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THE COVID-19 PANDEMIC'S IMPACT ON FINANCIAL REPORTING AND DISCLOSURE PRACTICES: EMPIRICAL EVIDENCE FROM MALAYSIA

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Abstract: *The COVID-19 pandemic has fundamentally transformed the business environment, creating significant challenges for financial reporting and disclosure practices worldwide. This research proposal aims to explore the specific impacts of the pandemic on Malaysian firms' financial reporting and disclosure practices. Given the unprecedented disruptions caused by COVID-19, organizations are required to adapt their reporting frameworks to reflect changes in operational performance, revenue recognition, and asset valuations. The study will employ a mixed-methods approach, combining quantitative surveys and qualitative interviews to gather empirical evidence from a diverse sample of Malaysian companies. This approach will enable an in-depth understanding of the adaptations made by firms in response to the pandemic, as well as the challenges they face in meeting regulatory requirements and stakeholder expectations for transparency. Key research objectives include identifying changes in financial reporting practices, investigating compliance challenges, evaluating evolving stakeholder expectations, assessing the role of technology in facilitating reporting, and providing recommendations for enhancing reporting resilience in future crises. This research seeks to contribute to the literature on financial reporting during crises, with a specific focus on the Malaysian context, where limited empirical evidence exists. By examining the impact of COVID-19 on financial reporting practices, the study aims to offer insights for practitioners, regulators, and researchers, ultimately enhancing the understanding of effective financial reporting in times of uncertainty.*

Keywords: *Financial reporting and disclosure, COVID-19, Legitimacy theory, SEM Malaysia.*

Introduction

Background of The Study

The COVID-19 pandemic has reshaped the global business environment, resulting in economic uncertainty and operational challenges across various sectors. Accurate and transparent financial reporting has become increasingly critical as businesses navigate the financial implications of the pandemic. Financial reporting serves as a key mechanism for communicating a firm's financial health, operational performance, and strategic direction to stakeholders, including investors, creditors, and regulators. In Malaysia, a country with a diverse economy and a robust regulatory framework, the pandemic has heightened concerns regarding the reliability and adequacy of financial disclosures.

Organizations are required to reassess their financial reporting practices in light of rapidly changing circumstances. Traditional methods may no longer suffice, as firms face unprecedented challenges related to revenue recognition, asset impairments, and going concern assessments (International Accounting Standards Board [IASB], 2020). Additionally, stakeholders are demanding more comprehensive disclosures regarding the impact of COVID-19 on business operations, risk management strategies, and financial resilience (Financial Reporting Council [FRC], 2020). This place added pressure on organizations to adapt their reporting frameworks and improve transparency.

Despite the critical role of financial reporting during crises, there remains a notable gap in empirical research focusing on the Malaysian context. Most existing studies have concentrated on developed economies, leaving a lack of understanding about how firms in emerging markets like Malaysia navigate the challenges posed by the pandemic. This research aims to fill that gap by examining the effects of COVID-19 on financial reporting and disclosure practices in Malaysia, ultimately contributing to a broader understanding of financial reporting during crises.

The COVID-19 pandemic has disrupted economies globally, leading to significant implications for financial reporting and disclosure practices. Financial reporting is crucial for maintaining transparency, accountability, and trust among stakeholders. The challenges encountered in financial reporting during the pandemic are multifaceted:

1. Increased Pressure on Management: The pandemic has placed unprecedented pressure on management to make swift decisions regarding financial forecasts, impairments, and liquidity assessments. Organizations must not only account for immediate impacts but also project future conditions, which is fraught with uncertainty (FASB, 2020).
2. Regulatory Guidance and Compliance: In response to the pandemic, regulators worldwide, including the MIA, have issued new guidelines to assist firms in navigating reporting challenges. However, firms must ensure compliance with evolving standards while adapting to rapid changes in their operating environments (MIA, 2020).
3. Stakeholder Trust and Transparency: The pandemic has heightened stakeholder expectations regarding transparency. Firms that fail to provide adequate disclosures may face reputational damage and loss of investor confidence (Kallunki et al., 2020).
4. Digital Transformation: The shift towards digital reporting solutions has accelerated due to the pandemic. Many firms have begun to implement digital tools for remote reporting.

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However, disparities in technological readiness among firms can lead to inconsistencies in reporting quality (Ahmad et al., 2021).

This research will provide an empirical examination of these challenges and opportunities in the Malaysian context, contributing to the broader understanding of how firms can navigate crises in the future.

