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EDITORIAL NOTE

Dear readers,

We are pleased to present you our 2016 issue. In this issue, we choose a wide-range of papers that include various perspectives in accounting; namely, taxation and compliance behaviour, investors' sentiment in stock volatility, effectiveness of governance mechanism, the impact of accrual reversals on earnings management and cost management practices.

The first paper, by Che Azmi, Zainuddin, Mustapha & Nawi (2016), discusses the mediating role of tax fairness on tax compliance. Tax compliance in this paper refers to the voluntary compliance of taxpayers as a result of the introduction of the Self-Assessment System (SAS). Set in a Malaysian context, the paper explores the extent to which tax knowledge, tax complexity perceptions, and tax fairness perceptions influence the compliance behaviour of Malaysian taxpayers. Adopting a survey approach, 200 questionnaires were distributed to two main groups; namely, the taxpayers who visited the Inland Revenue Board (IRB) for assistance and post-graduate students studying at the University of Malaya and University of Putra Malaysia. All of the questionnaires were returned and usable, giving a 100% response rate. The study finds that tax fairness mediates the relationship between tax knowledge and tax compliance behaviour as well as between tax complexity perceptions and tax compliance behaviour. However, the study finds that the tax fairness role is significant in mediating the latter situation but not the former. Thus, the findings of the study imply that it is imperative for tax policymakers to educate taxpayers so that the fairness of tax rules can be perceived by the taxpayers, which, in turn, will enhance their tax compliance behaviour.

The second paper, by Yacob, Ahmad Mahdzan & Arof (2016), provides an interesting discussion of investor sentiment with a particular focus on the Malaysian Kuala Lumpur Composite Index (KLCI). Contending that investor sentiment plays a significant role in influencing stock market fluctuations, which, in turn, would result in volatility that affects the general economy, the authors emphasize the importance of examining investor sentiment. Investor sentiment is an important concept that explains the investors' behaviour in the stock market and the extent to which it is related to psychological factors. In order to evaluate investor sentiment on KLCI, the paper develops a measurement for investor sentiment using proxies, which includes stock market turnover, number of initial public offerings, IPO initial returns, the frequency of advancer's and decliner's stock ratios and the widely applied consumer sentiment index, which is based on the household perceptions of the general economy. The findings of the paper suggest that investor sentiment plays an important role in predicting the movements in KLCI. Hence, the paper concludes by suggesting that Bursa Malaysia undertake a careful examination of investors' sentiment and apply appropriate measures and tools in an effort to lessen irrational reactions from the stock market investors.

The third paper, by Mat Yasin, Muhamad & Sulaiman (2016), discusses research papers that examine the effectiveness of the key players; namely, board of directors, audit committee, internal audit and external audit in enhancing corporate governance effectiveness. The paper finds that the effectiveness of the key players can be further examined by exploring the input process that influences effectiveness, the process (which encompasses the behaviour and conduct of the key players, as well as their respective interactions) and the outcome of the effectiveness; which result in an enhancement in the financial reporting quality, audit quality and corporate performance. Accordingly, the authors contend that the area that focuses on the processes in achieving an effective governance is rather limited. Therefore, future research could focus on exploring the interactions of the key players, which include the external auditors, internal audit function, and, more importantly, how these parties interact to achieve effective governance.

The fourth paper, by Bolach and Hassan (2016), offers a discussion on the incidence of “accrual reversals” and their role in earnings management, in the context of Pakistan. According to the authors, “accrual reversals” are the instances that are contradictory to the accrual events where the cash outflow or inflow is deferred to the following period, but the resulting revenues or expenses are recognized in the current period. In accrual reversals, the cash inflows and outflows are received in the current period. The authors contend that accrual reversals have an impact on earnings management. Using the cash flow approach to measure both accruals and accrual reversals, the paper examines the effect of accrual reversals on non-financial companies in Pakistan, over a time-span of 10 years. The study finds that there is a significant positive relationship between current earnings and accrual reversals. This notably means that an increase in accrual reversals would have an impact by increasing the earnings and vice versa. Noting that Pakistan is an emerging market, the authors call for similar studies to be conducted in other emerging countries in order to derive more conclusive evidence of earnings management behaviour as far as “accrual reversals” are concerned.

The fifth and last paper, by DhaifAllah, Md Auzair, Maelah & Ismail (2016), discusses recent literature on inter-organizational cost management (IOCM) and open book accounting (OBA) practices, and their relationship with cost reduction. IOCM is an essential element in manufacturing companies as it seeks to reduce information asymmetry between the buyer and seller, and, therefore, ultimately, assists in reducing costs. Meanwhile, OBA connotes an instance of “cost information sharing” between the buyer and supplier. Examining literature from 1992 until 2017, the paper finds that, contextually, the IOCM studies are conducted and therefore largely apparent in the context of developed countries; namely, the US, UK, and Japan. However, IOCM studies in European and other country contexts are increasing. The study finds that, in general, the role of both IOCM and OBA in reducing costs in manufacturing companies reveal mixed results; and are confined by the use of case study approaches, which limit the generalizability of the results. Hence, the author calls for more studies to be

conducted in this area, using a quantitative approach in an attempt to provide a generalized understanding in this context.

The editors would like to extend their gratitude to the authors/contributors, the reviewers as well as all others who are either directly or indirectly involved in the publication of this 2016 issue. A special appreciation is also extended to the editorial board of the faculty's sister journal, Asian Journal of Business and Accounting (AJBA), to the management of the faculty, and all the members of the department for their continuous support for AJAP. A very big and warm thank you from all of us.

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