

REFERENCES

Akgun, A.A., E.S. van Leeuwen and P. Nijkamp, 2011. A Systemic Perspective on Multi-Stakeholder Sustainable Development Strategies. In: Governance, Development and Conflict, Chatterji, M., D. Gopal and S. Singh (Eds.). Emerald Group Publishing Limited, Bingley, UK., ISBN-13: 9780857248954, pp: 123-146.

Al-Khadash, H.A. and M. Abdullatif, 2009. Consequences of fair value accounting for financial instruments in the developing countries: The case of the banking sector in Jordan. Jordan J. Bus. Admin., 5: 533-551.

Arya, A. and A. Reinstein, 2010. Recent developments in fair value accounting. CPA J., 80: 20-29.

Ball, R., 2006. International Financial Reporting Standards (IFRS): Pros and cons for investors. Account. Bus. Res., 36: 5-27.

Barth, M., W.R. Landsman, M. Lang and C. Williams, 2005. International accounting standards and accounting quality. Working Paper, Stanford University and University of North Carolina.

Bell, T.B., W.R. Landsman and D.A. Shackelford, 2001. Auditors' perceived business risk and audit fees: Analysis and evidence. J. Account. Res., 39: 35-43.

Dunne, T., S. Fifield, G. Finningham, A. Fox and G. Hannah *et al*., 2008. The implementation of IFRS in the UK, Italy and Ireland. The Institute of Chartered Accountants of Scotland. http://icas.org.uk/res_heliar_ifrs_report.pdf.

Ernst and Young, 2005. The impacts of AIFRS on Australian companies: A study of the financial statement disclosures by Australia's top 100 listed companies. Ernst & Young Australia, Sydney. http://www.highbeam.com/doc/1G1-144459969.html.

Ettredge, M., X. Yang and Y. Han, 2011. Fair value measurements and audit fees: Evidence from the banking industry. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1473569.

Fahnestock, R.T. and E.D. Bostwick, 2011. An analysis of the fair value controversy. J. Finance Account., 18: 910-921.

Farcane, N., D. Deliu and M. Gheorghian, 2011. Auditing fair values in a sensitive socio-economical context. Annales Universitatis Apulensis Series Oeconomica, 13: 364-377.

Felix Jr., W.L., A.A. Gramling and M.J. Maletta, 2001. The contribution of internal audit as a determinant of external audit fees and factors influencing this contribution. J. Account. Res., 39: 513-534.

Goncharov, I., E.J. Riedl and T. Sellhorn, 2011. Fair value and audit fees. http://area1.bwl.uni-mannheim.de/fileadmin/files/area1/files/research_seminar/hws2011/Goncharov_Riedl_Sellhorn_2011.pdf.

Goodwin, J. and K. Ahmed, 2006. The impact of international financial reporting standards: Does size matter? Managerial Auditing J., 21: 460-475.

Gul, F.A. and J.S.L. Tsui, 1997. A test of the free cash flow and debt monitoring hypotheses: Evidence from audit pricing. J. Account. Econ., 24: 219-237.

Hague, I.P.N., 2004. IAS 39: Underlying principles. Account. Eur., 1: 21-26.

Hair, J.F., R.E. Anderson, R.L. Tatham and W.C. Black, 1998. Multivariate Data Analysis. 5th Edn., Prentice-Hall Inc., New Jersey, USA., ISBN-13: 978-0138948580, Pages: 768.

Hernandez, F.G.H., 2004. Another step towards full fair value accounting for financial instruments. Account. Forum, 28: 167-179.

Ho, S. and M. Hutchinson, 2010. Internal audit department characteristics/activities and audit fees: Some evidence from Hong Kong firms. J. Int. Account. Auditing Taxation, 19: 121-136.

Hung, M. and K. Subramanyam, 2007. Financial statement effects of adopting international accounting standards: The case of Germany. Rev. Account. Stud., 12: 623-657.

Iatridis, G., 2010. IFRS adoption and financial statement effects: The UK case. Int. Res. J. Finance Econ., 38: 165-172.

Jermakowicz, E.K. and S. Gornik-Tomaszewski, 2006. Implementing IFRS from the perspective of EU publicly traded companies. J. Int. Account. Auditing Taxation, 15: 170-196.

Joshi, P.L. and H. Al-Bastaki, 2000. Determinants of audit fees: Evidence from the companies listed in Bahrain. Int. J. Auditing, 4: 129-138.

Khurana, I.K. and M.S. Kim, 2003. Relative value relevance of historical cost vs. fair value: Evidence from bank holding companies. J. Account. Public Policy, 22: 19-42.

Kumarasiri, J. and R. Fisher, 2011. Auditors' perceptions of fair-value accounting: Developing country evidence. Int. J. Auditing, 15: 66-87.

Larson, R.K. and D.L. Street, 2004. Convergence with IFRS in an expanding Europe: Progress and obstacles identified by large accounting firms' survey. J. Int. Account. Auditing Taxation, 19: 89-119.

Lifschutz, S., A. Jacobi and S. Feldshtein, 2010. Corporate governance characteristics and external audit fees: A study of large public companies in Israel. Int. J. Bus. Manage., 5: 109-116.

MASB, 2008. Frequently asked questions on Malaysia's convergence with IFRS in 2012. Malaysian Accounting Standards Board. http://www.masb.org.my/index.php?option=com_content&view=article&id=1685&Itemid=57.

Metzger, L., 2010. Mark to market governments. J. Government Financial Manage., 59: 16-20.

Pawsey, N., 2010. Australian preparer perceptions towards quality and complexity of IFRS. Proceedings of the Asia Pacific Interdisciplinary Research in Accounting Conference, July 12-13, 2010, University of Sydney, pp: 1-31.

Salazar, D.R.C., 2006. First-time adoption of IAS 39: Impact on selected Philippine universal banks. Philipp. Manage. Rev., 13: 81-100.

Soltani, B. and C. Rekik, 2011. Factors affecting audit fees in Europe: France, Germany and the UK. Pole of Interdisciplinary Research in Management Sciences. http://prism.univ-paris1.fr/New/cahiers/2011/CR%2011-31.pdf.