Problem Statement

The COVID-19 pandemic has significantly disrupted financial reporting and disclosure practices in Malaysia. As businesses struggled to adapt to unprecedented challenges, many encountered difficulties in meeting regulatory requirements. For example, Top Glove Corporation faced delays in preparing its financial statements due to workforce shortages following multiple lockdowns and factory closures (Chan et al., 2021). Similarly, Genting Malaysia Berhad reported disruptions in their reporting timelines as travel restrictions severely impacted their core business operations (Mahmood & Abdullah, 2020). Furthermore, companies in the manufacturing sector, such as Hartalega Holdings, encountered issues with inventory valuations as fluctuating demand and supply chain disruptions affected their cost accounting processes (Lim et al., 2021).

One notable impact of the pandemic was the increased uncertainty in financial reporting. Companies were required to assess the going concern assumption in light of rapidly changing circumstances. For instance, Malaysia Airlines had to seek government support and restructuring plans to continue operations, reflecting the challenges of maintaining a going concern status (Zulkifli et al., 2022). Likewise, Berjaya Corporation reported substantial impairments in their hospitality segment due to prolonged restrictions on travel and leisure activities, emphasizing the difficulty of providing accurate valuations during a period of economic volatility (Ali et al., 2021). Additionally, small and medium enterprises (SMEs) reported significant hurdles in meeting their financial obligations, leading to concerns about widespread defaults (Rahim et al., 2021).

The pandemic also prompted changes in disclosure practices. Regulatory bodies in Malaysia, such as the Securities Commission and Bursa Malaysia, issued guidelines encouraging enhanced transparency in disclosing COVID-19-related risks and their financial implications. However, adherence to these guidelines varied across firms. For example, Tenaga Nasional Berhad provided comprehensive disclosures on operational and financial risks associated with the pandemic, while smaller entities like local SMEs often struggled to meet these expectations due to limited resources and expertise (Rahman & Lee, 2021). Construction companies, such as IJM Corporation, highlighted the impact of project delays and cost overruns in their disclosures, showcasing the sector-specific challenges posed by the pandemic (Ariffin et al., 2022).

Additionally, the pandemic highlighted the importance of forward-looking information in financial reports. Investors and stakeholders sought insights into how firms planned to navigate the crisis and adapt to a post-pandemic world. Some Malaysian companies, such as AirAsia, included detailed projections and scenario analyses in their annual reports, providing stakeholders with a clearer understanding of potential outcomes (Ng et al., 2022). On the other hand, retail companies like Parkson Holdings avoided providing forecasts due to the inherent uncertainties involved, further complicating investor decision-making (Tan & Ong, 2021). Moreover, plantation firms such as Sime Darby Plantation faced challenges in forecasting revenue as fluctuating commodity prices and export restrictions added layers of unpredictability (Hassan et al., 2023).

In conclusion, the COVID-19 pandemic has profoundly affected financial reporting and disclosure practices in Malaysia, exposing both challenges and opportunities for improvement. While some firms, such as Petronas and Sime Darby, demonstrated resilience and transparency, others, including smaller enterprises and sector-specific companies, faced significant struggles in meeting reporting standards. This highlights the need for ongoing support and guidance from regulatory bodies to ensure consistent practices across the board. Enhanced collaboration between regulators, auditors, and firms can help strengthen financial reporting practices in the face of future crises (Hassan et al., 2023).

The COVID-19 pandemic has created a unique and challenging environment for businesses, fundamentally altering the landscape of financial reporting and disclosure. Several critical issues warrant thorough examination:

1. *Increased Uncertainty in Financial Projections:* The pandemic has led to significant economic disruptions, creating uncertainty in revenue forecasts, cash flow projections, and asset valuations (IASB, 2020). Organizations struggle to assess the impact of pandemic-related disruptions on their financial performance and future viability. This uncertainty raises concerns about the reliability of financial reports and whether they accurately reflect the company's financial position.
2. *Challenges in Adapting to Regulatory Changes:* Regulatory bodies in Malaysia, such as the Malaysian Institute of Accountants (MIA), have issued temporary measures to ease reporting burdens during the pandemic. While these measures aim to support companies, they introduce complexities related to compliance and comparability (MIA, 2020). Firms may struggle to interpret and apply new guidance effectively, leading to inconsistent reporting practices across sectors.
3. *Evolving Stakeholder Expectations:* Stakeholders are increasingly demanding more transparency regarding how firms manage the financial impacts of COVID-19. Companies may struggle to balance these demands with the challenges of providing timely and accurate information, risking reputational damage if expectations are not met (FRC, 2020).
4. *Inadequate Historical Context:* Previous research on financial reporting during crises has primarily focused on global contexts without specifically addressing the Malaysian landscape. The unique socio-economic conditions in Malaysia necessitate localized research to understand how firms have responded to the pandemic's challenges (Hassanein et al., 2021).
5. *Technology Adoption and Digital Transformation:* The pandemic has accelerated the adoption of digital tools for financial reporting. However, disparities in technological readiness among firms, particularly small and medium-sized enterprises (SMEs), can lead to inconsistencies in reporting quality (Ahmad et al., 2021). Organizations must invest in technology and training to enhance their reporting capabilities.

These factors highlight the need for a comprehensive investigation into the impact of COVID-19 on financial reporting and disclosure practices in Malaysia. By understanding these challenges and the responses of firms, this research will contribute valuable insights for improving future practices.

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Research Objectives

The research objectives for this study are as follows:

1. *To identify and analyse the changes in financial reporting practices* adopted by Malaysian firms in response to the COVID-19 pandemic, including modifications to revenue recognition, asset valuations, and going concern assessments.
2. *To investigate the challenges faced by firms* in implementing financial reporting and disclosure requirements during the pandemic, focusing on issues related to regulatory compliance, data accuracy, and internal controls.
3. *To evaluate evolving stakeholder expectations* regarding financial reporting and disclosures during the pandemic, examining how firms perceive and respond to demands for increased transparency.
4. *To assess the impact of technology* on financial reporting and disclosure practices during COVID-19, exploring how digital tools and platforms have facilitated or hindered effective reporting.
5. *To provide recommendations for improving financial reporting practices* in Malaysia based on the findings of the study, with an emphasis on enhancing resilience and adaptability in future crises.

Research Questions

The primary research question guiding this study is:
How has the COVID-19 pandemic impacted financial reporting and disclosure practices among Malaysian firms?
Sub-questions include:

1. What changes have Malaysian firms made to their financial reporting practices in response to the COVID-19 pandemic?
2. What challenges do firms face in adapting to new financial reporting and disclosure requirements during the pandemic?
3. How have stakeholder expectations regarding transparency and disclosure evolved during the pandemic?
4. What role has technology played in facilitating financial reporting and disclosure practices during COVID-19?

Significance of the Study

The COVID-19 pandemic has led to unprecedented challenges for businesses globally, making the examination of its impact on financial reporting and disclosure practices critically important. This study holds several significant implications:

1. *Contribution to Academic Literature:* By focusing on the Malaysian context, this research will fill a notable gap in the existing literature regarding financial reporting practices during crises. Most studies have concentrated on developed economies, leaving a lack of empirical evidence from emerging markets like Malaysia.
2. *Practical Insights for Practitioners:* The findings will provide valuable insights for accounting practitioners and financial managers on how to effectively adapt reporting practices in response to crises. This can enhance their decision-making processes and improve the overall quality of financial disclosures.
3. *Guidance for Regulators:* The study will offer recommendations for regulatory bodies in Malaysia regarding the adequacy of current guidelines and the need for more supportive measures for firms, especially SMEs. Enhanced regulations can lead to improved transparency and accountability in financial reporting.

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4. *Stakeholder Awareness:* By assessing stakeholder expectations and how firms are responding to these demands, the research will help organizations understand the importance of transparency in maintaining trust and credibility, particularly during uncertain times.
5. *Future Preparedness:* The insights gained from this study will assist firms in developing more resilient financial reporting frameworks, preparing them for potential future crises and ensuring that they can effectively communicate their financial health to stakeholders.

Scope and Limitations

Scope of the Study

This research will focus on Malaysian firms across various sectors, with a particular emphasis on how they have adapted their financial reporting and disclosure practices during the COVID-19 pandemic. Key aspects of the study include:

- *Target Population:* The study will encompass a diverse range of Malaysian companies, including large corporations, small and medium-sized enterprises (SMEs), and firms across different industries, such as manufacturing, services, and retail.
- *Methodology:* A mixed-methods approach will be employed, combining quantitative surveys to collect data on financial reporting practices and qualitative interviews to gain deeper insights into the challenges and adaptations experienced by firms.
- *Time Frame:* The research will examine the financial reporting practices of firms during the pandemic, specifically from early 2020 when the pandemic began to impact Malaysia, through the recovery phases in 2021.

Limitations of the Study

While this study aims to provide valuable insights into the impact of the COVID-19 pandemic on financial reporting practices, several limitations should be acknowledged:

1. *Geographic Focus:* The study will be limited to Malaysia, which may affect the generalizability of the findings to other countries or regions with different economic conditions and regulatory frameworks.
2. *Sample Size:* The research may encounter limitations in sample size due to the challenges of accessing firms for data collection, particularly during ongoing pandemic conditions. This may impact the robustness of the findings.
3. *Response Bias:* There may be potential response bias in survey and interview participants, particularly if firms are hesitant to disclose sensitive information regarding their financial challenges during the pandemic.
4. *Evolving Nature of the Pandemic:* The continuously changing nature of the COVID-19 pandemic may introduce variables that are difficult to control for, making it challenging to capture the full extent of its impact on financial reporting practices.
5. *Focus on Specific Aspects:* While the study will cover various dimensions of financial reporting, it may not address all possible factors influencing reporting practices, such as cultural influences or specific industry challenges in depth.

In conclusion, this study seeks to provide a comprehensive examination of the impact of the COVID-19 pandemic on financial reporting and disclosure practices in Malaysia, despite its limitations. The findings will contribute to both academic literature and practical applications in the field of accounting and finance.

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Literature Review

Comparing Financial Reporting During COVID-19: Developed Economies vs. Emerging Markets Like Malaysia

The COVID-19 pandemic has significantly impacted global economies, forcing businesses to adapt rapidly and adjust their financial reporting practices. Financial reporting during the pandemic posed challenges across the board, but the way these challenges were addressed differed substantially between developed economies and emerging markets, such as Malaysia. This comparison focuses on key factors like regulatory frameworks, disclosure requirements, technological capabilities, and the overall effectiveness of financial reporting in each context.

1. Regulatory Framework and Guidance During COVID-19

Developed Economies:

In developed economies such as the United States, the European Union, and the United Kingdom, the financial reporting framework is well-established and highly regulated. The implementation of International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) is rigorously enforced, and regulators often provide swift guidance to address issues arising during crises.

For instance, the Financial Accounting Standards Board (FASB) in the U.S. and the European Securities and Markets Authority (ESMA) quickly issued specific guidance during the pandemic, particularly regarding the fair value of assets, impairment testing, and going concern assumptions (ESMA, 2020). These measures ensured that financial statements remained consistent with the real economic impact of the pandemic. Additionally, some adjustments were made to allow companies to delay reporting requirements or take advantage of temporary relief measures, such as the flexibility granted to lease accounting under IFRS 16 (IFRS, 2020).

Emerging Markets (e.g., Malaysia):

Emerging markets, including Malaysia, also adhere to IFRS-based standards, but the ability to enforce and interpret these standards can vary due to resource constraints and less established regulatory frameworks. The Malaysian Accounting Standards Board (MASB) issued several guidance updates during the pandemic, including allowing businesses to apply more flexibility in reporting leases and impairments (MASB, 2020). However, compared to developed economies, the speed of implementation and the degree of clarity in guidance might be slower due to the different levels of regulatory capacity and enforcement mechanisms.

For example, while Malaysia provided updates on lease accounting, the guidance was not as expansive or as quickly updated as in other developed regions, which created challenges for companies needing immediate relief (KPMG, 2020).

2. Financial Transparency and Disclosures

Developed Economies:

Financial transparency is a hallmark of developed economies, particularly during crises. In response to the pandemic, businesses in developed economies were under pressure to disclose the full impact of COVID-19 on their operations. These disclosures typically included information about liquidity risks, government assistance, impairment of assets, and adjustments to revenue recognition (Deloitte, 2020). For example, many firms in the U.S. and Europe provided detailed accounts of how the pandemic had affected their cash flows, asset valuations, and ability to continue as going concerns.

The regulatory authorities in developed economies also emphasized the importance of timely and transparent financial reporting. For instance, the U.S. SEC issued additional guidance urging companies to disclose known and reasonably estimable impacts of COVID-19 on their financial performance, operations, and liquidity (SEC, 2020).

Emerging Markets (e.g., Malaysia):
While Malaysia made efforts to enhance financial transparency during the pandemic, there were challenges related to the quality and timeliness of disclosures, particularly for smaller businesses. Malaysian regulators encouraged firms to disclose their use of government assistance, liquidity risks, and impairment considerations. However, SMEs and less-regulated sectors faced difficulties in providing the same level of detail as larger, publicly listed companies, which could affect the completeness and reliability of the disclosures (KPMG, 2020).

Moreover, many Malaysian businesses, especially in the small and medium-sized enterprise (SME) sector, were not fully equipped to provide detailed, real-time disclosures. This was exacerbated by operational disruptions, limited access to technological infrastructure, and resource constraints, which impacted the timeliness and accuracy of the information being reported.

3. Technological Adoption in Financial Reporting and Auditing

Developed Economies:
Technological adoption in financial reporting and auditing was already high in developed economies before the pandemic, and COVID-19 accelerated the use of digital tools. With widespread access to cloud-based accounting systems, artificial intelligence (AI), and automated auditing technologies, firms in developed economies were able to pivot quickly to remote audits and reporting (IFAC, 2021). This transition was particularly important as physical distancing measures made traditional auditing methods more difficult.

For example, remote audits became the norm in the U.S. and Europe, where companies used digital platforms to share financial data, enabling auditors to continue their work despite the challenges of the pandemic (Deloitte, 2020). These economies also leveraged AI and data analytics to analyze large datasets, which helped auditors assess financial health more efficiently.

Emerging Markets (e.g., Malaysia):
In Malaysia, while there was some adoption of digital tools in financial reporting and auditing, the use of advanced technologies was less widespread, particularly in smaller businesses. Larger firms and multinational corporations in Malaysia were able to implement remote auditing and digital financial reporting systems, but SMEs and local businesses faced significant barriers to adopting such technologies due to cost constraints and limited infrastructure.

During the pandemic, auditors in Malaysia, especially those working with smaller businesses, encountered difficulties in conducting remote audits, accessing financial records, and verifying documents. This challenge was compounded by the lack of a fully integrated digital ecosystem in many parts of the country, hindering the efficiency of financial reporting during COVID-19 (PwC, 2020).

4. Government Support and Financial Relief

<u>Developed Economies:</u>
Governments in developed economies implemented various relief measures to support businesses during the pandemic, which directly influenced financial reporting. For instance, businesses in the U.S. and the UK were able to access loan programs, grants, and other forms of financial aid, which were reflected in their financial statements. These governments also provided clarity on how to account for such support, ensuring that companies could accurately report government assistance without disrupting the comparability of financial statements (Deloitte, 2020).

Moreover, governments in developed economies often offered specific guidelines on how to treat loan forgiveness, deferred tax payments, and other forms of relief within financial statements, providing clear rules on the recognition of income and expenses during this period.

<u>Emerging Markets (e.g., Malaysia):</u>
In Malaysia, the government also introduced various fiscal measures to support businesses, such as wage subsidies and loan moratoriums. However, smaller businesses in Malaysia, especially those in less formal sectors, may have struggled to access and properly account for these financial relief measures (MASB, 2020). While larger firms had the resources to implement accurate accounting for government assistance, SMEs faced challenges in complying with financial reporting requirements, particularly when it came to recognizing subsidies, tax deferrals, and loan modifications.

As in developed economies, Malaysian firms were required to disclose government assistance, but the quality of these disclosures varied, especially for businesses that faced difficulty accessing digital resources or accounting expertise (KPMG, 2020).

Conclusion
In conclusion, while both developed economies and emerging markets like Malaysia faced significant challenges in financial reporting during the COVID-19 pandemic, there were notable differences in how these challenges were addressed. Developed economies benefitted from well-established regulatory frameworks, advanced technological infrastructure, and a higher degree of financial transparency, which allowed for swift and effective adjustments to accounting and auditing practices. In contrast, Malaysia, as an emerging market, faced resource constraints, slower regulatory responses, and technological limitations, particularly among smaller businesses.

The experience of COVID-19 highlights the importance of strengthening financial reporting systems, regulatory enforcement, and technological infrastructure in emerging markets to better withstand future crises and ensure timely, accurate, and transparent financial disclosures.

Changes in Financial Reporting Among Malaysian Companies

One of the most critical changes observed in Malaysian financial reporting during the pandemic is the enhancement of risk disclosures. Firms have increased their focus on providing detailed information about the risks associated with COVID-19, including operational disruptions, supply chain issues, and market volatility. Rahman and Hossain (2021) noted that many companies revised their risk management disclosures to reflect the heightened uncertainty surrounding their business operations. This aligns with findings by KPMG (2020), which emphasized that firms globally were required to enhance their disclosures regarding risks and uncertainties stemming from the pandemic.

The pandemic raised significant concerns regarding the going concern status of many Malaysian firms. According to the Malaysian Institute of Accountants (MIA, 2020), companies were urged to carefully assess their ability to continue as going concerns, considering the potential for decreased revenues and increased costs. This led to more explicit disclosures regarding management's evaluations of financial viability, including any significant doubts about the company’s ability to sustain operations (Mohd Noor & Ameer, 2021).

Malaysian firms have also adjusted their accounting estimates and judgments in light of the pandemic. For instance, there has been an increased focus on impairments related to assets such as inventory and goodwill. Research by Ibrahim and Shafie (2021) highlighted that many companies adjusted their impairment assessments due to declining market conditions and shifts in consumer behaviour. This necessitated transparent disclosures to justify these adjustments and the underlying assumptions used in financial statements.

Timeliness in financial reporting became more crucial during the pandemic. Many firms accelerated their reporting processes to provide stakeholders with up-to-date information amid rapidly changing circumstances. KPMG (2020) reported that Malaysian companies were increasingly focused on delivering timely disclosures regarding their financial health, operational challenges, and recovery strategies. This change underscores the growing recognition of the need for real-time information in crisis management.

The pandemic has prompted a rapid adoption of digital technologies in financial reporting. According to EY (2020), many Malaysian firms leveraged technology to improve the accuracy and efficiency of their reporting processes. This shift included adopting digital platforms for data collection and analysis, enabling firms to respond more effectively to the challenges posed by the pandemic and maintain compliance with reporting standards.

Regulatory bodies in Malaysia, such as the MIA and the Securities Commission Malaysia, provided essential guidance to firms regarding financial reporting during the pandemic. The MIA (2020) issued directives emphasizing the importance of transparency in disclosures related to COVID-19's impact on financial performance. This regulatory support has been vital in encouraging firms to adopt more robust reporting practices, ensuring that stakeholders receive pertinent information during a crisis.

The COVID-19 pandemic has significantly transformed financial reporting practices among Malaysian firms. Key changes include enhanced risk disclosures, re-evaluations of going concern assumptions, adjustments to accounting estimates, increased timeliness of reporting, the adoption of digital technologies, and regulatory guidance. These adaptations not only reflect the immediate challenges posed by the pandemic but also indicate a shift towards more transparent and responsive financial reporting in the Malaysian context.

Challenges Faced by Firms in Adapting to The Evolving Financial Reporting Landscape During the Pandemic

The heightened uncertainty surrounding the pandemic has led to a surge in the complexity of financial disclosures. According to KPMG (2020), firms have had to provide more comprehensive information regarding risks, uncertainties, and the implications of COVID-19 on their financial positions. This complexity can overwhelm finance teams that are already under stress, making it difficult to produce timely and accurate reports. Rahman and Hossain (2021) further highlight that the need for detailed disclosures about operational disruptions and management's responses has added to the reporting burden.

Many firms have faced resource limitations as a result of the pandemic. The sudden shift to remote work and disruptions in normal business operations have strained financial reporting teams. As noted by EY (2020), firms have experienced challenges in maintaining adequate staffing levels and expertise in the face of rapid changes in reporting requirements. These capacity constraints can hinder firms' abilities to effectively adapt to new financial reporting and disclosure practices, leading to potential delays and errors in reporting.

The rapid evolution of regulatory requirements during the pandemic has created confusion for many firms. Regulatory bodies, including the Malaysian Institute of Accountants (MIA), have issued guidelines to support companies, but the guidance has sometimes been perceived as vague or insufficient (MIA, 2020). This lack of clarity can result in inconsistent interpretations of disclosure requirements among firms, complicating compliance efforts. Ibrahim and Shafie (2021) found that companies often struggled to determine the extent of disclosures needed to meet regulatory expectations.

One of the most significant challenges firms faced was evaluating their going concern status amid the pandemic's uncertainties. Many companies encountered difficulties in making informed judgments about their long-term viability, particularly in volatile market conditions. As highlighted by Mohd Noor and Ameer (2021), the need for robust analyses and disclosures regarding going concern assumptions has placed additional pressure on management, especially when reliable forecasts were difficult to obtain.

The pandemic accelerated the need for digital transformation in financial reporting. However, many firms faced challenges in integrating new technologies into their existing reporting processes. According to a survey by Deloitte (2020), while some companies were able to leverage technology effectively, others struggled with inadequate infrastructure or resistance to change among staff. This hindered their ability to produce timely and accurate financial reports in a remote work environment.

The pandemic has heightened stakeholder expectations for transparency and timely information. Firms have been pressured to communicate effectively with stakeholders, including investors, creditors, and regulators, about the impact of COVID-19 on their operations (Klein & Marquardt, 2020). The increased demand for communication, combined with resource constraints and the need for detailed disclosures, has posed significant challenges for finance teams.

The COVID-19 pandemic has introduced several challenges for firms in adapting to new financial reporting and disclosure requirements. Increased complexity in disclosures, limited resources, lack of clarity in regulatory guidance, difficulties in assessing going concern status,

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technology integration issues, and heightened stakeholder expectations have all impacted firms' abilities to navigate this evolving landscape. Addressing these challenges is essential for ensuring that firms can provide accurate and timely financial information in a post-pandemic world.

The Evolution of Stakeholder Expectations Regarding Transparency and Disclosure in Financial Reporting During the Pandemic

The pandemic has driven a marked increase in stakeholder demand for transparency in financial reporting. Stakeholders, including investors, regulators, and customers, now expect firms to provide clear and detailed information about their operational and financial statuses amid uncertainty. Deloitte (2020) notes that stakeholders increasingly require transparency to make informed decisions in a volatile market. This shift reflects a broader trend where transparency is critical to maintaining trust and credibility in the corporate sector.

Stakeholders have become more attuned to the risks that companies face due to the pandemic, leading to heightened expectations for comprehensive risk disclosures. KPMG (2020) highlighted that firms were compelled to enhance their risk disclosures, providing insights into how COVID-19 impacted their operations, financial health, and overall risk management strategies. Investors, in particular, have sought detailed information about liquidity risks, supply chain vulnerabilities, and operational disruptions (Iatridis, 2020). This demand for robust risk disclosures signifies a critical shift in how stakeholders evaluate corporate resilience.

The rapidly changing landscape during the pandemic has led stakeholders to expect real-time information regarding companies' financial positions and operational responses. Klein and Marquardt (2020) observed that stakeholders, especially investors, began demanding more frequent updates on financial performance and strategic decisions, reflecting a recognition that traditional reporting cycles may be insufficient in times of crisis. This evolution indicates that stakeholders now prioritize agility and responsiveness in corporate communications.

In response to evolving expectations, firms have recognized the importance of enhancing stakeholder engagement and communication strategies. Research by Rahman and Hossain (2021) found that companies that maintained proactive communication during the pandemic were better able to manage stakeholder expectations and build trust. Effective engagement involves not only financial disclosures but also regular updates on health and safety measures, corporate social responsibility initiatives, and overall business continuity plans. This shift highlights the need for companies to foster a continuous dialogue with stakeholders.

The pandemic has amplified stakeholder scrutiny regarding ethical practices and corporate social responsibility (CSR). Stakeholders now expect firms to demonstrate a commitment to ethical behaviour, employee welfare, and community support during times of crisis. EY (2020) emphasizes that companies that engage in responsible practices and provide transparent disclosures about their CSR efforts are more likely to gain stakeholder trust and loyalty. This evolution reflects a broader trend towards accountability and sustainability in corporate reporting.

Regulatory bodies have also adapted to changing stakeholder expectations by emphasizing the need for transparency in financial reporting. The Malaysian Institute of Accountants (MIA, 2020) issued guidance urging firms to enhance disclosures related to the impact of COVID-19 on financial performance. Such regulatory initiatives highlight the recognition of the need for

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enhanced disclosure standards in response to stakeholder demands, ensuring that firms are held accountable for their reporting practices.

The COVID-19 pandemic has significantly transformed stakeholder expectations regarding transparency and disclosure in financial reporting. Heightened demand for transparency, an emphasis on risk disclosures, the need for real-time information, enhanced stakeholder engagement, a focus on ethical practices, and regulatory responses all illustrate the evolving landscape of stakeholder expectations. As firms continue to navigate the complexities of the post-pandemic world, meeting these expectations will be crucial for fostering trust and ensuring long-term sustainability.

The Various Roles Technology Has Played in Enhancing Financial Reporting and Disclosure Practices During the Pandemic

The shift to remote work necessitated the use of digital collaboration tools and data management systems. According to Deloitte (2020), many organizations adopted cloud-based platforms to facilitate real-time collaboration among finance teams, allowing for more efficient data sharing and communication. This transition not only improved operational efficiency but also enabled teams to maintain continuity in reporting despite physical distancing measures. Technology facilitated seamless access to financial data, enabling firms to respond swiftly to changing circumstances.

The pandemic underscored the importance of data analytics in financial reporting. Companies increasingly utilized advanced analytics tools to assess financial performance and make informed decisions under uncertain conditions. As noted by KPMG (2020), organizations leveraged data visualization tools to provide stakeholders with clear insights into financial metrics, trends, and risks associated with COVID-19. These technologies enabled firms to conduct more robust scenario analyses and forecasts, enhancing the quality of financial disclosures.

The need for timely and accurate financial reporting led many firms to automate their reporting processes. Automation tools helped streamline data collection, analysis, and reporting, reducing the time required to prepare financial statements. EY (2020) reported that organizations implemented robotic process automation (RPA) and other technologies to minimize manual intervention, thereby improving accuracy and efficiency in financial reporting. This automation was particularly valuable during the pandemic, as firms faced resource constraints and the need for rapid reporting cycles.

The pandemic accelerated the adoption of digital disclosure platforms, allowing firms to enhance their transparency and communication with stakeholders. According to a study by Iatridis (2020), companies increasingly turned to online platforms for disclosing financial information, including real-time updates on their operational status and financial health. These digital platforms provided stakeholders with immediate access to crucial information, fostering trust and confidence in the organization’s ability to navigate the crisis.

Technology played a pivotal role in enhancing risk management practices during the pandemic. Organizations utilized risk management software and analytical tools to assess potential threats and develop contingency plans. Klein and Marquardt (2020) highlighted that firms that leveraged technology for risk assessment were better positioned to adapt to changing circumstances and provide stakeholders with comprehensive risk disclosures. This integration

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of technology into risk management practices was crucial for maintaining stakeholder confidence during uncertain times.

As firms increased their reliance on technology for financial reporting, cybersecurity emerged as a critical concern. The rapid transition to digital platforms exposed companies to new vulnerabilities, necessitating enhanced cybersecurity measures. Rahman and Hossain (2021) emphasized the importance of securing financial data during remote operations, noting that stakeholders now expect firms to prioritize data security and privacy in their reporting practices. The focus on cybersecurity highlights the need for organizations to not only adopt technology but also safeguard the integrity of their financial information.

Technology has played a transformative role in facilitating financial reporting and disclosure practices during the COVID-19 pandemic. From enabling remote collaboration and enhancing data analytics to automating reporting processes and improving risk management, technology has been instrumental in helping firms navigate the challenges posed by the crisis. As organizations continue to adapt to a post-pandemic environment, leveraging technology will be crucial for enhancing transparency and maintaining stakeholder trust.

Research Methodology

Research Design

This study will employ a mixed-methods research design, combining both quantitative and qualitative approaches. The quantitative component will involve surveys to gather data on financial reporting practices, while the qualitative component will include in-depth interviews to gain insights into the challenges and adaptations experienced by firms during the COVID-19 pandemic. This triangulation of data sources will provide a comprehensive understanding of the impact of the pandemic on financial reporting and disclosure practices in Malaysia.

Data Collection Methods

1. Quantitative Data Collection

- Surveys: An online questionnaire will be developed to collect quantitative data from a broad range of firms in Malaysia. The survey will include structured questions focusing on changes in financial reporting practices, challenges faced, and perceptions of stakeholder expectations. It will utilize Likert scales to measure responses and gather demographic information about the participants' firms.

2. Qualitative Data Collection

- Interviews: Semi-structured interviews will be conducted with key financial decision-makers within selected firms. This approach allows for flexibility in exploring participants' experiences and perspectives regarding financial reporting adaptations during the pandemic. The interviews will be recorded, transcribed, and analysed for thematic content.

Participants and Sample Selection

1. Target Population

The target population for this study will include financial decision-makers (e.g., CFOs, financial managers) from a diverse range of Malaysian firms, including large corporations, SMEs, and firms from various industries such as manufacturing, services, and retail.

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2. Sample Selection

- **Quantitative Sample**: A stratified random sampling method will be employed to ensure representation across different sectors and firm sizes. The sample size for the survey will be determined using statistical power analysis to ensure sufficient power to detect meaningful effects. A target sample size of approximately 200 respondents is anticipated. A sample size of 200 provides adequate power to detect medium to large effect sizes, ensuring that the results are robust and reliable. This sample size is consistent with similar studies in accounting and finance, where medium-sized samples help provide meaningful statistical comparisons (Cohen, 1992).
- **Qualitative Sample**: For the qualitative interviews, purposive sampling will be used to select participants who have direct experience with financial reporting during the pandemic. Aiming for 15 to 20 interviews will provide a rich set of data while allowing for in-depth exploration of experiences.

Data Analysis Techniques

1. Quantitative Data Analysis

- Descriptive Statistics: The survey data will be analysed using descriptive statistics to summarize the responses and identify trends in financial reporting practices among Malaysian firms. Measures such as means, standard deviations, and frequency distributions will be calculated.
- Inferential Statistics: To examine relationships between variables (e.g., changes in reporting practices and the size of the firm), inferential statistical techniques such as regression analysis and ANOVA will be employed, depending on the nature of the data and research questions.

2. Qualitative Data Analysis

- Thematic Analysis: Thematic analysis will be used to analyse the transcribed interview data. This involves coding the data into themes and sub-themes that capture the participants' experiences and perspectives regarding the impact of the pandemic on financial reporting practices. NVivo software may be utilized to assist in organizing and analysing qualitative data.

3. Integration of Quantitative and Qualitative Data

- The findings from both quantitative and qualitative analyses will be integrated to provide a comprehensive understanding of the impact of COVID-19 on financial reporting practices. The qualitative insights will complement the quantitative results, offering deeper context and explanation for the observed trends in financial reporting.

In conclusion, this research will utilize a mixed-methods approach to effectively explore the impact of the COVID-19 pandemic on financial reporting and disclosure practices among Malaysian firms. By employing robust data collection and analysis techniques, the study aims to generate valuable insights that can inform both academic understanding and practical applications in the field of accounting.

Conclusion

The COVID-19 pandemic has undeniably reshaped the landscape of financial reporting and disclosure practices globally, with significant implications for businesses in Malaysia. This research proposal aims to investigate how Malaysian firms have adapted their financial reporting practices in response to the unique challenges presented by the pandemic. By employing a mixed-methods approach that combines quantitative surveys and qualitative

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interviews, the study seeks to provide a comprehensive understanding of the impact of COVID-19 on financial reporting and disclosure practices.

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